

# REVIEW

**By Prof. Tsvetan Iliev, Phd, under the procedure for acquiring the educational and scientific degree “PhD” in the field of higher education 3.” Social, economic and legal; sciences”, professional direction 3.8 “Economics”, scientific specialty (PhD program) “Finance, Insurance and Assurance”.**

This review has been prepared in my capacity as a member of a scientific jury, determined by Order №139/21.06.2022 of the rector of the Higher School of Insurance and Finance – Sofia, in accordance with the requirements of Art. 10 para. 1 of LDASRB and Art.32 para. 1 of the Regulations for its application according to a procedure announced by HSIF.

**Candidate for the procedure: Georgi Momchilov**

**Topic of the dissertation: Financial and Management Aspects of Accountability for Sustainable Development”**

**SCIENTIFIC SUPERVISOR: Prof. Julia Dobрева, PhD**

## **I. Applicant reference**

The candidate for the announced procedure, PhD student Georgi Momchilov, was born in 1974. In 1992, he completed his secondary education at the Sofia Mathematical High School. In 1996, he completed his higher education at the Master’s degree in the specialty “Finance” at UNWE – Sofia. In the period 2000 - 2001, he specialized in “Corporate Strategies” at the University of Buckingham, Great Britain. From January to June 2017, he received a postgraduate qualification in “Sustainable Finance and Investments” at Harvard, and from October to December he completed the Oxford FinTech Program in Oxford. The information thus presented about the education and qualification characteristics of the PhD student gives me the reason to confirm that the requirements of Art. 6 para. 1 of LDASRB and Art. 24 para. 1 of Regulations for its application.

PhD student Momchilov started his professional career in 1994 as “Assistant portfolio manager”, and subsequently as deputy director in financial house “Againe Invest”. In the period 1998 – 2001, he successively held the positions of “Head of the Investment Department” and “Member of the Board of Directors” of “Naturella Group” – a licensed investment intermediary. Since 2001, the professional career of Georgi Momchilov has continued to develop in the banking sector, successively passing through BDB, Allianz Bank – Bulgaria and Russia. After 2018 and at present the PhD student holds a management position at “ETL Gruppe”, Munich – Germany.

## **II. General characteristics of the dissertation work**

According to the requirements of Art. 6 para. 1 and 2 from LDASRB PhD student Georgi Momchilov applied in the announced procedure with a dissertation on the topic “Financial and managerial aspects accountability for sustainable development” in a total volume of 200 standard typewritten pages, of which – 156 pages of main text, 13 pages of bibliography reference covers 197 titles, the majority of which are in English and German (190). 27 diagrams and figures, as well as 11 tables, were used to illustrate the analysis.

Regarding the structure, I can say that the dissertation work has a complete look, it is well-balanced and corresponds as requisites to the requirements for such a work.

### **III. Assessment of the obtained scientific and scientific-applied results**

For his scientific field, PhD student Momchilov has chosen a topic insufficiently developed in Bulgarian scientific circles: sustainable development at the level of micro-units. In the majority of studies by Bulgarian and foreign authors, the understanding of sustainable development as a problem of a global nature prevails. It is at this level that the greatest accumulations of various scientific development are. This gives me reason to admire the research focus identified by the PhD student – sustainable development at the company level.

In the last few decades sustainable development has gradually established itself as a leading concept for the future development of society. At a time of accelerating climate and environmental problems, pandemics and increasing social inequality, sustainable development appeals to a future based on economic development, environmental preservation and social justice. These three aspects of it, according to PhD student Momchilov, apply with particular force to the individual company. In this way, the dissertation student joins one of the serious contemporary debates in scientific circles: whether a company should be managed with the sole aim of maximizing the wealth of its shareholders, or should the interests of other interested parties (stakeholders) be taken into account, such as employees, customers, managers, NGOs, etc.

Although not specifically outlined in the dissertation research, its object and subject matter are apparent. As an **object** of research, I accept the aspects for achieving sustainable development of companies, and as its **subject** – the possibilities for realizing these aspects through the introduction of accountability of sustainable development.

In view of the object and subject identified in this way, doctoral student Momchilov sets himself the goal of checking for the existence of a relationship between the reporting of sustainable development of companies in Bulgaria and the acquisition of competitive advantages by them, on the one hand, and on the other – to analyze the assessment for this process.

#### **Main tasks**

In order to realize the goal defined in his way, the following tasks are planned:

- research of the possible reasons leading to the initiation of sustainable development reporting or its rejection;
- review and analysis of existing standards and indicators measuring the company's sustainable development;
- conducting an empirical sociological study on the evaluation of senior management on the results of the introduction of this type of accountability;

- carrying out a financial analysis of Bulgarian companies reporting their sustainable development.

The **thesis of the research** is that the introduction of sustainable development reporting can help companies in Bulgaria gain competitive advantages.

In view of the object, subject and hypotheses thus defined, the PhD student determines the following limitations of the research:

- the small volume of the general population – the companies in Bulgaria that prepare or have prepared a sustainable development report and their senior managers are relatively few in number;
- limitations resulting from the choice of the sociological research methodology for the purposes of the dissertation research.

The chosen methodology of the research demonstrates the possibilities of the PhD student to collect and process information, to apply scientific and practically applied evaluation methods, to perform comparative analysis and to define justified conclusions.

The theoretical and methodological basis of the dissertation work are the scientific developments of our foreign researchers. The methods of documentary review, empirical sociological research, semi-standardized online interview (CAWI – Computer Assisted Web Interview), financial analysis, comparative analysis, induction and deduction, etc. were used as a scientific toolkit.

In terms of content, empirical presentation and research are given priority in the dissertation work.

I can define the **first chapter** of the dissertation work as laying down the theoretical framework of the study. It examines the concept of sustainable development and its importance for the economic development of society. More specifically, the PhD student dwells on the sustainable development of companies, as well as the role of the sustainable development report as a communication tool and a method for transformation of the company into a sustainable organization. Since one of the goals of this dissertation is to analyze the opinion and the degree of satisfaction of senior management with what has been achieved through the publication of such a report, a literature review has been conducted regarding the reasons why companies prepare reports, the process of preparation, as well as the role of management in this process.

In order to clarify the essential features of sustainable development as a process with its economic, social and ecological aspects, PhD student Momchilov makes a historical review of various researchers during different eras. He takes the ideas of Malthus from the 19<sup>th</sup> century as a starting point, goes through the views of Pigou from the beginning of the 20<sup>th</sup> century, reaching today's understanding of this issue. Special emphasis is placed on the report of the Club of Rome from the 1970s "Limits to Growth", which is accepted as the basis for the introduction of the problems of sustainable development into the agenda of society. In this way, the ability to add depth to scientific research is demonstrated.

For one of the modern challenges facing development both at the global and company level today, PhD student Momchilov identifies climate change. He notes that the anthropogenic climate changes occurring in recent decades are one of the main reasons for development of the concept of sustainable development (p.9). At the modern stage, the topic of the impact of

climate change on the global economy is becoming increasingly popular, with significant number of scientists and organizations trying to predict the economic effect under different climate scenarios using different methods.

When clarifying the problems of sustainable development at the company level in this part of the dissertation, it is worth noting the comparative analysis that the PhD student makes, comparing different theoretical concepts: the theory of shareholder supremacy, the theory of interested parties, etc. on this basis, a comparison of the view of individual authors on the essential characteristics of sustainable development has been made. This compares the understandings of whether sustainable development can be used as a competitive advantage today or not. As a result of this comparison, PhD student Momchilov came to the conclusion that under certain circumstances it could be used as a competitive advantage, but not under others. The main factor on which this depends is the specificity of the industry.

The following paragraphs of this chapter review the need to report on the sustainable development of companies through the development of annual reports. The main structural elements of the reports are presented through an overview of the reasons justifying the need for them. In this analysis, PhD student Momchilov has identified 14 most frequently interpreted reasons (p. 27-45). As a positive point of the dissertation research, it should be noted the consideration of circumstances that, in the opposite direction, lead to the non-preparation of reports. 5 of them are listed (p.45-46). This gives the PhD student the opportunity to delve deeper into the problem under consideration with the accountability of sustainable development of companies, presenting the process of preparing the report (p. 46-55).

The theoretical framework established in the first chapter of the dissertation enabled the author to draw reasonable conclusions regarding the essential elements of sustainable development at the company level and the need for its reporting.

The **second chapter** of the dissertation outlines the framework for the empirical research carried out by Georgi Momchilov in the third part. A comparative analysis of the main standards used in the preparation of a sustainability report has been carried out, namely: Global Accountability Initiative, UN Global Compact, Value Accounting Foundation Standards, ISO 26000 and Carbon Disclosure Project. Two auditing standards for sustainability reports are also analyzed: AA1000 AS and ISAE 3000. Since quite a number of companies still use their own sustainability report format, the chapter also focuses on some commonly accepted indicators for measuring sustainability, such as: ecological footprint, life cycle assessment, social life assessment cycle, as well as some methodologies for the calculation and reporting of the carbon footprint, such as the greenhouse gas protocol, ISO 14064 -1:2018 and the UK Department for Environment, Food and Agriculture (DEFRA) guidelines.

On the basis of the performed analysis, three essential problems of the reporting of the sustainable development by the companies have been outlined. The first problem, according to PhD student Momchilov, is related to the diversity of aspects of the concept of sustainable development, which create difficulties in its measurement. The second problem facing sustainable development is the need for standardization. The PhD student emphasizes that with the growing volume of companies preparing a sustainability report and the global approach of some of the stakeholders, such as investors in public companies and some environmental organizations, the need for comparability between companies' report is growing. Thus, it is

concluded that through standardization of reporting, this comparability can be more achieved (p. 102).

The third identified problem that sustainable development faces is the applicability of existing standards. In this regard, the PhD student emphasizes that some of the standards considered, such as the standards of the Global Reporting Initiative and the Carbon Disclosure project, prescribe in detail the amount of information required and the way of its processing and presentation. According to him, these prescriptions have a positive effect on the credibility of the report, but at the same time they set a threshold for the minimum amount of information that must be disclosed. Sometimes this threshold is not in line with the abilities of micro and small enterprises to allocate resources. This makes these standards more applicable to medium and large companies than to micro and small ones (p.103).

I define **the third chapter** of the dissertation work as empirical in content. In it, the existence of a mutual relationship between the reporting of sustainable development of companies and the acquisition of competitive advantages by them is subjected to a practical check. In addition, the evaluation of the management companies selected in advance for the purposes of study from different branches of the Bulgarian economy and different scales has been subjected to analysis. For this purpose, a survey among Bulgarian senior managers, whose companies prepare a report on sustainable development, has been conducted. The study investigates management's attitude towards sustainability reporting – what are the reasons why companies have started to disclose this type of information, what are the advantages for organizations after the report has been prepared, as well as what are the problems that this reporting raises. The PhD student divides the reasons for companies' decision to report their sustainable development into three groups – economic, moral and normative. Along with this, a financial analysis of Bulgarian companies before and after they start to report their sustainable development has been made, in order to look for the presence of regularities and immediate effect in the financial development of these companies.

The reason why methodology uses a semi-standardized online interview (CAWI – Computer Assisted Web Interview) as a tool. The PhD student defines as a basic advantage of this method the possibility of obtaining structured quantitative information that clearly outlines the attitudes of managers on the topic of accountability.

The survey among the representatives of the target group of 55 companies (of which 33 managers have given feedback) has been concluded through an online interview using a semi-standardized questionnaire. It contains 27 closed questions, but in 12 of them, through the option "other" in the answer scales, the responders were given the opportunity to freely express their opinion.

By using the software package Pivot Table Plus, for the purposes of the analysis, two-dimensional distributions of the collected information (cross tables) have been prepared, which show how the answers of the substantive questions are distributed depending on the characteristics of the companies they manage – size, sector and other relevant content question.

The processing of the result is based on a pre-written and verified software program of the Lime Survey System.

As a result of the conducted research and financial analysis, PhD student Momchilov reached the following more important conclusions. First, the process of preparing a sustainable

development report in Bulgaria follows some global trends, namely: the number of companies preparing such a report is constantly increasing, with large companies being the ones that often disclose environmental and social information. Second, the role of senior management in initiating the reporting process is critical. Third, the most frequently stated main reason for preparing a report is the value of a top manager/owner followed by the –presence of normative regulations and the desire to improve performance and measure results in relation to the set goal related to sustainable development. Fourthly, the largest percentage of Bulgarian managers do not use established standard when preparing a sustainable development report. Fifth, the Sustainability Report is an effective method of communication that elicits positive responses from all stakeholders.

In the **conclusion**, the summarized results and conclusions of the empirical research are presented. Methodological approaches with contributing moments and the practical significance of the obtained results are presented.

#### **IV. Assessment of received scientific and scientific-applied contributions.**

The presented dissertation has scientific contributions, which I believe fulfills the requirements of Art. 6 para. 3 of LDASRB and Art. 27 para. 1 of RALDASRB. I can define the scientific and practical-applied contributions of the PhD student indicated in the reference 6 as corresponding to what is shown in the dissertation work. I take these points of contribution as a credit to the research and analytical capabilities demonstrated by the author. According to the requirements of Art. 10 para.2 of LDASRB, no practice of plagiarism have been established in the dissertation work developed by PhD student G. Momchilov.

#### **V. Assessment of dissertation publications**

The scientific publications on the topic of the dissertation, in which the author's ideas are popularized, speak a well-formed research view. The list includes: a monograph and three articles in authoritative Bulgarian issues. Two of the articles are in English. I consider the mentioned research work of the author to meet the national requirements of the procedure for acquiring the educational and scientific degree "PhD".

#### **VI. Assessment of the abstract of the dissertation**

I define the 54-page abstract presented by the PhD student G. Momchilov as fully reflecting the content of the dissertation. It has all the requisites inherent in the type of development.

#### **VII. Critical notes, recommendations and questions**

Georgi Momchilov's dissertation has been developed at a high scientific level and has a complete character. As a scientific development, it also has some weaknesses, which however, in no way detract from what has been achieved in terms of research. Overall, I have no major criticisms, but I would like the PhD student to answer the following question:

*How much of the progress achieved in the financial performance of companies that prepare sustainability reports is due to the reports themselves?*

#### **VIII. Summarized assessment of the dissertation work and conclusion**

In conclusion, I consider that **the PhD candidate Georgi Momchilov meets the requirements for awarding the educational and scientific degree "PhD" in the**

scientific specialty “Finance, Insurance and Assurance” in professional direction 3.8 “Economics” and possesses the necessary qualities. In view of this, I propose to the honorable members of the Scientific Jury to support the awarding of the educational and scientific degree “PhD” to Georgi Momchilov on the basis of Chapter Two of the Law on the Development of the Academic Staff in the Republic of Bulgaria.

20.07.2022

Prepared the review:



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