

Specific Disclosures in the Pension Fund Sustainability Report

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Abstract: Sustainable development refers to an environmentally sound, socially justified and corporate-oriented economic development that seeks to balance the social, corporate, and environmental principles of societal progress. The aim of sustainable development is to preserve and enhance the existing environment for the benefit of future generations. It necessitates care for the protection and restoration of environment; ensures biodiversity and the preservation of ecosystems; contributes to maintaining ecological balance in nature to enhancing the quality of life for future generations. The sustainable development management is focused on managing all activities in a way that safeguards the Earth and its resources. One of its core objectives is to secure the well-being of humanity.

It is of critical importance that the three components of sustainability – environmental, social, and corporate (governance) – are integrated into the enterprise's strategy for future development, to foster a symbiosis among environmentally sound, socially acceptable, and transparent corporate governance of its business. The information concerning these three components of sustainability should be duly and reliably disclosed by reporting enterprises in a dedicated non-financial sustainability report. This report must disclose details the actions undertaken and commitments made in pursuit of sustainability policies, as well as the allocation of financial resources (expenditures and investments) to achieve the environmental, social, and corporate governance (ESG) objectives. Furthermore, reporting enterprises must disclose information regarding the impacts, risks, and opportunities associated with the achievement of these objectives.

Pension funds, as financial institutions, are also obliged to disclose, both in their financial statements and in their dedicated non-financial sustainability report, material, relevant, and reliable information about their activities in relation to the realization of the three sustainability components (ESG). Specifically, they must report on the environmental, social, and governance (corporate) policies they have adopted to support their sustainable development. These disclosures aim to meet the needs and requirements of stakeholders seeking informed, reasoned, and effective management decisions.

In connection with the preparation of the non-financial sustainability reports, there is a need to create and disclose reliable, accurate, sufficient, clear, and transparent financial information regarding the three components of sustainability. Pension funds must timely account for their expenses related to the implementation of the three components of sustainability, present them reliably in their Statements of profit and loss and other comprehensive income, and duly disclose them in their Sustainability Reports.

The environmental, social, and governance policies implemented by pension funds must ensure safety, continuity, and competitiveness of their operations, while being environmentally friendly and non-polluting, as well as not endangering human health and life. The effective integration of good environmental, social, and corporate governance practices into the management and business development strategy of pension funds is the paramount objective of

their sustainable development to achieve high yields, strong competitiveness, environmental-friendly and nature-preserving activities, and socially significant contributions to society.

Keywords: pension funds, sustainability, ecological, social and governance policies, expression of assurance

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Introduction

Sustainable development refers to an environmentally sound, socially justified and corporate-oriented economic development that seeks to balance the social, corporate, and environmental principles of societal progress. The aim of sustainable development is to preserve and enhance the existing environment for the benefit of future generations. It necessitates care for the protection and restoration of environment; ensures biodiversity and the preservation of ecosystems; contributes to maintaining ecological balance in nature to enhancing the quality of life for future generations. The sustainable development management is focused on managing all activities in a way that safeguards the Earth and its resources. One of its core objectives is to secure the well-being of humanity.

Sustainable development provides enterprises with rational and efficient corporate governance, improved competitiveness, better working conditions, and opportunities for the effective and optimal use of natural and human resources. In this way, high environmental, social, and corporate objectives will be achieved, fostering successful progress and economic growth for all enterprises and the society as a whole.

It is of critical importance that the three components of sustainability – environmental, social, and corporate (governance) – are integrated into the enterprise's strategy for future development, to foster a symbiosis among environmentally sound, socially acceptable, and transparent corporate governance of its business. The information concerning these three components of sustainability should be duly and reliably disclosed by reporting enterprises in a dedicated non-financial sustainability report. This report must disclose details the actions undertaken and commitments made in pursuit of sustainability policies, as well as the allocation of financial resources (expenditures and investments) to achieve the environmental, social, and corporate governance (ESG) objectives. Furthermore, reporting enterprises must disclose information regarding the impacts, risks, and opportunities associated with the achievement of these objectives.

Pension funds, as financial institutions, are also obliged to disclose, both in their financial statements and in their dedicated non-financial sustainability report, material, relevant, and reliable information about their activities in relation to the realization of the three sustainability components (ESG). Specifically, they must report on the environmental, social, and governance (corporate) policies they have adopted to support their sustainable development. These disclosures aim to meet the needs and requirements of stakeholders seeking informed, reasoned, and effective management decisions. Pension funds are required to adhere to the corporate sustainability reporting framework and to ensure that the sustainability-related non-financial information disclosed in their

sustainability reports is sufficiently connected and aligned with the financial information presented in their financial statements. The three sustainability components-related financial data they generate must be disclosed on the face of their financial statements to allow for the measurement, accounting, alignment, and comparison of the results of their sustainable development activities with the yields achieved through their pension insurance operations. They must also disclose the measures undertaken to eliminate the adverse effects of risk impact on the three sustainability components and provide an assessment of their progress in sustainable development. Moreover, pension funds are expected to report the financial effects achieved from the environmental, social, and governance policies they implement on the yields generated by their pension insurance operations. This approach will enable a high degree of coherence between the non-financial sustainability report they prepare and their financial statements, prepared in accordance with requirements of the accounting and insurance legislation, applicable accounting standards, European Union (EU) directives and regulations, and other relevant regulatory frameworks in force in the EU and the Republic of Bulgaria. The alignment between the two reports will enhance the reliability of both financial and non-financial information they present, thereby increasing its usefulness to stakeholders and supporting them in making informed and appropriate decisions.

The environmental, social, and governance policies implemented by pension funds must ensure safety, continuity, and competitiveness of their operations, while being environmentally friendly and non-polluting, as well as not endangering human health and life. The effective integration of good environmental, social, and corporate governance practices into the management and business development strategy of pension funds is the paramount objective of their sustainable development to achieve high yields, strong competitiveness, environmental-friendly and nature-preserving activities, and socially significant contributions to society.

The subject of this study is the specific disclosures of the three sustainability components – environmental, social, and governance – in the sustainability reports of pension funds.

The object of the study is the capabilities of pension funds to generate financial information related to the three sustainability components through the application of specific accounting models for their reporting.

The purpose of this study is to explore the possibilities for pension funds to disclose both non-financial and financial information regarding the three sustainability components in their sustainability reports, for which registered sustainability auditors must express assurance regarding the reliability of the disclosed information.

The main tasks of this study are:

1. To present the fundamental requirements for reporting of the three sustainability components;
2. To present the specific disclosures of the three sustainability components in the sustainability reports of pension funds;

3. To propose specific accounting models for reporting of the three sustainability components by pension funds;

4. To demonstrate the feasibility of undertaking a commitment to express assurance by registered auditors on the sustainability report of pension funds.

1. Fundamental requirements for reporting of the three sustainability components

The report **Our Common Future** by the **UN World Commission on Environment and Development**, published in **1987**, introduces the term “Sustainability” for the first time and seeks possible solutions to problems arising from rapid industrialization, population growth, and their impact on nature. It is the first warning about the negative consequences of the economic development and globalization on the environment. The discovery of the ozone hole over Antarctica in 1984, caused by human activities, is the key catalyst for the UN to adopt the report and the first realization of sustainability at global level. The report defined sustainability as follows: “Humanity has the capacity to maintain its development by meeting present needs without compromising the ability of nature to meet the needs of future generations. Global resources and environment are approaching critical limits due to human activities. Therefore, sustainability can only be achieved by utilizing natural resources at a rate that allows for their self-renewal.”

The concept of sustainability developed in the 1987 UN report represents a comprehensive approach comprising three main aspects:

- Environmental (environmental protection),
- Economic (economic growth), and
- Social (social development).

These three aspects must be managed in a stable manner and harmonized to increase the potential to meet human demands and needs both now and in the future, thereby ensuring sustainable development. According to sustainability development principles, society must not allow its well-being to decline over time.

The **EU Non-Financial Reporting Directive (NFRD)**, adopted in **2014** and effective from the 2017 financial year, mandates the disclosure of non-financial information in the financial statements of big public-interest companies with more than 500 employees. This Directive has been transposed into the Accounting Act of the Republic of Bulgaria. It introduced the requirement for a mandatory non-financial report to accompany the annual financial statements of these companies, including pension funds, called the Corporate Governance Statement. This statement sets out the main requirements for disclosure of information under four components:

- environment-related activities,

- ▶ social and employee-related issues,
- ▶ respect for human rights, and
- ▶ anti-bribery, counter terrorism financing and anti-money laundering issues.

For the EU companies traded on regulated market within the EU, such as pension funds, the Directive extends the scope of the Corporate Governance Statement to include biodiversity information.

Between 2017 and 2019, the European Commission (EC) updated the Directive requirements by issuing Guidelines on non-financial information disclosure and climate-related disclosures. These guidelines incorporate the global sustainable development goals defined in the **2015 Paris Agreement**. In **2020**, the **European Green Deal** committed the EC to develop and adopt a new Directive on disclosure of non-financial information for big companies, including pension funds.

In 2014, the Global Sustainability Board (GSSB) was established, and in **2016**, it published the first global sustainability reporting standards – **Sustainability Reporting Standards under the Global Reporting Initiative (GRI)**. These sustainability reporting standards comprise three sets of GRI standards:

- ▶ universal standards (GRI 1)
- ▶ topic-specific standards (GRI 2)
- ▶ sector standards (GRI 3)

The EU Regulation on Sustainable Finance Disclosure (SFDR) 2019/2088, adopted in **2019**, concerns the disclosure of sustainability-related information in the financial services sector and aims to ensure transparency for investors regarding the environmental, social, and governance policies of:

- ▶ **Pension funds**, asset managers, insurance companies, banks, venture capital funds, and credit institutions.

- ▶ Investment managers and consultants outside the EU if they offer products on the European market or oversee EU assets and funds.

- ▶ Larger financial market participants (with over 500 employees) and those considering principal adverse impacts must publish reports on these impacts annually.

- ▶ Smaller financial market participants (with less than 500 employees) may either adhere to the “comply or explain” principle or provide detailed explanations why they do not comply.

This regulation establishes two levels of information disclosure:

- ▶ Reporting at the legal entity level
- ▶ Reporting at the fund/product level:

The EU Directive 2005/29/EC on Unfair Commercial Practices (UCPD), adopted in **2005**, amended in **2019** by Directive (EU) 2019/2161, and in **2024** by Directive (EU) 2024/825, protects consumers against potential abuses by traders and introduces rules addressing commercial practices that mislead consumers and hinder sustainable consumer choices. These rules will apply from 27 September 2026 and cover practices related to premature obsolescence of goods, misleading environmental claims (“greenwashing”), and misleading information about the social characteristics of products or enterprises’ business.

The EU Taxonomy Regulation 2020/852, adopted in **2020**, along with 5 delegated acts thereto, establishes criteria for determining the sustainability of economic activities. This Regulation requires implementation of measures and policies aimed at **sustainable financing activities of financial market participants**, such as pension funds and companies subject to the EU Directives (NFRD and CSRD). It provides a classification system to determine which economic activities qualify as environmentally sustainable and “taxonomy-aligned” and requires enterprises, including pension funds, to classify their sustainability-related activities. These activities must significantly contribute to at least one of **the six environmental objectives** (SC criteria):

- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems.

EU Directive 2022/2381, adopted in **2022**, concerns **the improvement of gender balance among company directors** listed on stock exchanges and related measures. Its implementation is pending in the Public Offering of Securities Act (POSA) of the Republic of Bulgaria.

The EU Corporate Sustainability Reporting Directive (CSRD) 2022/2464, adopted in **2022**, and transposed into the Accounting Act and the Independent Financial Audit Act, expands and strengthens the existing Non-Financial Reporting Directive (NFRD) as a unified sustainability disclosure standard to include more enterprises. This Directive requires the enterprises to report on material risks related to their sustainability, the adverse impacts of these risks on their sustainability, and opportunities to address those adverse impacts. It introduces mandatory double materiality assessment. The “Double materiality” principle requires the enterprises reporting under the CSRD, including pension funds, to report both on the impact of their activities on society and environment, on one hand, and on how sustainability issues and risks affect their business, on the other hand. The double materiality concept ensures that sustainability reporting focuses on the most important and material aspects of pension funds’ activities and their stakeholders. The Directive requires mandatory expression of assurance by registered sustainability auditors

regarding the reliability of the information in the sustainability reports of enterprises, including pension funds. It delegates to the EU the right to develop sustainability reporting standards. Its scope includes:

- ▶ From 2024, EU and non-EU public interest enterprises listed on regulated EU financial markets that meet two of the following criteria: have more than 500 employees, net sales over EUR 50 million, and/or balance sheet assets over EUR 25 million, must prepare a sustainability report, with the first sustainability reporting and disclosure being in 2025;
- ▶ From 2025, big enterprises, including pension funds, with the first sustainability reporting and disclosure being in 2026;
- ▶ From 2026, small and medium-sized enterprises (SMEs), and small, non-complex credit institutions, and captive insurers, with the first sustainability reporting and disclosure being in 2027, and an option to defer until 2029;
- ▶ Non-EU companies from third countries will also be subject to CSRD if certain criteria are met.

According to the amendments adopted in summer 2024 to the Accounting Act, the obligation to prepare a sustainability report for the 2024 reporting year applies to:

- ▶ public interest enterprises exceeding the criterion for average number of 500 employees during the financial year by December 31 of the reporting period;
- ▶ public interest enterprises that are parent companies in a large group exceeding the criterion for average number of 500 employees on a consolidated basis during the financial year by December 31 of the reporting period;

The obligation to prepare and publish sustainability report for other enterprises within the scope of the CSRD Directive will occur gradually in the following reporting years – by 2028. “The goal is to better harness the EU’s potential in the transition to a fully sustainable and inclusive economic and financial model, in line with both the European Green Deal and the UN Sustainable Development Goals.” (Ivanova, 2025, p.2).

The EU Directive, in force from **04.05.2023**, **on the protection of persons who report breaches of the EU law**, has been implemented in Bulgarian legislation and applies to employers with more than 250 employees.

Currently, **proposals of the EC** are under consideration for a **Directive on corporate due diligence regarding sustainability** and a **Directive on environmental claims**.

European Sustainability Reporting Standards (ESRS), published in **June 2023**, were developed by the European Financial Reporting Advisory Group (EFRAG). They build upon the requirements of CSRD and serve as an operational guide for reporting of non-financial sustainability information. They apply to enterprises within the EU and to non-EU companies as defined in the CSRD. The standards aim to synchronize key methodologies and harmonize ESG reporting, while aligning with existing standards such

as the Global Reporting Initiative (GRI). They enable more flexible and voluntary disclosure of certain information for specific entities, with a phased introduction of new entities after the disclosure of the initial year. There are 12 standards (ESRS 1-2, E1-5, S1-4, G1), organized thematically. They cover different activities – environmental, social, and governance activities including climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use, and the circular economy.

The International Sustainability Standards Board (ISSB) has designed **Sustainability Disclosure Standards under the International Financial Reporting Standards /IFRS/ – FRS S1 and IFRS S2**, published in June **2023**. These standards aim to establish a comprehensive global basis for disclosure of sustainability on financial markets. They set out common requirements for:

- ✓ disclosure of sustainability-related financial information (IFRS S1), and
- ✓ Disclosure of climate-related information (IFRS S2), each accompanied by guidance and a basis for conclusions.

Recent changes adopted in 2025 in relation to sustainability are as follows:

1) On **25 February 2025**, the National Assembly of the Republic of Bulgaria adopted amendments and supplements to the Accounting Act **postponing the mandatory preparation of sustainability reports and non-financial sustainability reporting by the enterprises by one year**. The legislator's reasons to make such decision are as follows:

- lack of sufficient practical experience in applying sustainability standards at both European and global levels;
- insufficient capacity, resources, and expertise among obligated enterprises required to report non-financial information in their 2024 sustainability reports;
- significant costs associated with the preparation of sustainability reports incurred by the obligated enterprises;
- allowing a smoother transition and adaptation for Bulgarian business to non-financial sustainability information reporting;
- reducing the risk of errors and inaccuracies;
- allowing improvement of the quality of sustainability reports;
- reducing costs related to the preparation of sustainability reports by obligated enterprises;
- allowing more efficient allocation of resources, enabling obligated enterprises to adapt without losing competitive advantages on the international market.

2) On **03.04.2025**, the Council of the EU adopted the **Omnibus Package** – proposing changes to the ESG legislation in two stages:

- Stage 1 “Stop the Clok”, delays sustainability reporting for big companies in wave 2, including pension funds, by two years. Their first reporting and sustainability disclosure is scheduled for 2028;

- Stage 2 “Content Change” includes:

- considerable narrowing of the CSRD Directive’s scope. Only big enterprises meeting two of three criteria: more than 1 000 employees, net sales over EUR 50 million, and/or balance sheet assets over EUR 25 million, remain obliged to report. Other enterprises may disclose non-financial sustainability information on voluntary basis;

- revision of European Sustainability Reporting Standards (ESRS);

- removal of specific sector requirements for enterprises operating in various economic sectors;

- limiting auditor’s opinion only to a limited level of assurance, without moving to reasonable level of assurance;

- taxonomy disclosure requirements will apply only to big enterprises with more than 1 000 employees and net turnover over EUR 450 million.

Expected effects of the introduction of the Omnibus Package include:

- a) Exempting about 80% of EU operating enterprises from the obligation for sustainability reporting;

- b) Reducing the administrative burden on businesses;

- c) More favorable business environment in the EU;

- d) Increasing the competitiveness of European companies compared to the non-EU counterparts.

Standards for limited assurance on sustainability matters are under development, expected to be adopted by EC **by October 2026**.

Investors emphasize the need for assurance from independent service providers (e.g. registered sustainability auditors, independent appraisers, ecologists, etc.), in order to enhance the reliability of non-financial sustainability reports. Therefore, limited assurance reporting is currently required for sustainability disclosures.

2. Specific disclosures of the three sustainability components in the sustainability report of pension funds

Following the recent amendments voted by the Council of the EU in the Omnibus Package, the first sustainability reporting and disclosure by pension funds will be in 2028

for the 2027 reporting year. The content of the information reported in their sustainability reports should include the following disclosures:

- description of the pension fund's business model and strategy regarding the main sustainability components;

- description of time-bound sustainability-related goals, progress made toward these goals, and specification of whether the goals are scientific evidence-based. Opportunities for actuaries of the pension fund to develop new coverages for emerging insurance risks to the insured persons (e.g. due to new diseases or declared pandemics, etc.);

- description of the role of the managing pension insurance company (PIC) and of the pension fund's supervisory authority on sustainability matters, including their experience and skills, or access to them for the purposes of playing this role;

- description of the pension fund's policies related to the main sustainability components;

- information about existing incentive schemes related to sustainability for members of the pension fund's supervisory board and for the managing PIC;

- disclosure of identified actual or potential adverse impacts on the pension fund's own financial operations and the "value chain," as well as measures taken to mitigate these adverse impacts;

- description of sustainability-related risks and how these pension fund's risks are managed by the managing PIC;

- disclosure of greater amount of, more targeted, more reliable, and digitized information to support decision-making by stakeholders – investors, insured persons, regulators, etc.;

- disclosure of information for corporate, social, and environmental performance and impact. Pension funds must disclose all necessary information on how they manage their environmental, social, and governance challenges. This is essential for achieving sustainable economy because "An operational and financial review or report will assess the results for the period and discuss future prospects for the enterprise. A corporate governance report will explain how the enterprise has been managed. An environmental and social policy report will address the enterprise's responsibility to nature and society." (Oresharov, N., 2017);

- disclosure of information regarding the adherence to the "double materiality" principle, which, on one hand, shows how the pension fund's business strategy and performance align with the environmental, social, and governance components of sustainability in their mutual relationships and dependencies, and on the other hand, shows the manifestation of the financial aspects, i.e. the impact of expenses incurred to achieve sustainable development on key financial indicators reflecting the yield achieved

by the pension insurance operations, the financial position, financial stability, cash flows, and overall efficiency of the pension fund – profitability calculated on different bases;

► true and fair presentation of financial results (yield achieved by the pension insurance operations), financial position, cash flows, and operational efficiency of the pension fund for the current reporting period. According to D. Feschiyan, “True and fair presentation is ensured by reliable disclosure of the effects of transactions, other events, and conditions in accordance with definitions and criteria for recognition of assets, liabilities, income, and expenses set out in applicable accounting standards.” (Feschiyan, D., 2023). Thus, stakeholders will receive objective information about the pension fund’s financial and economic position and can make informed decisions about their business relations with it;

► **General disclosures:**

- Management structure;
- Risk assessment;
- Ethical conduct;
- Stakeholder engagement;
- Materiality matrix.

► **Economic disclosures:**

- Anti-corruption, counter terrorism financing, anti-bribery and anti-money laundering;
- Cybersecurity.

► **Environmental disclosures:**

- Energy, water and marine resources, biodiversity (energy efficiency, efficient use of materials, waste, biodiversity, and emissions). A specific feature of pension funds is their right to own investment property and to use such natural resources to maintain this property for rental purposes. Therefore, environmental disclosures should also be included in their sustainability reports.

► **Social disclosures:**

- Diversity management;
- Hiring employees;
- Training and education;
- Health and safety at work;
- Community engagement and development;
- Human rights assessment.

A specific feature of pension funds is that they do not have personnel. They are managed by PICs, which employ staff administering the pension funds' operations. Therefore, their disclosures relate only to social policies implemented towards the members of their supervisory and trust boards and their investment consultants.

► **Other disclosures:**

- Non-financial information;
- Assessment of sustainability development goals;
- Other issues related to sustainability development goals.

Financial information on the environmental and economic resources used and liabilities incurred by pension funds to achieve their policies on the three sustainability components should be disclosed on the face of their financial statements or in the explanatory notes thereto, in addition to the non-financial sustainability report.

3. Specific accounting models for reporting of the three components of sustainability by pension funds

In connection with the preparation of the non-financial sustainability reports, there is a need to create and disclose reliable, accurate, sufficient, clear, and transparent financial information regarding the three components of sustainability.

Pension funds must timely account for their expenses related to the implementation of the three components of sustainability, present them reliably in their Statements of profit and loss and other comprehensive income, and duly disclose them in their Sustainability Reports.

The accounting models for reporting of sustainability-related information of pension funds are specific. The accounting models proposed by the author are universal and can also be used by other enterprises in relation to the reporting expenses for the implementation of the three components of sustainability, namely:

✓ *Proposal for an Accounting model for reporting of the governance component*

**Dr account Anti-corruption, counter terrorism financing, anti-bribery
and anti-money laundering expenses**

Cr account Cash

and

Dr account Cybersecurity expenses

Cr account Cash

✓ Proposal for an Accounting model for reporting of the environmental component

Dr account Energy, water, waste and emission expenses

Cr account Cash

✓ Proposal for an Accounting model for reporting of the social component

Dr account Social expenses

Cr account Cash

Expenses for the implementation of the three components of sustainability must be reported according to the accounting legislation by economic elements and by types of activities. They should be included in the total amount of expenses for operations and affect the financial results of the enterprise for the current reporting period.

Pension funds can first account for the expenses incurred by them for the implementation of the environmental, social, and governance components of sustainability as expenses by economic elements. Thus, these expenses will reduce the yield of the pension funds for the current reporting period. Then, these expenses should be allocated according to their purpose to the operating expenses, in particular, to administrative and management expenses, which are indirect (overhead) costs. These expenses are directly related to the scope of business of the pension funds, to the overall management of their pension insurance operations, their strategies for administration of future development, and their environmental, social, and governance policies to achieve, maintain, and develop sustainable development.

By including expenses for the three components of sustainability in the total amount of operating expenses of pension funds, they practically apply the principle of “Double Materiality” because it establishes the materiality framework. On one hand, the accounting models for these expenses demonstrate how the development strategy and the pension insurance operations of pension funds align with the environmental, social, and governance components of sustainability. On the other hand, the accounting models show the impact of these expenses on the achieved yield and the final efficiency of the pension insurance operations conducted by the pension funds to achieve sustainable development.

To achieve and maintain sustainable development, pension funds should record the accounting models used to report expenses related to the three components of sustainability in accounting policies they apply, and disclose them in the notes to their financial statements. Through fair and true presentation of these expenses in the pension funds’ statements for profit and loss and other comprehensive income, for financial

position, and for cash flows, stakeholders receive objective information for their financial and economic position and sustainable development.

The PIC managing the pension funds must conduct relevant analyses and adequate assessments of the structure of expenses incurred for the implementation of the three sustainability components to make timely, justified, and proper decisions on the management of these expenses. It must also consider the needs of stakeholders – users of the pension funds' sustainability report information, in order to optimize their specific pension insurance operations and associated sustainable development expenses in the short, medium, and long term.

Conclusion

Sustainable management of pension funds' operations is a strategy aimed at their long-term success and economic growth. The creation of innovative products and services that comply with environmental, social, and governance requirements allows pension funds to maintain their competitiveness, while simultaneously providing a better quality of life for all stakeholders. Managing pension funds' operations within the context of sustainability is an objective prerequisite for improving their corporate responsibility towards the climate and natural resources, increasing their investment potential, fostering innovation, and enhancing competitiveness.

The pension funds' benefits associated with the disclosure of information about the three components of sustainability are related to the improvement of the transparency of the accounting information created, increasing the stakeholders' trust, timely identification and proper management of various sustainability-related risks, strengthening the reputation and competitiveness of pension funds, and the responsible development and management of their pension insurance operations. By enhancing the reliability of accounting for the three components of sustainability, trust among investors and insured persons in pension funds will also increase. This facilitates the continuous improvement cycle, where pension funds refine their strategies and policies for a more sustainable future, supporting the truthful, accurate, and transparent reporting of the three components of sustainability. "In this way, the financial management can obtain objective information in various directions, based on which it could make proper and justified decisions regarding the development of the enterprise, as well as its financial and investment policies in both operational and strategic perspectives" (Ivanova, 2020).

Sustainability reporting remains a challenging process for both pension funds and other enterprises. They need sufficient time, resources, and capabilities to develop their goals, policies, and management and reporting structures for sustainability; to implement data collection and management systems; and to report information on the environmental, social, and governance policies they have implemented in their reports. Only in this way, they will be able to improve their progress, efficiency, and capabilities in sustainability reporting and to provide more reliable, credible, and consistent sustainability information.

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