

**KING
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Sustainability Report 2018/19

CONTENTS

In our day-to-day business, we take care to integrate sustainability into our processes. Our Sustainability Report entitled »TAKING ACTION« highlights what we have achieved in the last year.

LEADERSHIP AND RESPONSIBILITY

- 3 Letter from the Executive Board**
- 4 Executive Board of the PHOENIX group**
- 5 Sustainable leadership of the company**
- 5 Company profile and economic development
- 6 Sustainability management

OUR AREAS OF RESPONSIBILITY

- 12 Value creation for customers and the company**
- 12 Ensuring future viability
- 13 Innovation management system established
- 13 Risk-based quality management
- 14 Focusing on customer satisfaction
- 14 Innovative logistics solutions
- 15 Reducing compliance risks
- 16 Sustainability in the supply chain
- 17 Environmental protection**
- 17 Conscious use of resources
- 18 Handling hazardous and non-hazardous waste
- 19 Energy efficiency and emissions
- 21 More eco-friendly transport
- 22 Supporting employees**
- 22 Employment
- 23 Professional development at every career stage
- 24 Improving dialogue and communication
- 24 Occupational health and safety
- 26 Commitment to society**
- 27 For a future with a good quality of life
- 27 PHOENIX Pharmaceuticals Science Award

FURTHER INFORMATION

- 28 Report profile
- 29 List of key topics
- 30 Facts and figures
- 34 GRI Content Index
- 38 Glossary
- 39 Imprint

LETTER FROM THE EXECUTIVE BOARD

Dear readers,

As one of Europe's leading healthcare providers and a family business that takes a long-term approach, we want to make an important contribution towards building a healthy future with a good quality of life. Whether digitalisation, climate change, environmental pollution, or the shortage of skilled personnel, we are members of society and want to play a positive role in shaping these issues of key importance for the future. It is for this reason that we aim for growth that creates value for our company and society in equal measure – across Europe and all national borders.

As the title of this year's Sustainability Report indicates, we have been »TAKING ACTION« in fiscal year 2018/19 to support the ongoing development of our sustainability strategy and our sustainability management system. We have made a number of important achievements.

As part of the materiality analysis that was repeated in 2018, we used an online questionnaire to survey our stakeholders in eight countries. More than 3,000 people defined the sustainability topics within our four areas of responsibility and assessed our impact. For the first time, the Executive Board adopted a shared understanding of sustainability for the PHOENIX group that clearly expresses our responsible attitude. In this document, we declare our commitment to the global Sustainable Development Goals set by the United Nations – and we are currently working on their company-wide implementation.

In the last year, on the basis of the stakeholder survey, we began to work on new sustainability goals that will determine our course for the next three years. With regard to the environment, we would like to improve our carbon footprint while also lowering costs by optimising route planning. In addition, we will introduce alternatives to plastic bags in our own pharmacies. Each of our around 150 million customer contacts each year offers an opportunity to encourage a change in thinking and reduce the consumption of plastic.

»As one of Europe's leading healthcare providers and a family business that takes a long-term approach, we want to make an important contribution towards building a healthy future with a good quality of life.«

Furthermore, we would like to promote healthy working conditions and a culture of respectful cooperation for our approximately 37,000 employees. Alongside increasing employee commitment, we have also set a new target to decrease the illness rate. We did not fully succeed in achieving the previous target before the end of the 2018/19 reporting year.

Action in the current fiscal year – 2019/20 – is centred on developing measures that will allow us to achieve our objectives. We also aim to give special attention to internal communication, so that our employees are aware that their day-to-day efforts form the basis of our sustainable development. After all, every single one of us can contribute to sustainability at PHOENIX – even with what may appear to be small steps.

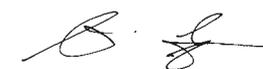
We are glad that you are taking the time to support us on our path towards sustainable growth.



Oliver Windholz
Chief
Executive Officer



Helmut Fischer
Member of the
Executive Board
Finance



Frank Große-Natrop
Member of the
Executive Board
Operations and Logistics



Stefan Herfeld
Member of the
Executive Board
Retail



FRANK GROSSE-NATROP
Member of the Executive Board
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STEFAN HERFELD
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OLIVER WINDHOLZ
Chief Executive Officer

HELMUT FISCHER
Member of the Executive Board
Finance

SUSTAINABLE LEADERSHIP OF THE COMPANY

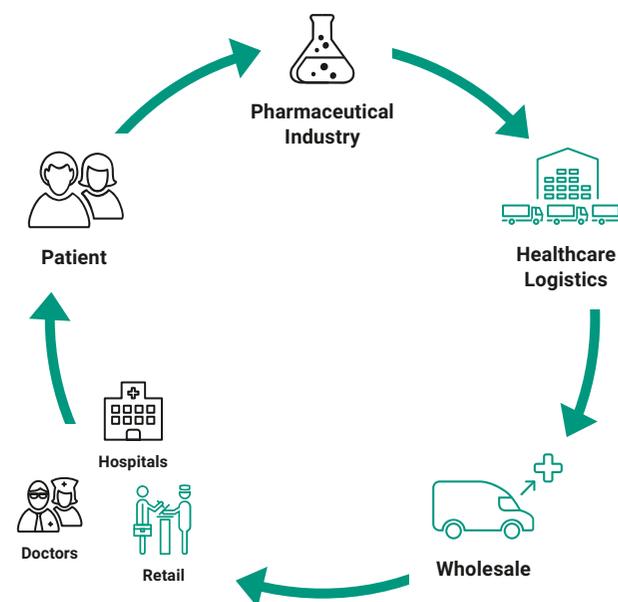
The PHOENIX group is mindful of the impact of its business activities on people and the environment. It is responsible for around 37,000 employees, for dealing with pharmaceutical waste and transport-related CO₂ emissions, and for the communities in which the company operates. In view of this responsibility, the PHOENIX group takes great care to integrate sustainability into its processes.

COMPANY PROFILE AND ECONOMIC DEVELOPMENT

The PHOENIX group, headquartered in Mannheim, Germany, is a leading healthcare provider and one of the largest family businesses both in Germany and in Europe. Its core interests are pharmaceutical wholesale and pharmacy retail. Subsidiaries also operate in related business areas, and their activities complement this offering with services for the pharmaceutical industry, IT systems for pharmacies, and logistics solutions. With around 37,000 employees (previous year: around 34,000), the company makes a vital contribution to comprehensive healthcare.

The PHOENIX group is active in 27 countries in Europe (previous year: 26). In its core business, the company operates 163 distribution centres (previous year: 154) and more than 2,500 pharmacies (previous year: 2,237). This makes its geographic portfolio highly diversified. As the group's largest market, Germany makes up around one-third of group revenue as in the previous year, amounting to approximately €25.8 billion in fiscal year 2018/19 (previous year: €24.9 billion). This corresponds to a rise of almost 4 per cent (previous year: 1.9 per cent). At the same time, total operating performance increased by almost 5 per cent (previous year: 4.3 per cent) to €33.0 billion (previous year: €31.5 billion), and earnings before interest, taxes, depreciation, and amortisation (EBITDA) rose by around 1 per cent to €471.1 million (previous year: €468.0 million).

PHOENIX GROUP: LINK BETWEEN MANUFACTURER AND PATIENT



25.8 € billion
IN GROUP REVENUE

37,140
EMPLOYEES

163
DISTRIBUTION CENTRES IN **27** COUNTRIES

MORE THAN
2,500
PHARMACIES IN **14** COUNTRIES

In pharmaceutical wholesale, the PHOENIX group is number one in 13 countries. It operates its pharmacy retail business mainly in the United Kingdom, Norway, the Netherlands, Serbia, Romania, the Baltic states, the Czech Republic, Hungary, Switzerland, Slovakia and Montenegro. The group's strong pharmacy brands include BENU, Apotek 1 (Norway), Rowlands Pharmacy (United Kingdom) and Help Net (Romania). It also offers companies in the pharmaceutical industry its services along the pharmaceutical supply chain.

Corporate mission statement communicates core values

The corporate mission statement of the PHOENIX group plays an overarching role in our daily activities. It makes the PHOENIX corporate philosophy as well as its vision, mission, strategy, and values transparent. As a family business, we make our own decisions and pursue a long-term strategy. This includes striving for the highest possible quality in our daily work, while also maintaining a high level of cost awareness. This approach demonstrates that we take our responsibilities very seriously. Our vision of being the best integrated healthcare provider – wherever we are – can only be achieved with motivated and loyal employees. Their day-to-day activities contribute to the overall success of the PHOENIX group. This allows us to fulfil our responsibilities, both now and in the future.

Vision:

To be the best integrated healthcare provider – wherever we are.

Mission:

To deliver health. Across Europe.

Values:

To be reliable, proactive, respectful.

SUSTAINABILITY MANAGEMENT

The varying conditions in the European markets require us to handle many sustainability topics at a local level. Nevertheless, the PHOENIX group has a common view of what responsible business and sustainable company management mean for us. In order to clearly express this group-wide attitude, we adopted a shared understanding of sustainability in the reporting year.

The PHOENIX group's understanding of sustainability

The PHOENIX group is committed to supporting the worldwide Sustainable Development Goals set by the United Nations. This applies to all divisions of the company and to each of the countries in which we operate. As one of Europe's leading healthcare providers and a family business that takes a long-term approach, we want to make an important contribution towards building a healthy future with a good quality of life.

»As a family business, we take a long-term approach and act responsibly. For a healthy future with a good quality of life.«

Our action to support sustainability stems from our corporate mission and our values, through which we are actively committed to being the best integrated healthcare provider. We confront the major challenges of the day, whether digitalisation or climate change. We aim for growth that creates value – both for our company and for society. In particular, we can – and we want to – contribute to the health and well-being of the people of Europe by developing sustainable logistics concepts, using resources sparingly, providing good, safe working conditions, and supporting our employees.

In our day-to-day business, we take care to integrate sustainability into our processes along the entire supply chain. Our actions are guided by high standards of compliance, quality, safety, and transparency. We shoulder our responsibility across all national borders in Europe. We consistently pursue our group-wide targets and adapt our implementation approach to meet the needs of our customers and of the people who live locally.

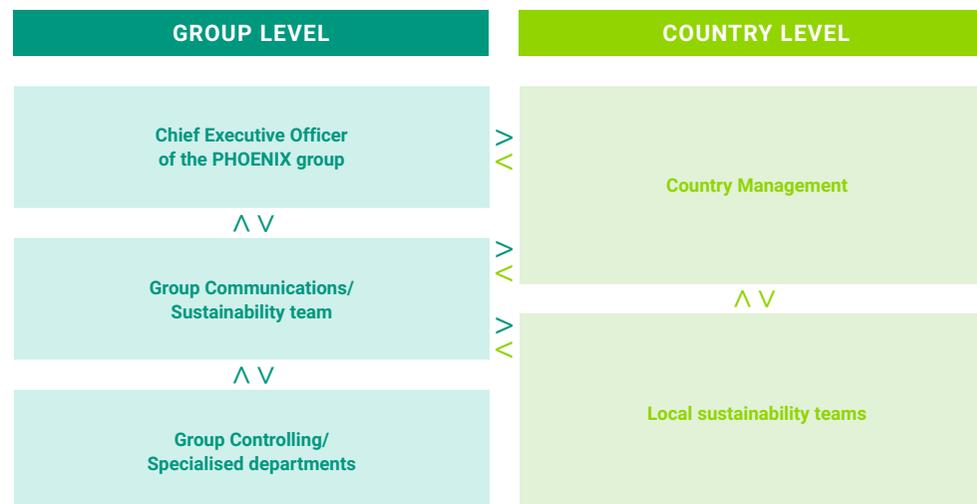
Establishing sustainability at the heart of our organisation and processes

We aim to integrate sustainability considerations into all relevant processes within the PHOENIX group. This also applies to the activities of all our subsidiaries, newly acquired companies, and our relationships with our stakeholders. As a result, we make it clear that corporate success and social responsibility go hand in hand.

The Chief Executive Officer of the PHOENIX group assumes the overall responsibility for sustainability. The PHOENIX group's sustainability team is anchored within the Group Communications department. It regularly works together with the CEO of the PHOENIX group and, in exchange with specialist departments, acts as the central point of contact for all sustainability issues relating to the PHOENIX group.

In terms of sustainability, we have a group-wide management structure. Given the varying conditions in the European markets, we remain true to our principle of handling many sustainability topics at a local level. Non-financial data is collected by local sustainability representatives in the subsidiaries – an activity that is coordinated by the central sustainability team. We continue to take a centralised approach to group-wide projects such as the employee survey, reducing the cost of pharmaceutical waste, and talent management for the whole of Europe. In order to promote knowledge sharing across the company, the formation of networks, and the exchange of best practices, the sustainability representatives meet regularly to discuss all overarching issues.

SUSTAINABILITY ORGANISATION

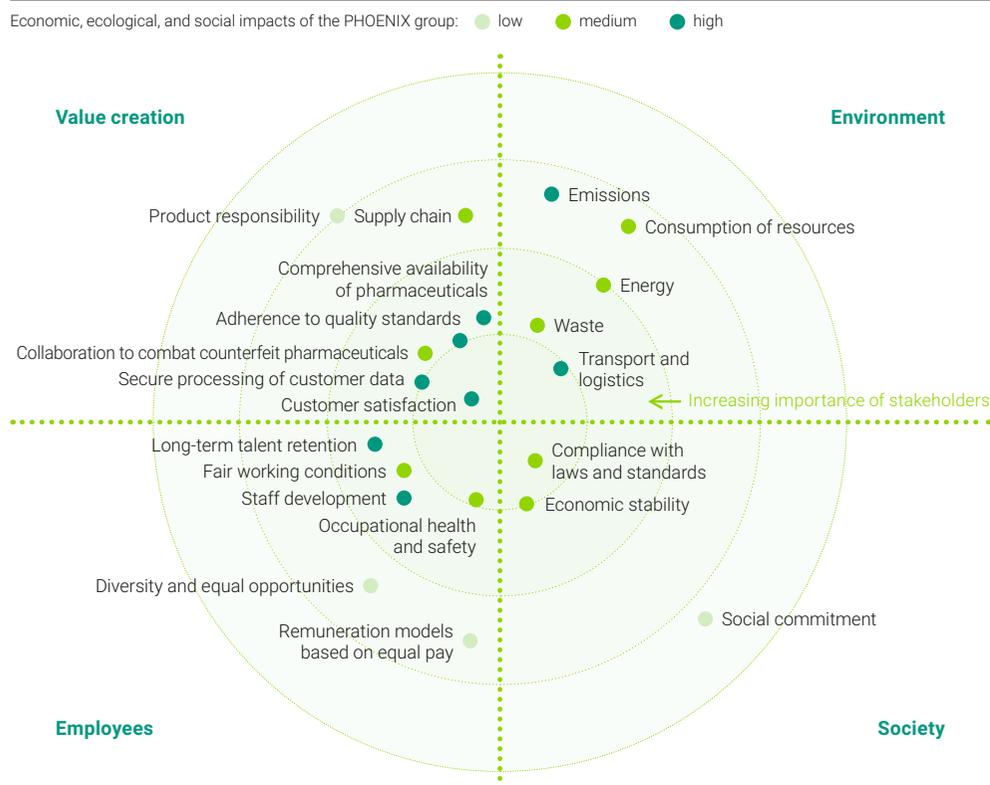


Readjustment in relation to key sustainability topics

GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-46, GRI 102-47, GRI 102-49

We regularly perform a materiality analysis in line with the requirements of the Global Reporting Initiative (GRI) – most recently in spring 2018. An extensive, online stakeholder survey was used to define the sustainability topics within the PHOENIX group's four areas of responsibility and assess our impact on these topic areas.

MATERIAL TOPICS FOR PHOENIX CSR MANAGEMENT ACCORDING TO AREAS OF RESPONSIBILITY



We have assigned corresponding GRI Standards to the topics identified as significant and on which the PHOENIX group reports. Our areas of responsibility have again this year provided the basic structure of our report in the form of chapters:

Value creation for customers and the company

The essential issues for our own value creation are adherence to quality standards, comprehensive availability of drugs, secure processing of customer data, cooperation to combat counterfeit pharmaceuticals, product responsibility, customer satisfaction, and our responsibility along the supply chain.

Environmental protection

At PHOENIX, we are able to make a considerable contribution towards environmental protection by continuously reducing pharmaceutical waste, lowering our consumption of resources, ensuring our buildings are energy efficient, and making sure our transport logistics are as clean as possible. We accurately record the greenhouse gas (GHG) emissions [Glossary p. 38](#) that we produce and work to steadily minimise them by optimising route planning.

Supporting employees

It is our aim to create an attractive and secure work environment for all our employees. This is the only way we can retain talented people in our company in the long term. To this end, we invest in their further training and development in the form of Europe-wide programmes. Our activities in this area also focus on ensuring fair working conditions, a remuneration model based on equal pay, diversity and equal opportunities within the company, and workplace health and safety.

Commitment to society

We have brought together our social commitment measures under the motto "Together for a healthy future for children". Our action is primarily focused on the health of children and supporting pharmaceutical research. All group-wide activities are always carried out in compliance with the relevant laws and standards. We strictly adhere to our anti-corruption guidelines and the applicable guidance on donation and sponsorship requests.

New targets lead the way forward

We want to be able to measure the contribution that we as a company make towards creating value, protecting the environment, supporting our employees, and benefitting society. Only in this way can we increase the positive impact of our business activities and decrease the negative. That is why the PHOENIX group has defined company-wide targets within the four areas of responsibility and uses concrete measures to implement them. Our group-wide sustainability management system not only documents the degree to which the targets are being met but also specifies the country-specific objectives for which the subsidiaries are responsible.

We achieved the following targets in 2018 (compared with 2014/15):

- Reduction in the costs of pharmaceutical waste by more than 10 per cent
- Introduction of group-wide data protection guidelines

Across Europe, around 70 per cent of employees with a computer workstation received online training in data protection, particularly in the European General Data Protection Regulation. We aim to run this online training for all employees during fiscal year 2019/20. We were disappointed to note that we have not fully achieved to meet our target of reducing the illness rate by one percentage point. In the past year, therefore, we directed even greater intensity and strategic focus into our sustainability programme and defined new targets and associated measures for sustainability management at the PHOENIX group.

COMPANY-WIDE SUSTAINABILITY GOALS

Areas of responsibility	Commitment	Sub-goals
VALUE CREATION	Integration of sustainability into our supply chain	Inclusion of sustainability-related questions in the customer satisfaction survey
ENVIRONMENT	Reduction of negative impacts on the environment	Introduction of sustainable carrier bags to our pharmacies Optimisation of route planning and reduction relative to business growth, taking account of environmentally friendly considerations
EMPLOYEES	Promotion of healthy working conditions and a culture of respectful cooperation	Reduction of the illness rate by 8 per cent from three-year average by 2021/22 Increase in employee commitment of 8 per cent by 2020
SOCIETY	Together for a healthy future for children	Development of a corporate citizenship strategy by 2020; concentration of our social commitment activities

Planning an impact-oriented approach with the SDGs

The PHOENIX group is committed to supporting the 17 Sustainable Development Goals (SDGs) set by the United Nations. Our first SDG workshop, designed to boost company-wide implementation, was held in 2018. The aim of the interactive format was to raise awareness of the SDGs, deepen knowledge, and categorise our existing sustainability measures in the context of the Sustainable Development Goals. Participants in the workshop also discussed creative and innovative ideas, as well as opportunities for development. The two-day event took place in Belgrade, Serbia. It was attended by a total of 16 employees from 15 countries.

As part of the stakeholder survey in 2018, we also asked our stakeholders to assign our measures to the different development goals. According to the responses, the most significant impacts made by the PHOENIX group primarily relate to SDG 3 (Good Health and Well-Being), SDG 8 (Decent Work and Economic Growth), and SDG 12 (Responsible Production and Consumption). In 2018, we also developed a concept for an in-depth analysis of the impact of the prioritised SDGs.

Partnership and dialogue with our stakeholders

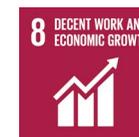
GRI 102-40 GRI 102-42, GRI 102-43

The interests of our stakeholders are especially important when it comes to establishing the direction of our sustainability strategy. We value our cooperative dialogue with them and identify their expectations by means of regular stakeholder surveys. In 2018, we conducted a Europe-wide survey, which was supported by more than 3,000 participants from among our employees, suppliers, customers, subcontractors, and other business partners.

As part of this exercise, we asked our internal and external stakeholders to evaluate the sustainability performance of the PHOENIX group and identify other potential sustainability topics. We aim to make further improvements with regard to sustainability and to ensure that we are implementing effective measures in the key areas in which action is required.



Coming together to achieve our goals: at the SDG workshop in Belgrade, PHOENIX sustainability manager from 15 countries focused their attention on the Sustainable Development Goals set by the United Nations and their significance for PHOENIX. Their findings revealed that PHOENIX is making its greatest contribution to SDGs 3, 8, and 12. Our sustainability management focuses on these goals.



STAKEHOLDER MANAGEMENT

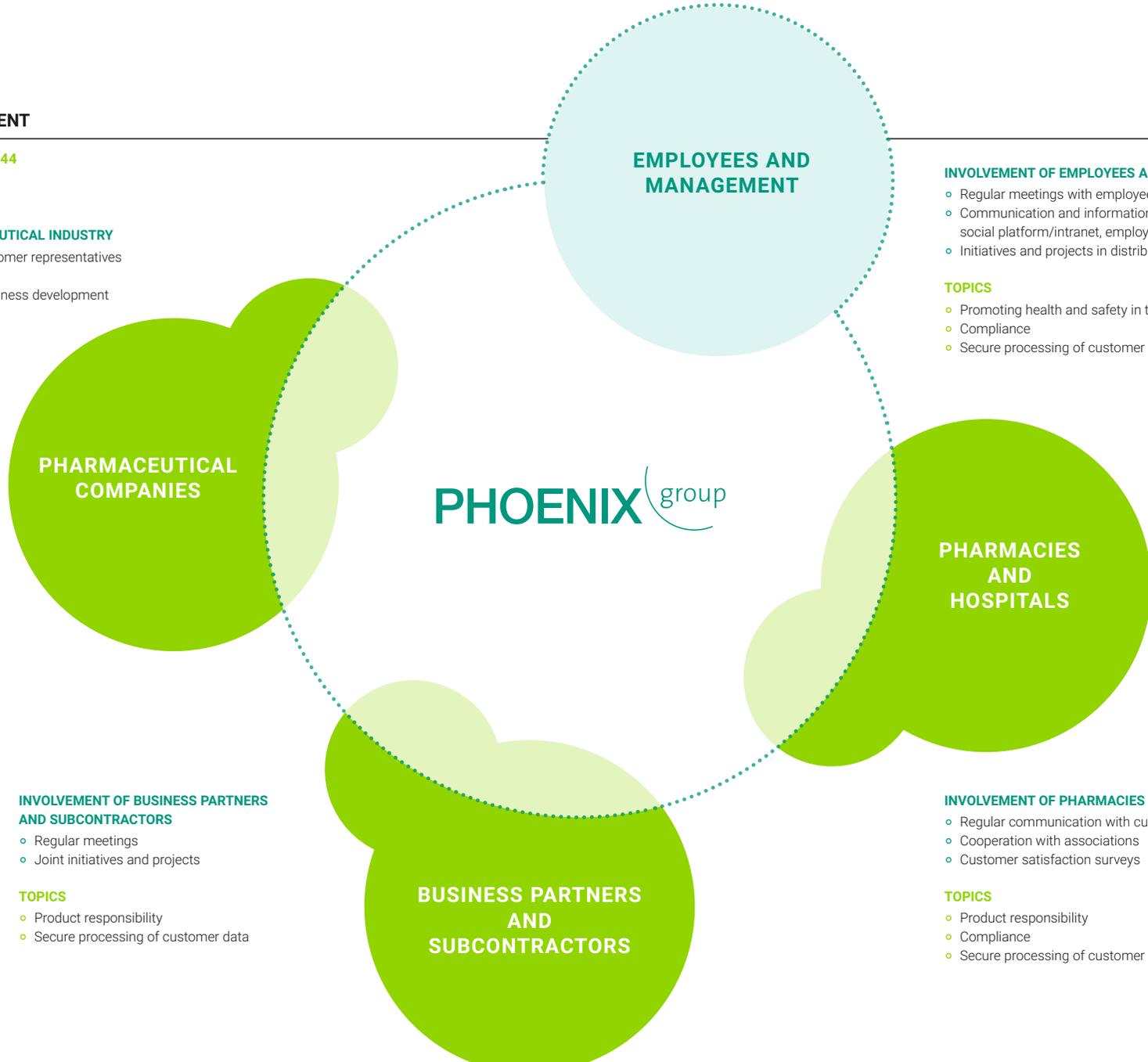
GRI 102-40, GRI 102-43, GRI 102-44

INVOLVEMENT OF THE PHARMACEUTICAL INDUSTRY

- Regular communication with customer representatives
- Cooperation with associations
- Management meetings about business development
- Customer satisfaction survey

TOPICS

- Ethics and integrity
- Product responsibility
- Secure processing of customer data



PHARMACEUTICAL COMPANIES

EMPLOYEES AND MANAGEMENT

INVOLVEMENT OF EMPLOYEES AND MANAGEMENT

- Regular meetings with employee representatives
- Communication and information on key issues via internal social platform/intranet, employee events, notices
- Initiatives and projects in distribution centres and pharmacies

TOPICS

- Promoting health and safety in the workplace
- Compliance
- Secure processing of customer data

PHARMACIES AND HOSPITALS

INVOLVEMENT OF BUSINESS PARTNERS AND SUBCONTRACTORS

- Regular meetings
- Joint initiatives and projects

TOPICS

- Product responsibility
- Secure processing of customer data

BUSINESS PARTNERS AND SUBCONTRACTORS

INVOLVEMENT OF PHARMACIES AND HOSPITALS

- Regular communication with customer representatives
- Cooperation with associations
- Customer satisfaction surveys

TOPICS

- Product responsibility
- Compliance
- Secure processing of customer data

01

VALUE CREATION FOR CUSTOMERS AND THE COMPANY

Ensuring the quality of our products along the entire supply chain is our highest priority. In addition, responsible and  legal conduct within the PHOENIX group and in our relations with customers and suppliers forms an important cornerstone of our corporate culture and is crucial to the success of our company. The markets in which the PHOENIX group operates are in a state of upheaval. The changes, especially those resulting from regulatory interventions, are reflected in increased pressure on margins and costs. At the same time, there is a high level of competition in the market. Companies in the pharmaceutical sector are facing enormous challenges associated with digitalisation – challenges that we are addressing by developing new business activities. In order to identify upcoming requirements at an early stage, it is important for us to maintain regular communication and measure the satisfaction of our customers.

ENSURING FUTURE VIABILITY

With the JUMP initiative that we launched in 2018, we are pursuing the aim of further optimising our operational processes and thereby making a significant contribution to ensuring the future viability of our logistics network. The SAFE focus topic is aimed at reducing losses due to breakage and exceeded expiry dates throughout the group. Our established Warehouse Excellence initiative  [Glossary p. 38](#) supplies important data with regard to identifying the causes of damage and implementing ideas for improvement that are aimed at avoiding risks. We have also incorporated the topic into our procurement strategy. Against the backdrop of increasing digitalisation, we have been implementing projects for the electronic transmission of batch tracking throughout Europe for several years now.

In Germany, we launched “Fit for the future” and “Fit4Two” in the United Kingdom: two optimisation programmes that aim to position our organisation effectively for the future. A further milestone is marked by the development of our pharmacy portfolio, particularly in relation to our successful retail brand BENU. We also launched our first Europe-wide category brand, LIVSANE, in 2017, which is now available in 14 countries. In the course of reorganising our category brands, we founded PXG Pharma GmbH as a subsidiary of the PHOENIX group during the reporting year in order to restructure the supply chain in the area of private labels and to better bundle volumes in the future. Further detailed information can be found in our  [2018/19 annual report](#). The PHOENIX group’s pharmacy network, with more than 13,500 independent pharmacies in the company’s cooperation and partner programmes, is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as the Europe-wide umbrella for the PHOENIX group’s 13 pharmacy cooperation programmes in 16 countries.

Acquisitions and investments

An important element of our strategy is to grow organically and through targeted acquisitions and continually expand our market position. In fiscal year 2018/19, we acquired two companies in Romania: the pharmaceutical wholesaler Farmexim S.A. and the nationwide pharmacy chain Help Net Farma S.A. As a result, the PHOENIX group has tapped into a new and attractive market.

In the past year, the PHOENIX group has invested approximately half of its earnings in the expansion and modernisation of distribution centres, automation, logistics services for the pharmaceutical industry as well as in the modernisation of its pharmacies. We continued the ONE project in Denmark and plan to open the state-of-the-art warehouse and distribution centre in the second half of 2019. In the first quarter of 2018/19, we commissioned a highly automated warehouse system in Tampere, Finland. We are also investing in the construction of a new wholesale site in Prague, Czech Republic. You can find more detailed information in our  2018/19 annual report.

INNOVATION MANAGEMENT SYSTEM ESTABLISHED

Our strategic goal is to develop an even more comprehensive range of pioneering products and services for our customers. At the same time, our innovation projects are also helping us to reinforce the company's sustainability principle. For example, one initial starting point involves digital working methods and a move away from paper-based documents. By adopting elements of an open innovation approach, we also hope to boost the future involvement of employees in the innovation process and further enhance the potential for development.

»The Corporate Business Innovation business unit and the newly founded PXG Health Tech GmbH are helping us to actively shape the future of healthcare.«

DR. TOBIAS BUCHER, Head of Corporate Business Innovation // CEO PXG Health Tech GmbH

The Corporate Business Innovation department focuses on the digital transformation and the development of new business activities, thus securing the future viability of our company. The PXG health Tech GmbH also plans to advance trends and innovations in the healthcare sector even more specifically. It reports directly to the Chief Executive Officer and is in continuous dialogue with international decision-makers who form an innovation network together with internal experts. Our Finnish subsidiary Medaffoon is also among the areas of our business making a contribution. It supplies researchers, pharmaceutical manufacturers, and healthcare providers with tools to make data-driven decisions that enable the provision of more effective treatment and care tailored to individual patients. You can find more information about our activities in our  2018/19 annual report.

RISK-BASED QUALITY MANAGEMENT

A safe and reliable supply of pharmaceuticals is only possible with impeccable quality in the supply chain. This extends from product storage in accordance with regulations, as well as to accurate deliveries to pharmacies and hospitals through to the optimal availability of drugs for end consumers. All PHOENIX group companies abide by the guidelines for good distribution practice (GDP) as published by the EU. To do so, they must operate effective quality assurance systems to ensure that medicinal products are stored, handled, and distributed in accordance with country-specific legislation. Compliance is monitored through internal audits and official inspections by external bodies. Quality management at the PHOENIX group is based on risk, as per GDP requirements. In accordance with DIN EN ISO 9001:2015, our quality management system is process-oriented and closely integrated into the organisation's strategy. Ninety per cent of the companies belonging to the PHOENIX group are currently certified in line with this standard.

EU Directive 2011/62/EU (EU Falsified Medicines Directive, or FMD), aimed at combatting the falsification of pharmaceuticals, entered into force on 9 February 2019. All prescription-only drugs must now bear a unique identifier in the form of a two-dimensional barcode. Drug packaging also needs to feature a seal to prevent tampering. The PHOENIX group has been heavily involved in this joint project between the associations representing drug manufacturers, wholesalers, and pharmacies. The company began preparations for these significant changes at an early stage and has followed through on their implementation.

Our solution hinges on the PHOENIX FMD Cloud, which is a flexible, reliable, and cost-effective method for our partners. Our goal is to further improve the effectiveness and security of the supply chain in terms of product quality and patient safety.

FOCUSING ON CUSTOMER SATISFACTION

In all of the countries in which we are present in the wholesale sector, we carry out regular surveys to assess our customer satisfaction levels. These polls give us important insights regarding our strengths and weaknesses. We also gain valuable ideas for improving customer retention through the PHOENIX group's Europe-wide cooperation and partner programmes.

Each national survey is carried out in a two-year cycle. In the past year, they were run in Bosnia, Croatia, the Czech Republic, Denmark, Hungary, Kosovo, Macedonia, Montenegro, the Netherlands, Serbia and Switzerland. The results were highly country-specific. They revealed positive trends in satisfaction and customer retention as well as certain opportunities for optimisation. These were individual to each country, and we plan to use them to make further improvements. The surveys carried out in 2018 also showed that the issue of digitalisation is on our customers' minds. Furthermore, the increasing legal requirements placed on pharmacies in the various countries are becoming more significant for our customers.

Compared across Europe, this year's leader in terms of customer satisfaction is our Croatian subsidiary. At almost 86 per cent, its satisfaction rating is exceptional and well above the market average. Generally, our regular surveys reveal that the number of extremely or very satisfied PHOENIX group customers is very high, as is the loyalty of our customers in the wholesale segment.

Following the presentation of the results, management representatives from the various countries will attend a workshop to develop measures with the aim of increasing customer satisfaction. Ideally, these measures will be implemented within the next two years and monitored by the Executive Board, which will hold half-yearly discussions with the local Managing Directors.

INNOVATIVE LOGISTICS SOLUTIONS

By using PHOENIX Pharmahandel GmbH & Co KG's state-of-the-art Track & Trace system, we are able to monitor transported items in real time and at any given moment. This innovative method of delivery tracking has been rolled out over the last two years in Germany. The system offers advantages both for the PHOENIX group and its partners. It is now very rare that delivery containers are mixed up, forgotten, or incorrect. In addition, delays can be dealt with, the underlying causes eliminated, and transparency in logistics increased. Track & Trace is already in use in countries such as Hungary, the Netherlands, Sweden, Switzerland and the United Kingdom. In principle, it could be extended to all PHOENIX subsidiaries.

The transmed GDP Solutions service includes GDP-compliant transport solutions for the direct, on-time distribution of pharmaceutical products from manufacturers to pharmacies, clinics, and doctors' surgeries. By using specially insulated and climate-controlled vehicles, we make sure that transportation within Germany does not adversely affect the quality of temperature-sensitive drugs.

In order to meet the requirements of the GDP guidelines that were updated in 2013, the number of transport vehicles in Switzerland and the United Kingdom fitted with temperature monitoring systems is gradually being increased. Transportation has been GDP-compliant in the Netherlands since 2016. In Estonia, the process of equipping our new vehicles with a GPS-based temperature alarm system is ongoing.

REDUCING COMPLIANCE RISKS

Responsible and legal conduct forms a vital cornerstone of the PHOENIX group's corporate culture and is crucial to the success of our company. Our internal compliance guidelines provide the framework for this. Our key measures include empowering our employees to act lawfully and with integrity as well as optimising our business processes to reduce compliance risks for the long term.

To achieve this, the PHOENIX group has established a group-wide compliance organisation, complete with the necessary processes, and has appointed local compliance managers in all countries.

The compliance system rests on five pillars:

- anti-corruption compliance,
- competition compliance,
- anti-money-laundering compliance,
- the code of conduct, and
- sanctions compliance.

By adopting the sanctions compliance guidelines, the PHOENIX group has made a commitment – to the best of its knowledge – not to conduct any transactions with persons or organisations appearing on sanctions lists held by the EU, France, Great Britain, the Netherlands, Switzerland, the United Nations (UN), or the United States. To guarantee this, an automated solution that screens all business partners against sanctions lists twice a day has been introduced. In the reporting year, we also extended our compliance guidelines to include compliance principles and anti-money-laundering guidelines. You will find more details on our  [website](#).

To communicate the contents of the above-mentioned pillars of our compliance system and to ensure all employees behave lawfully, we run regular training sessions across the group, mostly in the form of e-learning. Employees in so-called focus groups (for example, those who are in contact with customers or suppliers or have the authority to make business deals as well as all managers) additionally receive in-person training on compliance. At the end of fiscal year 2018/19, a total of

15,929 employees had been trained via compliance e-learning and 3,683 via in-person compliance training. The new advanced training courses will also cover the anti-money-laundering guidelines. Potential risks or violations can be reported via our external, web-based whistle-blower system. This can be done anonymously, if required.

Focusing on data protection

It is important to the PHOENIX group that we handle the data belonging to our customers, business partners, and employees in accordance with the law and in a trustworthy manner. The PHOENIX group has established a group-wide structure for data protection. In recent years, the issue of data protection has become increasingly established in the company by means of guidelines and processes. The Head of Corporate Data Protection is based in Germany and reports directly to the Executive Board. In each foreign shareholding and domestic subsidiary, a Data Protection Officer or a contact person for data protection has been appointed to serve as the first port of call for data subjects and for local supervisory authorities. We hope to expand the group-wide cooperation that has already been established even further in future so that we can benefit from best practices in individual companies and transfer them to others. Alongside its involvement in other organisations, PHOENIX in Germany is a member of the German Association for Data Protection and Data Security (GDD), an affiliation that facilitates an ongoing exchange of ideas and the representation of its interests.

Back in December 2017, the PHOENIX group introduced group data protection guidelines based on the new General Data Protection Regulation (GDPR). The group guidelines entered into effect on 25 May 2018 and apply to all employees. Any information relating to possible data breaches can be submitted via a group-wide reporting tool, which can be accessed internally as well as externally. In advance of the GDPR's introduction, we prepared new contract templates, data protection notices, and processes for data protection impact assessments.

Through the provision of training to all employees, we aim to ensure compliance with all guidelines and laws governing data protection. For this reason, around 70 per cent of our employees across Europe were trained on the new General Data Protection Regulation by means of the group-wide e-learning course during fiscal year 2018/19.

SUSTAINABILITY IN THE SUPPLY CHAIN

In the PHOENIX group, the procurement of trade goods and non-trade goods is organised at a local level. The General Procurement International department is responsible for many cross-border matters relating to non-trade goods such as software licences and office materials. The subsidiaries also have their own procurement departments and staff charged with purchasing trade and non-trade goods.

In Germany, PHOENIX Pharma-Einkauf GmbH (PPE) is responsible for the procurement of trade goods. The General Procurement Germany department has control over the purchasing of non-trade goods such as capital goods and services. Its remit also includes risk prevention along the entire supply chain for goods procured for the German sites. We maintain positive and trusting relationships, especially with our direct suppliers. We expect them to meet environmental and social standards.

In 2017, the PHOENIX group incorporated a series of sustainability criteria into its strategic procurement processes and adopted its own  **Supplier Code of Conduct** for the procurement of indirect goods. This document is now established across all countries as an integral part of the procurement processes used to source indirect goods. In it, we call for the recognition of the United Nations' Universal Declaration of Human Rights. From 2019, the PHOENIX group will require its suppliers, especially the top suppliers in all countries, to comply with environmental and social standards. Our business partners must also commit to ensuring occupational health and safety for their employees, to combatting corruption, to making continuous improvements to their environmental footprint, to guaranteeing data protection, and to observing relevant social, ethical, and environmental standards, as well as to encouraging the same from their suppliers. We reserve the right to verify whether or not the Supplier Code of Conduct is being observed.

Our subsidiary in the United Kingdom has established best practices to create a more sustainable supply chain. All new suppliers and their contractual partners are investigated in standardised due diligence processes. These include examining sustainability strategies and insurance policies as well as information relating to employees and risk assessments. Existing suppliers are regularly reviewed by means of a questionnaire on performance and service.

In fiscal year 2018/19, the material groups covering transport, consultancy, buildings, and maintenance and facility management services as well as temporary personnel made up the greatest proportion of indirect procurement volumes.

Commitment to uphold human rights

The respect of human rights is something the PHOENIX group takes very seriously. We rigorously abide by the United Nations' Universal Declaration of Human Rights and also require that our partners along the entire supply chain follow our lead. For this reason, our Supplier Code of Conduct encompasses requirements such as a ban on child and forced or compulsory labour and discrimination in addition to the rights to fair pay and freedom of association. Possible human rights violations can be reported anonymously by internal and external parties via the group-wide compliance whistle-blower system. Any such reports will be systematically investigated. Violations by third parties may result in the termination of contracts, the matter being reported to regulatory authorities and/or the police, and the affected PHOENIX group company taking civil action against the offending party, where appropriate. In the reporting year, there were no reports of violations of this kind.

02

ENVIRONMENTAL PROTECTION

Climate change, the anticipated scarcity of natural resources, and pollution of the environment by poorly degradable waste materials are among great challenges of our times. We acknowledge our environmental responsibilities and want to keep the impact of our corporate processes low. At the same time, we are focusing on the areas of activity in which we can achieve the most.

One of our most important starting points is to reduce pharmaceutical waste, a problem associated not only with high costs but also with ecological risks for the PHOENIX group. At the same time, we are working continuously to minimise the production of non-hazardous waste, reduce paper consumption, and maintain our high rate of recycling. Our core business – the storage and transport of drugs – involves the consumption of energy and fuel, which results in the emission of greenhouse gases. We account for both in our energy monitoring system and in the PHOENIX group's carbon footprint analysis. By doing so, we obtain valuable insight into opportunities for optimisation. In around one-third (previous year: one-third) of our subsidiaries, environmental management is carried out via a management system that complies with ISO 14001.

CONSCIOUS USE OF RESOURCES

The PHOENIX group takes care to conserve natural resources in its administrative processes. For example, the overall proportion of sustainably produced FSC/PEFC paper used at the Germany site in the reporting year was 59 per cent (previous year: 45 per cent). The figure reached over 65 per cent (previous year: 80 per cent) in Italy, and around 70 per cent (previous year: 66 per cent) in the United Kingdom.

Another area of focus is on reducing paper consumption through digitisation. In the German finance department, for example, more than 145,000 sheets of paper have been saved since 2015 by no longer printing invoices and receipts but storing them in digital form. In Germany, our credit control department now mainly works with purely electronic files. We have launched Europe-wide projects involving the electronic transmission of batch tracking information. In cooperation with manufacturers, we also aim to digitalise processes and further minimise paper consumption in the form of invoices and receipts.

Moreover, the PHOENIX group uses the digital travel expenses programme WinTrip SaaS throughout the company, thus facilitating a paperless process. The increase in resource efficiency also incorporates the use of printers and copiers in our offices. As a general principle, the equipment in Germany is therefore set to print double-sided and in black and white. More than 78 (previous year: 80) per cent of all printouts are produced in black and white. We have also put up a poster above almost all the printers in Germany to raise awareness among employees of eco-friendly user behaviour.

More eco-friendly shopping bags

We are increasingly acting in accordance with ecological criteria in our pharmacies too. For example, alongside paper bags, the majority of our BENU brand pharmacies switched to only using carrier bags manufactured from sugar cane, a renewable raw material, at the start of 2018. Meanwhile, Apotek 1 in Norway has been taking care to ensure that the paper bags it uses are FSC certified. This indicator of sustainable forestry also applies to all the product packaging for our category brand in the Retail business area, to the extent that this is possible for individual products.

HANDLING HAZARDOUS AND NON-HAZARDOUS WASTE

We have a legal obligation to take expired products or items with damaged packaging out of the supply chain and to properly dispose of them as hazardous waste. We record the cost of the pharmaceutical waste  [Glossary p. 38](#) that is generated due to missed expiry dates and damage to packaging as a key indicator and control parameter. It goes without saying that we also monitor the volume of waste that is produced. As well as hazardous waste, PHOENIX group processes generate non-hazardous waste. The non-hazardous waste that we send for recycling or reprocessing includes plastics, glass, paper, and cardboard.

Avoiding pharmaceutical waste

We have taken a wide range of measures in recent years to achieve our reduction target, and our subsidiaries have made use of their particular opportunities for action. A common objective of all of the projects involved was to prevent the generation of pharmaceutical waste at the earliest possible stage. The application of standard practices and operating procedures within the scope of quality management and in compliance with the GDP guidelines are crucial here. A central role is played by the training given to our employees in the distribution centres. This covers careful handling of packages, visual inspections to ensure that packaging is undamaged, checking the expiration date at the time of delivery, a cautious approach to cutting open boxes, and ensuring optimal temperatures during transportation and in cold storage.

Since 2017, we have pooled all our activities aimed at cutting so-called negative differences in our company-wide SAFE programme. Negative differences comprise financial burdens that not only result from breakage and expiration but also delivery errors, missing parts, and stock clearances. By 2020, we aim to reduce the costs incurred by 30 per cent compared with the figures for 2016/17. At the same time, we negotiate with our partner suppliers in the pharmaceutical industry to obtain optimised returns conditions for items that are no longer fit for sale.

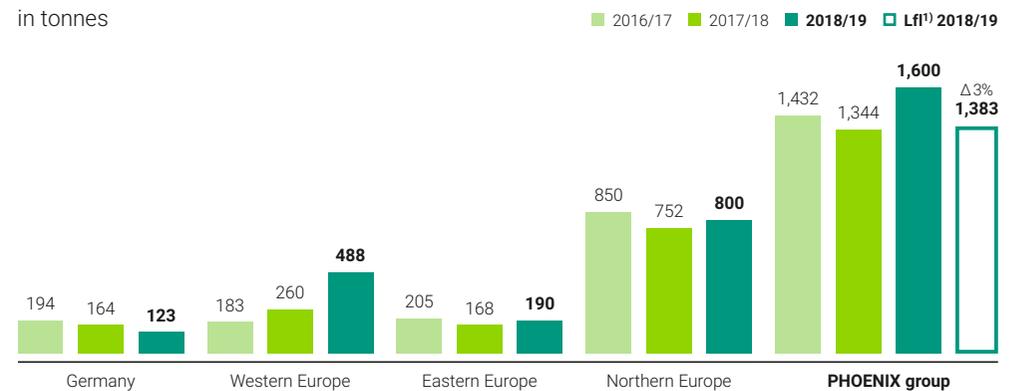
In the past year, we already achieved our strategic target of a 10 per cent reduction in the cost of pharmaceutical waste by 2018/19. In the reporting year, the costs incurred amounted to €27.39 million, compared with €34.69 million in the reference year 2014/15, which represents a cost reduction of around 21.0 per cent. As a proportion of total operating performance*, costs fell during this period from 0.13 per cent to 0.08 per cent.

* Following harmonisation measures, the total operating performance is now used as the reference value.

Adjusted for special and non-recurring effects, the quantity of pharmaceutical waste registered in the reporting period was around 1,380 tonnes, which corresponds to an increase of 3 per cent compared with the previous year. Overall, we recorded an increase of 19 per cent in the reporting period. The increase is primarily due to the consequences of a flood disaster at our Italian distribution centre in Lamezia. In addition, our national companies in Denmark, Lithuania, and Slovakia disposed of increased quantities of pharmaceutical waste on behalf of industrial partners.

PHARMACEUTICAL WASTE BY REGION

in tonnes



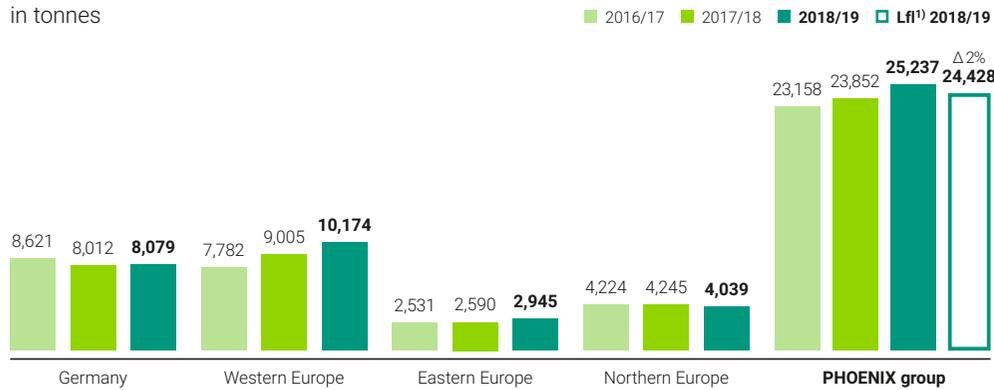
¹⁾ In order to ensure the comparability of the current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and flooding of Lamezia).

Increasing reuse of non-hazardous waste

Adjusted for special and non-recurring effects, 24,428 tonnes (previous year: 23,852 tonnes) of non-hazardous waste was generated in the reporting period. This is an increase of roughly 2 (previous year: 3) per cent compared with the previous year. Overall, we recorded an increase of 6 per cent, which is partly due to improved data acquisitions in individual subsidiaries. The increase was also due to the inclusion of the Retail division in the United Kingdom. The waste is overwhelmingly recycled or reused. As a result, 85 per cent (previous year: 84 per cent) of non-hazardous waste re-entered the materials cycle in the reporting year. Any remaining unwanted materials, resulting, for example, from power generation and mixed waste, are disposed of in an environmentally friendly manner by specialist companies.

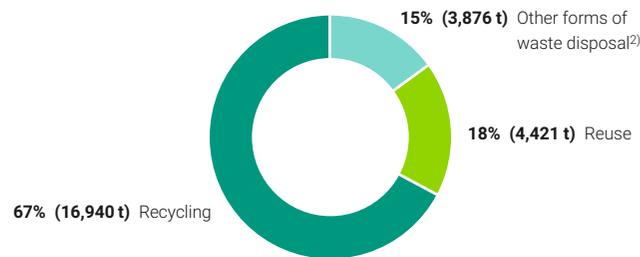
NON-HAZARDOUS WASTE BY REGION

in tonnes



¹⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

DISPOSAL METHODS FOR THE PHOENIX GROUP'S NON-HAZARDOUS WASTE¹⁾



¹⁾ Display of values incl. special and non-recurring effects
²⁾ Including treatment plants and composting.

In Germany, the amended Commercial Waste Ordinance (GewAbfV) has been in force since August 2017, with the aim of recovering at least 90 per cent of recyclable materials. Higher costs for residual waste are incurred in the event of a failure to reach this recycling quota because unrecoverable waste requires pre-treatment prior to thermal disposal. The disposal of commercial

waste must always be fully documented by us, and the degree of achievement over 90 per cent must be certified annually by a specialist.

As a distributor that places imported trade goods on the market, the PHOENIX group is also subject to the German Packaging Law (VerpackG), which superseded the Packaging Ordinance (VerpackV) at the start of 2019. In the reporting year, we prepared ourselves for the new requirements, which include extended registration and reporting obligations as well as increased recycling rates.

ENERGY EFFICIENCY AND EMISSIONS

As operators and users of 163 distribution centres across Europe, we regard efficient building technology as one of the best ways of achieving energy savings and a reduction in greenhouse gas emissions. We already adhere to this principle in the planning and implementation of new building projects, as proven by the observance of efficiency standards during the construction of our new distribution centre in Gotha, Germany.

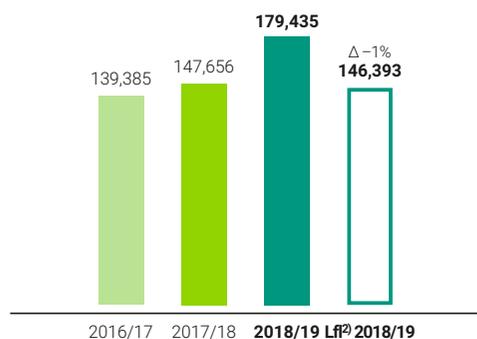
Approximately one in five subsidiaries have energy management certification in accordance with ISO 50001. The operation of our buildings is regulated by an energy monitoring system, which is both the prerequisite for the fulfilment of the European Union's Energy Efficiency Directive and the establishment of energy management systems. A certified energy auditor initiates improvement processes within the company and supports their implementation. We use the findings of the regular energy audit to press ahead with suitable energy-saving measures, such as our ongoing LED modernisation project and the optimisation of heating and air-conditioning systems.

Energy-saving potential through state-of-the-art technology

In another area of action, the PHOENIX group is tapping into the efficiency potential of operational processes and thus investing in technological innovations. One example of this is the conversion to energy-efficient air compressors in the German distribution centre at Freiburg, Hamburg, Bad Kreuznach, and Mannheim (Augsburg and Hanau in planning), with predicted energy savings of between 23 and 51 per cent. This modernisation step also allows the waste heat that is generated to be fed into the heating systems of buildings and facilities.

CONSUMPTION OF ELECTRICITY OF THE PHOENIX GROUP

in MWh



¹⁾ In Western European countries, heating gas and electricity are predominantly used instead of district heating.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

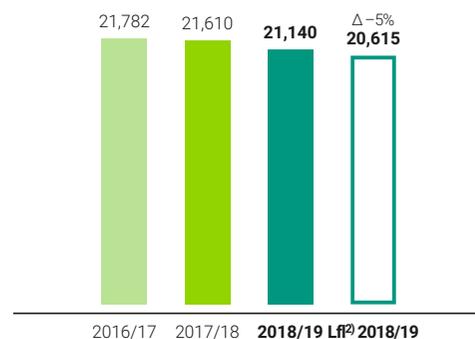
Adjusted for special and non-recurring effects, we reduced electricity consumption by 1 per cent compared with the previous year. Overall, we recorded an increase of 22 per cent in the reporting period. There are various reasons for this increase in consumption. For example, the data acquisition in Great Britain was expanded during the reporting period to include the property portfolio. In the Netherlands, electricity consumption rose in line with the number of newly added pharmacies. In Germany and some other European countries, the increase in electricity consumption is partly due to the hot summer. In addition, our Romanian subsidiary is included in the data collection for the first time. Meanwhile, the consumption of district heating both adjusted and overall fell in comparison with the previous year. This is partly due to the fact that in the national subsidiaries in Denmark, two warehouses were not used during the winter months and in Serbia, wood pellets were used for heating instead of district heating.

Increased greenhouse gas emissions

The greenhouse gas emissions caused by the PHOENIX group rose by 1 per cent in the year under review, adjusted for special and non-recurring effects. In total, the increase amounted to approximately 14 per cent and is due in particular to the integration of our Romanian subsidiary and the

CONSUMPTION OF DISTRICT HEATING OF THE PHOENIX GROUP¹⁾

in MWh



retail organisation in the United Kingdom into the data collection process. In regional terms, the greatest level of harmful emissions was registered in Western Europe (including Germany), followed by Eastern Europe and Northern Europe.

Total GHG emissions (Scope 1–3)¹⁾ [Glossary p. 38](#)

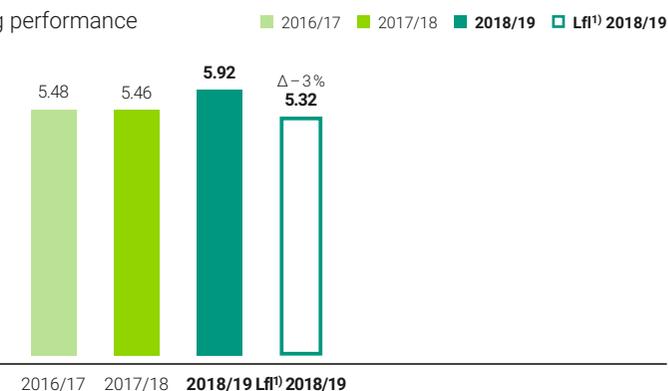
CO ₂ e in tonnes	2016/17	2017/18	2018/19	Lf ²⁾ 2018/19	Δ Lf 2018/19
Scope 1 total	20,786	25,219	32,046	26,585	5%
Scope 2 total	52,660	55,987	71,912	56,268	1%
Scope 3 total	92,191	90,943	91,585	91,585	1%
Total GHG emissions of the PHOENIX group	165,638	172,149	195,543	174,438	1%

¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

TOTAL GREENHOUSE GAS EMISSIONS (SCOPE 1-3)

in t CO₂e per € m total operating performance



¹⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

TOTAL GHG EMISSIONS BY REGION (SCOPE 1 – 3)¹⁾

in t CO₂e



¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

MORE ECO-FRIENDLY TRANSPORT

Efficient and eco-friendly logistics at the PHOENIX group are built on the foundations of our modern vehicle fleet, transparent database, and resource-efficient driving style. On this basis, we aim to continually minimise the GHG emissions caused by transport.

Adjusted for special and non-recurring effects, our transport emissions rose by 1 per cent in the reporting period compared with the previous year. Overall, we recorded an increase of 5 per cent, which is attributable in particular to the integration of our Romanian subsidiary into the data collection system. In the reporting year, our subsidiary transmed with companies in Austria, Bosnia and Herzegovina, Czech Republic, Germany, Serbia, Slovakia and Switzerland covered a distance of around 1.81 million kilometres with just under 2,900 vehicles. Short lease terms of 36 months on average allow transmed to run a modern, fuel-efficient fleet. The company maintains a detailed overview of its vehicles' features. This means it can analyse the annual mileage per branch, information about the categories and models of vehicles, and the fuel types used. When purchasing new vehicles, transmed ensures that they comply with current pollutant standards.

TRANSPORT EMISSIONS

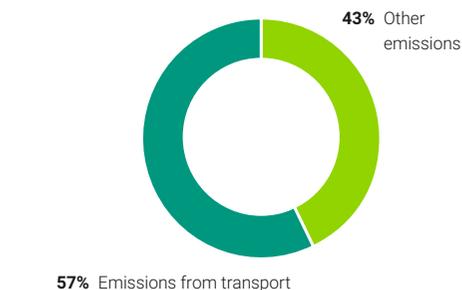
in t CO₂e per € m total operating performance



¹⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania).

SHARE OF TRANSPORT EMISSIONS¹⁾ COMPARED TO TOTAL EMISSIONS

in t CO₂e per € m total operating performance



¹⁾ Own transports and transports by subcontractors. Display of values incl. special and non-recurring effects.

transmed regularly provides its employees with information about fuel-efficient driving. The wide range of measures for more eco-friendly operation includes, for example, switching off the engine when making a delivery as well as ensuring optimal loading. Our Serbian subsidiary rewards fuel-efficient driving with monetary incentives, for example.

Tamro, the Swedish subsidiary of the PHOENIX group, is using eco-friendly fuels based on biodiesel (HVO100) [Glossary p. 38](#) in conjunction with its logistics partners. Consumption increased by 23 per cent from 0.77 million litres to 1.01 million litres in the period reported. The majority of transports for the PHOENIX group are carried out by subcontractors.

03

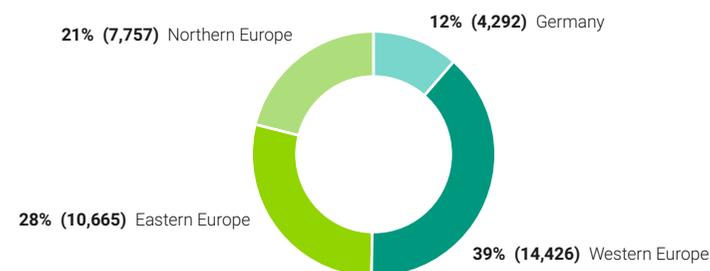
SUPPORTING EMPLOYEES

The success of our company relies on motivated and committed employees. At the same time, we face growing challenges, such as the shortage of skilled personnel and demographic change, to which we must find answers through a coherent HR strategy. This is a responsibility of Corporate HR, which reports directly to the Executive Board. It is particularly important to us that we offer our employees attractive working conditions and interesting career opportunities. The key pillars of our corporate culture include open dialogue and good relations between management and employees. In the  code of conduct that applies to all employees of the PHOENIX group, we pledge to uphold the principles of equal opportunities and mutual respect. As a result, every employee receives the same treatment and the same opportunities in every aspect of the employment relationship. We base our employees' remuneration on their respective qualifications, professional and personal aptitude, as well as on their performance. The creation of a safe and healthy work environment also has a major impact on the satisfaction and productivity of our employees.

EMPLOYMENT

At the end of fiscal year 2018/19, the PHOENIX group employed 37,140 staff (previous year: 33,944) within 27 countries (previous year: 26) in Europe. The number of employees thus rose by 9.4 per cent compared with the previous year, due in particular to the first-time consolidation of the companies in Romania. At 5,704 (previous year: 6,032), the largest number of employees is registered in the United Kingdom, followed by the Netherlands at 4,723 (previous year: 4,547), Norway at 4,293 (previous year: 4,037), and Germany at 4,292 (previous year: 4,311).

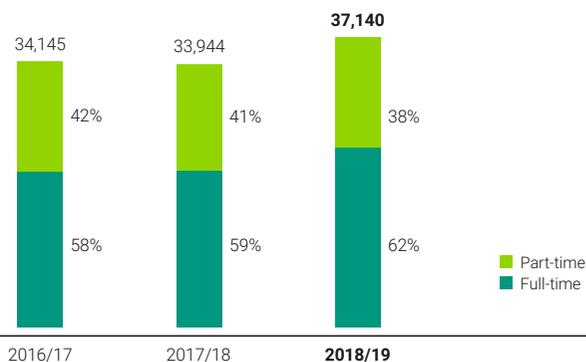
REGIONAL DISTRIBUTION OF EMPLOYEES (2018/19)



The proportion of female staff employed by the PHOENIX group in the reporting year was around 71 per cent (previous year: 70 per cent). Of these female employees, 14,352 (previous year: 12,004) were in full-time positions, whereas the number of men in full-time employment was 8,672 (previous year: 7,902). The total number of full-time equivalents has increased by 11.3 per cent to 30,897 (previous year: 27,749). Part-time positions were occupied by 2,205 male PHOENIX employees (previous year: 2,236) and 11,911 female staff (previous year: 11,802). The proportion of employees working part-time thus amounted to 38 per cent (previous year: 41 per cent).

EMPLOYEES BROKEN DOWN INTO FULL-TIME/PART-TIME

as of 31 January



PROFESSIONAL DEVELOPMENT AT EVERY CAREER STAGE

We believe it is important to recognise our employees' potential and systematically develop their abilities. To achieve this, we use an efficient and comprehensive system of further training in all countries, which allows staff to enhance their professional skills and breathe new life into their personal development. We run targeted induction programmes and training courses for our employees to suit their area of responsibility. Mandatory elements include training in good distribution practice (GDP), the code of conduct, the anti-corruption guidelines, and the competition compliance guidelines. Topics relating to occupational health and safety, personnel management, legal considerations, data protection, IT, and languages also play a key role in the professional development of our employees. In addition to face-to-face instruction, we mainly use e-learning systems, with which

our employees can undertake efficient, independent training on a variety of topics. At European level, we are also steadily intensifying the exchange of best practices for the implementation of training concepts through our excellence programmes.

An important element of staff development at the PHOENIX group is the annual employee review. These reviews may be organised differently in the various subsidiaries, but structured feedback and the support of employees in their professional development is common to all. In the reporting year, 68.8 per cent¹⁾ of our workforce had an employee review.

Talent management for international leaders

The PHOENIX group endeavours to fill management positions primarily from within the company. To this end, we have established cross-border succession planning for top positions, which opens up international career opportunities for our managers while strengthening their connection to the company. Our talent management scheme underpins this approach. It determines key positions, identifies top performers, and provides optimal opportunities for promotion. In fiscal year 2018/19, there were more than 250 PHOENIX group managers in the talent management programme. We offer appropriate development programmes for managers at various levels:

- Top Management Education Programme (TMP),
- Senior Management Education Programme (SMP), and
- Middle Management Education Programme (MMP)

In the last year, we completely redesigned the Middle Management Education Programme on the basis of the previously established European Management Development Programme. We launched the new Senior Management Education Programme in the reporting year to also develop senior managers with potential (managers from the second highest level) by means of a group-wide talent programme. The latter two programmes focus on leadership skills training and the promotion of a culture of cooperation across national borders and functions. Since 2017, all top managers of the PHOENIX group have completed the Top Management Education Programme. The dynamics of the programme and the resulting network will continue to be used in new formats in the future.

¹⁾ Bulgaria, Czech Republic, Latvia, Switzerland, and the United Kingdom are not included in the value.

Opportunities for apprentices and students

The PHOENIX group offers motivated young people a wide range of ways in which to start their careers, including work experience placements, apprenticeships, and dual study programmes. As at 1 October 2018, the PHOENIX group employed 115 apprentices and 14 students on dual programmes at its German subgroup. Dual study degrees give students the opportunity to complete part of their training at one of our subsidiaries. In fiscal year 2018/19, students gained experience in Italy and Hungary.

IMPROVING DIALOGUE AND COMMUNICATION

We cultivate a corporate culture based on dialogue, which is shaped by the values enshrined in our corporate mission and our group-wide leadership guidelines. On the one hand, communication takes place via the annual performance review between managers and staff. On the other hand, we want to assess our employees' level of satisfaction in their jobs by means of direct surveys. We also aim to enhance digital employee communication in future. Since 2019, we are therefore gradually introducing an app that will enable our employees to communicate across divisions and national borders. More details are available on our  website.

Survey confirms employee satisfaction

As part of a group-wide employee survey in autumn 2018, around 34,000 employees across Europe had the opportunity to assess the PHOENIX group as an employer. In the anonymous survey conducted by Corporate HR in cooperation with an external service provider, 64 per cent of the workforce gave feedback on their individual working situation. Most employees said that the PHOENIX group remains the right employer for them. Many of them were very satisfied with their work environment. Furthermore, the employees rated leadership performance as good. Compared with the figures for 2015, most countries had either improved their leadership rating or kept it stable.

It became clear that the employees in countries or business areas in which an effective and efficient follow-up process was carried out following the employee survey in 2015 feel more strongly connected with the PHOENIX group. However, we see an overall need for improvement in order to increase the level of commitment throughout the PHOENIX group. In future, the

Executive Board of the PHOENIX group will receive a quarterly progress report on the follow-up process and discuss the development status with the management teams in the respective countries on a regular basis. In 2020, there will also be a pulse check in all countries to measure the development of the commitment.  2018/19 annual report, p. 69.

Dialogue with employee representatives

The PHOENIX group sets great store by its cooperative relationship with the employee representatives, following internationally recognised standards as well as the legal framework of each individual country. One expression of this is the works council for the European company ("SE"), which was established in 2018 and reflects the international nature of the company structure. This panel of 38 members correspondingly engages in dialogue with company management on cross-border issues and projects, such as the employee survey, work-life balance, and occupational health management. As such, the panel of employee representatives is also actively involved in the company's key sustainability topics at group level.

OCCUPATIONAL HEALTH AND SAFETY

We have a special responsibility for the health of our employees and therefore take care to ensure safe working practices. As part of our quality management system, we guarantee strict compliance with the relevant laws and regulations of the individual countries and of the European Union. Systematic risk assessments for each workplace are mandatory, as is the implementation of appropriate preventative measures. In this area, we are working to further expand our occupational health management system and to decrease the group-wide illness rate in the company.

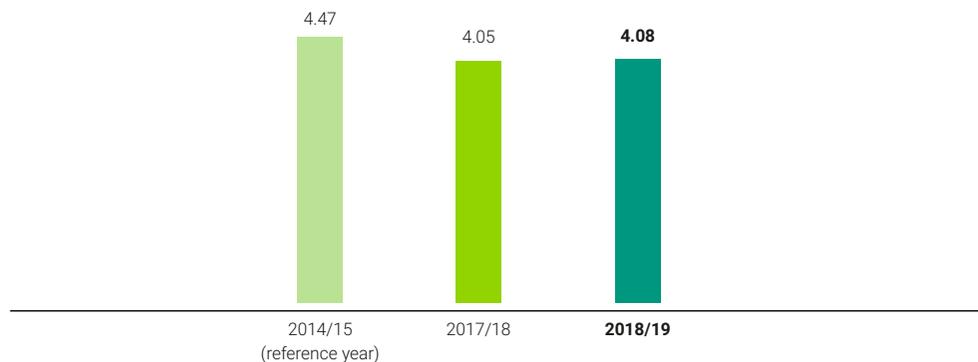
Our approach: promoting health and preventing accidents

An occupational health management system in the subsidiaries supports the decrease in the illness rate through numerous projects, including health days at the distribution centres. These focus on measures such as early cancer diagnosis, advice on managing stress, and healthy eating. As well as corporate integration management, effective and respectful conversations between managers and employees about returning to or absences from work also make an important contribution.

We were not fully able to achieve our target of a 1 percentage point reduction in the illness rate by fiscal year 2018/19 (reference year 2014/15). In the reporting year, the illness rate was 4.08 per cent (previous year: 4.05 per cent) and has thus risen slightly compared with the previous year. There are different reasons for this at country level. For example, the unusually severe flu epidemic at the beginning of 2018 led to an increase in the illness rate in the Eastern European subsidiaries. Our goal is to reduce the group-wide sickness rate by 8 per cent from three-year average by 2021/22. Further efforts are needed to achieve this goal. We are currently working on practical measures that are to be implemented throughout the group in the future.

SICKNESS RATE

in %



Regular employee training makes the greatest contribution to accident prevention. The main topics are fire protection, workplace ergonomics, correct lifting techniques, and the safe operation of machinery and equipment in the distribution centres, especially forklift trucks. Very close attention is also paid to protective workwear in all our subsidiaries.

Within the PHOENIX group, we registered 413 injuries (previous year: 451) resulting from accidents at work during the reporting period. Compared with the previous year, this corresponds to a decline of 8.4 per cent (previous year: 22.8 per cent). With a total of around 52.71 million actual working

hours (previous year: 50.51 million), this equates to a company-wide accident rate of 7.84 accidents (previous year: 8.93) per one million working hours. In comparison with the previous year, this is a reduction of 12.3 per cent (previous year: 24.7 per cent).

Total recordable injury frequency (TRIF)

per one million working hours	2016/17	2017/18	2018/19
Injuries with lost time ¹⁾	584	451	413
Actual working hours	49,244,669	50,505,980	52,711,629
Total recordable injury frequency (TRIF)	11.86	8.93	7.84

¹⁾ Reporting based on local regulations and includes work-related and travel accidents.

Healthcare partnerships

PHOENIX in Germany has been cooperating with pme Familienservice since autumn 2018. This organisation supports employees through difficult situations in their private and professional lives by providing advice and a range of services. In the 2018/19 reporting year, pme Familienservice received a total of 25 enquiries on various subjects relating to coaching for personal life circumstances, childcare, and looking after relatives in need of care. PHOENIX employees in the United Kingdom have been benefitting from a similar, around-the-clock service for several years. Since 2016, employees in Germany have also had the opportunity to lease a bicycle in collaboration with the company JobRad and boost their health by taking more exercise. There are currently 303 of these bicycles in use, of which 128 are conventional bikes and 175 electric.

Our subsidiary in Italy has established protective mechanisms for its employees to shield them against electromagnetic fields in the workplace. PHOENIX staff in Austria can take advantage of medical massages and health checks. Our Estonian subsidiary gives its employees free flu vaccinations, and its occupational health management system is focused on promoting sports. Our employees in Norway enjoy subsidised access to fitness studios or other sporting activities, while those in Denmark can take out health insurance cover at a discount.

04

COMMITMENT TO SOCIETY

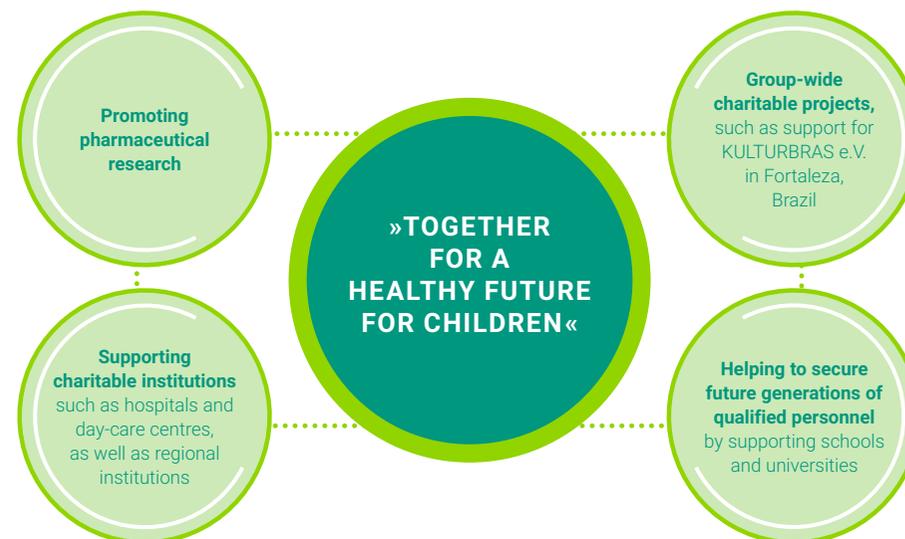
We aim to use our resources to make a positive contribution to the common good, beyond the scope of our core business. The assumption of social responsibility is part of our corporate philosophy and firmly rooted in our values. We have summed up our approach to social commitment under the motto "Together for a healthy future for children". We focus our assistance on areas where we have particular expertise. Above all, we support pharmaceutical research, charitable organisations such as hospitals, children's day-care centres, and regional institutions, group-wide projects in support of the common good, as well as schools and universities. In doing so, we are building on selected flagship projects and smaller social initiatives in the vicinity of our sites. Our employees are also involved in various ways in a range of charitable projects. The PHOENIX group supports them in their efforts, topping up the donations they have collected by a certain amount, for example.

Guidelines ensure compliant behaviour

It is essential that all donation and sponsorship activities are carried out in accordance with legal requirements. The PHOENIX anti-corruption guidelines – which apply to the whole group – must therefore always be observed when we organise our projects. Furthermore, we adopted guidelines for donation and sponsorship requests in March 2017, which are also applicable group-wide. This document primarily contains criteria and helpful information for the selection of suitable projects for all subsidiaries and our partners. It also defines the activities that will not be supported. These include events held by political parties or branches of government. It also excludes projects from which PHOENIX generates corporate advantages as well as the promotion of organisations that are opposed to our interests or could damage our company's reputation. Our subsidiaries continue to make decisions locally about the projects they support in their respective areas.

So that our engagement achieves a more goal-oriented contribution to society, we want to give our social commitment activities a greater strategic focus in future. For this reason, we are currently working on a company-wide corporate citizenship strategy, which we will adopt in 2020.

FOCUS OF OUR SOCIAL COMMITMENT



FOR A FUTURE WITH A GOOD QUALITY OF LIFE

For over 25 years, the PHOENIX group has been supporting KULTURBRAS e.V., an association based in Germany and Brazil. The association's core activity is the operation of a day-care centre in Fortaleza, Brazil, in which about 100 schoolchildren aged between 3 and 13 currently attend school and receive regular meals. Since it was opened, the school has supported and cared for around 1,200 disadvantaged children. The association's administrative functions in Germany are undertaken by volunteers. It is anchored that one of PHOENIX employees is always involved with KULTURBRAS e.V.  [Video Kulturbras.](#)

»What is being achieved at Kulturbras fits exactly with the motto of our social commitment 'Together for a healthy future for children'. All children, wherever they are born, should have the same opportunities in life.«

OLIVER WINDHOLZ, Chief Executive Officer



Around 100 disadvantaged children between the ages of three and thirteen come to the Kulturbras day-care centre every day. Once there, they are given meals and can play with other children in a carefree environment.

Our subsidiaries' other important projects include support for Sweden's Queen Silvia Hospital; the National Society for the Prevention of Cruelty to Children (NSPCC), the British Heart Foundation, and cancer research in the United Kingdom; as well as various charitable foundations for the well-being of children and local social welfare organisations supported by the BENU pharmacies in Hungary. As part of the Do Good campaign, Tamro in Estonia donated around 3,000 pharmaceutical products to families in need during the reporting year.

In Romania in 2018, Help Net Foundation and Farmexim together donated over 130,000 euros for charitable projects, including the organisation "Save the Children" Romania, several day-care centres for children with disabilities and illnesses and orphanages. This meant that Romania - after Germany - had the second largest investment in the common good. For the PHOENIX group as a whole, the total donation in fiscal year 2018/19 amounted to approximately EUR 1.2 million (previous year: EUR 0.9 million).

PHOENIX PHARMACEUTICS SCIENCE AWARD

The PHOENIX Pharmaceuticals Science Award has now been one of our flagship projects for more than 20 years. During this time, we have reinforced the original intention of maintaining and publicising cutting-edge research in Germany with the objective of using this approach to strengthen the pharmaceutical supply chain. Every year, an independent jury sifts through innovative, original work with pharmaceutical relevance from Germany, Austria, and Switzerland. From these entries, prizewinners are selected in four categories. The accolade, with a total value of €40,000, is one of the most prestigious science prizes in the German-speaking world. It is also the only award that recognises the latest work from an entire scientific field. In October 2018, the Science Award was presented for the twenty-second time. The research carried out by the prizewinners investigated the use of so-called magic mushrooms to treat depression, harnessing bacteria for state-of-the-art wound care, fighting non-alcoholic liver diseases, and the role of the protein Plexin-B2 in the perception of pain in adults.  [Science Award.](#)

FURTHER INFORMATION

REPORT PROFILE

Foundation and reporting principles

The PHOENIX group aims to communicate transparently and to seek direct dialogue with its stakeholders. This report on fiscal year 2018/19 provides comprehensive information about our company's sustainability activities. It has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We submitted the report for review by the GRI Materiality Disclosures Service, which confirmed that the Materiality Disclosures (102-40 to 102-49) have been correctly located in the report.

The PHOENIX group has published one Sustainability Report annually since fiscal year 2014/15. This report relates to the fiscal year from 1 February 2018 to 31 January 2019 and, whenever possible, also contains comparable data relating to the previous year or years. In this report, we describe the development and the results of our company's sustainability activities from all of the subsidiaries and their domestic affiliates. Individual key figures from the 2017/18 reporting year have had to be adjusted in the report. The figures used in the tables have been rounded. The totals do not always add up exactly.

Basis of consolidation

GRI 102-45, GRI 102-48

The term PHOENIX group refers to the entire PHOENIX group as depicted in the 2018/19 annual report. In the reporting period, the company increased in size through the following significant acquisitions. On 31 July 2018, the PHOENIX group took over the Romanian pharmaceutical wholesaler Farmexim S.A. and the nationwide pharmacy chain Help Net Farma S.A. The process of collecting data for the 2018/19 Sustainability Report encompassed both companies, although not all data was available in the first year. In relation to the environment, the key figures include only some of the data on the retail business, which is indicated in each case. Any deviations from the report boundaries for other key figures are explained in the corresponding footnotes. For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. We report direct and indirect greenhouse gas emissions using UK Defra Conversion factors 2018 and VDA emission factors 2017. For emissions from district heating, we use UK Defra Conversion factors 2018.

Editorial notes

The copy deadline for the 2018/19 Sustainability Report was 12 June 2019. For the sake of simplicity, we refer throughout this report to employees, customers, etc. These terms are used to signify people of all genders on an equal basis.

The Sustainability Report is also available in German and can be downloaded from our  website.

LIST OF KEY TOPICS

GRI 102-44, GRI 102-47, GRI 102-49

Key topics	GRI Aspects	Location of the impacts
Cooperation to combat counterfeit pharmaceuticals	Customer Health and Safety, Socio-Economic Compliance	Internal and external
Supply chain	Procurement Practices	External
Product responsibility	Customer Health and Safety, Marketing and Labelling	Internal and external
Widespread availability of pharmaceuticals	Indirect Economic Impacts	External
Adherence to quality standards	Customer Health and Safety	Internal and external
Customer satisfaction	Customer Health and Safety, Marketing and Labelling	Internal and external
Secure processing of customer data	Customer Privacy	Internal and external
Consumption of resources	Energy, Materials	Internal and external
Transport and logistics	Energy, Emissions	Internal and external
Energy	Energy	Internal and external
Waste	Effluents and Waste	Internal and external
Occupational health and safety	Occupational Health and Safety	Internal
Diversity and equal opportunities	Employment, Diversity and Equal Opportunity, Non-Discrimination, Market Presence	Internal
Long-term talent retention	Employment, Diversity and Equal Opportunity, Training and Education	Internal
Staff development	Training and Education	Internal
Remuneration models based on equal pay	Diversity and Equal Opportunity, Non-Discrimination	Internal
Fair working conditions	Employment, Non-Discrimination	Internal
Social commitment	Indirect Economic Impacts	External
Compliance with laws and standards	Anti-Corruption, Anti-Competitive Behaviour, Environmental Compliance, Socio-Economic Compliance	Internal and external
Economic stability	Economic Performance, Anti-Corruption, Anti-Competitive Behaviour	Internal and external

FACTS AND FIGURES

Added value

		2016/17	2017/18	2018/19
Total operating performance ¹⁾	in € m	30,232.8	31,526.2	33,045.1
Revenue	in € m	24,436.7	24,909.8	25,812.2
Total income	in € m	2,567.6	2,667.9	2,781.2
EBITDA	in € m	429.3	468.0	471.1
Profit before tax	in € m	247.4	264.2	- 30.8
Equity	in € m	2,639.9	2,646.6	2,806.6
Equity ratio	in %	30.5	31.7	33.5
Net debt	in € m	1,643.0	1,783.0	1,432.6
Company rating (Standard & Poor's) ²⁾		BB +	BB +	BB +
Employees (total)		34,145	33,944	37,140
Employees (full-time)		26,611	27,638	29,631

¹⁾ Total operating performance = revenue + handled volume (handling for service charge).

²⁾ Company rating for PHOENIX Pharmahandel GmbH & Co KG.

		2016/17	2017/18	2018/19
Economic value retained of the PHOENIX group in EUR m				
Net turnover		24,436.7	24,909.8	25,812.2
Community investments		0.913	0.914	1.192
Personnel expenses		1,289.2	1,342.4	1,420.8
Operating costs		22,833.3	23,246.4	24,064.6
Taxes and fees		118.2	80.2	84.7
Dividends and interest payments to investors		74.7	66.4	72.6
Economic value retained		120.4	173.5	168.3

Environment

Total GHG emissions (Scope 1–3)¹⁾ Glossary p. 38

CO ₂ e in tonnes	2016/17	2017/18	2018/19	Lfl ²⁾ 2018/19	Δ Lfl 2018/19
Scope 1 total	20,786	25,219	32,046	26,585	5%
Scope 2 total	52,660	55,987	71,912	56,268	1%
Scope 3 total	92,191	90,943	91,585	91,585	1%
Total GHG emissions of the PHOENIX group	165,638	172,149	195,543	174,438	1%

¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

Total GHG emissions by region (Scope 1–3)¹⁾

CO ₂ e in tonnes	2016/17	2017/18	2018/19	Lfl ²⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	165,638	172,149	195,543	174,438	1%
Germany	53,921	53,971	52,907	52,907	- 2%
Western Europe	58,899	66,383	80,648	68,454	3%
Eastern Europe	31,842	31,892	43,579	34,668	9%
Northern Europe	20,993	19,903	18,408	18,408	- 8%

¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

Emissions from direct energy consumption including own transport by region (Scope 1)¹⁾

CO ₂ e in tonnes	2016/17	2017/18	2018/19	Lfl ²⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	20,786	25,219	32,046	26,585	5%
Germany	2,064	2,382 ³⁾	2,244	2,244	- 6%
Western Europe	12,496	15,918	16,398	16,268	2%
Eastern Europe	4,312	4,928	11,331 ⁴⁾	6,000	22%
Northern Europe	1,914	1,991	2,073	2,073	4%

¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

³⁾ Explanation of deviating reported value in the previous year: Hamburg reported a different figure for gas consumption in 2017/18.

⁴⁾ Data collection in Bosnia not possible for transport emissions in 2018/19. Therefore, the previous year's value was assumed.

Emissions from indirect energy consumption by region (Scope 2)¹⁾

CO ₂ e in tonnes	2016/17	2017/18	2018/19	Lfl ²⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	52,660	55,987	71,912	56,268	1%
Germany	18,221	17,618	17,941	17,941	2%
Western Europe	13,157	17,156	29,415	17,351	1%
Eastern Europe	11,860	11,725	16,745	13,164	12%
Northern Europe	9,439	9,488	7,812	7,812	- 18%

¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

Emissions from subcontracted transport by region (Scope 3)¹⁾

CO ₂ e in tonnes	2016/17	2017/18	2018/19	Lfl ²⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	92,191	90,943	91,585	-	-
Germany	33,636	33,970	32,723	-	-
Western Europe	33,246	33,310	34,835	-	-
Eastern Europe	15,670	15,239	15,504	-	-
Northern Europe ³⁾	9,640	8,424 ⁴⁾	8,523	-	-

¹⁾ Explanation of different reported values in the previous year: For the first time this year, we are reporting CO₂ emissions in CO₂ equivalents. Therefore, they are no longer directly comparable with previously reported values.

²⁾ no adjustments necessary

³⁾ Latvia and Norway are not included in the value.

⁴⁾ Explanation of different reported value in previous year: Sweden reported a different value for the consumption of HVO in 2017/18.

Consumption of district heating by region

in MWh	2016/17	2017/18	2018/19	Lfl ¹⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	21,782	21,610	21,140	20,615	- 2%
Germany	4,507	4,594	4,530	4,530	- 1%
Western Europe	0	0	230	230	~
Eastern Europe	3,870	3,298	4,172	3,647	11%
Northern Europe	13,404	13,718	12,208	12,208	- 11%

¹⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania).

Consumption of electricity by region

in MWh	2016/17	2017/18	2018/19	Lfl ¹⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	139,385	147,656	179,435	146,393	- 1%
Germany	32,050	30,936	31,553	31,553	2%
Western Europe	40,238	49,399	74,765	49,910	1%
Eastern Europe	20,698	20,915	30,935	22,748	9%
Northern Europe	46,400	46,406	42,181	42,181	- 9%

¹⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

Non-hazardous waste by region

in tonnes	2016/17	2017/18	2018/19	Lfl ¹⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	23,158	23,852	25,237	24,428	2%
Germany	8,621	8,012	8,079	8,079	1%
Western Europe	7,782	9,005	10,174	9,542	6%
Eastern Europe	2,531	2,590	2,945 ²⁾	2,768	7%
Northern Europe	4,224	4,245	4,039 ³⁾	4,039	- 5%

¹⁾ In order to ensure the comparability of current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and expansion of data collection to include Retail Netherlands and United Kingdom).

²⁾ Data collection of "total other waste" in Bosnia and Bulgaria not possible in 2018/19. The average value of the last three years was assumed.

³⁾ Data collection not possible in Latvia in 2018/19. The average value for the last three years was assumed.

Pharmaceutical waste by region

in tonnes	2016/17	2017/18	2018/19	Lfl ¹⁾ 2018/19	Δ Lfl 2018/19
PHOENIX group	1,432	1,344	1,600	1,383	3%
Germany	194	164	123	123	- 25%
Western Europe	183	260	488	271	4%
Eastern Europe	205	168	190 ²⁾	189	13%
Northern Europe	850	752	800	800	7%

¹⁾ In order to ensure the comparability of the current data with previous years, we have additionally adjusted them for special and non-recurring effects (first-time consolidation of Romania and flooding of Lamezia).

²⁾ Data collection in Bosnia not possible in 2018/19. The previous year's value was assumed.

Employees

Total employees and full-time equivalents (FTEs) by region¹⁾

	2016/17 FTE	2017/18 FTE	2018/19 FTE	2016/17 Employees	2017/18 Employees	2018/19 Employees
PHOENIX group	27,664	27,749	30,897	34,145	33,944	37,140
Germany	3,508	3,434	3,449	4,434	4,311	4,292
Western Europe	11,664	11,398	11,355	15,294	14,653	14,426
Eastern Europe	6,861	7,168	10,097	7,315	7,660	10,665
Northern Europe	5,631	5,749	5,997	7,102	7,320	7,757

¹⁾ Per due date 31 January.

Employees by gender, type of employment and region

in figures	2018/19				
	Total	Full-time male	Part-time male	Full-time female	Part-time female
PHOENIX group	37,140	8,672	2,205	14,352	11,911
Germany	4,292	1,473	339	942	1,538
Western Europe	14,426	3,080	1,179	3,117	7,050
Eastern Europe	10,665	2,680	143	6,821	1,021
Northern Europe	7,757	1,439	544	3,472	2,302

Sickness-related absenteeism¹⁾

in hours	2016/17	Sickness- related absenteeism/ employee	2017/18	Sickness- related absenteeism/ employee	2018/19	Sickness- related absenteeism/ employee
PHOENIX group	2,395,356	70	2,406,548	71	2,534,887	68
Germany	540,683	122	513,278	119	534,089	124
Western Europe	846,403	55	937,939	64	986,598	68
Eastern Europe	411,840	56	390,603	51	436,883	41
Northern Europe	596,429	84	564,728	77	577,317	74

¹⁾ Figures shown are the total of paid and unpaid sick hours.

Total recordable injury frequency (TRIF)

per one million working hours	2016/17	2017/18	2018/19
Injuries with lost time ¹⁾	584	451	413
Actual working hours	49,244,669	50,505,980	52,711,629
Total recordable injury frequency (TRIF)	11.41	8.93	7.84

¹⁾ Reporting based on local regulations and includes work-related and travel accidents.

GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option. This report, entitled "TAKING ACTION", was submitted for review by the GRI Materiality Disclosures Service. The GRI Services team confirmed that the Materiality Disclosures (GRI 102-40 to 102-49) have been correctly located in the report.



GRI Standard	Page	Omissions/Comments
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
ORGANISATIONAL PROFILE		
GRI 102-1: Name of the organisation	5	
GRI 102-2: Activities, brands, products, and services	5	
GRI 102-3: Location of headquarters	5	
GRI 102-4: Location of operations	5 f., AR 52 f.	
GRI 102-5: Ownership and legal form	AR 35	
GRI 102-6: Markets served	5 f.	
GRI 102-7: Scale of the organisation	5, 30	
GRI 102-8: Information on employees and other workers	22, 33	
GRI 102-9: Supply chain	16	
GRI 102-10: Significant changes to the organisation and its supply chain	12 f., 16, 24, 26	
GRI 102-11: Precautionary principle or approach	13, 15	
GRI 102-12: External initiatives	10	
GRI 102-13: Membership of associations	15	

GRI Standard	Page	Omissions/Comments
STRATEGY		
GRI 102-14: Statement from senior decision-maker	3	
ETHICS AND INTEGRITY		
GRI 102-16: Values, principles, standards, and norms of behaviour	6	
GRI 102-17: Mechanisms for advice and concerns about ethics	15	
GOVERNANCE		
GRI 102-18: Governance structure	4, 7, AR 41	
GRI 102-20: Executive-level responsibility for economic, environmental, and social topics	7	
GRI 102-21: Consulting stakeholders on economic, environmental, and social topics	10 f.	
GRI 102-22: Composition of the highest governance body and its committees	AR 40 f.	
GRI 102-25: Conflicts of interest	38 f.	
GRI 102-32: Highest governance body's role in sustainability reporting		This report was reviewed and approved by the Management Board.

AR = Annual Report 2018/19

GRI Standard	Page	Omissions/Comments
STAKEHOLDER ENGAGEMENT		
GRI 102-40: List of stakeholder groups	10 f.	
GRI 102-41: Collective bargaining agreements		In 2018/19, around 46 (previous year: 54) per cent of employees in Europe were covered by collective agreements.
GRI 102-42: Identifying and selecting stakeholders	8, 10	
GRI 102-43: Approach to stakeholder engagement	8, 10 f.	
GRI 102-44: Key topics and concerns raised	8, 11, 29	
REPORTING PRACTICE		
GRI 102-45: Entities included in the consolidated financial statements	28, AR 90 f.	
GRI 102-46: Defining report content and topic Boundaries	8	
GRI 102-47: List of material topics	8, 29	
GRI 102-48: Restatements of information	28	
GRI 102-49: Changes in reporting	8, 29	
GRI 102-50: Reporting period	28	
GRI 102-51: Date of most recent report		1 August 2018
GRI 102-52: Reporting cycle		yearly
GRI 102-53: Contact point for questions regarding the report	39	
GRI 102-54: Claims of reporting in accordance with the GRI Standards	28, 34	
GRI 102-55: GRI Content Index	34	
GRI 102-56: External assurance		A third-party audit was not performed in 2018/19.

GRI Standard	Page	Omissions/Comments
KEY TOPICS		
GRI 201: Economic Performance 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	12	
GRI 201-1: Direct economic value generated and distributed	5, 30	
GRI 203: Indirect economic impacts 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	26	
GRI 203-2: Significant indirect economic impacts	27	
GRI 204: Procurement practices 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	16	
GRI 204-1: Proportion of spending on local suppliers		In General Procurement, products and services are primarily procured from suppliers in the country in which the company is located.
GRI 205: Anti-corruption 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	15	
GRI 205-2: Communication and training about anti-corruption policies and procedures	15	
GRI 205-3: Confirmed incidents of corruption and actions taken		No incidents became known in the year reporting year.
GRI 206: Anti-competitive behaviour 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	15	
GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		In the period reported there were no legal proceedings due to anti-competitive behavior, cartel and monopoly formation.

GRI Standard	Page	Omissions/Comments
GRI 301: Materials 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	17	
GRI 301-1: Materials used by weight or volume	17	
GRI 302: Energy 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	19	
GRI 302-1: Energy consumption within the organisation	20, 31 f.	
GRI 302-4: Reduction of energy consumption	20	
GRI 305: Emissions 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	19, 21	
GRI 305-1: Direct (Scope 1) GHG emissions	21 f., 31	
GRI 305-2: Energy indirect (Scope 2) GHG emissions	20, 31	
GRI 305-3: Other indirect (Scope 3) GHG emissions	20, 31	
GRI 305-4: GHG emissions intensity	21	
GRI 306: Effluents and Waste 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	17	
GRI 306-2: Waste by type and disposal method	18 f., 32	

GRI Standard	Page	Omissions/Comments
GRI 307: Environmental Compliance 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	17 ff.	
GRI 307-1: Non-compliance with environmental laws and regulations		We are not aware of any incidents. The introduction of a group-wide reporting system is currently under review.
GRI 401: Employment 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)		
GRI 401-1: New employee hires and employee turnover	22 f., 33	PHOENIX cannot currently report on fluctuation because the data is not available. A corresponding data collection is being reviewed.
GRI 401-3: Parental leave		In the 2018/19 reporting year, 144 employees in Germany took parental leave. We are currently examining the establishment of a uniform data collection system across Europe.
GRI 403: Occupational Health and Safety 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	24 f.	
GRI 403-2: Hazard identification, risk assessment, and incident investigation	25, 33	

GRI Standard	Page	Omissions/Comments
GRI 404: Training and Education 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	23 f.	
GRI 404-1: Average hours of training per year per employee		Trainings are defined differently in our countries. For this reason, we do not currently have any reliable data on the average annual number of hours for training and further education. We are currently examining the establishment of a uniform data collection system.
GRI 404-3: Percentage of employees receiving regular performance and career development reviews	23	
GRI 405: Diversity and Equal Opportunity 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	22 f.	
GRI 405-1: Diversity of governance bodies and employees	22, 33, AR 41	A group-wide definition and data collection are currently being worked on.
GRI 405-2: Ratio of basic salary and remuneration of women to men	22	
GRI 406: Non-discrimination 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	22	
GRI 406-1: Incidents of discrimination and corrective actions taken		PHOENIX employees can contact the Group Compliance Manager by telephone or e-mail in the event of suspicious cases. The contact details among others are communicated in the Code of Conduct and in the Compliance Principles. Discrimination cases can be reported anonymously around the clock via the online whistleblower system. Cases received are tracked and reviewed accordingly.

GRI Standard	Page	Omissions/Comments
GRI 416: Customer Health and Safety 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	12 ff.	
GRI 416-1: Assessment of the health and safety impacts of product and service categories	13	
GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services		In the year under review, there were no indications of violations of the health and safety impacts of our products.
GRI 417: Marketing and Labeling 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	13	
GRI 417-2: Incidents of non-compliance concerning product and service information and labeling		In the year under review, there were no indications of violations in connection with product and service information.
GRI 418: Customer Privacy 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	15	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data		No substantiated complaints from authorities have been received through our data breach tool. Complaints are generally handled locally. A cross-border violation of the protection or loss of customer data is also not known.
GRI 419: Socioeconomic Compliance 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	13, 15, 18 f., 26	
GRI 419-1: Non-compliance with laws and regulations in the social and economic area		No complaints were received in the year under review. The introduction of a group-wide reporting tool is currently under review.

GLOSSARY

Abbreviations

FMD	Falsified Medicines Directive 2011/62/EU
FTE	full-time equivalent
GDD	German Association for Data Protection and Data Security
GDP	Good Distribution Practice
ISO	International Organisation for Standardisation
NSPCC	National Society of the Prevention of Cruelty to Children
TRIF	total recordable injury frequency

European Healthcare Distribution Association (GIRP)

GIRP is the umbrella organisation for pharmaceutical wholesalers in Europe. It is a non-profit body that represents the national associations of more than 750 pharmaceutical wholesalers serving 33 European countries, including major pharmaceutical distribution companies.

Falsified Medicines Directive (FMD) 2011/62/EU

This directive from the European Parliament and European Council comprises, among other things, the regulations for manufacturing and importing pharmaceuticals, placing them on the market and their wholesale distribution in the European Union. It also lays down provisions concerning active substances.

Good Distribution Practice (GDP)

Standard for the proper distribution and handling of pharmaceuticals.

Greenhouse gas (GHG) emissions

The main natural greenhouse gases are water vapour (H₂O), carbon dioxide (CO₂), methane (CH₄), ozone (O₃) and nitrous oxide (N₂O). In addition, human activities have released other substances classed as greenhouse gases, such as halocarbons (CFC, HCFC, HFC, and PCF) and sulphur hexafluoride. The use of the above-mentioned substances is either partly or wholly prohibited or restricted. They are classified as GHG emissions. Emissions are categorised as Scope 1, Scope 2, or Scope 3, depending on their impact. Scope 1 includes all direct emissions. Indirect emissions from the consumption of electricity or district heat are covered by Scope 2. Scope 3 relates to all other indirect emissions, such as the transport of a company's goods by subcontractors.

HVO100

Biodiesel that is extracted from waste materials such as used grease and cooking oils, as well as vegetable oils from oil-bearing crops.

Pharmaceutical waste

Pharmaceutical products that expired or were damaged during packing or distribution. Pharmaceutical waste must be handled with care and disposed of at hazardous waste treatment facilities.

Warehouse Excellence Initiative

An initiative that was launched in 2013 and centres on making continuous improvements to quality and performance in our distribution centres. In initial workshops, local warehouse employees learn the basics of lean management.

IMPRINT

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