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Emerging Markets offer promise and challenge to the pharmaceutical industry: Investor Report

New approaches to customer needs, product affordability and effective distribution will be the lynchpin to global pharma's success in emerging markets, according to the Pharma Futures report, published today.

The report, 'Pharma Futures 3: Emerging Opportunities' (PF3), co-sponsored by the Universities Superannuation Scheme (USS) and the All Pensions Group (APG), results from a year-long dialogue between the pharmaceutical industry, investors, global health experts and social entrepreneurs.

PF3 points to the potential for emerging markets to revitalize industry growth. However it underscores the need for innovative business models to address the challenges these new markets present such as affordability of and access to medicines. It also encourages investors and companies to take an active role in effecting change on these issues.

Specifically, PF3 calls for new approaches to pricing and distribution in order to reflect the requirements of diverse emerging market consumers. It demonstrates how other sectors – such as finance and water - have approached these markets and urges the pharmaceutical industry to learn from these experiences. The examples demonstrate that business models can be both profitable, sustainable and address the needs of the poor.

The Report's core conclusions are:

- Investors need clearer signals from the pharmaceutical industry about emerging market opportunities, the business models they require, and the investments they need.
- Pharmaceutical companies' business models need to adapt from those developed for western markets with robust health infrastructures to models that account for the distribution and pricing realities of emerging markets.
- Improved communication, between companies and investors, and between the industry, governments, global health experts and local communities will be the key to success.

Pharma Futures Director, Sophia Tickell said: "PF3 is released into a world seeking longer-term investment strategies and in which the appointment of a number of new pharma CEOs creates a powerful opportunity for the leadership and courage that will be needed to transform both companies and markets to deliver healthcare more systematically to more people."

President of Emerging Markets at **Glaxo SmithKline**, Abbas Hussain, said: "GlaxoSmithKline welcomes this report and its conclusions. We are committed to making medicines available to people who need them, wherever in the world they are. We know that in emerging markets, we cannot simply seek to replicate what works in the west. We are therefore exploring innovative pricing, financing, distribution and infrastructure

projects and investments. The task is complex, and we have more work to do. But nobody should doubt our commitment - ensuring that medicines and vaccines reach more people in emerging markets is both the right thing to do and good business practice."

Senior portfolio manager at **USS**, Matthew Clark, added: "At a time when investors have become increasingly pessimistic about the long term sustainability of profitability in the pharmaceutical sector, emerging markets hold out the hope of reinvigorated earnings. However, emerging markets present enormous challenges as companies reconcile their need to maintain profitability with meeting societal expectations. Investors are looking for companies that can present credible solutions to create value in these markets."

Senior Portfolio Manager of Health Care at **APG Investments**, Martin Eijgenhuijsen said: "Innovative and scalable business models can address health care needs for billions of people and will be recognised as a profit centre by investors when proper guidance is provided."

The Pharma Futures project was founded in 2004 by institutional investors including USS, APG, and the Ohio Public Employees Retirement System (OPERS). USS and APG, the institutional investors involved in preparing PF3, represent approximately Euro225 billion in assets under management, of which Euro7.2 billion is invested in healthcare.

Each iteration of Pharma Futures has been facilitated by SustainAbility, the strategy consultancy and think tank.

Ends

[NB: For Dutch media only] To listen in to the London launch of the PF3 report, please dial 0870 001 909 and enter PIN code: 885 265. The event is scheduled to begin at 11am UK time/12 noon CET.

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Notes to editors

About Pharma Futures

Pharma Futures is a multi-year, investor-led dialogue between the pharmaceutical industry and its investors about how to manage a rapidly-changing operating environment to deliver long-term value both to society and to shareholders. The overarching objective of the initiative is to build trust and foster an environment in which collaborations and partnerships between industry and key stakeholders can flourish, leading to increased commercial opportunities and improved health outcomes. To access more information about Pharma Futures, including all three reports, click [here](#)

About the Universities Superannuation Scheme

USS is the second largest pension fund in the United Kingdom and the principal pension scheme for UK universities, acting for 378 universities and academic institutions. It has more than £22 billion in assets, and approximately 250,000 members. USS aims to be an active and responsible long-term shareholder of companies in which it invests. The Fund has a commitment to encourage good corporate governance and responsible corporate behaviour which is based upon the view that the management of such issues is good for long-term corporate and stock price performance.

About APG

APG was incorporated in March 2008 to administer the collective pension scheme for the government and educational sectors in the Netherlands. The pension scheme has assets of approximately € 175 billion (12/31/08). With 2,500 staff, APG administers the pensions of 2.7 million Dutch citizens. APG does not provide advisory services to persons in the United States.

GlaxoSmithKline

GlaxoSmithKline – one of the world's leading research-based pharmaceutical and healthcare companies – is committed to improving the quality of human life by enabling people to do more, feel better and live longer. We have an estimated seven per cent of the world's pharmaceutical market. We produce medicines that treat six major disease areas – asthma, virus control, infections, mental health, diabetes and digestive conditions - and are developing new treatments for cancer. In addition, we are a leader in the important area of vaccines. GSK is one of the few pharmaceutical companies researching both medicines and vaccines for the World Health Organization's three priority diseases – HIV/AIDS, tuberculosis and malaria. For further information please visit www.gsk.com

SustainAbility

SustainAbility is a values-driven strategy consultancy and think-tank. We work to promote combined business and civil society solutions to sustainable development challenges. For over two decades, we have worked with global corporations to inspire and support innovative approaches to solve environmental, social and economic challenges so as to deliver long-term value for both shareholders and society. Our diverse team brings a global perspective to our work with deep understanding of both developed economies and emerging markets. Together with our partners, we're working towards our vision of a just and sustainable world for present and future generations.

The Pharma Futures 3 Working Group

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Ruth Levine, Chris Elias and David Green are available for comment. For details, please contact Penrose.