



INTEGRATING ESG PRINCIPLES IN UZBEKISTAN'S HOSPITALITY INDUSTRY: CHALLENGES AND OPPORTUNITIES

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Abstract. *The hospitality industry in Uzbekistan has been rapidly expanding, with a significant increase in hotels and room capacity, particularly in Tashkent, Samarkand, and Bukhara. As part of the country's sustainable development efforts, Environmental, Social, and Governance (ESG) principles are being integrated into regulatory frameworks and business practices. This article examines the current state of ESG adoption in Uzbekistan's hotel industry, the impact of national policies, and the benefits of implementing ESG strategies. A literature review highlights global best practices and the financial advantages of ESG compliance. The study also presents an analysis of ESG implementation challenges and provides recommendations for enhancing sustainability in Uzbekistan's hospitality sector.*

Keywords: *ESG implementation, hospitality industry, sustainable tourism, Uzbekistan, green hotels.*

O'ZBEKISTONDA ESG TAMOYILLARINI MEHMONXONA SOHASIGA INTEGRATSIYA QILISH: MUAMMOLAR VA IMKONIYATLAR

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Annotatsiya. *O'zbekiston mehmonxona sohasi tez sur'atlar bilan kengayib bormoqda, ayniqsa, Toshkent, Samarqand va Buxoroda mehmonxonalar soni sezilarli darajada oshdi. Mamlakatning barqaror rivojlanish sa'y-harakatlari doirasida Atrof-muhit, ijtimoiy va korporativ boshqaruv (ESG) tamoyillari tartibga soluvchi hujjatlar va biznes amaliyotlariga integratsiya qilinmoqda. Ushbu maqola O'zbekiston mehmonxona sohasida ESGni joriy etishning hozirgi holati, milliy siyosatning ta'siri va ESG strategiyalarini amalga oshirishning afzalliklarini o'rganadi. Adabiyotlar sharhida global ilg'or tajribalar va ESG talablariga rioya qilishning moliyaviy ustunliklari ko'rsatilgan. Tadqiqot ESGni joriy etish muammolarini tahlil qiladi va O'zbekiston mehmonxona sohasida barqarorlikni oshirish bo'yicha tavsiyalarni taqdim etadi.*

Kalit so'zlar: *ESGni joriy etish, mehmonxona sohasi, barqaror turizm, O'zbekiston, yashil mehmonxonalar.*

ИНТЕГРАЦИЯ ПРИНЦИПОВ ESG В ГОСТИНИЧНУЮ ИНДУСТРИЮ УЗБЕКИСТАНА: ПРОБЛЕМЫ И ВОЗМОЖНОСТИ

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Аннотация. Гостиничная индустрия Узбекистана быстро развивается, наблюдается значительное увеличение количества отелей и номерного фонда, особенно в Ташкенте, Самарканде и Бухаре. В рамках устойчивого развития страны принципы экологической, социальной и корпоративной ответственности (ESG) интегрируются в нормативно-правовую базу и бизнес-практики. В данной статье рассматривается текущее состояние внедрения ESG в гостиничной отрасли Узбекистана, влияние национальной политики и преимущества реализации ESG-стратегий. В обзоре литературы выделяются мировые передовые практики и финансовые преимущества соответствия ESG. В исследовании также представлен анализ проблем внедрения ESG и даны рекомендации по повышению устойчивости гостиничного сектора Узбекистана.

Ключевые слова: внедрение ESG, индустрия гостеприимства, устойчивый туризм, Узбекистан, экологичные отели.

Introduction.

Uzbekistan has started actively integrating Environmental, Social, and Governance (ESG) principles into its regulatory framework, with a focus on promoting sustainability in the hospitality and hotel sector. The government of Uzbekistan is developing a national Green Taxonomy to establish standardized criteria for environmentally sustainable activities (OECD, 2023). This initiative aims to guide investments towards green projects, supporting the country's transition to a green economy. The taxonomy will provide a clear framework for classifying sustainable operations, essential for the development of green and sustainable hotels. A 2024 survey by PwC indicated that 50% of Uzbek businesses anticipate a significant impact from the ESG agenda within the next three years (PwC Uzbekistan, 2024). This growing awareness is prompting companies, including those in tourism and hospitality, to integrate ESG considerations into their operations. The survey highlights the necessity for increased familiarity with ESG concepts to drive sustainable practices across industries. Efforts are underway to enhance sustainability within Uzbekistan's tourism industry. Strategies include implementing stricter environmental regulations for tourist accommodations, improving waste management, and promoting water conservation. Investments in eco-friendly infrastructure, such as green hotels and renewable energy projects, are prioritized to minimize the ecological footprint of tourism activities.

The "**Uzbekistan Law on Tourism**" (2019) indirectly aligns with **Environmental, Social, and Governance (ESG)** principles by emphasizing sustainable tourism development, responsible business practices, and the protection of cultural and natural heritage (Law, 2019). The law promotes sustainable tourism, encouraging the efficient use of natural resources and minimization of environmental impact. Key ESG-related aspects include:

- Article 4: Highlights the principles of sustainable tourism development.
- Article 10: Encourages eco-tourism and the protection of Uzbekistan's natural and historical sites.
- Article 25: Addresses environmental protection responsibilities for tourism enterprises, emphasizing waste management, energy efficiency, and eco-friendly infrastructure in the hospitality sector.

The law ensures inclusive tourism and the protection of cultural heritage, aligning with the social responsibility component of ESG:

- Article 7: Supports local communities by promoting job creation and cultural preservation through tourism.
- Article 13: Encourages accessible tourism for people with disabilities and vulnerable groups.
- Article 18: Regulates tourism employee qualifications, ensuring fair labor practices and ethical treatment of workers.

The law establishes clear regulatory frameworks and public-private partnerships, ensuring transparency and accountability in the tourism sector:

- Article 6: Defines state policies and government oversight in tourism.
- Article 20: Regulates licensing and certification for tourism businesses, ensuring compliance with national and international standards.
- Article 30: Encourages foreign investment and cooperation in tourism infrastructure development, incorporating corporate governance principles.

In July 2023, the Uzbek Agency for Technical Regulation adopted the state standard **O'Z DSt 3220:2023 "Tourist Services. Accommodation Facilities. General Requirement"** (Standard, 2023). This standard, effective from November 2023, outlines comprehensive requirements for accommodation facilities, encompassing building specifications, technical equipment, room amenities, hygiene standards, and staff training. The development involved collaboration with major hotel chains and various governmental ministries, ensuring alignment with international best practices. These initiatives reflect Uzbekistan's commitment to embedding ESG principles within its regulatory landscape and operational practices, particularly in fostering sustainable development in the hospitality sector.

The **"Law on the Use of Renewable Energy Sources,"** enacted in May 2019, establishes a foundational framework to accelerate the adoption of renewable energy in Uzbekistan (Law, 2019). This law provides guidelines and support mechanisms for renewable energy producers and delineates the responsibilities of governmental bodies in promoting renewable energy utilization. This legislative move is pivotal for the hospitality industry, encouraging hotels to integrate renewable energy solutions, thereby enhancing their sustainability profiles.

Literature review.

In today's business landscape, companies are increasingly evaluated not only on their financial performance but also on their environmental, social, and governance (ESG) practices (Back, 2024). ESG serves as a framework for assessing a company's long-term impact on sustainability, ethical operations, and responsible management. As businesses face growing pressure from investors, consumers, and regulatory bodies to adopt sustainable practices, ESG has become an essential component of corporate strategy. The **environmental** pillar of ESG examines how businesses interact with natural resources and address climate change, including their efforts to reduce carbon emissions, manage waste, and implement sustainable resource usage. The **social** aspect focuses on a company's relationship with employees, customers, and the communities it operates in, ensuring fair labor practices, diversity, and social responsibility. The **governance** factor evaluates a company's leadership, ethical decision-making, transparency, and compliance with corporate regulations. The concept of ESG was first formally introduced in 2004 through *The Global Compact* report (The Global Compact, 2004), which encouraged businesses to integrate ESG principles to drive sustainable development, attract responsible investment, and contribute positively to society and the environment. Since then, ESG has evolved into a crucial framework for both businesses and investors, shaping corporate policies and influencing long-term strategic decision-making. The core of ESG principles came from CSR standards that began in the 1950s (Bowen, 2023). Corporate Social Responsibility (CSR) has focus on non-financial aspect of a company which consider society, nature, environment and governance. The visualisation of ESG evolution (Figure 1) has been developed by Passas (2024).

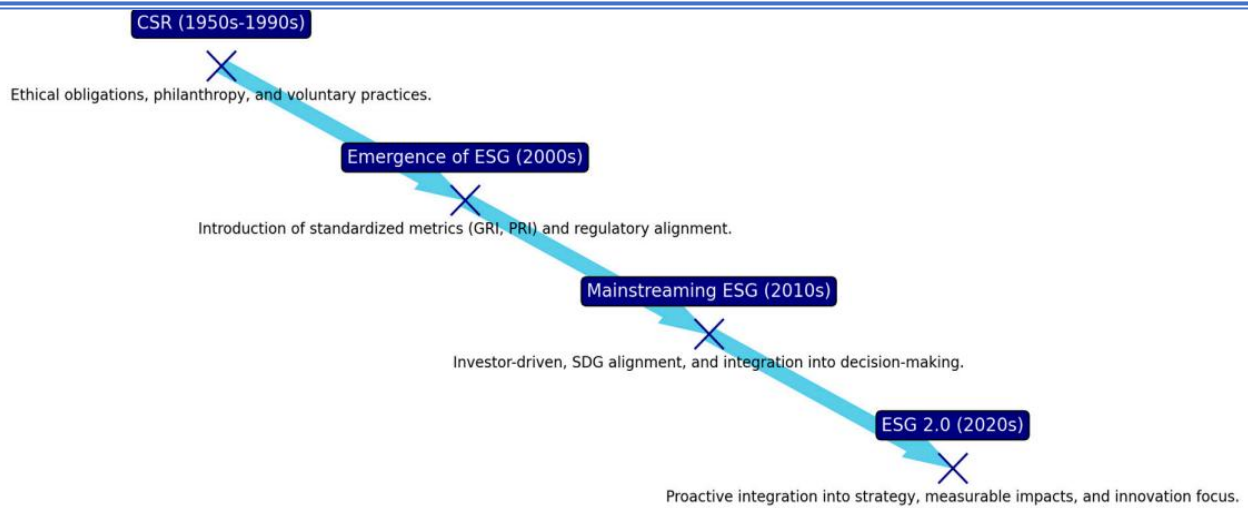


Figure 1. Visual Roadmap: ESG Evolution

According to Polbennikov et al. (2016), ESG ratings positively influence a company's financial performance. Companies that emphasize ESG demonstrate stronger engagement, possess greater competitive advantages, maintain healthier financial positions, and exhibit more effective leadership compared to those that do not (Report, 2020). Also, they can achieve improved marketing outcomes, including the establishment and reinforcement of strong brand identities (Lin et al., 2024). In 2006, 63 investment firms, including asset owners, asset managers, and service providers, signed agreements incorporating ESG considerations, collectively managing \$6.5 trillion in assets. By June 2020, the number of signatories had grown to 2,750, overseeing more than \$100 trillion in assets (Figure 2) under management (AUM) (Atkins, 2020).

Research methodology.

This study employs a mixed-methods approach to analyze the integration of Environmental, Social, and Governance (ESG) principles in Uzbekistan’s hospitality industry.

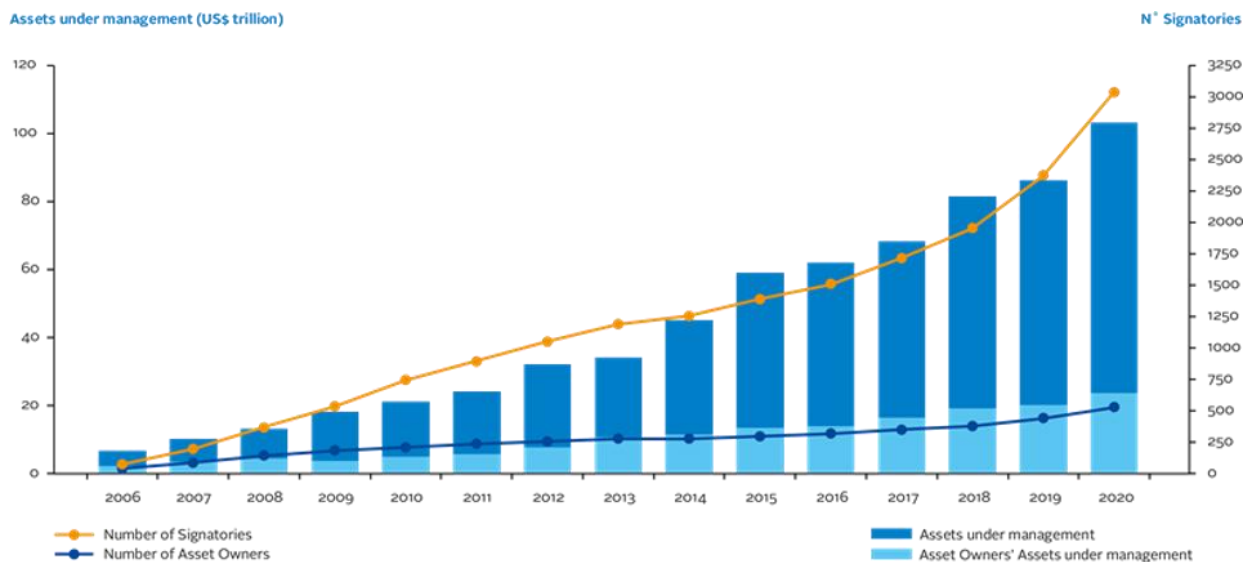


Figure 2. Assets under management (AUM)

Source: Principles for Responsible Investment.

The research design combines qualitative and quantitative methods to provide a comprehensive understanding of ESG implementation, challenges, and opportunities within the sector.

The study reviews legislative documents, ESG reports, and academic literature. Key sources include the "Uzbekistan Law on Tourism", state regulations on sustainability, ISO frameworks, and international ESG best practices.

Analysis and discussion of results.

The hotel industry is considered one of the dominant services in tourism sphere since it consists 50 – 60 % of revenue of the tourism industry. According to UNWTO, tourism services including accommodation, food and drink, entertainment, shopping and other services and goods have generated record income USD 1.9 trillion in 2024, this is about 3% higher than before the pandemic, USD 1.481 billion in 2019 (UNWTO, 2023).

In the last few years, hotel industry of Uzbekistan is also developing rapidly specifically, number of hotels and rooms are increased noticeably, especially in Tashkent, Samarkand and Bukhara. In 2018, total number of hotels in Uzbekistan was 916 and it reached to 1 387 in 2023; this number continuous to grow up (Statistics, 2021). The largest number of hotels – 210, 160 and 125 - are located in Tashkent, Samarkand and Bukhara respectively in 2023 (figure 3).

Tashkent consistently shows the highest occupancy rates, reaching 88% in 2023, indicating strong demand. Samarkand sees steady increases, almost 80% in 2023, reflecting its

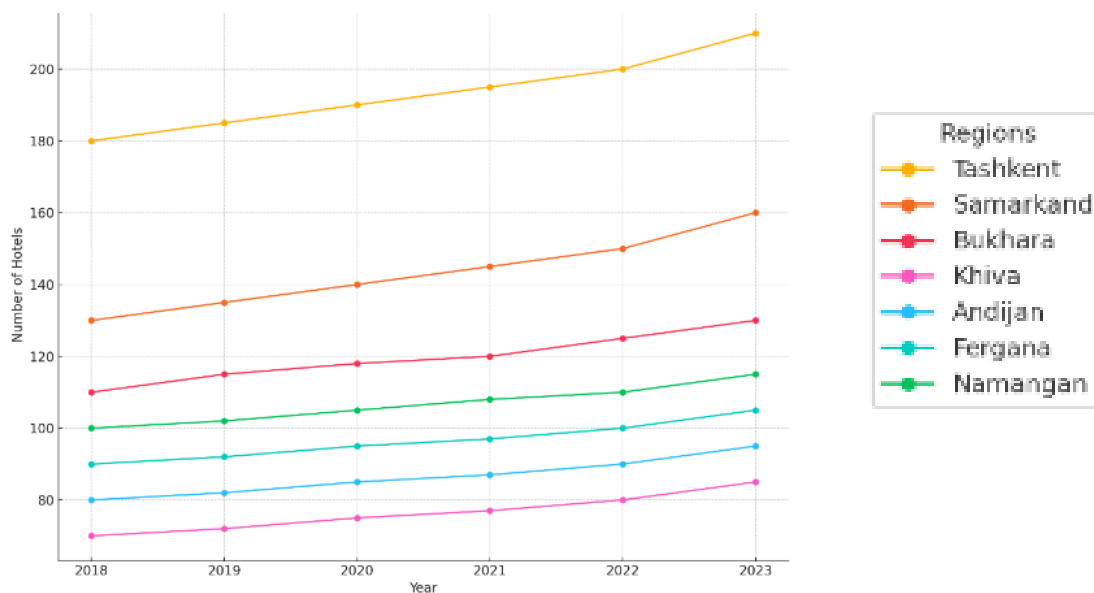


Figure 3. Growth of hotel numbers in Uzbekistan by regions (2018-2023)

Source: by author according to Statistics Committee of Uzbekistan.

importance as a cultural tourism hub. Regions like Khiva and Andijan, starting with lower occupancy rates, show gradual improvement, suggesting growing tourist interest.

Huge flow of international tourists around the world has directly and indirectly impact on environment, society and nature through transport, hotels, accommodations, food services and other thousands of hospitality facilities and services. In 2015, the United Nations General Assembly established 17 Sustainable Development Goals (SDGs) to be achieved by 2030, aiming to create a better world (UN, 2015). The tourism and hospitality industry can play a significant role in contributing to these objectives by supporting:

- **Goal 8:** Foster sustained, inclusive, and sustainable economic growth while ensuring full and productive employment and decent work for all.

- *Target 8.9:* By 2030, develop and enforce policies that encourage sustainable tourism, generating employment opportunities and promoting local culture and products.

- **Goal 12:** Promote sustainable consumption and production patterns.

- *Target 12.2:* Ensure the sustainable management and efficient utilization of natural

resources by 2030.

◦ *Target 12.3:* Reduce global food waste per capita by half at both retail and consumer levels, while minimizing food losses throughout production and supply chains, including post-harvest losses, by 2030.

◦ *Target 12.5:* Significantly cut down waste generation through prevention, reduction, recycling, and reuse by 2030.

◦ *Target 12.6:* Motivate businesses, particularly large and multinational corporations, to adopt sustainable practices and incorporate sustainability metrics into their reporting frameworks.

◦ *Target 12.b:* Design and implement monitoring tools to assess the sustainability impact of tourism, ensuring job creation and the promotion of local culture and products.

ESG transformation in tourism sphere especially in the hotel industry also directly and indirectly contribute to achieve the other SDGs like Gender equality, efficient Water use, affordable and clean energy, climate action, sustainable cities and communities and partnerships for the goals.

UNWTO with collaboration with the University of Oxford (Oxford SDG Impact Lab) have been developing the project “ESG framework for tourism businesses” (UN, 2024). The aim of the project to create standardized ESG metrics that are measurable unlike CSR and SDGs including greenhouse gas emissions, waste and water management, employee well-being, gender equality community engagement, rights of shareholder and others. The project is covering main Environmental, Social and Governance factors

In 2024, International Organization for Standardization (ISO) with the contribution ISO members and more than 1 300 individuals from 128 countries has developed framework for implementing environmental, social and governance (ESG) principles (Framework, 2024). Implementing ESG principles and reporting them can be useful for any size and types of companies. ESG reporting is essential for various reasons, making it a fundamental practice across industries and regions.

- **Transparency:** As concerns about sustainability and climate change continue to rise, businesses are expected to openly share information about their operations. ESG reporting allows companies to showcase their efforts and progress in these areas.

- **Risk Management:** ESG-related challenges can pose significant risks, potentially causing disruptions and financial losses. By reporting on ESG activities, companies can proactively address these issues and identify potential risks.

- **Investor Appeal:** Investors assess multiple factors when evaluating a company's performance and growth potential. Strong ESG practices and transparent reporting can enhance investor confidence, attracting more capital.

- **Brand Reputation:** Consumers prefer to engage with companies that reflect their sustainability values. Businesses that communicate their ESG initiatives are more likely to foster customer loyalty.

- **Regulatory Compliance:** ESG reports facilitate proper disclosures and help businesses comply with evolving regulations. Companies with strong ESG reporting practices are better equipped to adapt to regulatory changes and avoid legal or financial penalties.

- **Operational Efficiency:** Conducting ESG assessments often leads to a detailed review of business processes, encouraging improvements in efficiency and identifying areas for optimization.

- **Goal Monitoring:** ESG reporting holds companies accountable for their sustainability commitments, providing a structured way to track long-term progress and ensure they meet their objectives.

In the modern business environment, organizations are increasingly recognizing the importance of effectively managing Environmental, Social, and Governance (ESG) factors. Proper ESG risk- and opportunity-based management is essential for long-term sustainability,

resilience, and stakeholder trust. By integrating ESG considerations into corporate strategies, businesses can enhance their financial performance, strengthen their reputation, and ensure compliance with evolving regulatory requirements. To achieve optimal ESG management, ISO suggests organizations to implement a structured approach that involves several key steps (figure 3).

Conclusion and suggestions.

The integration of ESG principles into Uzbekistan's hospitality industry presents both significant challenges and substantial opportunities. While regulatory gaps, financial constraints, and limited awareness remain barriers to widespread ESG adoption, the increasing global emphasis on sustainability creates a compelling case for the country's hotel sector to align with international best practices.



Figure 3. ESG Risk and Opportunity Management Process

Source: developed by the author according to ISO data.

Government initiatives, such as the development of a Green Taxonomy and updated sustainability regulations, reflect Uzbekistan's commitment to fostering an environmentally responsible tourism industry. However, further efforts are required to ensure effective implementation and enforcement. Strengthening public-private partnerships, providing financial incentives, and enhancing ESG education will be crucial for accelerating the transformation.

From an economic perspective, hotels that integrate ESG strategies are likely to experience long-term benefits, including cost savings, increased investor interest, and enhanced brand reputation. Environmentally responsible hotels can also attract a growing segment of eco-conscious travelers who prioritize sustainability when making accommodation choices.

Moreover, ESG compliance contributes to broader sustainable development goals (SDGs), such as climate action, responsible consumption, and inclusive economic growth. By embedding ESG principles into business operations, Uzbekistan's hotel industry can play a key role in achieving national sustainability objectives while maintaining competitiveness in the global tourism market.

In conclusion, while ESG integration in Uzbekistan's hospitality sector is still in its early stages, the growing momentum, supported by regulatory developments, international collaborations, and industry-driven initiatives, provides a strong foundation for progress. By addressing current challenges and implementing the recommended strategies, Uzbekistan's hotel industry can position itself as a leader in sustainable tourism, contributing to both economic growth and environmental conservation.

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