

## CORPORATE SUSTAINABILITY REPORTING IN BULGARIA: EMPIRICAL INSIGHTS

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**Abstract:** *The article presents, through the results of a series of empirical studies, a comprehensive and evidence-based answer to the question to what extent Bulgarian companies are willing to engage in the EU initiative for reporting on the economic, social, environmental and good governance-related aspects of sustainability as a way to contribute to sustainable development.*

### **Introduction**

The sustainability of societal development is a cardinal problem of modernity and especially of late modernity. New risks related to globalisation and the increasing complexity of society give new urgency to the need for sustainable development. Society is increasingly dependent on complex technological systems that create potential risks. There is a growing need for humanity to manage and minimise risks. Sustainable development is a risk management concept. The sociology of sustainable development is a theoretical perspective for conceptualising risk management. This article presents some theoretical elaborations from the perspective of the sociology of sustainable development and analyses of empirical studies of corporate sustainable reporting in Bulgaria.

Corporate sustainability reporting has a long history, dating back to 1987 when sustainability was first mentioned by the United Nations Commission on Environment and Development in the report „Our Common Future“. This means that sustainability reporting has evolved alongside the concept of sustainable development itself. Since then, sustainability reporting has become increasingly important to companies. They started to report on their sustainability using different platforms and tools, the first and best known being the Global Reporting Initiative. Today, there are dozens of others at global, regional and even national levels. Within a short period of time, these tools and database platforms have become the source of core sustainability reporting standards for companies. The European Union has been one of the leaders, if not the most influential initiator, in the regulation of corporate sustainability reporting in its member states. The Union has initiated and adopted a number of pieces of legislation that are critical to sustainability, both for European companies and for companies from third countries operating in the EU or in contractual relationships with European partners. By putting this broader context in perspective, we can better assess the readiness of Bulgarian companies to engage with EU sustainability reporting initiatives. This article examines the extent to which Bulgarian companies are prepared to engage with the EU initiative on reporting on economic, social, environmental and governance aspects of sustainability. The analysis reveals the different attitudes of entrepreneurs based on empirical data. The research explores the participation and commitment of companies to contribute to sustainable development.

### **Methodology**

In this article, a mixed-method-approach is used (Creswell & Creswell, 2018). The quantitative study was conducted with 51 companies that met the selection criteria and fell



within the scope of the study, differentiated into two subgroups: (1) European Directive regulated disclosures of non-financial and diversity information large companies and groups of companies<sup>1</sup>. Their obligation to disclose non-financial information has been transposed in the Accounting Act (in force since January 1, 2017) and (2) companies that prepare and publish non-financial sustainability reports on their own initiative.

Based on previously collected information, a list of 102 companies in Bulgaria that prepare and publish a sustainability report was compiled. The survey among the representatives of the target group (company management) was conducted through an online survey containing 48 questions. The main limitation in the case of a survey on sustainability reporting as the present study demonstrated, stems from the impossibility to define precisely the size of the general population, mainly due to the lack of a reliable single registry or other type of public database. Another methodological limitation stemmed from the sheer size and characteristics of the companies that were the subject of the study - the fact that they are largely large and very large companies made it very difficult to access their managers because of their high involvement and high mobility<sup>2</sup>. The chosen registration methodology (CAWI – Computer Assisted Web Interviewing) significantly helped to overcome the access difficulties that were critical methodological limitations. In the qualitative sociological research, a combination of observation, 30 in-depth interviews and a study of documentary sources were used. The interviews were conducted with entrepreneurs/owners and senior managers of domestic and international companies, heads of government agencies, international sustainability auditing experts, NGO experts in corporate social responsibility and sustainability reporting, etc. The information gathered is analysed in order to get an assessment of the issues related to sustainability factors (social, environmental, from the field of good corporate governance such as interaction with government authorities, corruption, rule of law, etc.) in concrete economic sectors such as agriculture, tourism, IT, finance, manufacturing, etc.

### ***Results of the empirical studies***

In this article we will limit ourselves to presenting only those results that relate to the most successful sustainability reporting practices. The hallmark of sustainable business practice is most often cited as the implementation, compliance and reporting of sustainability standards (e.g. Global Reporting Initiative), which provide a framework for reporting on social, environmental and economic sustainability issues. In Bulgaria, there is currently no accurate public information on the number of companies that voluntarily or under European legislation produce sustainability reports. The Code of Corporate Responsibility and Sustainable Development of the Bulgarian Industrial Association (BIA), which includes a requirement for social and environmental responsibility reporting by member companies, is the most reliable source for their number. At the time of the survey, the BIA had identified fewer than 60 companies registered under its Corporate Responsibility and Sustainability Code. Through other sources, primarily corporate websites such as the UN Global Compact and publications on the Internet, companies were identified that state that they produce sustainability reports or have sustainability and green policy initiatives. The difficulty of defining more clearly the general population of sustainability reporting companies poses a serious methodological challenge for researchers. Of the companies included in the survey, just under half

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<sup>1</sup> Directive 2014/95/EU, [https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=LEGISSUM%3A240601\\_2](https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=LEGISSUM%3A240601_2)

<sup>2</sup> The fieldwork in the framework of the quantitative research was carried out with the help of the "Nasoka" Agency, for which I thank its director Ms. Elena Darieva.

(44%) are required to report, while 56% of respondents produce sustainability reports voluntarily. Based on these and many other data points, we have every reason to believe that hypothesis of the kind that „Bulgarian companies that report on sustainability do so because they are obliged“ is not borne out. There are a set of companies in Bulgaria that commit to sustainability reporting not by law or regulation. The data also show that despite its regulatory nature (at EU level developed and enforced from the top down), non-financial reporting has a significant social impact on businesses and in the wider societal (local, national and European) context and clearly the internationalisation (globalisation) of businesses has made a significant contribution to increasing transparency about firms' activities through the sustainability reporting mechanism. The research confirmed that regarding those companies that voluntarily report on sustainability because they are part of international consortia and/or long value chains/supply chains. Regularity of sustainability reporting and integration of sustainability principles in all aspects of business as two next practices of corporate sustainability remain a problem for companies in Bulgaria. The widely used reporting standard or framework, among the companies surveyed, is the UN Global Compact (47.7%), followed by ISO 26000 (43.2%) and the Global Reporting Initiative – GRI (34.1%). The companies covered in this study face many challenges in collecting, integrating and presenting information on corporate policies and activities related to sustainability and sustainable development. The data show that when publishing non-financial information, companies prefer to include qualitative indicators in their reports, which they present descriptively, with specific examples, at the expense of quantitative indicators, which are less used. This observation applies to all aspects that reports include - sustainability strategy, governance process and society. Quantitative indicators dominate the reports only when publishing environmental information relating to natural resource use, waste management and climate-related emissions. Among the companies covered in the survey, those with the most experience in corporate reporting are those in the manufacturing, finance and insurance sectors. Among the companies that have a commitment to sustainability reporting, we record three peak years in which they started to deliver on this commitment. These are 2011, 2017 and 2018. Among the remaining companies that report on sustainability, although they do not have an obligation to do so, the largest proportion started to publish reports in 2020, which is consistent with the larger peak of reporting companies in Germany and globally (clearly the COBID 19 pandemic has had a catalysing effect on the reporting tool, and why not on other sustainability-related aspects of business companies). From the analysis conducted in the IT, tourism and agriculture sectors (case studies), it is evident that entrepreneurs have different attitudes towards sustainability and the tools to report, disclose or practice it (Jeleva 2024). Qualitative research shows to a greater extent (without being statically significant, but only descriptive) the influence of the economic activity/sector concerned and the contexts (institutional, structural, legal, etc.) in which it takes place on opinions and attitudes towards sustainability. For example, for the IT industry, the undisputed priority among the sustainability factors is the social one due to the exceptional role of IT workers and their current scarcity in Bulgaria, while for the agricultural sector it is the environmental aspect and the protection of nature and natural resources. In the tourism sector no clear sustainability aspect can be identified for which entrepreneurs show a preference. Due to the many documents, strategies and other initiatives in the direction of „sustainable tourism“, the entrepreneurs believe that „the sector is developing sustainably“, there is not much that can be done further, and there is no need, in their opinion. They point out many other problems that tourism faces and „sustainability is their last concern“, in the expression of one of the interviewees (Jeleva 2024).



### **Conclusion**

This study has highlighted the varied landscape of sustainability reporting practices among Bulgarian companies, underlining significant trends and challenges. The hallmark of sustainable business practice is often the adherence to established sustainability standards such as the Global Reporting Initiative (GRI), which provides a structured framework for reporting on social, environmental, and economic issues. However, the adoption and implementation of these standards in Bulgaria are still developing. Our findings indicate that fewer companies are currently registered under the Corporate Responsibility and Sustainability Code, with 56% of these producing sustainability reports voluntarily, rather than due to regulatory requirements. This data challenges the hypothesis that Bulgarian companies report on sustainability solely due to obligations. Instead, a notable portion of companies are motivated by a genuine commitment to sustainability, influenced by their participation in international consortia and long supply chains, which necessitate greater transparency. The internationalization of business practices has further propelled the adoption of sustainability reporting, with standards such as the UN Global Compact, ISO 26000, and GRI being widely used. However, Bulgarian companies face numerous challenges in effectively collecting, integrating, and presenting sustainability-related information. While qualitative indicators are commonly included in reports, quantitative indicators are less frequently used, except in environmental reporting. This suggests a need for more robust data collection and reporting mechanisms to enhance the comprehensiveness of sustainability reports. Sector-specific analyses reveal differing priorities: for instance, the IT industry focuses on social sustainability due to the scarcity of IT workers, the agricultural sector prioritizes environmental sustainability, and the tourism sector shows a varied approach, often downplaying sustainability amidst other pressing issues. Concluding we can claim that while there has been progress in sustainability reporting among Bulgarian companies, significant challenges remain. The commitment to sustainability is growing, driven by both regulatory frameworks and voluntary initiatives, particularly within international business contexts. To further advance sustainability practices, there needs to be a concerted effort to improve data collection, increase the use of quantitative indicators, and tailor sustainability initiatives to the specific needs and challenges of different sectors.

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