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ESG and Hotel Accounting: New Regulatory Framework, Accounting Challenges and Strategic Implications - A Comparative Analysis of Greece and Cyprus

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Abstract

The integration of Environmental, Social, and Governance (ESG) criteria into accounting and financial reporting is among the most consequential regulatory reforms facing the hotel industry. This article examines how the Corporate Sustainability Reporting Directive (CSRD; 2022/2464/EU), the European Sustainability Reporting Standards (ESRS) and the ISSB's IFRS S1/S2 reshape hotel accounting practice, with an emphasis on the Greek hotel industry and a comparative analysis with Cyprus as a representative island tourism economy within the European Union. Combining a qualitative analysis of the regulatory framework — including the 2025 Omnibus simplification package — with a structured narrative review of the literature (2017–2026), it highlights three critical accounting challenges: measuring the carbon footprint across Scopes 1–3, valuing ESG risks and stranded assets, and social reporting under ESRS S1/S2. Read through legitimacy and stakeholder theory, the comparative analysis shows that divergent national energy mixes and accounting frameworks (Greek GAAP vs. IFRS) create structurally unequal starting points under an ostensibly uniform standard: Greece's above-average renewable electricity mix gives its hotels a Scope 2 advantage, whereas Cyprus's fossil-intensive grid imposes a higher Scope 2 burden that is largely beyond firm-level control, even as Cyprus retains an institutional advantage through its familiarity with IFRS. Overall, the accountant's role is evolving into a central function in integrated sustainable value management, requiring new competencies, interdisciplinary collaboration and investment in information infrastructure.

Keywords: ESG accounting, CSRD/ESRS, carbon accounting, hotel industry, Greece, Cyprus

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Introduction

Tourism is a structural pillar of Mediterranean economies, and in Greece and Cyprus a primary engine of output, employment and foreign-exchange earnings, with inbound tourism receipts equivalent to around 9% of GDP in both countries in 2024 (9.1% in Greece, 9.2% in Cyprus; Bank of Greece, 2025; CYSTAT, 2025; ELSTAT, 2025). That centrality is inseparable from a heavy environmental footprint: hotels are energy- and water-intensive operations whose emissions, resource use and waste place the sector at the heart of the sustainability transition (Menegaki, 2025; Meng et al., 2024). For tourism-dependent island and coastal economies, how hospitality firms account for, disclose and manage their environmental and social impacts is therefore not peripheral but bound up with the long-run competitiveness of the economy itself.

Hotel enterprises are among the most energy- and resource-intensive activities in the service sector, yet systematic measurement and disclosure of their environmental and social impacts have, until recently, remained voluntary, fragmented and largely disconnected from financial reporting (Holcomb et al., 2007; Chan, 2008). The transition now underway, from voluntary narrative reporting to mandatory, assured, financial-grade disclosure, constitutes a qualitative shift in the accountability architecture facing the sector (Simnett et al., 2009; Koseoglu et al., 2021). This shift is consequential not only for large listed groups but also for the small and medium-sized enterprises that dominate Mediterranean hospitality: the CSRD and ESRS do not distinguish by business model, and their assurance requirements place new demands on accounting systems that were never designed to capture non-financial performance data at the granularity now required.

This question has acquired new urgency because the European Union has moved sustainability reporting from a voluntary, largely narrative exercise to a mandatory accounting and assurance obligation. As a cornerstone of the European Green Deal, the Corporate Sustainability Reporting Directive (CSRD; Directive 2022/2464/EU) and the European Sustainability Reporting Standards (ESRS), alongside the International Sustainability Standards Board's IFRS S1 and S2, have repositioned sustainability information within the formal reporting boundary, governed by principles such as double materiality and subject to external assurance (Velte, 2023; Koseoglu et al., 2021).

The subsequent 2025 Omnibus simplification package, which narrowed the directive's scope and recalibrated its timeline, underscores that this regime is both consequential and still in motion. The cumulative effect is to transform sustainability from a communications matter into a core challenge of measurement, valuation and reporting; one that falls squarely within the remit of the accounting function and the accounting profession (Garefalakis et al., 2026b). Scholarly attention to Environmental, Social, and Governance (ESG) has expanded rapidly in parallel (Kim & Yang, 2026), yet that growth has been uneven across sectors and questions.

Two gaps in particular motivate this study. First, the substantial literature on sustainability in hospitality has been oriented chiefly towards operations, strategy and behaviour, the drivers and barriers of green practice (Guerra-Lombardi et al., 2024), corporate social responsibility and environmental motivation (Meng et al., 2024), and the modelling of environmental impact (Menegaki, 2025), rather than towards the accounting problems that the new regime creates: the measurement of Scope 1–3 emissions, the operationalisation of double materiality, the treatment of climate-related risks in asset valuation and impairment, and the assurance of non-financial disclosures. Conversely, the sustainability-accounting literature has concentrated on large listed firms and on cross-sector or single-country settings, leaving the hotel sector (dominated in the Mediterranean by small, medium and family-owned enterprises) comparatively under-examined. The financial materiality of ESG that this literature documents, in the form of effects on the cost of debt and capital (Apergis et al., 2022; Fiorillo et al., 2025) and the penalising effect of ESG controversies (Hampl & Vágnerová Linnertová, 2024; Passas et al., 2022), makes the absence of sector-specific accounting analysis a meaningful omission rather than a niche one. The urgency is compounded by the mandatory nature of ESRS disclosure, which transforms previously optional sustainability information into auditable, financially material data: failures in ESG measurement and disclosure now carry regulatory, legal and market-access consequences that the existing hospitality literature has not fully confronted (Simnett et al., 2009; Hamrouni et al., 2023).

Second, comparative analysis across structurally similar Mediterranean economies remains scarce, even though it is analytically powerful. Greece and Cyprus offer an instructive natural comparison: two tourism-dependent economies of comparable orientation that nonetheless diverge on two variables that directly determine ESG accounting outcomes; the carbon intensity of the national electricity mix and the prevailing financial-reporting framework. Cyprus's fossil-heavy, islanded grid imposes a structurally higher Scope 2 emissions burden than Greece's increasingly renewable-based system (51.2% of electricity generation in Greece versus 24.1% in Cyprus, against an EU average of 47.5%; Eurostat, 2024), while differences in the use of national GAAP versus IFRS shape how, and how comparably, sustainability-linked items enter the accounts. Recent

evidence on ESG implementation in Greek tourism enterprises shows that governance arrangements and firm characteristics materially affect both the uptake and the financial outcomes of sustainability practices (Garefalakis et al., 2026a), and that ESG performance is associated with financial performance in tourism services more broadly (Matsali et al., 2025), but the comparative, cross-jurisdictional accounting dimension has not been drawn out. Existing comparative sustainability-reporting studies have focused predominantly on large listed firms in Anglo-Saxon and Nordic settings, where firm size, reporting infrastructure and energy-mix characteristics differ substantially from the SME-dominated Mediterranean tourism sector (Simnett et al., 2009; Ioannou & Serafeim, 2017); the Mediterranean island-economy comparative frame is therefore a genuinely underexplored analytical space that this study opens for empirical follow-up.

This paper addresses both gaps. Its contribution is a comparative, regulation- and accounting-focused analysis of how the EU sustainability-reporting regime translates into concrete accounting challenges for the hotel sector in two Mediterranean economies, and of how structural national differences in energy mix, accounting framework and firm size produce unequal outcomes under an ostensibly uniform standard. In doing so it bridges the hospitality-sustainability and sustainability-accounting literatures, and it reads the resulting tensions through the complementary lenses of legitimacy theory and stakeholder theory (Suchman, 1995; Deegan, 2002; Freeman, 1984), whose joint application to sustainability reporting is well established in recent work (Velte, 2023; Magalhães, 2026).

Accordingly, the study pursues three objectives: (i) to map the regulatory framework governing ESG and sustainability reporting as it applies to hotels in Greece and Cyprus, including the CSRD/ESRS architecture, the ISSB standards and the 2025 Omnibus revisions; (ii) to identify and analyse the specific accounting challenges the framework creates for the sector — among them carbon and Scope-emissions accounting, double materiality, asset valuation and impairment, and assurance; and (iii) to examine the comparative strategic implications for the two countries, accounting for their divergent energy and reporting contexts.

The remainder of the paper is organised as follows: Section 2 sets out the structured narrative review methodology; Sections 3–6 develop the regulatory framework and the accounting challenges; Section 7 presents the Greece–Cyprus comparison; and the final sections discuss the implications of the study, its limitations and conclusions.

Methodology

To map the evolving landscape of ESG accounting in the European hotel sector, this study employs a structured narrative review combined with documentary analysis of primary regulatory instruments. This dual-track approach suits the thematic breadth of the inquiry, integrating regulatory, accounting, and strategic dimensions across two national contexts, patterns that single-jurisdiction or single-standard studies tend to obscure (Tranfield et al., 2003; Massaro et al., 2016). Structured narrative reviews are particularly appropriate where the research question is broad, multi-disciplinary and responsive to a rapidly evolving regulatory context; conditions under which the narrow, bounded protocols of formal systematic reviews sacrifice necessary analytical scope (Snyder, 2019). The review followed a four-stage process: identification, title/abstract screening, full-text eligibility assessment, and structured narrative synthesis.

Several grounds justify a structured narrative review over a formal systematic literature review. First, the scope is deliberately broad and comparative, requiring flexibility that the narrow, tightly bounded questions of SLR protocols would preclude (Tranfield et al., 2003; Snyder, 2019). Second, the heterogeneity of the relevant literature (spanning regulatory analysis, carbon accounting, hospitality management, and sustainability reporting) makes uniform quality-appraisal checklists inapplicable. Third, the synthesis is organised thematically, consistent with structured reviews of comparable scope in accounting research (Massaro et al., 2016).

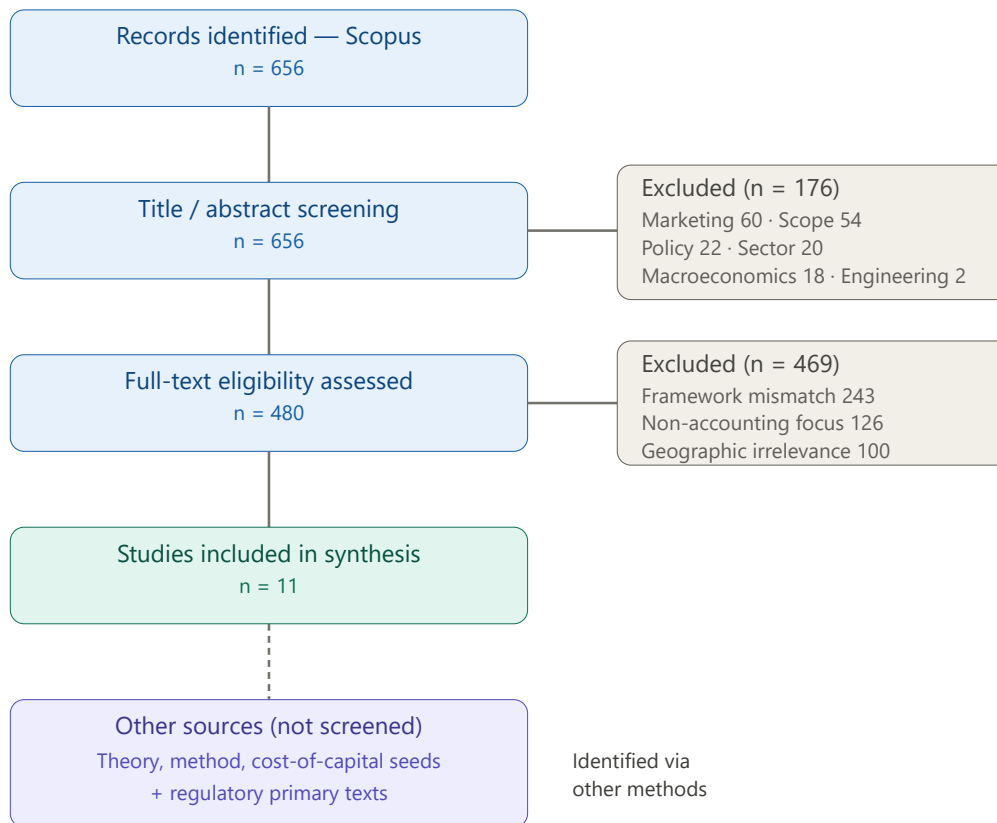
The literature search was conducted in Scopus. The strategy used iterative Boolean searching combining sustainability-reporting and ESG terms ("CSRD," "ESRS," "sustainability reporting," "ESG," "non-financial reporting," "corporate social responsibility," "double

materiality," "carbon accounting," among others) with hospitality-sector terms ("hotel," "hospitality," "tourism," "accommodation," "lodging," "resort"), restricted to English-language articles and reviews published between 2017 and 2026 in the Business, Management & Accounting and Economics, Econometrics & Finance subject areas. The search returned 656 records (Figure 1).

Screening proceeded in two passes. In the first pass, titles, abstracts and keywords were assessed against the inclusion criterion that a study intersect a corporate ESG/sustainability-reporting framework with the hospitality, hotel or tourism sector, or address a specific accounting or assurance challenge relevant to that sector. This pass excluded 176 records (principally consumer/marketing-behaviour studies, broad CSR work lacking sector application, destination-policy and planning studies, non-tourism sectors, macroeconomic modelling, and building-engineering papers) leaving 480 records for full-text assessment. In the second pass, the 480 papers were assessed for technical accounting substance; 469 were excluded for framework mismatch (sustainability discussed without integration of a corporate reporting standard), non-accounting focus (organisational behaviour, leadership, green HRM), or geographic irrelevance to the comparative Mediterranean frame. This yielded a final corpus of 11 studies for synthesis.

In parallel, a documentary track analysed the primary regulatory texts directly - the CSRD (2022/2464/EU), the EFRAG ESRS (2023), the ISSB IFRS S1 and S2 standards (2023), the EU Taxonomy Regulation (2020/852/EU), the 2025 Omnibus package, and the national transposition instruments in Greece and Cyprus. A further set of foundational theoretical, methodological and financial-materiality sources was identified through citation snowballing and is treated separately from the database-screened corpus. The synthesis is grounded in legitimacy and stakeholder theory; foundational frameworks (Suchman, 1995; Freeman, 1984) whose explanatory power in mandatory-disclosure settings has been extensively demonstrated in recent sustainability-reporting scholarship (Velte, 2023; Magalhães, 2026; Hamrouni et al., 2023). While Deegan's (2002) original formulation of the social-contract legitimating function of environmental disclosure remains a canonical reference point, more recent applications extend this logic to the CSRD era, in which the boundaries of what firms must disclose, and to whom, are institutionally prescribed rather than self-selected, fundamentally changing the strategic calculus of sustainability reporting (Magalhães, 2026; Velte, 2023).

Figure 1: PRISMA study flow



Several limitations warrant acknowledgement. Reliance on a single database (Scopus), chosen for its coverage and metadata consistency, may have excluded relevant work indexed elsewhere. The regulatory landscape remains in flux (notably the 2025 Omnibus revisions to CSRD scope and timing) so parts of the analysis describe a moving target. The two-country focus, chosen for analytical depth, limits statistical generalisability to other Mediterranean economies, and the qualitative, interpretive synthesis inevitably involves author judgement in weighting sources.

The Evolving Regulatory Framework

From NFRD to CSRD: The Mandatory Reporting Revolution

Directive 2014/95/EU (NFRD) required large companies with more than 500 employees to publish non-financial reports, but did not provide for standardized methodologies (Ioannou & Serafeim, 2017). The CSRD (2022/2464/EU) brought about a radical change: it introduced the ESRS as binding reporting standards, extended the scope to companies with more than 250 employees and a minimum turnover of €40 million, and established the principle of "double materiality" - requiring reporting of both the financial impact of sustainability on the business and the business's impact on the environment and society (EFRAG, 2023). Following the 2025 Omnibus simplification package, however, these thresholds were substantially raised and the reporting timeline delayed, removing a large share of previously in-scope companies (European Commission, 2025). Double materiality is not merely a technical expansion but a contested reframing of the reporting boundary: by obliging firms to disclose their impact on society alongside society's impact on them, it institutionalises the stakeholder claim that legitimacy must be earned, not asserted (Velte, 2023).

Table 1 summarizes the timeline of the main ESG regulatory developments in the European Union, from the NFRD of 2014 to the IFRS S1 & S2 standards expected to be

implemented globally from 2027 onwards. This timeline highlights the gradual expansion of both the scope of application - from companies with more than 500 employees to a much broader range of businesses - and thematic coverage, with increasingly demanding disclosure obligations for the hotel industry.

Table 1: Timeline of ESG Regulatory Developments in the European Union

Year	Legislation / Standard	Competent Body	Businesses	ESG Scope
2014	NFRD (2014/95/EU)	European Commission	>500 employees	E, S, G
2023	CSRD (2022/2464/EU)	European Commission	>250 employees (gradually)	E, S, G (ESRS)
2024	ESRS (EFRAG)	EFRAG / EC	Listed + large SMEs	Double Materiality
2025	EU Taxonomy Regulation	EBA / ESMA	Financial & hotels	E (Activity Classification)
2026	CSDDD (Supply Chain)	European Parliament	Large businesses	S, G (value chain)
2027+	ISSB IFRS S1 & S2	IASB / ISSB	Global application	E (climate), G

Source: European Commission (2020, 2022), EFRAG (2023), IASB/ISSB (2023), own elaboration.

Note: The thresholds and timeline shown predate the 2025 Omnibus simplification package, which raised the CSRD scope thresholds, delayed the reporting waves, dropped the sector-specific ESRS and retained limited (rather than reasonable) assurance (European Commission, 2025).

IFRS S1 & S2: The Global Dimension

In line with European developments, the ISSB issued IFRS S1 (general sustainability reporting requirements) and IFRS S2 (climate risks and opportunities) in 2023. These standards incorporate the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures; TCFD, 2021) and require analysis of climate scenarios (1.5°C, 2°C, 3°C) to assess financial impacts (ISSB, 2023).

For hotels, the adoption of IFRS S2 means mandatory disclosure of natural risks such as extreme weather events, temperature increase and sea level rise (IPCC, 2022), and transitional risks (regulatory changes, technological restructuring, demand changes). Hotels in coastal or island areas - as in much of Greece - face particularly elevated natural risks that must now be quantitatively reflected in the financial statements. These physical exposures are not yet routinely capitalised into hotel asset values, a gap that recent sector evidence attributes to the absence of an ESG module in prevailing accounting practice (Halmi & Poldrugovac, 2022).

Critical Accounting Challenges

Carbon Accounting: Measuring the Carbon Footprint

Greenhouse gas (GHG) emissions measurement is the cornerstone of ESG accounting, and its interaction with legitimacy theory is direct. Deegan (2002) established that accurate, transparent disclosure of environmental impacts is a primary mechanism through which organisations maintain their "social contract" and secure social acceptance. In the contemporary mandatory-disclosure

context created by the CSRD and ESRS, this legitimating function has been hardened into a legal obligation: selective or incomplete emissions reporting, even when technically compliant, now risks both regulatory sanction and the market perception of greenwashing, with measurable financial consequences (Lyon & Maxwell, 2011; Kim & Lyon, 2015). The shift from voluntary to compulsory disclosure does not dissolve legitimacy pressures; it institutionalises them, transforming measurement failures from reputational risks into accounting violations (Velte, 2023; Hamrouni et al., 2023). Against this backdrop, the GHG Protocol's distinction among three emission scopes (Scopes 1, 2, 3) is not merely a technical classification: it defines the perimeter of the social contract that each hotel must account for, with each scope presenting characteristic measurement challenges that current hospitality-sector practice has only partially addressed.

Table 2 systematically analyzes the three emission scopes in relation to the specific accounting challenges that hotels face in each, while listing the corresponding reporting methodology standards. This classification highlights that complexity increases significantly from Scope 1 - where emissions are directly measurable - to Scope 3, which requires estimates from third-party sources and collaboration with the entire value chain.

Table 2: Emission Scopes and Accounting Challenges in Hotels

Emissions Scope	Examples in Hotels	Accounting Challenge	Reporting Methodology
Scope 1 (Direct)	Boilers, generators, vehicle fleet	Fuel measurement, conversion to CO ₂ e	GHG Protocol / ISO 14064
Scope 2 (Energy)	Electricity from the grid, district heating	Market-based vs. location-based method	RE100 / IEA Emission Factors
Scope 3 – Upstream	Food, consumables, construction	Double counting with suppliers, LCA	GHG Protocol Scope 3 Standard
Scope 3 – Downstream	Business trips, laundry services	Third-party data, estimates	HCFI Hotel Carbon Measurement Initiative
Water & Waste	Water consumption, kitchen waste	Non-standard indicators, seasonality	GRI 303, GRI 306

Source: GHG Protocol Corporate Standard (WRI/WBCSD, 2004), HCFI (2022), GRI Standards (2021), own elaboration.

A particular problem concerns the methodological choice in Scope 2: the "market-based" method calculates emissions based on purchased green energy certificates (RECs/GOOs), while the "location-based" method is based on the national energy mix. The choice of method can materially affect reported results, raising comparability concerns. This is more than a measurement nuisance: because the market-based method lets a hotel report lower emissions by purchasing certificates rather than reducing physical consumption, the methodological choice becomes a legitimacy lever, and comparability across firms collapses unless the basis is disclosed and assured (Koseoglu et al., 2021).

New Accounting Requirements: Valuation, Provisions and Disclosures

The integration of ESG risks into classical accounting principles creates significant frictions with current IFRS. The estimation of recoverable amount under IAS 36 must now take into account the risk of "stranded assets" - old hotel buildings with high energy consumption that may lose a significant part of their value due to regulatory changes (Caldecott, 2017). Table 3 summarizes the main new accounting requirements.

Table 3: Classic Accounting Fields Under Pressure from ESG Requirements

Accounting Field	Traditional Approach	New ESG Requirement	Risk / Impact
Asset Valuation	Historical cost / IFRS 13 fair value	Incorporating climate risk into valuation	Undervaluation of energy-inefficient real estate
Impairment (IAS 36)	Recoverable amount	Stranded assets from regulatory changes	Unrecognized losses on old buildings
Provisions (IAS 37)	Legal obligations, historical experience	Carbon liabilities, pollution fees, ETS	Understatement of liabilities on the balance sheet
Revenue (IFRS 15)	Pricing per room / package	ESG premium pricing, green certifications	Inability to analyze ESG revenue contribution
Capitalization of Expenses (IAS 16)	Tangible fixed assets	Green CAPEX vs. OPEX - new categories	Unclear rules for ESG investments
Disclosures (IFRS 7/IFRS S2)	Economic risks, lending	Climate risks, 1.5°C/2°C scenarios	Lack of experience in climate scenario analysis

Source: IASB (2023), ISSB (2023), Caldecott (2017), EFRAG (2023), own elaboration.

Reading Table 3 highlights that the ESG transition does not only concern the creation of new sustainability reports, but horizontally permeates all classic accounting fields, requiring a review of fundamental assumptions and methodologies. Each field presents particular challenges that require analytical treatment.

The classic valuation of assets - based on historical cost or fair value under IFRS 13 - is no longer sufficient: the new standards require that the risks arising from climate change be incorporated into the value of assets. Hotel properties with high energy consumption, such as old low-energy-class buildings, may currently be valued at figures that do not reflect future compliance costs or expected depreciation due to regulatory changes. Failure to incorporate these factors into the valuation can mislead investors and lenders as to the true value of the business.

Closely related is the issue of impairment under IAS 36. The concept of "stranded assets" - assets that lose value due to regulatory or technological change - is gaining particular importance for the hotel industry (Caldecott, 2017). An old hotel with gas boilers, inadequate insulation and outdated air conditioning systems not only faces high operating costs, but also risks becoming non-compliant with future energy directives, requiring costly renovations or even closure. Impairment losses arising from this scenario must be recognized promptly in the financial statements, which is

rarely done today. The impairment trigger is therefore as much regulatory as physical: it is the tightening of energy directives, not building age alone, that strands the asset — making the timing of recognition a judgement about regulatory trajectory that current practice is poorly equipped to make (Caldecott, 2017).

Regarding provisions (IAS 37), the ESG era introduces new categories of liabilities that were traditionally not recognized on the balance sheet: carbon liabilities from participation in the EU Emissions Trading System (EU ETS), potential charges from pollution fees, and environmental damage remediation costs. For hotels that have not yet incorporated these estimates, the risk of underestimating liabilities is real and can significantly affect the picture of their financial position.

In the area of revenue (IFRS 15), the emergence of "ESG premium pricing" constitutes a verified anchor on ESG-financial linkage in tourism (Matsali et al., 2025) and a new challenge for accounting recognition and analysis. Hotels with green operation certifications (LEED, Green Key, Travelife) present, according to the literature, potential for higher pricing and better occupancy. The accounting inability to analyze and quantify this contribution - i.e. how much of the RevPAR is attributed to ESG factors - deprives management of critical information for strategic decision-making.

Capitalization of costs (IAS 16) also faces new ambiguities in the ESG environment. The distinction between "green CAPEX" - investments in photovoltaics, energy systems, building renovation - and current maintenance expenditure (OPEX) is not always clear. At the same time, the EU Taxonomy defines specific criteria for what is considered a "green" activity, setting new obligations to categorize investments that interact with capitalization accounting rules in ways not yet fully clarified by supervisory bodies.

Finally, the issue of climate disclosures (IFRS 7 / IFRS S2) is particularly sensitive. IFRS S2 requires sensitivity analysis based on scenarios of 1.5°C, 2°C and 3°C temperature increase - a complexity that far exceeds the traditional skills of an accountant and requires collaboration with climatologists, engineers and risk analysts. For hotels in coastal or island areas, such as the vast majority of Greek and Cypriot tourist units, these scenarios are not theoretical exercises: sea level rise, an increase in extreme weather events and the shift in tourism demand due to temperature represent real and measurable risks. This interdisciplinary necessity essentially reshapes the organizational position of the accounting function within hotel businesses, making the accountant a central coordinator of risk management and strategic sustainability.

The ESG-Financial Indicators Dimension

Integrating ESG indicators with traditional financial KPIs is one of the most challenging and critical tasks for hotel accounting. The hospitality literature confirms that hotels with higher environmental performance present a competitive advantage in RevPAR and repeat customers (Holcomb et al., 2007; Okumus et al., 2019), while the integration of environmental indicators into performance evaluation is an emerging practice in international hotel groups (Chan, 2008). Table 4 presents the relationship between ESG indicators and financial variables, as well as the implications for investor evaluation.

Table 4: ESG Indicators, Financial Analogues and Investment Assessment

ESG Indicator	Financial KPI	Data Source	Relationship with Investor Rating
Carbon Intensity (kgCO ₂ /RevPAR)	EBITDA Margin	Energy tariffs, GHG measurements	Increases cost of capital if high
Energy Intensity (kWh/room)	COGS per room	Building Management Systems (BMS)	Higher ESG scores are associated with narrower bond spreads
Water Usage (lt/guest/night)	Operating cost	Water meters, IoT	Stranded asset risk assessment
Gender Pay Gap (%)	Labour cost ratio	Payroll / HR analytics	Reputational risk, litigation costs
Employee Turnover Rate (%)	Recruitment & training costs	HR systems	Human capital quality signal
Board Independence (%)	Governance premium / discount	Articles of Association, Board minutes	Lower agency cost
Green Certification Level	RevPAR premium	LEED / Green Key / Travelife	Pricing power, occupancy rate

Source: HCM1 (2022), Apergis et al. (2022), Fiorillo et al. (2025), Khan et al. (2016), GRI 303/306, own elaboration.

Reading Table 4 highlights one of the most important untapped areas in hotel accounting: the systematic linking of ESG indicators to traditional financial KPIs and, by extension, to risk assessment and cost of capital. The seven indicators in the table are not simply sustainability metrics - they are signals of financial quality that markets are beginning to explicitly value.

On the environmental side, Carbon Intensity (kgCO₂/RevPAR) and Energy Intensity (kWh/room) are directly linked to EBITDA margin and cost per room respectively. Hotels with high energy intensity face a double disadvantage: increased operating costs that squeeze profit margins, and a higher ESG score in terms of emissions that increases borrowing costs through the bond spread (Apergis et al., 2022; Fiorillo et al., 2025). This relationship is particularly critical for Greek and Cypriot hotels, where energy consumption remains high compared to the European average. Water Usage - particularly critical in water-scarce Mediterranean regions - is an indicator that investors associate with stranded asset risk, as water shortages may limit the future operational capacity of facilities in island areas.

Regarding the social dimension, two indicators are of particular importance for the hotel industry. The Gender Pay Gap (%) is linked to the labour cost ratio and, indirectly, to the risk of reputational damage and litigation cost - a risk increasingly prominent in the tourism sector, where public image is strategically critical. The Employee Turnover Rate (%) is perhaps the most underestimated indicator in the table for Greek hotels: an industry with strong seasonality and high employee turnover is burdened with significant recruitment and training costs, while sending a

negative signal to investors regarding the quality of human capital (Khan et al., 2016). The accounting capture of this cost is a challenge that ESRS S1 now requires to be addressed systematically.

In the corporate governance dimension, Board Independence (%) is inversely related to agency cost: higher board independence is associated with lower borrowing costs and higher valuations. For the Greek and Cypriot hotel industry, dominated by family businesses with centralized ownership, this indicator constitutes a structural weakness that requires strategic attention, especially in view of the expected extension of ESG disclosure obligations to SMEs.

Finally, the level of Green Certification is the most directly marketable ESG indicator: certifications such as LEED, Green Key or Travelife are empirically associated with RevPAR premiums and higher occupancy rates, especially in the high-end and bleisure (business + leisure) market segments. However, the proliferation of low-credibility certification schemes undermines the usefulness of the indicator and paves the way for greenwashing - the misleading presentation of non-essential environmental practices as evidence of a green strategy - while exposing investors to the risk of incorrect valuation. The financial stakes of this are now measurable: ESG controversies attract a documented penalty in the cost of capital, so a certification that fails to withstand assurance is not a neutral marketing choice but a latent financial liability (Hampl & Vágnerová Linnertová, 2024). Overall, Table 4 highlights that ESG accounting is not solely a matter of regulatory compliance, but a tool for creating competitive advantage for hotel businesses that promptly exploit the information value of ESG data.

The Greenwashing Phenomenon: The Risk of Selective Reporting

ESG reporting carries a serious risk of selective or misleading information. The phenomenon of "greenwashing" - the presentation of non-substantial environmental practices as a strategic commitment - has been extensively documented in the literature (Lyon & Maxwell, 2011; Kim & Lyon, 2015; Passas et al., 2022). In the hospitality industry, greenwashing often takes the form of purchasing Renewable Energy Certificates (RECs/GOOs) without meaningful consumption reduction, selective emissions reporting that excludes external restaurants or laundry services, or presenting low-credibility green certifications as a strategic commitment.

The principle of double materiality introduced by the ESRS, combined with mandatory external verification (limited or reasonable assurance), is the most effective regulatory mechanism to combat greenwashing. However, its effective implementation requires independent auditors with expertise in ESG assurance - a profession that is still in its infancy both in Greece and internationally (Simnett et al., 2009). Recent evidence from the hospitality sector confirms that the propensity to obtain external assurance lags reporting itself, leaving a verification gap precisely where greenwashing risk is highest (Koseoglu et al., 2021); whether limited assurance, the level the 2025 Omnibus retained, is stringent enough to close it remains an open question.

The Social Pillar of ESG: The Most Undervalued

While the Environmental pillar attracts the most academic and professional attention, the Social pillar of ESG poses perhaps the most demanding accounting obligations for hotels. The industry is characterized by intense seasonality, a high reliance on low-wage workers, a significant amount of informal or indirect employment, and complex relationships with local communities.

CSRD/ESRS S1 (Workforce) requires detailed disclosure of data on the gender pay gap, injury rates, length of employment and working conditions. For Greek hotels, where seasonal employment can represent over 60% of the workforce, collecting and accounting for this data is an unprecedented challenge (SETE, 2023). This makes ESRS S1 disproportionately demanding for Greek hospitality: a workforce that is largely seasonal and partly informal is precisely the population that standardised social metrics struggle to capture, so the disclosure burden falls hardest where the data infrastructure is weakest.

At the same time, CSRD/ESRS S2 (Workers in the Value Chain) extends the disclosure obligation to workers of suppliers - farms supplying the restaurant, cleaning, security and transport

companies. This extension transforms the accountant into a social auditor of the value chain, a responsibility that requires new skills and tools. Read through stakeholder theory, this is a redistribution of accountability outward along the value chain (Freeman, 1984); the accountant becomes responsible for impacts the firm influences but does not control, mirroring the Scope 3 problem on the social axis.

Greece and Cyprus: Comparative Analysis of ESG Accounting in the Hotel Industry

The transition to ESG accounting poses a challenge for the Greek hotel industry that is not merely technical, but structural. The dominant accounting framework - Greek Accounting Standards (Law 4308/2014) - was not designed to accommodate ESG data, leaving hotel businesses with a substantial gap between the obligations imposed by the CSRD and the tools available to them. This gap concerns not only technical recording rules but the organizational culture of the accounting function itself, which has no tradition in collecting non-financial data, managing climate risks or measuring social impacts. The situation is aggravated by the structure of the industry: the majority of Greek hotels are small-to-medium or family-owned businesses without internal compliance, legal support or strategic sustainability departments. For these businesses, the CSRD does not simply signal a new reporting obligation - it signals the need to rethink the entire business model. Furthermore, the country's insular geography - with hundreds of tourist islands dependent on air connections and complex supply chains - structurally increases the Scope 3 footprint to levels that cannot be controlled by individual companies, necessitating institutional intervention at the sector and policy level.

Yet the picture is not one-dimensional. Greece has comparative advantages that, if strategically exploited, can transform the ESG transition from a burden into a competitive differentiator. Greece has one of the highest solar potentials in Europe, which not only represents an opportunity to reduce energy costs through on-site photovoltaic installations, but simultaneously provides the possibility of drastically reducing Scope 2 emissions at a relatively low investment cost compared to other European countries. At the same time, Greece's cultural identity and natural environment create an authentic sustainability narrative that cannot be replicated by competing destinations: a hotel that operates in harmony with the local ecosystem, uses local products and invests in local communities can substantiate an ESG premium positioning that meets the growing demands of high-end European travelers. The growing tourism income - with tourism's total economic contribution to GDP estimated at approximately 25% (SETE, 2023), a broader measure than the inbound-receipts ratio cited in the introduction - also creates economic capacity to invest in green infrastructure and ESG information systems, especially for larger hotel complexes. The critical element that remains untapped is human capital: the development of executives - accountants, managers, internal auditors - who combine financial expertise with competence in ESG reporting is the most essential success factor in the transition (Tsaklaganos, 2022). Without this investment, even the right tools and standards risk remaining unimplemented.

Greece: Structural Challenges and Strategic Position

The Greek hotel industry faces a characteristic asymmetry: while it is one of the largest tourism sectors in the EU - with tourism's total economic contribution to GDP estimated at approximately 25% (SETE, 2023) - the accounting and regulatory framework for ESG reporting remains underdeveloped. The majority of hotels operate under Greek Accounting Standards (Law 4308/2014), which do not incorporate an ESG module, creating a significant gap between existing practice and CSRD/ESRS requirements.

A critical detail for ESG accounting is the energy profile: with renewable sources covering 51.2% of electricity generation in 2024, above the EU average of 47.5% (Eurostat, 2024), Greece presents a comparatively strong baseline for the calculation of Scope 2 emissions based on the location-based method. This above-average position gives Greek hotels a structural Scope 2 advantage under the location-based method, partially offsetting the high Scope 3 burden imposed

by archipelagic geography; a divergence between emission scopes that complicates any single-figure ESG comparison. The country's extensive island geography - with hundreds of tourist islands - structurally increases the Scope 3 footprint due to air arrivals and complex supply chains (Paraschi et al., 2022). However, the country's high solar potential creates significant opportunities for on-site RES production, reducing both energy costs and the ESG footprint.

Cyprus: Energy Weakness and Institutional Readiness

Cyprus shares many structural features with Greece - island economy, SME dominance in the hotel sector, reliance on air tourism - but presents significant differences in some critical ESG dimensions. The Cypriot hotel sector is characterized by less pronounced seasonality and an increasing presence of international chains, which creates some internal ESG compliance structures. Furthermore, as an international financial centre, Cyprus adopts IFRS as its main accounting framework, which facilitates the transition to IFRS S1/S2 compared to countries that apply national accounting standards (Ioannou & Serafeim, 2017), consistent with stakeholder-driven accounts of how institutional context conditions sustainability-reporting readiness (Farmaki, 2019).

However, Cyprus's most significant weakness lies in its energy profile. With RES covering only 24.1% of electricity generation - compared to an EU average of 47.5% (Eurostat, 2024) - Cypriot hotels carry a structurally higher carbon emission factor for the calculation of Scope 2 emissions. A comparative study of 4- and 5-star hotels reveals that a 5-star Cypriot hotel consumes an average of 39.5 kWh per night - compared to approximately 35 kWh in corresponding Greek hotels of the same category - while only 40% of the surveyed four- and five-star Cypriot hotels have an insulated roof and 25% have external wall insulation (Charalambous et al., 2020). These structural weaknesses translate into higher Scope 2 disclosures under the location-based method and reflect the need for investment in energy infrastructure upgrades. Critically, this disadvantage is exogenous to firm-level effort: because the emission factor is set by the national grid, a well-managed Cypriot hotel can report higher Scope 2 emissions than a less efficient Greek peer, exposing a comparability flaw that location-based accounting cannot resolve.

In terms of regulatory readiness, Cyprus incorporated the CSRD into national law in July 2025, within the transposition deadline, building on the existing NFRD legislation incorporated since 2017 (Companies Law Cap. 113). The Tourism Strategy 2035 sets out five pillars including the green transition, with a budget of over €20 million to support tourism businesses (CTO, 2025).

Comparative Evaluation: Similarities, Differences and Practical Implications

The Greece–Cyprus comparison highlights a common model of Mediterranean island economies facing similar ESG challenges under different institutional and energy conditions. Both countries share a structural dependence on air tourism - a source of a large Scope 3 footprint - and a dominance of SMEs without internal ESG structures. However, they differ significantly in terms of accounting framework (Greek GAAP vs. IFRS), energy profile and CSRD transition path.

Table 5 summarizes the comparative analysis between Greece and Cyprus across nine critical ESG dimensions, from the energy mix and Scope 2/3 accounting challenges to the level of sector awareness and the structural strengths and weaknesses of each country. This side-by-side assessment highlights the unequal starting points for ESG compliance within the EU, underscoring that the application of uniform European standards in different national contexts requires targeted adjustments at both policy and accounting practice levels.

Table 5: Comparative Analysis of ESG Accounting - Greece vs. Cyprus

Dimension	Greece	Cyprus
Tourism dependence on GDP	~25% GDP (SETE, 2023)	~15% GDP (CTO, 2025)
Hotel industry structure	Dominance of SMEs & family businesses, strong seasonality	Dominance of SMEs, growing presence of international chains, less seasonal
Electricity energy mix (RES %)	~51.2% (Eurostat, 2024)	24.1% - significantly below EU average of 47.5% (Eurostat, 2024)
Scope 2 - Accounting Challenge	Lower; above-average renewable mix reduces location-based emissions	High; fossil-heavy grid structurally increases the emission factor
Scope 3 - Structural Challenge	Very high due to archipelagic geography & air arrivals	High; island dependence on air transport, supply chain imports
Incorporation of CSRD into national law	In progress (2025)	Completed July 2025 (Companies Law Cap. 113)
Accounting Standards Base	Greek GAAP (Law 4308/2014) - without ESG module	IFRS as a basis - potential compliance advantage
ESG Sector Awareness Level	Moderate; mainly regulatory incentives	Early stage; growth through ESG banking pressure (Hellenic Bank, 2023)
Hotel Energy Consumption (kWh/night)	5★: ~35 kWh ; 4★: ~28 kWh	5★: 39.5 kWh ; 4★: 29.8 kWh
Key ESG Advantage	High solar RES potential, premium cultural positioning, large sector	IFRS experience, international financial centre, growing sustainability strategy 2035
ESG Core Weakness	Greek GAAP without ESG integration, lack of specialized ESG auditors	Fossil-heavy grid, low hotel insulation rate (~40%), small market

Source: SETE (2023), CTO (2025), Eurostat (2024), Charalambous et al. (2020), Hellenic Bank (2023), own elaboration.

The comparative framework highlights three critical implications for ESG accounting in the hotel industry. The energy mix of each country structurally affects the comparability of Scope 2 emissions between hotels of the same category: a 5-star Cypriot hotel displays higher emissions than a Greek counterpart not due to worse energy management, but due to the fossil-heavy national grid - a fact that highlights the necessity of market-based adjustments in ESRS to avoid misleading comparisons of companies operating under different energy conditions. Yet the market-based method is itself contested: it can mask a hotel's physical grid dependence and is vulnerable to

selective procurement of renewable certificates, so the choice between methods is not neutral but a legitimacy decision about which version of performance is disclosed (Velte, 2023). Equally important is the impact of the underlying accounting framework: the familiarity of Cypriot companies with IFRS creates a potential advantage in the adoption of IFRS S1/S2, while the Greek industry - anchored in Greek GAAP - faces an additional layer of complexity requiring greater organizational and technical effort for the transition. Finally, the shared island geography and structural dependence on air arrivals makes Scope 3 the most complex and simultaneously the most important indicator for both countries - one that largely escapes the control of the individual business and requires specialized EU-level guidelines for island tourism economies.

From a theoretical standpoint, the Greece–Cyprus divergence exposes a structural tension within the legitimacy framework itself. Suchman’s (1995) conception of legitimacy presupposes that the standards against which organisations are judged reflect a socially negotiated consensus. When the primary metric, location-based Scope 2 emissions, embeds a national energy infrastructure that individual firms cannot control, that consensus is undermined: Cypriot hotels may be assessed as less legitimate sustainability actors not because they behave less responsibly, but because the metric is structurally insensitive to context. This finding resonates with Velte’s (2023) observation that the financial consequences of ESG performance depend critically on how performance is measured and by whom, and with Hamrouni et al.’s (2023) evidence that the broader accountability environment, institutional, regulatory and cultural, shapes the sustainability-reporting behaviour of hospitality firms in ways that uniform standards cannot fully anticipate. Stakeholder theory (Freeman, 1984) adds a complementary dimension: if investors, lenders and regulators apply ESRS metrics without adjusting for national energy context, they will systematically misattribute responsibility, directing ESG-linked capital penalties towards firms disadvantaged by infrastructure rather than by behaviour. The implication for standard-setters is that the legitimacy of ESRS as a regulatory institution depends on its perceived fairness across structurally unequal starting points; a condition that the current location-based methodology does not satisfy for islanded electricity grids.

Implications of the Study

Theoretical contribution

This study advances the literature in four ways. First, it bridges two bodies of work that have largely developed in parallel: the hospitality-sustainability literature, concentrated on operational practice, CSR motivation and guest behaviour, and the sustainability-accounting literature, concentrated on large, listed firms in cross-sector settings. By examining how the CSRD/ESRS regime translates into concrete accounting challenges for hotels, it extends sustainability-accounting inquiry into a sector where it has remained thin (Koseoglu et al., 2021; Hamrouni et al., 2023). Second, it contributes a comparative, island-economy lens: by holding sector and regulatory regime constant while varying energy mix and national accounting framework, it shows that an ostensibly uniform EU standard can produce materially unequal outcomes; a finding that complicates the harmonisation premise underlying the ESRS and offers a transferable analytical template for other paired-economy comparisons within the EU (e.g., Malta–Portugal, Estonia–Latvia). Third, it demonstrates the continued explanatory power of legitimacy and stakeholder theory in a mandatory-disclosure setting (Suchman, 1995; Freeman, 1984; Velte, 2023): the shift from voluntary to compulsory reporting reconfigures, rather than removes, the legitimacy pressures that shape corporate behaviour, and the Greece–Cyprus comparison shows that context-insensitive metrics can generate structurally unfair legitimacy assessments. Fourth, the study demonstrates the methodological value of the natural-experiment comparative design for accounting research: isolating the mechanisms through which uniform standards produce unequal outcomes provides a replicable template that future empirical work, drawing on accumulating ESRS disclosures from 2026 onwards, can use to test the propositions advanced here across a broader range of national contexts.

Practical implications

For hotel owners and managers, particularly the small, medium and family-owned firms that dominate Greek and Cypriot hospitality, the findings reframe ESG accounting from a compliance burden into a strategic variable. Because ESG performance is increasingly priced by capital providers through the cost of debt and equity (Apergis et al., 2022; Fiorillo et al., 2025), and because ESG controversies attract a measurable financial penalty (Hampl & Vágnerová Linnertová, 2024; Passas et al., 2022), early investment in carbon-measurement capability and credible disclosure is a defensible commercial decision, not merely a regulatory one. For the accounting profession, the study underscores an expanding mandate: practitioners require new competencies in Scope 1–3 carbon accounting, double-materiality assessment and sustainability assurance, areas in which current training remains uneven (Garefalakis et al., 2026b). For professional accounting and auditing bodies in both countries, the study signals a need for formal ESG competency frameworks within continuing professional development programmes: the technical skills required for double-materiality assessment, Scope 3 estimation and sustainability assurance are largely absent from existing professional licensing curricula, and their absence represents a systemic risk to the credibility of ESRS disclosures at the national level. For regulators and policymakers in both jurisdictions, the central implication is that uniform standards do not guarantee uniform outcomes, Cyprus's structurally higher Scope 2 burden, arising from a fossil-intensive islanded grid (24.1% renewable electricity versus 51.2% in Greece; Eurostat, 2024), places its hotels at a reporting disadvantage independent of managerial effort, strengthening the case for targeted transition support, technology-diffusion incentives and careful national transposition that accounts for energy-infrastructure constraints. For investors and lenders, the analysis confirms that sustainability information is financially material to the hospitality sector and supports integrating ESG criteria into credit and investment assessment (Matsali et al., 2025), while signalling the need for assurance robust enough to deter greenwashing (Koseoglu et al., 2021) and for valuation models that adjust for national energy context rather than treating Scope 2 intensity as a purely firm-level signal. For the academic community, finally, the study points to an agenda of longitudinal research tracking the evolution of ESG accounting practice in Mediterranean hotel firms as ESRS disclosures accumulate from 2026 onwards, enabling empirical testing of the theoretical propositions advanced here and direct assessment of whether the structural Scope 2 asymmetry identified translates into divergent ESG–financial performance outcomes across the two jurisdictions.

Limitations and Future Research

This study is conceptual and qualitative, and its conclusions are interpretive rather than statistically specialized. The two-country focus, chosen for analytical depth, may not transfer directly to other Mediterranean economies with different energy or institutional profiles, and the regulatory framework analysed remains subject to further revision following the 2025 Omnibus package. These boundaries, however, define a clear agenda for subsequent work.

Four directions are particularly promising. First, and most immediately, future research could test empirically whether the structural Scope 2 asymmetry identified here translates into divergent ESG–financial-performance outcomes across the Greek and Cypriot hotel sectors, a difference that is plausible given the two countries' heterogeneous accounting frameworks and energy profiles, and that becomes testable as firm-level ESRS disclosures accumulate. Second, the development of a specialized Scope 3 calculation methodology for island tourism economies represents a gap the existing literature has not adequately addressed, and one of immediate practical importance for both countries given their shared dependence on air connectivity and imported supply chains. Third, a comparative study of ESG readiness among small and medium-sized hotel enterprises in the two countries, drawing on primary survey data, could surface specific obstacles and transferable good practices relevant to other Mediterranean economies facing similar structural challenges. Fourth, future work could examine whether the financial-materiality effects documented in cross-sector studies, notably the relationship between ESG performance and the cost

of capital, hold within the hospitality sector specifically, where firm size, seasonality and asset intensity differ markedly from the listed-firm samples on which much of that evidence rests.

Conclusions

The integration of ESG criteria into hotel accounting is not just a regulatory obligation, but a profound structural transformation of the way in which a business captures, measures and communicates the value it creates or destroys. The regulatory framework has now crystallized enough to impose immediate action, especially after the CSRD and the ESRS. The key accounting challenges - carbon accounting, ESG risk assessment, social reporting - require new skills and tools that go beyond the traditional accountant's training. The accountant's role is evolving into a central factor in integrated value management, coordinating financial information, climate scenarios and social disclosures within a single framework. For the Greek hotel industry, the gap between current practice and ESG requirements is significant but bridgeable, provided that strategic investment in human capital and information infrastructure is made.

The comparative analysis of Greece and Cyprus constitutes one of the central findings of this article, as it clearly highlights that the application of uniform European ESG standards in different national contexts does not produce equal compliance starting points. The two countries share common structural characteristics - island geography, dependence on air tourism, and the dominance of SMEs without internal ESG structures - which make the Scope 3 footprint structurally high and largely uncontrolled by each individual company. However, their differences are equally revealing: Cyprus faces a significantly higher energy burden in Scope 2, with RES covering only 24.1% of electricity generation compared to 51.2% in Greece and an EU average of 47.5% (Eurostat, 2024), resulting in Cypriot hotels showing structurally higher Scope 2 emissions based on the location-based method even when their energy management is comparable. Conversely, Cyprus holds an institutional advantage: the use of IFRS as the main accounting framework significantly facilitates the transition to IFRS S1/S2, while the completion of the transposition of the CSRD into national law in July 2025 demonstrates greater regulatory readiness compared to Greece, where the process remains ongoing. The overall conclusion is that two countries with similar tourism profiles, starting from different accounting and energy frameworks, risk developing unequal ESG competitiveness unless European standards are accompanied by specialized guidelines for island Mediterranean economies. Read through legitimacy theory, the deeper risk is that a uniform standard confers unequal legitimacy: Cypriot hotels may appear less sustainable not because they are, but because the metric embeds a national energy structure beyond their control (Suchman, 1995; Freeman, 1984). This finding has practical implications both for the national supervisory bodies of the two countries and for the European institutions planning the implementation of the CSRD.

Based on the above, the following practical recommendations are proposed. For hotels in both countries, the priority is to immediately invest in ESG data collection systems (BMS, IoT meters), train accounting staff in the GHG Protocol and ESRS, and gradually integrate climate scenarios into internal assessments. For Cypriot hotels in particular, the urgent priority is the energy upgrade of building infrastructure, as the fossil-heavy grid makes Scope 2 emissions structurally high regardless of the business's energy management practices. For accountants and auditors, developing expertise in ESG assurance and interdisciplinary collaboration with energy engineers and climatologists are necessary conditions for the reliable implementation of ESRS; the lack of specialized ESG auditors is a common weakness in both countries that needs to be addressed through professional training programmes. The development of specialized guidelines for the hotel sector by the supervisory bodies of Greece and Cyprus is also crucial, especially for SMEs and family businesses, with particular emphasis on the Scope 3 calculation methodology in an island environment; cooperation between the two countries in designing common implementation frameworks could serve as a model for other Mediterranean island economies of the EU. Finally, for investors, the integration of hotel ESG indicators - carbon intensity, water usage, gender pay gap, board independence - into risk assessment and capital pricing models

should account for the national energy framework, in order to avoid misleading comparisons of businesses operating under structurally different energy conditions.

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