



PHOENIX group

Corporate Social Responsibility Report



2012/13

PHOENIX group in figures

Key figures of the PHOENIX group		2008/09	2009/10	2010/11	2011/12	2012/13
Revenue	in EUR k	21,310,679	21,317,594	21,737,772	21,660,649	21,218,687
Total operating performance ¹⁾	in EUR k	23,987,505	24,433,939	25,062,613	25,479,749	25,251,336
Total income ²⁾	in EUR k	2,118,305	2,143,272	2,204,501	2,266,740	2,335,526
Earnings before taxes	in EUR k	209,063 ⁴⁾	247,239 ⁴⁾	274,911	300,918	237,025
Adjusted earnings before taxes ³⁾	in EUR k	326,353	311,225	328,889	300,918	335,458
Equity	in EUR k	864,681 ⁵⁾	1,092,612	1,772,409	1,935,623	2,103,800
Equity ratio	in %	10.3 ⁵⁾	13.5	23.4	26.1	28.7
Net debt	in EUR k	4,173,527	3,678,418	2,176,588	1,855,743	1,611,518
Company rating (Standard & Poor's)				B+	BB-	BB
Employees (total)		28,291	28,156	27,873 ⁶⁾	29,038 ⁶⁾	28,698
Employees (full-time)		23,365	23,261	23,206	23,850	23,932

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

²⁾ Total income = gross profit and other operating income.

³⁾ Adjusted for impairment losses on goodwill, effects from depreciation or sale of financial assets, one-off effects in connection with the financial restructuring, as well as one-off effects related to the refinancing measures in 2012.

⁴⁾ Adjusted in accordance with IAS 19.93A.

⁵⁾ Adjusted in accordance with IAS 19.93A and other reclassifications.

⁶⁾ Adjusted owing to updated reporting standards.



- > **The PHOENIX group is a leading pharmaceutical trader in Europe**, reliably supplying people with drugs and medical products every day. The PHOENIX group originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994. Today, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare with around 28,700 employees.
- > **In pharmaceutical wholesale**, the PHOENIX group operates 155 distribution centres in 23 countries and supplies pharmacies and medical institutions with drugs and other health products. The company also provides numerous other products and services, from support with patient advice to modern goods management for pharmacies.
- > **In pharmacy retail**, the PHOENIX group is active in eleven countries with around 1,500 of its own pharmacies – 700 of which operate under the corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also represented in the Eastern European and Baltic markets. The more than 12,000 pharmacy employees have 110 million customer contacts each year. They dispense around 240 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.
- > **The Pharma Services division** provides services across the whole supply chain for manufacturers, pharmacies, and patients. We take on the entire distribution process for the pharmaceutical industry as desired, which includes storage, transportation, and goods management.

➤ **Corporate Social Responsibility** becomes an increasingly important component of corporate activities. Our first Corporate Social Responsibility Report includes our commitment to our employees, our business understanding as well as our environmental responsibility. We recognize its importance for our stakeholders and will emphasise the ongoing integration of CSR within our overall strategy and the development of our CSR activities and reporting in the future.

<p>Economic responsibility</p> <p>Page 10</p>	<p>Environmental responsibility</p> <p>Page 14</p>	<p>Personnel and well-being at work</p> <p>Page 22</p>	<p>Quality and compliance</p> <p>Page 32</p>
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Contents

<p>2 PHOENIX and corporate social responsibility</p> <p>2 CEO's review</p> <p>4 Reporting principles</p> <p>6 PHOENIX group corporate responsibility objectives</p> <p>6 Material corporate responsibility aspects</p> <p>8 CASE: PHOENIX group Pharmaceuticals Science Award</p> <p>9 PHOENIX CSR group countries and their stakeholders</p> <p>9 Corporate responsibility management and organisation</p>	<p>22 Personnel and well-being at work</p> <p>23 Personnel in figures</p> <p>25 Uniform management principles</p> <p>26 Motivation and commitment</p> <p>27 CASE: Well-being at work assessed at Tamro Finland</p> <p>28 Promotion and competence development</p> <p>29 A good place to work</p> <p>30 CASE: Stories relating to values from Denmark</p> <p>31 Health and safety at work</p>
<p>10 Economic responsibility</p> <p>11 PHOENIX group and economic responsibility</p> <p>12 PHOENIX group business performance</p>	<p>32 Quality and compliance</p> <p>33 PHOENIX Pharmahandel quality principles in Germany – Interview</p> <p>34 Customer feedback at PHOENIX group</p> <p>34 Various methods for examining customers' views</p> <p>35 Pharmaceutical quality and audits</p> <p>37 Product safety and quality assurance</p> <p>37 Competition and anti-corruption</p>
<p>14 Environmental responsibility</p> <p>15 PHOENIX group and environmental responsibility</p> <p>15 Distribution chain</p> <p>15 Transport and its emissions</p> <p>18 Energy consumption</p> <p>19 Treatment and recycling of waste</p> <p>21 CASE: Eco-efficient pharmaceutical logistics centre</p>	<p>38 Further information</p> <p>38 Self declaration</p> <p>39 GRI Index</p> <p>43 Glossary</p>

CEO's review

Dear Ladies and Gentlemen,

The distribution of pharmaceuticals is one of the critical functions in all societies. It is also one of the most regulated business sectors that allows very little flexibility in how operations are run. It requires safe and reliable supply chain operations from the manufacturer to the patients and consumers, every day throughout the year. The PHOENIX group ensures this in its 23 markets across Europe.

Cost pressure, ever more stringent quality and safety regulations, and an increasingly international pharmaceutical supply chain add to the challenging market conditions that pharmaceutical distribution faces today.

In this ever-changing environment, the PHOENIX group has continuously enhanced its position as a leading pharmaceutical distributor in Europe. Compared with the competition and the market, we performed well again in the fiscal year 2012/13. The total operating performance, which is composed of our net turnover and the volume that we deliver on behalf of pharmaceutical manufacturers decreased only slightly by 0.9%, while at the same time the European pharmaceutical market declined by 2.3%.

The positive development is also reflected in the continuously rising figures for total income and the total income margin, which has increased by 0.5 percentage points to 11% of net turnover in the fiscal year 2012/13. Our unrivalled geographical presence in 23 European countries enables us to balance negative developments in individual markets well at group level. Due to the continuous reduction of net debt over the last years and the strengthened equity ratio, the financial position of the PHOENIX group can be described as strong and healthy. Both our company and bond rating have consistently improved and are currently rated "BB".

Customer orientation is at the heart of our corporate strategy. We ensure that the European pharmaceutical supply chain is functioning well at all times, from the manufacturer to the consumers, in all of our 23 markets. The quality and safety aspects of our operations are key to our success. Dedicated PHOENIX group employees make sure that the drugs are at the right place at the right time on every day, and that they are transported and warehoused in the appropriate conditions. Safety and reliability of our pharmaceutical distribution is important to the societies that count on our services. Due to our stable shareholder structure and our strong financial base, we are long-term orientated. Our condition system is simple, transparent and fair and is designed to foster positive, long-term cooperation with pharmacy customers in order to generate sustainable value for both parties. The PHOENIX group is a reliable, faithful partner to pharmacies, even during testing times of health policy.

Our employees are our most important asset. Without a committed staff, successful business operations are simply not possible. Especially in our sector it is of utmost importance that we keep our promises and consistently act in a dependable manner. In social responsibility there are always areas of development. Practices vary in our group of companies and even our markets differ majorly from each other. Our Leadership Guidelines aim to ensure that the personnel management principles are the same everywhere, despite the differences in companies and markets.

We are also keenly aware of the importance of energy saving methods in our warehouse operations and will continue looking for more energy-efficient solutions in our logistics centres throughout Europe. Our Tampere logistics centre in Finland is an excellent example of an energy-saving facility where heating



“Customer-oriented and sustainable growth is of great importance to us.”

and cooling is provided by geothermal energy and lighting solutions are based on LED technology with detection sensors. Resources are thus saved, which is why we intend to expand this concept to all facilities in the future.

The most substantial environmental impact of the PHOENIX group consists of the road transport of pharmaceuticals. Our own and subcontracted transport amounts to millions of kilometres per month. The optimisation of this aspect of our business will contribute to the reduction of our overall emissions.

This is our first Corporate Social Responsibility Report. We recognise its importance for our stakeholders and will emphasise the ongoing integration of CSR within our overall strategy and the development of our CSR activities and reporting in the future. Increased transparency will enable external stakeholders to evaluate our performance from the new viewpoint of environmental and social responsibility. Many CSR-related activities have a long tradition in the PHOENIX group companies and by means of this report we are able to share that information with our stakeholders.

A handwritten signature in black ink, reading 'R. Pohl'. The signature is fluid and cursive, with the first letter 'R' being particularly large and stylized.

Reimund Pohl
Chief Executive Officer

Reporting principles

Report scope and boundary

The report covers the PHOENIX group business units in Germany, Scandinavia, the Baltic countries, and Poland, later referred as the PHOENIX CSR group. The term PHOENIX group refers to the whole PHOENIX group as reported in our Annual Report. The KPIs relating to the PHOENIX group are taken directly from the Annual Financial Statements.

The objective of this report is to describe the development and results of the PHOENIX CSR group's corporate social responsibility activities that include the following nine countries: Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, and Sweden. Other PHOENIX group countries are not included in the scope of this report.

The objective is for corporate social responsibility reporting to be extended to all PHOENIX group countries by 2015/16.

The corporate social responsibility reporting of the PHOENIX CSR group follows the Global Reporting Initiative (GRI) G3.0 Guidelines. The report features additional company-specific indicators that are material to pharmaceutical distribution activities. It also contains a number of case studies which describe the group's corporate social responsibility in practice.

Our local Site Admins are responsible for the gathering and reporting of the local data.

The PHOENIX CSR group data is gathered and consolidated in the PHOENIX CSM (Corporate Sustainability Management) system, which is made available by an external service provider. PHOENIX CSR group countries' reporting groups headed by the local Site Administrators are responsible for the gathering and reporting of the local data in the CSM system. The Site Admins approve the local data, thus enabling the PHOENIX group CSR team to initiate the aggregation and validation of the data. The objective of the PHOENIX group CSR team is to check the data in all relevant aspects for completeness, reliability, accuracy, and clarity.

Not all CSR group countries were able to fully report data for some KPIs. Since this does not have a substantial impact on the overall significance of the presented data and figures, these cases are indicated by footnotes. Considerable differences between Germany and the other reported business units are based on the different market structures in the countries as well as the size of the business.

The report begins with a section in which the PHOENIX group CEO Reimund Pohl provides a general overview on the PHOENIX group's corporate social responsibility.

This Corporate Social Responsibility Report is published online as PDF on the PHOENIX group website and additionally in printed form.

The GRI Content Index, which facilitates the assessment of how the report meets the GRI reporting requirements, can be found in the GRI Index section.

Reporting period and cycle

This report covers the PHOENIX CSR group's corporate social responsibility performance for the fiscal year 1 February 2012 to 31 January 2013. This is the first Corporate Social Responsibility Report published by the PHOENIX group. The corporate social responsibility reporting process has been adopted from one of the group's former business units, the Tamro Group, which published three corporate social responsibility reports between the years 2010 and 2012.

The former PHOENIX subgroup, the Tamro Group, was the leading pharmaceutical wholesaler and the largest private pharmacy company in Northern Europe. Tamro Group employed more than 5,400 people in eight countries (Norway, Sweden, Denmark, Finland, the Baltic countries and Poland) and had its headquarter in Vantaa, Finland. In 2012, the PHOENIX group dissolved the subgroup structure of Tamro Group and consequently all the former Tamro Group countries now report directly to PHOENIX group.

CSR countries of the PHOENIX group

- PHOENIX CSR group companies
- Other PHOENIX group companies

As of 31 January 2013



PHOENIX group corporate social responsibility objectives

During the fiscal year 2012/13, the objective of the corporate social responsibility process was to extend and transfer the CSR reporting and its further development from the Tamro Group, Finland, to the PHOENIX group management. Due to different monitoring and data collection procedures of the business units, harmonising and completing this transfer phase will take several years. It is estimated that the corporate social responsibility reporting will be extended to all countries of the PHOENIX group by 2015/16.

Quality of the reporting data is essential and has to be comprehensive and comparable.

In this dynamic process, it is essential to continue developing the quality in the reporting data. It is also important that the reporting data relating to different countries is as comprehensive and comparable as possible. Moreover, the accuracy of the data must be assured.

An integral part of developing the CSR reporting process consists in further refining and updating the reporting guidelines used in the PHOENIX group. It is necessary to carry out this development in accordance with the group’s policies and requirements, but also in order to comply with the possible changes in the GRI reporting requirements.

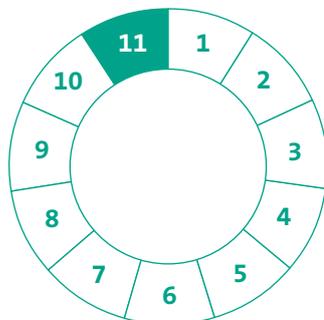
One of the long-term objectives for the PHOENIX group is to integrate corporate social responsibility into the overall decision-making processes. Common understanding of the importance of sustainability to the PHOENIX group’s business promotes this thinking in the entire group.

The PHOENIX group acknowledges that corporate social responsibility reporting and the quality and reliability of the reported data can be developed and improved by training its personnel in corporate social responsibility matters and making everybody more aware of the relevance of reporting.

Material corporate social responsibility aspects

The corporate social responsibility aspects of the PHOENIX CSR group countries regarded as the most significant have been selected based on the Tamro Group materiality analysis of the previous year.

PHOENIX group’s annual corporate social responsibility reporting cycle



- 1 Establish reporting schedule
- 2 Kick off the reporting year
- 3 Corporate CSR team considers material issues to report
- 4 Train CSM end users and Site Admins
- 5 Year-end data gathering starts
- 6 Year-end data entry starts
- 7 Year-end data entry ends
- 8 Data is validated and consolidated by the CSR team
- 9 Draft report is ready
- 10 PHOENIX group management team approves the report
- 11 Report ready to be published

Late in 2011, the Tamro Group carried out an extensive stakeholder survey featuring more than one thousand respondents from all of the nine operating countries (all of which are currently included in the PHOENIX CSR group) to identify the material aspects for this group. The respondents in 2011 represented Tamro’s personnel and management as well as external stakeholders such as pharmacies and hospitals, pharmaceutical companies, business partners, owners, and medical authorities. These results have been reconsidered and further investigated during 2012 for Germany to get an overview for the total PHOENIX CSR group.

The identified material aspects from the stakeholder survey in 2011 were confirmed by Germany.

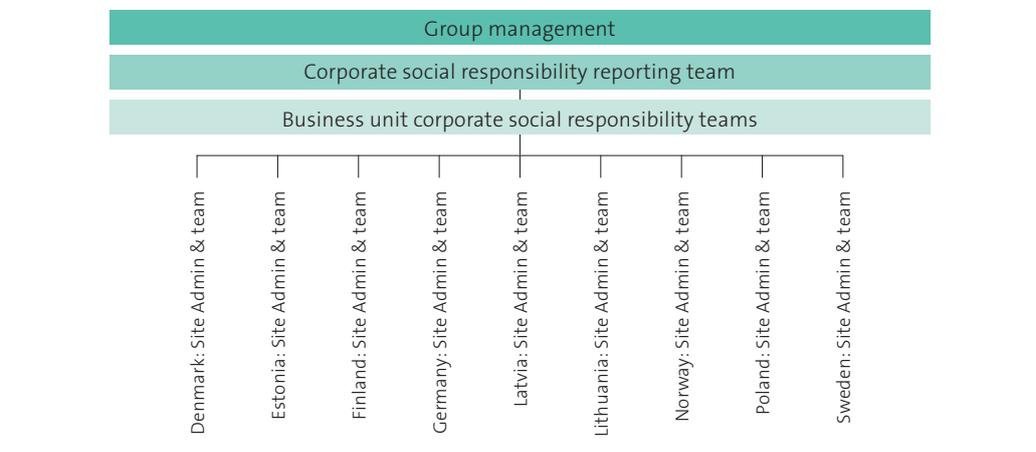
Based on last year’s stakeholder survey and the materiality analysis performed in Germany, the following five aspects in corporate social responsibility were confirmed in comparison with the previous year as the most substantial ones:

- Environmentally safe handling of pharmaceutical waste
- Compliance with laws and regulations
- Ensuring availability of pharmaceuticals
- Ensuring safe and reliable pharmaceutical logistics chain
- On-time delivery of pharmaceutical products

The survey showed no substantial differences in emphasis between the different stakeholders.

The results of the stakeholder survey have also resonated in the drafting of the PHOENIX group Code of Conduct, which will be launched in 2013/14. The PHOENIX group will continue to emphasise quality, safety, and environmental aspects in its operations, as well as compliance with legislation and the group’s internal compliance policies.

PHOENIX group corporate social responsibility organisation





CASE: PHOENIX group Pharmaceutics Science Award



Promotion of pharmaceutical research in German-speaking countries

The pharmaceutical industry is concerned with nothing less than the health of people. In such a sensitive business, it is important to assume responsibility. Not just each employee in his/her daily work, but also the company as a whole.

PHOENIX Germany has been accepting its responsibility and has been acknowledging achievements in fundamental pharmaceutical research. PHOENIX honours innovative and high-quality, original scientific work with pharmaceutical relevance in four categories:

- > Pharmacology and clinical pharmacology
- > Pharmaceutical biology
- > Pharmaceutical chemistry
- > Pharmaceutical technology

The PHOENIX Pharmaceutics Science Award is one of the most prestigious German scientific prizes. It was established by the former CEO, now Chairman of the Advisory Board, Dr Bernd Scheifele in 1996. Since then it has been highly successful, garnering numerous applications. In 2012, more than 50 applications were received.

The condition is that the work was published in a German or English specialist journal in printed form during the previous year. Excluded are journals that are published solely in electronic form. An independent jury under the direction of Professor Dr Jörg Kreuter from the Goethe University Frankfurt assesses the submitted work and determines the awardees for each category. The best work in each category is rewarded with EUR 10,000 and honoured in an award ceremony.

Focus is in particular, on the scientific quality and the long-term significance for pharmaceutical practice. Past topics have ranged from research in targeted cancer therapy to membrane technology processes to investigations in vascular narrowing. These are areas that deal with major health problems of our society and can only be advanced towards a solution through intensive research.

To this day the self declared goal of PHOENIX has been to promote excellent pharmaceutical scientific research in German-speaking countries and to assume responsibility for the scientific base in the pharmaceutical sector. Research is the foundation for better coverage possibilities of current and future patients and is existential for the successful future of the pharmaceutical industry. In times of dwindling funds from the state coffers, the support of the private sector is an important contribution to research funding.

PHOENIX CSR group countries and their stakeholders

The PHOENIX CSR group's stakeholders include parties that have an interest in PHOENIX and are able to influence its business environment and/or operations.

In the wholesale sector, the PHOENIX CSR group's major stakeholders are pharmaceutical companies, personnel, competitors, pharmacies, retail stores, transport companies, and the financial market. In the retail sector, they are patients and consumers. In the pharma services sector, the stakeholders of the PHOENIX group consist of pharmaceutical manufacturers.

Corporate social responsibility management and organisation

The PHOENIX group adheres to the laws and regulations governing the pharmaceutical business in the European Union and the countries where the group operates. The pharmaceutical wholesale and retail businesses are closely regulated, with the purpose of guaranteeing a safe supply chain for pharmaceuticals from the manufacturer to the consumer.

We adhere to laws and regulations governing the pharmaceutical business in the EU.

High-quality distribution of pharmaceuticals requires exact safety procedures and control of the circumstances. All business units of the group follow the EU's Good Distribution Practice (GDP)* in their operations. Local Responsible Pharmacists and Quality Officers ensure that procedures are followed at all times and that personnel receive the appropriate training. Quality and safety are continuously monitored in the group through comprehensive internal and external auditing.

The PHOENIX CSR group is committed to managing and developing its business in a sustainable manner. It is dedicated to providing a safe and healthy workplace for all its employees. These values are emphasised at every level of responsibility within the PHOENIX CSR group. All PHOENIX CSR group countries have various health and safety procedures and policies in place. It is the responsibility of the local management to ensure that these are implemented according to the national labour laws and local customs.

The group CSR team includes members from different departments of the PHOENIX CSR countries. The gathering of CSR reporting data is the divided responsibility of the PHOENIX CSR group countries (local data gathering) and the group CSR team (data consolidation and validation). The group CSR team is responsible for the publication of the report and the development and implementation of the reporting processes.

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* Guidelines of 7 March 2013 on Good Distribution Practice of Medicinal Products for Human Use.



Hyvinvointia matkalle ja arkeen

Matkalla aurinkoon?
Suojaa ihoasi perheesi tehokkaasti UV-säteiltä - rannalla ja kaupungilla!
Aurinkokukka - hänti suojaa ihoa tehokkaasti

SE OIKEA
Tänään -20%

Economic responsibility

Quality, cost awareness, and research for best solutions for the PHOENIX group and its stakeholders are important for our economic responsibility.

> Create value together with the group’s stakeholders. > Provide transparent, consistent, and prompt information. > Among the top 3 pharmaceutical wholesalers in 20 of 23 countries. > PHOENIX group promotes a constructive cross-border exchange of ideas.

PHOENIX group and economic responsibility

The PHOENIX group’s business operations are performed in a responsible and financially profitable way, and resources are used as efficiently as possible. The aim is to create value together with the group’s stakeholders and achieve mutual benefit from the financial result. Operative and financial results are sought through ethical business and fair competition practices.

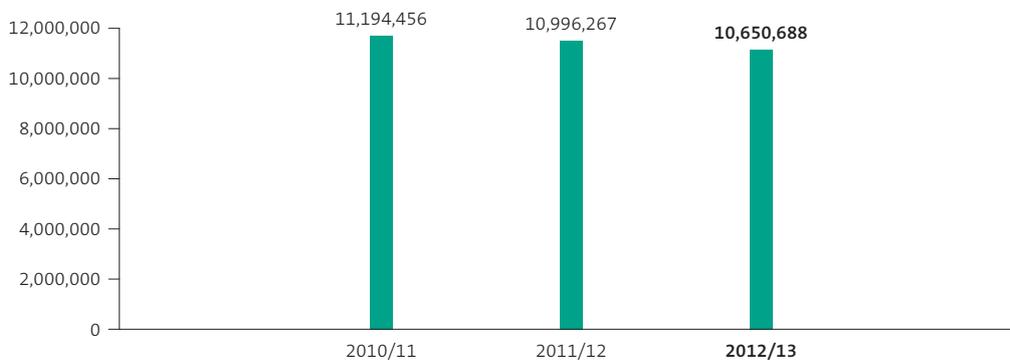
The PHOENIX group is guided by the requirements of the capital market in relation to transparency and publicity. This means that all operations should add value and that the accounting procedures promote transparency and are in line with the International Financial Reporting Standards (IFRS).

The aim of the PHOENIX group’s investor relations is to provide transparent, consistent, and prompt information about developments of the market environment and the company. These activities also serve to increase the understanding of the PHOENIX group’s business. Capital market communication is oriented towards the long term and considered part of the group’s sustainable strategy for value enhancement. Relevant information is made available to all capital market participants on the PHOENIX group website under the Investor Relations section.

The success of the PHOENIX group is based on quality, cost awareness, an ongoing search for the best business solutions for the PHOENIX group and its customers, as well as competent and dedicated employees and management. Through sustainable business practices that take into consideration the requirements of the healthcare sector, continuous improvement, and excellence in implementation, the PHOENIX group seeks to maintain its persistent growth trend and continue strengthening its market position.

Current financial reports can be found at www.phoenixgroup.eu/EN/Service/InvestorRelations/Pages/Publications.aspx

Revenue of the PHOENIX CSR group* in EUR k



* These figures include intercompany revenue.



Customer service is our highest priority in our Tamro Shop in Vantaa, Finland.

We are a leading European pharmaceutical trader with 155 distribution centres.

PHOENIX group business performance

The PHOENIX group is a leading European company in pharmaceutical distribution and retailing. In addition, the group companies operate in related business areas, such as value-added services for pharmaceutical manufacturers.

The PHOENIX group maintains business activities in 23 European countries. In its core business, the PHOENIX group operated 155 distribution centres and a total of 1,500 pharmacies at the end of the reporting year 2012/13, 700 of which operate under the corporate pharmacy brand BENU. The PHOENIX group's country portfolio is highly diversified, with Germany being the largest single market making up around one third of the group's consolidated revenue. Eastern European countries account for approximately 14% of revenue. These markets generally grow faster than the mature pharmaceuticals markets.

The PHOENIX group's overall target is to be among the top 3 pharmaceutical wholesalers in any given country. This goal has been reached in 20 of 23 countries. The PHOENIX group operates its retail pharmacy business in the UK, Norway, the Netherlands, Switzerland, Hungary, the Czech Republic, and the Baltic countries.

The organisational structure of the PHOENIX group is based on the responsibility of each international subsidiary for the operational business and the best local strategy. Flexibility in the national organisations allows the group to respond as effectively as possible to specific requirements in the markets.

The PHOENIX group promotes a constructive cross-border exchange of ideas to make progress and to find the best solutions while using its own resources. Concepts developed successfully in one country are transferred to other countries.



Modified framework conditions require constant adjustment. We simplify procedures and help ease the load for our customers.

As part of this approach, the PHOENIX group established the Supplier Services department in 2010 and renamed it Pharma Services department in 2013 to support and coordinate the collaboration between the business units. Pharma Services provides its expertise as a logistics service provider to companies in the pharmaceutical industry. Value-added services complete the extensive portfolio of services available to our customers.

Pharma Services supports and coordinates the collaboration between the business units.

Economic value retained of all PHOENIX group countries in total 2012/13

EUR k	
1. Net turnover	21,218,687
2. Community investments	-1,496
3. Employee wages and benefits	-1,079,870
4. Operating costs	-19,736,489
5. Payments to governments	-80,318
6. Payments to providers of capital	-167,168
Economic value retained	153,347

Environmental responsibility

The PHOENIX group's objective is to develop and improve its operations and to minimise waste and CO₂ emissions in harmony with the sustainable manner in which we run our business.



> Products have to be stored, handled, and distributed in accordance with relevant local legislation. > Tamro Finland has set the CO₂ limit per kilometre to 160 grammes. > Environmental aspects and energy efficiency will be considered for new buildings. > Business units reduce their use of plastic for internal activities.

PHOENIX group and environmental responsibility

Pharmaceutical safety is a crucial issue in the entire distribution chain of pharmaceuticals from the manufacturer to the patient. In terms of the pharmaceutical distribution activities, the impact on the environment, particularly due to emissions caused by transportation, must be taken into account. The increasing awareness of environmental issues has led consumers to demand that their health products be manufactured and distributed in a sustainable manner.

Pharmaceutical safety is very important in the entire distribution chain of pharmaceuticals.

The high quality and the safety of pharmaceutical products in all circumstances are first of all ensured by European Union law as well as by national legislation. Secondly, there are other binding rules and standards of the industry on the transportation, packaging, and warehousing of medical products. Thirdly, companies involved in pharmaceutical wholesale, distribution, and transportation have to comply with the GDP guidelines.

The PHOENIX group is committed to managing and developing its business in a sustainable manner. With the implementation of corporate social responsibility reporting for the PHOENIX CSR group, waste and CO₂ emissions were measured. This is the starting point to continuously develop and improve our operations and technologies so as to minimise the amount of waste and CO₂ emissions resulting from our business. For example, in all PHOENIX CSR group countries, PHOENIX handles the pharmaceutical waste according to the local hazardous waste instructions to make sure that it is appropriately disposed of. New buildings are designed to be environmentally clever, such as the new logistics centre in Tampere, Finland, which uses geothermal energy for heating and cooling and features a sophisticated, energy-saving lighting system.

The newly developed PHOENIX group Code of Conduct will expect all PHOENIX employees to carry out our business in an environmentally and socially responsible manner. The group is dedicated to sound environmental practices, to providing all employees with a safe workplace, and to eliminating health risks to the highest possible extent.

Distribution chain

The PHOENIX group is committed to guaranteeing a high quality of pharmaceutical distribution at all times. All PHOENIX CSR group countries comply with the principles and guidelines of Good Distribution Practice (GDP), as published by the European Union. The countries are required to have appropriate quality systems in place, which ensure that medicinal products are stored, handled, and distributed in accordance with relevant local legislation.

We comply with the principles and guidelines of Good Distribution Practice.

Transport and its emissions

The pharmaceutical distribution models and the amount of pharmacies and other healthcare units vary from country to country. Each country is also geographically different. In some markets, as in Germany, it is common practice to deliver pharmaceuticals from the PHOENIX logistics centres to the pharmacies several times per day, whereas in other countries deliveries are made a few times per week. This explains the significantly varying amounts of kilometres driven for the delivery of pharmaceuticals in different countries.



Transport optimisation enables lower emissions.



The energy consumption of warehouses and office buildings is considered during the planning phase.

The effects of the distribution chain include emissions from transportation and energy consumption. The most substantial environmental impact of the PHOENIX group's operations is generated by transport.

The majority of pharmaceuticals are delivered by road, partly with vehicles owned by the group companies. However, transportation has mostly been outsourced to subcontractors.

Transport partners are encouraged to consider a fuel-efficient driving style.

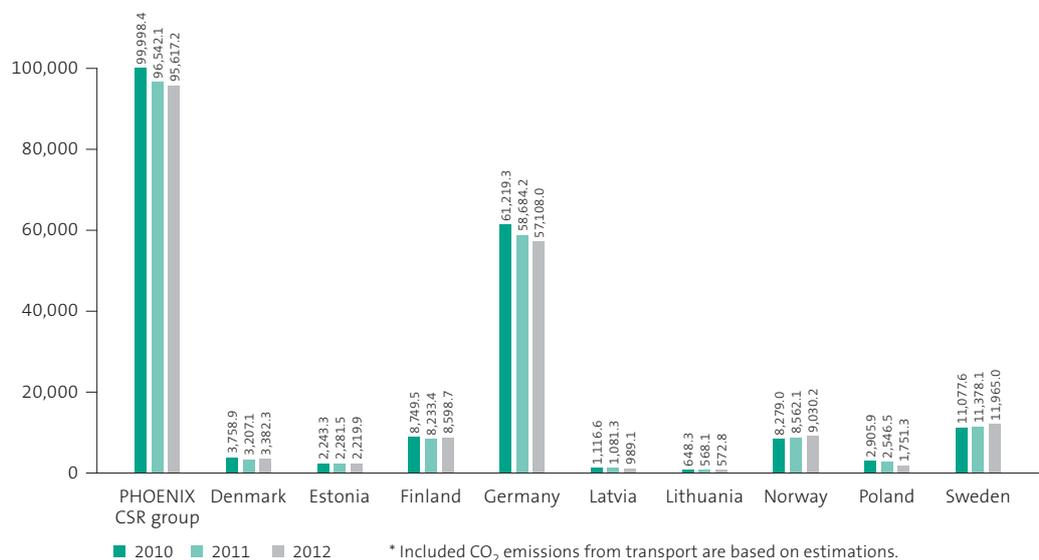
Where the PHOENIX group has own vehicles for transporting pharmaceuticals and company cars for employees, the drivers can be trained to adopt economic driving habits, in an effort to save fuel and generate fewer emissions. Transport partners, too, are encouraged to consider a fuel-efficient driving style.

Tamro Baltics and the Polish business units have vans and passenger cars for product distribution, whereas PHOENIX Germany, Tamro AB Sweden, and Tamro Finland do not maintain their own fleet.

The table includes the PHOENIX CSR group CO₂ emissions from direct and indirect transport as well as direct and indirect energy use. Values are presented in tCO₂ per year.

The Nordic business units lease cars for their employees, setting terms such as limits of maximum CO₂ emission levels to reduce emissions. Ecological choices also provide financial benefits to employees, and choosing a low-emission vehicle may contribute to a small increase in salary. Tamro Finland has created

PHOENIX CSR group's total GHG emissions from 2010/11 to 2012/13* in tCO₂



Emissions from transport ^{1), 2)}

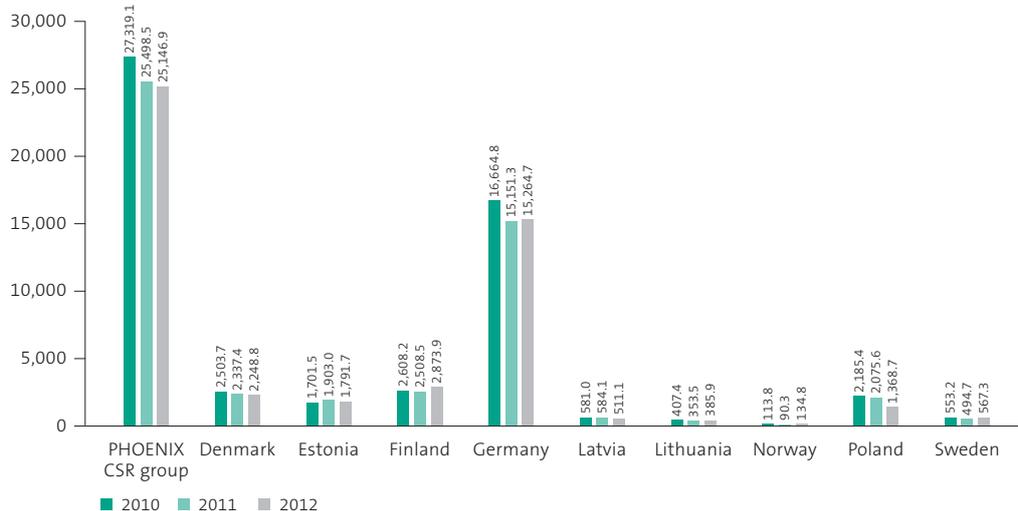
in tCO ₂	Emissions from own transport			Emissions from subcontracted transport		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Denmark	853	870	809	340	0	325
Estonia	274	210	210	0	21	35
Finland	337	0	0	5,725	5,725	5,725
Germany	0	0	0	40,660	40,192	38,476
Latvia	521	449	172	0	48	306
Lithuania	0	0	0	100	99	80
Norway	0	0	0	8,165	8,472	8,895
Poland	208	183	162	0	0	0
Sweden	0	0	0	10,448	10,883	11,398
PHOENIX CSR group	2,193	1,712	1,353	65,438	65,440	65,240

¹⁾ Included CO₂ emissions from transport are based on estimations.
²⁾ The CO₂ emission factors for transport are based on values provided by Lipasto Finland (http://lipasto.vtt.fi/yksikkopaastot/tavaraliikenne/tieliikenne/tavara_tiee.htm).

a Low Carbon Car Policy, setting the CO₂ limit per kilometre to 160 grammes. In Denmark, all company cars are diesel-powered and are equipped with a diesel particulate filter. Also in Norway and the Baltic States, steps have been taken along these lines, for instance by replacing traditional cars with electric ones and making all private use of company cars payable.

The CO₂ emission factors for direct energy use (light fuel oil and natural gas) are based on the EU ETS measurement guidelines (IPCC 1996, Good Practice Guide). The CO₂ emission factors for indirect energy use (district heat and electricity) are country-specific factors that rest upon average values provided by the GHG Protocol Standard. The CO₂ emission factors for transport are based on values provided by Lipasto Finland (http://lipasto.vtt.fi/yksikkopaastot/tavaraliikenne/tieliikenne/tavara_tiee.htm).

PHOENIX CSR group's GHG emissions from indirect energy use from 2010/11 to 2012/13 in tCO₂



The new building in Tampere is heated and cooled by the use of geothermal energy.

Energy consumption

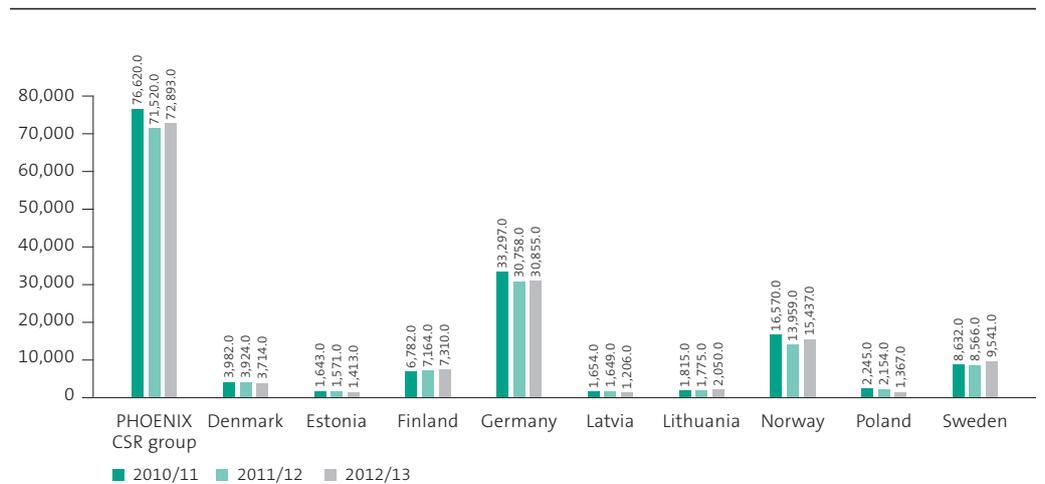
In addition to transport emissions, the energy consumption of warehouses and office buildings must be considered as part of the ecological effects of the distribution chain of pharmaceuticals.

The new addition of the logistics centre built in Tampere, Finland, in 2012 represents one of the biggest construction projects of the PHOENIX group during the past few years. Ecological aspects played a major role in its planning: the building is, for instance, heated and cooled with geothermal energy.

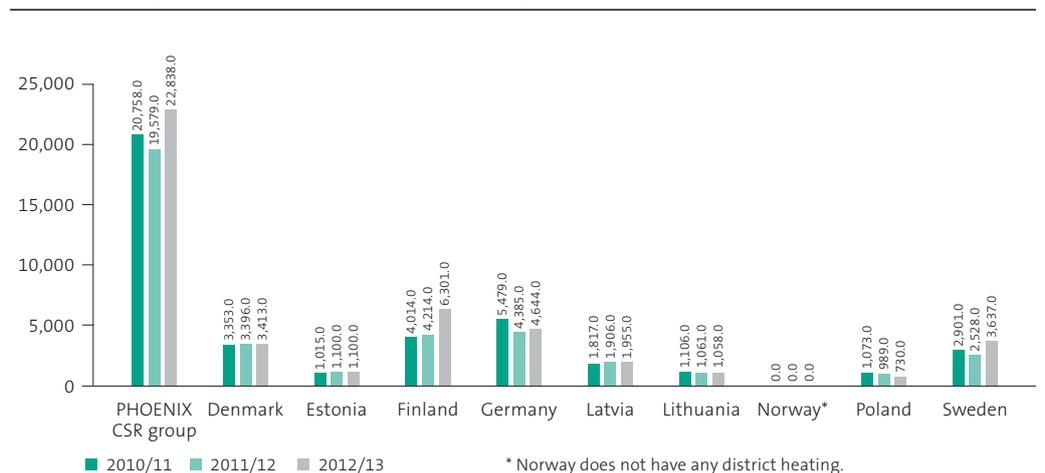
Furthermore, the central warehouse and the distribution centre are now located side by side, which reduces both transport emissions, because goods no longer need to be transported from the central warehouse to the distribution centre, and working hours on the road, thus minimising the risk of accidents.

The PHOENIX group will continue considering environmental aspects and energy efficiency during the planning phase of new buildings in the future.

PHOENIX CSR group consumption of electricity from 2010/11 to 2012/13 in MWh



PHOENIX CSR group consumption of district heating from 2010/11 to 2012/13 in MWh



* Norway does not have any district heating.



The new eco-efficient pharmaceutical logistics centre in Tampere, Finland, fulfills the Good Distribution Practice guidelines as well as Tamro's ISO 9001 quality system requirements.



Drivers of PHOENIX owned transport vehicles are trained to adopt economic driving habits.

Treatment and recycling of waste

The operations of the PHOENIX group generate many different kinds of waste, which need to be handled appropriately in light of environmental health and general safety. The types of waste include pharmaceutical, biodegradable, and energy waste*, as well as plastic, cardboard, paper, and different mixed wastes. Hazardous pharmaceutical waste is delivered to special treatment plants for disposal or incineration.

The objective is to further develop the waste data gathering by reducing the uncertainty in the waste categorisation from country to country and by increasing the accuracy of definitions in the group reporting guidelines. The waste data is incomplete insofar as Norway is not able to provide the waste information from its retail business unit. The waste data from the Norwegian retail business unit is therefore not included in the figures.

Paper, plastic, cardboard, and energy waste are handled appropriately. Biodegradable waste is decomposed where possible, and non-hazardous mixed wastes are delivered to landfills or treatment plants. Only the German, Swedish, and Finnish business units reported the handling of biological waste separately.

The possibilities for recycling vary between the group's countries of operation. In 2012, the amount of non-hazardous waste generated by the reporting business units totalled 12,551 tonnes. Of the different types of waste, paper accounted for the largest share with 6,000 tonnes. The consumption – and thus the amount of waste – of paper is currently at a low level in the Nordic countries. There are several reasons for this development: printing policies, electronic invoicing, and the use of online applications for communication instead of paper.

Several business units are additionally reducing the use of plastic for internal activities. Plastic bags, for example, have partly been replaced by paper bags, and disposable tableware by washable dishes.

Printing policies and electronic invoicing reduce the waste amount in the Nordics.

* Energy waste is waste that is incinerated for energy production.

In all PHOENIX CSR group countries, a majority of the pharmaceutical and other products are mostly delivered to customers – i.e. pharmacies and shops – in plastic transportation boxes. Since they are washable, the amount of packaging waste is consequently reduced.

As for hazardous waste, the total reported amount was about 2,400 tonnes, which consisted mainly of pharmaceutical waste. Two thirds of the pharmaceutical waste originated from PHOENIX Germany. The entire pharmaceutical waste was disposed of by special treatment plants in all PHOENIX CSR group countries.

PHOENIX CSR group hazardous waste generated by PHOENIX CSR group business units from 2010/11 to 2012/13* in tonnes



PHOENIX CSR group non-hazardous waste generated by PHOENIX CSR group business units from 2010/11 to 2012/13* in tonnes





CASE: Eco-efficient pharmaceutical logistics centre

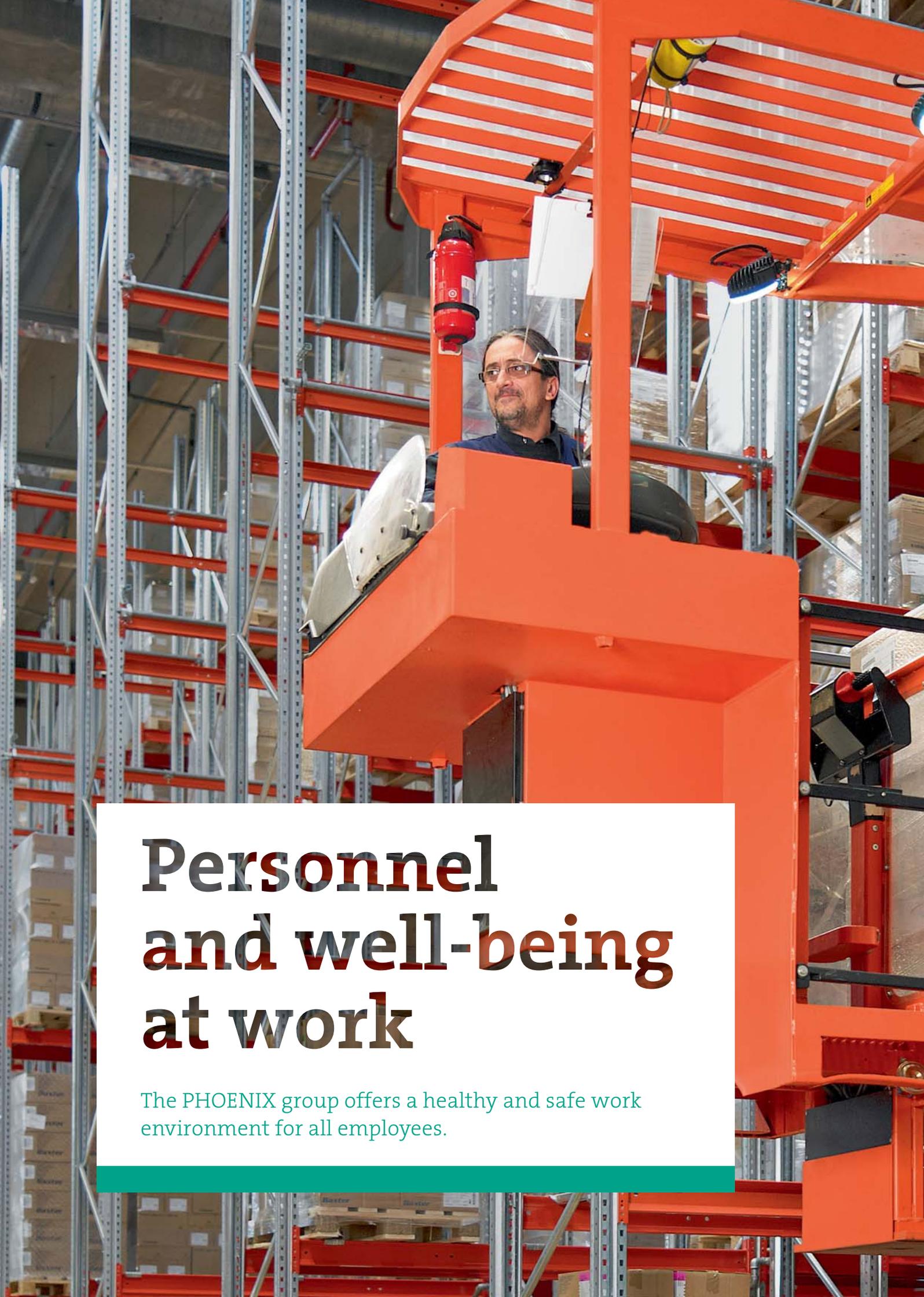


Tamro Finland began to reorganise its logistics infrastructure in 2009 to meet the ever-growing volume requirements of the pharmaceutical manufacturers, the tightening pharmaceutical supply chain regulations, and the special needs of the daily trade customers. The objective was to create a safer, more efficient, and optimised logistics network that would better serve the different stakeholder expectations. The major single part of the logistics reorganisation consisted in the building and implementation of the new Tampere logistics centre. Work started with a preliminary estimation and definition project in 2010, then advanced to the building project in 2011, and finally culminated in the implementation project in 2012. The opening ceremony was arranged for October 2012.

The new extension was designed and constructed to utilise eco-efficient energy solutions. For instance, heating and cooling of the extension predominantly makes use of renewable energy, and lighting is provided with LED motion sensor lights. In addition to the high-bay warehouse, the extension has separate reception areas for incoming goods, for products that can be stored at room temperature and products requiring cold storage. There is also a picking area for cold products and facilities for special warehousing.

The warehouse extension measures about 11,000 square metres and 183,000 cubic metres. It is a high-bay warehouse in which modern solutions address pharmaceutical safety requirements and provide high automation and energy efficiency with consideration of the environment. Tamro's order and delivery process will be streamlined, and product handling will be optimised. It is operated in a sustainable way with geothermal energy for heating and cooling and uses state-of-the-art energy-saving lighting solutions. It is designed to be as safe and secure as possible and has been audited by the authorities and approved to comply with the Good Distribution Practice guidelines and Tamro's ISO 9001 quality system requirements. What is more, the warehouse extension enables a highly efficient and even leaner distribution process.

Tamro is committed to the continuous development of the Finnish pharmaceutical supply chain. We recognise the important role we play as part of our society and work very hard to ensure that Finnish patients receive the medicines they need at the right place, at the right time – safely and efficiently.

A man with glasses and a dark shirt is operating a high-reach orange forklift in a warehouse. The forklift has a red fire extinguisher mounted on it. The background shows tall metal shelving units filled with boxes. The lighting is bright, and the overall scene is industrial.

Personnel and well-being at work

The PHOENIX group offers a healthy and safe work environment for all employees.

> Our Leadership Guidelines help reinforce the corporate culture across the group. > Management programmes in several PHOENIX CSR countries offer talent management. > Reported business units comply with local and EU legislation concerning health and safety.

Personnel in figures

At the end of the fiscal year 2012, the PHOENIX group had a total of 23,932 full-time employees in Europe. 9,127 employees worked in the nine CSR group countries.

In Germany, the largest country of operation, the PHOENIX group’s full-time employees amounted to 3,695. The smaller reporting countries employed an average of a few hundred persons. In Norway, however, the relatively high number of full-time employees of 2,525 is related to the retail staff of Apotek 1, the Norwegian pharmacy chain owned by the PHOENIX group.

More than one third of the PHOENIX group employees work in the PHOENIX CSR group countries.

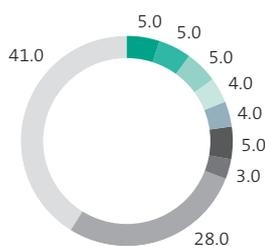
The share of all female employees in the reporting units was over two thirds on average. The majority of pharmacy personnel is typically female, which explains the high proportion of female employees in the CSR group countries with pharmacies (Norway, the Baltic countries, and Poland). In all Baltic states, men only made up 10% of the entire staff. The majority of the group’s top management, however, consisted of men.

HR statistics by country based on full-time equivalent

	PHOENIX CSR group	Denmark	Estonia	Finland	Germany	Latvia	Lithuania	Norway	Poland	Sweden
Total employees	9,127	494	360	428	3,695	386	441	2,525	306	492
Recruitment ¹⁾	1,053	–	41	84	–	68	104	672	53	31
Employment ended ¹⁾	755	–	32	126	–	51	144	202	135	65
Average employee turnover ^{1), 2)}	9.77	–	10	24.3	–	14.77	27.66	17.19	30.07	9.55

¹⁾ Turnover figures for Denmark and Germany are not included due to non-availability of data.
²⁾ The formula for the average employee turnover rate is: (number of recruited and resigned employees) divided by 2, divided by the total number of employees, and multiplied by 100.

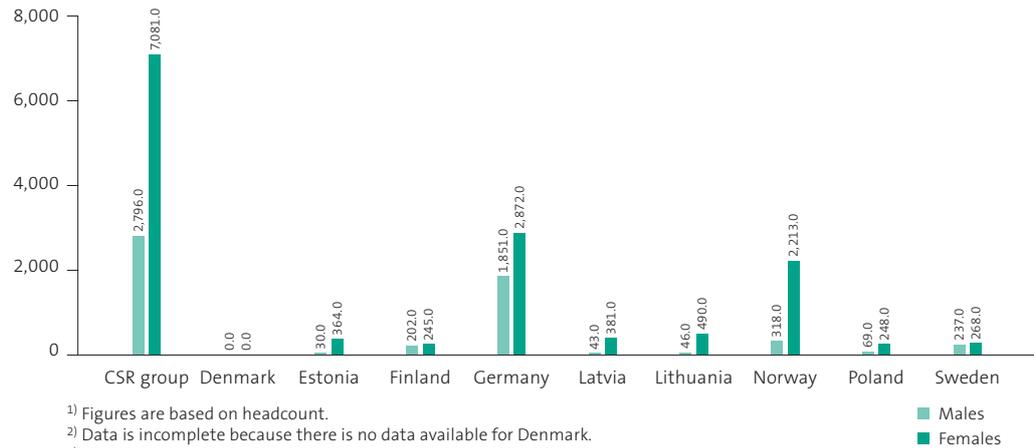
Division of personnel in PHOENIX CSR group countries *



in % of employees/country (2012/13)	31 Jan 2013
Finland	5.0
Sweden	5.0
Denmark	5.0
Estonia	4.0
Latvia	4.0
Lithuania	5.0
Poland	3.0
Norway	28.0
Germany	41.0

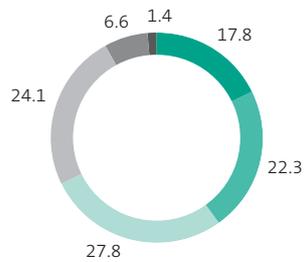
* Figures are based on full-time equivalents.

Personnel breakdown by gender for the PHOENIX CSR group countries in 2012/13^{1), 2), 3)}



¹⁾ Figures are based on headcount.
²⁾ Data is incomplete because there is no data available for Denmark.
³⁾ Norway's gender structure is rendered as full-time equivalent, compared to the other countries that reported figures based on headcount. Therefore, the total number of employees by gender is not comparable to other KPIs.

PHOENIX CSR group personnel breakdown by age^{1), 2), 3)}



by age in %	2012/13
20-30 years	17.8
31-40 years	22.3
41-50 years	27.8
51-60 years	24.1
Over 60 years	6.6
Under 20 years	1.4

¹⁾ Figures are based on headcount.
²⁾ Data is incomplete because there is no data available for Denmark and reporting for Estonia is limited.
³⁾ Norway's gender structure is rendered as full-time equivalent, compared to the other countries that reported figures based on headcount.



The PHOENIX group Code of Conduct will be launched in 2013/14.

Uniform management principles

The uniform management principles in all business units make the PHOENIX group a reliable partner operating throughout Europe. The Leadership Guidelines help to reinforce a practical corporate culture across national and language borders.

Committed employees are an essential factor in ensuring the sustained performance and value generation of the group. The group’s Leadership Guidelines, published in 2006, define the framework for a joint understanding of good management while taking national and regional differences into consideration.

Principles of good leadership and cooperation cover various aspects:



All employees continuously work on generating added value for the customers and the group. Managers promote innovative ideas and constantly improve daily workflows and quality standards together with their staff.

The PHOENIX group’s success is dependent on its employees.

The PHOENIX group considers the respect for the performance of others and their personal and cultural differences to be fundamental elements of the group’s success.

An employee-oriented leadership culture, marked by a spirit of partnership, contributes to both employee satisfaction and the successful performance of the group. In this context, managers and all other employees are equally responsible for cooperation.

Open communication between management and staff forms the basis for successful leadership and cooperation. The group also supports corporate partnership with the workers’ representatives. In many CSR group countries such as Finland, Sweden, Germany, and Denmark, workers’ councils meet regularly with management to discuss issues and the development of the company.

At Tamro Finland and Tamro Baltics, regular town hall meetings are arranged for the personnel. In these meetings, management distributes and discusses information about the financial situation of the company, its business environment, and many ongoing projects and initiatives.

Motivation and commitment

Motivation and commitment of employees is essential for their performance excellence. According to the Leadership Guidelines, it is therefore a significant task of each manager to create an appropriate environment in order to enable all employees to develop their skills and abilities. This includes the optimisation of workflows and workplaces, appropriately delegating challenging tasks to employees, and integrating them into decision-making processes. The evaluation criteria for the work have to be understandable and unambiguous. In addition, acknowledgment of good performance increases the motivation of employees.

Excellent performance requires motivation and commitment.

Managers themselves are required to show personal commitment and self initiative, not only to optimise their range of activities, but also to actively support preliminary and subsequent work processes. Managers act as role models for employees.

It is the managers' task to inform employees in time about any facts and/or circumstances that might be of relevance to them, whether this concerns job-related details or general corporate information.

Moreover, managers and other employees are encouraged to communicate openly on a regular basis. Both groups are responsible for providing relevant information in due time and requesting the submission of any required information. This can be put in practice, for example, by arranging regular meetings between management and workers' councils, town hall meetings for the entire staff, personnel satisfaction surveys, that are already conducted in some of the PHOENIX CSR group countries.



According to the Leadership Guidelines, acknowledgement of good performance increases the motivation of employees.



CASE: Well-being at work assessed at Tamro Finland



Tamro Finland recognises the well-being of employees as a key predictor of productivity and performance. The positive results of the personnel survey are achieved by consistent measures to improve the points of challenge.

Employee well-being has been shown to be one of the key determinants of organisational performance. Motivated employees work harder, make fewer mistakes, fall ill more seldom, and are more dedicated to their employer. Well-being at work consists of physical, social, emotional, environmental, developmental, and occupational factors.

Tamro Finland regularly carries out personnel surveys to detect and correct disturbances in work processes. The questionnaires are handled by a company specialised in the assessment of well-being. Confidentiality and professional interpretation of the results are thus guaranteed.

Jenni Kosonen, HR Director of Tamro Finland, is content with the latest personnel survey of the company.

The overall results in spring 2013 were good in comparison with the average. Evidently, the measures that were taken after the previous surveys have been successful.

The leadership indicators in particular, scored higher than before thanks to the special emphasis laid on management training during the past year. It is also likewise noteworthy that development discussions between employees and their superiors are now held annually.

Other improvement measures include updating office software and training the users, as well as approving company-wide rules on e-mail communication. The pilot project Good Age, which aims to cover the needs of Tamro and its senior employees, was further developed by creating a model for age management and leadership at Tamro and by a further formalisation in Tamro's HR practice.

The changes in the corporate environment are, however, reflected in the issues of communication. Tamro is tackling these challenges by improving its communication practices. The objective is to make sure that each employee receives all information relevant to his or her work. The channels include meetings, newsletters, the Intranet, and information screens. Sharing knowledge creates synergy. To this end, cooperation between units and departments will be enhanced.

In the light of the surveys, Tamro Finland's working atmosphere is on a gradual but steady rise. Consistent measures to improve well-being are bearing fruit.



The PHOENIX group offers the European Management Development Programme for junior executives across the group.

Promotion and competence development

Identifying and systematically promoting the skills and capabilities of employees is essential for the future development of the PHOENIX group.

Talent management and competence development go hand in hand.

It is one of the tasks of managers to identify the employees who show particular potential and willingness to grow and to indicate to them the opportunities and options for their personal and professional development within the group.

To maintain the high level of skill and knowledge of our personnel, the PHOENIX group promotes further training and education based on systematic development concepts and specific qualification programmes, which includes in-house training. These training programmes vary from country to country. In most cases, managers and other employees are offered educational support for their personal development and career growth.

In Sweden, for example, Tamro AB has an institutionalised management programme for newly appointed managers. The Latvian business units offer a wide range of internal and external training for professional skills, and in Denmark, Nomeco has created an internal leadership academy and a talent management programme. Employees in Germany receive training through the PHOENIX Academy, which covers work techniques, sales training, but also various other subjects such as languages and IT training.

For junior executives, the PHOENIX group offers the European Management Development Programme, which prepares participants for management duties across the group. In addition, the PHOENIX group runs the Top Management Education Programme for one hundred of its top executives in collaboration with the IESE Business School in Barcelona, Spain.

Typically, in-house education covers induction programmes for new workers and GDP training, as well as an introduction to the Code of Conduct in the former Tamro Group countries. In 2012, nearly every unit organised management training measures for its middle and top management.

Just like patents and trademarks, the skills of the personnel contribute to the intellectual capital of the group. Consequently, in several business units, such as in Sweden and Denmark, information on the educational certificates and degrees of the employees are registered in a skills database maintained by the Human Resources department.

An important tool for recognising the needs and possibilities for training and career promotion is the development discussion or appraisal meeting, where the employee can discuss and agree on his/her future prospects and relevant training measures with his/her superior. Such an appraisal meeting procedure is already in place in Sweden, Norway, Denmark, and Finland.

As instructed in the Leadership Guidelines, these discussions are held yearly with every employee group in Sweden, Norway, Denmark, and Finland. In 2012, the other reporting countries either limited these discussions to the management level or had not yet established the procedure.

A good place to work

A competent workforce is the key asset of the success of the PHOENIX group and emphasises its image as an attractive and responsible employer. The group aims to provide its entire personnel with a good work environment. In addition to the various local safety and occupational health policies, such as in Finland and Germany, that reflect the local employment laws, the well-being and personal development of every employee are integrated in the business strategies at the local level. In practice this means, among other things, the possibility to use occupational healthcare services, regular appraisal discussions, and competence development by training and participating in projects. Implementation varies from country to country and is subject to local employment laws and regulations.

Our aim is to provide the entire personnel with a good work environment. The personal development of every employee is integrated in the business strategies.

Regular surveys on job satisfaction serve as a tool to discover and correct possible deficiencies. The Norwegian units carry out personnel surveys bi-annually, whereas Tamro Finland and Nomeco do so on an annual basis.

In PHOENIX Germany, a personnel survey is carried out so that each location is evaluated every four years. The focus is on the evaluation of the superiors' efforts in following the subdivisions of the Leadership Guidelines. In the past two years, an average of 74% of all employees have taken part in it. According to the results in 2011 and 2012, both employees and superiors gave the highest grades to cooperation marked by a spirit of partnership. In 2012, motivation and commitment also scored high, but promotion feedback left room for improvement.

The individual countries define their own human resources strategies and special focal areas. For example, in 2007, Tamro Sweden launched the collaboration project Samspelet, the rules and principles of which were updated two years ago.

Samspelet encourages the employees to be open, genuine, and inspirational when interacting with other members of the work community, clients, and stakeholders. As for the terms and conditions of work, each country complies with the national labour law of the respective country. In certain countries, such as Finland, Sweden, Norway, Denmark, and Germany collective agreements apply in addition to individual work contracts.



The key asset of the PHOENIX group's success is our competent workforce in all countries.



CASE: Stories relating to values from Denmark



Nomeco: Leadership based on Values

Nomeco's values have been part of the company for more than 200 years. However, they were only put into print in 2003. The values reflect Nomeco's culture and are the foundation on which the company rests: **Respect, Value Generation, Credibility, Enthusiasm, and Teamwork**. New life was put into these old and viable values in 2011 through a special project, which included several initiatives. One of the first initiatives in the values project was to create a new visual image for them. New photos were taken, each of which symbolises one of the values.

The photos were used in a new brochure, and a number of employees expressed how each individual value is lived up to and experienced in their daily work.

Parallel to this, all departments were asked to describe how they demonstrated the values in their daily work and to share their thoughts about it in the company Intranet NomecoNet.

Nomeco's values are also part of the assessment processes. They form a basis for the annual performance review, are included in the employee survey, and represent an important component of the training and education all Nomeco managers go through.

In the appraisal meeting, all managers are measured on their ability to act in line with Nomeco's values. Value-based leadership is also an important focal area at the internal Nomeco management training academy, where the topic is addressed in various ways.

Values create value

- > Motivated employees perform better
 - > Retention of good employees reduces costs
 - > Clear, respectful, and trustworthy communication reduces time spent on ineffective processes
 - > Better working environment creates higher efficiency
 - > Good leadership reduces the number of sick days
-



Some distribution centres of PHOENIX Germany take part at the JP Morgan Corporate Challenge in Frankfurt am Main.



Office ergonomics evaluation is part of the health day programme.

Health and safety at work

The PHOENIX group protects the health and safety not only of its employees and visitors but also of those affected by its operations in several ways.

The business units, firstly, comply with local and EU legislation and other regulations concerning environment, health and safety. Furthermore, all employees must be provided with appropriate training in relevant laws, policies and practices. All business units take actions to improve the safety of the workplaces and employees. Health and safety operations should include the prevention of illness and injury and the promotion of well-being in the workplace.

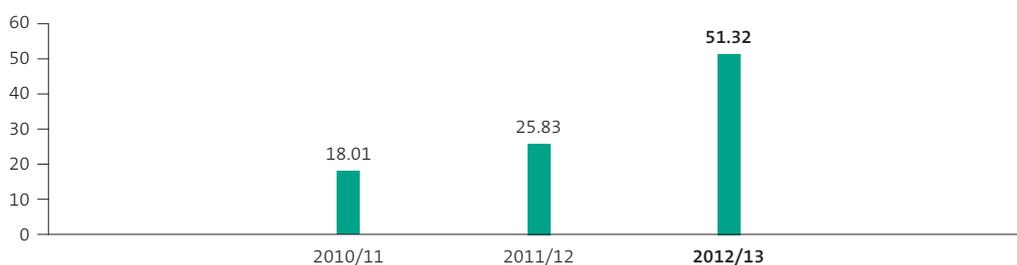
However, due to different national requirements of monitoring and reporting work-time injuries or occupational health, there are no group-wide comparable figures covering the reporting period. In Nomeco, for example, occupational diseases are not followed as a group but all injuries and sick leaves are handled individually.

All business units take actions to improve health and safety of the employees and there workplaces.

In Finland, occupational injuries are reported to a national authority, which makes up official statistics annually. As for Tamro Finland, in addition to obligatory registering of injuries also near misses are reported to the supervisor, who fills in a specific notification form. The report is then analysed and corrective action is taken.

The amount of sick leaves also serves as an indicator of safety and well-being at work. Paid and unpaid absence due to illness, however, was reported inconsistently either in days or hours. Moreover, national legislations on definitions and registering principles of sick leaves and related employee compensation arrangements vary from country to country.

The total rate of occupational injuries from 2010/11 to 2012/13^{1), 2)} per one million working hours



¹⁾ Reporting was done according to local legislations.

²⁾ Latvia isn't included in the reporting.

■ Total Recordable Injuries Frequency (TRIF)



Quality and compliance

Comprehensive quality management forms the basis of the PHOENIX group's success.

PHOENIX Pharmahandel quality principles in Germany

Interview with the PHOENIX Pharmahandel Quality Manager Klaus-Martin Lorek

Why is pharmaceutical quality such an important topic for PHOENIX?

We are committed to high quality. We want to provide our customers with safe and reliable deliveries. We have managed to become one of the leading pharmaceutical distributors in Europe, and only high-quality service enables us to keep it that way. Each and every employee contributes to our overall quality level.

How is Central Quality Management organised in Germany?

Central Quality Management reports directly to the Executive Board. Each distribution centre in Germany has a quality manager who reports to Central Quality Management (CQM). All distribution centres are audited for a period of three years by CQM and are certified by LGA (Landesgewerbeanstalt Bavaria). Regular exchange of information between the central and audit divisions, subsidiaries, quality managers, Central Quality Management, and the Executive Board are crucial. Due to the matrix certification of PHOENIX Pharmahandel GmbH & Co KG with a total of twenty distribution centres and associated companies, Central Quality Management is the supreme supervisory body in pharmaceutical quality issues. The key activities of CQM are the management of the quality system and the certification in Germany through internal auditing procedures and by managing the external audits as well as the ongoing promotion of the Continuous Improvement Process (CIP).



Klaus-Martin Lorek, Head of Quality Management of PHOENIX Pharmahandel

On which legal guidelines is quality management based?

The PHOENIX quality management is based on ISO 9001:2008, the German Ordinance on the Trade with Medicinal Products, and the GDP guidelines. The GDP guidelines form an important foundation for pharmaceutical distribution quality management and apply throughout Europe. Authorities use these guidelines as a basis for their audits. The new guidelines were launched in March 2013 and are far more comprehensive than before. The GDP guidelines contain instructions on topics such as premises and equipment, documentation of processes, transport, complaints, falsified medicine and recall procedures.

What is the added value of a central quality management?

Pharmaceutical wholesale companies such as PHOENIX Germany must be able to react quickly to the demands of the European legislation. In a pan-European group, a qualified and well-structured central quality management can have an influence across the entire group. In different European countries, many of the same statutory provisions and regulations may apply. This entails enormous potential for synergies.

What is the most important criterion in quality management for a pharmaceutical wholesaler such as PHOENIX?

The most important criterion in quality management is compliance with legal requirements as depicted in the Ordinance on the Trade with Medicinal Products. Compliance is constantly monitored by the various regulatory authorities.

What are the implications of the new GDP guidelines of 7 March 2013?

The new GDP guidelines are European directives that have significant effects on the European pharmaceutical market. Upon publication, the member countries of the European Union should be given six months to incorporate these into their national legislation. The implementation of the GDP guidelines represents an enormous economic burden on the pharmaceutical wholesaler. Legislators especially focus on drug safety.

Customer feedback at PHOENIX group

Across Europe, the PHOENIX group's customers include tens of thousands of pharmacies, millions of patients and consumers, and numerous companies in the pharmaceutical industry. This customer structure is reflected in the group's activities in wholesale, retailing, and manufacturer services.

Our core competence is the reliable, secure, and efficient supply of the full range of drugs and health products for our customers.

The pharmaceutical wholesale business, reinforced by sophisticated warehouse and delivery processes, forms the nucleus of the company. Reliable, secure, and efficient supply of the full range of drugs and health products for pharmacies, dispensing doctors, and medical institutions remains the core competence of the PHOENIX group. The group also provides numerous other products and services, from support for patient advice in the pharmacy to the modern goods management system for pharmacies.

In the retail business, the PHOENIX group offers patients and consumers qualified services and advice based on a broad range of drugs and health products via its pharmacies. PHOENIX has retailing activities in 11 countries, where it also operates as a partner to numerous independent pharmacies.

Furthermore, PHOENIX provides professional services to pharmaceutical companies. The core service is modular handling of all goods movements to and from customers in the pharmaceutical industry. In addition, available for pharmaceutical manufacturers are also quality and data management as well as value-added services such as reprocessing and sample distribution, support for clinical trials, and distribution of marketing material.

Various methods for examining customers' views

Regular customer surveys help PHOENIX maintain a strong customer focus and a high level of customer satisfaction. These surveys provide valuable feedback, which is utilised in the operating and development planning of the group and its business units.

For example, PHOENIX Pharmahandel in Germany carries out customer surveys regularly. The latest survey was performed in 2013 and its results will be featured in the next PHOENIX group CSR Report. The target group in these surveys is represented by the buying customers (pharmacies) of all distribution centres in Germany, and the main issues observed include, for example, delivery frequency, visits of area sales manager, and intensity of customer loyalty.

Norway's leading pharmacy chain, Apotek 1, represents the PHOENIX group's retail business in Norway. The chain takes part twice a year in the "Apoteksbarometeret" survey, which also assesses the competitors of Apotek 1. Additionally, close to 1,500 customers participated in Apotek 1's own "Ukjent kunde" customer satisfaction survey in 2012.

The BENU pharmacy chain, representing the PHOENIX group's retail business in Latvia, regularly performs mystery shopping visits at its pharmacies.



For the many temperature-sensitive drugs, we ensure transportation in the cold chain – from the manufacturer to the pharmacy.



The PHOENIX group ensures that medicinal products are stored, handled, and distributed in accordance with local legislation.

In Denmark, Nomeco monitors customer satisfaction while regularly communicating with its customers such as pharmacies and pharmaceutical companies. Information of all contacts with customers and their views on Nomeco are systematically updated in Nomeco's Customer Relation Management system.

In 2012, Tamro AB in Sweden conducted a customer satisfaction survey which indicated, for example, that especially the largest customers of Tamro AB are the most satisfied ones, particularly within the areas of customer orientation, cooperation and quality.

Pharmaceutical quality and audits

The PHOENIX group's suppliers adhere to the principles of Good Manufacturing Practice (GMP), which ensures the appropriate quality of the products in distribution. The quality level must be maintained throughout the distribution chain so that authorised medicinal products are distributed to retail pharmacies and others entitled to sell medicinal products to the general public without any alteration of their properties.

The PHOENIX group is committed to ensuring the quality of pharmaceutical distribution at all times. The group's ethical Code of Conduct will require that all business units comply with the principles and guidelines of Good Distribution Practice (GDP)* published by the European Union. The business units must have appropriate quality systems which ensure that medicinal products are stored, handled and distributed in accordance with relevant local legislation.

Our objective is to maintain the high quality of pharmaceutical distribution at all times.

* COMMISSION DIRECTIVE 2003/94/EC of 8 October 2003, laying down the principles and guidelines of Good Manufacturing Practice with respect to medicinal products for human use and investigational medicinal products for human use.

The PHOENIX group’s business units must have appropriate quality systems in place that ensure adherence to Good Distribution Practice as follows:

- The pharmaceuticals supplied have the approval conformant to the appropriate legislation
- The storage conditions of pharmaceuticals are always monitored, even during transit
- Contamination by other products is prevented
- The turnover of stocked pharmaceuticals is sufficiently fast
- The products are warehoused in safe and protected locations

The quality system must also guarantee the distribution of the correct products to the right recipients within an acceptable time. Additionally, a tracing system is necessary to allow product errors to be traced, and an efficient policy for recalling products from the market is required (Source: European Medicines Agency).

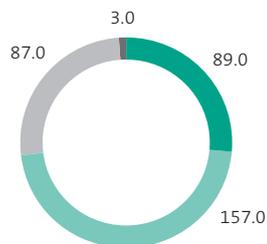
Authorities have performed 157 audits in the CSR group facilities.

The business units examined in this Corporate Social Responsibility Report are all supervised by local pharmaceutical authorities concerning their compliance to Good Distribution Practice. The authorities also conduct regular audits, the total number of which was 157 for the PHOENIX CSR group during the reporting period 2012/13.

In addition, the manufacturer audits the business units of the PHOENIX CSR group on a regular basis. During the reporting period 2012/13, there were 89 audits conducted by manufacturers for the business units examined in this Corporate Social Responsibility Report.

Furthermore, 87 internal audits were carried out in the PHOENIX CSR group countries and three third party audits related to ISO 9001 certifications in Finland, Denmark, and Sweden, as examined in this Corporate Social Responsibility Report.

Total number of audits of the PHOENIX CSR group in 2012/13



Audits	2012/13
Audits by suppliers	89.0
Audits by authorities	157.0
Internal audits	87.0
Audits by third parties	3.0

In the reporting period 2012/13, a total of 336 audits were performed in those PHOENIX group business units that are part of the corporate social reporting process.

The purpose of the audits is to monitor existing procedures and to offer development suggestions, where needed, in order to ensure the continuous improvement of audited areas and procedures.

Product safety and quality assurance

Pharmaceutical wholesalers distribute medicines to pharmacies, hospitals, and other healthcare units according to GDP guidelines. The manufacturers are responsible for the safety and authenticity of the medicines and other healthcare products. Wholesalers and manufacturers work in close cooperation in case of unusual circumstances, such as when products need to be recalled.

We work in close cooperation with the manufacturers.

For the PHOENIX group, comprehensive quality management applies to internal logistics processes as well as to relationships with business partners. PHOENIX knows its customers and is close to each national market. This is the only way to achieve a consistent focus on customers. Market understanding and an emphasis on quality form the basis for customer satisfaction.

The quality and management systems are the foundation of the group's business. Attaining a high quality level is key throughout the distribution chain: product warehousing, distribution to pharmacies and hospitals, and ensuring product availability to consumers in pharmacies or other retail locations. Quality is guaranteed by meeting the appropriate packaging and temperature requirements, by preventing product contamination, and by supervising access to the warehouse area. Trained and skilled employees play a crucial role in safeguarding the quality of daily operations.

The ISO 9001 quality management system is in use in many PHOENIX group business units, such as Tamro Finland, Tamro AB Sweden, Nomeco Denmark, and PHOENIX Pharmahandel Germany. Sweden also holds the ISO 14001 certificate for environmental management.

Competition and anti-corruption

The PHOENIX group and its business units comply with the European and national competition laws and regulations. All employees are expected to strictly adhere to the letter and spirit of the competition law in all jurisdictions, which will be further reinforced by the group-wide implementation of the new anti-corruption and bribery policy.

The new PHOENIX group anti-corruption and bribery policy will be launched in 2013/14.

The PHOENIX group's new anti-corruption and bribery policy will be launched in all group countries in 2013/14. All employees will have an opportunity to address compliance issues locally or, if necessary on group level as well. Since February 2013, the PHOENIX group Compliance Manager has been responsible for setting up the compliance monitoring and issues management procedures.

The PHOENIX group is committed to ethical standards and to the prevention, deterrence, and detection of bribery and all other corrupt business practices.

Self declaration (Application Level)

Report Application Level	C	C+	B	B+	A	A+
STANDARD DISCLOSURES   	Report on: 1.1 2.1–2.10 3.1–3.8, 3.10–3.12 4.1–4.4, 4.14–4.15	REPORT EXTERNALLY ASSURED	Report on all criteria listed for Level C plus: 1.2 3.9–3.13 4.5–4.13, 4.16–4.17	REPORT EXTERNALLY ASSURED	Same as requirement for Level B	REPORT EXTERNALLY ASSURED
	Not Required		Management Approach Disclosures für each Indicator Category		Management Approach Disclosures for each Indicator Category	
	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 a Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omissions.	

* Sector supplement in final version.

GRI Application Level C

I hereby declare that to the best of my understanding this report fulfills the requirements for a GRI G3 Application Level C.

Name: Thomas Ehmann

Position: Chief Representative

Date: 18 December 2013

Signature: 

GRI Index

GRI content	Included	Section	Remarks
1. Strategy and analysis			
1.1 CEO's statement	Yes	CEO's review	
1.2 Key impacts, risks, and opportunities	Partly	PHOENIX group and corporate responsibility	
2. Organisational profile			
2.1 Name of the organisation	Yes	PHOENIX in brief	
2.2 Primary brands, products, and services	Yes	PHOENIX in brief	
2.3 Operational structure	Yes	PHOENIX in brief	
2.4 Location of organisation's headquarters	Yes	Mannheim, Germany	Pfingstweidstrasse 10-12 D-68199 Mannheim
2.5 Number of countries and location of operations	Yes	PHOENIX in brief	
2.6 Nature of ownership and legal form	Yes		Limited liability company; majority owner is the Merckle Group
2.7 Markets served	Yes	PHOENIX in brief	
2.8 Scale of the reporting organisation	Yes	PHOENIX in brief, Economic responsibility, Personnel in figures	
2.9 Significant changes regarding size, structure, or ownership	Yes		Tamro subgroup structure was dissolved in 2012/13
2.10 Awards received in the reporting period	Yes		PHOENIX group has received no awards during the reporting period
3. Report parameters			
3.1 Reporting period	Yes	Reporting principles	
3.2 Date of most recent report	Yes		This is the PHOENIX group's first CSR Report
3.3 Reporting cycle	Yes	Reporting principles	
3.4 Contact point for questions regarding the report	Yes	Corporate responsibility management and organisation	
3.5 Process for defining report content	Yes	Material corporate responsibility aspects, the PHOENIX group and stakeholders	
3.6 Boundary of the report	Yes	Reporting principles, report scope and boundary	Possible deviations and limitations are reported with the respective indicators
3.7 Limitations on the report's scope or boundary	Yes	Reporting principles, report scope and boundary	
3.8 Basis for reporting subsidiaries and joint ventures	Yes	Reporting principles, report scope and boundary	
3.10 Explanation of restatements	Yes		Possible restatements are explained with the respective indicators
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods	Yes		Possible restatements are explained with the respective indicators
3.12 GRI Content Index	Yes	GRI Content Index	

■ Reported ■ Partly reported

GRI content	Included	Section	Remarks
4. Governance, commitment, and engagement			
Governance			
4.1	Yes	Executive Bodies of the PHOENIX group, Report of the Advisory Board	See PHOENIX group Annual Report 2012, page 7-9
4.2	Yes	Executive Bodies of the PHOENIX group	See PHOENIX group Annual Report 2012, page 7
4.3	Yes	Executive Bodies of the PHOENIX group, Report of the Advisory Board	See PHOENIX group Annual Report 2012, page 7-9
4.4	Yes	A good place to work	Shareholder consultation through the annual general meeting, regular works council consultations
4.8	Yes	Material corporate social responsibility aspects, Promotion and competence development, Pharmaceutical quality and audits	
Commitments to external initiatives			
4.11	Partly	Risks and opportunities	See PHOENIX group Annual Report 2012, page 42
4.12	Yes	Corporate social responsibility management and organisation	
4.13	Yes	On a common cause for sustainability	Not reported
Stakeholder engagement			
4.14	Yes	The PHOENIX group and stakeholders	
4.15	Yes	The PHOENIX group and stakeholders	
4.16	Yes	Material corporate social responsibility aspects	
4.17	Yes	Material corporate social responsibility aspects	
5. Management approach and performance indicators			
	Partly	Economic responsibility	
Economic performance indicators			
Economic performance			
EC1*	Yes	Economic responsibility	
EC4*	Yes		No significant assistance received from government in PHOENIX group business units
	Partly	The PHOENIX group takes the environment seriously	
Environmental performance indicators			
Energy			
EN4*	Yes	Energy consumption	

* GRI core indicator

■ Reported ■ Partly reported

GRI content	Included	Section	Remarks
EN5 Energy saved due to conservation and efficiency improvements	Partly	Energy consumption	
EN7 Initiatives to reduce indirect energy consumption	Partly	Transport and its emissions, Energy consumption	
Emissions, effluents, and waste			
EN16* Total direct and indirect greenhouse gas emissions	Yes	Transport and its emissions, Energy consumption	
EN17* Other relevant indirect greenhouse gas emissions	Yes	Transport and its emissions, Emissions from subcontracted transport	
EN18 Initiatives to reduce greenhouse gas emissions	Yes	Transport and its emissions, Energy consumption	
EN22* Total amount of waste	Yes	Treatment and recycling of waste	
Products and services			
EN26* Mitigating environmental impacts of products and services	Partly	Treatment and recycling of waste	
EN28* Significant fines and sanctions for non-compliance with environmental regulations	Yes		No fines or sanctions in the reporting period
Transport			
EN29 Environmental impacts of transportation	Partly	Distribution chain, Transport and its emissions	
Social performance indicators			
Management approach to social responsibility	Partly	Uniform management principles	
Labour practices and decent work			
Employment			
LA1* Total workforce by employment type, employment contract, and region	Yes	Personnel in figures	
LA2* Total number and rate of employee turnover	Partly	Personnel in figures	
Labour/management relations			
LA4* Coverage of collective bargaining agreements	Partly	A good place to work	
LA5* Minimum notice period regarding operational changes	Partly		PHOENIX group follows the local labour laws and regulations in each operating country in terms of the minimum notice period regarding operational changes
Occupational health and safety			
LA7* Rates of injury, occupational diseases, lost days, fatalities, and absenteeism	Partly	Health and safety at work	
Training and education			
LA10* Average training hours per year	Partly	Promotion and competence development	
LA12 Employees receiving regular performance and career development reviews	Partly	A good place to work, Leadership based on values	
Diversity and equal opportunity			
LA13* Composition of governance bodies and breakdown of employees	Partly	Personnel in figures	The law in the countries where PHOENIX group operates forbids the company from collecting data regarding minorities

* GRI core indicator

■ Reported
■ Partly reported

GRI content	Included	Section	Remarks
Human rights			
HR4	Incidents of discrimination and actions taken	Yes	No known incidents in the reporting period
HR5*	Supporting right to freedom of association and collective bargaining in risk areas	Partly	A good place to work All employees are guaranteed freedom of association
Society			
Corruption			
SO3*	Anti-corruption training	Partly	Competence development Not reported this year
	Compliance		
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes	No known fines during the reporting period
Product responsibility			
Customer health and safety			
PR1*	Assessment of health and safety impacts of products	Yes	Pharmaceutical quality and audits Good Manufacturing Practice, Good Distribution Practice
Product and service labelling			
PR5	Customer satisfaction	Yes	Various methods for examining customers' views
Marketing communications			
PR7	Non-compliance with regulations and voluntary codes concerning marketing communications, advertising, promotion, and sponsorship	Yes	No known fines during the reporting period
Compliance			
PR9*	Fines for non-compliance concerning the provision and use of products and services	Yes	No known fines during the reporting period

* GRI core indicator

■ Reported
■ Partly reported

Glossary

Conversion of energy units

1 MWh = 3.6 GJ

1 GJ = 0.2278 MWh

Abbreviations

CO₂ = Carbon dioxide

CO₂-eq = Carbon dioxide equivalent

CIP = Continuous Improvement Process

CQM = Central Quality Management

FTE = Full-Time Equivalent

GDP = Good Distribution Practice

GHG = Greenhouse Gas

GMP = Good Manufacturing Practice

GRI = Global Reporting Initiative, standards for sustainability reporting

HC = Headcount

HR = Human Resources

IFRS = International Financial Reporting Standards

ISO = International Organisation for Standardisation

LGA = Landesgewerbeanstalt

TRIF = Total Recordable Injury Frequency

Biodegradable waste

Waste type that is organic and thus can be broken down in a reasonable amount of time into its base components by micro-organisms and/or other living things.

Carbon dioxide

Greenhouse gas produced in the combustion of carbon-containing fuels. Carbon dioxide makes life on earth possible, but human activities have caused the CO₂ concentration to grow radically during the last decades, increasing global warming.

Carbon dioxide equivalent

A quantity used to measure global warming potential (GWP). The global warming impact of all greenhouse gases is measured in terms of equivalency to the impact of carbon dioxide (CO₂) in a study phase of 100 years.

Direct energy

Energy purchased as such. See Primary energy.

District heat

System for distributing heat. District heat is pure, hot water that is led from electricity- and heat-producing power plants and heating plants in a closed district heat network to the customer's heat exchangers and back. After the heating network of the building and warm service water has been warmed, the cooled-off district heat water returns back to the starting point.

Energy efficiency

Energy efficiency means that the product is manufactured with the least possible energy consumption. Energy efficiency is also referred to when speaking about machines and equipment that consume a low amount of energy.

Environmental impact

Detrimental or beneficial environmental change caused by the organisation, products, services, or other human activity.

Fuel-efficient driving

A driving style that emphasises the anticipation of traffic in advance, less acceleration, and a steady speed at low engine revolutions. This will save fuel and cause less CO₂ and other emissions.

Geothermal energy

Geothermal energy is thermal energy from the sun stored in the mass of earth and water.

Global Reporting Initiative (GRI)

Globally used framework for sustainability reporting. Standards for corporate responsibility reporting, divided as sustainable development into three categories: economical, ecological and social responsibility. The GRI's target is to make sustainability reporting as common and comparable as other annual reports that are published by companies.

Good Distribution Practice (GDP)

Standard for the proper distribution and handling of medicinal products.

Good Manufacturing Practice (GMP)

Standard for good manufacturing practice in connection with medicinal products.

Greenhouse gases (GHG)

Greenhouse gases exist in the atmosphere both naturally and as a result of human actions. The most considerable natural greenhouse gases are water vapour (H₂O), carbon dioxide (CO₂), methane (CH₄), ozone (O₃), and nitrous oxide (N₂O). In addition to these, human actions have released other gases that are considered greenhouse gases, such as halocarbons (CFC, HCFC, HFC, and PCF) and sulphur hexafluoride. The use of the above-mentioned is either partly or wholly prohibited or restricted.

Greenhouse Gas Protocol (GHG Protocol)

An international accounting tool for understanding, quantifying, and managing greenhouse gas emissions. Can decrease the environmental load and at the same time save material and energy costs.

Hazardous waste

Waste which is dangerous or potentially harmful for public health or the environment because of its chemical or other properties.

Indirect energy

Energy purchased as district heat or electricity.

ISO

International Organisation for Standardisation. ISO standards include ISO 9000 for quality management systems and ISO 14001 for environmental management systems.

Landesgewerbeanstalt

The LGA InterCert GmbH is a company of the TÜV Rheinland Group located in Nuremberg, Germany. It is one of the oldest and most experienced German certification companies. Their focus is on the evaluation, validation, and certification procedure, and they work both independently and objectively.

LIPASTO

Calculation systems for traffic exhaust emissions and energy consumption in Finland, developed by the VTT Technical Research Centre of Finland.

Low-carbon car policy

A corporate policy that limits the CO₂ emission level of company cars.

Materiality matrix

The materiality matrix enables a company to decide which CSR initiatives to invest in. The matrix plots CSR issues in terms of two dimensions: the importance or attractiveness of the issue to stakeholders and the importance of the issue to the company in terms of the likely influence of the initiatives on business success.

Mixed waste

All waste that cannot be made use of or recycled is mixed waste. It also includes waste that cannot be collected for recycling.

Mystery shopping

Tool used externally by market research companies or watchdog organisations, or internally by companies themselves, to measure the quality of service or compliance to regulations, or to gather specific information about products and services.

Pharmaceutical waste

Pharmaceutical products expired or damaged during packing or distribution. Must be handled with care and taken to hazardous waste treatment plants.

Responsible pharmacist

Defined role in a pharmaceutical wholesale company, whose responsibilities include, for example, the pharmaceutical safety and quality procedures and their monitoring and reporting.

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