

How does social and environmental impact performance data influence investors' decision-making process in the pharmaceutical industry?

Research Scope

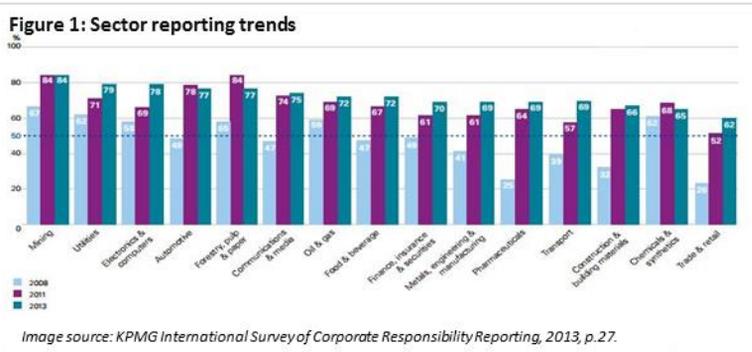
- Establish the extent to which investors are interested in non-financial information
- Determine the value investors place on non-financial information
- Ascertain how investors use non-financial information (NFI) to inform investment decisions
- Understand where investors obtain non-financial information from

Research Method

Literature review: We established that extensive research has been undertaken to understand the relationship between investors, firms and non-financial information. The term 'non-financial information' (NFI) is used to explicitly focus on the impact of social and environmental performance data because of inconsistency in existing literature. Four research questions were constructed based on the literature review and the scope of our project.

Research Strategy: We used a combination of quantitative and qualitative methods to understand our research objective and scope.

Sustainability reporting



Driving demand for Non-Financial Information

In 1995, there were 55 Socially Responsible Investment (SRI) funds with USD 12 billion in assets under management; in 2012, there were 333 funds, with assets totalling USD 640.5 billion (USSIF, 2014c).

Research Findings



RQ 1: To what extent are investors interested in non-financial information?

Our research of secondary sources found growing evidence proving a positive relationship between social and financial performance. The increased interest in NFI by investors is partly due to the recent economic crisis and increased public scrutiny. Overall, client demand and universal investors' demand for NFI was found to strongly affect the extent to which it is integrated into investment decisions.



RQ 2: What value does non-financial information provide investors with?

77% of CFOs, investment professionals and ESG professionals use NFI to maintain a good corporate reputation¹

We found that NFI helps investors assess reputational and long-term risk. However, moral concern, regulatory requirements and disclosure standards affect investors' valuation of NFI. We also found that interviewees would highly value industry-specific materiality reporting.



RQ 3: How do investors use non-financial information to make investment decisions?

We found that pre-investment NFI enables investors to screen target companies and conduct due diligence. However, post-investment NFI is used to encourage shareholder engagement and to establish long-term strategies.



RQ 4: Where do investors gather non-financial information from?

42% of asset owners obtain NFI from specialised rating agencies²

We found that investors obtain NFI from public sources, companies and funds within their portfolio and specialist research providers.

Other Findings

- Trust in management is important in decision making on investment opportunities.
- Pressure for NFI reporting and disclosure also stems internally from employees.
- Pharmaceutical companies are not expected to disclose more than another, rather each should disclose material issues.

Report Sources

- ¹CDC Toolkit for ESG: <http://www.cdccgroup.com/PageFiles/147/finalcdctoolkitforfundmanagers20101.pdf>
- ² Novethic 2013 Survey – ESG Strategies of European Asset Owners: From Theory to Practice http://www.novethic.com/novethic/v3_uk/upload/ESG_survey_2013.pdf

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Vertigo Ventures specialises in providing tools for organisations to demonstrate social, financial and environmental performance. Organisations use Vertigo Ventures' cutting-edge reporting tools to efficiently demonstrate and assure their social, financial and environmental performance: looking beyond the number of people affected by a project, to how their quality of life is changed.

Vertigo Ventures' tools are aligned with international reporting frameworks and build on established models to be at the forefront of measuring intangibles. The [VV-Good Index](#) is the first impact benchmarking tool, developed with input from leaders of global corporations and international bodies. The VV-Good Index most recently compared the impact of global pharmaceutical companies, the results of which were reported in The Guardian and the Financial Times.