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SUSTAINABILITY REPORTING PRACTICES IN BULGARIA: CHALLENGES AND ALIGNMENT WITHIN THE EUROPEAN UNION

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Abstract
Sustainability reporting has become a critical business tool for transparency and accountability, driven by increasing environmental awareness and social commitment. The European Union (EU), deeply concerned for future generations, actively encourages companies to report on their complex social and environmental impacts and inherent risks, establishing a comprehensive regulatory framework. However, the specific implementation and evolution of this framework vary across Member States due to unique national contexts. This paper aims to identify prevailing sustainability reporting practices adopted by Bulgarian companies and outline the main challenges they face in effectively disclosing this information to stakeholders.
Methodology: A mixed-methods approach combines quantitative and qualitative data collection and analysis. Quantitative methods, particularly in-depth content analysis, are applied to publicly available sustainability reports, annual reports, and financial statements from a representative sample of Bulgarian companies. Through systematic techniques, the research identifies key themes, perspectives, and underlying factors shaping Bulgaria's sustainability reporting landscape. This integrated approach ensures a holistic understanding of the current state and dynamics within the specific Bulgarian context.
Key findings: Bulgarian companies are in the formative stages of adopting sustainability reporting practices. While there is an upward trend in companies applying recognized frameworks, their reports are generally less comprehensive in scope and detail compared to those from more established EU Member States. Key challenges are multifaceted, including limited expert knowledge in sustainability reporting, significant difficulties in accurate and reliable collection and rigorous validation of relevant ESG information, and a perceived lack of strong internal or external motivation to prioritize comprehensive disclosure of sustainable practices and their results.
Keywords: *sustainability reporting; Bulgaria; CSRD.*
JEL Classification: M14; Q56; Q01

1. INTRODUCTION

Growing concerns about environmental degradation, social and economic inequality, and the scarcity of natural resources in recent decades have made sustainability a for society and the corporate world. The necessity to harmonise the requirements of the planet with those of humanity has necessitated an integrated approach that encompasses economic, social, and environmental dimensions through efficacious actions and policies at three levels: corporate, national, and global. Achieving a synergistic relationship between economic growth, social equity and environmental protection is something that business has played a key role in. Consequently, companies have started to prioritise sustainability and focus their efforts on balancing governance, economic, environmental, and social concerns. As awareness of corporate responsibility has grown, the information needs of investors and stakeholders have increased. Companies are expected to demonstrate their commitment to their employees, society, and nature. Thus, the disclosure of information on social and environmental impacts and risks has evolved from a voluntary statement of intent to share initiatives and actions for the benefit of society and the environment into an obligation. Sustainability reporting has therefore become an integral part of corporate accountability. The adoption of a comprehensive framework for sustainability reporting in the EU has stimulated this process. However, its implementation is proving challenging for member states, including Bulgaria. This paper explores how Bulgarian companies disclose information about their sustainable initiatives and activities, their environmental and social impact, and the extent to which this aligns with the European sustainability reporting framework. This study analyzes the current state of sustainability reporting among Bulgarian companies. It highlights the challenges in report compilation. A comprehensive understanding was ensured by adopting a holistic approach that integrated systematic analysis, logical deduction, and quantitative and qualitative methods applied to publicly disclosed sustainability information.

2. CONCEPUAL FRAMEWORK

Reporting on sustainability is important for a business's ongoing viability and its ability to support the wider community and protect the environment. It has become a part of business as usual for global largest companies (KPMG, 2024, p. 17) and will soon spread as a common practice in organizations of all sizes and sectors, driven by escalating pressures and evolving stakeholders' expectations (Bais *et al.,* 2024, p. 1). The motivation for sustainability reporting in organizations focuses on three main items, such as *strategic* (related to stakeholder engagement or differentiation from competitors); *responsive*, (responding to specific situations or change, such as a financial crisis or a shift in local interests); or *following* (being driven by competing groups', NGOs', or government body initiatives) (Setyaningsih *et al*., 2024, p. 3). Key drivers of sustainability disclosure include management commitment and integrity, both of which are essential for effective communication with stakeholders and for addressing a wide range of market, social, political, regulatory, and ethical issues (Zuo *et al*., 2012).

Additional factors influencing sustainability reporting include firm size, gender diversity, and corporate governance (Made *et al*., 2024, p. 185). There are a number of operational and strategic reasons for reporting on sustainability. These include improved tracking of progress against the SDGs, the implementation of sustainability strategies, raising awareness of environmental and social issues, communicating the corporate message clearly both internally and externally, improving transparency and overall credibility, and enabling the company to communicate its efforts and standards. Last but not least, sustainability reporting provides a 'licence to operate' and conduct campaigns, offering reputational benefits and identifying cost savings. It also increases efficiency, improves business development opportunities, and boosts staff morale (Kolk, 2005, p. 38).

Sustainability reporting is the organisational disclose of information about their broader dimensions of performance and impacts, and is often is characterised by three main components: environmental, social and governance (ESG) (Filho *et al*., 2025). It is a practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development (GRI, 2011, cited Ceulemans *et al*., 2015, p. 128). Sustainability reporting focuses on a company's commitment to and achievements in all aspects of sustainability resulting from its business activities. According Filho *et al.* (2025), it is characterised by several key features:

- *transparency*: providing stakeholders with a transparent view of an organisation's sustainability performance
- *accountability*: holding organisations accountable for their impacts on society and the environment
- *stakeholder engagement*: engaging with stakeholders and responding to their concerns and expectations regarding sustainability
- *performance improvement*: encouraging organisations to improve their sustainability performance over time
- *value creation*: demonstrating how sustainability practices contribute to the organisation's long-term value creation
- *reputation*: enhanced reputation and brand value.

Sustainability reporting enables companies to share non-financial information on their performance in various sustainability areas. It includes environmental, social and governance indicators, as well as potential risks and impacts. This enables companies to communicate the positive and negative effects of their activities on the environment, society, and the economy, helping them prioritise their actions effectively.

In EU member states, including Bulgaria, sustainability reporting is a regular practice for large companies and has become mandatory due to the Non-Financial Reporting Directive (NFRD) (Directive 2014/95/EU). This has now been replaced by the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464) and the European Sustainability Reporting Standards (Regulation (EU)

2023/2772). However, it remains voluntary for companies not regulated by EU legislation. The incorporation of the CSRD is set to transform reporting practices. The adoption and subsequent implementation of the CSRD will present a significant challenge to all EU companies, even those that have previously disclosed non-financial (sustainability) information under the Non-Financial Reporting Directive (NFRD).

3. METHOLOGY

3.1. Research approach

The study uses both qualitative and quantitative methods to provide a holistic understanding of the sustainability information practices of Bulgarian companies, with a focus on connections and interactions. The following steps have been taken:

- *Establishing the practices of Bulgarian companies in disclosing sustainability information*, including the communication channels used and the content disclosed in sustainability reports, management reports and on company websites;
- *Identifying challenges in sustainability reporting*; and
- *Analysis and assessment of the consistency between the current reporting practices of Bulgarian companies and the European regulatory framework*. – a methodology for assessing compliance at two levels was applied: the national level, focusing on the implementation of European rules in national policies and legislation; and the corporate level, with a focus on the implementation of these reporting practices in enterprises. For the purposes of the analysis, a scale from 1 (not compliant) to 4 (fully compliant) was used, as presented in Table 1.

Table 1. Conformity assessment scale

Rating	National level	Corporate level
Non-compliant (1)	EU sustainability rules have not been transposed or implemented in national policies, legislation and normative documents.	Businesses do not disclose any or minimum sustainability-related information and it does not meet the requirements of the European regulatory framework (including CSRD and related standards).
Limited Complies (2)	National policies and legislation partially reflect EU sustainability rules, but their scope is limited or there are significant implementation gaps	Businesses disclose limited sustainability information that only in some aspects meets the requirements of the European regulatory framework. Missing details or key elements of requirements. Mostly disclose information on the corporate website and on social media

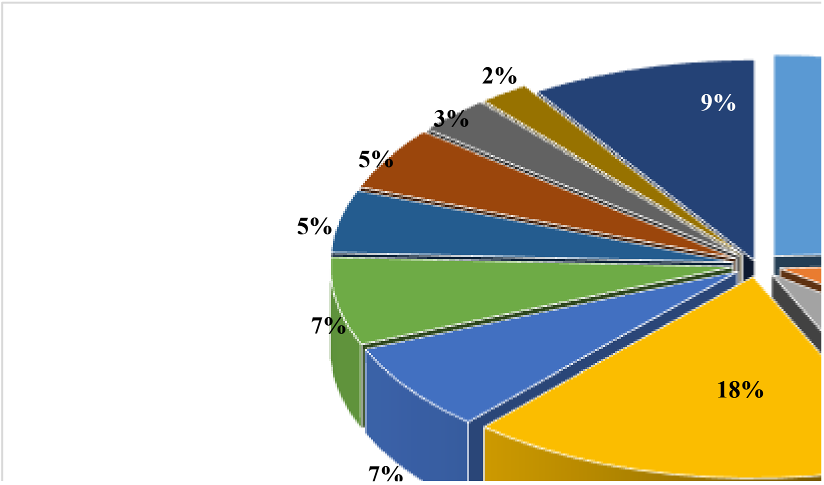
Rating	National level	Corporate level
Significantly compliant (3)	National policies and legislation are substantially aligned with EU sustainability rules, but there are still areas that are not fully covered or require further alignment.	Businesses disclose a significant amount of sustainability information, which for themost part complies with the European regulatory framework, but there are still gaps or areas that are not fully implemented as required. Actively use different channels to reveal information about sustainable practices in the campaign.
Fully compliant (4)	National policy and legislation are fully aligned with the European regulatory framework for sustainability, including the full transposition of directives (such as CSRD) and the adoption of relevant European sustainability reporting standards.	Businesses have fully implemented the requirements of the European regulatory framework (including CSRD) and consistently apply the relevant European sustainability reporting standards, providing complete, detailed and comparable information. Actively use different channels to reveal information about sustainable practices in the campaign.

Source: developed by the author; conceptually indebted to OECD (2024)

3.2. Scope of the study and data

The survey covers the top 100 largest companies in Bulgaria in terms of net sales, revenue and profit for 2024[1]. The representativeness and heterogeneity of the sample are ensured by including companies from 12 different industrial sectors (see Figure 1).

[1] Annual Ranking of Bulgarian`s 100 biggest businesses, made by Capital (2024).



Source: author's calculation based on data analysis of publicly available information

Figure 1. Industry segmentation

These are financially successful companies that meet the criteria for large companies (more than 250 employees, net sales of more than €50 million, or a balance sheet total of more than €25 million), and which belong to one of the two pilot groups for sustainability reporting and the implementation of European sustainability standards, as set out in the EU's Corporate Sustainability Reporting Directive (CSRD). Secondly, there is a much higher level of public interest and expectation for companies to share information on their environmental and social performance. Thirdly, companies with significant financial resources can allocate them to sustainability reporting.

The data source is publicly available information on sustainability issues provided by companies: sustainability reports, management reports, non-financial declaration and other documents, over 400 documents and open access databases and platforms (company websites, Registry agency: https://portal. registryagency.bg/, Bulgarian Stock Exchange: https://www.bse-sofia.bg/bg/, https://unglobalcompact.org; https://www.sustainalytics.com/esg-ratings.

3.3. Analytical tools:

- *Combined Content and Comparative Analysis*: Review of sustainability reports and other non-financial disclosures, including non-financial declarations (the equivalent of sustainability reports under the Accounting Act prior to its revision in July 2024). This methodology will assess the current state of sustainability reporting.

- *Qualitative analysis*: Thematic analysis of interviews and survey responses to explore the key drivers and challenges of sustainability reporting.
- *Quantitative analysis*: Application of descriptive statistics to survey data to identify patterns and trends.

4. RESULTS AND DISCUSSION

4.1. Sustainability reporting of Bulgarian companies – current state

For over twenty years, companies in Bulgaria have practised disclosing information about their commitment to the environment and society. According to the UN Global Compact, Bulgarian companies have been preparing reports on their progress on environmental, social and governance (ESG) issues since 2003 (https://unglobalcompact.org/what-is-gc/participants).

In 2017, the Accountancy Act transposed Directive (EU) 2014/95, which introduced the obligation for large enterprises with more than 500 employees to prepare a non-financial declaration. This made sustainability reporting prominent. This required companies to report on environmental, social, and governance aspects related to their activities. The current regulatory framework has been updated and supplemented by the adoption of Directive (EU) 2022/2464 and Regulation (EU) 2023/2772. These changed the scope, approach, and manner in which sustainability issues are considered. The new requirements will apply to reporting periods beginning on 01/01/2025; therefore, the first mandatory sustainability reports will be produced in 2026. The European Commission has postponed the entry into force of the sustainability reporting obligation by one year due to the need for more time to adapt business to the changed principles of reporting and disclosure of sustainable practices, as well as the implementation of the European Sustainability Reporting Standards (ESRS). This has created a regulatory vacuum, providing enterprises with the opportunity to determine the scope and content of the information disclosed about their environmental and social commitments. This has resulted in significant differences in the scope, depth, and format of the data presented.

The survey results for prosperous companies in 2024 demonstrated the following:

Firstly, sustainability is an integral part of the corporate philosophy and vision for the future development of Bulgarian companies. They demonstrate significant activity in revealing their commitment to employees, the environment, and society, as well as considering their impact on these groups. Eighty-three per cent (83%) of the companies in the sample disclose information about their environmental and social footprint using various communication channels (Table 2).

Table 2. Patterns of sustainability disclosure

Number of channels	Number of companies	Percentage	Combinations of specific communication channels (number of companies)
5	1	1%	Website, management report, sustainability report, annual financial statement, non-financial declaration
4	2	2%	Website, management report, sustainability report, annual financial statement
3	12	12%	Website, sustainability report, management report (8)
			Website, management report, annual financial statement (1)
			Website, management report, non-financial declaration (2)
			Website, sustainability report, annual financial statement (1)
2	42	42%	Website and sustainability report (28)
			Website and management report (10)
			Management report and non-financial declaration (1)
			Annual financial statement and non-financial declaration (1)
			Website and annual financial statement (2)
1	26	26%	Website (22)
			Management Report (4)
			Non-financial declaration (1)
0	17	17%	Does not use any of the channels listed
	100	100	

Source: own calculations using publicly disclosed information

The channels used are one-way, from the company to stakeholders, and are employed to share sustainability information. Companies adopt various disclosure strategies, frequently using multiple methods and favouring digital information exchange. Corporate websites are a key tool for accessing non-financial information related to environmental and social issues. These are the preferred channel for 95% of companies that disclose sustainability information (79 companies in total). Another group of communication channels comprises publicly available documents. These include the sustainability report (38), the management report (30), the annual financial statement and its notes (8), and the non-financial declaration (8). It should also be noted that: Relatively few companies use all popular means of sharing information;

(a) only three companies use four or five channels. The main reasons for this are avoiding over-disclosure and prioritising channels of communication with stakeholders.

(b) The use of the non-financial declaration to disclose social and environmental issues is decreasing. This trend follows the new sustainability reporting requirements. However, this decline is due to enterprises meeting the criteria for a large enterprise and a medium-sized company with 500 or more employees not complying with the existing requirement, rather than replacing it with a sustainability report.

(c) A significant proportion of companies in the sample (17%) do not disclose information about their commitment to sustainability. This raises questions about awareness of societal and environmental issues and their relevance to integrating sustainability into corporate strategy. It also stresses the need for regulatory and/or methodological support to promote transparency and accountability.

Communication with stakeholders is not unified in Bulgarian companies, despite their commitment to sustainability.

Secondly, companies apply two models of sustainability disclosure: one focused on information on websites and the other on information disclosed publicly in official documents. The former is characterised by a personalised approach to presenting information, focusing on the company's values, vision, policies, strategies, initiatives and projects, while the latter is standardised and consistent with common rules, standards and requirements. These two models complement each other, enabling companies to address the information requirements of various stakeholder groups, as each model offers a distinct focus and nature of information (Table 3).

Table 3. Sustainability disclosure models

Model feature	Website model	Model in official documents
Purpose and nature of the information	Presentation of corporate values, vision, strategy, principles and policies related to sustainability; information is mainly descriptive (qualitative), aimed at building a positive corporate image.	Ensuring transparency, comparability and reliability of sustainability data; The information is quantitative and qualitative, with a focus on the objective presentation and measurement of the actual impacts (positive, negative, neutral) and assessment of the associated risks
Content and presentation	Free format; individual approach of visual presentation.	Compliance with established and/or regulated prescriptions and requirements regarding the format and content of the public document

Model feature	Website model	Model in official documents
Information Qualities	Timeliness, timeliness, focus on key data, with lower objectivity due to a tendency for selective presentation	Objective, neutral, complete, detailed, reliable and verifiable
Regulation	There is no direct regulation. Defined by internal company strategy	Regulated in a regulatory document (ESRS, IFRS Sustainability Disclosure Standards – IFRS SDS) or in guidelines, principles and standards of established initiatives working in the field of sustainability such as GRI, TCFD, UN Global Compact, etc.
Verification	Rarely subject to external verification; at the option of the management	It is subject to a statutory audit by a specialized external auditor.
Target audience	Wide and diverse audience: customers, employees, potential partners, general public	A more specific and formal audience: investors, banks, regulators, auditors, rating agencies.

Source: author's development

Thirdly, environmental commitment and protection of the environment are the issues that companies focus on in the information disclosed about sustainability. Next are the issues related to staff and occupational safety, and third are the topics of social impact and corporate governance. The nature and scale of these disclosures depend on the format chosen. Each of the four main formats – sustainability report, non-financial declaration, management report and annual financial report is characterised by a specific degree of transparency and detail (Table 4).

Table 4. A comparative overview of sustainability disclosure forms

	Sustainability report	Non-financial declaration	Management report	Annual financial statement (notes)
Purpose of the document	Provides information on the company's progress towards achieving its sustainability	Provides summary information about on the policy, results and risks	Provides an overview of the operational and financial activities of the company and its financial	Represents the financial position, financial results and cash flow movements in

	Sustainability report	**Non-financial declaration**	**Management report**	**Annual financial statement (notes)**
	objectives in three aspects: environment, social environment and governance	related to ESG aspects	results, achievements and expected future development.	the company. Any additional notes are primarily to clarify accounting policies, material events or risks with a potential financial impact.
Nature of sustainability disclosures	Detailed: Disclosures present comprehensive and transparent information on economic, environmental and social impacts and risks	Structured: Disclosures are focused on the policy, results and risks associated with environmental, social and governance aspects of the company's operations. Descriptive with key quantitative indicators	Informative: Sustainability disclosures are general statements, declarations of intent, or brief descriptions of initiatives that are intended to demonstrate commitment. They are usually minimalist-descriptive, but can also be qualitative in depth and rarely quantitative	Limited: Disclosures are narrowly specialized on those sustainability aspects that are relevant to financial situations with a focus on cost and revenue
Scope of Disclosures	comprehensive	balanced	restricted	fragmentary
Regulation	Mandatory for enterprises in the scope of regulation - CSRD, ESRS (in Bulgaria, Accounting Act refers to	Mandatory for enterprises within the scope of the regulation (more limited scope) - NFDR before it is replaced by	Low level of regulation (the Accountancy Act in Bulgaria regulates the minimum requirements for	Strictly mandatory – local legislation (In Bulgaria the Accountancy Act and the applicable

	Sustainability report	**Non-financial declaration**	**Management report**	**Annual financial statement (notes)**
	European regulation)	CSRD, (in Bulgaria in the Accountancy Act before the change of the law in December 2023)	the content of the report)	accounting standards)

Source: author's development

The choice of disclosure format reflects the propensity and attitude of the enterprise management to share data on the company`s sustainability and progress company in achieving its ESG goals.

Fourthly, just under 40% of the companies in the sample prepare a sustainability report. Of these, only nine reflect Bulgarian practice (in fact, there are six companies, as three of these nine are subsidiaries of companies that also fall within the sample). The remaining companies adopt the vision, policies and principles of their foreign parent enterprise. Only one enterprise with a foreign parent company prepares an individual sustainability report that reflects the specifics of the Bulgarian company.

Lastly, corporate sustainability disclosure is characterised by a individual approach and strategy for disclosing information on progress towards achieving the United Nations Sustainable Development Goals (SDGs). When preparing these reports, companies are guided by various guidelines and standards, including GRI, ESRS, UNGC, TCFD, ISSB and CDP. The GRI reporting framework, used by 34% of companies in the sample, is the most popular. Twenty-four per cent (24%) of companies prepare a communiqué on progress as required by the UN Global Compact, and thirteen per cent (13%) target TCFD, focusing on the financial consequences of climate change. So far, only four companies have demonstrated foresight by adopting the new European regulatory requirements (ESRS) early. Companies typically take a balanced approach, combining the requirements of several guidelines to reflect management's vision for achieving sustainability. Often, the individual approach is adapted to generally accepted standards, with the relevant information disclosed by reference to the SASB index (in approximately 10% of reports) and/or the ESRS index (in about 8% of reports).

The study showed that the practice of sustainability reporting by Bulgarian companies is developing dynamically. There has been proactive adoption of new EU regulations, combined with various motives, scope and content of disclosures, and channels for disseminating this information. However, a unified approach to disclosures is lacking, which poses challenges, particularly with regard to the comparability and transparency of the information disclosed.

4.2. Challenges in sustainability reporting

Sustainability reporting provides a balanced model for disclosing information about companies' social and environmental activities and their impact on the environment and society. The dynamic environment and changing information needs cause difficulties in sustainability reporting caused by:

The variety of frameworks, standards and guidelines for sustainability reporting

Significant fragmentation and diversity characterise the existing reporting frameworks, standards and guidelines. In the field of ESG (environmental, social and governance) reporting, for example, there are over 360 different guidelines and 1,700 indicators (PwC, 2020, p. 3). While this allows companies to disclose their environmental and social impacts, risks and opportunities in an individual way, it raises serious concerns for several reasons:

Lack of a unified or standardised approach: It means that the multiple frameworks, standards and guidelines available offer flexibility and choice according to the specific needs of enterprises and their stakeholders. However, it also prevents a uniform reporting approach from being applied, as is the case in financial reporting where there are few established standards and rules, which would allow information to be compared between individual companies.

***Different focus of reporting*:** Different frameworks emphasise different aspects. For example, the GRI (Global Reporting Initiative) and the ESRS (European Sustainability Reporting Standards) provide a more general view of sustainability, focusing on the reporting of social and environmental impacts and the risks associated with enterprises' activities. In contrast, the TCFD (Task Force on Climate-related Financial Disclosures) focuses on climate change and its impact on companies' financial performance, while the IFRS (International Financial Reporting Standards) focuses on the essential financial information on sustainability that is useful for investors and creditors, i.e. integrated reporting.

Increased financial burden and operational complexity: For multinational companies, preparing more than one report according to different regulatory or market requirements significantly increases costs and complicates operational reporting processes.

Sustainability performance assessment (quality of sustainability disclosures)

The quality of sustainability disclosures depends on the quality of the disclosed data. In this context, materiality, reliability and comparability are among the main challenges related to sustainability data quality (Yadav, 2025, p. 3457). Other requirements that are difficult to achieve include the provision of authenticity, methodological consistency and transparency (Liu *et al.,* 2020, p.3).

A significant problem for companies is collecting, verifying and validating data for the sustainability report, due to:

- ***lack of established practices for collecting information***: enterprises lack practices for collecting data in a specific section necessary for accounting for sustainability in both the enterprise itself and its counterparties (when following the supply chain).
- ***fragmentation and incompleteness of information*** due to the variety of incomplete databases available.
- ***unreliable sources and difficulty in verification***: the use of unreliable/compromised sources and the impossibility of verification increases the risk of misleading information being included in the report.

Lack of expertise in sustainability reporting

Sustainability reporting is a practice that is constantly evolving, so it is logical that a shortage of people with knowledge and expertise in this field will arise. This, in turn, strengthens companies' dependence on external experts to compensate for the growing need for new skills, as companies create their own experts.

The reasons for sustainability disclosure

It is challenging for companies to report on sustainability when the motives are wrong. The motivation to disclose may be low if interested parties do not require such information, or if there is little interest in it. Companies may apply the 'regulatory compliance only' rule, disclosing information only because it is required of them, rather than because they are committed to environmental and public issues. Management may be focused on short-term goals instead of long-term sustainability benefits, and the initial costs can be significant.

Ever-changing sustainability (ESG) reporting regulations and requirements create additional challenges for companies that need to adapt quickly and effectively. There is also a lack of knowledge, skills, expertise, engagement and support regarding the accepted model for ESG reporting and integrating it with new technologies.

Despite these challenges, sustainability reporting brings significant benefits to businesses and society by supporting sustainability and responsibility.

4.3. Alignment with EU sustainability regulation

Growing concerns about environmental and social issues, along with increased interest in businesses' commitment to solving them, are causing companies to disclose more information about their sustainable practices and initiatives for a 'better future for future generations'. Consequently, numerous sustainability reporting frameworks, standards and guidelines have been developed and are still being refined today. The need for transparency and comparability has been a major driver in accelerating the regulation of corporate sustainability reporting. The

European Union is one of the key players in this process. The EU is consistently and actively implementing a series of interconnected regulations, including the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), the EU Taxonomy Regulation, the Corporate Sustainability Due Diligence Directive (CSDD) and the Carbon Border Adjustment Mechanism (CBAM). The process of transposing these into legislation and practice in the Member States varies in intensity and progress. Logically, the question arises as to the readiness of each of them for this.

As an EU member state, Bulgaria is actively working to adapt its national legislation to European sustainability reporting requirements. The result is that, at a legislative level, the regulations and national policies for sustainability are fully synchronised with the European legal framework. These changes were reflected in the current Accountancy Act by the end of 2023. The changes were reflected and the sustainability reporting requirements, as required by the CSRD, were introduced. Changes in European regulations are also reflected in a timely manner. The national legislative base is the first level at which European sustainability reporting requirements are introduced. The effective implementation of these regulations by Bulgarian enterprises is key to achieving full compliance. Commitment to sustainability and to the environment and society is an integral part of companies' vision and strategy for development. They are becoming increasingly active in communicating with stakeholders, gradually complying with the new requirements and regulations. Analysis using the framework for measuring the degree of compliance (Table 1) shows that, in general, sustainability reporting at a corporate level is limited in line with the European legal framework: enterprises disclose information, but its quality and quantity does not comply with legal requirements (Table 5).

Table 5. Assessment of the degree of compliance of corporate practices in Bulgaria with European regulations

Degree of compliance	Points	Number of companies	Weight
Non-compliant	1	17	0.17
Limited Complies	2	29	0.29
Significantly compliant	3	42	0.42
Fully compliant	4	12	0.12
		average weight	**2.49**

Source: author's own research, based on publicly available information

Only a few Bulgarian companies have implemented the new rules for taking environmental and social impacts, risks and opportunities into account, and these are currently subsidiaries of foreign parent enterprises. The introduction of new European standards for sustainability reporting presents a challenge to other

Bulgarian companies. Companies that have already reported according to the NFRD have an advantage due to their experience of preparing a non-financial statement. However, the advanced CSRD and ESRS sustainability disclosure requirements necessitate the establishment of a database to furnish the requisite information for sustainability reports. For other Bulgarian companies, sustainability reporting will present an even greater challenge. They will need to develop a new system for collecting, processing and analysing environmental, social and governance data that demonstrates sustainability as a company priority. Companies that already produce sustainability reports in accordance with GRI, UNGC or TCFD have an advantage, as their management is already engaged and understands the benefits of implementing sustainable practices. They also have the necessary experience and knowledge, as well as a built-in database, and will only need to adapt their existing sustainability reporting system to the new requirements.

Sustainability reporting is not yet an established practice among Bulgarian companies. Despite the reported progress, analysis of data on the top 100 successful enterprises shows that becoming an effective corporate practice requires focused efforts, the accumulation of expertise, and the development of internal capacity.

5. CONCLUSION

This study provides a comprehensive overview of current practices in Bulgaria and how they align with EU regulations, contributing to the growing body of research on sustainability reporting. It also provides valuable insights and recommendations for future research to help further develop and advance the field. The analysis revealed that, although the European regulatory framework for sustainability reporting is fully aligned with EU requirements at a national level, only partial compliance is observed at a corporate level. Companies adopt individual approaches, primarily preferring to disclose quality information. A lack of expertise, difficulties in collecting and verifying information, and low motivation (especially when sustainability reporting is perceived as a formal obligation) were identified as major challenges. Concurrently, there has been a notable surge in interest surrounding environmental issues, social concerns, and governance, with Bulgarian companies joining international initiatives and taking initial steps to implement European sustainability reporting standards. To achieve effective sustainability reporting, transparency of disclosed information must be promoted, methodological support must be provided, and, above all, internal capacity must be built.

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