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Bridging the Sustainability Reporting Implementation Gap in an EU Candidate Country: Evidence from Large Companies and Accounting Professionals in Albania

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Abstract: The growing importance of sustainability reporting has transformed corporate reporting practices across Europe, particularly following the adoption of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). As a candidate country for European Union membership, Albania is expected to progressively align its regulatory and reporting framework with these emerging sustainability reporting requirements. Furthermore, certain categories of entities are already subject to non-financial reporting obligations under the Albanian accounting framework, increasing the relevance of assessing current implementation capacity. However, limited empirical evidence exists regarding the extent to which Albanian companies and accounting professionals are prepared to support this transition. This study investigates the sustainability reporting implementation gap in Albania by examining both corporate reporting practices and professional preparedness. The research adopts a dual empirical approach. First, the study analyses the public reporting practices of the 200 largest Albanian companies identified according to the annual ranking published by Monitor Magazine. Second, the study draws upon survey evidence collected from 127 accounting professionals, including approved accountants, financial reporting specialists, consultants and company representatives. Preliminary findings reveal a substantial implementation gap between emerging sustainability reporting requirements and current reporting practices. While more than 90% of the analysed companies publicly disclose financial statements, sustainability-related disclosures remain extremely limited and largely descriptive in nature. Although many companies publish activity reports, management reports and other non-financial disclosures, the reporting of measurable environmental, social and governance (ESG) indicators is largely absent. The survey findings further indicate limited familiarity among accounting professionals with ESG concepts, sustainability reporting

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standards and related regulatory requirements. Only a small proportion of respondents reported practical experience in preparing sustainability-related reports, while most professionals did not consider themselves adequately prepared to support sustainability reporting implementation. The study concludes that despite increasing regulatory expectations and Albania's ongoing alignment with European sustainability reporting requirements, significant challenges remain regarding corporate reporting practices and professional capacity. The findings highlight the need for targeted regulatory guidance, professional training, educational reforms and stronger institutional support to facilitate Albania's transition towards sustainability reporting in line with European requirements.

Keywords: Sustainability Reporting; Accounting Profession; Implementation Gap

“Businesses cannot succeed in societies that fail.” (Porter & Kramer, 2011)

1. Introduction

The growing importance of sustainability reporting has fundamentally transformed corporate reporting practices worldwide. While traditional corporate reporting has primarily focused on financial performance and shareholder value, increasing concerns regarding climate change, environmental degradation, social inequality and corporate governance have expanded stakeholders' demand for environmental, social and governance (ESG) information. Consequently, sustainability reporting has become an essential component of corporate accountability and transparency (Gray et al., 2014; Adams, 2015).

The adoption of the European Green Deal, the Corporate Sustainability Reporting Directive (CSRD) (European Commission, 2022) and the European Sustainability Reporting Standards (ESRS) (European Commission, 2023) represents a major shift in corporate reporting by extending disclosure requirements beyond financial information. As an EU candidate country, Albania is expected to progressively align its regulatory and institutional framework with these emerging sustainability reporting requirements. Moreover, Albanian accounting legislation already includes certain non-financial reporting obligations, making the assessment of implementation readiness particularly relevant. Despite these regulatory developments, limited empirical evidence exists regarding the preparedness of Albanian companies and accounting professionals to support sustainability reporting implementation. Existing studies have mainly examined sustainability concepts, ESG developments and regulatory frameworks, while little attention has been given to evaluating actual reporting practices and implementation capacity. Since effective sustainability reporting depends not only on regulatory requirements but also on the

preparedness of companies and reporting professionals, understanding the current level of implementation readiness has become increasingly important (Cerciello et al., 2023; Fasan, 2024).

This study addresses this gap through a dual empirical approach. First, it analyses the reporting practices of the 200 largest Albanian companies by reviewing publicly available corporate disclosures. Second, it evaluates the preparedness of 127 accounting professionals, including approved accountants, financial reporting specialists, consultants and company representatives, to support sustainability reporting implementation. The study seeks to answer four research questions: (1) To what extent do large Albanian companies currently disclose sustainability-related information? (2) To what extent are accounting professionals prepared to support sustainability reporting implementation? (3) Does an implementation gap exist between current reporting practices and emerging European sustainability reporting requirements? and (4) What measures are required to improve sustainability reporting implementation readiness in Albania?

The primary objective of the study is to assess sustainability reporting implementation readiness by evaluating corporate reporting practices, professional preparedness and the implementation challenges associated with the transition towards sustainability reporting. In doing so, the study provides one of the first empirical assessments of sustainability reporting implementation readiness in Albania based on evidence collected from both companies and accounting professionals. It further contributes to the literature on sustainability reporting in emerging economies by introducing the concept of a Sustainability Reporting Implementation Gap, highlighting the distinction between formal compliance with reporting obligations and substantive sustainability reporting in line with the CSRD and ESRS.

2. Literature Review

2.1. Sustainability Reporting and Theoretical Foundations

Corporate reporting has evolved from a predominantly financial and shareholder-oriented model toward a broader framework of corporate accountability that incorporates environmental, social and governance (ESG) considerations. The concept of sustainable development, introduced by the Brundtland Report (World Commission on Environment and Development, 1987), laid the foundation for sustainability reporting, while international initiatives such as the Global Reporting

Initiative (GRI), the International Integrated Reporting Framework (IIRC), the Sustainability Accounting Standards Board (SASB) and, more recently, the IFRS Sustainability Disclosure Standards have sought to improve the consistency, comparability and decision-usefulness of sustainability-related disclosures.

Stakeholder Theory (Freeman, 1984) provides an important explanation for the growing importance of sustainability reporting by recognizing that organizations are accountable not only to shareholders but also to employees, customers, regulators, communities and society. Institutional Theory (DiMaggio & Powell, 1983) complements this perspective by explaining how coercive, normative and mimetic pressures encourage organizations to adopt new reporting practices. In EU candidate countries, sustainability reporting is therefore shaped both by stakeholder expectations and by institutional pressures associated with European integration.

2.2. Sustainability Reporting in the European and Emerging-Economy Context

Within the European Union, sustainability reporting has progressively evolved from voluntary disclosure toward a mandatory and standardized reporting system. The adoption of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) significantly expanded reporting requirements by introducing standardized ESG disclosures, double materiality and sustainability assurance.

Although these developments provide a common European reporting framework, implementation remains uneven (Cerciello et al., 2023; KPMG, 2024; PwC, 2024) across emerging and transition economies. Previous studies identify recurring barriers including limited institutional capacity, insufficient professional expertise, weak stakeholder demand and underdeveloped sustainability data systems. Consequently, organizations frequently comply with reporting obligations through narrative disclosures while providing limited measurable ESG information.

Albania reflects many of these characteristics (Fasan, 2024). Although financial reporting has improved considerably following accounting reforms and alignment with international standards, sustainability reporting remains comparatively underdeveloped. Existing studies have primarily examined sustainability concepts and regulatory developments, while limited empirical evidence exists regarding the reporting practices of large Albanian companies or the preparedness of accounting professionals to support sustainability reporting implementation.

2.3. Formal Compliance, Implementation Capacity and Research Gap

An important distinction in sustainability reporting concerns the difference between formal reporting compliance and substantive sustainability reporting. Organizations may comply with existing disclosure obligations by publishing financial statements, management reports or other required documents without providing the measurable ESG information expected under the CSRD and ESRS. Consequently, the existence of reporting documents should not be interpreted as evidence of sustainability reporting readiness.

In emerging and EU candidate countries, successful implementation depends not only on regulatory developments but also on organizational capacity, professional competencies and institutional support. While previous research has extensively examined sustainability reporting frameworks and European regulatory developments, comparatively little attention has been devoted to implementation readiness during the process of regulatory convergence.

This study addresses this gap by combining a content analysis of the reporting practices of the 200 largest Albanian companies with a survey of 127 accounting professionals. By evaluating both corporate reporting capacity and professional preparedness, the study introduces the concept of a Sustainability Reporting Implementation Gap, defined as the mismatch between increasing regulatory expectations and the practical capacity required for effective sustainability reporting implementation.

3. Regulatory Framework for Sustainability Reporting in Albania

3.1. National Reporting Requirements and European Regulatory Convergence

Albania has progressively strengthened its accounting and corporate reporting framework through the adoption of International Financial Reporting Standards (IFRS) and broader legislative reforms aligned with the European integration process. While the current legal framework requires certain entities to prepare management reports and other narrative disclosures, these obligations remain substantially different from the sustainability reporting requirements introduced by the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) (European Commission, 2022, 2023).

Although the CSRD does not yet apply (European Commission, 2024) directly to most Albanian companies, its influence is expected to increase through European

integration, multinational corporate groups, investors and supply-chain reporting requirements. Consequently, Albanian companies are likely to face growing expectations for sustainability-related disclosures well before comprehensive national reporting obligations are introduced.

3.2 Implementation Challenges and Policy Readiness

The transition from financial reporting to sustainability reporting requires more than regulatory alignment. Organizations must develop reliable systems for collecting, measuring and reporting environmental, social and governance (ESG) information, supported by appropriate governance structures, professional expertise and institutional guidance.

For Albania, sustainability reporting therefore represents both a regulatory and an implementation challenge. Effective adoption will depend on coordinated efforts by policymakers, regulators, professional accounting bodies, universities and companies to strengthen reporting capacity, professional competencies and sustainability data systems.

Against this background, the present study evaluates Albania's implementation readiness from two complementary perspectives: the sustainability reporting practices of the country's largest companies and the preparedness of accounting professionals expected to support future implementation.

4. Methodology

4.1. Research Design

This study adopts a dual empirical design to assess sustainability reporting implementation readiness in Albania by combining two complementary sources of evidence: a content analysis of the public disclosures of the 200 largest companies operating in Albania and a survey of 127 accounting professionals. The first component evaluates corporate reporting practices, while the second assesses the awareness, knowledge, practical experience and preparedness of professionals expected to support sustainability reporting implementation. By integrating organizational and professional evidence, the study provides a comprehensive assessment of Albania's implementation readiness.

4.2. Corporate Reporting Assessment

The corporate sample comprises the 200 largest companies identified in the annual ranking published by *Monitor Magazine*. Publicly available reports for the 2023 and 2024 reporting periods, including financial statements, activity reports, management reports and non-financial reports, were reviewed.

The analysis examined both the availability of reporting documents and the extent to which they contained substantive sustainability-related disclosures, including environmental, social and governance (ESG) information, measurable indicators, climate-related metrics, sustainability targets, and sustainability risks and impacts. The assessment distinguishes between compliance with existing reporting obligations and the disclosure of decision-useful sustainability information consistent with the principles of the CSRD and ESRS.

4.3. Survey of Accounting Professionals

The second component consisted of a survey of 127 respondents, including approved accountants, financial reporting specialists, consultants and company representatives. The questionnaire evaluated respondents' awareness of sustainability concepts, familiarity with ESG principles and sustainability reporting standards, practical experience and self-assessed preparedness to support sustainability reporting implementation. Survey responses were analysed using descriptive statistics (frequencies and percentages) to evaluate the current level of professional readiness.

4.4. Sustainability Reporting Implementation Gap Framework

The study evaluates implementation readiness through three complementary dimensions: (I) regulatory expectations arising from European regulatory convergence, (II) corporate reporting capacity, and (III) professional implementation capacity.

A Sustainability Reporting Implementation Gap exists when regulatory expectations evolve more rapidly than the capacity of companies and accounting professionals to implement them effectively. This framework provides the analytical basis for interpreting the empirical findings and assessing Albania's preparedness for sustainability reporting.

5. Findings

5.1. Corporate Reporting Practices among the Largest Albanian Companies

The first objective of the study was to assess the current state of corporate reporting practices among the largest companies operating in Albania. To achieve this objective, the reporting practices of the 200 largest Albanian companies were examined through a review of publicly available corporate disclosures for the reporting periods 2023 and 2024.

Table 1. Corporate Reporting Practices of the 200 Largest Albanian Companies

Reporting Type	2023	%	2024	%
Financial Statements	189	94.5	184	92.0
Activity Reports	124	62.0	119	59.5
Reports of Payments to Public Institutions	51	25.5	49	24.5
Management Reports	41	20.5	40	20.0
Non-Financial Reports	34	17.0	33	16.5

The results indicate that large Albanian companies have achieved a relatively high level of compliance with financial reporting requirements. More than 90% of the reviewed companies published annual financial statements in both reporting periods, while activity reports were also relatively common. By contrast, management reports, reports of payments to public institutions and non-financial reports were published by considerably fewer companies.

However, the existence of these reporting documents should not be interpreted as evidence of sustainability reporting readiness. A detailed review of their content revealed that disclosures generally focused on business activities, operational developments and financial performance, while providing limited information regarding environmental, social and governance (ESG) matters.

For example, reports of payments to public institutions typically presented aggregated information on taxes, royalties, fees and other payments made to public authorities to comply with existing legal obligations. Likewise, management reports and non-financial reports generally contained descriptive information concerning company activities or corporate responsibility initiatives but rarely included materiality assessments, sustainability-related risks, stakeholder impacts, measurable performance indicators or governance mechanisms consistent with the European Sustainability Reporting Standards (ESRS).

Overall, the findings suggest that although reporting documents are widely available, their content remains largely disconnected from the sustainability reporting

philosophy embedded in the Corporate Sustainability Reporting Directive (CSRD) and the ESRS.

5.2. Sustainability Disclosure Assessment

To evaluate the extent of substantive sustainability reporting, the content of activity reports, management reports and non-financial reports was examined in greater detail.

Table 2. Sustainability-Related Disclosure Practices

Disclosure Type	Companies Reporting
Stand-alone Sustainability Report	0
ESG Report	0
Environmental KPIs	0
Social KPIs	0
Governance KPIs	0
Climate-related Metrics	0
Quantitative Sustainability Targets	0
Narrative Sustainability Statements	Limited

The analysis revealed that none of the reviewed companies published a stand-alone sustainability report or ESG report. Similarly, no evidence was identified regarding the systematic disclosure of environmental, social or governance key performance indicators, climate-related metrics or quantitative sustainability targets.

Where sustainability-related information was disclosed, it generally consisted of broad narrative statements concerning corporate responsibility, employee welfare, community engagement or environmental awareness rather than measurable ESG performance. Such disclosures rarely included defined targets, monitoring mechanisms or performance indicators capable of supporting stakeholder assessment and decision-making.

These findings indicate that Albanian companies generally comply with existing reporting obligations but have not yet developed sustainability reporting practices consistent with the disclosure requirements introduced by the CSRD and ESRS.

5.3. Preparedness of Accounting Professionals

The second component of the study evaluated the preparedness of accounting professionals, who are expected to play a central role in the implementation of sustainability reporting requirements.

The survey involved 127 respondents, including approved accountants, financial reporting specialists, consultants, company representatives and other professionals engaged in financial reporting activities.

Table 3. Sustainability Reporting Awareness and Preparedness

Indicator	Positive Responses	%
Familiar with sustainability concepts	81	63.8
Familiar with ESG concepts	32	25.2
Participation in sustainability-related activities	27	21.3
Aware of sustainability-related regulatory framework	47	37.0
Familiar with sustainability reporting standards	25	19.7
Practical experience in sustainability reporting	2	1.6
Consider themselves prepared to prepare sustainability reports	29	22.8

The survey results reveal a progressive decline from general awareness to practical implementation readiness. While nearly two-thirds of respondents reported familiarity with the concept of sustainability, substantially fewer demonstrated knowledge of ESG principles, sustainability reporting standards or the emerging regulatory framework.

Most notably, only 1.6% of respondents reported practical experience in preparing sustainability reports, while fewer than one-quarter considered themselves adequately prepared to support sustainability reporting implementation. These findings indicate that the accounting profession in Albania remains at an early stage of developing the competencies required by contemporary sustainability reporting frameworks.

5.4. The Sustainability Reporting Implementation Gap

The combined evidence from the corporate disclosure review and the survey of accounting professionals reveals the existence of a Sustainability Reporting Implementation Gap in Albania.

Table 4. Sustainability Reporting Implementation Gap Framework

Dimension	Assessment
Regulatory Expectations	High
Financial Reporting Capacity	High
Non-Financial Reporting Capacity	Moderate
Sustainability Reporting Capacity	Low
Professional Preparedness	Low
Overall Implementation Readiness	Low

The findings demonstrate that regulatory expectations are evolving rapidly as Albania progressively aligns with the European sustainability reporting framework. However, neither companies nor accounting professionals currently exhibit a comparable level of implementation capacity.

On the corporate side, organizations generally comply with existing financial and non-financial reporting obligations but provide little substantive sustainability-related information. On the professional side, accounting practitioners display limited familiarity with sustainability reporting standards and almost no practical reporting experience. Together, these findings point to a clear imbalance between emerging regulatory expectations and the practical capacity required for effective implementation.

The evidence suggests that Albania's transition toward sustainability reporting should therefore be viewed not merely as a regulatory challenge, but as a broader institutional transformation requiring coordinated investments in professional education, organizational capacity building, data collection systems, regulatory guidance and stakeholder awareness.

Accordingly, the Sustainability Reporting Implementation Gap identified in this study represents the principal empirical finding of the research and provides a useful framework for understanding the challenges associated with implementing sustainability reporting in Albania within the broader context of European integration.

6. Discussion

The findings indicate that Albania is entering the transition toward sustainability reporting while implementation capacity remains considerably behind evolving regulatory expectations. Although large companies generally comply with existing financial reporting obligations, substantive sustainability disclosures consistent with

the CSRD and ESRS remain largely absent. Similarly, accounting professionals demonstrate limited practical preparedness to support sustainability reporting implementation. These findings reinforce the distinction between formal reporting compliance and substantive sustainability reporting (Cerciello et al., 2023; Kosi & Relard, 2024). The existence of financial statements, management reports or other required disclosures should not be interpreted as evidence of sustainability reporting readiness, as meaningful ESG information, measurable indicators and sustainability targets remain largely unavailable.

The results are consistent with Institutional Theory (DiMaggio & Powell, 1983), which suggests that regulatory change alone is insufficient to transform organizational practices without adequate professional expertise and institutional support. They also support Stakeholder Theory (Freeman, 1984), emphasizing that effective sustainability reporting depends on organizations' ability to meet the growing information needs of multiple stakeholders. The combined evidence from corporate reporting and the survey of accounting professionals confirms the existence of a Sustainability Reporting Implementation Gap (Dunfjäll, 2025), defined as the mismatch between increasing regulatory expectations and the organizational and professional capacity required to implement them. This concept represents the principal theoretical contribution of the study and highlights that implementation readiness should be assessed not only through regulatory developments but also through practical implementation capacity.

From a policy perspective, the findings suggest that Albania's transition toward sustainability reporting will require coordinated action by regulators, professional accounting bodies, universities and companies. Strengthening professional education, implementation guidance and organizational reporting systems will be essential to support effective adoption of the CSRD and ESRS.

7. Conclusions and Recommendations

This study assessed sustainability reporting implementation readiness in Albania by combining a content analysis of the reporting practices of the 200 largest Albanian companies with a survey of 127 accounting professionals. The findings indicate that, although financial reporting practices are well established, sustainability reporting remains at an early stage of development. Most companies continue to provide predominantly financial and narrative disclosures, while accounting professionals

report limited familiarity with sustainability reporting standards and very limited practical experience.

The study identifies a Sustainability Reporting Implementation Gap, reflecting the mismatch between increasing regulatory expectations driven by European integration and the current organizational and professional capacity to implement them. It also demonstrates that compliance with existing reporting obligations should not be regarded as evidence of sustainability reporting readiness. These findings suggest that effective implementation of the CSRD and ESRS in Albania will require coordinated efforts by policymakers, regulators, professional accounting bodies, universities and companies. Strengthening professional education, implementation guidance and organizational reporting systems should therefore become strategic priorities.

The study contributes to the literature by proposing the concept of the Sustainability Reporting Implementation Gap as a framework for assessing implementation readiness in EU candidate and emerging economies. Future research could extend the analysis to additional sectors, examine post-CSRD implementation developments and undertake comparative studies across the Western Balkans.

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