Socially Responsible Investments in Financial Statements of Polish Public Companies

Marzena Remlein*

Abstract:
Socially responsible investments are one of the most dynamically developing segments of investments and socially responsible investing plays an ever growing role in the world’s financial markets. Poland is in the infancy stage of development of socially responsible investments.

Socially responsible investing is a decision-making process concerning the allocation of free financial resources, where the investor aims at maximisation of profit and minimisation of risk on one part, and includes the socio-ethical and environmental-ecological considerations on the other.

The aim of the paper is to assess the valuation methods and the scope of information on socially responsible investments presented in financial statements of Polish public companies. Assessment of the market of socially responsible investments in Poland according to the European classification of strategies for investing socially responsibly is also purposeful.

The paper presents the results of empirical research of valuation and disclosure of SRI in financial statements of Polish public companies.

Key words: Socially Responsible Investments; SRI; Respect Index; Investments Property; Financial Investments.

JEL classification: M40, M41, M49.

1 Introduction
The concept of socially responsible investing (SRI) relates to the need of inclusion, in the investment process, of not just the economic criteria, but also ethical values, social or environmental interests, and building dialogue with stakeholders. Investing that follows the SRI concept is such that aims at profit maximisation and at the same time includes ESG factors. Socially responsible investing is a decision-making process concerning the allocation of free financial resources, where the investor aims at maximisation of profit and minimisation of risk on one part, and includes the socio-ethical and environmental-ecological considerations on the other.

The consequence of growing importance of social and ecological aspects of economic activities is increased interest and requirements concerning reporting, i.e. a set of reports that includes information pertaining both to the financial and

* Marzena Remlein; Poznan University of Economics and Business, Faculty of Management, Department of Accounting, al. Niepodległości 10, 61-875 Poznań, Poland, <marzena.remlein@ue.poznan.pl>.
non-financial aspects. The financial statement, the final product of accountancy, is the source of financial information while the non-financial information is presented in separate reports. This means that just sections of the image of the respective fields of activity are presented. The attempt of interlinking the financial and non-financial sources of information on the business activities was attempted in the new reporting concept, named “integrated reporting” (Remlein, 2015, p. 150).

The Directive 2014/95/EU of the European Parliament of 22 October 2014 amending the Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups is regarded the most significant EU legislative initiative in the field of disclosure of environmental, social and corporate governance information. Provisions of the Directive oblige large European undertakings to disclose environmental, social, labour, human rights and prevention of corruption and bribery information. These undertakings are also obliged to disclose their diversity policies applied to their various administrative, management and supervisory bodies. The regulations of the Directive were introduced by all member states, including Poland, and came in force on 1 January, 2017.

In Poland, the requirement for presentation of non-financial information relating to the concept of socially responsible business practices was introduced by the new accountancy act. According to regulations of this act, the so called “public trust units” are obliged to present, in their statement of activities, a separate item entitled “Declaration of non-financial information” (Act of 15 December 2016, amending the Accountancy Act).

The Polish market of socially responsible investments is still in its infancy stage. The value of Polish socially responsible investments accounts for just 0.05% of the European SRI market. Even with that exiguous share of Poland, it is well worth noting that Poland as the sole country of the Central and Eastern Europe was included in the Eurosif study already in 2010.

The research problem is limited to investigation of Polish SRI market and scope and valuation of the information on SRI disclosed in financial statements.

The aim of the paper is to assess the valuation methods and the scope of information on socially responsible investments presented in financial statements of Polish public companies. Assessment of the market of socially responsible investments in Poland according to the European classification of strategies for investing socially responsibly is also purposeful.

The paper presents the results of empirical research of valuation and disclosure of SRI in financial statements of Polish public companies.
2 Literature Review

Socially responsible investments became an alternative to traditional forms of investments. SRI forms a sort of inv. philosophy that links both the financial and non-financial criteria (Sparkes 2002, p.22). Kinder, Lydenberg and Domini (1994) have a similar opinion, stressing inclusion of social or ethical criteria in the process of investment decision-making. Investors who choose to allocate their free pecuniary assets in this type of investments value the social and environmental questions as more, or at least equally important as economic profits.

Study of the subject literature allowed us to come to the conclusion that the socially responsible investment is a relatively new concept that still evolves and could not be defined unanimously. In the majority of works on socially responsible investments, attention is brought to the need of inclusion of not just the financial conditions, but also the social and environmental factors in the investment process. Selected SRI definitions are presented in Table 1.

| Author / Institution | Definition |
|----------------------|------------|
| The European Sustainable Investment Forum (Eurosif) | general concept including sustainable, ethical or responsible investments that link financial objectives of the investor with its care for social, environmental and corporate order issues |
| The International Finance Corporation (IFC) | “sustainable investing” integrates the ESG factors in analyses concerning the selection of companies and in application of corporate laws, believing that these factors can beneficially influence the long-term efficiency of risk management |
| M. Mansley | an element of financial analysis, concentrating on social, environmental and ethical issues during decision-making, management and realisation of an investment |
| L. Dziawgo | for investors the criteria for corporate social responsibility become as important as the economic criteria |
| J. Sandberg, C. Juravle, T. M. Hedesstrom, I. Hamilton | SRI includes investments that integrate social, ethical, environmental and corporate orders in the investment process |
| W. Rogowski, A. Ulianiuk | an investment strategy that targets not only the achievement of particular economic profits, but also social and environmental effects. |
| M. J Munoz–Torres, M. A. Fernandez–Izquierdo, M. R. Balaguer–Franch | investments that link financial objectives with social values |

Source: Author’s work based on: European SRI Study, 2010; www.ifc.org; Mansley, 2000; Dziawgo, 2010; Sandberg, Juravle, Hedesstrom, Hamilton, 2009; Rogowski and Ulianiuk, 2012; Munoz–Torres, Fernandez–Izquierdo, Balaguer–Franch, 2004.
The definitions of socially responsible investing quoted above broaden the notion of investment that was applied in the past. Up until recently, only the cause-and-effect connection between investment expenditure and its effects was investigated in the form of economic profits (return on capital). In the case of socially responsible investment, the investor also profits from the financial outcome of the invested capital, but it has further non-financial profits that can bring financial results in longer time perspective. Socially responsible investors select companies that keep high ethical standards and observe sustainable development principles in their activities.

Empirical research in the field of Corporate Social Responsibility concerns analysis of the content of reports and information published by companies. The first such studies were carried out by D. R. Beresford in 1973 and later repeated in 1975 and 1976. Similar studies were carried out by Abbot and Monsen in 1979 and Anderson and Frankle in 1980. Since 2005, Deloitte has been researching the annual reports of companies listed on the London Stock Exchange, which relate to the presentation of CSR information.

In Poland, research on the presentation of non-financial information was conducted by Świderska (2010, 2011), Samelak (2013), Krasodomska (2014). However, these studies concerned all disclosures related to CSR. There are no studies on the disclosure of information about SRI. Research in this area refers to the measurement of efficiency (profitability) SRI (Jedynak, 2011; Czerwonka, 2013; Statman and Glushov, 2009). Research results suggest that SRI rates are higher or at least as effective compared to traditional investments. Therefore, companies that want investors to put their capital into their businesses should show in their financial statements that they have SRI.

3 Data and Methodology
The research problem comes down to investigating the Polish market for socially responsible investments and their presentation in financial statements.

The source of data for research of SRI were:
- the report by European Sustainable Investment Forum,
- the consolidated financial statements of Polish companies listed at the Warsaw Stock Exchange – Respect Index.

Respect Index is the first index of responsible companies in Central and Eastern Europe introduced on the GPW Warsaw Stock Exchange in 2009. The main goal of the project is to promote the highest standards of responsible management. According to adopted principles, Respect Index includes only stocks from the GPW Main Market. The basis for selection of companies to the index is research
consisting of three stages. The basis for the first two stages are widely available information whereas the third stage involves direct participation of interested companies in the project (Respect Index, 2018).

Stage 1 – the goal of the first stage of the research is to select companies’ stocks being characterised by high liquidity – it was assumed that the line-up of Respect Index may only consist of stocks in portfolios of the following indexes: WIG20, mWIG40 and sWIG80.

Stage 2 – the assessment concerns companies’ policies on corporate governance, information governance and investor’s relations.

Stage 3 – it is the assessment of companies’ maturity for CSR based on questionnaires filled in by the companies whose questionnaires are verified by the Project Partner – Deloitte.

Within of the empirical research, annual financial statements for the financial year 2016 were analysed for 28 companies listed on the Respect Index (as of December 31, 2017). Due to the fact that 8 of these companies are financial institutions, 20 listed companies have qualified for the final research. The reason is the different format of financial statements and the lack of data comparability. Table 2 presents the companies listed at the WSE – Respect Index included in the research.

**Tab. 2  Companies listed at the WSE– Respect Index (December 31, 2017)**

| No. | Name of company | Symbol | Type of activity          |
|-----|-----------------|--------|---------------------------|
| 1.  | AGORA           | AGO    | MEDIA                     |
| 2.  | APATOR          | APT    | ELECTROMECANICAL INDUSTRY |
| 3.  | BOGDANKA        | LWB    | RAW MATERIAL INDUSTRY     |
| 4.  | BOS             | BOS    | FINANCIAL INSTITUTION     |
| 5.  | BUDIMEX         | BDX    | ARCHITECTURE              |
| 6.  | BZWBK           | BZW    | FINANCIAL INSTITUTION     |
| 7.  | ELBUDOWA        | ELB    | ARCHITECTURE/BUILDINGS    |
| 8.  | ENERGA          | ENG    | ENERGY PRODUCTION         |
| 9.  | FORTE           | FTE    | WOOD INDUSTRY             |
| 10. | GPW             | GPW    | CAPITAL MARKET            |
| 11. | GRUPA AZOTY     | ATT    | CHEMICAL INDUSTRY         |
| 12. | HANLOWY         | BHW    | FINANCIAL INSTITUTION     |
| 13. | ING BSK         | ING    | FINANCIAL INSTITUTION     |
| 14. | INTER CARS      | CAR    | WHOLESALE TRADE           |
| 15. | JSW             | JSW    | RAW MATERIAL INDUSTRY     |
| 16. | KGHM            | KGH    | RAW MATERIAL INDUSTRY     |
| 17. | KOGENERACJA     | KGN    | ENERGY PRODUCTION         |
| 18. | LOTOS           | LTS    | FUEL INDUSTRY             |
| 19. | MBANK           | MBK    | FINANCIAL INSTITUTION     |
| 20. | MILLENNIUM      | MIL    | FINANCIAL INSTITUTION     |
The method used in the study is content analysis referred to as a research technique for the goal, a systematic and quantitative description of the obvious content of communication (Berelson, 1952; Duriau, Reger and Pfarrer, 2007). In addition, financial analysis methods were also used. The study used classification of the SRI strategies proposed by Eurosif in 2012 (European SRI Study 2012).

4 Results and Discussion
4.1 Polish market of SRI
According to data of the Eurosif European SRI Study 2016 report, the 2015 Polish market of socially responsible investments is estimated at 12.1 billion Euro, and the European market in total is estimated at 22 trillion Euro. The value of socially responsible investments in Poland and Europe divided into investment strategies is presented in Table 3.

Tab. 3 Socially responsible investments in Poland and Europe (2015)

| SRI Strategy                                      | Poland       | Europe       |
|---------------------------------------------------|--------------|--------------|
|                                                   | million Euro | % share      | million Euro | % share      |
| Themed investments                                | 3 762        | 31.22        | 145 249      | 0.63         |
| Best-in-class investments                         | 2 717        | 22.54        | 493 375      | 2.16         |
| Exclusions from investment universe               | 2 769        | 22.98        | 10 150 595   | 44.34        |
| Norms-based screening                             | 2769         | 22.98        | 5 087 774    | 22.23        |
| Integration of ESG factors in financial analysis  | 0            | 0.00         | 2 646 346    | 11.56        |
| Engagement of shareholders in ESG matters         | 0            | 0.00         | 4 270 045    | 18.65        |
| Impact Investing                                  | 34           | 0.28         | 98 329       | 0.43         |
| Total                                             | 12 051       | 100.00       | 22 891 713   | 100.00       |

Source: Author’s work based on European SRI Study 2016.
The results presented in the table above allow us to see that there are four significant SRI strategies in Poland. The largest interest (31.22%) is in themed investments, that is, investments concentrating on sustainable development. The negative selection (exclusion from the investment universe) and norm-based screening came second (22.98%) among the SRI strategies applied in Poland. The “best in class” strategy was the third most significant strategy in Poland (22.54%). The share of the remaining strategies is low (impact investing – 0.28%) or non-existent in the Polish investment market. Whereas in Europe the most popular investment strategy is the negative selection (44.34%), followed by the norm-based screening (22.23%) and engagement of shareholders in ESG matters (18.65%).

Furthermore, the dynamics of recent socially responsible investment demonstrates that ever more frequently investors apply the social and environmental factors apart from the criterion of efficiency of invested capital (Table 4).

Tab. 4 Strategies for socially responsible investments in Poland (million Euro)

| SRI Strategy                                      | 2013 | 2015  | Dynamics (%) |
|--------------------------------------------------|------|-------|--------------|
| Themed investments                               | 0    | 3762  | -            |
| Best-in-class investments                        | 3    | 2717  | 90567        |
| Exclusions from investment universe             | 773  | 2769  | 358          |
| Norms-based screening                            | 1060 | 2769  | 261          |
| Integration of ESG factors in financial analysis| 0    | 0     | -            |
| Engagement of shareholders in ESG matters        | 578  | 0     | 0            |
| Impact Investing                                 | 0    | 34    | -            |
| **Total**                                        | 2414 | 12051 | **499.21**   |

Source: Author’s work based on European SRI Study 2014 and 2016.

Data from Table 4 show that compared to 2013, the value of socially responsible investments in Poland grew in 2015 by 399.21% reaching the total value of 12 051 million Euro. The largest changes are observed in the “best-in-class investments” group, where a growth of 2 714 million Euro was recorded (that is by 90 467%). This growth in value was also observed in the screening-based investments – negative selection (i.e. exclusion from investment universe) – 258%, and the norms-based screening – 161%.
What is worth noting is that in 2015, there were investments in “themed investments” and “impact investing” that saw no investment activities in previous years. The sole decrease was recorded for the group of “engagement of shareholders in ESG matters” investments.

4.2 Valuation of investments

A preliminary analysis of consolidated financial statements of the analysed companies enables to state that the following are the object of investing free cash in the long term:

- investments in other companies’ stocks: 14 companies, i.e. 70% of the analysed group,
- other financial investments: 13 companies, i.e. 65% of the analysed group,
- investments in real estate: 10 companies, i.e. 50% of the analysed group.
While none of the analysed companies has investments in intangible assets, two of the analysed companies did not have long-term investments at all. The value and investments valuation methods\(^1\) are presented in Table 5. The value share of individual types of investments in the total investment value is shown in Table 6.

The share of investments in the value of companies’ assets was diversified throughout the analysed years. The biggest share of investments in 2015 was recorded at KGHM (22.81%), whereas the smallest at PGE (0.09%). However, it should be noted that the biggest share at KGHM are investments in other companies’ stocks (90.79%). On the other hand, the biggest share of investments in assets in 2016 was recorded at FORTE (19.68%), whereas the smallest at JSW (0.20%).

By analysing the 2016 data, it can be stated that in most cases (12 out of 18 investing companies) investors invest their free cash in other companies’ stocks. In order to answer the question whether or not investments in companies’ stocks may be considered socially responsible investments, the type of activity of these companies should be analysed. When analysing the case of KGHM, it can be concluded that it has investments in shares of 60 other companies. The activities of these companies are very diverse: for example, scientific research (KGHM Cuprum sp. z o.o.), R&D (CBJ sp. Z o. o.) and health resorts (e.g. Uzdrowiska Kłodzkie S.A.). This proves that KGHM implements the CSR strategy as well as the SRI concept.

\(^{1}\) fv - fair value, hc – historical cost, eqm – equity method.
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### Tab. 5 The value and investments valuation methods (PLN '000)

| No | Name of company | Investment Property | Investments in Companies’ Stocks | Other Financial Investments | Total assets |
|----|-----------------|---------------------|----------------------------------|-----------------------------|--------------|
|    |                 | 2016 | 2015 | Val. | 2016 | 2015 | Val. | 2016 | 2015 | Val. | 2016 | 2015 |
| 1. | AGORA           | -    | -    | x    | 21 417 | 19 938 | eqm | 83 | 98 | fv | 1 569 382 | 1 610 213 |
| 2. | APATOR          | 1 419 | 1 633 | fv | 2 776 | 2 569 | eqm | 143 | 2 | fv | 846 721 | 7 94 267 |
| 3. | BOGDANKA        | 47 511 | 19 006 | hc | - | - | x | - | - | x | 3 800 289 | 3 644 024 |
| 4. | BUDIMEX         | 25 581 | 63 410 | hc | 43 427 | 45 762 | eqm | 9 396 | 9 247 | fv | 5 593 665 | 4 713 364 |
| 5. | ELBUDOWA        | - | - | x | 22 069 | 14 364 | eqm | 4 616 | 10 527 | fv | 910 933 | 897 827 |
| 6. | ENERGA          | - | - | x | 390 000 | - | eqm | 166 000 | 60 000 | fv | 18 731 000 | 18 456 000 |
| 7. | FORTE           | 72 946 | 71 660 | fv | - | - | x | 158 061 | 505 | fv | 1 173 986 | 738 350 |
| 8. | GPW             | - | - | x | 197 231 | 188 570 | eqm | 288 | 282 | fv | 1 157 848 | 1 073 099 |
| 9. | GR. AZOTY       | 59 504 | 52 204 | hc | 112 935 | 11 1095 | eqm | 13 182 | 16 717 | fv | 11 051 920 | 10 495 074 |
| 10. | INT. CARS      | 24 103 | 24 685 | fv | 1 921 | 810 | eqm | 301 | 301 | fv | 3 040 77 | 2 506 364 |
| 11. | JSW            | 22 400 | 23 000 | hc | 1 200 | 1 400 | eqm | - | - | x | 11 519 600 | 11 812 200 |
| 12. | KGHM            | - | - | x | 2 002 000 | 6 858 000 | hc | 813 000 | 696 000 | fv | 30 100 000 | 33 120 000 |
| 13. | KOGENERA       | 16 776 | 17 554 | hc | - | - | x | - | - | x | 2 286 566 | 2 256 509 |
| 14. | LOTOS          | - | - | x | 98 087 | 70 745 | eqm | - | - | x | 19 326 309 | 19 169 332 |
| 15. | ORANGEPL       | - | - | x | - | - | x | - | - | x | 22 588 000 | 21 652 000 |
| 16. | PCCROKITA       | - | - | x | - | - | x | - | - | x | 1 441 885 | 1 268 765 |
| 17. | PGE            | 27 000 | 30 000 | hc | 402 000 | 8 000 | eqm | 37 000 | 15 000 | fv | 67 474 000 | 61 296 000 |
| 18. | PGNIG           | - | - | x | 1 229 000 | 840 000 | eqm | - | - | x | 49 672 000 | 48 292 000 |
| 19. | TAURON PE       | - | - | x | 461 348 | 418 127 | eqm | 227 140 | 211 215 | fv | 33 456 894 | 32 071 433 |
| 20. | TRAKCJA        | 21 226 | 21 976 | fv | - | 14 140 | eqm | 46 527 | 45 589 | fv | 1 396 733 | 1 306 357 |

Source: Author’s work based on consolidated financial statements.
Note: fv – fair value, hc – historical cost, eqm – equity method.
### Tab. 6 Share of investments (%)

| No. | Name of company | Share of Investments in Total Assets | Share of Investments Property in Total Investments | Share of Investments in Companies’ Stocks in Total Investments | Share of Other Financial Investments in Total Investments |
|-----|----------------|-------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------------|
|     |                | 2016      | 2015      | 2016   | 2015   | 2016   | 2015   | 2016 | 2015 |
| 1.  | AGORA          | 1.37      | 1.24      | -      | -      | 99.61  | 99.51  | 0.39 | 0.49 |
| 2.  | APATOR         | 0.51      | 0.53      | 32.71  | 38.84  | 63.99  | 61.11  | 3.30 | 0.05 |
| 3.  | BOGDANKA       | 1.25      | 0.52      | 100.00 | 100.00 | -      | -      | -    | -    |
| 4.  | BUDIMEX        | 1.40      | 2.51      | 32.63  | 53.55  | 55.39  | 38.64  | 11.98| 7.81 |
| 5.  | ELBUDOWA       | 2.93      | 2.77      | -      | -      | 82.70  | 57.71  | 17.30| 42.29|
| 6.  | ENERGA         | 2.97      | 0.33      | -      | -      | 70.14  | -      | -    | 29.86| 100.00|
| 7.  | FORTE          | 19.68     | 9.77      | 31.58  | 99.30  | -      | -      | -    | 68.42| 0.70 |
| 8.  | GPW            | 17.06     | 17.60     | -      | -      | 99.85  | 99.85  | 0.15 | 0.15 |
| 9.  | GRUPA AZOTY    | 1.68      | 1.72      | 32.06  | 29.00  | 60.84  | 61.71  | 7.10 | 9.29 |
| 10. | INTER CARS     | 0.87      | 1.03      | 91.56  | 95.69  | 7.30   | 3.14   | 1.14 | 1.17 |
| 11. | JSW            | 0.20      | 0.21      | 94.92  | 94.26  | 5.08   | 5.74   | -    | -    |
| 12. | KGHM           | 9.35      | 22.81     | -      | -      | 71.12  | 90.79  | 28.88| 9.21 |
| 13. | KOGENERACJA    | 0.73      | 0.78      | 100.00 | 100.00 | -      | -      | -    | -    |
| 14. | LOTOS          | 0.51      | 0.37      | -      | -      | 100.00 | 100.00 | -    | -    |
| 15. | ORANGEPL       | -         | -         | -      | -      | -      | -      | -    | -    |
| 16. | PCC ROKITA     | -         | -         | -      | -      | -      | -      | -    | -    |
| 17. | PGE            | 0.69      | 0.09      | 5.79   | 56.60  | 86.27  | 15.09  | 7.94 | 28.30|
| 18. | PGNIG          | 2.47      | 1.74      | -      | -      | 100.00 | 100.00 | -    | -    |
| 19. | TAURON PE      | 2.06      | 1.96      | -      | -      | 67.01  | 66.44  | 32.99| 33.56|
| 20. | TRAKCJA        | 4.85      | 6.25      | 31.33  | 26.90  | -      | 17.31  | 68.67| 55.80|

Source: Author’s work based on consolidated financial statements.
Depending on a type of investments, companies estimate these according to the principles adopted within accounting policy (Fig. 3):

- investments in real estate are estimated according to:
  - historical cost (60%),
  - fair value (40%),
- investments in other companies’ stocks – equity method (93.3%),
- other financial investments – fair value (100%).

Historical costs determine the valuation of investment properties by the analysed companies, although IAS 40 prefers the FV model because the valuation based on historical cost was and is widely used due to its simplicity, verifiability of the carried out measurement and continuity of measurement principles.
4.3 Presentation and disclosure of SRI in financial statements

According to the Polish accounting law regulations (Accounting Act), investments are presented in the company’s balance sheet divided into the long- and short-term components. Furthermore, companies are obliged to subdivide the investments based on their nature, i.e. investments in real estate, investments in intangible assets and financial investments. Moreover, in the balance sheet, the division of investments being realised within a group of companies is presented. Within the balance sheet, there is no information on which of the investments realised by the company are socially responsible investments. In order to assess the scope of disclosures concerning SRI, an analysis of the content of management commentary of the analysed companies was carried out.

The structure of management commentary is not regulated in terms of law, therefore companies present information on their investment achievements in any form and content.

Results of the analysis of contents of management commentary are presented in Table 7.

Tab. 7 Content analysis of management commentary about SRI (2016)

| No. | Name of company | Description or numerical data | Financial investments | Fixed assets & Intangible assets | Disclosure about SRI |
|-----|-----------------|-------------------------------|------------------------|---------------------------------|----------------------|
| 1.  | AGORA           | D                             | +                      | FA + IA                         | -                    |
| 2.  | APATOR          | D+N                           | -                      | FA + IA                         | -                    |
| 3.  | BOGDANKA        | D+N                           | -                      | FA + IA                         | -                    |
| 4.  | BUDIMEX         | -                             | -                      | -                               | -                    |
| 5.  | ELBUDOWA        | D+N                           | -                      | FA + IA                         | -                    |
| 6.  | ENERGA          | -                             | -                      | -                               | -                    |
The analysis of the content of management commentary enables to draw the following conclusions:

- the information content of the reports on investment activity is diversified, which hinders comparability between companies,
- descriptive information prevails, and the number of numeric data is limited,
- the scope of information relating to investments includes also investment outlays for fixed assets and intangible assets,
- disclosures concerning socially responsible investments are not presented in the reports on activity of the analysed companies.

5 Conclusion

Socially responsible investments are one of the most dynamically developing segments of investments and socially responsible investing plays an ever growing role in the world’s financial markets. Poland is in the infancy stage of development of socially responsible investments.

The analysis of financial statements of the Polish Respect Index stock exchange companies listed on the GPW Warsaw Stock Exchange allows to draw the following conclusions:

- investments are presented in financial statements according to the Polish accounting law and IFRS, therefore investments in the balance sheet are presented divided into long- and short-term components taking into account the particular type of investment (tangible, financial),
methods used in the estimation process are different, however, the following ones prevail:
- historical cost – in the case of an estimate of investments in real estate,
- equity method – in the case of an estimate of investments in other companies’ stocks,
- fair value – for other financial investments.
- no information in the balance sheet concerning socially responsible investments,
- the scope and content of presentation of information about investments in management commentary are diversified, information is mostly descriptive, so their comparison cannot be made,
- in management commentary, a wider material scope of investments is presented since companies also rate investment outlays for fixed assets and intangible assets among investments,
- disclosures concerning socially responsible investments are not presented in the reports on activity of the analysed companies.

As it appears from the Eurosif report, the role and value of SRI in Poland are increasing, whereas it appears that financial reporting does not keep up with the business practice because it does not present information concerning SRI. So the author of this paper perceives the need to undertake research aiming at formulating the concept of financial statements referring to socially responsible investments, either in the form of a separate element of financial statements or in the form of an explanatory note to the ‘Investments’ item in the balance sheet.

This fact is gaining particular significance in the face of the social reporting obligation introduced under the Directive 2014/95/EU of the European Parliament.

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