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CONSULTING

Serving & Sharing with *Passion* for 20 years

How to Boost Corporate Reputation?

BEST-IN-CLASS SERIES # 12

A practical guide for pharma companies

"A strong reputation is associated with trust and esteem, generating stakeholders' preference"
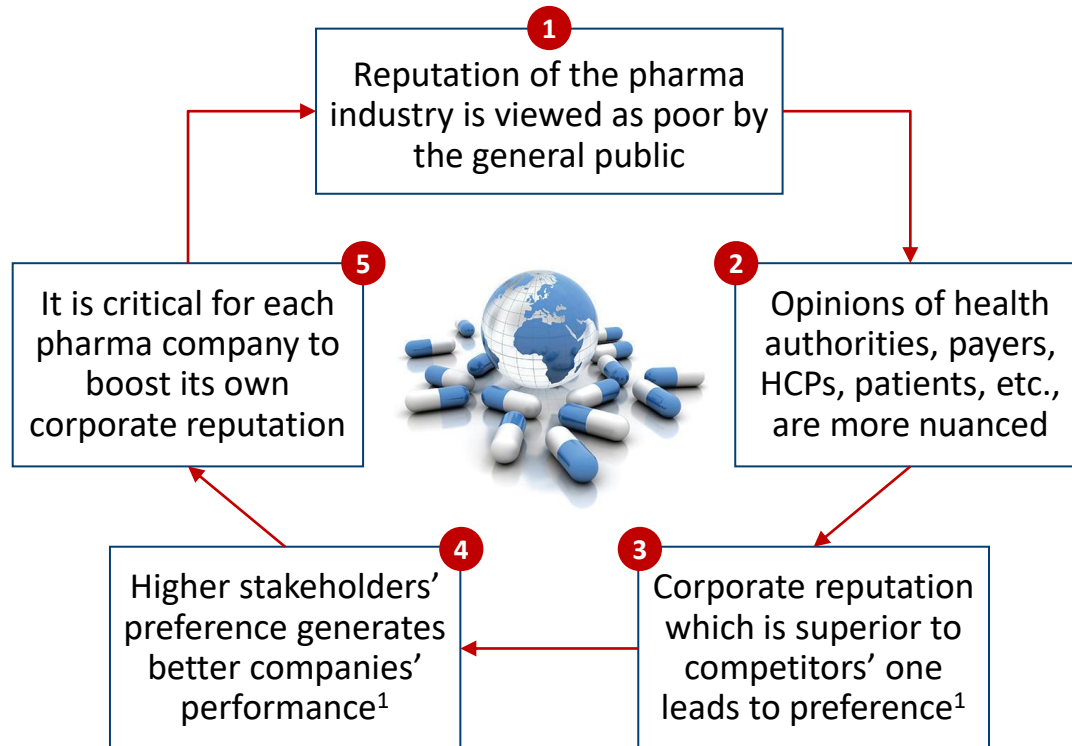
September 2021

This position paper analyzes the corporate reputation of the pharma industry and proposes The Pharma Reputation Booster™ approach to help affiliates improve their performance

Corporation reputation situation & solutions

Pharma industry situation

Solutions for affiliates

1 Reputation of the pharma industry is viewed as poor by the general public

5 It is critical for each pharma company to boost its own corporate reputation

2 Opinions of health authorities, payers, HCPs, patients, etc., are more nuanced

4 Higher stakeholders' preference generates better companies' performance[1]

3 Corporate reputation which is superior to competitors' one leads to preference[1]

To enhanced their corporate reputation, at national level, affiliates can implement the Pharma Reputation Booster™ approach designed by Smart Pharma Consulting:

Phase 1
- Analyze and map the key stakeholders
- Measure affiliates' reputation with the "Pharma Reputation Index"

Phase #2
- Select, by stakeholder, the key drivers to reinforce pharma companies' reputation
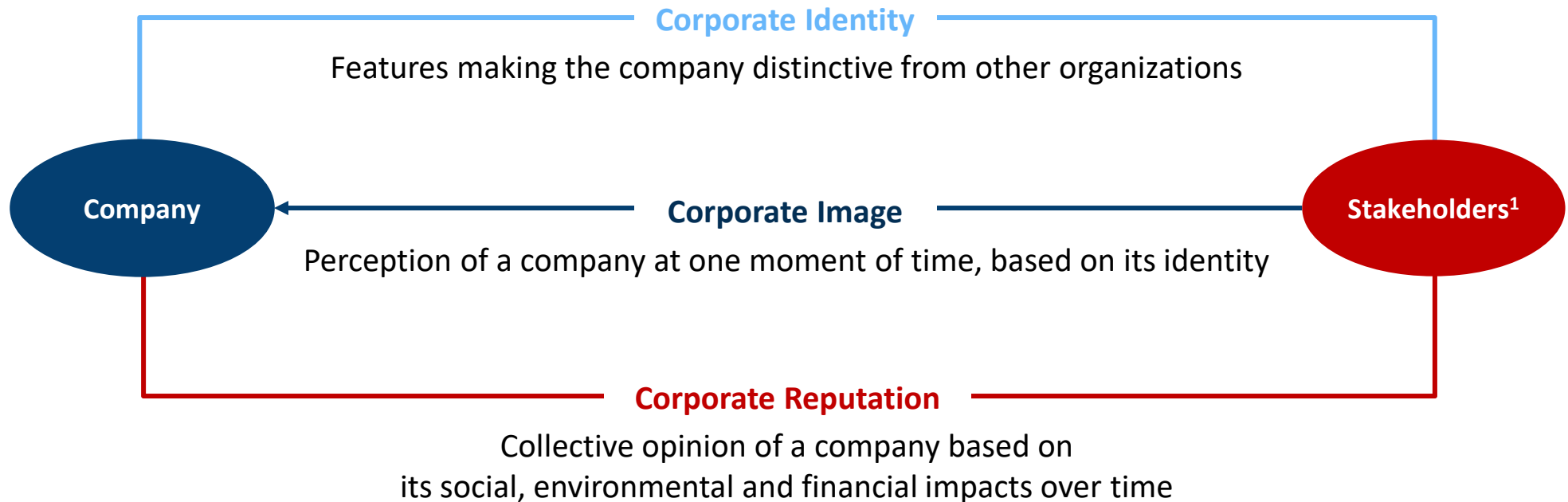- Develop an action plan and monitoring tools

Step #3
- Make the reputation a priority for employees
- Adjust the organization, whenever required
- Design a Pharma Reputation Scorecard

"Reputation and trust are earned through actions, results, and communication to stakeholders"

Sources: Smart Pharma Consulting

[1] See the position paper "Brand Preference optimization" https://smart-pharma.com/wp-content/uploads/2019/07/Stakeholders-Brand-Preference-Mix-2016-EN-web.pdf

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**Corporate reputation depends on what the company does,
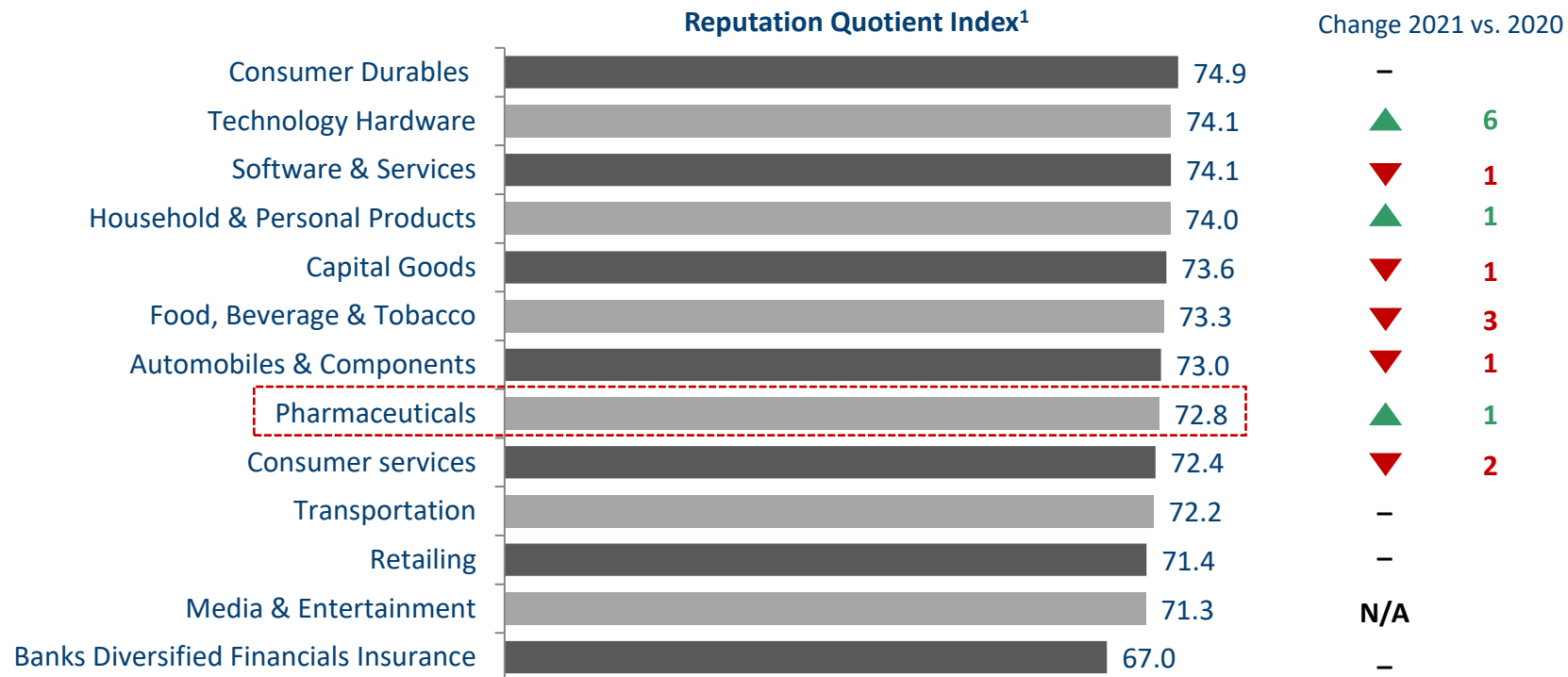the way it does it, and the results of its actions**

Link between corporate Identity – Image – Reputation

Corporate Identity

Features making the company distinctive from other organizations

Company

Corporate Image

Perception of a company at one moment of time, based on its identity

Stakeholders[1]

Corporate Reputation

Collective opinion of a company based on
its social, environmental and financial impacts over time

"It takes 20 years to build a reputation and five minutes to ruin it" W. Buffet

[1] *Internal (employees) and external (authorities, customers, competitors, influencers)*

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If the pharma industry's role to fight the Covid-19 pandemic has contributed to improve its reputation, it is still behind consumer goods and tobacco, for reasons that are mainly structural

Corporate reputation ranking by sector (2021)

Reputation Quotient Index[1]   **Change 2021 vs. 2020**

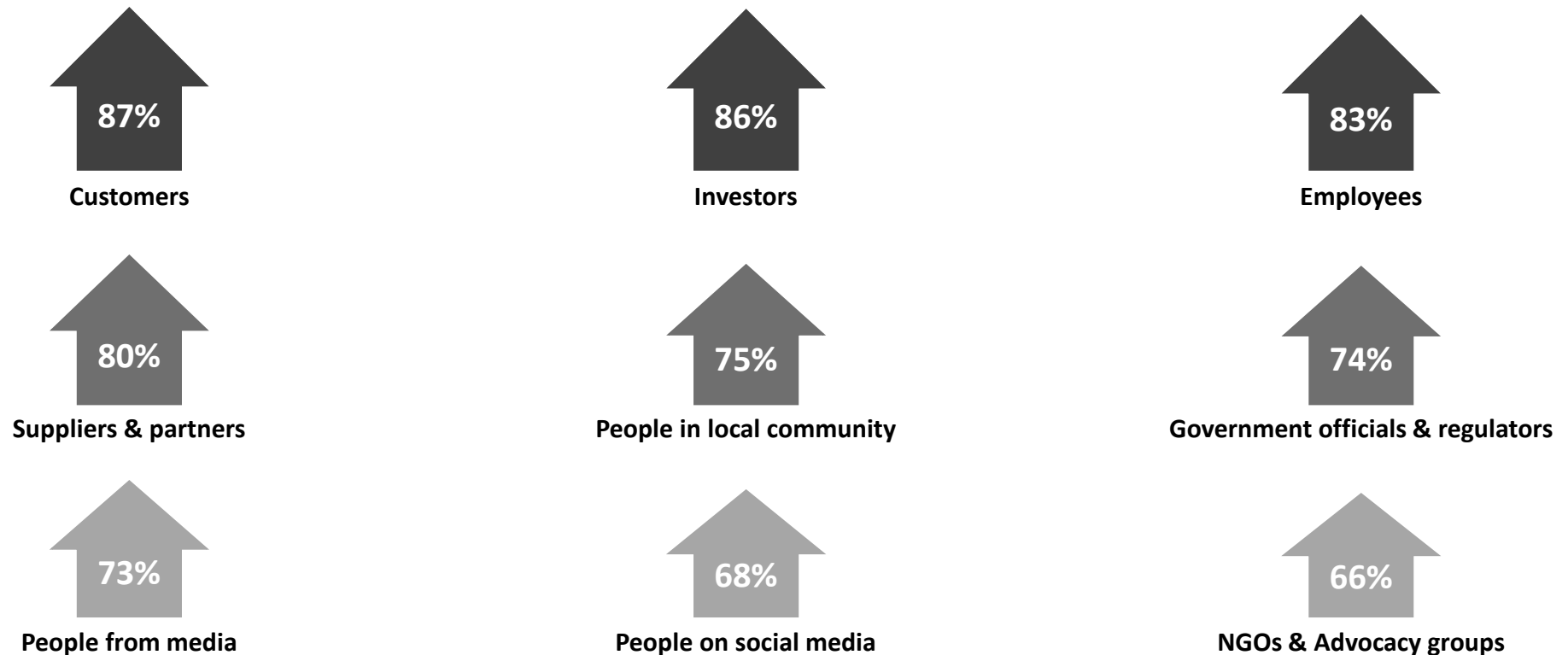| Sector	Index	Change	
Consumer Durables	74.9	–	
Technology Hardware	74.1	▲	6
Software & Services	74.1	▼	1
Household & Personal Products	74.0	▲	1
Capital Goods	73.6	▼	1
Food, Beverage & Tobacco	73.3	▼	3
Automobiles & Components	73.0	▼	1
Pharmaceuticals	72.8	▲	1
Consumer services	72.4	▼	2
Transportation	72.2	–	
Retailing	71.4	–	
Media & Entertainment	71.3	N/A	
Banks Diversified Financials Insurance	67.0	–	

"Distrust of pharma companies stems from a belief that they have deviated from their mission of improving public health to focus on increasing profits"

[1] Based on 7 indicators: Products/Services, Innovation, Workplace, Governance, Citizenship, Leadership, Financial performance; and with score > 80 = Excellent/top Tier, 70-79 = Strong/Robust, 60-69 = Average/Moderate, 40-59 = Weak/Vulnerable, < 40 = Poor/Bottom Tier

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If all stakeholders are important, some appear to have a greater influence on corporate reputation and should therefore benefit from a special attention

Importance of various stakeholders on corporate reputation (2020)

% of very / somewhat important impact[1]

87%	86%	83%
Customers	**Investors**	**Employees**
80%	75%	74%
Suppliers & partners	**People in local community**	**Government officials & regulators**
73%	68%	66%
People from media	**People on social media**	**NGOs & Advocacy groups**

Sources: Adapted from Weber Shandwick & KRC Research study (2020) by Smart Pharma Consulting

[1] *Based on an online survey conducted among 2,227 executives from 22 countries and a variety of industries around the world*

A good corporate reputation contributes to improve operational efficacy and efficiency which impacts companies' performance

Impact of good corporate reputation on companies

Generates more positive feedback from media and pressure groups

Drives profitable sales in crowded markets

Attracts, motivates and retains talented employees

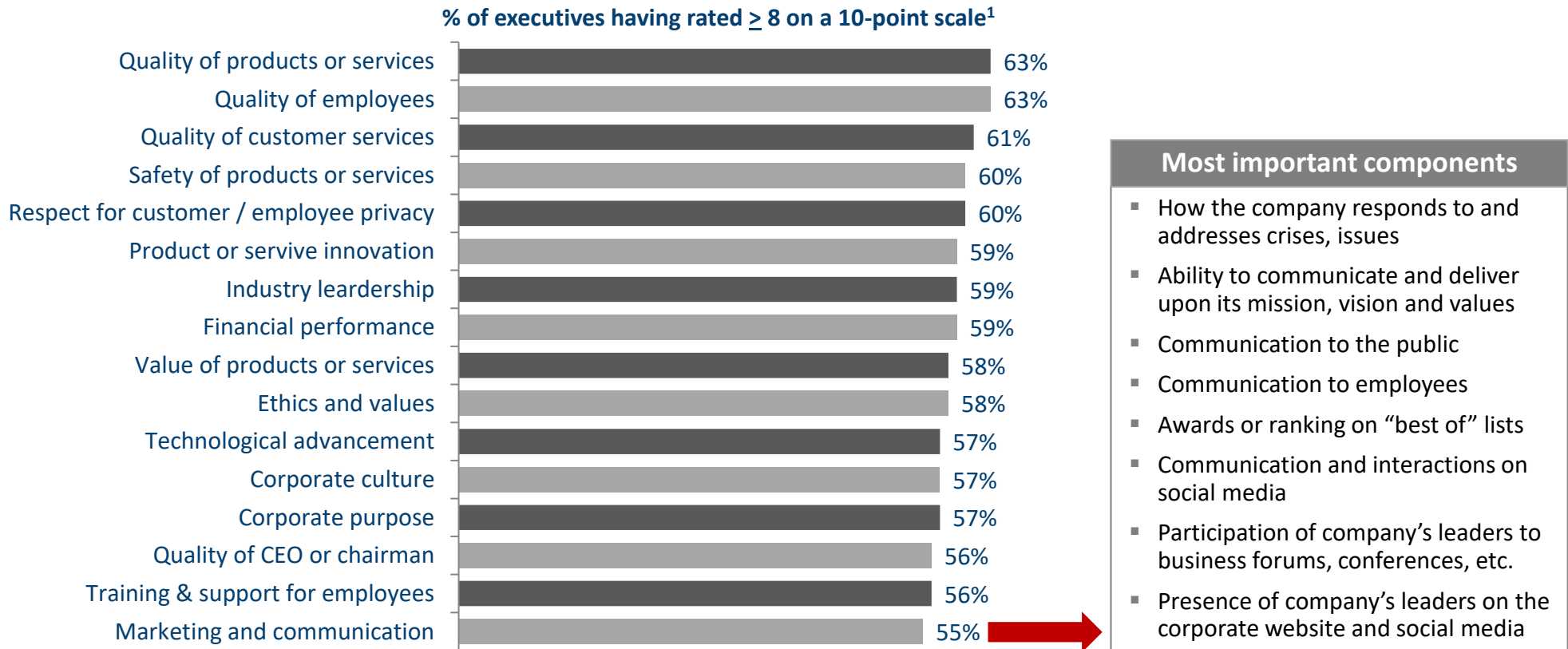Encourages consumers to buy products and services

Enables to better resist to crises and recover faster

Attracts capital resources and strategic business partners

Leads to greater support from policy makers, regulators and rating agencies

Sources: Adapted from Reptrack (2021) by Smart Pharma Consulting

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Irrespective of the sector, corporate reputation depends on multiple factors which requires to implement a multi-directional strategy to enhance the current situation

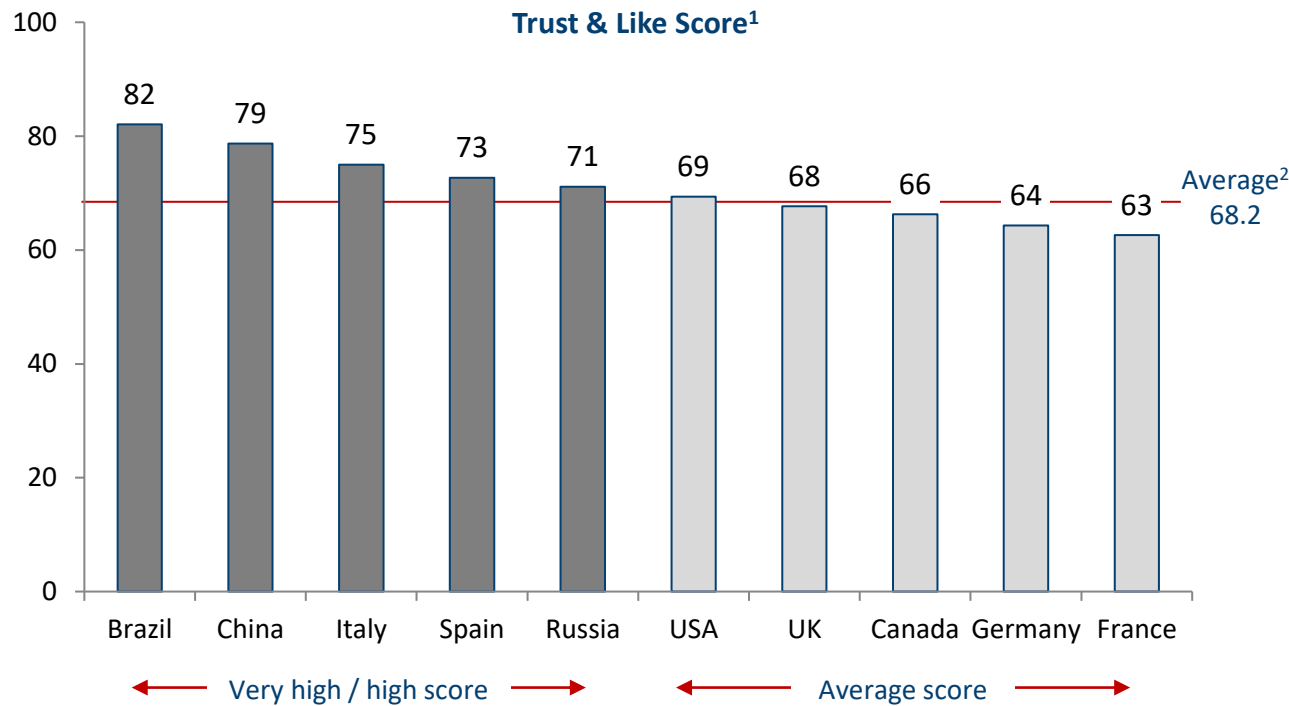## Corporate reputation drivers – Executives' view (2020)

% of executives having rated > 8 on a 10-point scale[1]

Driver	%
Quality of products or services	63%
Quality of employees	63%
Quality of customer services	61%
Safety of products or services	60%
Respect for customer / employee privacy	60%
Product or servive innovation	59%
Industry leardership	59%
Financial performance	59%
Value of products or services	58%
Ethics and values	58%
Technological advancement	57%
Corporate culture	57%
Corporate purpose	57%
Quality of CEO or chairman	56%
Training & support for employees	56%
Marketing and communication	55%

Most important components

- How the company responds to and addresses crises, issues
- Ability to communicate and deliver upon its mission, vision and values
- Communication to the public
- Communication to employees
- Awards or ranking on "best of" lists
- Communication and interactions on social media
- Participation of company's leaders to business forums, conferences, etc.
- Presence of company's leaders on the corporate website and social media

The reputation of the pharma industry varies by country and appears to be inversely proportionate to the perceived quality of the healthcare system and of the national wealth

Pharmaceutical industry reputation by country (2020)

Trust & Like Score[1]

Brazil	China	Italy	Spain	Russia	USA	UK	Canada	Germany	France
82	79	75	73	71	69	68	66	64	63

Average[2] 68.2

← Very high / high score →   ← Average score →

- The pharma sector is perceived differently by the general public according to the countries
- Perceptions and expectations are impacted by the local context, the social, economic and political environment
- The overall reputation of pharma companies appears to be higher in emerging and Southern European countries than they are in Northern European countries and the USA
- Analyses carried out by the Caliber Group show that the lower the perceived quality of the healthcare system, the higher the pharma companies' reputation
- There is also an inverse correlation between GDP per capita and perception of pharma companies
- In wealthier countries, with better healthcare system, citizen are less informed about pharma companies' offering which are relatively less valued

Sources: Global Pharma Study 2020 by Caliber – Smart Pharma Consulting analysis

[1] Based on 13,623 people interviewed online in 17 countries (Brazil, Canada, China, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Russia, Spain, Sweden, Switzerland, the UK and USA – [2] Average of the 17 countries that have been studied. 8 indicators have been used: Offering – Innovation – Integrity – Leadership – Authenticity – Differentiation – Relevance – Inspiration

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Assessment of individual pharma companies' reputation by general public can vary significantly according to the study carried out and thus, should be viewed as an indicative information

Big Pharma companies' reputation ranking by general public

Reputation Quotient Index (2021)

64 SANOFI

71 novo nordisk

94 Bristol-Myers Squibb

82 Lilly

87 Roche

- The 2021 Global RepTrak 100, published by The RepTrack Company is based on data collected:
  - Across the 15 largest economies in the world
  - From 68,577 respondents through online surveys

  … and on 7 indicators: Products/Services – Innovation – Workplace – Governance – Citizenship – Leadership – Financial performance

- Amongst the top 100 most reputable companies that have been assessed, only five belong to the pharma industry

- The study evidenced that the general public is not familiar with pharma companies and thus cannot make an informed opinion

Trust & Like Score[1] (2020)

1 GILEAD	2 novo nordisk	3 abbvie
4 AMGEN	5 Takeda	6 teva
7 SANOFI	8 MSD	9 Lilly
10 Johnson&Johnson	11 AstraZeneca	12 Boehringer Ingelheim
13 Roche	14 NOVARTIS	15 gsk
16 BAYER	17 Pfizer	18 Bristol-Myers Squibb	19 Merck

19 of the top 20 pharma companies by revenues in 2020 have been ranked by Caliber according to its "Trust & Like Score" methodology (Viatris having not been assessed)

[1] Based on 13,623 people interviewed online in 17 countries (Brazil, Canada, China, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Russia, Spain, Sweden, Switzerland, the UK and USA. 8 indicators have been used: Offering – Innovation – Integrity – Leadership – Authenticity – Differentiation – Relevance – Inspiration

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The Access to Medicine Index which evaluates the biggest pharma companies re. access strategies and practices, provides directions to better address the specific needs of low-income countries

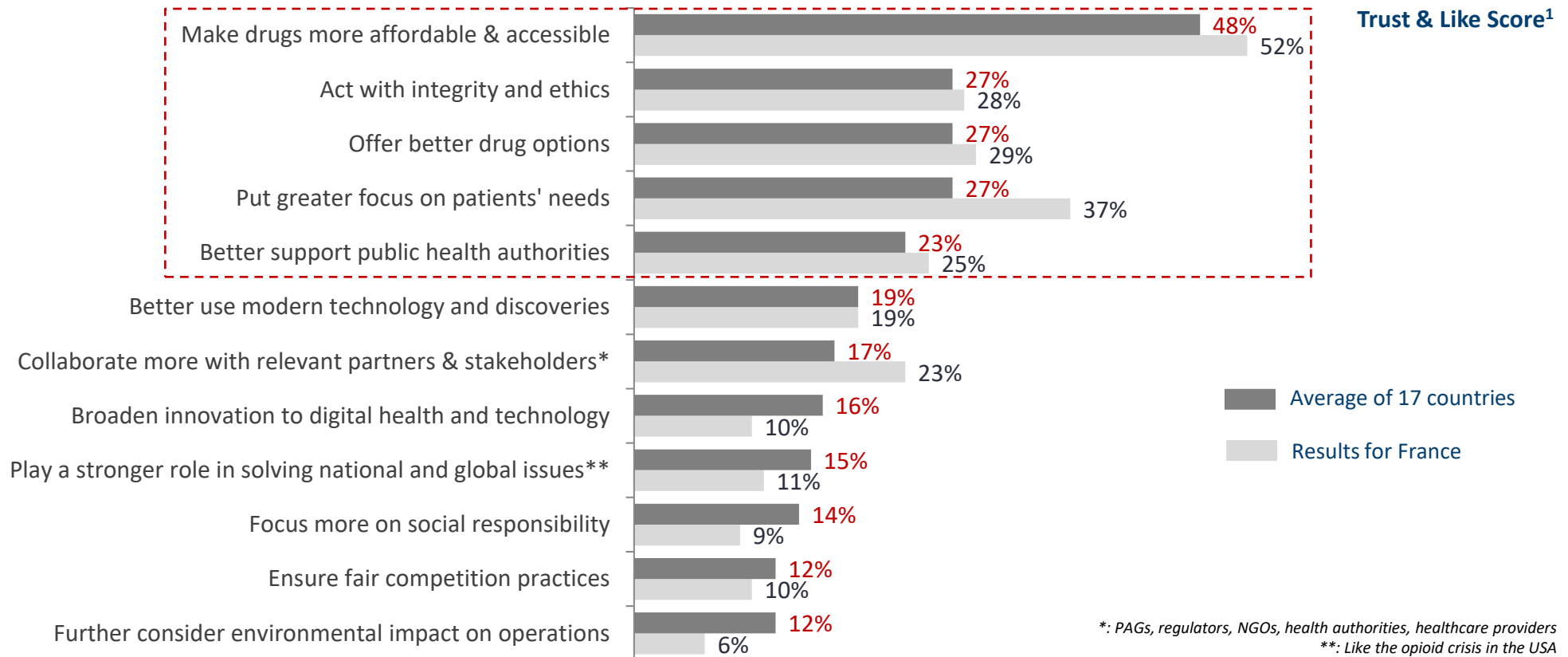## Big Pharma companies' reputation ranking by the Access to Medicine Foundation* (2021)

Access to Medicine Index[1]

Top 1-10		**Top 11-20**	
GlaxoSmithKline	4.23	Eisai	2.96
Novartis	4.18	Boehringer Ingelheim	2.87
Johnson & Johnson	3.76	Bayer	2.84
Pfizer	3.65	Gilead Sciences	2.33
Sanofi	3.47	Astellas Pharma	2.33
Takeda	3.31	Merck & Co. (MSD)	1.88
AstraZeneca	3.31	Daiichi Sankyo	1.80
Merck KGaA	3.30	Abbvie	1.73
Roche	3.09	Eli Lilly	1.59
Novo Nordisk	3.07	Bristol Myers Squibb	1.55

■ Governance of access   ■ R&D   ■ Product delivery

* Amongst the 2020 top 20 pharma companies by revenues, Amgen, Teva , Biogen and Viatris have not been assessed. Eisaï, Astellas Pharma and Daiichi Sankyo which have been assessed do not belong to the top 20 pharma companies by revenues

Sources: Access to Medicine Index 2021 (Access to Medicine Foundation) – Smart Pharma Consulting analysis

[1] *Based on: Governance of access (responsible business practices, strategic priority given to access), R&D (pipeline targeting greatest burden in low- and middle-income countries, disclosure of resources dedicated to R&D) and Product Delivery (equitable pricing strategies, responsible IP management, capability building initiatives in low- and middle-income countries, donations, continuous supply). The weight of these three criteria is respectively of 20%, 25% and 55%*

HCPs recommend pharma companies to revise their pricing strategy and broaden access to their innovative drugs, while better fulfilling patients' needs and supporting public health authorities

Specific pharma companies' reputation drivers – HCPs' view (2020)

Trust & Like Score[1]

Driver	Average of 17 countries	Results for France
Make drugs more affordable & accessible	48%	52%
Act with integrity and ethics	27%	28%
Offer better drug options	27%	29%
Put greater focus on patients' needs	27%	37%
Better support public health authorities	23%	25%
Better use modern technology and discoveries	19%	19%
Collaborate more with relevant partners & stakeholders*	17%	23%
Broaden innovation to digital health and technology	16%	10%
Play a stronger role in solving national and global issues**	15%	11%
Focus more on social responsibility	14%	9%
Ensure fair competition practices	12%	10%
Further consider environmental impact on operations	12%	6%

Average of 17 countries

Results for France

*: PAGs, regulators, NGOs, health authorities, healthcare providers
**: Like the opioid crisis in the USA

Pharma companies' reputation depends on 5 key drivers, the relative importance of which depends on individual or groups of stakeholders

Specific pharma companies' reputation drivers – Smart Pharma Consulting's view

1. Access

- Availability and affordability of products and services…
- … as early as possible…
- … for all patients in need

2. Innovation

- Focus of R&D investments on diseases for which unmet needs are important; including rare diseases
- Development of effective, well-tolerated and convenient drugs, services and therapeutic solutions, including digital

3. Governance

- Compliance with legal and ethical standards
- Implementation of a stakeholder-driven culture
- Transparent and pro-active communication re. business operations (e.g., R&D, access, medico-marketing and sales)

4. Corporate Social Responsibility (CSR)

- Support of good causes (e.g., philanthropy, D&I[1])
- Positive impact in the community
- Respect of the environment
- High standards re. employees' management and satisfaction

5. Performance

- Achieving or exceeding financial expectations
- Growth perspectives
- Operational Excellence

Sources: Smart Pharma Consulting based on experience in the pharmaceutical sector and interviews of stakeholders and experts

[1] Diversity & Inclusion

While pharma companies contribute to save and improve health of billions of people, they are regularly and heavily criticized by stakeholders for the manner they accomplish their mission

Why is the reputation of pharma companies' damaged? (1/2)

Main criticisms from governments, HCPs, media, citizen, etc.:

- High drug costs limiting access to the wealthiest countries and social classes
- Massive profits (~32%)[1] to enrich shareholders
- Aggressive patent protection strategies, limiting access to innovative medicine
- Unethical practices to influence the prescription of HCPs
- Lack of transparency (e.g., drug pricing, clinical study results, collaborations with KOLs, etc.)

Pharma Companies' Reputation

Mission: contribution to prolong life, to improve health and wellbeing of people by developing drugs and vaccines

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Sources: Smart Pharma Consulting analysis

[1] *Expressed in EBITDA (Earnings before interest, taxes, amortization and depreciation)*

Pharma companies should carry out activities that are aligned with their mission, compliant with best practices and communicate properly to their stakeholders

Why is the reputation of pharma companies' damaged? (2/2)

There is a mismatch between

their mission and their corresponding activities

Pharma companies claim that their mission consists in improving and extending people's lives by offering products and related services

Actions enabling to accomplish their mission are not well-known, nor well-understood by stakeholders, which lead to distrust and suspicion

STAKEHOLDER

INVESTORS   COMMUNITY   TRADE UNIONS   GOVERNMENT   SUPPLIERS   CUSTOMERS   CREDITORS

If stakeholders agree with pharma companies' mission…
… they consider that corresponding actions are not fully in line

Sources: Smart Pharma Consulting analysis

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To address their problem of reputation, pharma companies must communicate – regularly and faithfully – about what they do and why they do it that way

Informing and explaining to boost pharma companies' reputation

To boost REPUTATION ⟶	Better INFORM & Better EXPLAIN

INFORM

- Pharma companies should inform stakeholders about their strategy, performance, and key activities such as:
  - R&D
  - Manufacturing & Supply
  - Market Access
  - Medico-Marketing & Sales
- Contribution of their specific drugs to prolong life expectancy and/or quality of life should be highlighted
- Information conveyed must be fact-based, balanced and comprehensive to be trusted and to correct, possibly, misconceptions

EXPLAIN

- The most severe criticisms coming from:
  - The high price of drugs, limiting access of innovations (e.g., vaccines against Covid-19, immunotherapies) to the least developed countries
  - The high level of profits compared to other industries
  - Certain unethical practices…
- … thus, it is essential to give clear and defendable explanations to justify the situation
- Stakeholders should understand, for instance:
  - Why R&D costs are so high?
  - How are the prices of drugs set?
  - What is the value of marketing and sales activities?

Sources: Smart Pharma Consulting analysis

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The Pharma Reputation Booster™ is a specific multi-stakeholder approach to leverage pharma companies' corporate reputation to create a sustainable competitive advantage

Principle

Phase 1

Situation Analysis

- Review and select **key stakeholders**

- **Profile** and **map** them

- **Measure** the **reputation** with the **Pharma Reputation Index**

- **Complete** the **Pharma Reputation Audit** highlighting company's strengths and weaknesses

Phase 2

Strategy Crafting & Tactics

- **Definite** reputation **improvement objectives**

- **Identify** and **screen** key **drivers** to strengthen corporate reputation

- Develop an **action plan**

- Select KPIs[1] and KEIs[2] to measure and monitor the impact of the tactics (actions)

Phase 3

Management & Leverage

- Develop an **internal communication plan** to make reputation a center piece on collaborators' agenda

- **Adjust the organization**[3] to carry out the activities to strengthen the reputation

- **Design a tracking process** to correct/strengthen and leverage corporate reputation

Sources: Smart Pharma Consulting method

[1] Key Performance Indicators – [2] Key Execution Indicators – [3] Activities, processes, structure and culture

Pharma companies should review, profile and select the most influential stakeholders on their reputation, within the environment in which they operate

1. Situation Analysis

Pharma stakeholders' mapping

Illustrative – France

Influencers

Politics
(government / parliaments)

Pressure groups
(PAGs[1], activists, lawyers[2], etc.)

Journalists / Conventional and digital media

Experts
(academics / learned societies)

Decision makers – Market entry

EMA[3] / ANSM[4]

CT[5]

CEESP[6]

CEPS[7]

National health insurance funds

Private health insurers

Pharma company's employees & trade unions

Corporate reputation

Investors

Financial analysts

Shareholders

Financial institutions
(banks, private equity funds)

Decision makers – Market penetration

Medical KOLs

Competitors

PAGs / Patients

Physicians
(specialist / GPs – hospital / office-based)

Nurses
(hospital / private)

Pharmacists
(hospital / retail)

Hospital purchasers[8] / distributors[9]

ARS[10]

Local Sick Funds

Sources: Smart Pharma Consulting method

[1] Patient Advocacy Groups – [2] Specialized in class-action lawsuits – [3] European Medicines Agency – [4] French National Agency for Medicines and Health Products Safety – [5] Transparency Commission – [6] Health Economic Evaluation Committee – [7] Drug Pricing Committee – [8] Purchasing platforms, Territory Hospital Groups (GHT) – [9] Wholesalers, voluntary trade organizations, retail pharmacists – [10] Regional Health Agencies

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Corporate reputation depends on drivers that can be measured by stakeholder with the Pharma Reputation Index from which key challenges to create superior corporate reputation will be drawn

1. Situation Analysis

Pharma measurement of corporate reputation

Illustrative – France

Profiling of stakeholders

| Influencers | Decision makers Entry | **Decision makers Penetration** | Investors |

PAGs

KOLs

HCPs
(physicians – pharmacists – nurses)

1. Roles & responsibilities
2. Level and sphere of influence
3. Decision-making power
4. Opinion vis-a-vis the pharma sector
5. Opinion and behavior vis-a-vis the pharma company, its products and services
6. Root causes driving their opinion & behavior
7. Factors likely to modify favorably their opinion and behavior
8. ....

Measure of performance on reputation drivers by stakeholder with the Pharma Reputation Index

Others

Shareholders

HTA[1]

Experts

Politics

PAGs[2]

HCPs[3]

Access — Innovation — Governance — CSR — Performance
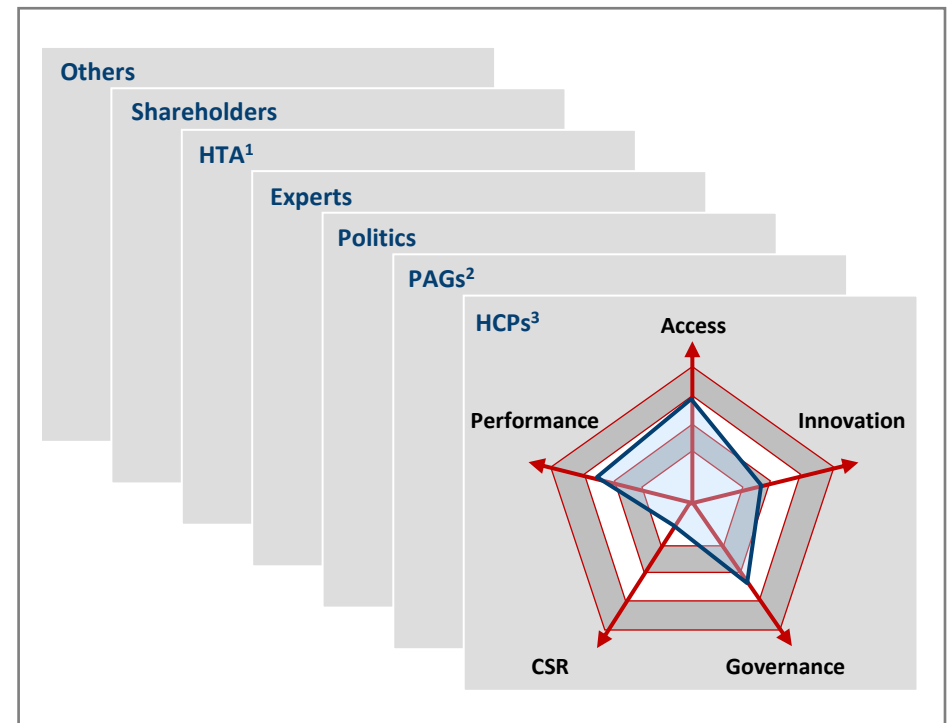
Sources: Smart Pharma Consulting method

[1] *Health Technology Assessment (including: Transparency Commission, Economic and Public Health Assessment Committee) –* [2] *Patient Advocacy Groups –* [3] *Health Care Professionals*

To assess the reputation of pharma companies, Smart Pharma Consulting has specifically designed the Pharma Reputation Index, based on 5 key reputational drivers

1. Situation Analysis

Pharma Reputation Index

Indicators

		Weight[1]	Weighted score[1]
Access	5	30%	1.5
Innovation	9	10%	0.9
Governance	8	25%	2.0
CSR	6	25%	1.5
Performance	7	10%	0.7
		Σ 100%	6.6

0 1 2 3 4 5 6 7 8 9 10 Score

- The Pharma Reputation Index is a tool specifically designed to assess the reputation of pharma companies and its evolution over time

- Each indicator is assessed on a 10-point scale

- The weight of each indicator will differ according to individual or groups of stakeholders (e.g., financial performance should be more important for investors than for patients or even HCPs)

- The score obtained will reflect the extent to which the company fulfill the stakeholders' expectations

- Each evaluation should be substantiated by facts, so that to define the relevant actions to implement to improve the stakeholders' perception of the company

- The Pharma Reputation Index can be used at global and affiliate levels, directly by the pharma company or through a market study agency

Sources: Smart Pharma Consulting method

[1] *The allocated weight per driver is illustrative. It depends on individual or groups of stakeholders*

The Pharma Reputation Strategy Card can be filled up for individual or groups of stakeholders, from whom an improvement in reputation is expected

2. Strategy Crafting & Tactics

Pharma reputation strategy & tactics

Illustrative – France

Pharma Reputation Strategy Card

Decision makers – Market entry

CT[1]
CEESP[2]
CEPS[3]

Qualitative — **Ambition** — Quantitative

Strategic levers

Lever 1	Lever 2	Lever 3
Key actions	Key actions	Key actions

Decision makers – Market penetration

Hospital purchasers
ARS[4]
HCPs[5]

Qualitative — **Ambition** — Quantitative

Strategic levers

Lever 1	Lever 2	Lever 3
Key actions	Key actions	Key actions
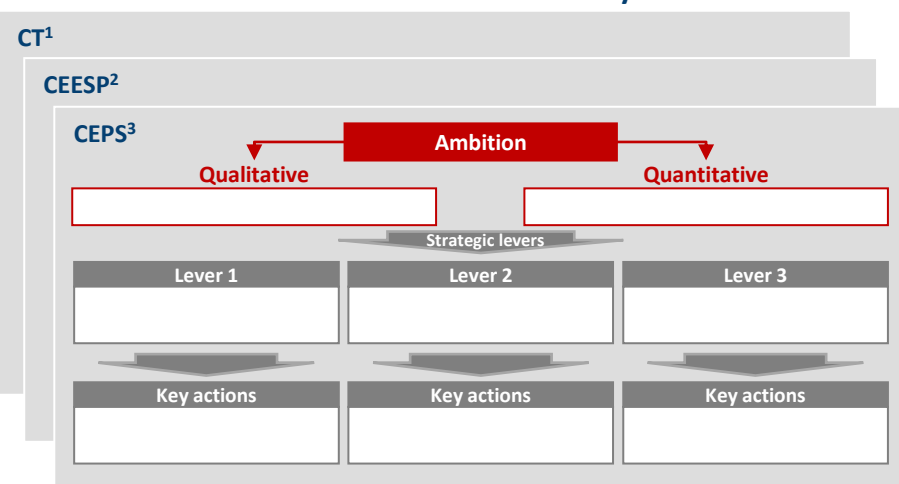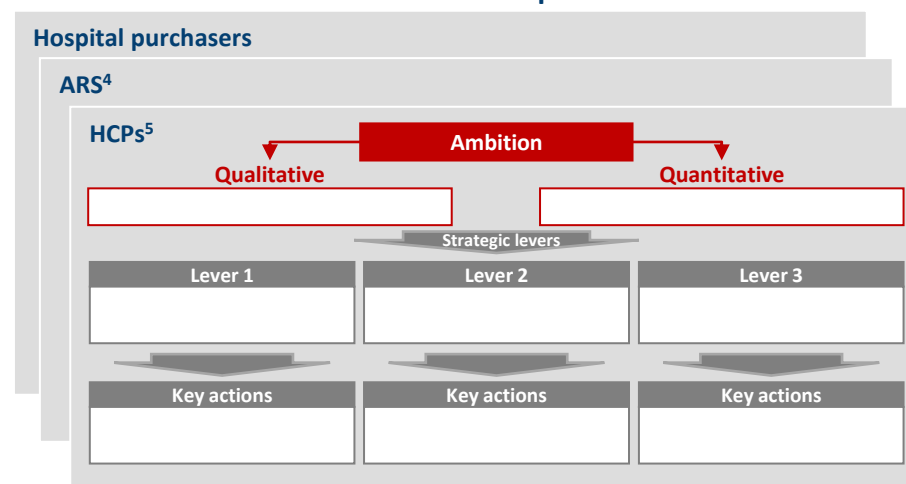
- Strategy and corresponding tactics aim at achieving the set ambition in terms of corporate reputation improvement
- The Pharma Reputation Strategy Card can be applied for one individual stakeholder (i.e.; the President of the CEPS, one KOL) or for one stakeholder group (i.e.; CT, CEESP, CEPS, etc.)
- Strategic levers correspond to strengths on which to capitalize or weaknesses to be corrected
- KEIs[6] are used to evaluate the quality of implementation of tactics, while KPIs[7] measure their impact

The proper management of corporate reputation is conditioned by internal mobilization of employees and by the adjustment of the company's organization to ensure operational excellence

3. Management & Leverage

Pharma reputation management (1/2)

Illustrative – France
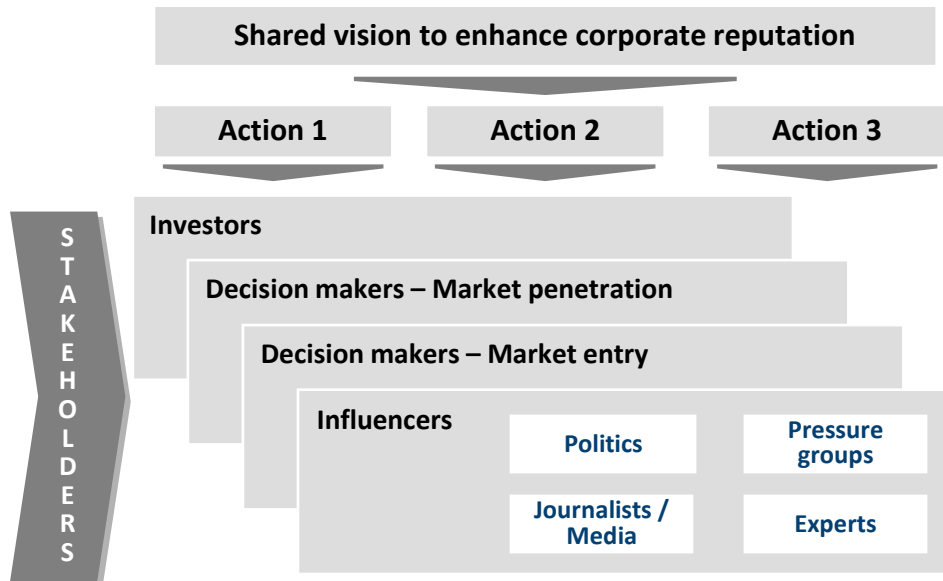
- A common vision, instilled by the top management and consistently communicated is a prerequisite to succeed
- Corporate vision should be translated into specific and relevant actions implemented by employees
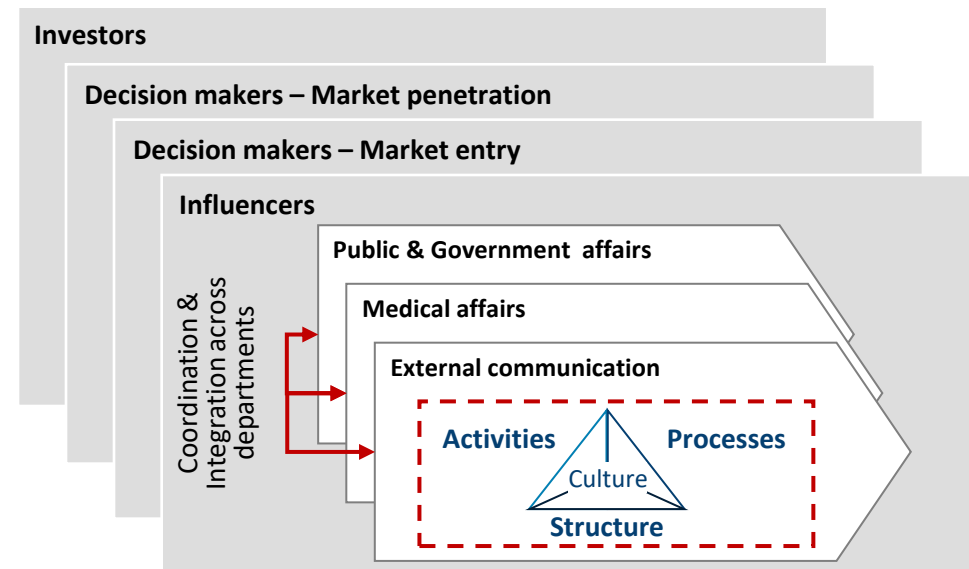
- Employees interacting with the same stakeholders should share information and coordinate their actions for a better consistency, efficiency and efficacy and thus, contribute to reinforce the corporate reputation

Sources: Smart Pharma Consulting method

The corporate reputation management and its impact on the company's performance should be tracked with tools such as the following Corporate Reputation Scorecard

3. Management & Leverage

Pharma reputation management (2/2)

Illustrative

Corporate Reputation Scorecard

Stakeholder focus

How do stakeholders see us?

Financial focus

How do we look at shareholders?

Organizational focus

What must we excel at?

- **Objective:** Improve corporate reputation to enhance the product - service - reputation value mix proposed to stakeholders
- **Measures:** Corporate reputation assessment, Brand Preference Mix Index, Net Promoter Score (NPS), % market share in € and units, etc.
- **2018-2019-2020 actual** vs. planned performance

- **Objective:** Achieve a better financial performance, increase market value of the company by enhancing its intangible assets
- **Measures:**
  – Sales, % of sales growth
  – EBITDA, EBIT, net profits, etc.
  – Evolution of profits in value
  – PER (Price Earning Ratio)
  – Market capitalization
  – RONA (Return On Net Assets)
  – **2018-2019-2020 actual** vs. planned performance

Ambition & Strategy

- **Objective:** Create an effective and efficient organization (activities, processes, structure, culture) to properly manage corporate reputation and take the best advantage of it
- **Measures:**
  – Compliance of employees with processes to improve reputation
  – Quality of interactions between employees and stakeholders
  – **2018-2019-2020 actual** vs. planned performance

Improvement focus

Can we continue to improve and create value?

- **Objective:** Achieve improved operational performance through higher employees' productivity, competence, loyalty, and excellence in execution
- **Measures:** Employees' satisfaction survey, absenteeism rate, personal development, Key Execution Indicators (KEIs), etc.
- **2018-2019-2020 actual** vs. planned performance

[1] *See the position paper "Brand Preference optimization"* https://smart-pharma.com/wp-content/uploads/2019/07/Stakeholders-Brand-Preference-Mix-2016-EN-web.pdf

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By considering what matters the most to policy makers/payers and HCPs will ease drugs market access and contribute to strengthen preference

Examples of initiatives to boost pharma reputation by group of stakeholders (1/2)

Illustrative

	What to do?	**How to do it?**
Policy makers/ Payers[1]	▪ Develop top-notch Corporate Social Responsibility practices and policies, aligned with national mandatory schemes, and as per ISO 26000 guidance ▪ Build outstanding value dossiers from the viewpoint of Health Technology Assessment (HTA) reviewers ▪ Adopt a pricing strategy supported by well-founded arguments likely to be understood by payers ▪ Invest in national economy, but with caution[3]	▪ Carry out environmental initiatives (e.g., electric cars), support philanthropic projects, give wide access to drugs and vaccines in lower income countries ▪ Pay a great attention to the robustness of the value dossier content and to the quality of the page layout ▪ Be transparent on R&D costs and develop defendable arguments to support the requested drug price ▪ Productive and R&D investments are the best valued

Health Care professionals[2]	▪ Provide HCPs with objective and transparent information re. company's pipeline, promoted brands and diseases they address
	
	▪ Propose meaningful services for:
	  – HCPs, themselves
	  – Their patients or…
	  – … the institution for which they work
		▪ Strictly comply with local regulations and business ethics in terms of communication to HCPs and services provided
		
		▪ Carefully pre-assess the usefulness, interest, convenience and likely quality of execution of a service before proposing it to HCPs
		
		▪ Inform other stakeholders about the benefits of services delivered, through testimonies, etc.

[1] *Including health authorities, public and private health insurers –* [2] *KOLs, physicians, pharmacists, nurses –* [3] *The levels of investments may be very high and the financial return very limited, despite a significant positive reputational impact. Investing in such assets must be considered vs. alternative options in other countries where the return may be better*

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Employees are the primary source of reputation for most of external stakeholders, along with the quality of products and services offered by pharma companies

Examples of initiatives to boost pharma reputation by group of stakeholders (2/2)

Illustrative

	What to do?	How to do it?
Patients/Patient Advocacy Groups[1]	▪ Beyond offering drugs, develop – whenever relevant – Patient Support Programs (PSP) to get better medical outcomes and improve quality of life ▪ Propose services at the awareness, diagnosis, prescription and/or monitoring steps of the patient journey to address/prevent potential dysfunctions ▪ Give access to information and to personalized tools on Internet for patients and PAGs	▪ PSP should be co-developed in partnership with PAGs, HCPs and other stakeholders involved in the management of the pathology ▪ Programs should be easy to implement, the quality of execution should be excellent; and the results be significant, measurable and widely communicated ▪ Develop or co-develop community websites for patients, give access to an e-library, to specific Apps, etc.)
Employees	▪ Demonstrate a sense of purpose across environment, social, and governance (ESG) topics, including Diversity & Inclusion (D&I) management, to attract candidates, retain employees and convert them into companies' ambassadors to external stakeholders ▪ Instill a culture of excellence to deliver superior services and thus superior experience to external stakeholders when compared to competitors	▪ Maintain a good working atmosphere based on trust, respect, positiveness, cross-functional collaborations and personal development ▪ Engage employees in CSR initiatives that will make them proud to work for the company ▪ Create the conditions to stimulate the passion of employees for their job to prompt them to give their best (e.g., flexible work arrangements, recognition, rewards, autonomy)[2]

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Pharma companies should adjust their communication in terms of content and channels to the expectations of their stakeholders, with a priority given to their own employees

Five communication rules to strengthen pharma companies' reputation

Rule #2

Inform and explain your employees and your external stakeholders about your strategic priorities and the implementation of the corresponding tactics (activities)
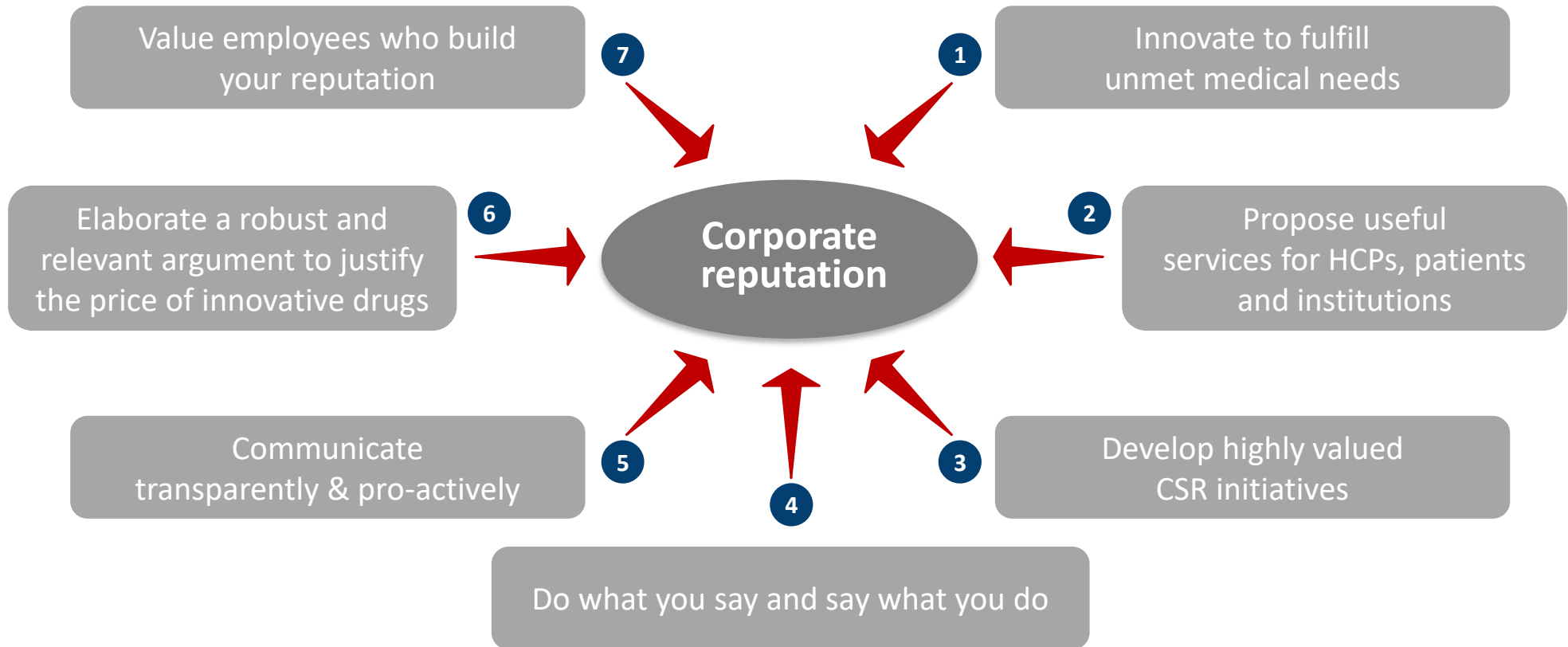
Rule #1

Focus on your company's reputation and not on the pharma sector's reputation on which you cannot do much
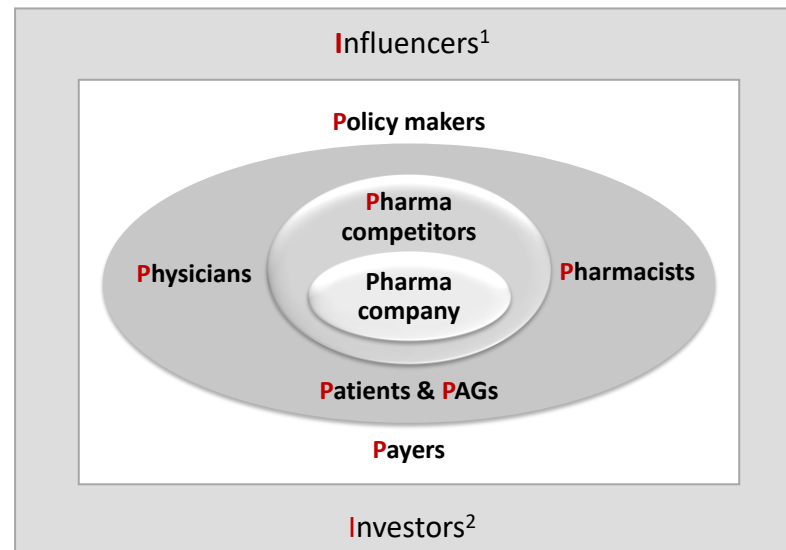
Rule #3

Adjust the content of your communication, knowing that different stakeholders are sensitive to different drivers

Rule #5

The most important stakeholders you must engage are your employees who directly participate to your reputation

Rule #4

Adapt the communication channels to the information you want to convey and to the targeted stakeholders

Influencers[1]

Policy makers

Pharma competitors

Pharma company

Physicians

Pharmacists

Patients & PAGs

Payers

Investors[2]

[1] Politics, pressure groups, journalists, conventional and digital media, experts, etc. –
[2] Financial analysts, shareholders, financial institutions

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Pharma companies must put their stakeholders in the center of their strategy, "walk the talk", and be as transparent as possible to get trusted, esteemed and preferred

7 imperatives to improve the reputation of pharma companies

Corporate reputation

7 — Value employees who build your reputation

1 — Innovate to fulfill unmet medical needs

6 — Elaborate a robust and relevant argument to justify the price of innovative drugs

2 — Propose useful services for HCPs, patients and institutions

5 — Communicate transparently & pro-actively

3 — Develop highly valued CSR initiatives

4 — Do what you say and say what you do

Sources: Smart Pharma Consulting

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With dwindling drug differentiation, pharma corporate reputation contributes to strengthen the preference of stakeholders (e.g., authorities, payers, HCPs, patients, investors)

Why superior pharma reputation creates competitive advantage?

- Correlation between financial performance and corporate reputation has been clearly evidenced over the past 20 years

- Higher corporate reputation, than competitors' one:
  - Leads to a more favorable position to negotiate with health authorities and payers, resulting in earlier market entries and better prices
  - Strengthens brand preference by HCPs, PAGs, patients, etc., resulting in market share optimization

- Pharma companies' experience/expertise in specific therapeutic areas must be communicated with robust scientific evidence to enhance the perception of brands' value by decision makers at market entry and market penetration levels

- Strong positive reputation is built on credibility, reliability, responsibility, trust and transparency

Brand Preference Mix[1]
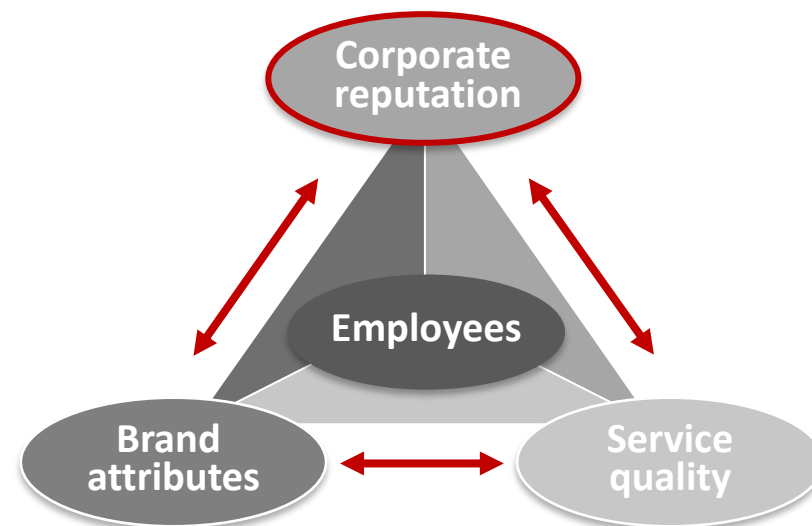
The Brand Preference Mix is an easy and effective approach to strengthen the preference of stakeholders for brands

"Boosting corporate reputation contributes to reinforce stakeholders' preference and companies' performance"

**If you have ticked one "No box" or more, it means that
there is a room to enhance your corporate reputation**

Pharma corporate reputation self-assessment in 10 questions

Most of stakeholders (influencers – decision makers – Investors)[1] are <u>aware</u> and <u>esteem</u>[2] …

		YES	NO
1	… Your high level of R&D investment and your effort to fulfill medical unmet needs, including in rare diseases	☐	☐
2	… The quality of your product pipeline and of your marketed brands	☐	☐
3	… The quality of services you propose to HCPs and/or to the organization in which they practice	☐	☐
4	… The quality of services you propose to patients/PAGs for better medical outcomes and/or improved quality of life	☐	☐
5	… Your involvement in "Corporate Social Responsibility" initiatives	☐	☐
6	… Your philanthropic initiatives	☐	☐
7	… Your pro-active and transparent corporate communication	☐	☐
8	… The professionalism and the ethical behavior of your employees	☐	☐
9	… The working atmosphere of your company, as testified by your employees	☐	☐
10	… The good and sustainable financial performance of your company	☐	☐

[1] *See details p.17* – [2] *If stakeholders do not know, or if you do not know what do your stakeholders think, in both cases tick the box NO*

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Smart Pharma Consulting experience and methodology can help pharma companies boost their corporate reputation to strengthen their competitive position and their performance

How can Smart Pharma Consulting help you boost your corporate reputation?

Smart Pharma Consulting can support pharma companies and their affiliates throughout all the phases that participate to build a strong corporate reputation and transform it into a sustainable competitive advantage:

- Research and assessment of your current corporate reputation among individual or groups of stakeholders

- Definition of a realistic corporate reputation enhancement objective by individual or group of stakeholders

- Development of an appropriate strategy and selection of the corresponding tactics (actions) to achieve your reputation enhancement objective

- Selection of the KEIs[1] and the KPIs[2] to measure the gap between current reputation and performance objective

- Development of a communication plan (internal and external) and of a management program to create a stakeholder-focused company

- Adjustment of your organization (activities, processes, structure, culture) to efficiently implement the strategy and the corresponding tactics (actions), and to leverage the benefits of an enhanced corporate reputation

- Design of a tracking process to improve and leverage your corporate reputation

"Select two or three dimensions and strive to be recognized as a role model by stakeholders to differentiate your company from other pharma companies"

Sources: Smart Pharma Consulting

[1] Key Execution Indicators – [2] Key Performance Indicators

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Consulting firm dedicated to the pharmaceutical sector operating
in the complementary domains of strategy, management and organization

The Best-in-Class Series

- This series intends to share concepts, methods and tools to boost the efficiency and efficacy of executives having operational responsibilities in the pharma business
- We have yet published 11 Best-in-Class issues:

1. MSLs
2. Pharma Marketers
3. Medical Reps
4. Hospital KAMs
5. Pharma BD&L
6. Pharma Market Research
7. Pharma Strategy Crafting
8. Pharma Field Force Organization
9. Hospital & Institution Relationships in Regions
10. Strategic KOL Engagement Planning
11. Pharma Strategy at Affiliate Level

Issue #12

How to Boost Corporate Reputation?

A practical guide for Pharma companies

- This paper reviews the situation of the pharma industry reputation and presents the "The Pharma Reputation Booster™"
- This approach has been specifically designed to help pharma companies boost their reputation, at global and/or affiliates' levels
- Examples of initiatives to boost corporate reputation at different stakeholder' levels (e.g., policy makers, payers, patients, patient advocacy groups, HCPs, employees) are also proposed

Smart Pharma Consulting Editions

- Besides our consulting activities which take 85% of our time, we are strongly engaged in sharing our knowledge and thoughts through:
  - Our teaching and training activities
  - The publication of articles, booklets, books and expert reports
- More than 80 publications, in free access, can be downloaded from our website, of which:
  - 19 business reports (e.g., The French Pharma Market)
  - 12 position papers in the "Best-in-Class Series"
  - 18 position papers in the "Market Insights Series"
  - 10 position papers in the "Smart Tool Series"
  - 10 position papers in the "Smart Manager Series"
- Our research activities in pharma business management and our consulting activities have shown to be highly synergistic
- We hope that this new publication will be useful for you
- We remain at your disposal to carry out consulting projects or training seminars to help you improve your operations

Best regards

Jean-Michel Peny