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2025

ESG and Sustainability in Bulgaria

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1. Executive summary

1.1. Purpose and scope of the report

The current report aims to provide a focused examination of the evolving regulatory landscape surrounding the social and governance dimensions of ESG reporting, with particular attention to developments following the introduction of the European Commission's 2025 Omnibus simplification package. While the environmental pillar has traditionally dominated ESG discussions and regulatory action in the European Union (EU), reflected in early EU-level initiatives such as the EU Taxonomy and the Sustainable Finance Disclosure Regulation, the social and governance aspects remained comparatively underdeveloped and inconsistently addressed across jurisdictions. The report highlights how simplifications in reporting obligations, the narrowing of scope and the recalibration of due diligence expectations under the Omnibus package may alter the trajectory of social and governance integration in corporate sustainability disclosures.

The scope of the analysis includes:

- Review of the regulatory framework concerning social and governance reporting at EU and national level with focus on the revisions introduced by the Omnibus package;
- Outlook on how these developments may shape future corporate behaviour and sustainability disclosure practices, especially for SMEs and public interest entities in Bulgaria;
- Overview of the different types of incentives for socially and governance sustainable investments and best practices from Bulgaria.



1.2. Key findings

- Despite broad sustainability frameworks, the social and governance pillars remain underdeveloped, with limited standardised metrics and enforcement. In this context, the efforts by the EU to create usable reporting legislation have intensified in recent years, leading to the introduction of the CSRD and the CSDDD.

- Pressured by stakeholder unpreparedness and looming needs to boost competitiveness, the EU shifted toward simplified and proportional reporting just before its disclosure directives were properly implemented. The Omnibus package, proposed in February 2025 and partially legally binding since April 2025, significantly narrowed the CSRD's scope, redefining large undertakings as companies with over 1,000 employees. Thus, it effectively reduced the number of companies subject to CSRD sustainability reporting obligations by approximately 80%. Another relief for EU companies subject to mandatory reporting came with the postponement of CSRD disclosure obligations by two years from the initially announced timeline, allowing businesses more time to adapt to the revised ESG framework. The wave of reporting regulation simplifications under the Omnibus package also brought voluntary reporting for SMEs and the elimination of sector-specific ESRS standards.

- Bulgarian corporate ESG reporting practices exhibited a mixture of progress and persistent gaps. Banks and public companies consistently demonstrated the most robust social and governance disclosure practices with strong formal compliance, while the other companies demonstrated a less strict adherence to ESG disclosure standards.

- A substantial gap between regulatory expectations and actual reporting practice has been observed among Bulgarian companies, especially in relation to human rights practices, anti-corruption controls and enforcement outcomes.

- Despite weak aggregate reporting, several best practices emerged among Bulgarian companies. They are increasingly investing in and disclosing employee well-being, inclusive workplace and gender diversity policies. Notably, Bulgaria exceeds the EU average in female leadership, with 32% of companies having over 40% women in senior roles.

- When implementing social and governance reporting, Bulgarian businesses struggle with challenges such as a lack of resources and expertise, insufficient regulatory clarity and the risk of social washing or loss of market access due to supplier pressure.

- A wide range of incentives for engaging in governance and socially responsible practices is available to Bulgarian companies. Regulatory incentives, such as CSRD reporting mandates and social compliance obligations in public procurement, are complemented by financial support schemes encouraging education and inclusion and reputational incentives supporting voluntary social engagement.

- Bulgaria ranks among the lowest in the EU in life-long learning participation, but an increasing number of companies are trying to close the gap with over 40% of companies providing some form of employee training, focusing on technical and expert skills.

- Infrastructure and community investments by companies are widely present among large companies in many sectors of the Bulgarian economy. While mining and heavy industries invest predominantly in public infrastructure, healthcare and local education in small municipalities, ICT and telecom sectors tend to focus on nationwide education initiatives and digital skills.

- The simplification of ESG reporting regulations under the Omnibus package is ultimately expected to present a net positive for Bulgarian companies, particularly SMEs, by reducing oversized compliance burdens while incentivising voluntary ESG reporting as a strategic tool for competitiveness, stakeholder trust, and brand differentiation.





EIB's ESG framework drives responsible investment across borders

Teodor Radonov
Head of the European Investment Bank Group's Representation in Sofia

The European Investment Bank (EIB) is the long-term lending institution of the European Union, owned by the Member States. It finances sound investments that further EU policy objectives. EIB projects bolster competitiveness, drive innovation, promote sustainable development, enhance social and territorial cohesion, support security and defence and a just transition to climate neutrality and environmental sustainability. All projects financed by the EIB Group are in line with the Paris Climate Agreement and Environmental and Social Sustainability Framework, as pledged in its Climate Bank Roadmap. In 2024, almost 60% or EUR 51 billion of the EIB Group's annual financing supported projects directly contributing to energy security, sustainable transport and a healthier environment. The EIB Group's 2024–2027 Strategic Roadmap outlines several ESG-related priorities, including consolidating its role as the climate bank, supporting agriculture and the bioeconomy, and increasing its support for European social infrastructure.

Teodor Radonov has served as Head of the European Investment Bank Group's Representation in Sofia since March 2021. With more than eight years of experience in structured finance, he played a key role at the European Investment Fund (EIF), where he worked on securitisations and guarantees across various jurisdictions both within and beyond the EU. His contribution was instrumental in structuring and implementing several of the EIF's financial instruments in Bulgaria, significantly advancing the country's financial environment. His professional background spans a variety of analytical areas in the financial sector.

What are the main environmental, social and governance criteria EIB-financed projects must meet?

The EIB Group has a robust policy framework in place to assess the environmental and social performance of projects that are submitted to us for possible financing. The Environmental and Social Sustainability Framework enables the EIB Group to focus on sustainable and inclusive development, supporting a just transition to low emissions and helping communities become less carbon intensive, more environmentally sound and resource efficient. The framework consists of the EIB Group Environmental and Social Policy, a set of 11 EIB Environmental and Social Standards, and the EIF Environmental, Social and Governance Principles. Governance considerations are equally rigorous. The EIB maintains a strict zero-tolerance policy on corruption, fraud, money laundering, and terrorist financing. These commitments are embedded in the Bank's due diligence processes, contractual obligations, and ongoing monitoring of projects. Promoters are expected to have adequate internal control mechanisms and to demonstrate a clear capacity to manage environmental and social risks effectively. In cases where risks are deemed particularly high, the Bank may require enhanced supervision measures or the introduction of third-party monitoring mechanisms.

Importantly, the EIB's standards are aligned with both European Union legislation and international best practices, including the guidelines developed by other multilateral development banks and United Nations agencies. The Bank's framework is designed not only to ensure legal compliance, but to promote a culture of sustainability, fairness, and transparency across all sectors and geographies in which it operates.

How does the EIB evaluate the social impact of its projects, and are there any mechanisms in place to ensure accountability when projects fall short?

The EIB adopts a lifecycle approach to social impact management. During the appraisal phase, the Bank assesses the promoter's capacity to comply with its environmental and social standards, including the ability to engage with affected communities, implement inclusive policies, and monitor social outcomes effectively. For projects with potentially significant impacts - such as those involving resettlement, labour restructuring, or infrastructure development in sensitive areas - the Bank may require the development of detailed social management plans. These plans must include grievance mechanisms, timelines for implementation, and specific measures to protect vulnerable populations.

Once a project is approved and under implementation, the Bank maintains regular oversight to ensure compliance with agreed social safeguards. Monitoring includes the review of progress reports, site visits, and, where appropriate, engagement with external experts or civil society actors. This process is not static; it allows for adaptive management when unforeseen issues arise or when conditions on the ground evolve.

When a project does not meet the expected standards, the EIB activates a series of accountability mechanisms. These can include contractual remedies, the suspension of disbursements, or even the cancellation of financing in extreme cases. Moreover, the Bank operates an independent Complaints Mechanism, which allows individuals, communities, and organisations to raise concerns about the environmental or social impacts of EIB-financed projects. This mechanism serves as an essential instrument of

institutional transparency, offering affected parties a formal avenue to seek redress and contributing to the continuous improvement of the Bank's practices.

Can you share some examples of your recent investments aimed at social mobility in Bulgaria?

In Bulgaria, the EIB has played a catalytic role in promoting social mobility by financing infrastructure, education, healthcare, and innovation. One of the most visible examples is the EIB's support for the Sofia Metro. With more than EUR 460 million in financing, the metro now serves over 400,000 daily passengers, improves air quality and reduces traffic congestion, making it easier for people from all socioeconomic backgrounds to access work, education, and other services.

In the healthcare sector, the EIB is supporting two landmark projects: the Children's Hospital in Burgas and the National Children's Hospital in Sofia. In Burgas, EIB provided a EUR 12.8 million long-term loan and advised on the project development from fundamental analysis to the concept of the building. In Sofia, EIB helped with the demand and needs assessment, capacity plan, functional program and equipment plan - the input for the design phase, bringing international best practices.

The EIB is also engaged in the transition of the Maritsa East energy complex in the Stara Zagora region. Through technical assistance and strategic analysis, the Bank supports the just transition of carbon-intensive regions, ensuring that social cohesion is preserved while new economic opportunities emerge for local communities.

Through the European Investment Fund (EIF), the EIB Group has supported over 320 Bulgarian start-ups via venture capital funds, creating nearly 10,000 jobs and positioning the country as a growing innovation hub. These investments have direct and indirect effects on social mobility by supporting entrepreneurship, reducing regional disparities, and creating employment in emerging sectors.

Can you share how the EIB's own governance framework has evolved to align with ESG principles over time?

The EIB Group has maintained for many years the highest standards of transparency and green reporting. Leading sustainability rating agencies regularly rank the EIB Group in the group of frontrunners amongst its peers. EIB's green finance reporting is based on a public, clearly defined methodology that is independently audited.

Over the past few years, the EIB Group has further integrated sustainability into its core financing business. A key driver of this evolution has been the Bank's adoption of sustainability reporting and risk management tools that take full account of ESG risks and impacts. These tools now inform credit assessments, investment decisions, and performance evaluations across the institution.

Organisationally, the Bank has expanded its ESG capacity through the creation of dedicated units and cross-functional teams. These entities are responsible for coordinating sustainability policies, conducting ESG impacts and risk assessments, and advising on best practices. Their work ensures that ESG considerations are integrated across departments.

Does the EIB engage with civil society organisations and local stakeholders and are these stakeholders represented in the governance structures of financed projects?

Engagement with civil society organisations has never been more important. To solve today's global challenges, we need dialogue, collective action, partnerships and coalitions. Civil society organisations (CSOs) often have closer contact on the ground and offer valuable insights, perspectives and expertise. This is why we actively engage with civil society organisations to build sustainable and inclusive solutions. Once a year, we host the EIB Board Seminar with Civil Society. It is an opportunity for organisations to meet with the European Investment Bank's Board of Directors, management committee members, experts and other stakeholders to openly discuss and share ideas on a wide range of topics.

While CSOs are not part of the EIB's internal governance structure, their input directly shapes project governance through disclosure requirements, grievance mechanisms, and advisory groups. The EIB's transparency policies require timely publication of environmental and social assessments, which allows stakeholders to provide feedback before decisions are finalised.

In Bulgaria, the EIB has worked closely with local authorities and civil society groups in initiatives like the National Children's Hospital. EIB colleagues are in constant contact with the established Public Council for this project, which is guiding the planning phase, ensuring that the project reflects community expectations while maintaining professional standards. Similarly, in the Maritsa East energy transition project, technical assistance involved consultations with regional stakeholders, trade unions, and energy experts.

Has the evolution of ESG reporting standards led to improvements and/or challenges in the EIB's investment strategies or project operations?

The EU sustainable finance framework, including the EU taxonomy, and development of corporate sustainability reporting requirements have been designed to provide robust frameworks to allow transparency for investors, and avoid greenwashing. This, in turn, should encourage investment to substantially contribute to climate objectives.

Despite the undeniable benefits of such an advanced framework and considering that the companies are navigating the first reporting cycle, there have been concerns related to the quantity of sustainability-related datapoints that should be reported. Particularly, the additional data collection requirements, especially for SMEs, will lead to an excessive reporting burden. In order to enhance the acceptance of the sustainable finance regulatory framework throughout the EU economy, there have been calls for simplification. To respond to the EU business community, the EU has initiated the so-call "omnibus" process and proposed the 'Stop-the-clock' mechanism which postpones the dates of application of certain sustainability reporting requirements, allowing the market to better prepare the regulator to provide for a more streamlined and increased data coherence across all sustainability reporting requirements.

The EIB is following closely the integration of sustainability aspects into its clients' business models. Including the reporting requirements that our clients have to follow, as many of our clients are required to make such disclosures. From our assessment, a clear message emerged: supporting companies in building capacity to integrate sustainability into their business model and report accordingly is key. The support could include funding for capacity building, technical advisory services, and new digital platforms to facilitate compliance with sustainable finance legal requirements.

2. ESG context and regulatory landscape

2.1. International ESG standards and EU reporting regulations

The European Union has established a comprehensive legal framework for corporate sustainability reporting. There are three main regulatory instruments in this area, which together create an evolving ecosystem for ESG compliance, aiming to align corporate behaviour with the EU's broader climate and social objectives.

At the centre of this framework is the Corporate Sustainability Reporting Directive (CSRD) – Directive (EU) 2022/2464, which, as of December 2022, replaced the Non-Financial Reporting Directive (NFRD) that had been adopted in 2014. The **CSRD mandates that large undertakings and public-interest SMEs, except micro-enterprises, shall include in the management report information necessary to understand their impact on sustainability matters how these may affect their development, performance and position. Under the CSRD, companies must report in alignment with the European Sustainability Reporting Standards (ESRS) developed by EFRAG. These standards encompass environmental issues, social dimensions and governance practices.** The four social and one governance standards are:

- ESRS S1 - Own workers;
- ESRS S2 - Workers in the value chain;
- ESRS S3 - Affected communities;
- ESRS S4 – Consumers;
- ESRS G1 - Business conduct.

In the initial version of the directive, depending on their size, the companies in the scope of the mandatory CSRD reporting were grouped in four waves that determined when their obligations would enter into force:

- First wave - large public interest entities with more than 500 employees had to report for the first time in 2025 for financial year 2024;
- Second wave - other large undertakings had to report in 2026 for financial year 2025;
- Third wave - SMEs with securities listed in EU regulated markets had to report in 2027 for financial year 2026, although they had the possibility to opt out of reporting for financial years 2026 and 2027;
- Fourth wave - non-EU undertakings that have business in the territory of the EU above certain thresholds had to report in 2029 for financial year 2028.

Complementing the CSRD is the Sustainable Finance Disclosure Regulation (SFDR), in effect since 2021, which imposes sustainability-related disclosure obligations on financial market participants. The obligated parties must indicate whether the products they offer in the EU promote environmental or social characteristics or have a sustainable investment objective.

The Corporate Sustainability Due Diligence Directive (CSDDD, Directive (EU) 2024/1760) introduced obligations for large companies to assess human rights and environmental risks in their operations and supply chains. While CSRD focuses on transparent ESG disclosure, the CSDDD imposes enforceable due diligence duties and accountability measures. By 2027 companies need to be ready to comply, with larger corporations likely to be the first to adhere. Companies based in the EU will need to comply if they have more than 1,000 employees and a net worldwide turnover of over EUR 450 mln, while non-EU companies will also have to comply with the CSDDD if they generate more than EUR 450 mln in net turnover within the EU.

In addition to the EU's expanding regulatory landscape for corporate sustainability reporting, another initiative - the introduction of an EU Social Taxonomy - was first outlined by the Platform on Sustainable Finance in a 2022 report. The proposed framework was planned to define what would qualify as a socially sustainable economic activity, complementing the existing Environmental Taxonomy. Structured similarly to the environmental counterpart, it included overarching social objectives, minimum safeguards and Do No Significant Harm criteria. However, later in 2022, the initiative was shelved at the expense of prioritisation of the legislation in the social and governance field.

2.2. The Omnibus package

In February 2025, with the Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, **the European Commission introduced the Omnibus I Package – a legislative proposal aimed at significantly amending key pieces of sustainability legislation, including the CSRD, the EU Taxonomy and the CSDDD. The package marks a major recalibration of the EU's approach to corporate sustainability, intended to reduce administrative burdens, especially for SMEs. It is set to replace the previously expansive scope of the reporting directives with a more focused and proportionate framework with the overarching aim to strengthen the competitiveness of the EU.**

Fig. 1 Targeted Omnibus packaged effect



Source: European Commission

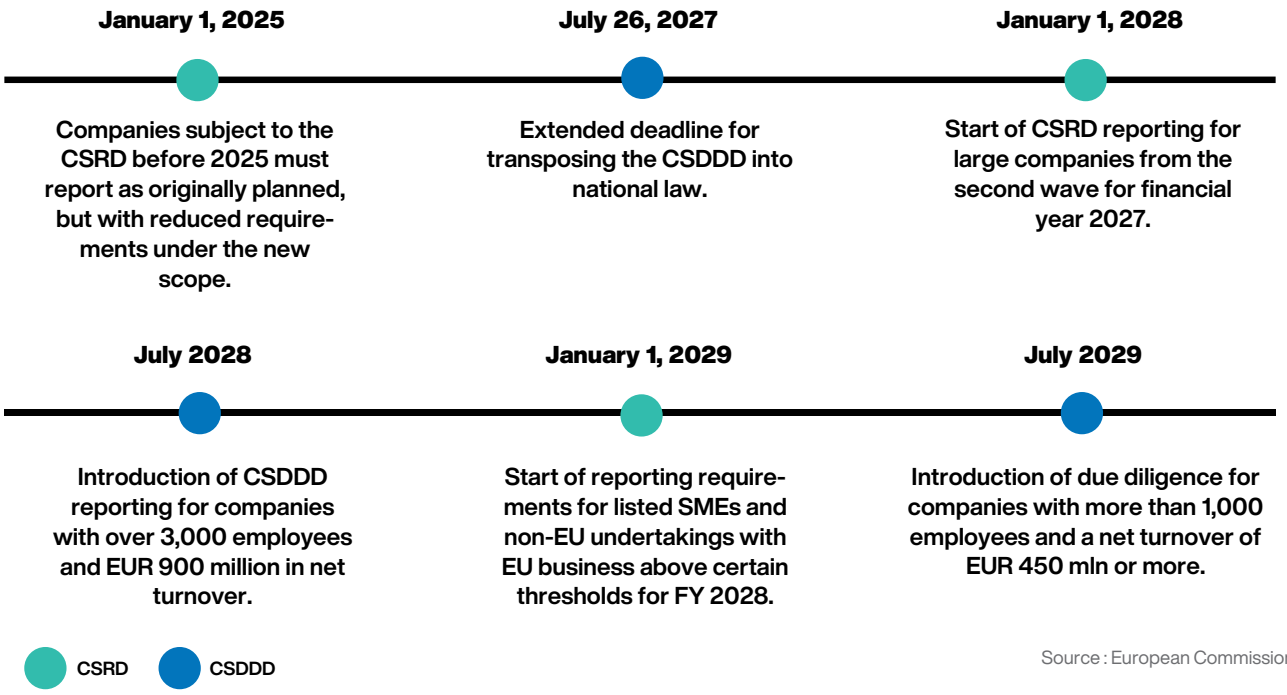
The ESG reporting obligations under the CSRD, EU Taxonomy and CSDDD were addressed in two amending directives - Draft Amending Directive COM (2025) 80 and Draft Amending Directive COM (2025) 81. The first one was already adopted as Directive (EU) 2025/794 in April 2024, specifying the dates from which companies must implement the reporting requirements and mandating their transposition into national law by the member states by end-2025.

Thus, **companies from the first wave, already reporting under CSRD mandatory requirements, will continue to be obliged to do so**, as initially planned, depending on the status of national implementation. **Companies from the second wave must first report in 2028 for the 2027 financial year, with their CSRD reporting obligation being postponed by two years.** In a similar way, **mandatory CSRD reporting for companies from the third wave is set to begin with financial year 2028 instead of 2026**, two years later than initially planned. **CSDDD compliance deadlines were also postponed** for large companies with more than 5,000 employees and a turnover of over EUR 1.5 bln, which must comply **with the new due diligence obligations starting from 2028, instead of 2027 previously.** Member states were also given one more year - until July 2027, to transpose the CSDDD into their national legislation.

The second amending directive envisages that, **for a company to be within the scope of the sustainability reporting requirements, it must have more than 1,000 employees**, thus promoting closer alignment between the CSRD and CSDDD. This is viewed as the most significant change brought by the Omnibus package, effectively narrowing CSRD's scope, although the turnover (EUR 50 mln) and balance sheet (EUR 25 mln) thresholds remain unchanged. **The requirement will apply to companies that meet the new employee threshold and either one of the financial criteria.** This adjustment alone is **expected to remove approximately 80% of previously in-scope companies** from the mandatory reporting obligations.

In terms of reporting content, the **Omnibus package directs a comprehensive simplification of the ESRS**, strongly reducing the number of required data points while focusing on relevance, clarity and alignment with other EU sustainability frameworks. Narrative disclosures will be deprioritised in favour of concise, quantitative indicators. **Sector-specific reporting standards are no longer planned**. Furthermore, **a single voluntary sustainability standard for SMEs (VSME) will be introduced** through a delegated act, allowing non-mandated companies to participate without formal obligations.

Fig. 2 New CSRD and CSDDD timeline according to the Omnibus package:



Source : European Commission

2.3. ESG legislation in Bulgaria

In Bulgaria, the social aspects of corporate governance are subject to regulation through a range of normative acts. The most significant is the **Labour Code**, which regulates employment relationships, prohibits discrimination and sets standards for safe working conditions and employee health. Other legislative frameworks include the **Law on Protection against Discrimination and the Social Security Code**, which together promote equal rights and social security for workers. **All national regulations relevant to ESG in Bulgaria are in accordance with the broader strategic guidelines of the Strategy for Corporate Social Responsibility 2024 – 2027 and the National Corporate Governance Code.**

The major act in the local regulatory landscape regarding social and governance reporting is the Accounting Act. Bulgaria's national response to the EU's ESG reporting legislation has taken shape through a series of amendments to the Accounting Act and the Independent Financial Audit Act, renamed to Independent Financial Audit and Assurance on Sustainability Act after the amendments. These amendments adopted in August 2024 and further revised in early 2025, deal with the incorporation and updates of the provisions of CSRD. **The 2025 revision of the Accounting Act enacted a one-year postponement of CSRD reporting deadlines in Bulgaria. The Bulgarian Ministry of Finance and Institute for Certified Public Accountants function as supervisory authorities for the transposed CSRD obligations. The status of CSDDD reporting in Bulgaria remained unclear with no public information on its transposition in national law, the expected timing and the responsible government authority available yet.**





Aurubis
Metals for Progress

Aurubis champions sustainability and social responsibility

Vedrana Lemor
Head of Corporate Sustainability, Aurubis Group

Aurubis Bulgaria is part of Aurubis AG, a leading global multi-metal producer and one of the world's largest copper recyclers, headquartered in Hamburg, Germany. Located near Pirdop and Zlatitsa in the Srednogorie region, its copper plant has been a cornerstone of Bulgaria's industrial landscape since 1958. As the country's largest exporter and among the biggest industrial taxpayers, Aurubis Bulgaria plays a vital role in the national economy. In 2024, the company launched the 4-year program "Investments for Progress. Bulgaria 2027" worth EUR 400 million, focused on the expansion of cathode copper capacity, production modernisation, in-house renewables, and energy efficiency. Aurubis Bulgaria actively supports education, healthcare, culture, and local communities across the Srednogorie region. Vedrana Lemor, Head of Corporate Sustainability at Aurubis Group, oversees ESG-reporting, Responsible Sourcing, and Decarbonization at Aurubis Group. She is also the Human Rights Officer of the company.

Aurubis has set up an independent Sustainability division at the start of 2022. How does this align with your corporate governance?

The Sustainability division that I lead reports directly to the CEO, positioning it at the same level as other key functions like communications, HR, or legal. Over the past two years, the department has experienced significant growth, expanding from just three people, along with the head of the department, to a team of thirteen, plus the department head. This growth reflects our strategic commitment to sustainability.

There are three main factors behind this expansion. First, increasing legal requirements – with upcoming regulations such as the Corporate Sustainability Reporting Directive (CSRD) and Germany's due diligence law, we now face a greater volume of operational work to ensure compliance.

The second reason is tied to our decarbonisation efforts. We are systematically trying to reduce our CO2 emissions and this effort is a key responsibility within my department.
The third reason is tied to that as well, given that since 2021, sustainability has been formally integrated into the company's overall strategy, elevating its importance within our corporate framework.

How did you prepare for CSRD reporting? Are you facing any challenges in aligning with current standards and what do you expect in terms of future ESG reporting in light of the Omnibus package?

Our first CSRD report will be published at the end of this year, covering activities from the fiscal year ending in September 2025. We have been reporting on non-financial matters since 2017, so we had a head start in that sense. However, we have been specifically preparing for CSRD for almost two years. This first involved conducting a gap analysis, followed by materiality and KPI analyses last year to assess what we had and what was still missing. Currently, we are in the process of writing the report.

Regarding energy and CO2-related matters, we have been part of the Emissions Trading System for over a decade. This means we are well-versed in measuring Scope 1 and 2 emissions. We have also been reporting on Scope 3 emissions for some time and are continuously working to improve our data in this area. The same goes for environmental data—since it is required for permits, we have had to measure and track it. We hold a number of ISO certifications, and we are familiar with reporting these figures.

While we have already embraced many of the CSRD standards ahead of its formal enactment, there are still significant new requirements. The directive calls for many data points, and I think it would make sense to streamline its focus on what is truly important, so we appreciate the Omnibus package at the EU level. It aims to make reporting more targeted, ensuring we focus on relevant data rather than collecting information that may be either difficult to access or beyond our control. Under the Omnibus package, the European Financial Reporting Advisory Group (EFRAG) will publish a shorter version of the European Sustainability Reporting Standards (ESRS), and the European Commission is expected to adjust the current delegated act.

What about your approach to broader due diligence regarding partners in your supply chain?

We have been subject to the German due diligence law for two years now, but even before that, we had already established a due diligence process within the company. This involved assessing who we buy from and setting sustainability standards for our suppliers. As a result, we already have a good understanding of our supplier base and can report on it.

Aurubis
Metals for Progress

Implementing the German supply chain law has been challenging due to its complexity. While we have not had to report on it yet—since the German government has temporarily suspended reporting requirements—it still demands significant effort. We do appreciate the intention behind the law, but we find it to be quite bureaucratic to comply with.

As for the bureaucratic hurdles tied to Corporate Sustainability Due Diligence Directive (CSDDD), we will have a clearer understanding after the implementation of the Omnibus package.

Can you share some of the key initiatives Aurubis has implemented to support its workforce in Bulgaria?

Aurubis is deeply embedded in the communities of the Srednogorie. We see our initiatives in the region as investments rather than donations, as a long-term programme called "The Beautiful Srednogorie" and plays a central role in Aurubis Bulgaria's sustainability policy, which is committed to the well-being and development of the region with a strong focus on education, health, culture, and community support. In partnership with the Pirdop, Zlatitsa, and Anton municipalities, we are enhancing education through school renovations, modern tech, and extracurricular courses, promoting healthy lifestyles with new sports facilities, supporting local clubs and athletes, preserving regional culture through community center initiatives, and upgrading healthcare facilities and equipment.

Most of our employees are from the region, and many families have been connected to Aurubis for nearly 70 years. As such, our initiatives are designed to benefit not only the communities but also our employees.

The funds allocated to this program cover the entire educational spectrum, from kindergartens to primary and secondary schools, as well as vocational education. This ensures we can recruit from a well-educated local workforce, providing strong foundations for the future.

Looking ahead, Aurubis has set ambitious sustainability targets for 2030, many of which focus on social responsibility. A key target is our commitment to lifelong learning, where we aim to provide 18 hours of training per employee each year. Currently, we've achieved this target at the company level as an average, and we are working toward reaching it on an individual basis.

Given Aurubis' focus on education, could you tell us more about the partnerships you've developed, notably with Sofia University?

Our aim is to develop a space where science and business can meet - the Net-Zero Lab project, a teaching and research unit launched by the Faculty of Economics.

This is a very fruitful partnership, with the goal of offering specialised training in industrial decarbonisation and effective resource management. We plan to fully implement this training starting in the next academic year.

The university is a strong partner with the resources to develop economic models, conduct impact assessments, and deliver specialized training. On our side, we bring practical, on-the-ground experience in industrial processes and sustainability practices, ensuring the partnership is grounded in real-world applicability.

Aurubis has committed to reaching carbon neutrality before 2050. What specific technologies or operational changes are prioritised to achieve this target?

Aurubis has set a group-level net-zero target, with intermediate goals for 2030. Specifically, we aim to halve our absolute Scope 1 and Scope 2 emissions and reduce Scope 3 emissions per ton of copper cathodes by 24%, compared to 2018 levels. To achieve this, we've developed tailored roadmaps for each of our sites in Bulgaria, Germany, Belgium, Finland, Spain, and Italy, recognising that each location faces unique challenges.

For our smelter sites, including the Pirdop facility, decarbonisation efforts are heavily focused on the electricity sector. In Bulgaria, our strategy includes both increasing renewable energy production and improving energy efficiency.

On the renewable energy front, we've begun constructing photovoltaic (PV) plants, with one already operational, another two set to start this year, and a fourth planned for the future. Collectively, these plants will have a total capacity of 41 MWp, meeting 16% of our electricity needs. This is one of our most significant investments in renewable energy.

In terms of energy efficiency, we are replacing older motors and transformers with more efficient models, as well as upgrading lighting systems.

Our "Investments for Progress. Bulgaria 2027" programme is supported by a EUR 400 million investment aimed at modernising and expanding the copper plant near Pirdop and Zlatitsa. This includes increasing our annual cathode copper production capacity to 340,000 tonnes, building the previously mentioned solar plants, and replacing electric motors with energy-efficient alternatives. The programme also encompasses significant infrastructure upgrades and ongoing modernisation efforts to enhance energy efficiency and reduce carbon emissions.

On a broader scale, we have secured PPAs in both Germany and Belgium. For the Olen site in Belgium, our agreement with an offshore wind energy provider covers about 90% of its electricity needs.



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3. Social and governance reporting – concept, frameworks and implementation challenges

3.1. Overview of social and governance indicators and their reporting

As ESG transitions from a reputational concern to a strategic priority, expectations for sustainability and transparency of the social and governance components reporting are rising. For companies, understanding how social and governance factors are measured, disclosed and interpreted is essential for ensuring long-term competitiveness. **Unlike environmental metrics, social and governance indicators are generally harder to quantify and inherently more nuanced. They reflect how companies treat employees, communities and other stakeholders, as well as how they are governed, from boardroom ethics to internal accountability mechanisms.**

There is no one-size-fits-all reporting framework. Instead, companies rely on a number of global standards and guidelines, many of which diverge in scope, granularity and stakeholder emphasis. The resulting fragmentation challenges corporate decision-makers striving to produce coherent and comparable disclosures. The universal standards of the Global Reporting Initiative (GRI) play a central role in ESG reporting as a widely adopted framework for consistent disclosure. Key social metrics include workforce diversity ratios, employee turnover rates, supply chain labour compliance and community investment percentages. Furthermore, a host of global institutions have developed principles for evaluating corporate social impact, including the United Nations (UN) with its Principles for Responsible Investment, the Organisation for Economic Co-Operation and Development (OECD), the World Bank Group's International Finance Corporation (IFC) and the Global Impact Investing Network (GIIN).

At the EU level, steps have been taken to consolidate ESG reporting obligations. The CSRD places social and governance metrics at the core of non-financial disclosures, mandating transparency on a broad set of topics. The most common social indicators deal with workforce treatment, including adherence to labour laws, fair wages, occupational safety and skills training, supply chain practices and broader community impacts. **While the most rigorous requirements relate to companies' own employees, the directive also calls for meaningful engagement with communities and suppliers affected by the corporate operations.** Diversity and inclusion are a central theme on the social side. Companies are expected to foster inclusive cultures that welcome diverse backgrounds and perspectives and prevent discrimination of any kind.

Governance standards focus entirely on internal structures and leadership behaviour. ESG-compliant companies must demonstrate ethical leadership, robust internal controls, board diversity, transparency in decision-making and availability of internal anti-corruption protocols and whistleblowing systems.



3.2. Statistical review of social and governance reporting in Bulgaria

Bulgaria increasingly aligns with EU ESG regulations and the quality and scope of corporate reporting on social and governance issues have come under closer scrutiny. While regulatory momentum is pushing companies toward more comprehensive disclosures, the most recent data as of end-2023 painted a mixed picture of progress and persistent gaps in Bulgarian corporate ESG reporting practices. **Banks and public companies consistently demonstrated the most robust social and governance disclosure practices with strong formal compliance, although some areas like anti-corruption mechanisms and discrimination reporting were still viewed as a formality and lacked meaningful reporting. Categories of enterprises where mandatory requirements had a more narrow coverage and voluntary reporting prevailed, such as large non-listed companies and SMEs, tended to exhibit a less strict adherence to ESG disclosure standards.** Despite improving transparency, the substantivity of reporting in both social and governance areas required significant enhancement to align with EU expectations.

Fig. 3 Highlights of social and governance reporting of companies listed on the Bulgarian Stock Exchange in 2021-2023



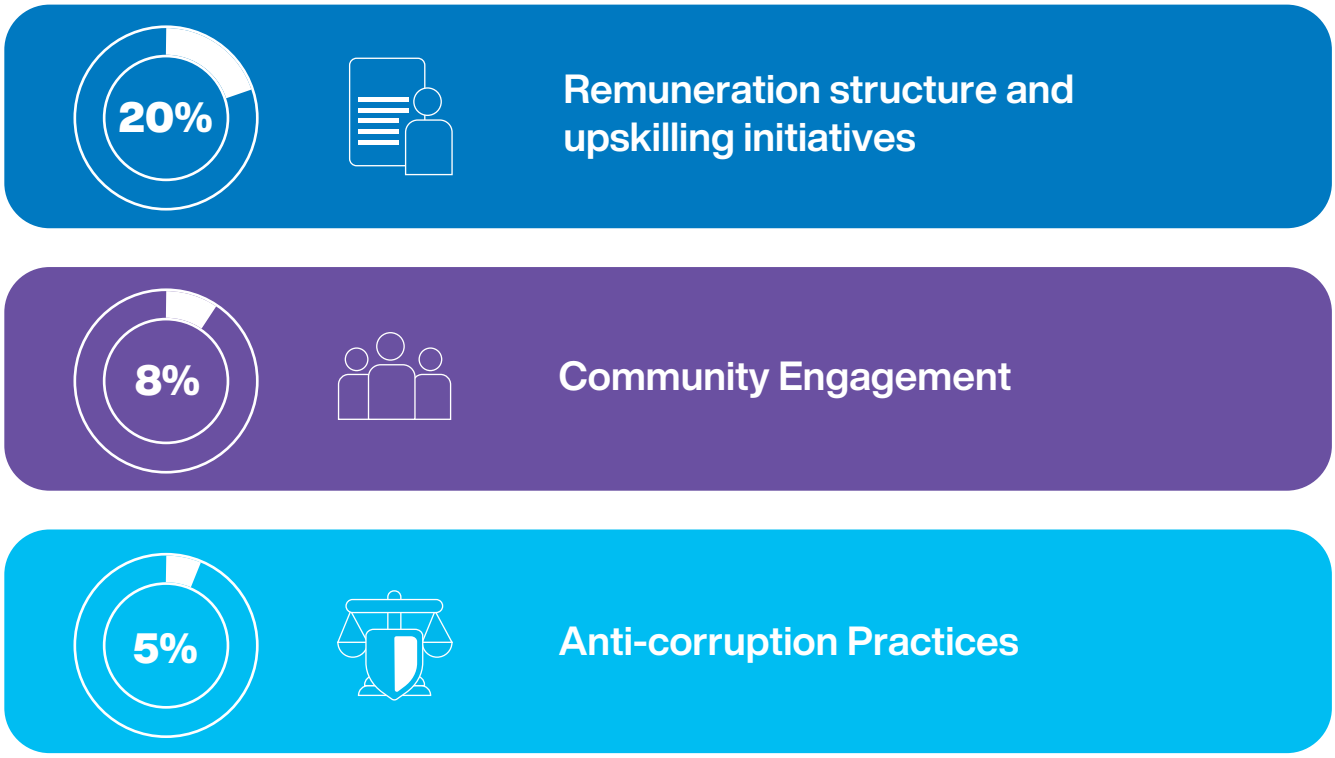
Source: National Corporate Governance Commission



For comparison, a 2021 survey among Bulgaria's top 300 employers revealed that corporate sustainability and non-financial reporting was gaining traction at the time, in the wake of mandatory reporting requirements announced by the EU. **By 2021, 80% of the companies had already published a CSR or ESG report. Notably, over half of these businesses had been reporting for more than five years, suggesting that for them ESG disclosure has become a long-standing practice.** Despite the prevalence of the GRI across Europe, Bulgarian companies mainly used the UN Global Compact's Communication on Progress as their primary reporting format, which reflects a more narrative, principles-based approach rather than standardised metrics.

From a content perspective, coverage of social and governance topics varied significantly, but was generally insufficient. Only one in five companies provided information on managing human capital, such as remuneration structure and upskilling initiatives. Thus, the vast majority were still not addressing workforce development in a structured and transparent manner. Reporting on community engagement was even poorer with 8% of the participants disclosing how their products or services impact vulnerable user groups and just as many providing support to ethnic or religious communities. Human rights disclosures were minimal and largely superficial, as Bulgarian firms demonstrated little understanding of how human rights issues intersect with their commercial activities. Governance performance indicators revealed further concerns. Only 5% of the companies disclosed internal controls or resources dedicated to combating corruption. Just as many reported outcomes such as the number of corruption-related dismissals or legal proceedings related to anti-competitive behaviour.

Fig. 4 Coverage of selected social and governance topics by share of companies



Source: National Corporate Governance Commission

Despite increasing participation in global initiatives like the UN Global Compact, where 50 Bulgarian companies are members as of May 2025, the overall ESG reporting landscape remains fragmented, especially in the social and governance pillars.

GEOTECHMIN



GEOTECHMIN: We are working on ESG with a phased, strategic approach

Dominic Hamers
Executive Director, Geotechmin OOD

Geotechmin OOD is one of Bulgaria's leading private industrial companies, with over 34 years of experience in sustainable and responsible business development. As the parent company of GEOTECHMIN Group, it provides strategic oversight and coordination for more than 20 subsidiaries across sectors including mining, construction and infrastructure, trade, energy and climate solutions, and services.

Mr. Dominic Hamers has held the position of the Executive Director at Geotechmin OOD since November 2011. He is also a member of the Board of Directors of Geostroy AD and a member of the Supervisory Board of Ellatzite-Med AD - two of the key companies within GEOTECHMIN Group. With more than 27 years of international experience in commercial operations and business development within the non-ferrous metals industry, he holds a Master's degree in Business Engineering (Banking and Finance) from the Catholic University of Leuven, Belgium, and has completed executive education programmes at INSEAD (France), etc. In addition to his executive responsibilities, Mr. Hamers leads the ESG implementation process across GEOTECHMIN Group.

Mr. Hamers, how did you prepare for the publication of Geotechmin's first ESG report in 2028, and what key governance structures are in place to ensure the effective implementation and monitoring of this plan?

As a large industrial group, GEOTECHMIN falls into the second wave of reporting under the Corporate Sustainability Reporting Directive (CSRD) of the European Union. We started our implementation preparation in 2023 with a long-term perspective. The first step involved training sessions with managers and key experts in the Group's companies to present the new regulatory framework and our responsibilities under the CSRD and the European Sustainability Reporting Standard (ESRS).

Initially, our efforts were focused on Ellatzite-Med - our industrial and largest subsidiary - where we launched pilot ESG projects to assess readiness and alignment with the CSRD framework. This included comprehensive double materiality assessments and gap analyses to identify the most relevant ESG topics for the company's operations and stakeholders.

Subsequently, the results from these projects - the approach, the methodological tools, and analyses were applied at GEOTECHMIN Group level.

We established a corporate-level ESG working group, as well as working groups in the individual daughter companies. This corporate working group plays a key role in coordinating ESG activities, assessing risks and opportunities, and ensuring compliance with both regulatory requirements and our sustainability objectives.

With recent changes in the EU regulatory environment, including the Omnibus legislative package and the already adopted "stop-the-clock" legislation, the official publication of our first ESG report is scheduled for 2028. This provides us with additional valuable time to further refine our ESG framework and strengthen governance structures. We view our reporting preparation not only as a compliance obligation, but as an opportunity to be a successful example in our sector.

The company has conducted a double materiality assessment to identify key ESG topics. How did you engage stakeholders in this process, and what were some of the key findings?

The double materiality assessment is a pivotal element in the ESRS. It is an essential tool for identifying the most significant environmental, social, and governance topics from both a financial perspective and an impact perspective.

We started with Ellatzite-Med and then expanded the process to all Group companies. Undoubtedly, stakeholder input is a mandatory part of the assessment, but looking beyond regulatory requirements, these are our employees, suppliers, customers, and people from the communities where we operate. Because every opinion contributes to the overall understanding of our engagement towards communities and the environment.

Thus, we conducted an in-depth survey among over 2,000 employees of Ellatzite-Med and consultations, including surveys with local authorities, community representatives and non-governmental organisations. As a result, the initially identified "material" topics were confirmed, with some of them even being rated above the materiality threshold.

These results provided us with clear guidance and supported our view that sustainability should reflect both internal and external expectations. For over a decade, we have been building trust with communities in the areas where our industrial group operates through continuous dialogue and partnership - principles that will also underpin our ESG strategy.

Undoubtedly, environmental protection is among the Group's key priorities. There is no denying that mining activity has an impact on the environment and is often met with scepticism, and this is entirely understandable. In reality, today's investments in modern technologies enable us to achieve sustainable extraction with full traceability, minimal waste, and a significantly reduced environmental footprint. I must also highlight the investments made to protect water resources in the Etropole and Srednogorie regions. Over the past ten years, we have built three wastewater treatment plants, and a fourth is about to enter into operation to treat wastewater from the Ellatzite mine operations using cutting-edge purification technologies developed by leading international companies such as Mitsubishi Materials Techno Corporation (MMTEC) and EnviroChemie.

Could you tell us about the key causes and programmes that Geotechmin has implemented to promote employee well-being and encourage broader social responsibility and community engagement?

Commitment to social causes that benefit society is embedded in the DNA of the Group, guided by the values of the Founder and President of Geotechmin OOD, Prof. DSc. Eng. Tzolo Voutov. Our business model is aligned with the goals of creating long-term shared value for all stakeholders.

When it comes to employee well-being, we go beyond regulatory requirements. We provide a modern and safe working environment, opportunities for continuous training, and excellent health initiatives. For example, Ellatzite-Med operates two modern, 24-hour excellent health care initiatives on the premises of its two operational complexes, conducts free preventive check-up campaigns and provides its employees with additional health insurance packages.

Our employees also have excellent lifelong learning opportunities—participation in on-site and online training, international conferences, partnerships with universities, and foreign companies for experience exchange. We recognise and reward individual contributions through material incentives and career development.

Regarding the local communities, our CSR initiatives are among the most significant in the Etropole and Srednogorie regions and have a lasting impact. From 2019 to 2025, through the Bulgarian Virtues Charity Programme, we have implemented over 200 projects, ranging from infrastructure improvements and renovations of schools, kindergartens, and healthcare facilities to the construction of solar lighting, solar parks, restoration of cultural and historical heritage, and support for youth education.

One of our most significant initiatives is "Our Green Tomorrow," through which we donate funds and plant trees, enhancing urban spaces in Etropole Municipality and eight other municipalities in the Srednogorie region. These actions involve company leaders, employees, mayors, municipal councillors, directors, teachers, students, and even children from kindergartens. This cause is aligned with our endeavours to develop communities that work in partnership, with a collective spirit, united by one goal—for a more beautiful urban environment and a better future for these areas. We are pleased that an increasing number of employees wish to participate in these green actions as volunteers.

Our actions are rooted in our firm belief that the principles of ESG are a natural continuation of our longstanding commitment to philanthropy and corporate social responsibility.

The companies within the GEOTECHMIN Group are certified under several ISO standards. How do these standards influence your operations, and do you plan to go beyond the mandatory CSRD reporting requirements?

We view international standards as vital tools—not simply as "badges" of compliance. Our key subsidiaries are certified under ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and ISO 45001 (Occupational Health and Safety Management). In addition, Ellatzite-Med also applies ISO 50001 (Energy Management). These standards form the foundation of the companies' integrated management systems.

We are currently in the process of integrating ESG management into these systems - an essential step to ensure long-term sustainability and compliance with regulatory requirements. This includes embedding ESG principles into the core processes and structures of the companies, as well as creating mechanisms for monitoring, accountability, and managing ESG-related risks and opportunities.

Voluntary standards and certifications are valuable assets for us. They help to foster internal discipline and demonstrate our commitment to going beyond legal and regulatory requirements. We will continue to uphold and expand our alignment with the best European and global practices.

How will CSRD and ESRS reporting affect your supply chain and procurement strategy?

GEOTECHMIN Group has implemented a unified trade policy aimed at supporting the Group's economic development. We are currently conducting a thorough assessment to better understand the impact of ESG on our suppliers and partners. This process will help us enhance our supplier engagement criteria, risk assessment procedures, and sustainability indicators.

Our goal is to build a supply chain which reinforces and advances our long-term vision for sustainable development.

3.3. Common social and governance sustainability practices in Bulgaria

In Bulgaria, corporate sustainability practices increasingly emphasise the social and governance dimensions of ESG, with companies focusing on employee development and well-being, inclusive workplace policies, community engagement and management transparency.

3.3.1. Employee development and well-being

On the social side, Bulgarian companies are prioritising employee development as a core component of their ESG strategies, driven by both enhanced regulatory requirements as well as market and reputational pressure**. Large enterprises consistently implement comprehensive career development initiatives. Companies in the technological and industrial sectors show particularly strong commitment with the vast majority operating structured employee development programmes.** They are leveraging employee development as both an ESG compliance mechanism and a competitive advantage for attracting and retaining the best talent in the labour market. Furthermore, besides training and skills development, businesses increasingly invest in employee well-being initiatives, including mental health and work-life balance programmes, to enhance job satisfaction and productivity.

3.3.2. Diversity, inclusion and work-life balance

Diversity and inclusion have become central pillars of socially responsible business in Bulgaria, with growing attention to initiatives that support employees during maternity and paternity, as well as programmes that promote workplace accessibility and integration for people with disabilities. **Bulgaria has introduced a range of progressive social regulations aligned with the goals of the ESG framework, promoting diversity, inclusion, and work-life balance.**

From a legislative perspective, effective from August 2022, Bulgaria made amendments to its Labour Code, introducing enhanced paternity leave entitlements and a new framework for flexible work arrangements for caregivers, in alignment with EU Directive 2019/1158, which focuses on achieving a better work-life balance for parents and carers. **Under the revised code, the duration of paternity leave was substantially increased. While the initial 15 days of leave immediately after a child's birth remained in place, paid at 90% of the father's social security income, fathers became entitled to an additional two months of paid leave, which can be taken in one block or split into several shorter periods.** The two-month extended leave is funded by the National Social Security Institute and paid at the level of the statutory minimum wage.

In addition to leave entitlements, the changes in the Labour Code allowed for more flexible employment conditions for caregivers. **Eligible employees, such as parents of children under the age of eight or those caring for seriously ill relatives, may formally request changes such as switching to part-time or remote work or modifying work schedules.** This amendment aimed to create a more adaptable and supportive working environment for employees with significant caregiving responsibilities.
Further advancements came in June 2024, when Bulgaria's Council of Ministers adopted an ordinance regulating working time, rest periods and vacation entitlements**. A key provision in this ordinance was the formal recognition of grandparents as eligible recipients of transferred maternity leave once a child reaches six months of age.** This applied to both biological and adoptive families and allowed maternal and paternal grandparents to assume a caregiving role, thereby enhancing family work flexibility.

A notable private initiative in this area is the launch of the Bulgarian chapter of the LEAD Network in November 2024. **As part of an international organisation focused on fostering diversity and inclusion in the retail and FMCG sectors, it strives to facilitate the reintegration of women into the workforce following maternity leave and support for the career development of women over the age of 50, among others.** These programmes address systemic barriers, aiming to close gaps in career continuity and opportunities for women balancing work and family responsibilities.

Bulgaria has also made tangible progress in promoting the inclusion of people with disabilities through entrepreneurship and employment. **In 2024, the Agency for People with Disabilities significantly expanded its support, funding 23 start-up projects worth over BGN 605,500, nearly double the previous year's amount. Under the revised programme for self-employment, individuals with disabilities can receive up to BGN 30,000, a 50% increase from the previous BGN 20,000 cap, with simplified application procedures.** The project financing may be used by one person with a disability for business registration, purchasing equipment, training and other essential start-up needs. After the two-year period of setting up the business, the company is allowed to be registered as a specialised enterprise and employ other disabled people, thus promoting long-term impact and peer-to-peer empowerment**. Beyond start-ups, all employers can access support through the National Programme for the Employment of Persons with Disabilities. This includes funding to improve working environments, upskill staff and reimburse up to 30% of the social security contributions paid for employees with permanent disabilities. Specialised enterprises and cooperatives can claim reimbursement of 50% of their contributions made for all employees.**

3.3.3. Gender equality

Gender equality has emerged as a relative strength of the Bulgarian corporate landscape when compared with EU averages. According to the European Investment Bank Group Survey on Investment and Investment Finance, published in February 2025, the 481 Bulgarian businesses surveyed outperformed the majority of their EU counterparts in gender representation at the senior level. **Data showed that 32% of Bulgarian companies have 40% or more women in senior management, compared to the EU average of 23%. Similarly, 22% of the companies in**

Bulgaria were at least 50% female-owned, significantly higher than the EU average of 13%. These figures reflect a broader cultural openness of Bulgarian business toward female leadership, positioning the country as a regional leader in gender equality in corporate governance.

3.3.4. Focus on community support

Community engagement has also been in focus in the ESG efforts of Bulgarian companies. They partner with schools, universities and NGOs to boost education, skills and social welfare. Typical activities include sponsoring scholarships, training programmes and local events, as well as providing volunteer and material support for community projects.

In terms of educational partnerships, for example, several tech companies sponsor STEM labs in public schools, while a number of large companies in sectors like telecommunications and retail fund annual scholarship programmes. The banking sector has made youth financial education a CSR priority. Major companies also back community development and social projects through volunteering and staff donations. Initiatives to improve education access, local infrastructure and poverty relief have also become mainstream, in particular among large employers that often dominate small municipalities in deprived regions of the country.

3.3.5. Management transparency

In Bulgaria, corporate responsibility for ESG matters is structured clearly, with transparency and accountability increasingly prioritised in governance practices**. Depending on the legal form, ESG duties are assigned to the general manager in limited liability companies or to boards of directors and supervisory boards in joint-stock companies.** These bodies oversee the integration of ESG risks and opportunities into corporate strategy, adopting internal policies that reflect both long-term goals and regulatory requirements.

A notable trend is the establishment of dedicated ESG committees within larger firms, demonstrating a proactive approach to governance. Alongside these structural efforts, companies are enhancing transparency through more detailed sustainability reporting, stronger ethics and compliance frameworks and a commitment to board diversity.



EY Building a better working world



Beyond buzzwords: Why the “S” and “G” in ESG are critical to business success

Klimentina Rasheva
Partner at EY denkstatt

EY denkstatt, part of the EY network in Austria, Bulgaria, Romania, Hungary and Slovakia, is a leading regional sustainability consulting provider, offering comprehensive and tailored solutions across various industries. Klimentina Rasheva is a Partner at EY denkstatt and has been working on ESG projects for nearly 20 years. She holds a master's degree in public relations. Her professional expertise includes sustainable reporting and strategies, social capital management, developing community investment strategies, stakeholder engagement, and organisational development. Klimentina has extensive experience working with public and private clients, having consulted for the Ministry of Environment and Waters, as well as multinational clients in the FMCG, retail, ICT, mining and other industries.

Klimentina, when discussing ESG, the focus often falls on environmental aspects, but the social and governance dimensions are no less important. Why is the 'S' component significant and how can it be effectively managed?

I would say the opposite – the ‘S’ and ‘G’ aspects are so critical and inherent to the success of a business that important actions to support them have long been in place, well before the ESG acronym was even introduced. It’s just that the environmental dimension is actively pushed within the scope of business, which is why it receives such heightened attention. In reality, many actions have been taken because of it, particularly in response to climate alarmism. Companies do not need pressure; no one would gratuitously destroy the environment, and there is ongoing debate over which business activities lead to which outcomes. The scope of companies' environmental responsibility is also unclear, leading to unrealistic expectations placed upon them.

Effective management of the ‘S’ component is straightforward – it is directly related to the quality of leadership – first and foremost!

What common mistakes do companies make in managing the social aspect of ESG in their business? And what are they doing well without necessarily realising it?

The common mistakes companies make are that they often choose to think about their social commitments – to employees and society – in terms of benefits, projects or campaigns. In fact, these commitments are closely related to culture (viewed through the lens of the internal organisational environment) and to the awareness of the unique value the company creates and how it reflects on society, including which groups and issues are affected.

Overall, considering the well-being of employees and society is often perceived as the company’s direct responsibility, when in fact the company’s actual role is to support those who are willing to take care of their own well-being. A company cannot solely create anyone's well-being; it can only be a participant in its creation.

What actions make sense for companies to take when it comes to managing their social impact?

A standard business approach would begin by outlining the boundaries of what is considered “social” and where the company sees its involvement. Then, it involves systematising the topics to be explored, clarifying the impacts and risks, and once that is done, determining the actions needed to address them. It is also beneficial to envision the company’s actual responsibilities and the changes it can undertake, as well as identify the metrics for tracking and reporting progress. This is how every aspect of the business is managed, and this is how the ‘S’ component should be managed as well.

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3.4. Social and governance reporting implementation challenges

The implementation of ESG standards and reporting presents a multi-layered challenge for businesses in Bulgaria, particularly small and medium-sized enterprises (SMEs). The challenges span from technical and logistical constraints to systemic weaknesses in guidance, support and infrastructure. Key challenges:

- **Lack of clarity of standards** - businesses face a regulatory environment in which standards change often and guidance remains vague. Companies are often unsure about which data points they must collect or how to measure non-financial impacts accurately. This disproportionately affects SMEs, many of which only recently became aware that the directive applies to them due to their inclusion in supply chains.

- **Overwhelming reporting requirements** - the EU directive mandates non-financial reporting based on 1,100 elements, of which 176 are mandatory. This does not mean that every company must report on every requirement, but an analysis must be made to determine what should be included. Moreover, companies are expected to report under both non-financial and international financial reporting standards. The sheer volume of data collection, verification and documentation required can be daunting, particularly for smaller organisations with limited resources and expertise. For companies, reporting could mean diverting attention and capital away from core operations to monitoring of suppliers, engaging employees and assessing social impacts under tight timelines and resource limitations.

- **Lack of resources and expertise available to Bulgarian companies, especially SMEs** - in some cases, companies perceive ESG reporting as a peripheral concern, rather than a core component of their operations. This can lead to a lack of commitment from leadership and insufficient integration of social and governance considerations.

- **Supply chain pressures** - even before full regulatory enforcement, large companies have started to demand ESG compliance from suppliers of all sizes. SMEs report receiving extensive questionnaires and retroactive data requests, facing penalties or termination of contracts if they do not comply.

- **Inconsistent application of the CSRD across the EU** - the directive has not yet been transposed into national law in some EU member states, with 17 of them having missed the July 2024 deadline. This has created uneven playing fields and uncertainty for businesses, especially for those operating cross-border. Bulgarian companies, for example, face added difficulty as they prepare to comply while other member states delay implementation.

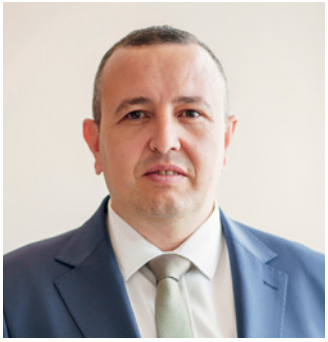
- **Subjectivity and data quality in social metrics –** unlike most environmental indicators, social metrics often tend to be subjective and qualitative, creating challenges in standardisation, comparability and reliability. This opens the door to social washing - the embellishment or exaggeration of a company's social responsibility efforts. Thus, investors and stakeholders may be misled by non-verifiable claims, risking reputational damage.

- **Neglecting social and governance issues at the expense of environmental issues** - the emergence of environmental-focused taxonomy, initiatives and standards makes pressure from investors louder in the environmental space than in the social. If environmental issues and social issues continue to separate, with more progress seen in the environmental matter, momentum towards achieving coherence on social and governance principles and standards may slow down.

The ESG reporting landscape is characterised by complexity and fragmentation across its social and governance dimensions. To combat the challenges and achieve effective application of the EU directives, more robust support structures and clearer strategic direction are needed. Collaboration between large and small enterprises must be incentivised. Large corporations should be encouraged to support SMEs in preparing for ESG compliance, including sharing best practices, tools and data collection assistance. Emphasis should be placed on the substance of social and governance practices rather than the form of reporting. Instead of inflating social claims and prioritising metrics over meaning, businesses must be guided to embed sustainability into core operations and decision-making processes. Furthermore, the EU and national governments must foster policy cohesion across member states and ensure timely transposition of directives to avoid regulatory arbitrage and unfair disadvantages for early adopters. In essence, successful ESG implementation means not only compliance with technical standards, but also a shift in mindset from a reactive reporting obligation to a proactive, purpose-driven business transformation.



BULGARIAN
CHAMBER OF MINING
AND GEOLOGY



Mining fuels jobs, innovation and social change

Associate Professor Dr. Eng. Ivan Mitev
Executive Director of the Chamber

The Bulgarian Chamber of Mining and Geology (BCMG) is a non-governmental organisation representing businesses in Bulgaria's mineral extraction and related industries. Comprising most companies across eight sub-industries, BCMG members contribute up to 5% of the country's GDP and provide direct employment for over 30,000 people, with an additional 120,000 in indirect employment. The Chamber is a member of key organisations such as the European Association of the Mining Industry, Metal Ores and Industrial Minerals (EUROMINES), and the European Association for Coal and Lignite (EURACOAL), supporting the UN Global Compact initiative. Associate Professor Dr. Eng. Ivan Mitev is Executive Director of the Chamber.

How does the mining sector support employment and local communities, especially once a project has ended?

The mining industry provides stable employment in several regions across Bulgaria, where other opportunities are limited. Companies such as Assarel-Medet in Panagyurishte, Dundee Precious Metals Chelopech, Gorubso-Madan and Elatsite-Med create real opportunities for training and qualification through internal training programmes, internships, and partnerships with vocational schools and universities, including through dual education, scholarships, and equipping training rooms. Moreover, these companies make targeted efforts to establish sustainable livelihoods in the region during the active extraction phase. Funds are invested in small and medium-sized enterprises, new jobs are created, and local businesses are supported. Socially significant projects are developed, such as hospitals, cultural and sports infrastructure, as well as targeted donation and volunteering programmes. These initiatives demonstrate a long-term commitment to communities, extending beyond the extraction phase.

Is the mining workforce ready for increased modernisation, and how will the Green Transition impact those working in the industry?

The mining industry in Bulgaria is modernised and employs high-tech solutions – automated systems, digital process management platforms, remote equipment control, and comprehensive environmental monitoring. This requires a new workforce profile – people with technical backgrounds and digital skills. The Bulgarian labour market has qualified professionals, but the industry's needs continue to evolve. That is why closer cooperation between education and business is crucial. There are already successful joint programmes with vocational schools and universities, but if we are to achieve lasting change, this approach must become systematic.

As for the Green Transition, one thing is clear – it cannot be achieved without the active participation of the mining industry. The raw materials needed for electric vehicles, renewable energy sources, and digital technologies are directly supplied by this sector. Rather than being sidelined, the industry must be strategically supported to meet new demands. At the same time, it is vital for transition policies to reflect the realities of regions where mining is a key economic driver. Imposing restrictions without a clear economic outlook for locals risks causing social tension. A well-considered approach is therefore essential – one that enables the industry to remain a driver of growth through modern technologies, sustainable practices, and a strong commitment to people.

What are the obstacles to faster initiation of mining projects, and what can local authorities do?

The approval process for mining projects in Bulgaria remains excessively lengthy and administratively burdensome. A project must pass through several stages – exploration, environmental impact assessment, concession agreements, construction permits, and commissioning – involving multiple institutions at various levels. A lack of coordination, long deadlines, and differing interpretations of legal requirements often lead to significant delays.

This impacts businesses but also hampers the development of entire regions where such projects are crucial for the economy and employment. In this context, the new EU Critical Raw Materials Act gains particular importance. Its aim is to secure Europe's access to strategic resources necessary for the green and digital transition. The regulation sets specific targets: by 2030, at least 10% of the EU's annual consumption of strategic raw materials should be extracted within the Union, reducing dependence on external sources. Bulgaria has real potential to contribute to these goals. Under the new Act, copper is defined as a critical raw material of strategic importance for the EU, and Bulgaria ranks third in copper extraction within the Union. The country also holds leading positions in the mining of gold, barite, cadmium, lead, and other minerals. To capitalise on this opportunity, we must adapt the national regulatory framework to support strategic projects with clear, coordinated, and predictable procedures. Locally, this means timely communication, expert involvement, and improved public engagement. Partnerships between institutions, industry, and local authorities lead to more efficient projects, less friction, and increased public trust.

How does the sector approach environmental protection?

The mining industry in Bulgaria operates with a strong focus on the sustainable management of natural resources and the reduction of environmental impact. Automated systems are used to monitor air, water, and soil; modern treatment facilities are implemented; and resource consumption is optimised. Land reclamation is an integral part of operations. Areas that are no longer in use are rehabilitated and prepared for new purposes. In recent years, the sector has increasingly adopted new digital solutions, including drones and robotic systems that support monitoring and land restoration processes. Efforts are also being made to restore land to its natural state. All of these actions are based on established environmental standards and best practices, with particular attention paid to restoring the natural landscape and preserving local biodiversity.

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4. Social and governance reporting by enterprise type

Different categories of Bulgarian enterprises approach the disclosure of social and governance information in various ways with diverse levels of maturity and regulatory responsiveness. **The companies most often involved in either mandatory or voluntary ESG reporting can be divided into four broad categories - banks, listed companies, large non-listed companies, including state-owned firms, and SMEs.** Banks are subject to stringent EU regulations and typically lead in terms of structured comprehensive ESG disclosures. Public companies, increasingly influenced by market expectations and investor scrutiny, have also widely implemented non-financial disclosures in their operations. In contrast, large non-listed companies, especially those in the energy and utilities sectors and state-owned enterprises often lag behind in consistency and comprehensiveness. The latter, along with SMEs, tend to report on social and governance indicators voluntarily, driven by stakeholder expectations rather than formal requirements.

Regulation plays a leading role in shaping disclosure practices - companies under mandatory regimes generally show more robust reporting, while voluntary reporters predominantly focus on showcasing specific social initiatives or community engagement. With respect to content, the social dimension of ESG is still underrepresented, with topics like human rights often implicitly assumed to be compliant and therefore omitted from the structure of reports.

4.1. Banks

The banking sector in Bulgaria operates under a highly regulated environment that significantly shapes its ESG reporting practices. **The proliferation of technical standards, guidelines and normative acts has led to a high level of complexity and compliance costs. In this context, the Omnibus simplification package proposed in early 2025 has been largely welcomed by banks and the European Banking Federation. Reducing the scope of reporting by 80%, the European Commission's effort to streamline and simplify the EU's sustainability regulatory framework is expected to relax the reporting burden for the financial sector as well.**

Bulgarian banks are increasingly aligning their social and governance initiatives with both regulatory expectations and stakeholder demands, resulting in a range of best practices that reflect a strong commitment to sustainability and social responsibility. These practices encompass various areas, such as community-related initiatives - entrepreneurship support, financial literacy, or internal initiatives - employee engagement, health, and well-being improvement. In the realm of social responsibility, banks have actively supported young entrepreneurs through events and programmes. Successfully implemented health initiatives include partnerships with local sports clubs and federations, online health consultations and physical activities promoting overall well-being. Financial literacy has also been a focal point, with seminars and programmes designed to educate students enrolled in non-economic majors in Bulgarian universities. Governance practices include increased female representation in management boards, the implementation of cybersecurity awareness campaigns and the establishment of whistleblowing policies to reinforce ethical behaviour.

As reported in an analysis of ESG reporting conducted on behalf of the Bulgarian Stock Exchange (BSE) based on 2023 annual reports and disclosures, banks are the best performers among all categories of enterprises involved in social and governance reporting. The leading banks in terms of assets, supervised by the European Central Bank, demonstrated higher compliance levels. The differences between the two groups of banks in indicator reporting are largely due to higher regulatory requirements for large banks. However, some second-tier banks were approaching large banks' reporting levels, which highlighted the role of ambition for compliance at the individual bank level regardless of regulatory burden. Almost all banks achieved close to complete formal compliance with regulatory requirements by having the appropriate documents and policies in place, but faced challenges in ensuring comprehensive substantive reporting in terms of the quality and scope of the provided information, particularly in the areas of risk management and anti-corruption practices.

In the social reporting component, banks prioritised human capital management, gender equality and inclusion policies and community engagement. Large banks in particular provided detailed accounts of diversity initiatives and consumer protection measures. However, reporting on discrimination prevention and social risk management remained limited, mostly attributed to perceived low materiality. Gender equality and women's access to leadership positions were among the strongest areas of Bulgarian banks with gender representation data indicating that women predominated in the staff of all banks. In contrast, the situation was different regarding the composition of executive and supervisory boards. Although there were institutions where more than half of the board seats were occupied by women, in about half of the Bulgarian banks women had a representation of 25% or less in the supervisory board. In management boards women were better represented - in more than half of the banks they occupied at least one third of managerial roles.

In the governance realm, relative homogeneity in the sector and a high degree of disclosure were observed. The most notable exception was financial institutions' commitment to anti-corruption policy, which had the lowest degree of disclosure among all indicators with only three Bulgarian banks having published detailed information on reported risks related to anti-corruption activities. As a rule of thumb, banks view corruption risks as immaterial, which is the reason for weak interest in their reporting.

Fig. 5 Key ESG disclosure trends in Bulgarian banks



Banks lead all enterprise categories in social and governance reporting

Top ECB-supervised banks showed the highest compliance.



Main focus on gender equality, human capital management, and community engagement

Strong female representation on management boards (>33%) but lower representation on supervisory boards (<25%) in more than half of the banks



Relative homogeneity and high disclosure rates but anti-corruption disclosure gap

Only three Bulgarian banks disclosed detailed anti-corruption risks, as banks generally consider them immaterial.

On a side note, the introduction of the bank-specific Green Asset Ratio (GAR) and the Banking Book Taxonomy Alignment Ratio (BTAR) within EU regulations has prompted banks to assess and disclose their alignment with sustainable activities, including environmental ones. A major issue hampering the meaningful implementation of these indicators remains the fact that, in most banks, GAR has consistently equalled zero. This is attributed to the fact that a large portion of banks' clients, particularly SMEs, which constitute a significant part of their client base, are either not obliged, or do not disclose sufficient information.



UniCredit Bulbank



UniCredit empowers companies with sustainability, green skills

Bilyana Mladenova-Mileva
Manager of ESG Strategy, UniCredit Bulbank

UniCredit's ESG strategy is built on key principles, including leading by example, setting ambitious goals for a fair transition, equipping clients with tools for navigating sustainability, and unlocking investments to reach long-term commitments. Funded by UniCredit and aligned with its ESG strategy, the Skills for Transition program offers free training to help employees and students adapt to a low-carbon economy, focusing on ESG fundamentals and industry-specific topics to enhance employment, social mobility and competitiveness. Bilyana Mladenova-Mileva, Manager of ESG Strategy at UniCredit Bulbank since March 2023, has over 20 years of experience in Bulgaria's financial sector. She previously held senior roles in corporate credit and development at a major local bank. Mrs. Mladenova-Mileva has a Master's degree in International Economic Relations from the University of National and World Economy in Sofia.

What has motivated Unicredit to initiate the Skills for Transition programme and how does it align with UniCredit's broader ESG strategy?

Integrating sustainability into everything we do is one of the five strategic pillars of our development plan - UniCredit Unlocked. This plan builds on strong foundations to unlock the Group's potential, paving the way for the future of the bank and all its stakeholders. One of the key pillars, "**Customer and community support**", aims for us to provide the resources, knowledge and expertise needed to help our customers and communities manage their environmental and social transition. We see education as one of the fundamentals in helping our clients and communities to progress towards a more sustainable, inclusive, and equitable society. With this in mind, the Skills for Transition program aims not only to boost employment and improve social mobility, but also to do so in a way that equips companies to address some of the biggest challenges they face today.

How does the programme address challenges faced by industries most affected by the green transition?

Skills for Transition is a unique training programme aiming to develop new skills to support the green transition. It is structured into three streams targeting young people as well as our clients' employees working in some of the industries most impacted by the green transition - namely agrifood, real estate and construction, and transportation and storage -, while also being available for all industry sectors. It enables the acquisition of new knowledge that is in high demand in the labour market. The stream for company employees is organised on a digital platform in three modules: ESG Basic, Industry Specifics, and Employee Profile. The first module is suitable for all sectors and provides knowledge on the basics of sustainability, regulations, sustainable technologies and digital trends in business. The other two modules are focused on the target industries and include tailored content and regulatory frameworks, while addressing the transition process and providing operational support for the targeted employee profiles. We believe that the Skills for Transition programme is an excellent way to inform people about the necessary changes that need to occur in order to keep the world modern, but also green.

What are some of the outcomes you anticipate in terms of social mobility and employment and how will you evaluate the success of the programme?

Based on the current data, 70% of companies think that the digital and green transition will reshape the way they do business. The share of "green talent" in the international workforce has grown by only 12%, while the share of ads requiring at least one of these skills increased by as much as 22.4%. In most economic sectors existing jobs will evolve, incorporating green skills in increasingly profound and impactful ways. The small and medium enterprises are the backbone of the Bulgarian economy and Unicredit knows that the banking sector can support business not only with financing but also with valuable expertise. Participation in the training is completely free for both companies and workers. Training is delivered through a digital platform, accessible 24/7 in workers' local languages to ensure maximum flexibility. We will gladly welcome as many companies and employees as possible.

How can regular companies benefit from this opportunity?

Being committed to local community development, UniCredit is not limiting access to the programme only to its clients; instead, every company on the market could benefit from it. The Skills for Transition programme develops distinctive employee competencies to increase competitiveness. After completing the training, a test is administered and a certificate is awarded, helping companies lower training costs and enhance the productivity of their learning processes. For more information, there is a dedicated page on our website explaining how companies can subscribe to the programme.

www.unicreditbulbank.bg



We provide exclusive social program delivering strategic online training to companies, the employees will develop the needed skills to meet the changing environment and generate a measurable social impact.

SKILLS *for* TRANSITION

Powered by UniCredit

4.2. Large non-listed companies

In Bulgaria, large non-listed companies, such as state-owned enterprises and energy and utilities firms among others, exhibit varied practices in social and governance reporting. **While energy companies tend to perform better due to additional regulations, overall disclosure among non-listed entities, especially those reporting voluntarily, was significantly weaker compared to banks and public companies.** Among the non-listed companies, the lack of stringent legal requirements present in the other two categories has led to a greater diversity of approaches, according to the Bulgarian Stock Exchange analysis of the latest available sustainability reports of 2023. The companies with mandatory reporting demonstrated a higher degree of transparency and structure, while the voluntarily reporting ones showed greater freedom but also lower commitment to good corporate governance practices. Significant data gaps and inconsistencies persisted, with voluntary initiatives among non-listed companies often being chaotic, lacking clear trend and alignment with EU requirements. The results of the study revealed that the majority of companies did not consider social issues as priority topics for public disclosure. Although sectoral regulatory requirements have led to partial accountability, disclosure levels remained relatively low even among companies legally obliged to report, such as state-owned enterprises. **A worrying trend is that more than two thirds of the companies, including 83% of those disclosing voluntarily, did not have an established code of ethics. Additionally, 93% of the companies did not disclose information about corruption risks and the presence of anti-corruption policies.**

State-owned enterprises have their own peculiarities, being subject to sustainability reporting under a dedicated law in Bulgaria. Among them, a notable gap exists between formal disclosure, with 81% of the companies having documents and substantive disclosure, while only 61% meeting quality and scope requirements. This is a sign of a superficial understanding of the need for ESG reporting by a large number of enterprises in this category, mostly the ones operating in a business environment free from market and stakeholder pressure. Contrary to most of the other categories of ESG-reporting enterprises, corruption is a central topic in the operations of state-owned enterprises. This determines the fact that the vast majority of the examined companies, or close to 90%, had whistleblowing mechanisms and established anti-corruption codes. However, the difference between policy presence and its actual implementation was stark – only two cases of anti-corruption measures carried out were reported.

Apart from the state-owned enterprises and energy companies explored in the Bulgarian Stock Exchange study, ICT is another sector strongly dominated by non-listed companies where ESG reporting has been gaining traction. They are rarely subject to mandatory disclosure and report voluntarily, which has led to a very broad range of report formats, indicators and initiatives. A common denominator is their dedication to workforce development with investment in education and skills through partnerships with educational institutions most frequently reported. Employee engagement through workplace giving programs and volunteer initiatives, as well as multi-faceted community support addressing education, environment and vulnerable populations are also among their top CSR choices.

Last but not least, mining companies were among the pioneers of ESG reporting in Bulgaria and have long-established transparent practices in this area. As most of them operate in socially deprived areas of the country, community support projects, including large-scale ones such as hospitals and schools, have been an integral part of their social responsibility efforts.



Fig. 6 Highlights of social and governance sustainability reporting among state-owned enterprises

90%

whistleblowing mechanisms or anti-corruption codes

81%

formal social and governance disclosure

61%

high-quality substantive disclosure

Source: Green Finance & Energy Centre, Bulgarian Stock Exchange



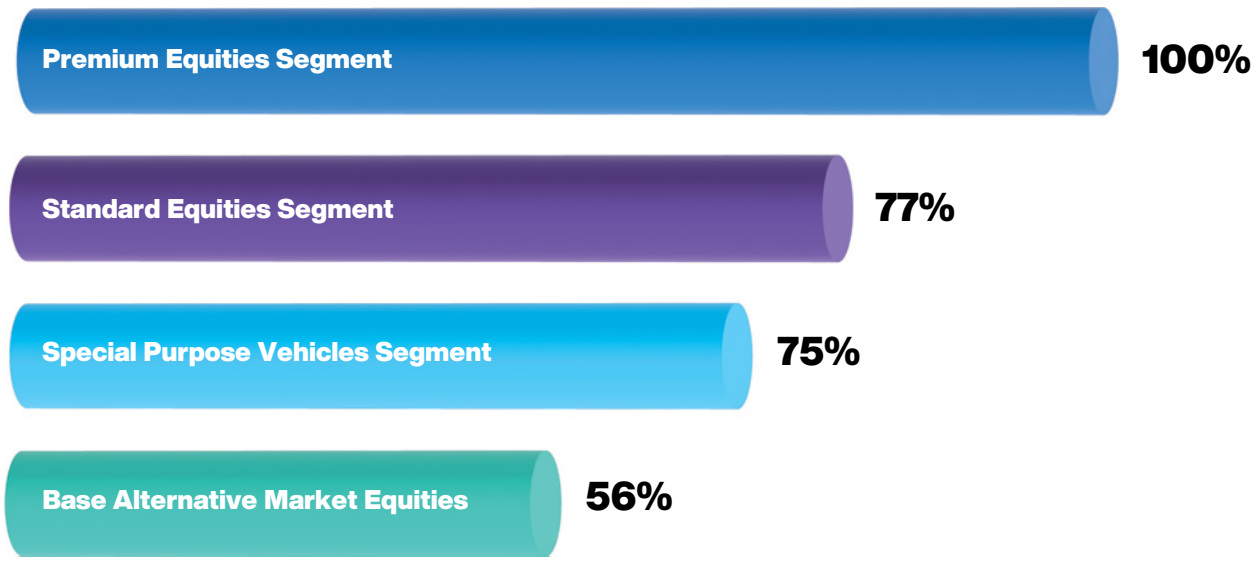

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4.3. Listed companies

The corporate governance and social reporting landscape in Bulgaria has undergone a consistent development among listed companies that adhere to the National Corporate Governance Code. The mandatory implementation of the code on a comply or explain basis provides a structured framework for transparency, accountability, board responsibilities and stakeholder engagement. It is overseen by the National Corporate Governance Committee (NCGC), which operates independently under the auspices of BSE and the Financial Supervision Commission.

The latest available report by the NCGC covering the 2021-2023 period revealed a growing commitment to transparency in governance reporting among more than 240 companies listed on all segments of BSE. **All companies listed on the Premium Equities Segment maintained detailed, publicly accessible corporate governance statements fully aligned with the structure and principles of the National Corporate Governance Code. In the Standard Equities Segment, companies also performed at a high level - 89% published governance statements, with about 77% fully compliant and well-structured, though some remained superficial or merely formal. The Special Purpose Vehicles Segment showed similar dynamics, while in the lower-tier Base Alternative Market Equities Segment, which hosted more than half of all listed companies in Bulgaria, only 56% of the participants disclosed complete and code-compliant statements and the rest fulfilled their obligation purely formally.**

Fig. 7 Percentage of companies providing corporate governance statements fully compliant with NCGC by segment of BSE

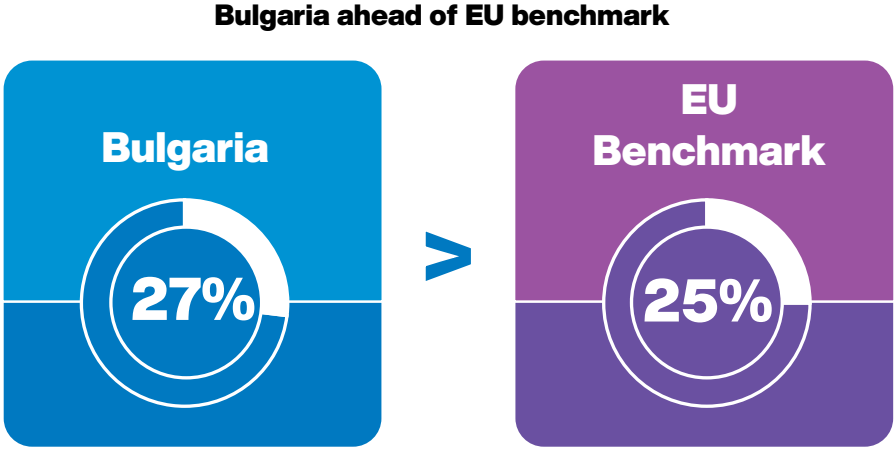


Source: National Corporate Governance Committee

Two strong accents from the 2021-2023 NCGC report are that women held approximately 27% of all directorships in public companies, surpassing the 25% benchmark often used in EU regulatory frameworks and board remuneration transparency reached 95%. Overall, the state of governance and social reporting among listed Bulgarian companies showed strong formal compliance and improving substantive quality.



Fig. 8 Share of women in senior management roles in Bulgarian public companies



Source: National Corporate Governance Commission

The BSE study of the 2023 sustainability reports of the listed companies, published in early 2025, revealed more details about the contents of the corporate governance and social reporting of the listed companies, assessing 77 public companies across the Premium and Standard segments, along with special purpose vehicles. **As a common trend, social disclosures among Bulgarian-listed companies remained limited in scope and depth. Only 17% of the companies acknowledged human rights risks and 14% reported on social and employment-related risks. An even smaller proportion of them articulated clear goals, suggesting a compliance-driven approach rather than strategic planning. Workforce-related policies were present in 27% of the firms' disclosures, but workplace safety and anti-discrimination policies were reported by less than one in ten companies.**

Fig. 9 Highlights of social and governance sustainability reporting among BSE-listed companies



Source: Green Finance & Energy Centre, Bulgarian Stock Exchange

On the governance front, all listed companies affirmed adherence to a corporate governance code. However, anti-corruption reporting was weak with only 5% acknowledging anti-corruption risks in their disclosures, even though 44% of firms stated they had anti-corruption policies. On the other hand, investor relations showed stronger adoption among listed entities with 85% having a formal policy. Voluntary reporters appeared more proactive in investor communication with 92%, suggesting that outside pressures, rather than regulatory mandates, can drive transparency.

Overall, Bulgarian listed companies exhibited solid formal compliance with social and governance reporting requirements, yet substantive quality varied widely. Enhancing materiality assessments and aligning voluntary initiatives with EU standards will be critical to elevate the quality of social and governance disclosures in Bulgaria's public market.



Excellence in sustainability performance is a competitive advantage for Dundee Precious Metals

Transparency, championing environmental standards and robust governance may not often be associated with mining. The Bulgarian subsidiaries of Canadian Dundee Precious Metals (DPM), however, prove a genuine exception to the rule only because the company is founded on the "Doing Well by Doing Good" principle. Long-term sustainability and the well-being of employees and communities have grown into a durable compound that not only embodies the aspects of ESG but transcends to something bigger - trust, mutual growth and value.

On a corporate note, recognising that earning and maintaining its social licence to operate is a strategic imperative in the mining industry, the company has also seen firsthand how excellence in sustainability performance can be a competitive advantage, unlocking real value and delivering long-term returns for all stakeholders. Rooted in this fact is the preparation of DPM for its next phase of growth.

While tailoring its sustainability approach may vary based on local culture and priorities, transparency – not only through reporting performance that aligns with evolving frameworks but also through actively listening to what people have to say – glues the trust that makes it possible for the mining company to unlock value. Building and nurturing relationships with the people who drive the company based on their knowledge and passion, as well as the broader community, academia, business and government, ensures an authentic, sustainable operation that is run on data and, most importantly, is robust enough to adapt to life's changes. Since taking over a run-down and undercapitalised Chelopech mine in 2003, the company has been investing heavily in safety, production upgrades, minimising environmental impact, continuous process optimisation and efficient management. This internal growth process made possible today's innovations – drones in the underground Chelopech mine and remote machine operation, utilising a unique technology for mining waste disposal that allows for progressive rehabilitation in the Ada tepe open pit mine.
All this follows DPM's principle and the strategic goal to generate a net positive impact. While preparing for the European Sustainability Reporting Standards and the EU Corporate Sustainability Reporting Directive, in 2024, DPM conducted a Double materiality assessment to identify and analyse in greater detail its impact on people and the environment, as well as the risks and opportunities affecting business.

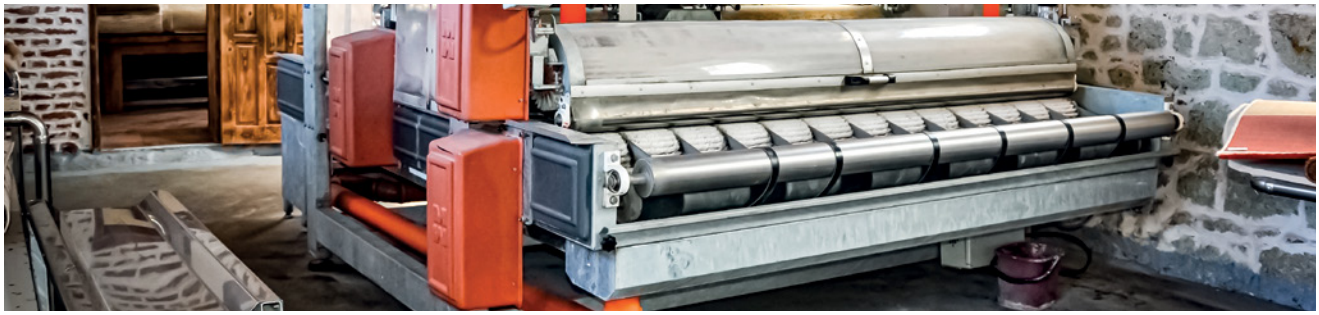
The analysis clearly showed what stands firm as the basis of sustainable development – health, education, environment, social welfare initiatives, and economic development – areas well-reflected in Dundee Precious Metals' operations in Bulgaria.

Statistics-wise, everything is accounted for in the latest 2024 Sustainability report.

In reality, there are hundreds of authentic voices of people who benefited from the company's policies and procedures, many of whom are from Krumovgrad, where Dundee Precious Metals developed the first green mine in 40 years. Given the time-restricted character of any deposit, Dundee Precious Metals' Krumovgrad Ada tepe mine, which is expected to close in 2026, has been planned and operated with responsibility from both a social and environmental perspective. Besides the small mine footprint and the unique water-recycling methods, depositing waste in an innovative way ensures both circularity and biodiversity preservation in the Natura 2000 area. A key mechanism to provide for the future of the community is the Krumovgrad SME Support Fund, agreed upon with the municipality of Krumovgrad in 2015.

The Fund is a good example of enhancing living standards for local communities through generating employment outside of mining. Established in 2019, when mining commenced, the Fund encourages entrepreneurship and supports local SME capacity-building, enhances the competitiveness and the qualification of businesses and their workforce, and helps implement new projects for regional infrastructure and development.
Since its inception, the Fund in Krumovgrad has backed 70 projects, 50% of which are start-ups, with a combined value of BGN 11 million, resulting in the creation of over 150 jobs. The concept was later copied and implemented in the Chelopech, Chavdar, and Zlatitsa regions through the Dundee Precious Metals Srednogorie Fund, which has disbursed investments over BGN 1 million, creating 50 new jobs, 40% of which consist of women entrepreneurs.
The innovative social fund in Krumovgrad combines a carefully structured support mechanism for local business entities with a stimulus for businesses to do their best in pursuing their goals. The financial assistance is distributed as 10% co-funding by the beneficiary, 35% as a loan and 55% as a project grant.

DPM provides USD 5 million in grants, with the maximum funding a project can receive from the Fund being the BGN equivalent of EUR 200,000. KBC, a partner bank, matches the grant facility as a loan.



One of 70 stories of success

"Diverse services make companies resilient in times of market uncertainty", says Nasko Karkelanov, owner of Pchelichka 2015 OOD.

Pchelichka 2015 was established in 2015 in Krumovgrad, offering a broad range of services: production of PVC and aluminium joinery, car repairs, auto parts, and consumables trading, as well as cargo services at German airports.

In 2019, the Krumovgrad SME Support Fund provided financial assistance of BGN 54,720 as a project grant that helped expand its activities by adding a new local service – carpet washing and drying– resulting in 2 new jobs.

Admitting how difficult it was to do business in Krumovgrad, Nasko is grateful for the opportunity:

"Our approach is to diversify our services because the market is very much uncertain - demand for some services declines sharply while prices of raw materials and consumables rise steeply. We believe that the more diverse services we offer, the more sustainable our business will be.

Thanks to the support from the Fund, we set up a new line of businesses - an automatic carpet wash centre. We purchased a company car, washing and drying machines, as well as a specialised centrifuge for the carpets. This service was not available in Krumovgrad. We are the first to offer it. We hired two people who we expect to stay with the company for at least another 5 years.

Working with the Fund proved very easy, and the people were of great help indeed. We didn't expect that our project would be approved, but it all went very smoothly. Whenever we've had difficulties, we've discussed them with the Fund management, and they have responded immediately."

All the success stories of DPM SME Fund are available on the fund's website and in the 2024 Sustainability Report.



Can the first green mine continue to be green?

Listening to community concerns and acting in response while partnering with NGOs and academia made the Ada tepe mine an EU case study for best practices in Natura 2000 compatibility assessments. Planning for post-mining land use, developing strategies for economic diversification, and establishing mechanisms for ongoing engagement and support for communities are key components of DPM's future planning in Bulgaria.

As a responsible and socially engaged company, Dundee Precious Metals Krumovgrad EAD is already working on options for the closure and rehabilitation of its mine so as to preserve the area's rich biodiversity and restore 95% of its footprint as critical habitats in East Rhodope.

Living up to its commitment to dialogue and trust, the company openly and consistently interacts with the public about its intentions and remains dedicated to the welfare of the region after the mine's life ends.

Late in 2024, the company and the community discussed the opportunities for creating zones with various functionalities that would benefit both residents and tourists. Dundee Precious Metals Krumovgrad and the community envisioned an area where the people of Krumovgrad could walk in nature, enjoy the richness of bird species and see the protected tortoises in their habitats.

Among the proposed concepts are a suburban park, a tourist zone with attractions, including picnic areas, camping, caravans, bungalows, birdwatching points and biodiversity walks.

As Dundee Precious Metals Krumovgrad executes its Closure and Rehabilitation Plan and looks ahead, there is an opportunity to establish a new track record of responsible mine closure in line with its values, commitments, and practices.

By adhering to the "Doing Good by Doing Well" principle, the company will demonstrate in practice that strong governance and thoughtfully assessed material aspects can work together to further local business and preserve the environment that is home to many protected Natura 2000 species, even after a mine has been closed.

4.4. SMEs

Until the Omnibus package, SMEs in Bulgaria and the EU were in the ESG compliance grey zone. Although they were not directly legally obligated to disclose ESG practices and fell outside the scope of CSRD and CSSSD, many were pressured by larger companies in their supply chain to deliver CSRD-level sustainability disclosures beyond legal requirements. This imposed an additional administrative burden on SMEs to collect, process and present this information. On the upside, the advantage for SMEs that present ESG disclosures is the opportunity to compare themselves against others in the sector and learn how to make their business more sustainable.

Under the newly proposed voluntary SME reporting framework, SMEs in supply chains will only be required to report using a simplified standard developed by the European Financial Reporting Advisory Group (EFRAG) optimised for them and focused on essential environmental, social, and governance data, eliminating the need to comply with extensive CSRD or CSDDD requirements.

Key changes in SME sustainability reporting include:

- SMEs are not required to provide additional data beyond the voluntary standard;
- Large companies cannot request extra ESG disclosures from SMEs beyond what the voluntary standard mandates;
- The reporting process is significantly simplified, containing fewer data points.

The voluntary SME reporting standard includes the following main features:

- Basic environmental, social, and governance metrics;
- A streamlined reporting format aligned with EU sustainability goals;
- A standardised structure that makes it easier and less costly to disclose ESG information to large enterprises and financial institutions.

This voluntary standard will significantly reduce the social and governance compliance load for Bulgarian SMEs, allowing them to report only on material social issues, such as employee health, inclusion or training, and governance topics like board structures or anti-corruption policies in a proportionate and simplified format.

The effects of the Omnibus package on SMEs are predominantly positive in terms of alleviating the regulatory burden of ESG compliance. It introduced several crucial adjustments to due diligence and sustainability reporting. In terms of CSRD alignment, the Omnibus limited mandatory reporting to large companies exceeding specific size and financial thresholds, thus explicitly excluding listed SMEs. The proposal also narrowed the definition of stakeholders to directly affected parties such as employees and local communities. Monitoring obligations for SMEs were eased, with assessment frequency reduced from annually to once every five years. However, the proposed removal of the minimum 5% turnover penalty cap and delegation of penalty setting to individual member states raised concerns about fragmentation and inconsistent enforcement across the EU. As a potential further improvement of the ESG reporting framework for SMEs, the European Association of Craft, Small and Medium-Sized Enterprises demanded that, given that all companies within the EU are already operating under a strict legal framework regarding human rights, there should be a presumption of compliance for European SMEs.



5. Social and governance investment and incentives in Bulgaria

5.1. Overview of incentives and their implementation level

The strong focus on sustainability mandated by EU legislation has reshaped the investment landscape, creating a multi-layered incentive structure extending beyond compliance requirements. Thus, socially responsible investment has become both a regulatory necessity and a strategic business imperative. Incentives for responsible ESG investment can be grouped into three broad categories – mandatory by regulation, financial support schemes and reputational initiatives.

The implementation of the CSRD represents the most significant regulatory shift affecting Bulgarian enterprises in terms of the implementation of social and governance practices and their disclosure. CSRD catalysed the transition of ESG actions and sustainable investment from voluntary best practices to legal obligations for qualifying companies. **The ESG legislative framework of the EU has emerged as a powerful financial incentive mechanism, providing preferential access to capital for companies demonstrating genuine sustainability commitments, most often in the environmental category, but also increasingly in terms of social and governance responsibility.** Enterprises meeting EU taxonomy and other sustainability criteria gain a competitive advantage in securing both debt and equity funding, as financial institutions have integrated ESG assessments into their lending and investment decisions. Banking sector requirements have intensified this dynamic, with institutions applying stricter lending criteria to companies failing to meet ESG standards. The resulting financial pressure has created powerful incentives for companies to invest in sustainability initiatives and reporting capabilities.

In addition, numerous financial support schemes have been made available to support investments in social and governance sustainability. Rapidly evolving market expectations, caused by investor and stakeholder focus on sustainability performance, have created reputational incentives. The competitive pressure encourages voluntary adoption of higher standards, as market participants recognise that superior ESG performance translates into improved access to markets.

These three incentive categories suggest that Bulgaria has been transitioning toward a sustainability-driven business environment where social and governance considerations have become integral to competitive positioning.



5.2. Incentives for socially responsible investments

5.2.1. Mandatory by regulation

Bulgaria's framework for regulatory social investment incentives is shaped by EU directives and domestic legislation, as well as social and economic development strategies. The Bulgarian government has employed a combination of mandatory compliance requirements and incentive-based mechanisms to encourage socially responsible behaviour of businesses operating in the country. There are a number of obligations for employers in the social responsibility realm, under which they have to invest in ensuring a safe working environment in compliance with the Labour Code, adopt non-discriminatory hiring practices and adhere to minimum wage requirements. In specific industries, such as construction, transport and healthcare, sectoral collective agreements that define minimum labour and social standards apply to all companies operating in the respective industry. Additionally, the Public Procurement Act includes clauses that require contractors to comply with certain social and labour standards when bidding for public tenders.

The Bulgarian Investment Agency provides both financial and procedural incentives for investors with Class A and Class B status under the Investment Promotion Act. To qualify for such incentives, investors must meet a set of regulatory criteria, some of which include social dimensions:

- Job creation requirements - the majority of the incentives are tied to the number of jobs created with projects that envisage new sustainable jobs being eligible to receive financial grants, infrastructure support and priority administrative services.

- Regional development criteria - another set of incentives is related to reducing regional disparities within Bulgaria. Enhanced benefits can be offered to investors in projects located in less-developed regions of the country, particularly if the projects include training or upskilling of the local workforce and guaranteeing long-term jobs.





ESG isn't a checkbox – it's a compass

Gergana Georgieva
Corporate Communications Manager, MFG.

MFG is a global group of fintech and insuretech companies dedicated to providing accessible finance and insurance to everyone, regardless of their financial background. Operating in nine countries—Bulgaria, Romania, Ukraine, Poland, Northern Macedonia, Spain and Croatia, and also Mexico and USA—the group employs over 8,300 people, planning to expand into key markets such as Germany, India, South America, and Africa. The group's core values of humanity, innovation, and responsibility guide its approach to offering regulated financial services and products for individuals and SMEs, empowering communities with reliable, inclusive solutions. Gergana Georgieva is Corporate Communications Manager at MFG.

How has MFG embraced ESG principles and reporting, and does its presence across diverse markets pose any challenges to transparency and unified goals?

Long before ESG became a recognised reporting standard, MFG and all our companies operated with a deep sense of corporate citizenship and responsibility. We've always believed that being fair, ethical, and engaged in our communities is simply good business. We never waited for regulation to tell us to walk the ESG mile - and still don't. Despite not yet legally obligated to report under ESG frameworks, in 2023, we began measuring our impact more systematically and published our first corporate responsibility report in 2024, covering our Bulgarian operations. We did this to be transparent with our clients, our communities, and our stakeholders - and to lead by example, encouraging others to do the same.

Our presence across diverse markets naturally brings some complexity in aligning ESG practices. Operations outside Bulgaria report separately according to local requirements, while on the group level, we align reporting and strategy through an internal ESG task force and other work groups. What connects our efforts is a shared belief: ESG isn't a side project. It's a framework for better decisions, serving people more effectively, and building a future we can be proud of.

In what ways does MFG's portfolio contribute to improving financial access and social mobility in the regions it serves?

At MFG, financial inclusion is not a slogan - it's our reason for being. We serve individuals and small businesses often underserved or overlooked by traditional banks. Our companies offer second chances, stepping stones, and dignity.

Take Easy Credit in Bulgaria, for example. Its human-centric model relies on a vast network of local consultants who bring financial services directly to people's homes. We haven't stopped at proximity, digitising the entire process to make it more efficient, transparent, and secure, while cutting down on tons of paper annually. Both our clients and consultants can now use mobile apps that manage portfolios, track repayments, and communicate in real time, breaking down the barriers of traditional finance.

In the U.S. and Mexico, Juzt Card is designed to unlock access for people traditionally left out of the credit system. It's fast, secure, and fully digital - applicants can receive their virtual card within minutes. Our vision for Juzt is bold: to serve millions of people with limited financial histories, helping them participate in the economy and grow their financial confidence.

In Bulgaria, we pioneered fully digital onboarding with Biala Karta - the first credit card in the country to offer a 100% online secure application, approval, and issuance process, empowering clients to access credit in minutes and demonstrating what's possible when fintech meets purpose.

On the business side, our Fintrade company supports small entrepreneurs - the engine of any resilient economy. With fast and flexible credit products, it enables family-run businesses, craftsmen, shopkeepers, and microenterprises to grow, adapt, and survive in volatile times. We see every loan as an investment in someone's potential.

All our services share one goal: to make finance more human, more accessible, and more empowering—especially for those who've been left out.

Can you share examples of MFG Invest-backed companies with clear social or environmental impact? Are there plans to further integrate ESG into your investment criteria?

At MFG Invest, we believe technology can drive real, measurable environmental and social change - but only if it's efficient and practical. Our investment philosophy is built on a simple idea: if you give people a way to protect the planet and save - or even earn - money, they will follow. Regulation and policy become a tailwind, not a prerequisite. That belief guides our portfolio choices.

A great example is TETMET, whose Adaptive Spatial Lattice Manufacturing (ASLM) platform allows high-impact sectors like aviation, automotive, defence, and energy to produce essential parts using up to 90% less energy and 40% less raw material, lowering emissions and costs across the entire value chain.

Another is Hydrogenera, which builds high-efficiency electrolysers that help industrial clients, energy storage operators, and transport fleets cut or even eliminate their fossil fuel usage. Their technology has been validated in both real-world operations and independent laboratories, already reducing emissions and costs at scale.

We've also backed companies like Ondo, which brings precision automation and data-driven efficiency to agriculture. Farmers using Ondo can reduce their water and energy consumption while improving yields—supporting food security, environmental sustainability, and rural livelihoods.

Driving efficiency – doing more with less – is the fastest route to lasting impact. For us, at MFG group, ESG isn't a checkbox; it's a compass guiding decisions that are smart for the business and good for the communities and the planet.

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5.2.2. Financial support schemes

Another category of incentives for socially and governance-responsible investment comprises financial support schemes. These mechanisms play a crucial role in incentivising private sector engagement with social and governance-oriented initiatives that foster education, employment, entrepreneurial development and socially inclusive business models. **The most comprehensive social investment support has been implemented in the form of financial instruments under the programmes co-financed by the EU. A notable example is the deployment of financial instruments under the Programme Education 2021–2027.** The total resources amounted to BGN 33 mln, of which BGN 26 mln in support from the European Social Fund Plus and BGN 7 mln in national financing, and were targeted at fostering early-stage entrepreneurial activity with a strong educational and social component through support of start-ups younger than five years and owned by students or PhD candidates.

The Programme Human Resources Development 2021 – 2027 is the most prominent social investment support scheme active in Bulgaria as of 2025. Three procedures within the programme are especially relevant to socially responsible investment:

- Procedure 1: Promotion of employment and skills development;
- Procedure 2: Social inclusion and equal opportunities;
- Procedure 3: Promotion of youth employment.

The key measures under implementation within each of the procedures are:

Procedure 1: Measure BG05SFPR002-1.019 New Skills:
The total budget of the measure is BGN 74 mln, with individual grants ranging from BGN 20,000 to BGN 5.9 mln. The financed activities should support employee training in professional qualifications and job-specific skills. Employers are required to retain at least 50% of trained employees for six months post-training. A 10% co-financing reduction for the beneficiary applies to training employees with disabilities. The initiative aims to reach over 50,500 trainees, with half expected to retain employment afterwards.

- **Procedure 1: Measure BG05SFPR002-1.012 Sustainable Employment for Disadvantaged Persons:**
The BGN 100 mln measure promotes long-term employment for individuals in disadvantaged situations. Individual grants range between BGN 40,000 and BGN 391,166. The initiative incentivises the adaptation of the work environment to accommodate people with permanent disabilities.

- **Procedure 1: Measure BG05SFPR002-1.004 Adapted Working Environment:**
The measure has a total budget of BGN 100 mln with individual grants between BGN 50,000 and BGN 391,166. The eligible activities focus on improving occupational health and safety and support the transition of businesses toward climate neutrality.

- **Procedure 1: Measure BG05SFPR002-1.008 No to Discrimination:**
The measure aims to strengthen the institutional capacity of the Commission for Protection against Discrimination by enhancing its ability to address discrimination, promote equality and engage employers in inclusive labour practices. The total budget of the measure for the period 2023 – 2026 stands at BGN 1.6 mln.

- **Procedure 1: Measure BG05SFPR002-1.005 Social Partnership:**
This measure aims to improve social dialogue and collective bargaining. Activities eligible for funding include social dialogue capacity building, workplace adaptation and preparation of management training programmes for green and circular economy practices.

- **Procedure 1: Measure BG05SFPR002-1.002 Parents in Employment:**
The BGN 24 mln budget has the Employment Agency as a single beneficiary. Under this measure, it supports the work-life balance for single parents, families with multiple children and parents of young children up to five years of age through childcare services and other support to help parents return to the labour market. The target is to improve the employment status of at least 1,240 participants within six months of taking part in the programme.

- **Procedure 2: Measure BG05SFPR002-2.005 Active Inclusion and Employment Access for Disadvantaged People:**
This measure is financed by the European Social Fund Plus and supports job placement and labour market integration for disadvantaged individuals and their families. Eligible activities include job search assistance, employer engagement and focus on sustainable workplace accessibility, and early labour market entry.

- **Procedure 3: Measure BG05SFPR002-3.001 Youth Employment +:**
The measure has a time horizon until the end of 2027 and a total budget of BGN 188 mln. The Employment Agency is the single beneficiary of funds. The goal is to ease the transition from education to employment of youths aged 16 – 29 and improve youth employability through practical workplace experience, internships and work-based training.

In addition to the programmes co-financed by the EU, multiple other initiatives and partnerships with local and international stakeholders have been launched to support socially responsible investment of Bulgarian businesses. In 2024, the World Bank Group announced its new Country Partnership Framework for the financial years 2025 - 2029 for Bulgaria, aiming at enhancing competitiveness and social inclusion, while promoting a low-carbon and more sustainable economy. In May 2025, the Council of Europe Development Bank, which acts as the social development bank of Europe, promoting social cohesion, announced up to BGN 5 mln of loan financing at preferential interest rates to Bulgarian innovative and social enterprises, disbursed by the Bulgarian Development Bank. In a 12-month period between 2023 and 2024, Norway Grants funded through its Innovation Norway instrument the Business Development, Innovation and SMEs programme with a budget of EUR 86,000, which supported 10 Bulgarian start-ups and SMEs in acquiring competencies required to implement sustainable business models, green innovation, circular economy and Corporate Social Responsibility into their operations.

Fig. 10 Financial Support Schemes

New Skills
BGN 74 mln for upskilling more than 50,000 employees

Sustainable Employment for Disadvantaged Persons
BGN 100 mln for adaptation of work environment for disadvantaged people

Adapted Working Environment
BGN 100 mln for improving occupational health and safety

No to Discrimination
Improve social dialogue and collective bargaining

Social Partnership
BGN 1.6 mln to promote equality and engage employers in inclusive labour practices

Active Inclusion & Employment Access
Supports job placement and labour market integration for disadvantaged individuals

Parents in Employment
BGN 24 mln to support the work-life balance for single parents, families with multiple children and parents of young children

Youth Employment +
BGN 188 mln to ease the transition from education to employment of youths

5.2.3. Reputational

In Bulgaria, reputational incentives have become an equally important driver for corporate engagement in socially responsible practices as legal and financial incentives. **Increasingly, companies no longer view investments in corporate social responsibility as costs, but as high-return investments with tangible benefits, such as improved brand image, employee retention and customer loyalty. This shift has been actively supported by public recognition programmes and initiatives that highlight best practices in ESG performance.**

Among the most notable reputational mechanisms are the various ESG awards for best-performing companies, including in the social and governance pillars of ESG. In recent years, the number of ESG-focused conferences and awards has risen significantly. The Bulgarian Business Leaders Forum annually organises the national competition for corporate social responsibility, sustainability and diversity Annual Responsible Business Awards. The Socially Responsible Strategic Management Awards have been organised annually since 2021 by the Ministry of Labour and Social Policy, aiming to spotlight companies that excel in key areas like human resources and community engagement, along with environmental protection. The Responsible Company – Responsible Employees Awards, organised by BCause Foundation, the Bulgarian Public Relations Society, the Bulgarian Association for People Management and the Association of Sustainability Professionals, recognise companies for fostering employee-driven philanthropy and volunteerism. In 2024, the Bulgarian Network of the UN Global Compact announced the launch of the Business and Human Rights Accelerator, designed to help companies set ambitious corporate goals that will accelerate the respect for human rights in the management of their core business.



GBS fosters ESG principles through training and innovation

GLAVBOLGARSTROY

Plamena Nenkova
Deputy Executive Director of International Affairs and Business Development at GBS

Glavbolgarstroy (GBS) is one of Bulgaria's and Southeast Europe's prime building and engineering companies, specialising in the construction of energy, transport and water infrastructure, as well as in residential, commercial and industrial projects. GBS is recognised for its commitment to innovation and sustainability, embedding ESG principles across its operations while focusing on reducing environmental impact, promoting circular economy practices, and ensuring responsible governance both internally and across its supply chain.

Plamena Nenkova is the Deputy Executive Director of International Affairs and Business Development at GBS. She is engaged in all phases of EU and other grant funding programmes. With a background in International Relations and European Studies, she also oversees GBS's international memberships and partnerships, leading negotiations and ensuring ESG compliance. Plamena Nenkova is also heading the EU Liaison Office in Brussels for the company, as well as GBS's representative offices in Washington and Vienna.

GBS has recently joined the UN Global Compact Network Bulgaria. How does this align with your ESG strategy and considerations?

GBS formally pledged to the UN Global Compact in 2024 and we consider this commitment not a new beginning in our sustainability policies, but a continuation of our long-standing strategy to ensure transparency in our operations and uphold unconditional compliance with the public and social interest through the implementation of novel and responsible business practices in the construction industry. We see the UN Global Compact initiative as a platform delivering on the Sustainable Development Goals (SDGs) by fostering various communication and know-how exchange channels between stakeholders. Interactions of our team members in the UN Global Compact Network activities are a source of valuable and practical experience.

Your commitment to ESG management is also reflected in workforce training. Can you share more about the management team's experience with the "ESG Academy" and your broader approach to responsible governance across your supply chain?

Ensuring constant engagement from our colleagues across various administrative and managerial levels within the GBS corporate group through both general and tailor-made sustainability training is essential to create an enhanced environment for embedding ESG practices into your daily operations. The main objective is to secure the full and daily application of the strategic documents we are committed to across all GBS divisions and units.

The GBS corporate group consists of more than 20 companies operating in different sectors and providing a wide spectrum of construction works and services. As part of our overall ESG strategy, we have organised weekly 2-3 hour training sessions over three consecutive months with a view to introduce the management of GBS's leading subsidiaries to the most recent ESG topics and to initiate structured discussions. The end result is an intensified application of sustainable practices in our daily work, as well as a strengthened governance mechanism across the supply chain.

Our supply chain is highly diversified, both in terms of partner size and the scope of supplies, which requires a combined approach and dedicated work with some suppliers to lead them not only through formal requirements but also through their essence. We have also successfully engaged some of our partners in dedicated targeted actions organised by the UN Global Compact team to raise awareness among supply chain stakeholders, particularly SMEs.

What role is GBS playing in the MOBICCON-PRO recycling project and the NRG-STORAGE initiative focused on circularity and energy-efficient insulation, and how are these innovations progressing?

We believe that a key element in the overall sustainability strategy of a company should be the development and effective integration of innovations into daily operations, leading to production/technological improvements and a more efficient use of resources. As one of the largest construction and engineering companies in Bulgaria and the SEE region, we also recognise our role in advancing the sector and setting benchmarks. In this regard, the two projects, MOBICCON-PRO and NRG-Storage, financed under Horizon Europe and Horizon 2020, are being recognised at the EU level as concepts with the potential to diminish the construction sector's environmental footprint. Beyond the direct results delivered under these projects, another important benefit for us is the opportunity to collaborate with globally recognised academic institutions and RTOs not only from Bulgaria but also from France, Germany, Denmark, the Netherlands and many others. This is helping us build excellence within our team and open new perspectives.

The NRG-STORAGE has already been successfully completed, and the innovative insulation product, which has proven its expected characteristics, is now being examined further for commercial production by the coordinator in Germany. Meanwhile, the MOBICCON-PRO project is now in its third year of implementation and is addressing the essential topic of Construction and Demolition Waste (CDW) management. In collaboration with a solid team of researchers and academia representatives, we have already developed an innovative Mobile Pilot Plant (MPP) for CDW treatment, which is now operational. We are currently exploring market opportunities for the resulting recycled materials and products.

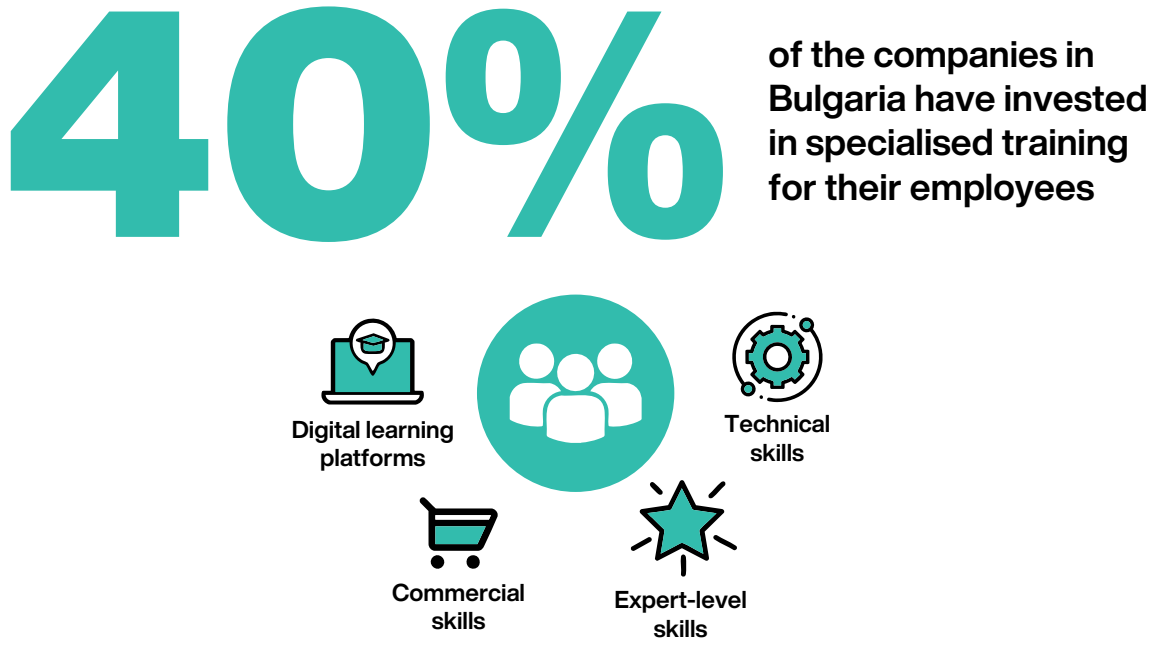
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5.3. Corporate investment in life-long learning and education

Bulgarian companies have increasingly recognised the value of investing in education, particularly the continuous development of their employees, as a critical component of long-term business success and social sustainability.

Corporate engagement in lifelong learning has become a growing trend, largely driven by the private sector in response to persistent gaps between their demands and the public education system.

Fig. 11 Share of Bulgarian companies that have invested in employee training

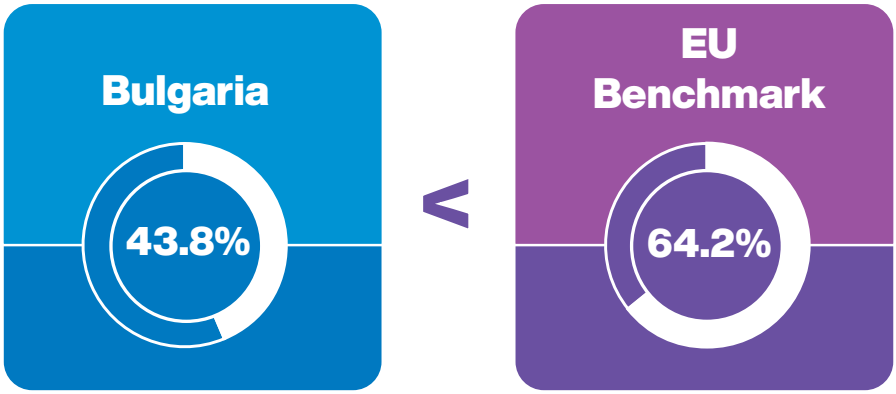


According to recent surveys, more than 40% of the companies in Bulgaria have invested in specialised training for their employees, prioritising technical and expert-level skill development. The results also reveal that training is no longer viewed merely as a transfer of knowledge, but increasingly as a tool for employee motivation and engagement. This positive trend has intensified significantly after the pandemic. Among the sectors in the Bulgarian economy with the most active companies in terms of investment in employee training are manufacturing, ICT, gaming and insurance, with particular emphasis on commercial and administrative teams and mid-level management. These initiatives range from in-house training programs to collaborations with professional training centres and digital learning platforms.

However, while interest and activity have grown significantly, a deeper structural issue remains to date - formal education opportunities provided by employers are still limited. **A 2022 survey by the World Bank Group showed that only 20% of Bulgarian companies offered formal training to their staff, most often in partnership with one of the more than 900 professional training centres in Bulgaria. Most corporate training was informal, conducted on-the-job, without certification or alignment with national education frameworks.** Moreover, NSI data revealed that large companies with over 250 employees were far more likely to provide employee training, thus creating a significant gap with those employed in smaller firms in terms of access to professional development.

This context reflects the broader trend of Bulgaria consistently ranking among the bottom EU member states when it comes to educational spending and life-long learning participation. **In 2021, only 1.8% of Bulgarians aged 25–64 took part in any form of continuing education, placing Bulgaria at the very bottom of the list in the EU. The situation was even more critical for adults over the age of 35, whose participation in learning activities was negligible. As far as informal learning of adults is concerned, Bulgaria also performed below the EU average, the latest available Eurostat data for 2022 revealed. While a total of 64.2% of the surveyed EU citizens declared they had participated in informal learning in the last 12 months, with negligible gender variations, in Bulgaria the overall participation rate stood at 43.8%, with men performing more than 6.0 pp worse than women.** These figures suggest that while employers are increasingly stepping in to fill the void left by low public and individual engagement, the scale and scope of corporate initiatives have not been sufficient yet to offset systemic weaknesses. In less developed parts of the country, weak lifelong learning rates go hand in hand with low access to tertiary education, which further exacerbates the problem **- four out of five regions in Bulgaria had tertiary education attainment levels below 30%, indicating a lack of qualified workforce necessary for innovation and productivity growth.**

Fig. 12 Participation in informal learning in the last 12 months



Source: Eurostat

While the growing emphasis on employee learning among Bulgarian companies signals a positive cultural shift toward greater social responsibility and human capital investment, the momentum must be matched by coordinated public policies and increased government funding to ensure sustainable progress.



REZOLV ENERGY



Powering a Just Energy Transition in Bulgaria

Jennifer Boca
Chief Sustainability Officer, Rezolv Energy

Rezolv Energy is a renewable energy producer with a 2.3GW portfolio of large-scale wind and solar projects in Southeastern Europe. One of these projects is 'St. George', a 225 MW solar plant which is being built on a previously unused brownfield site: the decommissioned Silistra airport. St. George is in construction and will come onstream before the end of 2025. Once completed, it will be one of Bulgaria's largest solar plants. This $300 million investment will generate 200 direct jobs in the construction phase, and then employ a smaller number of people throughout its 30+ years of operation.

Rezolv Energy is leading the charge in building a cleaner, more resilient energy future in Southeastern Europe. Projects like the St. George solar plant in Silistra are emblematic of that ambition – delivering large-scale emissions reductions, improving air quality and strengthening Bulgaria's security of energy supply.

However, our mission goes far beyond generating clean megawatts. At Rezolv, we believe the energy transition must also deliver broad-based societal benefits – that it should be a genuinely 'Just Energy Transition'.

The two examples below demonstrate how Rezolv is delivering this change:

Developing skills for impact, growth and long-term value

The clean energy transition can only succeed if we have a workforce ready to build and maintain it. In Bulgaria, that's a growing challenge. Many regions – particularly areas like Silistra which have not traditionally attracted much foreign investment – lack access to specialised training, even as demand for skilled workers in renewables continues to surge.

To help close this gap, Rezolv has launched a flagship workforce development programme, equipping people in both Romania and Bulgaria with the technical and soft skills needed to thrive in the clean energy economy.

In 2024, the first 40 solar technicians graduated from our 100+ hour training course held at St. George, earning professional qualifications in solar PV installation and electrical safety. This is just the beginning.

We are scaling the programme rapidly: 100 people will be trained this year, and 300-500 by 2026. Using a hybrid model – combining site-based learning with online instruction – the programme is designed to be flexible, scalable and inclusive.

We are prioritising former fossil fuel workers, women and young people, giving them transferrable skills that will enhance their long-term employability. In Silistra, where the population is declining faster than any other region of Bulgaria, the programme offers a practical path to retain talent and generate local economic resilience.

Nature and Clean Tech Accelerator

A second pillar of our impact strategy focuses on unlocking enterprise development and innovation. While there is huge talent and entrepreneurial drive in Bulgaria, the country still faces systemic barriers to scaling green innovation – including limited capital, fragmented ecosystems and low institutional support. Nature and climate technology therefore remains under-developed, despite increasing demand.

Rezolv is stepping in to help change that.

In 2023, we partnered with MOVE.BG, a leading Bulgarian NGO, to support its landmark report, Mission Green Innovations: A Compass for Prosperity. The report put forward over 200 ideas to spark green transformation in Bulgaria.

Now, we are taking our partnership with MOVE.BG a step further by jointly launching a Nature and Clean Tech Accelerator.

The accelerator will support early-stage ventures – including startups, NGOs and academic spinouts – working on nature-positive and clean tech scalable solutions that combine environmental impact, green energy solutions with economic opportunity. Designed to catalyse high-impact ideas and bring them to market, the initiative will help build a more vibrant, resilient clean energy economy across Bulgaria.

We expect to launch the Accelerator in the third quarter of 2025.

A call to collaboration

These two programmes are core expressions of Rezolv's commitment to supporting a Just Energy Transition in Bulgaria.

They show how we are turning our values – impact, collaboration and inclusion – into concrete actions that benefit communities and build long-term economic resilience.

But we can't do it alone. That is why we are inviting fellow change-makers, investors, NGOs and policy-makers interested in furthering a just energy transition to join us.

Together, we can power not only a cleaner energy system, but also shape a legacy of shared prosperity for generations to come.

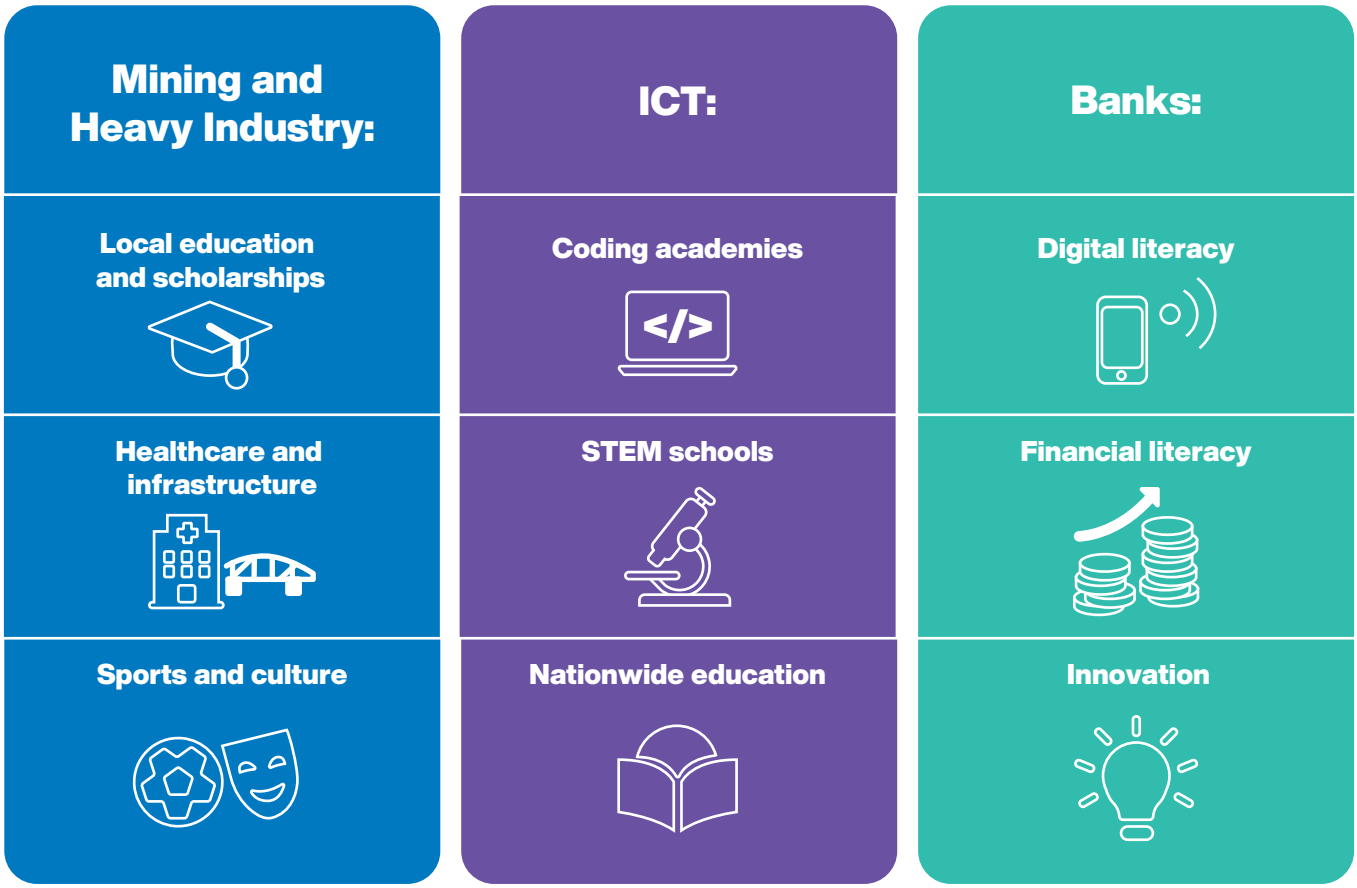
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5.4. Corporate investment in infrastructure and communities

An in-depth review of the ESG practices across major Bulgarian companies demonstrated substantial corporate engagement in public infrastructure development, educational initiatives, healthcare improvements and community enhancement projects. For an increasing number of companies, these investments have become a fundamental component of their strategies, deepening stakeholder trust and promoting community progress.

Although businesses generally follow the same guidelines and implement standard practices in order to cover a variety of social and governance goals, notable geographical and sectoral differences have emerged. For instance, while companies operating in mining and heavy industries typically engage in infrastructure, healthcare and social services in small towns and municipalities, banks and technology and telecommunications firms channel their investments into education, innovation and skills development on a larger national scale. This complementary pattern could present opportunities for cross-sector collaboration and alignment with national development strategies in education and regional development.

Fig. 13 Socially responsible investment of Bulgarian companies in major sectors



Among the various sectors in Bulgaria, mining stands out by demonstrating a comprehensive approach to community investment. Mining companies in Bulgaria have historically operated in regions with limited public infrastructure, high dependency on a single employer and fewer economic alternatives. As a result, the major ones have assumed roles that extend beyond traditional business operations and exhibit a pattern of long-term investment in local infrastructure and partnerships with municipal authorities and communities.

Aurubis Bulgaria, one of the most prominent examples, has formalised its social commitment through multi-year cooperation agreements with the municipalities of Pirdop, Zlatitsa and Anton. The company provides ongoing support for educational institutions such as kindergartens, primary and secondary schools through the donation of equipment and upskilling of teaching staff. Beyond education, Aurubis is also committed to supporting the local healthcare system. The company funds medical equipment for hospitals and medical centres. It has also implemented initiatives for the integration of disabled people, sponsorship of mass sports events in the municipalities and measures to preserve local culture and traditions.

Dundee Precious Metals has implemented a compelling model of integrated corporate investment in educational infrastructure. In Chelopech, a municipality with fewer than 2,000 inhabitants, the company sponsors a private English-language secondary school - an investment that provides residents with access to otherwise unavailable high-quality education, contributing to the municipality's long-term socio-economic resilience. Beyond education, Dundee has invested in improvements of the local infrastructure and provided financial support to sports and preservation of cultural traditions. The company has established support funds to finance local SMEs in the municipalities where it operates – Chelopech and Krumovgrad, and in neighbouring municipalities.

A parallel can be drawn with Alcomet, a key player in the Bulgarian aluminium processing sector, which combines its industrial activity with consistent investment in local communities. The company supports educational programmes, provides scholarships and contributes to healthcare and youth initiatives in its region. Another major contributor to corporate social investment efforts is the Geotechmin group, whose broad CSR portfolio includes healthcare initiatives, infrastructure improvements, disaster relief and the promotion of Bulgarian culture and identity.

Another major investor in social initiatives is the ICT sector. Its representatives largely tend to focus their efforts on skill development, with a particular emphasis on digital literacy and technological innovation. Their initiatives include partnerships with universities, sponsorship of specialised STEM and IT high schools and the creation of private academies for developing coding and software skills, including among children and youth. Although most of these companies are based in Sofia and two or three other big cities, their educational programmes often reach beyond city limits, facilitated by online platforms. This way, technology firms leverage their core competencies to promote access to education in smaller communities while maintaining centralised management and quality control.

While these corporate initiatives have shown impact, they also highlight the limitations of relying heavily on the private sector to fill systemic gaps. Without sufficient public investment and coordination, these projects risk remaining isolated successes in a country challenged by uneven regional development and low participation in life-long learning.





Alcomet scales up ESG commitments beyond reporting

ALCOMET
CREATING SUSTAINABLE FUTURE TOGETHER

Maya Chilikova
Sustainability Director, Alcomet AD

Alcomet AD, based in Shumen, Bulgaria, is a leading manufacturer of aluminium products in the Balkans, with more than 40 years of expertise. The company operates a fully integrated production site serving key sectors across Europe and the U.S. In the past 24 years, Alcomet has invested over EUR 170 million in modernisation, emphasising sustainability, recycling, and reducing emissions. An additional EUR 70 million was earmarked to boost production capacity and create approximately 160 new jobs by 2026. Alcomet is certified to international standards and aligns with voluntary frameworks such as the Global Reporting Initiative (GRI) and the Aluminium Stewardship Initiative (ASI), while also proactively undertaking double materiality assessments under the Corporate Sustainability Reporting Directive (CSRD). Mrs. Maya Chilikova is Sustainability Director at Alcomet AD.

How has Alcomet been preparing to transition from voluntary standards like the GRI and industry-specific certifications such as the ASI to compliance with the ESRS under the CSRD? What shifts do you foresee in the future in terms of reporting standards and mandatory compliance?

At Alcomet, we identified the importance of transparent sustainability reporting back in 2019. This led to the publication of our first Sustainability Report in 2020, aligned with the Global Reporting Initiative (GRI) standards and covering the ESG topics most relevant to our business. Since then, we have continued to publish annual sustainability reports, maintaining our commitment to accountability and continuous improvement.

In 2024, we began preparing for compliance with the new European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD). As part of this process, we provided training for the relevant teams on the updated regulatory framework, engaged a reputable consulting firm, and conducted a comprehensive gap analysis to assess our readiness for the new requirements.

The company's leadership has decided that our 2024 sustainability report will be fully aligned with the ESRS framework. Key new elements in this year's report include a double materiality assessment, calculation of Scope 3 greenhouse gas emissions, and ongoing collection and analysis of the core quantitative and qualitative indicators defined by the new standards.
We expect to publish the updated report by the end of June 2025.

What are the key elements behind Alcomet's success in maintaining a lower-than-average employee turnover rate, and how do you plan to build on this trend?

I believe that sustainably low employee turnover is the result of a consistent people-oriented policy, open communication, and strong engagement.
At Alcomet AD, we have created a solid foundation for employee retention and development through clear policies, feedback channels, and competitive working conditions.
We place a strong emphasis on training - both for onboarding new employees and upskilling existing ones. We actively encourage innovation, recognising and rewarding ideas that lead to improvements. We also conduct regular employee engagement surveys and use the insights to drive continuous progress.

Salaries are reviewed annually in line with company performance. We offer additional bonuses, social benefits, free meals and transportation, support for young parents, and supplementary pension contributions.
Looking ahead, we aim to strengthen our individualised approach through career development paths, targeted internal training, and more flexible working conditions, ensuring we remain an employer of choice for both current and future talent.

Outside of workplace initiatives, can you share some of the social investments targeting community engagement?

Alcomet maintains a strong social presence both within the Shumen region and beyond, driven by our commitment to social responsibility.

We invest in key areas such as education, healthcare, youth sports, and culture. Our efforts are focused on initiatives like providing financial support to local healthcare institutions, offering scholarships for engineering students, and sponsoring sports and cultural events aimed at promoting youth development. The company actively collaborates with municipal authorities and non-governmental organisations to support and implement infrastructure improvements.

Our goal is to remain a reliable and sustainable partner through long-term investments that contribute to the development of the local community.

How is ESG governance embedded into Alcomet's leadership and governance structure, and how are ESG responsibilities shared across the management and supervisory boards?

Alcomet is a socially responsible and environmentally conscious company. Recognising the importance of our ESG responsibilities, senior management made the strategic decision to establish a dedicated unit within the company's structure.

At the end of 2019, the Directorate of Sustainable Development was created. It consists of a 10-member team, led by the Director of Sustainable Development. The new directorate reports directly to the Management Board and provides regular updates on ESG matters to the Board Member responsible for ESG oversight.

The Supervisory Board, in turn, plays a key role in transforming the strategic proposals developed by the Management Board into actionable ESG initiatives. It also approves the company's ESG-related investment priorities, ensuring alignment with long-term sustainability goals.

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6. Omnibus: Simplification or setback?

The European Commission's Omnibus simplification package introduced in early 2025 presents a multifaceted trade-off between reducing regulatory burdens and maintaining the integrity of sustainability reporting. While it may offer short-term relief to businesses, especially SMEs, its long-term implications concerning transparency, sustainable investment and the EU's competitiveness in the global market warrant consideration.

6.1. Effects on job market, investment transparency and competitiveness

Fig. 14 Impact of the Omnibus directive



From an employment and job quality perspective, the most noticeable impact is the reduction of companies required to report ESG metrics. **The European Commission estimated that this move would potentially exclude approximately 80% of the initially covered businesses, diminishing the demand for roles in compliance, sustainability auditing and ESG data collection, thus potentially adversely affecting ESG-related employment opportunities.** A short-term contraction in demand is expected especially among supply chain sustainability analysts following the reduced due diligence obligations on indirect suppliers. Indirectly, the shift from comprehensive reporting to streamlined processes could lead to a deprioritisation of social and labour considerations in corporate strategies, potentially weakening employment protection and efforts to improve working conditions. **The European Economic and Social Committee (EESC) expressed concerns that the Omnibus simplification package may compromise labour rights and job quality. However, reducing the burden of sustainability reporting requirements on smaller companies may free up resources to focus on innovation and workforce development in more operationally significant areas. The impending shift in regulations will not eliminate the need for ESG professionals altogether. Large enterprises will still face rigorous requirements and are likely to continue hiring, especially for roles in strategy, carbon accounting and sustainable finance.** Strategic ESG and advisory roles may even increase in complexity and importance as banks and investors expect reliable data for sustainable investment decisions. For smaller companies that will remain outside the mandatory requirements, while keeping the possibility to report voluntarily in a scope suitable for their size, the simplification is expected to deliver significant cost savings that can

ultimately be redirected towards hiring additional workforce in the core operations. Hence, the regulatory changes introduced by the Omnibus package are projected to shift demand away from ESG compliance positions in SMEs and intensify demand by large enterprises and advisory firms.

Transparency and sustainable investment, however, may be negatively impacted. **Limiting the scope of CSRD reporting to companies with more than 1,000 employees, and reducing the number of required disclosures, may result in less comprehensive information available to stakeholders potentially weakening accountability and public trust in corporate sustainability.** With fewer companies under mandatory reporting, there is a real risk of data fragmentation and reduced comparability across sectors.

In terms of competitiveness, simplification is a double-edged sword. While reducing compliance costs is set to provide immediate relief, especially for SMEs, some critics argue this only benefits short-term gains and over time the EU may risk diluting ESG transparency. On the other hand, the simplification may level the playing field for Bulgarian and European businesses competing against companies in regions with less stringent regulations.

6.2. Is simplification ultimately a plus for banks and companies?

For banks and large corporations, the Omnibus package offers both challenges and opportunities. **On the one hand, banks could benefit from a potential recalibration of the Green Asset Ratio to simplify sustainability risk calculations and reduce compliance friction. However, fewer mandatory disclosures could hurt banks' risk assessment capabilities.** Without access to reliable ESG metrics from smaller companies, banks may encounter difficulty evaluating credit risk and sustainable loan portfolios.

For companies, particularly SMEs, the Omnibus package is a relief, as it reallocates the heaviest reporting obligations to the large companies more financially and structurally equipped to handle them. Voluntary reporting frameworks targeted at smaller companies are projected to reduce compliance-related resource diversion. **Thus, Bulgarian businesses that would otherwise struggle with the high volume of required indicators, will be able to engage with social and governance reporting at a more manageable level, enhancing practical competitiveness without abandoning sustainability altogether.**

Regulations simplification can turn into a plus for companies that proactively adopt ESG reporting even when not required. Thus, a positive incentive will be created to distinguish the ones that really value sustainability beyond compliance and obligation. **According to experts, once disclosure begins, the pressure to continue reporting increasingly stems from stakeholders, not regulators. For these businesses, ESG becomes a driver of brand differentiation and resilience.**

6.3. ESG reporting: enabler or formality?

The question of whether ESG reporting is a transformative tool or merely a formality depends on how businesses and regulators approach implementation. Critics argue that the simplification would open doors for social washing, especially if standards become too generalised or voluntary. Environmental and human rights organisations, in particular, have concerns that the relaxation would lead to a weakening of sustainability reporting and companies would have fewer incentives to take social and ecological responsibility seriously. While ESG reporting is far from being merely a formality due to its potential to drive meaningful social and governance change, its effectiveness hinges on a balanced approach.

In the Bulgarian context, the perception of ESG as an obligation largely persists, particularly among firms about to prepare their first non-financial reports. However, social and governance reporting has been viewed by a growing number of businesses as an expression of commitment to transparency, trust and long-term societal impact. This view is supported by a survey of SeeNext, in which 85% of the respondents declared that they would continue to publish ESG disclosures, even if they were not required to do so. Thus, the impact of the regulations simplification will not translate into cutting corners, as some stakeholders fear, but into fostering voluntary excellence in sustainable development.



Driving Transformation: How PMI's sustainability strategy powers a smoke-free future

PHILIP MORRIS BULGARIA EOOD
SHARING FUTURE

Dilyana Yakova
Manager Regulatory Affairs and Sustainability, Philip Morris Bulgaria

Philip Morris International's 2024 Integrated Report marks a significant milestone in the company's journey toward a smoke-free future. From expanding its portfolio of smoke-free alternatives to advancing carbon neutrality and circularity, the report showcases how sustainability is deeply embedded in the company's transformation strategy.

In an interview with Dilyana Yakova, Manager Regulatory Affairs and Sustainability at Philip Morris Bulgaria, we explore some of the key achievements highlighted in the report.

PMI's latest Integrated Report outlines ambitious goals across ESG dimensions. Could you highlight some of the key achievements?

Philip Morris International's 2024 Integrated Report is the sixth in a row to highlight our global company's significant progress in developing its strategy for a smoke-free future. This year's report highlights progress in several areas:

- Continued expansion of our smoke-free alternatives portfolio has been the cornerstone of our sustainability development. PMI offers smoke-free products which are better alternatives to cigarettes for all adult users who would otherwise continue to smoke. - As of the end of 2024, these products are already marketed in **95 markets worldwide**. This expansion, of course, goes hand in hand with the deployment of responsible marketing and sales practices.

- Nearly **38.6 million adult users** have switched to the company's smoke-free alternatives, with 32 million quitting smoking altogether.

- Smoke-free alternatives account for **39% of PMI's net revenue**, with six countries already generating 75% of their respective net revenues from smoke-free products.

- Since 2008, PMI has **invested over $14 billion** in the development and offering of smoke-free alternatives.

- On the environmental front, we certified 61% of PMI's factories as carbon neutral by 2024, with our ambition to reach Net 0 for all the company's operational facilities worldwide by the end of this year - 2025.

- As part of its device take-back programmes, PMI had almost 900,000 smoke-free electronic devices refreshed or repaired since 2021.

- In 92% of the markets we operate, there are anti-littering programs in place for combustible cigarettes.

These results show that our commitment to sustainability is inseparable from future-proofing our business, creating tangible impacts within our control and sphere of influence, and contributing to a transformation that extends beyond our company.

How does PMI measure progress and success in its ESG efforts, and what role does the Integrated Report play in communicating this to the public?

Transparency and measuring progress are crucial for us, so in 2021, PMI developed its own Sustainability Index and KPI Protocol which explains how we define and measure progress, with each Index KPI having its own standard, which includes definitions, assumptions, scope, methodology, and basis for preparation.

The Index measures objectively so we can communicate relevant and real progress towards our aspirations. The KPIs are a set of clearly defined and verifiable metrics that align with our 2025 Roadmap.

Setting ambitious yet realistic targets that drive our business success is essential and our Sustainability Index has proven instrumental in ensuring that our ambitions are balanced and our metrics objective. Thus, our enhanced nonfinancial data governance helps us report with precision and consistency.

How does Philip Morris Bulgaria adapt PMI's global sustainability goals to address local needs?

In every market where PMI operates, we have programmes that align with our global strategy and goals; however, we do not merely follow bluntly what the global company mandates. We adapt and make them meaningful for our local circumstances, business models and the sustainability of the local communities where we do business.

Philip Morris Bulgaria's ChangeThePicture campaign has gained visibility for addressing cigarette butt littering. How has this initiative resonated with the public in Bulgaria?

With the ChangeThePicture anti-littering campaign, we have been re-educating and raising the environmental awareness of consumers and society for the last five years. The campaign aims to tell the facts about the global problem of cigarette butt littering and to urge responsible consumer behaviour. Through various initiatives and partnerships, collaborations with artists and cultural festivals, the campaign puts the topic of personal responsibility for the environment at the forefront of cultural and public life.

For the fourth consecutive year, we are also embarking on creative projects, one of our favourites being our partnership with NATFA "Krastyo Sarafov". Second-year students at NATFA create a series of impactful 30-second videos inspired by the messages of ChangeThePicture, using accessible and emotional language to engage multiple audiences and enhance the impact of the campaign.

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Methodology

The current report applies a qualitative and mixed-method approach to assess the landscape of social and governance reporting and incentives in Bulgaria, with a particular focus on the impact of changes in regulatory frameworks. The study also delves into the best practices implemented by Bulgarian companies in terms of social and governance-responsible investments. Data for this report was gathered through extensive desktop research of:

- Official sources for EU and national legislation;
- Official documents and implementation guidelines for EU co-financed programmes, including Programme Education 2021–2027 and Programme Human Resources Development 2021–2027;
- Quantitative and qualitative data and publications sourced from Eurostat, the World Bank and other national institutions and international organisations;
- Corporate disclosures - ESG reports, press releases, etc.;
- News outlets;
- Stakeholder surveys and expert input.

The analytical framework of the current report includes approaches like regulatory and policy analysis and corporate practice mapping. This multi-level methodology enables a comprehensive view of the evolving ESG environment in Bulgaria in a European context with a strong emphasis on the social and governance pillars.

Several limitations must be acknowledged. Firstly, the availability and depth of ESG data, particularly among SMEs, remains limited, as the vast majority of companies are not subject to mandatory reporting. Secondly, while case studies offer valuable insights, they may not fully represent broader trends across sectors or regions.

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