

STUDY APPROACH

Conducted annually since 2010, data from this year's study was collected from November 2015 to February 2016.

health care opinion leaders



A segment of the general public who are most informed and active around health care issues

n=846

health care providers



A representative sample of physicians (both general practitioners and specialists) and nurses

n=303

policy leaders



Senior legislative officials, senior staff at regulatory bodies and NGOs representing health professionals, patients and issues

n=100

payers



Pharmacy/medical directors at public and private plans

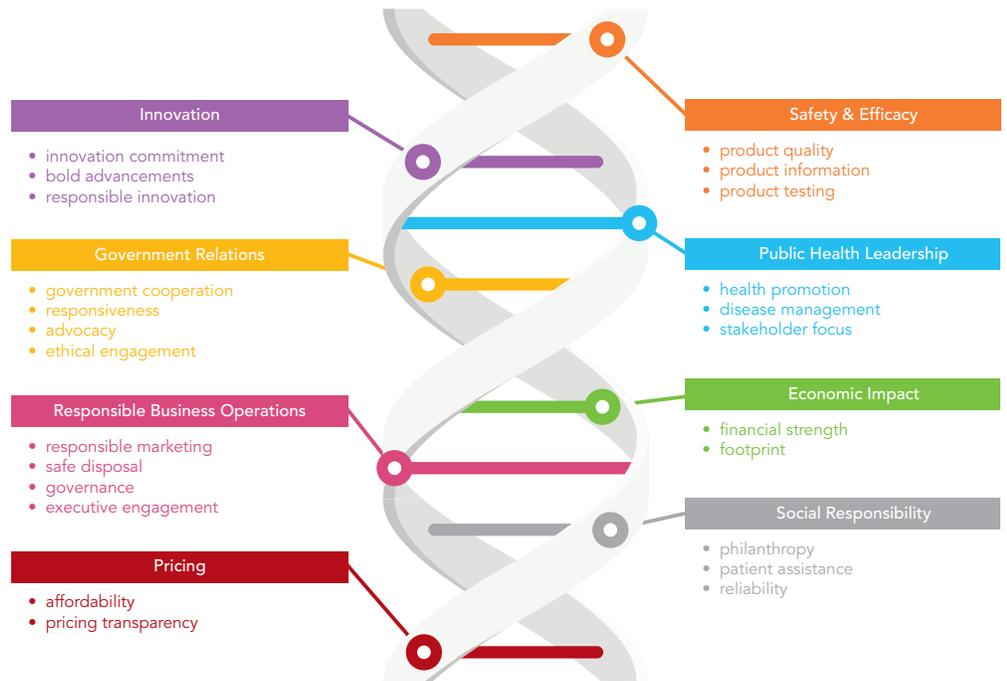
n=110

REPUTATION MODEL

The foundation of APCO's Return on Reputation: State of the Biopharmaceutical Industry Study is a robust model that measures the extent to which stakeholders believe the industry – and its individual companies – is meeting its unique and specific expectations. The model is based on more than 10 years of extensive qualitative and quantitative research in the sector that identifies the drivers that define the "reputation DNA" of the biopharmaceutical industry.

Our research is regularly updated to provide value and actionable insights. In September 2015, APCO Insight refreshed the study to reflect changing priorities and evaluations of the biopharmaceutical industry. Key stakeholder groups, ranging from patients, providers and policy experts, were interviewed to understand new expectations – what matters most in how the biopharmaceutical industry operates. The resulting changes increase our understanding of the industry's reputation in a rapidly-changing socio-political environment.

While the model keeps the same core themes, the stakeholder-defined attributes were redefined to yield a model that better understands the current nuances of the industry and issue environment. The final result for this year's model yields 24

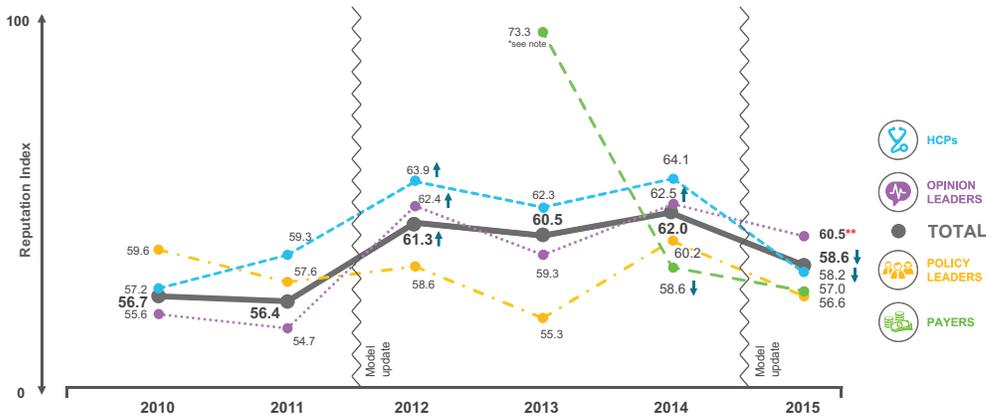


reputation drivers that are grouped into the eight broader dimensions of reputation: *Economic Impact, Government Relations, Innovation, Pricing, Public Health Leadership, Responsible Business Operations, Safety and Efficacy, and Social Responsibility.*

Our study illuminates strategic opportunities for the industry by better uncovering what is moving perceptions. The most significant changes in our measurement model were

seen in **Government Relations** (emergence of expectations about Responsiveness and Ethical Engagement); **Innovation** (expansion of ideas to separate new Innovation Commitment and Responsible Innovation); **Safety and Efficacy** (where expectations converged around three ideas, rather than seven); and **Public Health Leadership** (with an emergence of Stakeholder Focus).

REPUTATION INDEX SCORES



↑↑ Blue arrows indicate significance from year to year
 ** Asterisks indicate significance from benchmark

*Methodological change in 2014: augmented sample size for Payers (50% public / 50% private)

The Reputation Index score is a reliable measure of the industry's overall reputation that takes into account both the performance scores and the impact scores of each reputation driver.

Since last year, the biopharmaceutical industry's reputation has dropped significantly. All audiences in the study (opinion leaders, health care providers, payers and policy leaders) declined, especially among health care providers. Though these scores do not dip below benchmark low points, they put pressure about the industry's ongoing license to operate.

REPUTATION MATRIX

ALIGNMENT:

- The matrix identifies opportunities to enhance alignment with expectations, which leads to overall reputation improvement. The vertical axis depicts the level of importance of each individual driver; the horizontal axis is how the industry is perceived on each. This analysis identifies strengths and potential reputation vulnerabilities for the industry.

STRENGTHS:

- The industry's **commitment to safety** remains a key asset in this year's study, especially its ability to meet the full range of needs to assure safety, including clinical trials and post-market surveillance (**Product Testing**), and creating consistently high quality products (**Quality**).
- Innovation is an enduring strength for the industry, especially around **Bold Advancements**, which focuses on what the industry delivers through scientific discovery and a focus on meeting unmet health needs.
- Disease Management**, which points to the industry's **Public Health Leadership** in its role to manage conditions and through beneficial use of medicines, rises up stronger than it has in previous years.
- The latest study also highlights the continued importance of the industry's **Economic Impact**, especially its role in creating jobs and leading high-tech competitiveness as a year-over-year strength (**Footprint**).

The industry's weakness is not around its public health effort, but how it behaves in engagements with health partners.

DRIVERS THAT HAVE MOST IMPACT IN SHAPING VIEWS OF THE US BIOPHARMA INDUSTRY



VULNERABILITIES:

- The greatest vulnerability for the industry is related to its **external influence**; its behaviors with all groups that touch the industry. This ranges from how the industry acts as an advocate and partner for patients, patient groups and health care providers (**Stakeholder Focus**) to engaging ethically with regulators (**Ethical Engagement**) and reacting responsively with government (**Responsiveness**). It also encapsulates enduring concepts around **Responsible Marketing**, both to consumers directly and with physicians.
- Concerns around pricing, both in transparency (**Pricing Transparency**) and controlling the rising costs of care (**Affordability**), are a perennial weakness for the industry's reputation. However, they are not among the most impactful drivers of reputation this year.

For more information, please visit rorindicator.com, or contact Chrystine Zacherau, senior director, health care research, at czacherau@apcoworldwide.com