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NON-FINANCIAL INFORMATION DISCLOSURES BY BULGARIAN LISTED COMPANIES[2]

The study is dedicated to the disclosures in the non-financial statements (integrated reports) by the Bulgarian listed companies. It includes an analysis of the aims and the guidelines for the elaboration of non-financial reporting, the requirements for preparing, and the legal provisions. They suggest that the current European Union legislation and the Bulgarian laws are not sufficient for the presentation of appropriate non-financial information. In this regard, an empirical research into the quality of non-financial statements in Bulgaria is conducted. The summarised results could be used for improving the disclosures.
Keywords: non-financial information; integrated reports; Bulgarian listed companies
JEL: G18; M41; M48

Introduction

Effective as of January 1, 2017, in the European Union are requirements for the preparation of non-financial statements, also known as integrated reports. These statements should include disclosures for environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. The presentation of such information is based on a new form of reporting that differs from financial reporting. Many studies have been performed on this topic in the last two decades and frameworks have been developed. This set the stage for the next step. Recently, there has been considerable interest in practical issues of non-financial and integrated reports from different countries. Scientists want to establish whether non-financial information is being effectively disclosed. The results are important for improving the frameworks and for their promotion by professional organisations in order to achieve sustainable development.

Of particular interest are the European practices, including the Bulgarian ones. There are specific mandatory requirements in the European Union, but without a defined framework.

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It is important to determine whether this approach allows the preparation of relevant and reliable non-financial statements.

The present paper **aims** to assess the quality of the non-financial statements of Bulgarian listed companies. To achieve that goal, the theoretical nature of non-financial reporting, the preparation of non-financial statements, the related legal provisions in Bulgaria, and the real-life practices have been studied. The **hypothesis** of the study is that under the current regulations, the Bulgarian listed companies do not use appropriate frameworks for non-financial reporting. It is subject to proof by an **empirical research**. Based on the analysis of the results, possibilities for improving the reporting may be identified.

The Necessity for and Recent Developments in Non-Financial Disclosures

The examination of the necessity for and recent developments in non-financial disclosures is fundamental for establishing their objectives and future directions. In addition, the descriptions allow to evaluate the appropriateness of frameworks and the practical problems.

The **conventional accounting reporting** is applicable in the preparation of financial statements that contain information about the financial position and financial performance of enterprises. They are useful for economic decision-making. However, the present times are characterised by many changes, which have a major impact on the competitiveness, growth, and survival of any enterprise. In modern conditions, financial indicators are not sufficient to analyse the overall condition of the enterprise, prospects, problems and possible solutions. Non-financial disclosures are increasingly considered the most critical reporting tool for presenting a company's dynamics. Many internal and external stakeholders are showing increasing interest in the environmental and social performance of organisations. Pressure from local communities, environmental activist groups and business partners (customers, investors and finance providers) leads to the emergence of new reporting systems for non-financial disclosures – environmental accounting, social accounting, corporate social reporting, sustainability accounting and integrated reporting.

Economic development and increased production capacities lead to pollution of the environment. They incur significant losses for society, as well as costs to restore and maintain the ecological balance. Accounting information is required for an organisation to effectively manage the environmental pressures, costs and benefits. Therefore, before the 1990s, **environmental accounting** was established. Its theoretical nature is related to externalities that are the subject matter of microeconomic theory. They are losses or gains from activities or transactions affecting a third party. Environmental accounting includes environmental management accounting and environmental financial accounting.

There is a considerable amount of literature on ***environmental management accounting***. However, the *International Federation of Accountants* conducted the first systematic study by a professional organisation in 2005 (Environmental Management Accounting, 2005). It presents financial and non-financial information related to environmental issues for management planning and control. Non-financial information includes quantitative data on the use and flows of energy, water and materials, including waste.

Environmental financial accounting is an accounting system for reporting internal environmental costs (those paid by enterprises), as well as assets and liabilities. It has not received considerable attention from professional accounting organisations. Requirements for recognitions are the likely reason. The elements of the financial statements are recorded based on the accounting standards. For example, according to *Commission Recommendation of May 30 2001, on the recognition, measurement, and disclosure of environmental issues in the annual accounts and annual reports of companies*, assets, liabilities and expenses are recorded when they meet the definitions and criteria for recognition. There are specific requirements to the disclosure of environmental issues only.

Following the emergence of environmental accounting, **Social Accounting** has become more noticeable (Dinev, 2011, p. 72). Many researchers, who explore it, give special attention to the publications of Rob Gray. He defines social accounting as follows: "…the preparation and publication of an account about an organisation's social, environmental, employee, community, customer and other stakeholder interactions and activities and, where, possible, the consequences of those interactions and activities. The social account may contain financial information but is more likely to be a combination of quantified non-financial information and descriptive, non-quantified information" (Gray, 2008).

Social and environmental issues are also addressed in "**Corporate social reporting**". It is a reporting of corporate social responsibility, including environmental and social issues. These matters are related to **Sustainability Accounting** or **Sustainability Reporting**, which are supported by various organisations and initiatives.

Sustainable development of the economy has three dimensions – economic viability, environmental responsibility and social responsibility (Sustainability Framework 2.0, p. 8). These indicators are defined as The Triple Bottom Line, which consists of three elements: profit, people, and the planet (Slaper, Hall, 2011).

All these reporting systems are essential for the development of non-financial disclosures. They brought benefits due to the expansion of the presented topics. However, the growing importance of environmental and social issues began to lead to the preparation of autonomous and independent non-financial statements. In this case, the crucial thing is the establishment of the *International Integrated Reporting Committee* in 2010, as a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. This coalition promotes communication about value creation as the next step in the evolution of corporate reporting. The Board has a Steering Committee and a Working Group, which is co-chaired by the Chief Executive Officer of the International Federation of Accountants (A4S and GRI Announce Formation of the IIRC, 2010).

Following the establishment of this committee, the term "**integrated reporting**" is becoming more widespread around the world. This concept is increasingly being used for the complex presentation of financial and non-financial information for economic, environmental and social issues. Integrated reporting also includes the relevant theories and good practices that were used before its development, such as environmental, social, sustainable and other accounting.

Preparation of Non-Financial Statements

There are several standards for the preparation of non-financial statements, for example, standards of the *Global Accountability Initiative*, the *United Nations Global Compact*, ISO 26000 of the *International Organization for Standardization* and others (Peicheva, 2019, pp. 47-52). However, the *International Federation of Accountants*, as a professional organisation for all accountants in the world, supports the *International Integrated Reporting Framework* (The International Integrated Reporting Framework, 2013). It was released in 2013 following extensive consultation and testing by businesses and investors in all regions of the world, including the 140 businesses and investors from 26 countries that participated in the pilot program. This framework is accepted as most appropriate because of its characteristics, which deserve special attention.

According to the Framework **integrated reporting aims to**:

- improve the quality of information to enable a more efficient and productive allocation of capital;
- promote a more cohesive and efficient approach to corporate reporting that communicates the full range of factors that materially affect the ability of an organisation to create value over time;
- enhance accountability and stewardship for the broad base of capitals and promote understanding of their interdependencies;
- support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

To achieve these objectives, enterprises should prepare **integrated reports**, which include concise communication (financial and non-financial information) on how the organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value. They differ from the financial statements, which are based mainly on financial information about the company's past in a short-term focus. In addition, unlike the financial statements, the integrated reports include externalities, similar to environmental and social accounting. This information is needed because externalities may be critical to increasing or decreasing the value of the organisation.

Organisations create value for both financial capital providers and other stakeholders. Therefore, the integrated reports are intended for all those who are interested in the company's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers. With regard to this, it differs from the financial statements, which according to the *Conceptual Framework for Financial Reporting,* are intended for potential investors, lenders and other creditors, in making decisions to provide resources to the company, although management, regulatory authorities and citizens can also use it.

The *International Integrated Reporting Framework* is based on principles. It has fewer rules than the *International Financial Reporting Standards*. The aim of this approach is to achieve a balance between flexibility and rules, without specific key indicators, methods for measuring or individual disclosures. The persons responsible for preparing and presenting the integrated report should assess relevant matters and determine how they should be disclosed.

However, key indicators can be used through a combination of quantitative and qualitative information. But the purpose of the integrated reports is not monetising the value of the enterprise at a particular time (such as the statement of financial position) or the created value for a period (such as the statement of profit or loss and other comprehensive income). They aim to present how the entire capital is being used.

It is important to understand that the integrated report is not an alternative to the financial statements. This is clear from the following provisions of the framework:

- an integrated report is intended to be more than a summary of information in other communications (e.g. financial statements, a sustainability report, analyst calls, or on a website); rather, it makes explicit the connectivity of information to communicate how value is created over time;
- an integrated report may be either a standalone report or be included as a distinguishable, prominent and accessible part of another report or communication. For example, it may be included at the front of a report that also includes the organisation's financial statements.

According to the Framework, organisations create value through the use of the following **capitals** – financial, manufactured, intellectual, human, social and relationship, and natural. These capitals correspond to the factors of production in the microeconomic theory, which are defined as the resources for the creation of goods for people.

In *The Wealth of Nations (1776),* Adam Smith notes that in any society, the price of goods includes labour, capital, and land. Labour represents human capital in the framework, capital – financial capital, land – natural capital. These are the resources in the classical economic theory. The factors of production in the modern world are the capitals in the framework.

These capitals are recorded in the financial reporting (based on the *International Financial Reporting Standards*) and presented in the financial statements, as assets, liabilities and equity, only when they meet the criteria for recognition under the *Conceptual Framework for Financial Reporting*. However, all capitals are important for the integrated reports, regardless of whether it is presented in the financial statement.

For the integrated reporting are important also the **principles**, which are the following (The International Integrated Reporting Framework, 2013, par. 3.1-3.57): strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability.

Some of the principles are represented characteristics also of financial reporting. The financial statements should have connectivity of information, conciseness, reliability (reliable presentation) and completeness, as well as consistency and comparability. The integrated reporting differs from financial reporting in the principle of "strategic focus and future orientation". The financial statements include historical financial information. In addition, they do not provide information on understanding, reporting on and meeting the legitimate needs and interests of all key stakeholders. The materiality concept is also applied in the preparation of the financial statements – companies must present each significant group of similar items separately. However, information that is material to the financial statements may not be material to the integrated report.

The integrated reports have 8 **elements** (The International Integrated Reporting Framework, 2013, par. 4.1-4.40): organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation and presentation. They differ from the components of the financial statements, because the purpose of integrated reporting is to present the use of all capitals, not just those that can be measured reliably from accounting.

The best practice to prepare non-financial statements (integrated reports) is based on the *International Integrated Reporting Framework*. Therefore, in 2015 the **International Federation of Accountants** published a document for assurance of reports prepared under this framework – *Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting*. Based on the research conducted in 2016, discussion papers were published, but their names were different (Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting, 2016):

- *Supporting Credibility and Trust in Emerging Forms of Reporting. An overview of the International Auditing and Assurance Standards Board's Discussion Paper: Supporting Credibility and Trust in Emerging Forms of External Reporting – Ten Key Challenges for Assurance Engagements;*
- *Supplemental Information to the Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements*.

In 2017, after analysing stakeholder views, it was decided to develop a guide for implementation of the standards. *Consultation Paper, Extended External Reporting Assurance* was published in 2019. This document explains that the expanded external reporting includes integrated reporting, reporting on sustainability, reporting on environmental, social, management and other issues.

The titles and analysis of papers show that the term "integrated report" has been replaced by the terms "emerging forms of external reporting" and "extended external reporting" after 2016. According to the *International Federation of Accountants* it`s not important whether the *International Integrated Accounting Framework* or another non-financial reporting approach is applied for presenting environmental, social and other issues. Auditor`s standards are applicable for all assurance engagements. As a result, in Europe, incl. in Bulgaria, some guidelines for non-financial reporting are used, without emphasising the framework for integrated reporting.

Legal Provisions for Non-Financial Statements

The Bulgarian Accounting Act requires the preparation of non-financial statements, which contain financial and non-financial information on environmental, social and other significant issues (Zakon za schetovodstvoto, 2015, DV. No. 95, last modified: 2020). They have been introduced into the national accounting legislation with the transposition of Directive 2013/34/EU and Directive 2014/95/EU. The provisions are **obligatory** for large enterprises, which are enterprises of public interest and which, on December 31 of the reporting period, exceed the criterion for the average headcount of 500 during the financial year.

According to the Accounting Act, large enterprises are enterprises, which at December 31 of the current reporting period exceed at least two of the following criteria:

1. carrying amount of the assets – BGN 38,000,000;

2. net sales revenue – BGN 76,000,000;

3. an average number of employees for the reporting period – 250.

The enterprises of public interest are the following:

- enterprises whose transferable securities are admitted to trading on a regulated market (listed companies) in the European Union;
- credit institutions;
- insurers and reinsurers;
- pension insurance companies and funds managed by them;
- investment firms, which are large enterprises under this Act;
- collective investment schemes and management companies within the meaning of the Collective Investment Schemes and Other Collective Investment Undertakings Act, which are large enterprises;
- financial institutions within the meaning of the Credit Institutions Act, which are large enterprises;
- Holding Bulgarian State Railways EAD and its subsidiaries; the National Railway Infrastructure Company;
- companies whose primary business is to produce and/or to transfer, and/or to sell electricity and/or heat and which are large enterprises;
- companies whose primary business is to import and/or to transfer, and/or to distribute or transit natural gas and which are large enterprises;
- water supply and sewerage operators, which are medium or large enterprises.

Non-financial statements should contain information on:

1. brief description of the business model of the enterprise – goal, strategy, organisational structure, infrastructure, products, and policies;
2. description of the policies adopted and followed by the enterprise in respect of environmental and social issues, including the activities performed during the reporting period and the results;
3. objectives, risks and tasks that lie ahead in terms of environmental and social policies, including a description of activities that would have an adverse impact on ecology, employees or other social issues;
4. description of the key indicators of the results of the activities related to environmental and social issues.

According to the law, non-financial statements can be presented in two ways:

- in a report on operations (annual report), which contains non-financial information;
- as a separate report, which is published together with the report on operations or is publicly available on the website of the enterprise, which fact shall be disclosed in the report on operations.

No other requirements for the preparation of non-financial statements are identified in the law. Guidance can be found in Directive 2014/95/EU. It sets the frameworks that can be used – undertakings may rely on national frameworks, Union-based frameworks such as the Eco-Management and Audit Scheme, or international frameworks such as the United Nations (UN) Global Compact, the Guiding Principles on Business and Human Rights implementing the UN 'Protect, Respect and Remedy' Framework, the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises, the International Organization for Standardization's ISO 26000, the International Labor Organization's Tripartite Declaration of principles concerning multinational enterprises and social policy, the Global Reporting Initiative, or other recognised international frameworks (Directive 2014/95/EU, par. 9).

Interestingly, the Directive does not refer to the *International Framework for Integrated Reporting*. However, it is included (among other frameworks) in the *communication from the Commission – Guidelines on non-financial reporting (methodology for reporting non-financial information) from 26.06.2017*. The Guidelines present the basic principles and content that could be included in the non-financial statement.

The **principles** are, as follows:

- disclose material information;
- fair, balanced and understandable;
- comprehensive but concise;
- strategic and forward-looking;
- stakeholder orientated;

- consistent and coherent.

They are almost identical to the principles of integrated reporting and can be seen in Table 1.

Table 1

Principles of integrated reporting and basic principles of non-financial statements according to the Guidelines

Principles of integrated reporting	Corresponding basic principles of the non-financial statement according to the Guidelines
Strategic focus and future orientation	Strategic and forward-looking
Connectivity of information	Consistent and coherent
Consistency and comparability	
Stakeholder relationships	Stakeholder orientated
Materiality	Disclose material information
Conciseness	Comprehensive but concise
Reliability and completeness	Fair, balanced and understandable

Source: Author`s point of view.

The table shows that “Strategic focus and future orientation” is a principle of integrated reporting. A similar principle is set out in the Guidelines on the disclosures of non-financial statements – “Strategic and forward-looking”. The principle “Consistent and coherent” in the Guidelines includes the principles “Connectivity of information” and “Consistency and comparability” in integrated reporting. Coherence means connectivity and consistency, and comparability is achieved through consistency. Stakeholder relationships, materiality and conciseness, are also characteristic of both models. Different terms are used for “Reliability and completeness” in integrated reporting and “Fair, balanced and understandable” in the Guidelines. In integrated reporting, “Reliability and completeness” means presenting all significant issues, positive and negative, in a balanced way without significant errors. According to the Guidelines, “Fair, balanced and understandable” means that the favourable and unfavourable aspects are objectively considered and that the information is assessed and presented impartially. As can be seen, they are also similar.

The **elements** of the non-financial statement, which are specified in the Guidelines, are:

- business model;
- policies and due diligence;
- outcome;
- principal risks and their management;
- key performance indicators;
- thematic aspects.

They are similar to those specified in the Accounting Act, although they are presented with names that are not completely identical.

The sample disclosures on the elements of the non-financial presented in the Guidelines show that they are analogous to the disclosures on the elements of the integrated report, according to the *International Framework for Integrated Reporting* (Veysel, 2018). The corresponding elements of the non-financial statements of the elements of the integrated reports are presented in Table 2.

Table 2

Elements of the integrated report and elements of the non-financial statement according to the Guidelines

Elements of the integrated report	Relevant elements of the non-financial statement according to the Guidelines
Organisational overview and external environment	Business model
Business model	
Strategy and resource allocation	
Outlook	
Governance	Policies and due diligence
Risks and opportunities	Principal risks and their management
Performance	Outcome
	Key performance indicators
Basis of preparation and presentation	-
-	Thematic aspects

Source: Author`s point of view.

It is clear from the table that some elements of the non-financial statement are identical to some elements of the integrated report. For example, the disclosures in the “Organisational overview and external environment”, “Business Model”, “Strategy and resource allocation” and “Outlook” elements of the integrated report are specified in the “Business Model” element of the non-financial report. The opposite is also observed – two elements of the non-financial statement – “Outcome” and “Key performance indicators” – are matched by one element of the integrated report – “Performance”. There is no comparable element in the integrated report to “Thematic aspects” of the non-financial statement. However, these issues are also addressed. For example, human rights, gender diversity and equal treatment in “Thematic Aspects” are disclosed in the “Organisational overview and external environment” and in the “Governance” of the integrated report.

The comparative analyses show that in terms of principles and structure, the integrated reports and the non-financial statements are similar. However, there are some material differences. In this regard, it should be noted that the non-financial statement does not pay significant attention to the types of capital. The terms natural capital and human capital are used but are not presented as fundamental concepts. It is not clear if their connections create value. This approach also applies to all other elements. The integrated report is compiled based on a framework and all elements are presented as part of a reporting system. A non-financial statement only includes certain disclosures. The connection between them is not clear despite the principle of coherence. That is why it may be summarised that the non-financial statement is most effective when prepared as an integrated report under the *International Integrated Reporting Framework.*

The European regulations do not require explicit compliance with this framework. Even the *International Federation of Accountants* assumes that other requirements may be applied.

This approach is not appropriate and cannot lead to the compilation of high-quality non-financial statements.

There are many empirical researches into the omissions in the preparation of non-financial statements based on European regulations (Pelikanova, 2019; Borodin, 2019; Muserra, 2020; Krasodomska, 2020). The European Commission has published a study as well (Study on the Non-Financial Reporting Directive, 2020). It proves that more freedom in the reporting limits comparability across companies. The study also identifies that the lack of precision in the current requirements and a large number of standards and frameworks make it difficult for companies to know exactly what information they should report. In this regard, a new Directive is proposed (Proposal for a Directive of the European Parliament and of the Council, 2021). It envisages the adoption of delegated acts by October 31, 2023, at the latest to provide for sustainability reporting standards. Those standards shall specify the information that undertakings are to report. They should take account of internationally recognised principles and frameworks on responsible business conduct, corporate social responsibility, and sustainable development, including the *International Integrated Reporting Framework*.

The proposals aim for more comparability and increased disclosures. They will lead to an improved reporting process. The statements will be more similar to the integrated reports. For example, the Proposal for a Directive (Proposal for a Directive of the European Parliament and of The Council, 2021, (39), p. 43) requires undertakings to disclose information on intellectual, human, and social and relationship capital, similarly to the integrated reporting framework, but they cannot help to solve some problems. An empirical research can prove that.

An Empirical Research into the Presentation of Non-Financial Statements

As mentioned above, according to the Bulgarian Accounting Act, large enterprises, which are enterprises of public interest and which, at December 31 of the reporting period, exceed the criterion for the average headcount of 500 during the financial year, have an obligation to disclose non-financial information – as a standalone report or by including such information in the report on operations.

There is no list of Bulgarian companies that have an obligation to compile non-financial statements. The most recent list of enterprises of public interest is from 01.11.2016. They number 569 (List of Enterprises of Public Interest, 2016). However, not every company has an obligation to disclose non-financial information. In this case of interest are the listed companies, which are widely considered the most important enterprises for accounting purposes. They are subject to the highest number of legal requirements for their accounting and auditing. Their list, as of April 05 2021, is published on the website of the Bulgarian Stock Exchange. Some of them are also not obliged to disclose non-financial information. However, for the purposes of the research, the financial statements of all these companies were examined. They are indicative of the quality of non-financial statements in Bulgaria.

- *Methodology and limitations of the research*

The population of the survey includes all listed companies in Bulgaria – 310 entities as of April 05 2021, according to the published list on the Bulgarian Stock Exchange's website. They are required to publish their reports within 90 days of the end of the financial year – until March 31, 2021, for 2020.

The disclosures of all listed companies on the website of the Bulgarian Stock Exchange were carefully checked for non-financial information. The research can be divided into the following stages:

1. Identification of the companies that have disclosed non-financial information, as separate non-financial statement or in the activity reports. For this purpose, all published documents of the companies are reviewed.
2. Establishing the applied criteria (framework or guidelines) for non-financial information.
3. Analysing the volume and content of non-financial information. The aim is to find out whether Bulgarian companies present only non-financial information required by law or provide these data in detail.
4. Analysing significant uncorrected misstatements in the non-financial statement according to the auditor`s reports.

Not all companies prepare consolidated financial statements. Therefore, only the individual financial statements have been examined. The compliance of the reports with the laws has not been analysed. This is because gaps are identified in the auditor`s reports.

- *Research results*

The detailed reviews of all published documents for 2020 by all listed 310 companies shows that 17 prepare non-financial statements. Table 3 includes systematic information about them, including their economic area, revenues, and assets.

Table 3

Details for all listed Bulgarian companies, which disclose non-financial information

Approach to the disclosure of non-financial information	Criteria applied to the disclosure of non-financial information	Volume of non-financial information (pages)	Misstatements in the non-financial information	Economic Area	Revenues (million EUR)	Assets (million EUR)
Separate non-financial statement	Only legal requirements	13	No misstatements	Wholesale and Retail Trade	455	247
Separate non-financial statement	Only legal requirements	14	No misstatements	Manufacturing	347	41
Non-financial disclosures in the activity report	Only legal requirements	8	No misstatements	Wholesale and Retail Trade	197	70
Non-financial disclosures in	Only legal requirements	11	No misstatements	Manufacturing	190	481

Approach to the disclosure of non-financial information	Criteria applied to the disclosure of non-financial information	Volume of non-financial information (pages)	Misstatements in the non-financial information	Economic Area	Revenues (million EUR)	Assets (million EUR)
the activity report						
Non-financial disclosures in the activity report	Only legal requirements	2	No misstatements	Financial and Insurance Activities	179	5539
Separate non-financial statement	Only legal requirements	3	No misstatements	Wholesale and Retail Trade	176	197
Separate non-financial statement	Other frameworks (the United Nations Global Compact)	30	No misstatements	Manufacturing	110	332
Non-financial disclosures in the activity report	Only legal requirements	10	No misstatements	Financial and Insurance Activities	95	20
Separate non-financial statement	Only legal requirements	5	No misstatements	Financial and Insurance Activities	93	3395
Separate non-financial statement	Commission Guidelines on non-financial reporting	24	No misstatements	Transportation and Storage	92	87
Separate non-financial statement	Only legal requirements	5	No misstatements	Financial and Insurance Activities	69	3121
Separate non-financial statement	Only legal requirements	13	No misstatements	Manufacturing	61	72
Non-financial disclosures in the activity report	Only legal requirements	4	No misstatements	Manufacturing	56	51
Separate non-financial statement	Only legal requirements	7	No misstatements	Wholesale and Retail Trade	26	40
Non-financial disclosures in the activity report	Only legal requirements	3	No misstatements	Accommodation and Food Service Activities	15	297
Non-financial disclosures in the activity report	Only legal requirements	1	No misstatements	Financial and Insurance Activities	12	55
Non-financial disclosures in the activity report	Only legal requirements	1	No misstatements	Financial and Insurance Activities	8	56

Source: Author`s research.

The economic areas, revenues and assets are presented to obtain an understanding of the entities. Of major interest for the study are the other features – approach to the disclosure, applied criteria, volume, and misstatements.

The classification of the companies according to the approach to the disclosure of non-financial information is given in Table 4.

Table 4

Bulgarian listed companies according to the disclosure of non-financial information

Bulgarian listed companies	Number of companies	%
Companies that prepare non-financial statements	9	3
Companies that disclose non-financial information in the report on operations (annual report)	8	3
Companies that do not disclose non-financial information	293	94
Total	310	100

Source: Author`s research.[3]

The table shows that 94% of the Bulgarian listed companies do not disclose non-financial information. Their auditor`s reports are not qualified in opinion due to the lack of non-financial information required by law. This means that they have no obligation to disclose such information in accordance with the above requirements.

Only 6% of listed companies have published non-financial information, half of them – as a separate non-financial statement, and the other half – in the report on operations. The analysis of the documents shows that all companies publish this information due to legal obligations. There is no listed company that voluntarily discloses. This means that Bulgarian companies do not use these provisions for competitive advantage. They probably do not consider that this information is important for their sustainable development.

It is interesting to see whether Bulgarian companies apply the best non-financial reporting framework – the *International Integrated Reporting Framework*, which the *International Federation of Accountants supports,* or other frameworks and guidelines. The results are summarised in Table 5.

Table 5

Applied criteria to the disclosure of non-financial information

Applied criteria	Number of companies	%
The International Integrated Reporting Framework	0	0
Other frameworks	1	6
Commission Guidelines on non-financial reporting	1	6
Legal requirements only	15	88
Total	17	100

Source: Author`s research.

It can be seen from the table that there no company listed on the *Bulgarian Stock Exchange* applies the *International Integrated Reporting Framework*. This is despite the fact that there are many scientific publications, including in the journal of the *Institute of Certified Public*

[3] Published financial statements on the website of the Bulgarian Stock Exchange, https://www.bse-sofia.bg/bg/disclosure-by-issuers [Accessed April 18, 2021].

Accountants in Bulgaria, as a member of the *International Federation of Accountants* (Peicheva, 2017; Veysel, 2018; Dineva 2019).

Of all the companies, only one applies an international framework – the *United Nations Global Compact*. There is also only one company that applies the guidelines of the European Commission – *Communication from the Commission – Guidelines on non-financial reporting (methodology for reporting non-financial information) from 26.06.2017*.

All other companies apply only the legal provisions specified in the Bulgarian Accounting Act. However, they are limited and not sufficient to prepare high-quality non-financial statements. The volume of non-financial information also establishes this, which is, as shown on Table 6.

Table 6

Volume of disclosed non-financial information

Volume of non-financial information	Number of companies	%
Up to 3 pages	5	29
Over 3 to 6 pages	3	18
Over 6 to 12 pages	4	24
Over 12 pages	5	29
Total	17	100

Source: Author`s research.

It can be seen that 29% of published non-financial statements are up to 3 pages in volume. This is too limited for the proper presentation of non-financial information, which is important for corporate social responsibility and sustainable development.

The analysis of the content of these reports, as well as the reports, 3 to 6 pages in volume (a total of 47% of all reports), shows that these companies list certain information required by the Bulgarian Accounting Act. They do not follow the above-mentioned principles of integrated reporting, which are similar to the principles of the Guidelines of the European Commission. These gaps are present in both the separate non-financial statements and the non-financial information in the report on operations. Despite these omissions, all companies comply with the legal requirements, according to the auditors' reports. The results are presented in Table 7.

Table 7

Misstatements in non-financial information

Misstatements	Number of companies	%
No misstatements	17	100
Existence of misstatements	0	0
Total	17	100

Source: Author`s research.

According to the auditor`s reports, there are no significant uncorrected misstatements in the non-financial information published by Bulgarian companies. However, compliance with the legal requirements does not mean that the information is useful. In this case, there are gaps in the legal provisions. The presented information, without the basic principles, the specific elements, type of capital through which value is created, is not completely useful.

Conclusion

The results of this study prove that the Bulgarian listed companies disclose non-financial (integrated) information only in case of legal obligation. Of all 310 companies, listed on the Bulgarian Stock Exchange as of April 05 2021, only 17 have published such information for 2020 – as separate statements or in the activity reports. Non-financial information is not disclosed voluntarily to increase competitive advantage or for purposes of sustainable development.

Bulgarian listed companies do not apply *the International Integrated Reporting Framework*, although it`s supported by professional accounting organisations, incl. the *International Federation of Accountants*. The many publications of both accounting organisations and researchers are not enough to convince managers that this framework should be applied. Of all Bulgarian companies that have disclosed non-financial information for 2020, only 2 have a reference to a framework or to guidelines. All others comply with the legal requirements only, which are limited and incomplete.

The analysis of the published non-financial information shows that its quality is extremely low. Many companies do not follow the principles of integrated reporting.

These results are attributable to the current provisions in the European Union, which are not sufficient for the preparation of useful non-financial statements. Specific requirements for their compilation must be introduced. It is suitable to adopt the *International Integrated Reporting Framework* as a mandatory standard. In this respect, the role of the *International Federation of Accountants*, through its members in all European countries, is also important. The professional organisations need to work to prove the usefulness of the framework.

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