



# Corporate Social Responsibility Report 2013/14

# PHOENIX group in figures

Key figures of the PHOENIX group		2009/10	2010/11	2011/12	2012/13	2013/14
Revenue	in EUR k	21,317,594	21,737,772	21,660,649	21,218,687	21,792,370
Total operating performance <sup>1)</sup>	in EUR k	24,433,939	25,062,613	25,479,749	25,251,336	25,917,392
Total income <sup>2)</sup>	in EUR k	2,009,062	2,078,580	2,249,687	2,319,147	2,217,593
Profit before tax <sup>3)</sup>	in EUR k	242,532	270,060	294,775	230,723	143,097
Adjusted profit before tax <sup>4)</sup>	in EUR k	306,518	324,038	294,775	329,156	253,099
Equity	in EUR k	1,092,612 <sup>5)</sup>	1,772,409 <sup>5)</sup>	1,935,623	2,103,800	2,161,841
Equity ratio	in %	13.5	23.4	26.1	28.7	29.4
Net debt	in EUR k	3,678,418	2,176,588	1,855,743	1,611,518	1,331,627
Company rating (Standard & Poor's)			B+	BB-	BB	BB
Employees (total)		28,156	27,873 <sup>6)</sup>	29,038 <sup>6)</sup>	28,698	28,555
Employees (full-time)		23,261	23,206	23,850	23,932	23,850

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

<sup>2)</sup> Total income = gross profit + other operating income (previous years adjusted due to changes in reporting).

<sup>3)</sup> Prior-year figures were restated due to amendments to IAS 19R.

<sup>4)</sup> Adjusted for impairment losses on goodwill, effects from sale of financial assets, one-off effects in connection with the financial restructuring, one-off effects related to the refinancing measures in 2012 and expenditures associated with the PHOENIX FORWARD optimisation programme.

<sup>5)</sup> Adjusted in accordance with IAS 19R and other reclassifications.

<sup>6)</sup> Adjusted owing to updated reporting standards.

Economic value retained of all PHOENIX group countries in total EUR k	2012/13	2013/14
1. Net turnover	21,218,687	21,792,370
2. Community investments	-1,496	-2,177
3. Employee wages and benefits	-1,079,870	-1,076,078
4. Operating costs	-19,736,489	-20,405,093
5. Payments to governments	-80,318	-93,936
6. Payments to providers of capital	-167,168	-138,002
<b>Economic value retained</b>	<b>152,346</b>	<b>77,084</b>



## We deliver health.

Each and every day. All over Europe.



- > **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 more than 28,500 employees.
- > **In pharmaceutical wholesale**, the PHOENIX group is active with 152 distribution centres in 25 countries and supplies pharmacies and medical institutions with drugs and other health products. Numerous other products and services for pharmacy customers complete the portfolio – from support with patient advice to modern goods management to cooperation programmes.
- > **In pharmacy retail**, the PHOENIX group operates more than 1,580 of its own pharmacies in 12 countries – of which around 700 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. The “All-in-One” concept stands for a comprehensive range of services that benefits drug manufacturers, pharmacies, and patients. We take on the entire distribution process for the pharmaceutical industry as desired, which includes storage, transportation, and goods management.

# > Responsibility for ...

... society

... environment

... employees

... products and services



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“Motivated and engaged staff is one of our central assets and is the key to our success.”

## CEO's review

Dear PHOENIX stakeholders,

The PHOENIX group has published its second CSR report, which now includes the additional countries of Italy and Austria. In the coming financial year, we will finally have the remaining group countries incorporated in our CSR reporting. This is an important step for the PHOENIX group and underlines our commitment toward more sustainable business operations. New group-wide targets to address the most important CSR topics will be established for the following reporting year, which will then be monitored and discussed in our next CSR report.

The strategic importance of CSR is evident. We need to think of ever more efficient ways to run our business and take into consideration not only cost control, but also the health and well-being of our employees and other stakeholders, for instance, as well as the energy efficiency of our facilities.

The market environment will likewise force us to be more agile in our business operations. The increasing EU regulations, the growth crisis experienced by corporations and national states across Europe, and aging populations in the western and northern European countries affect the conditions of our business models. The price of prescription pharmaceuticals is steadily declining even though volumes keep rising. This is already presenting challenges in the management of consistently increasing product volumes while revenues are not growing at the same pace.

The pharmaceutical markets have gone through considerable changes over the past ten years and will continue to do so in the future. The consolidation of large and smaller pharmaceutical companies is likely, and the same trend is apparent in the pharmacy and wholesale markets. The PHOENIX group is willing to consider acquisitions when this is deemed necessary for the growth and well-being of our business. As a family-owned company, we have the opportunity to concentrate more on the long term and develop our business in a sustainable way. For a stable market growth the cost of operations has to be competitive.

Due to a more complex and multi-tiered supply chain, associated challenges and risks increase and therefore need to be managed. The role of the wholesaler in the supply chain is crucial. We ensure the appropriate warehousing, distribution, and transport of pharmaceuticals and other products to pharmacies, hospitals, and patients all over Europe.

The lack of availability of medicines poses more and more problems for patients across Europe. Insufficient raw materials, manufacturer quality issues, or country quotas might cause situations where licensed medicines are not readily available and the care of the patients is compromised. The PHOENIX group works together with the manufacturers and the authorities to ensure that these situations are managed in the best possible manner. In many cases, we are able to source special licensed products until the bottleneck is cleared. Our quality processes are designed to maintain the high quality of the supply chain processes during all stages. A good understanding of the authorities' requirements is paramount. The continuous training and education of our personnel, who need to be constantly up to date with the latest legislation and other requirements, remains a high priority.

We have been building up our compliance processes during the reporting period to assure that the whole PHOENIX group is compliant with international anti-bribery and competition policies that are based on EU and local legislation as well as our Code of Conduct. Implementing these compliance processes helps us to continuously develop and monitor our compliance performance.

Motivated and engaged staff is one of our central assets and is the key to our success. It is thus very important that all our managers have the necessary leadership skills. We will continue to develop our management practices and collaborate closely with our employee representatives as well as all PHOENIX employees in developing our company and communications culture to be more transparent and active. As one PHOENIX group, we now must all think globally while acting locally in each of our 25 markets across Europe.



Oliver Windholz  
Chief Executive Officer

## PHOENIX group corporate social responsibility

### PHOENIX group CSR commitments

As a leading European pharmaceutical trader, the PHOENIX group is aware of its corporate social responsibility. Above and beyond the regulatory standards, the group is committed to the sustainable development of its organisation, paying particular attention to the economic, ecological, and social consequences of its actions. By being true to its economic commitments, the group conducts its business with the utmost care and places emphasis on strict quality orientation and high cost awareness. The success strategy is based on the efficient use of resources to achieve the greatest possible profitability. An ethically correct and fair interaction with business partners and competitors is a necessity at all times.

For the PHOENIX group, the purpose of corporate social responsibility is to recognise and manage the effects of the group's operations on the society and environment. Furthermore, corporate social responsibility essentially entails contributing to sustainable development throughout the group's value chain.

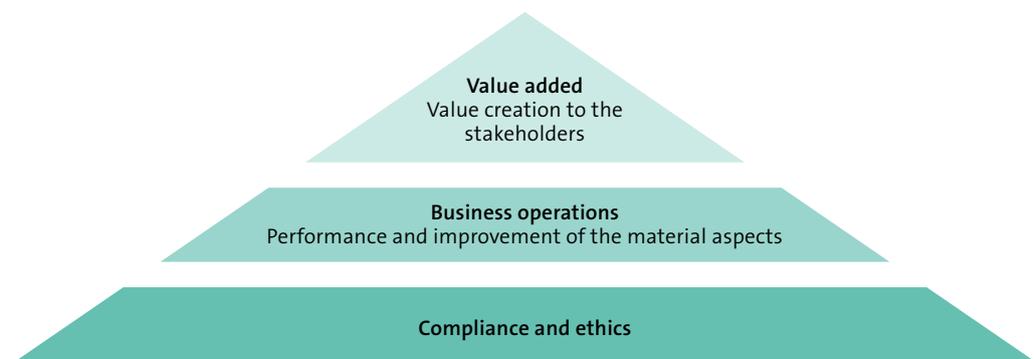
### Reporting challenges

This is the second Corporate Social Responsibility Report published by the PHOENIX group, highlighting the group's commitment to its employees, its business understanding as well as its environmental responsibility. In the report the importance of the group's CSR activities and reporting for the group's stakeholders is identified. In addition, it emphasises the ongoing integration of CSR within the group's overall strategy and the development of the CSR activities and reporting in the future.

Not all of the PHOENIX CSR group countries were able to fully report data for some KPIs (Key Performance Indicators). Since this does not have substantial impact on the overall significance of the presented data and figures, these cases are indicated by footnotes. Considerable differences between Germany and other reported business units are based on the different market structures in the countries as well as the size of the business. The considerable decline in available data from Poland is related to the closing down of local business activities.

The objective is to extend the CSR reporting to all PHOENIX group countries by 2015/16.

### Levels of corporate social responsibility in the PHOENIX group



The triangle shows three levels of corporate social responsibility. To be able to conduct business operations in accordance with the laws and regulations, it is both mandatory as well as running the business ethically. The second level indicates our performance in the material aspects of CSR. The final level describes the added value from our operations to our stakeholders. The reporting content is structured according to these levels.

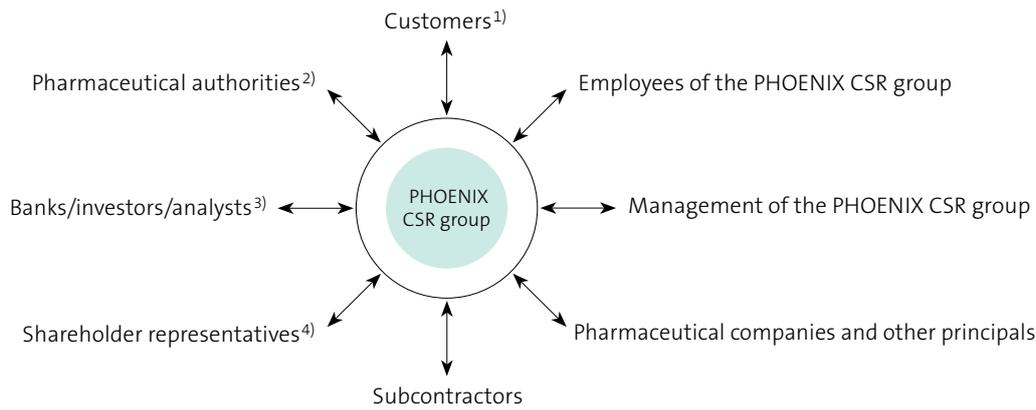
The PHOENIX group acknowledges that corporate social responsibility reporting and the quality and reliability of the reported data can be developed and improved by training its personnel in corporate social responsibility matters and making everybody more aware of the relevance of reporting.

**PHOENIX materiality analysis**

To identify the material aspects for the PHOENIX group, the Group Communications department has conducted a stakeholder survey from January to March 2014. The decision criteria include the assessment of the importance of these material aspects to the economic, social and environmental impacts of the PHOENIX group. The determination of material aspects and the stakeholder survey was performed for the PHOENIX CSR group.

The following internal and external stakeholders that are in direct contact with the PHOENIX CSR group took part in the survey:

**Stakeholder management**



<sup>1)</sup> Customers may consist of pharmacies, hospitals, and self-dispensing doctors. <sup>3)</sup> Only in Germany.  
<sup>2)</sup> With the exception of Estonia, Finland, Latvia and Sweden. <sup>4)</sup> Only in Italy.

Due to the different amount of people for each country, a representative number has been invited to participate in the survey.

**Methodology and process**

To determine the material CSR aspects for the PHOENIX group, a survey consisting of principal CSR aspects in the social, environmental, and economic fields of PHOENIX was prepared. The participants had to evaluate the relevance of these aspects for PHOENIX in each category from their point of view. The answers had to be given based on a five-point Likert scale ranging from “not relevant” to “highly relevant”.

The survey invitation was sent to all defined stakeholder groups as an email with a direct link to the online survey tool. All information was processed anonymously. Crucial topics were identified on the basis of the mean score values, the ranking of significant issues, and the replies to open questions.

## Results

### Presentation of the stakeholder groups

The PHOENIX group conducted its first extensive stakeholder survey early in 2014, featuring almost 2,700 respondents from the eleven operating countries currently included in the PHOENIX CSR group. The questionnaire was available in all country languages. Altogether, 8,687 emails were sent out to eight stakeholder groups. 2,672 persons have participated in the survey, which corresponds to a response rate of 30.8%. We only received limited feedback from pharmaceutical authorities, banks, analysts, and investors, as well as from shareholder representatives. The most extensive feedback came from PHOENIX group employees, with a share of 54.4% of answers.

Stakeholder groups	Number of persons	%
Employees	1,455	54.4
Management	171	6.4
Customers	488	18.3
Pharmaceutical companies and other principals	428	16.0
Subcontractors	117	4.4
Pharmaceutical authorities	6	0.2
Banks/investors/analysts	5	0.2
Shareholder representatives	2	0.1
<b>Total</b>	<b>2,672</b>	<b>100.0</b>

### Key CSR aspects of the PHOENIX CSR group

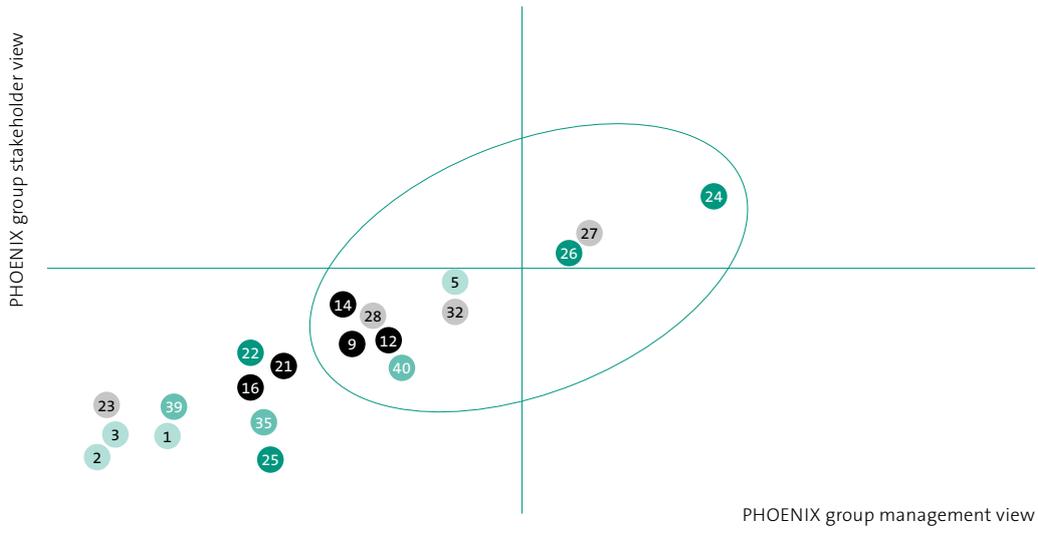
The stakeholder survey consisted of ten questions. Six of them with 40 response alternatives were relating directly to four areas: society issues as well as labour practices and working conditions, products and services, environmental issues, and economic issues. The CSR aspects that scored above 4.0 are the following:

CSR aspect	Relevance
24 Compliance with laws and regulations	4.6
27 Ensuring a safe and reliable pharmaceuticals logistic chain	4.5
26 Ensuring availability of pharmaceuticals	4.5
5 Environmentally safe handling of pharmaceutical waste	4.5
32 On-time delivery of pharmaceutical products	4.5
14 Managing occupational health and safety	4.4
28 Health and safety impacts of own products	4.4
12 Retaining the best professionals	4.3
9 Fair employment policies	4.3
40 Continuous business development to create sustainable business opportunities	4.3
22 Anti-corruption policies and procedures	4.2
35 Financial performance, economic value generated and distributed	4.2
21 Securing non-discrimination	4.2
16 Opportunities for professional development through training and education	4.2
39 Active co-operation with customers for creating innovative service solutions	4.1
23 Policies and procedures to avoid anti-competitive behaviour	4.1
1 Consumption of fuels and transportation	4.1
3 Reduction of CO <sub>2</sub> emissions in transportation	4.1
2 Energy efficiency of facilities	4.1
25 Compliance with the PHOENIX group Code of Conduct	4.1

- Society issues
- Labour practices and working conditions
- Products and services
- Environment issues
- Economic issues
- Further aspects, but not key aspects

It is not visible that there is a certain prioritisation of CSR aspects in different stakeholder groups. The following graph shows the key aspects from a stakeholder view in relation to the PHOENIX group management view: the most important aspect within all stakeholder groups is “Compliance with laws and regulations” with a mean relevance value of 4.6.

**Materiality matrix of the PHOENIX CSR group**



The CSR Report has been structured to reflect the four key areas based on the top 10 CSR aspects from the materiality survey. The defined key issues will be discussed in the chapters “Responsibility for society” and “Responsibility for environment”. The third chapter “Responsibility for employees” consists of the items related to labour practices and working conditions. The last chapter touches on topics regarding products and services of the PHOENIX group. The material KPIs for these aspects are listed in the GRI index at the end of the report.

According to the internal survey participants of the PHOENIX group (employees and management), the most important stakeholder groups for PHOENIX group business operations are pharmaceutical companies, pharmacies, and hospitals, as well as shareholder representatives. On the other hand, pharmacies, hospitals, employees and pharmaceutical companies are identified by external survey participants as the most affected stakeholder group by PHOENIX. The following table lists the key stakeholder groups and their defined material aspects.

### Stakeholder engagement

Key stakeholder groups	Basis for identifying the selection of stakeholders	PHOENIX approach to stakeholder engagement	Key material aspects of stakeholder groups
Employees and management	Employees are a key stakeholder group for the operational performance and value creation of the PHOENIX group.	Regular meetings with employee representatives and works councils in many CSR group countries, regular internal communication processes to distribute relevant information.	<ul style="list-style-type: none"> <li>• Training and education (G4-LA9)</li> <li>• Effluents and waste (G4-EN23)</li> <li>• Product responsibility (G4-PR1)</li> </ul>
Pharmacies and hospitals	Important value creation source for the PHOENIX group, as expectations and needs of customers and partners have a direct bearing on the PHOENIX group.	Regular business meetings with customer representatives, collaboration with relevant pharmacy and hospital associations, customer communication procedures and customer events, regular customer satisfaction surveys.	<ul style="list-style-type: none"> <li>• Product responsibility (G4-PR1)</li> </ul>
Pharmaceutical companies	Important value creation source for the PHOENIX group, as expectations and needs of customers and partners have a direct bearing on the PHOENIX group.	Regular business meetings with customer representatives, collaboration with relevant industry associations, management business review meetings, customer communication procedures and customer events, regular customer satisfaction surveys.	<ul style="list-style-type: none"> <li>• Ethics and integrity (G4-56)</li> <li>• Effluents and waste (G4-EN23)</li> <li>• Product responsibility (G4-PR1)</li> </ul>
Shareholder representatives	Share in value creation to shareholders through dividends and interest payments; shareholder expectations and decisions influence the PHOENIX group strategy and business operations.	The owner of the PHOENIX group is a member of the PHOENIX group Supervisory Board.	<ul style="list-style-type: none"> <li>• No valid data available, as only a few usable questionnaire replies were received</li> </ul>
Business partners and subcontractors	Important value creation source for the PHOENIX group, as expectations and needs of customers and partners have a direct bearing on the PHOENIX group.	Regular meetings with business partners.	<ul style="list-style-type: none"> <li>• Product responsibility (G4-PR1)</li> </ul>
Pharmaceutical authorities	Key influence on PHOENIX group's business operations through regulations and monitoring.	Regular meetings with pharmaceutical authorities conducting audits within the group.	<ul style="list-style-type: none"> <li>• Product responsibility (G4-PR1)</li> <li>• Effluents and waste (G4-EN23)</li> </ul>

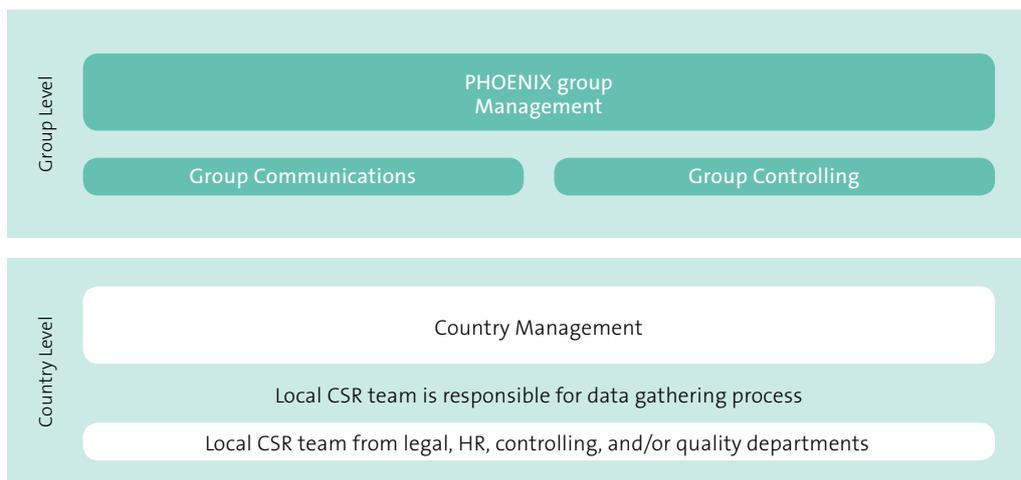
The PHOENIX group will continue to emphasise quality, safety, and environmental aspects in its operations, as well as compliance with legislation and the group's internal compliance policies. The results of the stakeholder survey provide a basis for focusing the PHOENIX group's corporate social responsibility management approach and offer a possibility to further address the topics and concerns most critical according to stakeholders.

**CSR management and organisation**

The PHOENIX group has a dedicated CSR team that is responsible for the reporting process, its development, and the overall development of the CSR strategy and targets. The CEO of the PHOENIX group is the sponsor of the PHOENIX group CSR organisation. Together with the CFO, they participate in the reporting process and approve the final report. The PHOENIX group CSR team includes representatives from the departments Group Communications and Group Controlling.

PHOENIX CSR group countries’ reporting units headed by the local Site Administrators are responsible for the gathering and reporting of local data in the CSR system. The local data is approved by the Site Administrators, 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. The PHOENIX group CSR team is responsible for the publication of the report as well as the development and implementation of the reporting processes.

**CSR organisation within the PHOENIX CSR group**



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.

The development of the CSR reporting process presents challenges, as the process is new within the PHOENIX group. The CSR issues are not well-known within the group and the resources required to set up the local data collection are limited. The next step will be to define the management processes and group-wide targets.

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# Responsibility for society

Efficient use of resources // PHOENIX compliance programme is based on three cornerstones // PHOENIX follows GDP guidelines // Regular audits are part of quality management

### Sustainable business operations

The PHOENIX group is a leading pharmaceutical trader in Europe, reliably supplying people with medicine and other health and well-being products every day. In the pharmaceutical wholesale business, the PHOENIX group operates 152 distribution centres in 25 countries. The company also provides numerous other products and services for pharmacy customers, from support with patient advice and modern goods management to cooperation programmes.

In pharmacy retail, the PHOENIX group is active in twelve countries with around 1,580 of its own pharmacies. More than 12,000 pharmacy employees have 110 million customer contacts each year. In the PHOENIX CSR group countries, the retail business is concentrated in Norway and the Baltic states, where the PHOENIX group operates large pharmacy chains. Pharma Services provides services across the whole supply chain for pharmaceutical manufacturers, pharmacies, and patients.

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. Thus, all operations should add value and ensure that the accounting procedures promote transparency and are in line with the International Financial Reporting Standards (IFRS).

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 health care sector, continuous improvement, and excellence in implementation, the PHOENIX group seeks to maintain its persistent growth trend and continue strengthening its market position.

## Compliance

### Code of Conduct

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.

The PHOENIX group's Code of Conduct sets out the ethics, principles, and standards for all employees working in any of the group companies. The current version of the Code has been approved by the Executive Board. The Code, which is available in 21 languages, is being implemented throughout the PHOENIX group.

For example, in Tamro Finland, the implementation of the Code of Conduct began in January 2014. The implementation process included several measures. The Code of Conduct is part of the Tamro Finland quality system, and all employees and management are required to familiarise themselves with the Code and its documentation as part of the quality management procedures. The Code is also part of the induction training of all new employees. The Tamro Compliance Committee headed by the local Compliance Manager performs quarterly reviews and monitors the possible issues in line with the Code, its implementation status, and other related topics. The local Compliance Committee reports these to the PHOENIX group Compliance Manager on a monthly basis. Furthermore, all work contracts will refer to the Code of Conduct, no matter the position of the employee.



Compliance is an essential element of PHOENIX corporate culture.

The group's ethical Code of Conduct requires that all business units comply with the principles and guidelines of Good Distribution Practice (GDP) published by the European Union. The business units examined in this Corporate Social Responsibility Report are all supervised by local pharmaceutical authorities concerning their compliance with Good Distribution Practice.

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 during 2013 has been further reinforced by the group-wide implementation of the new anti-corruption and bribery policy.

### **Competition and anti-corruption policies**

Current compliance policies can be found on: [www.phoenixgroup.eu/EN/PHOENIXgroup/Compliance/Pages/default.aspx](http://www.phoenixgroup.eu/EN/PHOENIXgroup/Compliance/Pages/default.aspx)

The PHOENIX group is committed to ethical standards and to the prevention, deterrence, and detection of bribery and all other corrupt business practices. The PHOENIX group's new anti-corruption policy was launched in all group countries in 2013/14. The policy includes, for example, information on general behaviour regarding gifts or hospitality. Furthermore, it mentions how to deal with third parties as well as charity donations. Additionally, PHOENIX group has implemented the competition compliance policy in 2014/15. It is based on EU competition law and gives guidelines for a behaviour that enforces fair competition. All employees have the opportunity to address compliance issues locally or, if necessary, on group level as well. Since March 2013, the PHOENIX group Compliance Manager has been responsible for setting up the compliance monitoring and issues management procedures. The anti-corruption and competition compliance policies have been published on the PHOENIX group website. All employees will be instructed on the Code of Conduct as well as the anti-corruption and competition policies via an eLearning tool, which will be established during the fiscal year 2014/15.

### **The compliance organisation of the PHOENIX group**

All business units of the PHOENIX group observe and respect applicable laws and regulations as a legal foundation for their business activity. PHOENIX expects all its employees and business partners to comply with these laws and internal guidelines. A compliance organisation has been created to protect PHOENIX from the negative effects of corruption, bribery, or obstacles to competition. The overall responsibility lies with the Executive Board of the PHOENIX group and with the respective managing directors at country level. As the top-level compliance body, the Executive Board has appointed a group Compliance Committee consisting of CEO Oliver Windholz and the heads of the Legal and HR departments, as well as the Communications and Risk Management departments. The committee monitors the compliance organisation, among other things, approves changes to guidelines and processes, and sets value limits for gifts and hospitality in Germany.

The PHOENIX group Compliance Manager commenced his work in March 2013. His tasks include the administration and further development of the compliance organisation as well as the development of processes and training measures. He is the contact person for all compliance-related queries. In his capacity as the local Compliance Manager for Germany, his responsibilities include the ongoing implementation and conduction of compliance processes and training measures. All PHOENIX subsidiaries have now appointed local Compliance Managers who are responsible for the operational compliance process at country level.

# CASE: Interview with Matthias Kloepsch, PHOENIX group Compliance Manager



Matthias Kloepsch has been Group Compliance Manager at PHOENIX since March 2013.

**Mr Kloepsch, what does compliance mean for PHOENIX, for the employees, and for the business partners?**

First of all, I believe it is very important to understand that compliance is not a long list of prohibited actions, but rather a way of thinking or part of a culture. Compliance should not and cannot prohibit everything per se

– it should encourage employees to think about their actions and behaviour patterns and analyse them with common sense. To that extent, compliance is not actually something totally new, because employees should already be in the habit of doing this in their everyday work.

For business partners, compliance at PHOENIX offers a greater degree of security because our employees are being trained in how they can and must act in critical situations. In this way, we avoid corrupt and anti-competitive behaviour.

**What is the added value of compliance?**

As employees, we primarily protect our company from harm through compliance or compliant behaviour,

whether this serves to safeguard our good reputation or avoid financial penalties. For example, negative headlines as a result of a bribery scandal would damage our competitive position as customers, and suppliers could lose trust in us. In the worst-case scenario, anti-trust offences could result in a fine of up to ten per cent of our group revenue, which would pose a fairly significant risk for us. By creating transparency and raising awareness among employees, compliance helps to prevent such infringements and thus minimise risk.

This also benefits our business partners – we establish a mutual basis of trust through the active prevention of misconduct and therefore fulfil the regulatory requirements of our business partners.

**Will there be any additional regulations relating to compliance in the future?**

We are currently very well positioned with the guidelines in place. I believe that an effective compliance organisation is characterised by having as much regulation as necessary and, at the same time, as little as possible. In the design stage, we made sure that the compliance approach at PHOENIX is clear and practical. Nevertheless, we are discussing a “new” system that has only just recently been implemented. And as we aim to align the system and regulations to our business activities, it will be developed on an ongoing basis as a dynamic system.

### Will PHOENIX group employees also receive compliance training?

Yes. An important aspect of an effective compliance system is training. In the future, relevant employees and focus groups are to be given an understanding of the individual topics of anti-corruption, competition compliance, and the Code of Conduct, by means of both face-to-face training and eLearning.

### Is there already a reporting system that employees can use to report compliance violations to different contact persons or to a hotline?

Yes, PHOENIX has introduced a reporting system that functions on three levels. Suspected cases can be either reported directly via telephone to the local Compliance Manager or via the central email address *compliance@phoenixgroup.eu*. Since June 2014, we also have a web-based case reporting platform operated by an external service provider. Employees and third parties can report suspected cases via this platform completely anonymously by means of a very straightforward predefined process. If required, it is possible for the identity of the reporter to be untraceable. This state-of-the-art solution is available at any time at <https://phoenixgroup.integrityplatform.org>.

## PHOENIX group quality management

The PHOENIX group is committed to ensuring the quality of pharmaceutical distribution at all times. The business units must have appropriate quality systems which ensure that medicinal products are stored, handled, and distributed in accordance with relevant local legislation.

The supply chain of medicines is very complex and its efficiency is dependent on the performance of each individual supply chain participant, including raw material suppliers, manufacturers, wholesalers, community pharmacies, and intermediaries. If there is a disruption at any point of the supply chain, shortages can occur.

The PHOENIX group's suppliers adhere to the principles of Good Manufacturing Practice, 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 pharmacies and others entitled to sell medicinal products to the general public without any alteration of their properties.

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.
- 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). The facilities of the PHOENIX CSR group all have a fully operational traceability product recall system in place.

The PHOENIX group business units work closely with the manufacturers to ensure the availability of pharmaceuticals and in the case of possible shortages find alternative options that can be brought to market to cover for the temporary shortage situations. These could be, for example, special licensed medicines that the PHOENIX group business units can source from reliable partners globally.

**Audits**

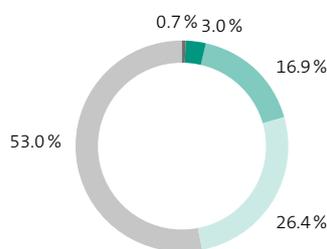
The business units included in the PHOENIX CSR group are all supervised by local pharmaceutical authorities concerning their compliance with Good Distribution Practice. The authorities also conduct regular audits, the total number of which was 241 for the PHOENIX CSR group during the reporting period 2013/14. In some local areas, the PHOENIX CSR group has had critical observations through audits conducted by authorities, which concerned, for example, employee training about food hygiene, performing a medical exam within a required schedule, and batch tracking of veterinary drugs. The PHOENIX CSR group countries constantly develop and improve the issues that come up in the audits.

In addition, the suppliers audit the business units of the PHOENIX CSR group on a regular basis. During the reporting period 2013/14, there were 77 audits conducted by suppliers for the business units examined in this Corporate Social Responsibility Report.

Furthermore, 120 internal audits and 14 third-party audits were carried out in the PHOENIX CSR group countries. The amounts of audits vary from country to country each year. Denmark, Finland, Germany, Italy, Norway, and Sweden are already certified in accordance with ISO 9001. Norway and Sweden also hold the ISO 14001 certificate for environmental management. In Estonia, the third-party audits were performed by the National Fire Safety Supervision Authority. Third parties are auditors other than suppliers and authorities, such as ISO organisations.

In the reporting period 2013/14, a total of 455 audits were carried out in the PHOENIX CSR group.

**Audits of the PHOENIX CSR group**



Total number of audits	2013/14
Audits by 3rd parties <sup>1)</sup>	14
Audits by suppliers	77
Internal audits	120
Audits by authorities	241
Critical observations	3
<b>Total</b>	<b>455</b>

More than half of the audits in the PHOENIX group are done by authorities.

<sup>1)</sup> Third parties include organisations other than suppliers and authorities.



# Responsibility for environment

Environmental awareness building // Pharmaceutical waste handling in focus // Own drivers trained to drive economically // Energy efficient infrastructure in new buildings

### Environmental effects of our business operations

The PHOENIX group is committed to managing and developing its business in a sustainable manner and continuously looks for ways of mitigating the environmental impacts of pharmaceutical trade and transport. This section relates to the environmental facts of our business operations.

Environmental awareness of the PHOENIX group is substantiated, for example, in the reduction of waste and its environmentally friendly disposal, as well as in the measures to reduce CO<sub>2</sub> emissions. For instance, in all PHOENIX CSR group countries, pharmaceutical waste is handled according to the local hazardous waste instructions to make sure that it is appropriately disposed of. The PHOENIX group considers environmental protection and the energy efficiency of products as guiding principles when making new investments.

### Safe handling and recycling of pharmaceutical and other waste

Pharmaceutical waste includes for example pharmaceutical products that may have expired or been damaged during packing and/or distribution. All pharmaceutical waste is classified as hazardous and must be processed according to the correct handling methods and disposed of with special hazardous waste procedures at a treatment plant. Typically pharmaceutical waste is generated in the pharmaceutical distribution operations when, for example, a batch of medicines expires or is withdrawn by the manufacturers from distribution for some other reason, such as a product defect. Damage can also occur during packing, transportation, or storage. PHOENIX group warehouses have procedures such as SOPs (Standard Operating Procedures) and work instructions to minimise damage caused by handling the products in a way that would cause waste. A good example for these SOPs is the case of Nomeco Denmark, mentioned at the end of this chapter.

The total reported amount of hazardous waste was about 1,606 tonnes (in 2012/13 around 2,385 tonnes), which consisted mainly of pharmaceutical waste. Nearly two thirds of the pharmaceutical waste originated from PHOENIX in Germany. In all PHOENIX CSR group countries, pharmaceutical waste was entirely disposed of by special treatment plants, which vary between countries. The operations of the PHOENIX group generate many different kinds of waste that have to be handled appropriately in order to secure environmental health and general safety. The types of waste include pharmaceutical, biodegradable, and energy waste<sup>1)</sup>, as well as plastic, cardboard, paper, and different mixed wastes.

Paper, plastic, cardboard, and energy waste are handled appropriately. Biodegradable waste is decomposed where possible – i.e. in Finland, Germany, and Sweden. Non-hazardous mixed wastes are delivered to landfills (Estonia, Finland, Latvia, and Poland) or treatment plants (Austria, Denmark, Germany, Lithuania, Norway Wholesale, and Sweden). Only the German, Finnish, Latvian, and Swedish business units reported the handling of biological waste separately.

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.

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.



Environmental awareness is important for our business operations.

<sup>1)</sup> Energy waste is waste that is incinerated for energy production.

# **CASE:** Campaign succeeded in cutting down on inventory losses and waste

Damaged packages are a major source of loss – both financially and environmentally. Therefore, this is an obvious area to put PHOENIX’s European FORWARD<sup>1)</sup> strategy into effect. By reducing the amount of damaged goods PHOENIX can minimise both costs and environmental impact. In Denmark, the PHOENIX subsidiary Nomeco launched a project focusing on reducing inventory losses. The essential part of the project was an internal campaign called “Pas på mig” (“Take care of me”), which ran between August 2013 and February 2014.

Nomeco runs four distribution centres and three central warehouses, the staff of which consists of around 450 employees. In 2013, Nomeco’s distribution centres handled 66 million packs and the central warehouse 73 million packs to be delivered to Danish pharmacies and hospitals.

Inventory losses relating to damaged and thus discarded packages typically can be a source of considerable costs in the warehousing industry. In the case of Nomeco, the costs due to damaged packages during the warehouse process totalled DKK 16 million in 2012/13. At the end of the “Pas på mig” campaign, the total loss had decreased to DKK 8.9 million, which even surpassed the original target set for the campaign (DKK 10 million).

Between the years 2012/13 and 2013/14, the amount of waste sent to disposal was likewise significantly reduced – from 196,701 kg to 181,004 kg.

According to Jette Palvad, Process Consultant at Nomeco, the campaign was a joint effort by the communication department and the project group. During the campaign, all employees in the warehouses were involved and addressed with different topics, such as “How to handle a knife” or “How to place products onto shelves”.

*“Early in the campaign, we organised a workshop with employees, which was an effective way of drawing attention to these targets. In campaign communication, we utilised our intranet presence NomecoNet, and we additionally delivered campaign posters to all warehouses. In each warehouse there was a campaign ambassador who was assigned to set up the posters and communicate and coordinate measures with the project team.”*

Palvad adds that all the employees were given a “starter kit” with a T-shirt, a cardboard cutter, and a small leaflet. During the campaign, the employees were served cake when a milestone was reached, or as a prize of some minor competition, and finally when the campaign successfully ended as a celebration of the positive results.

Thanks to the humorous approach combined with a substantial message in campaign communication, Nomeco’s employees welcomed the campaign with great support and engagement. The campaign initiative resulted in significantly positive results, which convey the message of different aspects of Nomeco’s corporate social responsibility very well.

*“Thanks to the campaign, we succeeded in reducing the amount of waste – especially pharmaceutical waste – that is generated by our warehouse processes. Our employees had a large part in this achievement, and we managed to save on internal resources as a result. For us, the campaign created better awareness of the disadvantages and inefficiency caused by damaged goods and by having to repeat the same work steps twice for a single product,” Jette Palvad underlines.*

In 2014, Nomeco is continuing this project with the goal of reducing inventory losses even further. Another “Pas på mig” campaign is scheduled for autumn 2014.

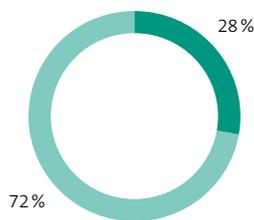
<sup>1)</sup> PHOENIX FORWARD is the reaction to the growing margin pressure in an increasingly regulated environment and the ever faster succession of health-care reforms in many European markets. The programme aims to achieve group-wide annual cost savings of at least EUR 100 million through sustainable initiatives. The main objectives of PHOENIX FORWARD are to improve the company’s internal organisational structures in all 25 countries, as well as to promote even more intensive know-how transfer between the regions.

**Transport and its emissions**

In the PHOENIX group, 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 some other countries, deliveries are made a few times per week. In Norway, for example, pharmacies are generally delivered only three times per week. Most of them are own pharmacies. Just a few pharmacies receive their deliveries five times per week. This explains the significantly varying amounts of kilometres driven for the delivery of pharmaceuticals in different countries.

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 and has an amount of 72%. The majority of pharmaceuticals are delivered by road, partly with vehicles owned by the group companies. However, transportation has mostly been outsourced to sub-contractors.

**Total emissions comparing other and transport emissions of the PHOENIX CSR group**



Total emissions	2013/14
Other emissions	28 %
Emissions from transport	72 %



PHOENIX takes its corporate social responsibility seriously – not only on the road but also in energy efficiency.

In the PHOENIX CSR group, the business units of Denmark, Estonia, Latvia, and Poland have own vans and passenger cars for product distribution, whereas the business units of Austria, Finland, Germany, Italy, Lithuania, and Sweden do not maintain their own fleet.

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.

The business units in Denmark, Estonia, Finland, Norway, and Sweden lease cars for their employees, setting terms such as limits of maximum CO<sub>2</sub> 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. The Finnish business unit applies a Low Carbon Car Policy, setting the CO<sub>2</sub> limit per kilometre to 150 grams. For one year, the Danish business unit has leased an electric van, which on an experimental basis has been integrated in the distribution operations for the Copenhagen metropolitan area.

### Energy efficiency

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.

All business units in the PHOENIX CSR group utilise direct electric heating or district heating. In addition, Austria, Denmark, Estonia, Germany, Italy, Lithuania, and Poland also use natural gas and/or light fuel oil in heating their buildings. Geothermal energy is utilised in Finland.

The PHOENIX group will continue to consider the environmental aspects and strive for further enhanced energy efficiency when planning and investing in the building infrastructure. The group also takes great interest in both the public discussion on energy and the climate policy development and takes them into account in its environmentally responsible decision-making.

## **CASE:** Energy efficiency efforts reduce consumption and costs

The Comifar Group, the wholesale business unit owned by the PHOENIX group in Italy since 1995, runs 25 distribution centres around the country. During the last few years, Comifar has carried out an extensive energy efficiency programme that aims at lower energy costs through reducing electric energy consumption in the company's warehouse premises.

*"In Italy, electric energy unit costs increased by roughly 30% between 2009 and 2014, which was mainly due to the effect of taxes. For Comifar, electric energy costs represent one of the biggest indirect expenditures totalling about EUR 2.8 million per year. Energy efficiency is a necessary means, and in fact the only really efficient way, to reduce the rapidly rising costs of electric energy,"* says Comifar Group's Facility and Energy Manager Gaetano Di Biase.

The total warehouse area of the Comifar Group in 2013/14 comprised about 121,700 m<sup>2</sup>. To meet the requirements of Italian legislation and GDP norms, all warehouse areas have to be temperature-controlled and constantly maintained at less than 25°C. Therefore, all warehouses are fitted with HVAC systems to guarantee the right humidity and internal temperature, even in extreme weather conditions.

Not surprisingly, HVAC<sup>1)</sup> systems are the main energy consumer for the Comifar Group, amounting to 40 to 60% of the overall electric energy consumption. Lighting systems take the second place at 15 to 25% of total electric energy consumption.

The Comifar Group started the energy efficiency projects in 2010/11 by installing electric energy measurement systems in all its distribution centres. As a next step, energy assessment (energy auditing) was introduced to examine the electric energy consumption levels at each warehouse, thus providing a basis for defining and prioritising the energy efficiency projects.

The years from 2012 to 2014 have been a time of crucial technical measures in the Comifar Group. As for HVAC systems, the basic principle has been to focus on the strict use of free cooling technology, or saving energy by utilising free cooled air from the exterior, such as during the night when the outside temperatures are lower than inside. The HVAC systems in all warehouses have also been equipped with supervisors and automatic regulators, thus enabling the remote monitoring and management of the HVAC plants. Furthermore, inverter systems and high-efficiency motors were restructured.

The lighting systems of the warehouses have been largely revamped, and fluorescent lights have been replaced with high-efficiency LED lighting. In addition, automatic lighting control systems with dimmer technology were introduced.

In 2013/14, the Comifar Group's total electric consumption was reduced by 13%, which resulted in electric energy savings of 2.34 GWh – and thus a reduction of about 620 tonnes of CO<sub>2</sub> emissions – plus cost savings of EUR 395,000. In the current fiscal year 2014/15, the electric consumption figures indicate a further reduction of 10%, corresponding to additional savings of about EUR 200,000.

<sup>1)</sup> Heat Ventilation Air Conditioning.



# Responsibility for employees

PHOENIX CSR group employs 12,395 persons // Induction trainings are important to new employees // Continuous improvement of health and safety // Active communication is a key to success

**Work environment**

A competent workforce is the PHOENIX group’s key asset and a strong affirmation of the group’s success as an attractive and responsible employer. The group aims to provide its entire personnel with a healthy and safe work environment. Various local safety and occupational health policies reflecting the local employment laws are applied, such as in Finland, Germany, Latvia, Norway, Poland, and Sweden. In addition, the well-being and personal development of every employee of the PHOENIX CSR group 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 through training and project participation. Implementation varies from country to country and is subject to local employment laws as well as regulations and practices.

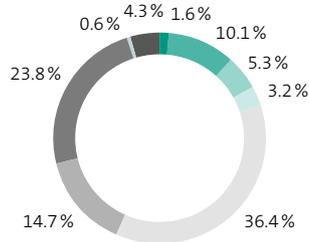
Motivation and commitment of employees is essential for their performance excellence. It is a significant task of each manager to create an appropriate environment in order to enable all employees to develop their skills and abilities. This includes optimising workflows and workplaces as well as appropriately delegating challenging tasks to employees. The evaluation criteria for the work performance have to be understandable and unambiguous. In addition, acknowledgment of good work increases the motivation of employees. Managers themselves are expected to demonstrate personal commitment and own initiative, not only to optimise their range of activities, but also to actively support preliminary and subsequent work processes. As for the terms and conditions of work, each PHOENIX CSR group country complies with the national labour laws of the respective country. In certain countries, such as Austria, Denmark, Finland, Germany, Italy, Norway, and Sweden, collective agreements apply in addition to individual work contracts.

**Personnel in figures**

At the end of the fiscal year 2013/14, the PHOENIX group had a total of 28,555 (28,698 in 2012/13) employees. In the eleven CSR group countries, there were 12,395 employees. In Germany, the largest country of operations in the PHOENIX CSR group, the number of total employees was 4,522 (4,543 in 2012/13). Norway, where most employees work in the retail section, employed more than 2,500 persons and in Italy more than 1,800 employees are contracted. Other reporting countries employed an average of a few hundred employees. The following chart will show the division of personnel by the PHOENIX CSR group countries.

The share of female employees is 65.9%. More information about PHOENIX CSR group’s gender structure on p. 45.

**Division of personnel by the PHOENIX CSR group countries**



Personnel in Headcount	2013/14
Austria	200
Baltics	1,260
Denmark	656
Finland	395
Germany	4,522
Italy	1,818
Norway	2,947
Poland	69
Sweden	528
<b>PHOENIX CSR group</b>	<b>12,395</b>

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 own pharmacies (Norway and the Baltic countries).



PHOENIX promotes trainings to maintain a high level of skills and knowledge.

The exchange of knowledge and experience is essential for PHOENIX employees.

### Continuous training and education of employees

Identifying and systematically promoting the skills and capabilities of employees is essential for the future development of the PHOENIX group. It is one of the tasks of managers to identify the employees who show particular potential and willingness to progress. Furthermore, the managers are expected 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 the 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.

The Swedish business unit has an institutionalised management programme for newly appointed managers. The Latvian business unit offers a wide range of internal and external training for professional skills, and the Danish business unit has created an internal leadership academy as well as 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.

The European Management Development Programme of PHOENIX brings together employees from various group companies, countries, and functions. It increases networking and cooperation within the PHOENIX group and provides further development and retention of highly qualified managers. In addition, the PHOENIX group runs the Top Management Education Programme for its 100 top executives in collaboration with the IESE Business School in Barcelona, Spain. Typically, in-house education covers induction training for new employees and GDP training. Additionally, the introduction training relating to the Code of Conduct and the anti-bribery training were organised, for example, in Estonia, Finland, Norway, and Italy. In 2013, nearly every business 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 is registered in a skills database maintained by the HR 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 their future prospects and relevant training measures with their superior. Such an appraisal meeting procedure is applied in Sweden, Norway, Denmark, Finland, Latvia, Poland, and Italy.

# **CASE:** PHOENIX in Germany achieves success with the dual study programme

PHOENIX invests strategically in training for young people and is achieving success in the dual study and combined training programme in Germany. Investment in the dual study programme is a key component of PHOENIX in Germany's innovative and sustainable personnel policy.

This recipe for success is based on the dual approach – the integration of theory and practice. The training and studies take place at both PHOENIX and the vocational school or university. Placements in the various PHOENIX departments are tailored specifically to the relevant profession or course of studies. Thanks to the concrete examples encountered in day-to-day working life, the abstract knowledge gained from studies is deepened in a practical sense and made tangible in the most literal sense of the word. One of the advantages of the dual study programme over a purely university-based education lies in the fact that there is no “reality shock” after the students finish their trainings or studies. In addition, carrying out placements in different areas results in the creation of a company-wide network that will be indispensable and hugely valuable in future projects. PHOENIX is an international company that strongly encourages students to complete a placement in another European company during their studies. This facilitates an understanding of group structures, while at the same time promoting intercultural skills.

The dual study system is also becoming popular outside of Germany. Globally active companies are exploring the extent to which the dual study programme can be introduced at other locations.

In the fiscal year 2013/14, PHOENIX in Germany took on a total of 46 apprentices and 6 dual students at its headquarters, the individual distribution centres, and its subsidiaries. In 2013, PHOENIX employed 122 apprentices and 17 dual students in Germany. The proportion of apprentices and students in the total workforce amounts to 3.9%. Beatrix Blume, Head of Personnel Development, emphasises the importance of investment in internal training at PHOENIX. *“It is an excellent tool for attracting qualified specialists and managers at an early stage of their career and encouraging them to remain with the company in the long term.”*

The effectiveness of this model is demonstrated by the retention rates seen in recent years. Well over 80% of the apprentices and students who completed their training took up further employment with the company in 2013. This is a positive result for PHOENIX as well as for the apprentices and students. The courses of study and apprenticeships provide a solid foundation for further professional development.

## Statements from dual students and apprentices



### **Jonas Stein,**

student at the Baden-Wuerttemberg Cooperative State University (DHBW), Mosbach, studying Business Administration – Commerce with focus on Materials Management and Logistics, 2nd semester: *“Completing placements in a wide variety of departments allows you to gradually build up a network within the company – a decisive advantage over a traditional course of studies.”*



### **Linda Neu,**

student at DHBW Mannheim, studying Business Administration – Commerce, 2nd semester: *“The opportunity to gain practical experience abroad during my studies was a key factor for me in choosing to do my training at PHOENIX.”*



### **Manuel Toscani,**

student at DHBW Mannheim, studying Business Administration – Commerce, 6th semester: *“The diverse on-the-job training phases at PHOENIX allowed me to apply the theoretical knowledge gained during my studies in specific practical situations.”*



### **Kevin Klebert,**

Apprentice Management Assistant in Wholesale and Foreign Trade, 2nd year: *“During my apprenticeship I’m learning the value of approaching each department without any preconceived notions. The more time I spend in a given area of responsibility, the more I realise that each field is exciting in its own way.”*



### **Miriam Scheffler,**

Pharmacy consultant: *“The practice-orientated approach of my study at the Baden-Wuerttemberg Cooperative State University provided me with a broad range of perspectives in thinking laterally. It has been an ideal basis for my working life and my career.”*



### **Ruediger Gieringer,**

Head of Retail: *“The dual study at PHOENIX has played a vital role in my professional career. I have learned to be flexible in new situations and to think out of the box.”*



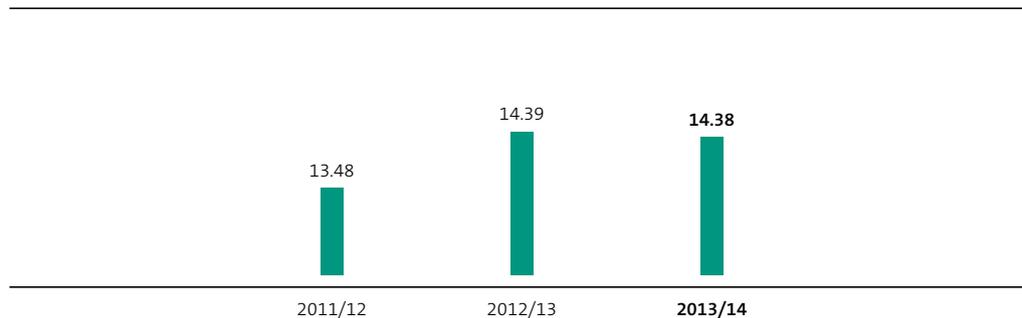
All business units take actions to improve health and safety of the employees and their workplaces.

**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. The business units, firstly, comply with local and EU legislation and other regulations related to environment, health, and safety. Furthermore, all employees receive appropriate training in relevant laws, policies, and practices. All business units take measures to improve the safety of their employees and at their workplaces. Health and safety operations should include the prevention of illness and injury as well as the promotion of well-being in the workplace. In all PHOENIX CSR group countries, different kinds of induction trainings are carried out such as first aid and fire safety courses, as well as injury prevention training instructing employees, how to lift heavy objects, for example.

During the reporting period, a total of 80 non-lost time injuries and 179 lost time injuries were recorded within the PHOENIX CSR group. At around 18 million actual working hours for the PHOENIX CSR group, the total injury rate amounts to 14.38 per one million working hours.

**Total rate of occupational injuries** per one million working hours<sup>1)</sup>



<sup>1)</sup> Due to new countries within the PHOENIX CSR group structure the data has been adjusted for all years.

In Finland, for example, occupational injuries are reported to a national authority that prepares official statistics on an annual basis. As for the Finnish business unit, in addition to the obligatory registering of injuries, close calls are also reported to the supervisor, who in turn fills out a specific notification form. The report is then analysed and corrective action is taken.

The amount of sick leave days also serves as an indicator of safety and well-being at work. Paid and unpaid absence due to illness, however, is reported in different ways due to national legislation in the countries. Moreover, national legislation on definitions and registering principles of sick leave times and related employee compensation arrangements vary from country to country.

### Job satisfaction

In the PHOENIX group, managers and staff 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 works councils, town hall meetings for the entire staff, personnel satisfaction surveys, and employee appraisal discussions, which all are already widely conducted in the PHOENIX CSR group countries.

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 Denmark conducts their job satisfaction survey on an annual basis, and Finland every other year.

The survey in Denmark, for example, consists of 47 questions regarding the employees' view on their own work situation, their professional development, their manager, their unit, and Norneco as a whole. The questions are the same from year to year, which makes it possible to compare the results. In terms of job satisfaction, the answers have been stable for the last four years. On a scale from 1 to 5 (with 5 being the best mark), the overall job satisfaction was rated as 4.2 ("All in all, how satisfied are you with your job?"). The same stability in survey results was noted for the other questions. For the last four years, the average rating for the whole questionnaire has been 3.9 (on a scale from 1 to 5).

In Germany, a personnel survey is carried out in a way 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 2013, seven distribution centres and 890 employees (on average 71 %) took part in the evaluation. In general, the results of the survey have been positive. There is minor to medium need for action in implementing the Leadership Guidelines. On a scale of 1 ("hardly ever"/"very poor") to 6 ("almost always"/"very good"), the satisfaction level concerning the implementation of the Leadership Guidelines is 4.1 on average. The German employees are particularly satisfied with the implementation of the guideline "Cooperation marked by a spirit of partnership" as well as with the guideline "Motivation and commitment". But there is also room for further development: the employees ask for improvement of the implementation of the guidelines "Promotion and development" and "Appraisal and feedback". That is one of the reasons why the German business unit introduced an annual employee appraisal, a new instrument to provide employees with feedback regarding their work performance. It is designed for all employees and consists of a standard written assessment and an appraisal interview in which the assessment is discussed together.



### Management and leadership principles

The uniform management principles in all business units make the PHOENIX group a reliable partner throughout Europe. 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.

The PHOENIX group regards the respect for the performance of each employee and their personal and cultural differences as fundamental elements of the group's success.

All employees continuously work on generating added value for the group and its customers. Managers promote innovative ideas and constantly improve daily workflows and quality standards together with their staff. An employee-orientated 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 Denmark, Finland, Germany, and Sweden, works councils meet regularly with management to discuss issues and the development of the company.

In Finland and the Baltic countries, 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.

Close cooperation with the employee representatives and works councils in various management and operational issues is common practice in many PHOENIX CSR group countries. The PHOENIX CSR group countries follow the local labour and employment laws in terms of collective bargaining.

# CASE: Interview with Rudi Rainer, Chairman of the European Works Council



**Rudi Rainer**, Chairman of the European Works Council since 2001.

## Can you provide a brief history of the European Works Council (EWC)?

After PHOENIX was founded in 1994, the German legislators implemented the EWC Directive of the EU. In 1996, there were preliminary discussions about the creation of a European Works Council prior to the formation of a EWC working group in Ger-

many in 1998. As early as the following year, a special negotiating body was set up by Germany, France, the Netherlands, and Austria. In 2001, the first PHOENIX EWC agreement was signed. The EWC met for the first time in October 2001. Twelve delegates from Germany, France, the United Kingdom, the Netherlands, and Austria attended the first meeting in Hanau, Germany.

The philosophy of the EWC is that it is to be consulted by the employer if key measures that have an impact on two or more countries are to be implemented in the group. The function of the EWC at a European level is comparable to that of the economic committee in Germany.

Examples of projects in which the EWC has been involved are the creation of Leadership Guidelines in 2006, IT Reinvent in 2011, FORWARD in 2013, and Compliance Guidelines in 2013.

Besides the function defined by the legislators, the EWC offers employee representatives the opportunity to exchange ideas about current market developments, new technologies, and examples of best practices from their work. The EWC has made a significant contribution to improved communication between the countries and has therefore also helped PHOENIX to grow closer together as a European group.

The PHOENIX EWC agreement creates a good working foundation for the EWC. In the years since the EWC was founded, the Executive Board and Corporate HR have strongly fostered positive cooperation.

The EWC meetings provide the only opportunity for many delegates from currently almost 20 countries to enter into an exchange of ideas with the CEO, Oliver Windholz, in person.

## How important is the EWC for PHOENIX?

The EWC does not have any significant opportunities for shaping the company in terms of co-determination rights, and its significance is therefore somewhat limited. This is why countries with a distinctive co-determination culture only benefit from the specific items mentioned before. In countries without this legal scope, the EWC can stimulate and support the development of appropriate structures.

**What tasks does the EWC assume? Does it have veto/co-determination rights?**

The EWC does not have the veto/co-determination rights to which we are accustomed in Germany. Therefore, the final discussions of topics in the EWC only lead to changes if employers are convinced by the arguments. The time during which the discussions take place can, however, be used to establish a position in the individual countries that promotes the employee-friendly implementation of the specific item.

**How does the cooperation between countries work?**

Within the framework of possibilities, the cooperation works reasonably well. Of course, the offers made by the EWC to delegates from the countries must also be actively taken up.

There is only a limited number of meetings. The seven members of the Steering Committee meet twice a year on one day; the EWC itself has an annual two-day meeting in order to exchange ideas, of which one day is already taken up by important management speeches.

In order to use the allotted meeting time more effectively, the delegates exchange “written country reports” in advance; reference can be made to these reports during the meeting.

A central problem affecting the cooperation is the obvious issue of the different European languages – they are absolutely worth protecting from a cultural perspective and it is essential to cultivate them, but they make working together much more difficult. Knowledge of foreign languages cannot be assumed and interpreters are not always readily available. Key documents have to be translated into all country languages. Direct enquiries via the EWC secretariat are only possible in German, English, or French.

**What is the EWC’s position with regard to corporate social responsibility?**

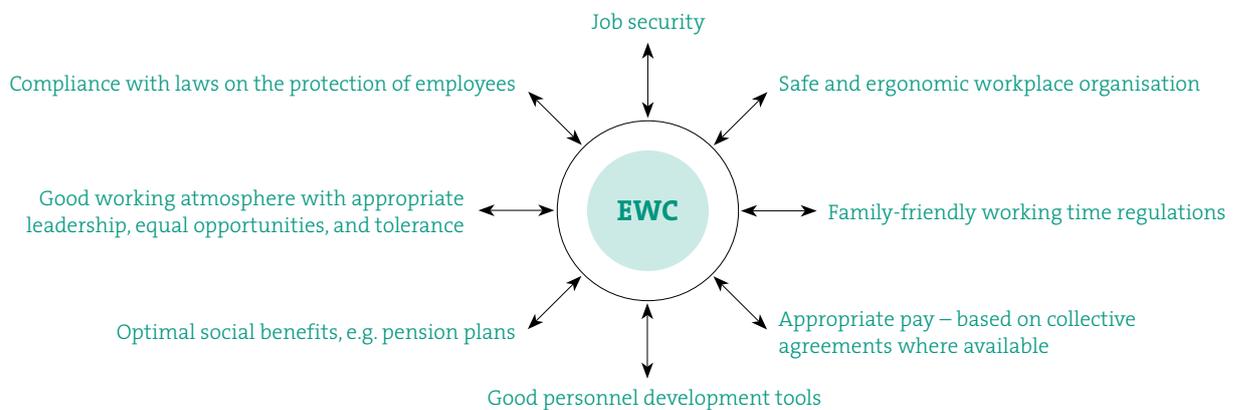
In principle, it is very positive to see that PHOENIX is making an effort with regard to social responsibility topics above and beyond statutory regulations. However, all major companies employ this aspect of corporate conduct because it contributes to future competitiveness. For us, the decisive factor is whether real improvements are being targeted, even if they require effort or cost.

**What does the EWC expect from CSR in the future?**

Firstly, I would like to point out that the employee representatives believe that they have an active role in this area. We want to use the opportunity to address relevant topics in a more sustainable manner.

**Core objectives of the EWC**

In general terms, the EWC has the same objectives as all employee representatives. All colleagues in Europe want to contribute to the following topics:



**Facts about the EWC in the PHOENIX group**

	2011/12	2012/13	2013/14
Participating countries <sup>1)</sup>	17	19	18
Participating members	27	30	26
Number of meetings per year	1 (Riga)	1 (Budapest)	1 (Helsinki) 1 (Mannheim)
Steering committee meetings <sup>2)</sup>	2	2	2

<sup>1)</sup> All countries of the PHOENIX group have a right to participate. Non-EU countries enjoy a guest status.

<sup>2)</sup> As an executive body, the Steering Committee consists of the Chairman of the EWC and Vice-Chairman as well as of currently five members from Germany, Hungary, Netherlands, Norway and United Kingdom.

We therefore aim to introduce examples of good practice and proven tools across Europe. I would like to quote the employee surveys about “Work atmosphere and good working conditions” as a specific example. These surveys were conducted in many PHOENIX countries. This tool is still to be used in Germany. If we want to take the needs of employees into account, it makes sense, of course, to also be aware of them. A key aspect must be to use the immense potential of the almost 30,000 employees in all future corporate developments.

#### **What are the key aspects of CSR that are important for the EWC?**

As representatives of employee interests we naturally carry out lobbying activities and will prioritise our specific tasks on working conditions. In summary, the topics are management culture, material working conditions, health protection, reconciliation of work and family life, and qualification opportunities.

The demographic change in our society means that specialists will be able to select good employers in the future. PHOENIX should be one of them.

To achieve this, it is important to provide employees with additional opportunities. I am mainly thinking about opportunities to enable the reconciliation of

career planning and personal life and significantly improve the potential for women for and in leadership positions, as well as forward-looking qualifications to safeguard the employability of the workforce during change processes within the company.

One aspect that all interest groups must address in the same manner is environmental protection in conjunction with sustainable action. All useful steps should be taken, from the reduced consumption of raw materials by individuals in the workplace to company-wide energy-saving concepts.

#### **Are there other points that should be taken into account?**

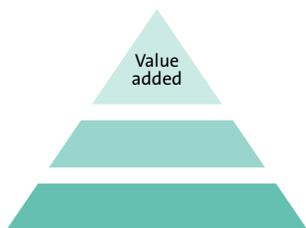
In order to involve employees in the desired manner, the results in the field of CSR must be communicated. The annual CSR reports should therefore be made available to everyone in the countries.

If PHOENIX wants to promote its corporate culture and social responsibility, then employees should use the opportunities that arise and become actively involved wherever possible. This is the only way to produce the needed changes. It is a permanent process to which managers and employees should be committed at all times.



# Responsibility for products and services

Exact safety procedures ensure high quality distributions // Customer satisfaction surveys help to define further developments // Correct handling of medicines and other important products // PHOENIX supports prevention of counterfeit medicines



The PHOENIX group operations add value to its stakeholders.

### Safety and quality at the core of operations

In the previous chapters we explained the meaning of compliance and ethics as well as the business operations of the PHOENIX CSR group. In the following chapter we describe the value added to the stakeholders by the PHOENIX CSR group.

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.

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.

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 medicines 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 retail business, the PHOENIX group offers patients and consumers qualified services and advice based on a broad range of medicines and health products via its pharmacies. The group has retailing activities in 12 countries, where it also operates as a partner to numerous independent pharmacies. With all manufactures of own label products, the PHOENIX group keeps a high certification standard level. All manufacturers can track their products down to the raw materials.

Furthermore, the PHOENIX group 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, there 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 available to pharmaceutical manufacturers.

### Customer satisfaction

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

As one example in the wholesale business, PHOENIX in Germany carried out its first online customer satisfaction survey in 2013. With almost 1,600 answered questionnaires, the response rate has been very good. This ensures a meaningful analysis, which provides a good view of the PHOENIX in Germany customers' opinion. Nearly 60% of the participants were "extremely satisfied" or "very satisfied". 94.7% of all respondents would recommend PHOENIX to their colleagues or business partners.

Satisfaction surveys help to develop our business operations for our customers.



PHOENIX ensures a safe and reliable logistic chain within all business units.

Norway's leading pharmacy chain, Apotek 1, represents the PHOENIX group's retail business in Norway. In May and October 2013, over 1,100 mystery shoppers participated in Apotek 1's own "Ukjent kunde" customer satisfaction survey. Additionally, the chain takes part twice a year in the "Apoteksbarometeret" survey, conducted by the Norwegian Pharmacy Association. According to the survey, Apotek 1 is by far the best-known pharmacy chain among Norwegian consumers. For 68% of the same participants, "service" is the most important factor in a pharmacy.

Three pharmacies of the BENU pharmacy chain, which represents the PHOENIX group's retail business in Latvia, were granted the "Best service provider" award. Customer satisfaction surveys were also conducted in Austria, Finland, and Sweden.

### Safe and reliable logistics chain

The high quality and safety of pharmaceutical products under all circumstances are firstly ensured by the EU 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 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 business units 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 to ensure the safe and reliable supply chain from the manufacturer via the wholesaler to the pharmacies and hospitals.

## CASE: PHOENIX contributes to the securPharm project

Since its foundation in 1994, PHOENIX Pharmahandel has been the market leader in Germany in pharmaceutical wholesaling. More than half of the approximately 21,500 public pharmacies in Germany are among the wholesaling customers of the company. Its wholesale range comprises more than 100,000 items from the drug and health product portfolio of more than 1,500 pharmaceutical manufacturers.

As a key player among pharmaceutical wholesalers in Germany, PHOENIX has adopted a distinct role in cooperative work that focuses on protecting patients from counterfeit pharmaceuticals. In Germany, different stakeholders of the pharmaceutical industry have established a partnership programme which addresses the requirements of the EU Directive on Falsified Medicines. The project is called securPharm, and its target is to show how, in the interest of patients, the requirements for counterfeit prevention can be implemented in an efficient as well as industry- and pharmacy-friendly manner by the parties involved in the pharmaceutical market.

In line with the securPharm project, stakeholders have built and piloted a system for the verification of the medicinal products' authenticity and identification of individual packs. Since the start of the project in late 2012, more than 280 pharmacies and 24 pharmaceutical companies have been involved in the implementation of the verification system. In order to test the feasibility of the securPharm system from the wholesaler's point

of view, PHOENIX, including all of its German depots, participates in the project and verifies products according to a protocol defined by securPharm. According to the securPharm process for verification of medicinal products, the pharmaceutical manufacturer places an individual serial number on each package during the production process. This serial number, along with the "Pharmazentralnummer", the lot number and expiration date are printed in a Data Matrix code on the package. The information is retained by the manufacturer in a central database. In addition, the data of Informationsstelle für Arzneispezialitäten (IFA) indicate which medicinal products carry the Data Matrix code with a serial number and can therefore be verified in pharmacies. Using this data, the pharmacy software alerts the dispensing pharmacy staff to verify a specific medicinal product.

The pilot phase of the securPharm project carried out in the course of 2013 turned out to be a success. The system demonstrates that a stakeholder-driven system for verifying medicinal products in compliance with the requirements of the EU Directive on falsified medicinal products truly is feasible. Once the project enters into the production phase, all companies and pharmacies in Germany may join the securPharm system – the only European system fully compliant with the requirements set forth in the EU Directive on the prevention of falsified medicinal products that has been tested under real-life conditions – at any time.

### 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 and stay prepared for exceptional circumstances, such as when products need to be recalled.

The possible recalls of the PHOENIX group's own BENU product range are handled and organised by each country. Depending on the degree of the recall, the recall procedure involves authorities, pharmacies, and the media. The contracts with manufacturers of BENU products also include ISO standards, which have to be ensured. The manufacturers have to be able to trace the origins of the materials used for the products. Local BENU consultants in each country are well-informed about the products and the legislation.

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 familiar with 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 and the PHOENIX group's success.

The quality and management systems are the foundation of the group's business. Attaining a high quality level is vital 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.

## Facts and figures

### Reporting principles

The objective of this report, which covers the fiscal year 1 February 2013 to 31 January 2014, is to describe the development and results of the PHOENIX CSR group's corporate social responsibility activities that include the following eleven countries: Austria, Denmark, Estonia, Finland, Germany, Italy, Latvia, Lithuania, Norway, Poland and Sweden. These business units are later referred as the PHOENIX CSR group.

### CSR countries of the PHOENIX group



As of 31 January 2014

The PHOENIX group countries not included in the scope of this report are the following: Bosnia, Bulgaria, Croatia, Czech Republic, France, Hungary, Kosovo, Macedonia, Montenegro, the Netherlands, Serbia, Slovakia, Switzerland, and United Kingdom.

The term PHOENIX group refers to the whole PHOENIX group as reported in the Annual Report. There were no significant changes in the PHOENIX CSR group structure during the reporting period.

This report contains Standard Disclosures from the GRI Sustainability Reporting 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.

### Specific standard disclosures

The GRI G4 specific standard disclosures covers description of management and reporting performance indicators for the identified material aspects. Based on the PHOENIX materiality analysis the following GRI aspects were considered as material:

- 
- > **Economic responsibility** —————> economic performance
  - > **Environmental responsibility** —————> energy, emissions, effluents and waste, products and services, compliance and transport
  - > **Labour practices and working conditions** —————> employment, occupational health and safety, training and education, diversity and equal opportunity
  - > **Responsibility for society** —————> anti-corruption, anti-competitive behaviour and compliance
  - > **Responsibility of products and services** —————> customer health and safety
-

## Key figures of the PHOENIX CSR group

### Environmental figures

PHOENIX continuously aims of energy efficient buildings and infrastructure.

#### Consumption of electricity by country

in MWh	2011/12	2012/13	2013/14
Austria	1,201	1,125	1,484
Baltics	4,995	4,669	4,755
Denmark	3,924	3,714	3,799
Finland	9,087 <sup>1)</sup>	11,293 <sup>1)</sup>	11,149
Germany	30,758	30,856	31,129
Italy	18,360	17,961	15,620
Norway	13,959	15,438	12,926
Poland	2,154	1,367	610
Sweden	8,566	9,541	9,627
<b>PHOENIX CSR group</b>	<b>93,004</b>	<b>95,964</b>	<b>91,099</b>

<sup>1)</sup> The electricity figures from Finland have been corrected for the years 2011/12 and 2012/13 due to an error in the data from Tampere facility.

#### Consumption of district heating by country

in MWh	2011/12	2012/13	2013/14
Austria	0	0	0
Baltics	4,067	4,113	1,047
Denmark	3,396	3,413	3,384
Finland	4,214	6,301	5,619
Germany	4,385	4,644	4,881
Italy	0	0	0
Norway	0	0	0
Poland	989	730	263
Sweden	2,528	3,637	3,839
<b>PHOENIX CSR group</b>	<b>19,579</b>	<b>22,838</b>	<b>19,033</b>

**Total GHG emissions (scope 1 – 3)**

in tCO <sub>2</sub>	2011/12	2012/13	2013/14
<b>Scope 1</b>			
Direct energy use <sup>1)</sup>			
GHG emissions from fuels used in buildings	4,892	5,108	4,757
Transport <sup>2)</sup>			
GHG emissions from own transport	1,712	1,352	1,185
<b>Scope 1 total</b>	<b>6,604</b>	<b>6,460</b>	<b>5,942</b>
<b>Scope 2</b>			
Secondary Energy <sup>3)</sup>			
GHG emissions from the generation of purchased electricity and district heat	34,003	33,931	31,411
<b>Scope 2 total</b>	<b>34,003</b>	<b>33,931</b>	<b>31,411</b>
<b>Scope 3</b>			
Transport <sup>2)</sup>			
GHG emissions from subcontracted transport	89,236	88,643	89,720
<b>Scope 3 total</b>	<b>89,236</b>	<b>88,643</b>	<b>89,720</b>
<b>Total (Scope 1+2+3)</b>	<b>129,843</b>	<b>129,034</b>	<b>127,073</b>

Scope is a classification of the operational boundaries where GHG emissions occur.

<sup>1)</sup> The CO<sub>2</sub> 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).

<sup>2)</sup> The CO<sub>2</sub> emission factors for transport are based on values provided by Lipasto Finland ([www.lipasto.vtt.fi/yksikkopaastot/tavaraliikenne/tieliikenne/tavara\\_tie.htm](http://www.lipasto.vtt.fi/yksikkopaastot/tavaraliikenne/tieliikenne/tavara_tie.htm)).

<sup>3)</sup> The CO<sub>2</sub> 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.

**Total GHG emissions by country (scope 1 – 3)**

in tCO <sub>2</sub>	2011/12	2012/13	2013/14
Austria	2,265	2,389	2,592
Baltics	3,931	3,782	2,806
Denmark	3,207	3,382	3,440
Finland	8,587 <sup>1)</sup>	9,439 <sup>1)</sup>	9,265
Germany	58,684	57,108	58,108
Italy	30,682	30,188	28,343
Norway	8,562	9,030	9,079
Poland	2,547	1,751	900
Sweden	11,378	11,965	12,540
<b>PHOENIX CSR group</b>	<b>129,843</b>	<b>129,034</b>	<b>127,073</b>

<sup>1)</sup> The electricity figures from Finland have been corrected for the years 2011/12 and 2012/13 due to an error in the data from Tampere facility.

Scope 1 and 2 are emissions from own sources or those which are the result of own processes.

#### Emissions by country from own transport (scope 1)

in tCO <sub>2</sub>	2011/12	2012/13	2013/14
Austria	0	0	0
Baltics	659	382	334
Denmark	870	809	775
Finland	0	0	0
Germany	0	0	0
Italy	0	0	0
Norway	0	0	0
Poland	183	162	76
Sweden	0	0	0
<b>PHOENIX CSR group</b>	<b>1,712</b>	<b>1,353</b>	<b>1,185</b>

#### GHG emissions by country from indirect use of energy (scope 2)

in tCO <sub>2</sub>	2011/12	2012/13	2013/14
Austria	235	221	291
Baltics	2,841	2,689	1,850
Denmark	2,337	2,249	2,266
Finland	2,862 <sup>1)</sup>	3,715 <sup>1)</sup>	3,540
Germany	15,151	15,265	15,485
Italy	7,916	7,723	6,716
Norway	90	135	113
Poland	2,076	1,369	570
Sweden	495	567	580
<b>PHOENIX CSR group</b>	<b>34,003</b>	<b>33,933</b>	<b>31,411</b>

<sup>1)</sup> The electricity figures from Finland have been corrected for the years 2011/12 and 2012/13 due to an error in the data from Tampere facility.

Scope 3 are all indirect emissions that occur outside of PHOENIX.

#### Emissions by country from subcontracted transports (scope 3)

in tCO <sub>2</sub>	2011/12	2012/13	2013/14
Austria	1,861	1,993	2,127
Baltics	168	421	417
Denmark	0	325	327
Finland	5,725	5,725	5,725
Germany	40,192	38,476	39,241
Italy	21,934	21,410	20,958
Norway	8,472	8,895	8,966
Poland	0	0	0
Sweden	10,883	11,398	11,960
<b>PHOENIX CSR group</b>	<b>89,235</b>	<b>88,643</b>	<b>89,721</b>

**Hazardous waste generated by country**

in tonnes	2011/12	2012/13	2013/14
Austria	20	16	15
Baltics	17	12	8
Denmark	236	199	187
Finland	200	124	258
Germany	1,791	1,710	866
Italy	1	3	5
Norway <sup>1)</sup>	119	133	138
Poland	6	14	30
Sweden	169	174	99
<b>PHOENIX CSR group</b>	<b>2,559</b>	<b>2,385</b>	<b>1,606</b>

Hazardous waste can be dangerous or potentially harmful for public health or the environment because of its chemical or other properties.

<sup>1)</sup> Data from Norway is incomplete due to the retail business unit not being able to provide its waste data.

**Non-hazardous waste generated by country**

in tonnes	2011/12	2012/13	2013/14
Austria	266	246	244
Baltics	578	691	705
Denmark	189	622	723
Finland	602	586	690
Germany	9,637	9,070	8,285
Italy	1,561	1,427	1,594
Norway <sup>1)</sup>	355	379	402
Poland	370	205	116
Sweden	946	998	901
<b>PHOENIX CSR group</b>	<b>14,504</b>	<b>14,224</b>	<b>13,660</b>

Non-hazardous waste consists of paper, plastic, cardboard, energy and biodegradable waste.

<sup>1)</sup> Data from Norway is incomplete due to the retail business unit not being able to provide its waste data.

**Audits**

in figures	2011/12	2012/13	2013/14
Audits by 3rd parties	6	9	14
Audits by suppliers	17	92	77
Internal audits	80	150	120
Audits by authorities	56	223	241
Critical observations	0	0	3
<b>Total</b>	<b>159</b>	<b>474</b>	<b>455</b>

## Personnel figures

### Employees (Headcount and FTE)<sup>1)</sup>

in figures	2011/12		2012/13		2013/14	
	FTE	Heads	FTE	Heads	FTE	Heads
Austria	177	198	177	186	177	200
Baltics	1,218	1,230	1,243	1,247	1,256	1,260
Denmark	504	660	483	663	471	656
Finland	344	344	468	368	449	395
Germany	3,547	4,499	3,598	4,543	3,553	4,522
Italy	1,817	2,021	1,915	1,945	1,810	1,818
Norway	2,358	2,792	2,449	2,758	2,553	2,947
Poland	454	475	287	301	65	69
Sweden	501	626	560	595	514	528
<b>PHOENIX CSR group</b>	<b>10,920</b>	<b>12,845</b>	<b>11,180</b>	<b>12,606</b>	<b>10,848</b>	<b>12,395</b>

<sup>1)</sup> Per due date 31 January.

### Division of personnel by countries

in %	2011/12	2012/13	2013/14
Austria	1.6	1.5	1.6
Baltics	9.6	9.9	10.1
Denmark	5.1	5.3	5.3
Finland	2.7	2.9	3.2
Germany	35.0	36.0	36.4
Italy	15.7	15.4	14.7
Norway	21.7	21.9	23.8
Poland	3.7	2.4	0.6
Sweden	4.9	4.7	4.3
<b>PHOENIX CSR group</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Personnel breakdown by gender and countries

in figures	2011/12				2012/13				2013/14				
	Fulltime male	Part-time male	Fulltime female	Part-time female	Fulltime male	Part-time male	Fulltime female	Part-time female	Fulltime male	Part-time male	Fulltime female	Part-time female	Female in %
Austria	72	5	59	62	72	3	61	50	71	4	63	62	62.5
Baltics	118	2	1,011	99	114	5	1,002	126	114	6	1,023	117	90.5
Denmark	399	261	– <sup>1)</sup>	– <sup>1)</sup>	242	133	138	150	243	133	135	145	42.7
Finland	148	16	163	17	158	23	169	18	166	33	151	45	49.6
Germany	1,450	306	968	1,775	1,482	340	979	1,742	1,433	355	932	1,802	60.5
Italy	887	181	500	453	889	125	490	441	824	102	446	446	49.1
Norway	346	161	1,403	882	325	76	1,277	1,080	370	88	1,369	1,120	84.5
Poland	111	6	308	50	61	5	211	24	30	0	32	7	56.5
Sweden	265	11	288	62	270	9	280	36	238	5	255	30	54.0
<b>PHOENIX CSR group</b>	<b>3,796</b>	<b>949</b>	<b>4,700</b>	<b>3,400</b>	<b>3,613</b>	<b>719</b>	<b>4,607</b>	<b>3,667</b>	<b>3,489</b>	<b>726</b>	<b>4,406</b>	<b>3,774</b>	<b>65.9</b>

<sup>1)</sup> Data from Denmark in this reporting period is incomplete due to changes in the reporting structure.

### Absenteeism

	2011/12		2012/13		2013/14	
	Sick hrs paid	Sick hrs unpaid	Sick hrs paid	Sick hrs unpaid	Sick hrs paid	Sick hrs unpaid
Austria	15,876	261	13,336	171	13,341	64
Baltics	4,398	54,813	13,368	44,918	39,685	38,150
Denmark <sup>1)</sup>	34,600	238	35,329	0	27,951	0
Finland <sup>1)</sup>	27,520	0	34,695	0	23,608	0
Germany	329,744	125,769	337,779	144,865	346,337	123,259
Italy <sup>1)</sup>	121,844	0	122,469	0	102,388	0
Norway	122,401	184,201	145,931	169,487	203,194	116,033
Poland <sup>1)</sup>	60,754	0	32,601	0	12,252	24
Sweden	30,315	51,333	33,985	54,760	29,097	45,722
<b>PHOENIX CSR group</b>	<b>747,452</b>	<b>416,615</b>	<b>769,493</b>	<b>414,201</b>	<b>797,853</b>	<b>323,252</b>

<sup>1)</sup> No figures available for sick hours unpaid in these countries.

Subsidiaries are e.g. ADG and transmed in Germany, Forex A/S in Denmark or Tamro Eesti OÜ in Estonia.

#### Division of employees by category on headcount

in figures	2011/12	2012/13	2013/14
Retail	3,904	3,768	3,641
Wholesale/Pre-Wholesale	8,343	8,177	7,927
Service <sup>1)</sup>	598	661	827
<b>Total</b>	<b>12,845</b>	<b>12,606</b>	<b>12,395</b>

<sup>1)</sup> The service category includes employees working for subsidiaries of PHOENIX group.

#### Total rate of recordable injuries<sup>1)</sup>

per one million working hours	2011/12	2012/13	2013/14
Lost time injuries	192	195	179
Non-lost time injuries	44	66	80
Total Recordable Injuries	236	261	259
Actual working hours reviewed	17,810,156	18,213,115	18,012,702
<b>TRIF reviewed</b>	<b>13</b>	<b>14</b>	<b>14</b>

<sup>1)</sup> Reporting was done according to local legislations.

## GRI Index

GRI G4	General standard disclosures	Location	Comments
<b>Strategy and analysis</b>			
G4-1	CEO's statement	CEO's review	
G4-2	Key impacts, risks and opportunities	PHOENIX group corporate social responsibility, PHOENIX materiality analysis	
<b>Organisational profile</b>			
G4-3	Name of the organisation	The PHOENIX group in brief	
G4-4	Primary brands, products, and services	The PHOENIX group in brief	
G4-5	Location of organisation's headquarters		Mannheim, Germany
G4-6	Number of countries in which operations are located	The PHOENIX group in brief	
G4-7	Nature of ownership and legal form		Limited liability company, majority owner is the Merckle Group.
G4-8	Markets served	The PHOENIX group in brief	
G4-9	Scale of the organisation	Key figures of the PHOENIX CSR group	
G4-10	Breakdown of workforce	Personnel in figures	
G4-11	Coverage of collective bargaining agreements	Job satisfaction	
G4-12	Description of supply chain	Safe and reliable logistics chain	
G4-13	Significant changes during the reporting period	GRI Index, reporting principles	No significant changes during the reporting period.
G4-14	Addressing the precautionary approach or principle	PHOENIX group Annual Report 2013/14, p. 47-49 'Risk and opportunities'	Included in the risk management processes.
G4-15	External charters, principles, or initiatives endorsed	Safe and reliable logistics chain	Principles and guidelines of EU Good Distribution Practice.
G4-16	Memberships in associations	PHOENIX group Annual Report 2013/14, p. 12-13 'Sustainability'	PHOENIX group is active in two groups that focus on the protection against counterfeiting; securPharm and European Association of Pharmaceutical Full-line Wholesalers (GIRP).
<b>Identified material aspects and boundaries</b>			
G4-17	Report coverage of the entities included in the consolidated financial statements	GRI Index, reporting principles	
G4-18	Process for defining the report content and the aspect boundaries	PHOENIX materiality analysis	
G4-19	List of all the material aspects identified in the process for defining report content	GRI Index, specific standard disclosures	
G4-20	Aspect boundary within the organisation	GRI Index, specific standard disclosures	PHOENIX CSR group for all identified material aspects.
G4-21	Aspect boundary outside the organisation	GRI Index, reporting principles	Logistics suppliers (scope 3) for emissions and transportation.
G4-22	Restatements of information provided in previous reports	GRI Index, specific standard disclosures	The effect of any restatement of information provided in previous reports is described in the performance indicator tables.
G4-23	Significant changes in the scope and aspect boundaries from the previous report	GRI Index, reporting principles	PHOENIX CRS group covers eleven countries, two more compared to the previous year. The new countries included are Austria and Italy.

GRI G4	General standard disclosures	Location	Comments
<b>Stakeholder engagement</b>			
G4-24	List of stakeholder groups engaged	PHOENIX materiality analysis	
G4-25	Basis for identification and selection of stakeholders	PHOENIX materiality analysis	
G4-26	Approach to stakeholder engagement	PHOENIX materiality analysis	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	PHOENIX materiality analysis	
<b>Report profile</b>			
G4-28	Reporting period	GRI Index, reporting principles	
G4-29	Date of most recent previous report	CSR Report 2012/13	20 December 2013
G4-30	Reporting cycle	GRI Index, reporting principles	
G4-31	Contact point for questions regarding the report or its contents	CSR management and organisation	
G4-32	GRI Index	GRI Index	
G4-33	External assurance	GRI Index	The report is not externally assured.
<b>Governance</b>			
G4-34	Governance structure	CSR management and organisation, PHOENIX group Annual Report 2013/14, p. 10-11 'Report of the Advisory Board'	
<b>Ethics and integrity</b>			
G4-56	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Compliance	PHOENIX group Code of Conduct
G4-57	Mechanisms for finding advice on ethical and lawful behaviour, and matters related to organisational integrity	Compliance	CASE: Interview of PHOENIX Compliance Manager
G4-58	Mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	Compliance	CASE: Interview of PHOENIX Compliance Manager

GRI G4	Specific standard disclosures	Location	Comments
<b>Economic</b>			
G4-DMA	Generic disclosures on management approach	CSR management and organisation, management and leadership principles	Generic disclosures on management approach covers all the identified material aspects.
<b>Aspect: Economic performance</b>			
G4-EC1	Direct economic value generated and distributed	Key figures of the PHOENIX CSR group	
<b>Environment</b>			
<b>Aspect: Energy</b>			
G4-EN3	Energy consumption within the organisation	Environmental figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• PHOENIX CSR group consumption of electricity in MWh from 2011/12 to 2013/14</li> <li>• PHOENIX CSR group consumption of district heating in 2011/12 to 2013/14</li> </ul>
G4-EN6	Reduction of energy consumption	Energy efficiency, CASE: Energy efficiency effort reduced consumption and costs	Examples provided: no complete data on the total amount of reductions in energy consumption due to energy efficiency initiatives.
<b>Aspect: Emissions</b>			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Transport and its emissions, environmental figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• Total GHG emissions in tCO<sub>2</sub> (scope 1-3) from 2011/12 to 2013/14</li> <li>• Total GHG emissions by country in tCO<sub>2</sub> (scope 1-3) from 2011/12 to 2013/14</li> <li>• Emissions from own transport in tCO<sub>2</sub> (scope 1) from 2011/12 to 2013/14</li> </ul>
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Transport and its emissions, environmental figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• PHOENIX CSR group greenhouse GHG from indirect use of energy by country in tCO<sub>2</sub> (scope 2) from 2011/12 to 2013/14</li> </ul>
G4-EN17	Greenhouse gas (GHG) emissions (scope 3)	Transport and its emissions environmental figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• Emissions from subcontracted transports in tCO<sub>2</sub> (scope 3) from 2011/12 to 2013/14</li> </ul>
<b>Aspect: Effluents and waste</b>			
G4-EN23	Total weight of waste by type and disposal method	Safe handling and recycling of pharmaceutical and other waste, environmental figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• Hazardous waste generated by PHOENIX CSR group business units in tonnes from 2011/12 to 2013/14</li> <li>• Non-hazardous waste generated by PHOENIX CSR group business units in tonnes from 2011/12 to 2013/14</li> </ul>
<b>Aspect: Products and services</b>			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Safe handling and recycling of pharmaceutical and other waste	Initiatives described, no quantified data on impact mitigation.
<b>Aspect: Compliance</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Compliance	No fines or sanctions during the reporting period.
<b>Aspect: Transport</b>			
G4-EN30	Significant environmental impacts of transportation	Transport and its emissions	

GRI G4	Specific standard disclosures	Location	Comments
<b>Social</b>			
<b>Labour practices and decent work</b>			
<b>Aspect: Employment</b>			
G4-LA1	Total number and rates of new employee hires and employee turnover	Personnel in figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• Division of personnel by the PHOENIX CSR group countries from 2011/12 to 2013/14</li> <li>• Employees (Headcount and FTE) from 2011/12 to 2013/14</li> <li>• Employee turnover on PHOENIX CSR group is not reported due to lack of data</li> </ul>
<b>Aspect: Occupational health and safety</b>			
G4-LA6	Type of injury and rates of injury, lost days, and absenteeism	Health and safety at work, personnel in figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• Total rate of recordable injuries per one million working hours from 2011/12 to 2013/14</li> <li>• Absenteeism from 2011/12 to 2013/14</li> </ul>
<b>Aspect: Training and education</b>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Continuous training and education of employees	Training programmes described, no data on average training hour per employee.
G4-11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Continuous training and education of employees	Personnel development appraisal meeting procedure is applied in Sweden, Norway, Denmark, Finland, Latvia, Poland, and Italy. No data on actual number of meetings.
<b>Aspect: Diversity and equal opportunity</b>			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Personnel in figures	Performance indicator tables and graphics: <ul style="list-style-type: none"> <li>• Personnel breakdown by gender for the PHOENIX CSR group countries from 2011/12 to 2013/14</li> <li>• Composition of PHOENIX group Executive Board is presented at <a href="http://www.phoenixgroup.eu">www.phoenixgroup.eu</a></li> </ul>
<b>Society</b>			
<b>Local communities</b>			
<b>Aspect: Anti-corruption</b>			
G4-SO4	Communication and training on anti-corruption policies and procedures	Competition compliance and anti-corruption policies	The PHOENIX group's new anti-corruption policy was launched in all group countries in 2013/14. Trainings will continue in 2014/15.
<b>Aspect: Anti-competitive behaviour</b>			
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Compliance	No cases during 2013/14.
<b>Aspect: Compliance</b>			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Compliance	No fines or sanctions during the reporting period.
<b>Product responsibility</b>			
<b>Aspect: Customer health and safety</b>			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Ensuring availability of pharmaceuticals, Safe and reliable logistics chain, Product safety and quality assurance.	Health and safety impacts are assessed for all products and services.

# Glossary

## Abbreviations

**CO<sub>2</sub>** = Carbon dioxide

**FTE** = Full-Time Equivalent

**HC** = Headcount

**HR** = Human Resources

**IFRS** = International Financial Reporting Standards

**ISO** = International Organisation for Standardisation

**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.

## Conversion of energy units

**1 MWh** = 3.6 GJ

**1 GJ** = 0.2278 MWh

## Direct energy

Energy purchased as such.

## 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.

## 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 CO<sub>2</sub> 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 (H<sub>2</sub>O), carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), ozone (O<sub>3</sub>), and nitrous oxide (N<sub>2</sub>O). 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.

## 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.

## 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 CO<sub>2</sub> 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.

## 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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