



Together in Dialogue

Corporate Social Responsibility Report 2014/15

PHOENIX group in numbers

Key figures of the PHOENIX group		2010/11	2011/12	2012/13	2013/14 ⁷⁾	2014/15
Revenue	in EUR k	21,737,772	21,660,649	21,218,687	21,791,268	22,567,998
Total operating performance ¹⁾	in EUR k	25,062,613	25,479,749	25,251,336	25,916,290	27,278,243
Total income ²⁾	in EUR k	2,078,580	2,249,687	2,319,147	2,217,379	2,277,295
Profit before tax ³⁾	in EUR k	270,060 ³⁾	294,775 ³⁾	230,723 ³⁾	143,092	361,278
Adjusted profit before tax ⁴⁾	in EUR k	324,038	294,775	329,156	253,094	292,742
Equity	in EUR k	1,772,409 ⁵⁾	1,935,623	2,103,800	2,161,841	2,481,491
Equity ratio	in %	23.4	26.1	28.7	29.4	32.1
Net debt	in EUR k	2,176,588	1,855,743	1,611,518	1,330,855	1,068,749
Company rating (Standard & Poor's)		B+	BB-	BB	BB	BB
Employees (total) ⁸⁾		27,873 ⁶⁾	29,038 ⁶⁾	28,698	28,555	28,922
Employees (full-time)		23,206	23,850	23,932	23,850	24,153

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

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

³⁾ Prior-year figures were restated due to amendments to IAS 19R.

⁴⁾ 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.

⁵⁾ Adjusted in accordance with IAS 19R and other reclassifications.

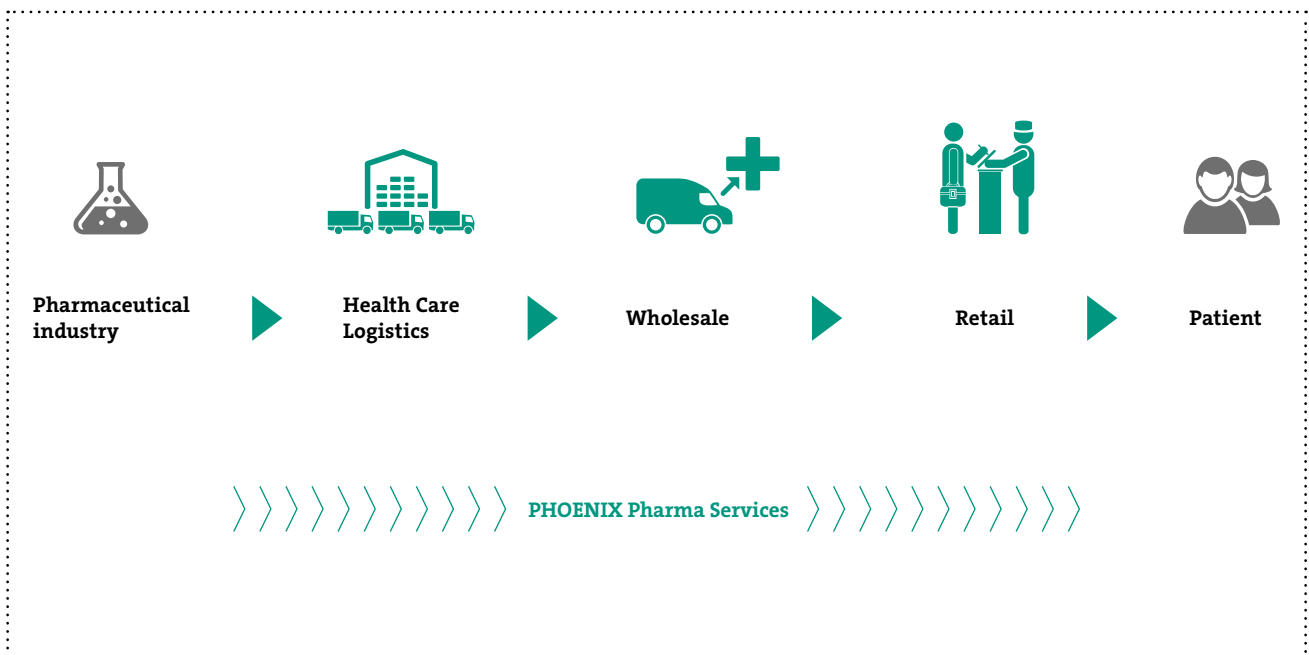
⁶⁾ Adjusted owing to updated reporting standards.

⁷⁾ Adjusted due to the first-time application of IFRS 11.

⁸⁾ Average numbers.

Economic value retained of all PHOENIX group countries in total EUR k	2013/14	2014/15
Net turnover	21,792,370	22,567,998
Community investments	-2,177	-2,031
Employee wages and benefits	-1,076,078	-1,034,353
Operating costs	-20,405,093	-21,119,765
Payments to governments	-93,936	-73,364
Payments to providers of capital	-138,002	-99,225
Economic value retained	77,084	239,260

PHOENIX group: link between manufacturer and patient



Wholesale



> As a wholesaler, the PHOENIX group ensures that the drugs and health products of pharmaceutical manufacturers are delivered to pharmacies and medical institutions both quickly and reliably. The PHOENIX group also supports independent pharmacies in Europe, offering various services to increase customer retention.

Pharma Services



> PHOENIX Pharma Services offers a wide range of services along the entire pharmaceutical supply chain that enable pharmaceutical manufacturers to focus their attention on the development and production of superior drugs. The PHOENIX group takes care of everything else.

Retail



> In pharmacy retail, the PHOENIX group is responsible for directly supplying the general public with pharmaceuticals and health products. The comprehensive and professional advice provided by our pharmacy staff is of the highest quality and is accompanied by the best possible customer service.

We deliver health.

Each and every day. Across 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 around 29,000 employees. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means that each customer group is provided with the best possible services and products along the entire pharmaceutical supply chain.

> **In pharmaceutical wholesale**, the PHOENIX group is active with 153 distribution centres in 25 European 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 systems to cooperation programmes.

> **In pharmacy retail**, the PHOENIX group operates more than 1,600 of its own pharmacies in 12 countries – of which around 800 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. More than 12,000 pharmacy employees have 113 million customer contacts each year. They dispense around 250 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

> **Pharma Services** 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.

Basis of the report: This report contains information about sustainability at the PHOENIX group and refers to fiscal year 2014/15. This report contains Standard Disclosures from the GRI-G4 Sustainability Reporting Guidelines using the option “Core”.

Supplementary information can be found in the Annual Report 2014/15 of the PHOENIX group, on the internet at www.PHOENIXgroup.eu and in the GRI Index in the chapter “Key figures of the PHOENIX group” starting on page 56.

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Letter of the Chief Executive Officer



Oliver Windholz
Chief Executive Officer

Dear readers,

We are pleased to present our third PHOENIX group Corporate Social Responsibility (CSR) Report, the first one to cover all 25 countries in which we operate. This is an important step in our efforts to increase the sustainability of our operations and to document this process.

In addition, as announced in the last report, we have now set group-wide targets for key CSR issues and linked these targets to concrete measures. Our primary objectives include reducing pharmaceutical waste, and reducing the employee sickness rate. The results of our first group-wide employee survey will help to define measurements to increase employee retention. We will discuss these in more detail in the following chapters. In future, we will review our self-imposed guidelines and document them in the next CSR reports. We will also supplement them with group-wide and country-specific targets.

Our commitment is to integrate sustainable principles into all processes and gradually extend them to all subsidiaries of the PHOENIX group. This is not only in our interest, but it is also increasingly demanded by our stakeholders. The pharmaceutical industry continues to see significant change due to the rising quantity of counterfeit medicines, the ever growing challenges of pricing policy, and the new Good Distribution Practice (GDP) guidelines. Only companies that are well positioned – economically, environmentally and socially – can be successful in the long term. As a value-oriented and independent family business, we have the best possible conditions. Other cornerstones of our success include our unique geographic coverage, our steadily growing pharmacy network, the ongoing expansion of our services, and the continuous enhancement of our logistics services.

We will continue to pursue our clear strategy of profitable growth and cost efficiency in future, because we intend to create value for ourselves and for our stakeholders in the long term. We succeeded again in this area during the past financial year: we further strengthened our position on the European market and performed significantly better than our competitors. An important contribution was also made by our PHOENIX FORWARD optimisation programme, which we launched in 2013/14 and expect to complete in the current financial year.

Our corporate mission statement, which we introduced last year as part of our 20th anniversary, underscores our strategic objectives and makes our value orientation transparent to our customers and employees. We focus on offering our customers the right services and products across the entire supply chain. We network our business units Wholesale and Retail, as well as Pharma Services, and act as a link between pharmaceutical manufacturer and patient.

All this is only possible with well-trained and highly motivated employees. As part of our new Warehouse Excellence initiative, our employees have had the opportunity since last year to promote approaches for continuous improvements of processes and to exchange their knowledge across all our locations. This was very well received and has had a positive effect on both the corporate culture and performance of the PHOENIX group. We achieved further milestones in the reporting period with the expansion of our compliance system and improvements in energy efficiency.

Our vision is to be the best integrated healthcare provider – wherever we are. PHOENIX group employees work towards this objective every day, and they deserve our sincere thanks. For the future, our major concern is to further strengthen group-wide cooperations and the transnational exchange of best practices. This also applies to the integration of new companies and employees into the PHOENIX group – entirely in the spirit of the title of this year's Corporate Social Responsibility Report "Together in Dialogue".

Yours sincerely,



Oliver Windholz
Chief Executive Officer

Success with responsibility

Growth targets aligned with sustainability

// The PHOENIX group focuses on a clear strategy of profitable growth and cost efficiency. It seeks long-term value for itself and its customers. It is always aware of its social responsibility and has firmly anchored its essential objectives and principles in its sustainability strategy. //

Profile of the PHOENIX group

The PHOENIX group operates in 25 countries and makes an important contribution to healthcare through its almost 29,000 employees.

The PHOENIX group is a leading European company in the pharmaceutical wholesale and retail and one of the largest family businesses in both Germany and Europe. Subsidiaries operating in related business areas expand the offering by adding services for the pharmaceutical industry, pharmacy IT systems, and logistic solutions. With almost 29,000 employees, we make a vital contribution to comprehensive healthcare.

We operate in 25 countries and offer unique geographical coverage throughout Europe. In pharmaceutical wholesale, the PHOENIX group operates 153 distribution centres in 25 countries; in retail it has 1,646 pharmacies in twelve countries. As the largest market, Germany makes up around one-third of consolidated revenue, which amounted to EUR 22.57 billion in financial year 2014/15.

Three business units ensure the link between manufacturer and patient





In pharmaceutical wholesale, the PHOENIX group is number one in eleven countries. We make daily deliveries, up to five times a day, to approximately 70,000 pharmacies, doctors, and hospitals. To do this we maintain a full market-oriented range of products – in some countries up to 140,000 items. This is complemented by a European-wide integrated range of services for pharmacies.

We also have a very good market position in pharmacy retail. More than 12,000 pharmacy employees have 110 million customer contacts each year. The BENU brand, introduced in financial year 2012/13, is already a leader in continental Europe due to its innovative concept. Around 800 pharmacies operate under this brand. Our Apotek 1, with almost 300 pharmacies, is the leading pharmacy chain on the Norwegian pharmacy market. We also have a strong brand in the UK with rowlands pharmacy and more than 500 locations.




In the Pharma Services business unit, we offer a comprehensive service portfolio to the pharmaceutical manufacturers in all 25 countries where we are represented, which creates considerable added value. Based on our “All-in-One” concept, we enable manufacturers to focus their attention on the development and production of superior medicinal products. More than 200 customers from the pharmaceutical industry rely on our expertise in Health Care Logistics.

A STRONG BRAND PORTFOLIO

Our Wholesale and Health Care Logistics companies

Our Pharmacy Retail Brands

		
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We operate in 25 countries, all of which are included in this report.

● Countries integrated into the PHOENIX group Corporate Social Responsibility Report starting in 2014/15.



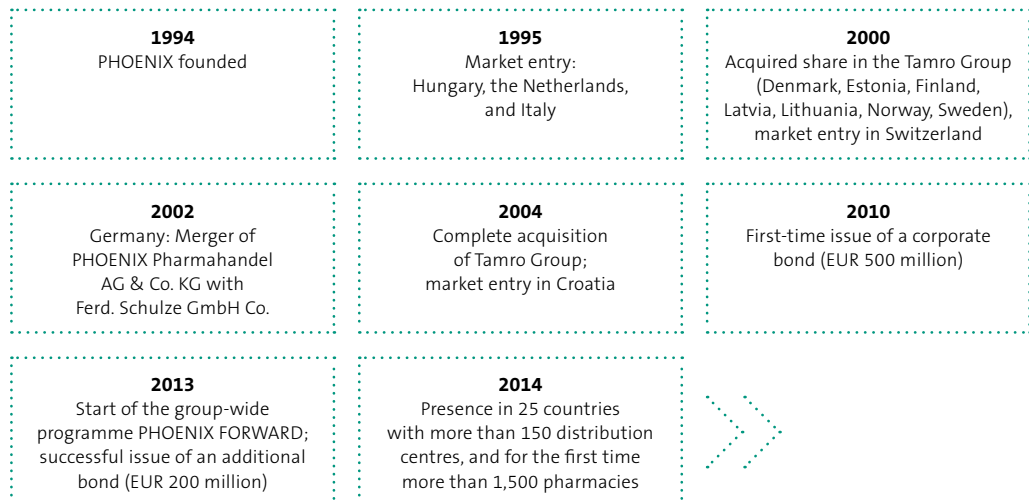
Corporate Mission Statement sets the framework for sustainable action

Further information can be found in the current Annual Report on pages 8–9.

Earlier in 2015 the PHOENIX group implemented a group-wide Corporate Mission Statement. This makes the company's philosophy and vision, mission, strategy and values transparent and forms the framework for our further action. As a family business, the PHOENIX group is independent in its decision making and pursues a long-term strategy. The strategy is focused on working together to create value, and it is strongly oriented toward the needs of customers.

PHOENIX group celebrates its 20th anniversary

We look back on a successful and eventful history, with roots in Germany and various European countries that date back over a hundred years. The PHOENIX group originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994.



Applying responsible process management based on targets

Growth and entrepreneurial success are inextricably linked with social responsibility at the PHOENIX group. We want to be measured against this commitment. That is why we have set ourselves the goal of integrating sustainability-oriented principles into all processes and gradually extending them to all subsidiaries of the company. In particular, the internationalisation of our markets and varying conditions at the country sites are a major challenge that we will face – with a management structure established group-wide and a CSR programme with binding targets.

About this report

The PHOENIX group publishes its sustainability report annually. For the first time, the report for fiscal year 2014/15 includes key performance indicators (KPI) from all group countries. For reporting in the environment area, the performance indicators do not include information about retail. Any deviations in the other key indicators are indicated with footnotes and presented in the GRI Index. For this reporting period, our primary goal was to achieve a uniform understanding across the group as to the definitions of the key performance indicators and to obtain the highest data quality possible for the current reporting period. Since reporting for the 2014/15 reporting period is group-wide for the first time and previous year's value are not extensively available, the prior year's figures are generally not shown. Exceptions to this are the figures for economic value retained, full-time equivalents (FTE), headcount and breakdown by gender, number of occupational injuries as well as absenteeism in the chapter "Employees". By training employees on and sensitising them to sustainability issues and reporting, we aim to further develop our key indicator sets and to continuously improve the quality of our reporting in future.

Management approach to be further developed

Due to the sometimes very different markets in which we operate, many issues are generally handled at the local level in accordance with our slogan "Think together global - act locally". Our already planned group-wide employee survey is one example of how topics can be centrally managed in the future. In addition to the group-wide objectives, country-specific targets are also to be defined. These targets will be binding on the companies locally, and they will be supported by specific measures. The monitoring of objectives will also be controlled at the country level. The group-wide CSR system will, in turn, document the performance level of the group-wide objectives. We also expect important findings from the stakeholder survey in terms of what topics are particularly relevant for our company.

KEY DEFINITIONS

The term PHOENIX group refers to the whole PHOENIX group as reported in the Annual Report. There were no significant changes in the PHOENIX group structure during the reporting period. This report contains Standard Disclosures from the GRI-G4 Sustainability Reporting Guidelines. The report features additional company-specific indicators that are material to pharmaceutical distribution activities.

Countries were assigned based on their regional affiliation.

Germany

Western Europe: United Kingdom, Netherlands, France, Switzerland, Italy and Austria.

Eastern Europe: Hungary, Czech Republic, Slovakia, Croatia, Bulgaria, Macedonia, Serbia, Kosovo and Montenegro, Bosnia and Herzegovina, and Poland.

Northern Europe: Denmark, Sweden, Finland, Norway, Estonia, Latvia, Lithuania.

The topics discussed in this report are based on the analysis of ecological, social and economic impacts that occur both within the PHOENIX group and outside of it. Our sustainability report therefore covers both areas whereby only the CO₂ emissions included in Scope 3 occur outside of the PHOENIX group due to transport by sub-contractors.

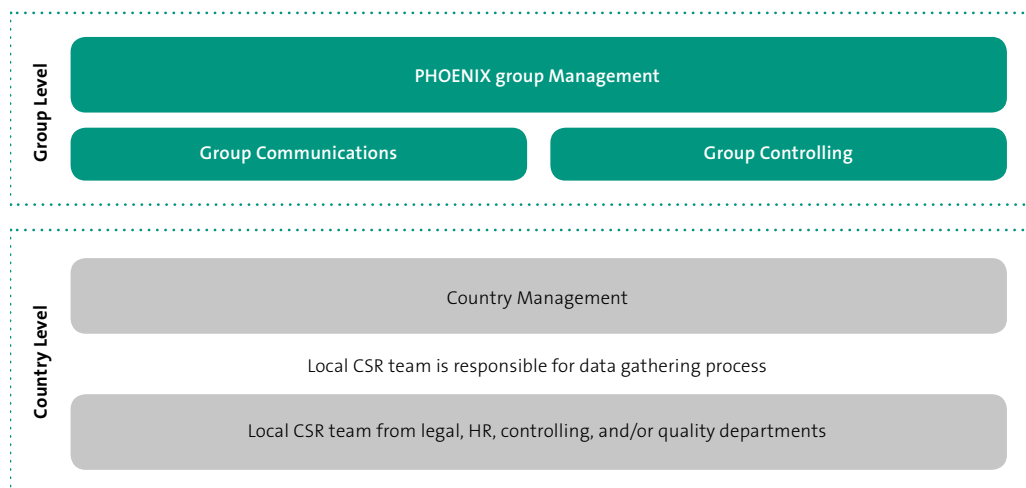
As a member of the European association GIRP and the national PHAGRO, topics related to the environment and employees are also discussed.

CSR management controls sustainable processes

With a CSR team, the PHOENIX group has a dedicated organisational structure for the reporting process, for the further development of the CSR strategy and for achieving group-wide targets. As a result, this not only establishes the conditions for the integration of the essential aspects of CSR into management processes, but also serves as the basis for a credible and measurable sustainability programme for the future. In addition, the flagship projects and initiatives of the subsidiaries are important models and provide significant impetus for internal collaboration. In organisational terms, the group-wide CSR team is part of Group Communications.

The Chief Executive Officer of the PHOENIX group is also the sponsor of the company's CSR organisation, which once again highlights the high level of importance attached to this issue. Together with the Chief Financial Officer, he is responsible for the direction and contextual focus of the report.

CSR organisation within the PHOENIX group



CSR-related data are recorded and consolidated in a special CSR system adapted to the needs of the PHOENIX group. The Site Administrators of the CSR teams in the subsidiaries are responsible for collecting and forwarding local information. The PHOENIX group CSR team checks the data for completeness, reliability, accuracy, and clarity before publication.

Materiality analysis as basis for content structure

In order to set a sustainable development strategy, the PHOENIX group has carried out a materiality analysis. It contains Standard Disclosures from the Global Reporting Initiative G4 Sustainability Reporting Guidelines. Under this standard, both the positions of the company and its management as well as the expectations of stakeholders in terms of economic, environmental, and social sustainability issues are incorporated into reporting.

A stakeholder survey, which was conducted from January to March 2014, forms the basis for the materiality analysis and the contents of this report. Twelve countries of the PHOENIX group are included: Germany, the Baltic countries, Denmark, Finland, the UK, Italy, Norway, Austria, Poland, and Sweden.

CSR MANAGER JENNIFER OPITZ



“CSR is an important element of the future development of our company.”

Jennifer Opitz, CSR and Communications Manager, has been the project manager responsible for the coordination of the CSR activities and the preparation of the Corporate Social Responsibility Report of the PHOENIX group since the beginning of 2013. After studying business management at Baden-Wuerttemberg Cooperative State University, she started her career in corporate communications at PHOENIX, where she was involved with the first CSR-relevant issues, such as the introduction of the PHOENIX group Code of Conduct.

“I see myself primarily as a coordinator and facilitator. The topic of CSR still requires a great deal of explanation. I try to meet that need by providing competent advice and practical information every day,” said Jennifer Opitz.

In dialogue with all PHOENIX group subsidiaries

The CSR and Communications Manager explains that standardising the reporting in all subsidiaries, including the necessary data collection, is currently one of the greatest challenges. Learning from one another and engaging in dialogue with the countries is paramount. Effective indicators including unique definitions are important for an accurate measurement of the group-wide CSR performance.

For Jennifer Opitz, the work offers a fascinating glimpse into different areas of the company: “CSR is an exciting and very wide-ranging topic – from support for employees to protection of the environment to social commitment. There are just so many opportunities to develop the company responsibly. It’s extremely enjoyable to win over PHOENIX group employees and stakeholders with the soundness of our CSR concept, and to motivate them to support it.”

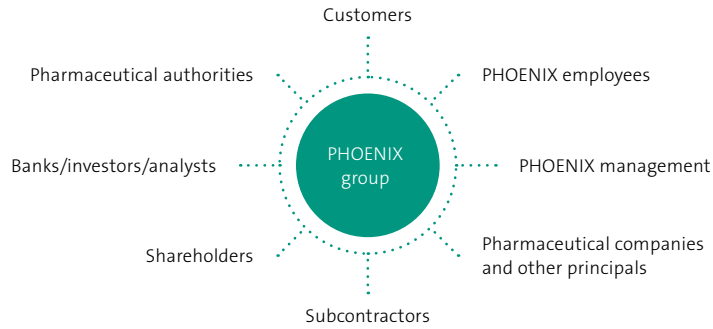
Jennifer Opitz

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CSR and Communications Manager

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Based on representative criteria, about 8,600 people were selected and contacted for the survey. They represent the following stakeholder groups:

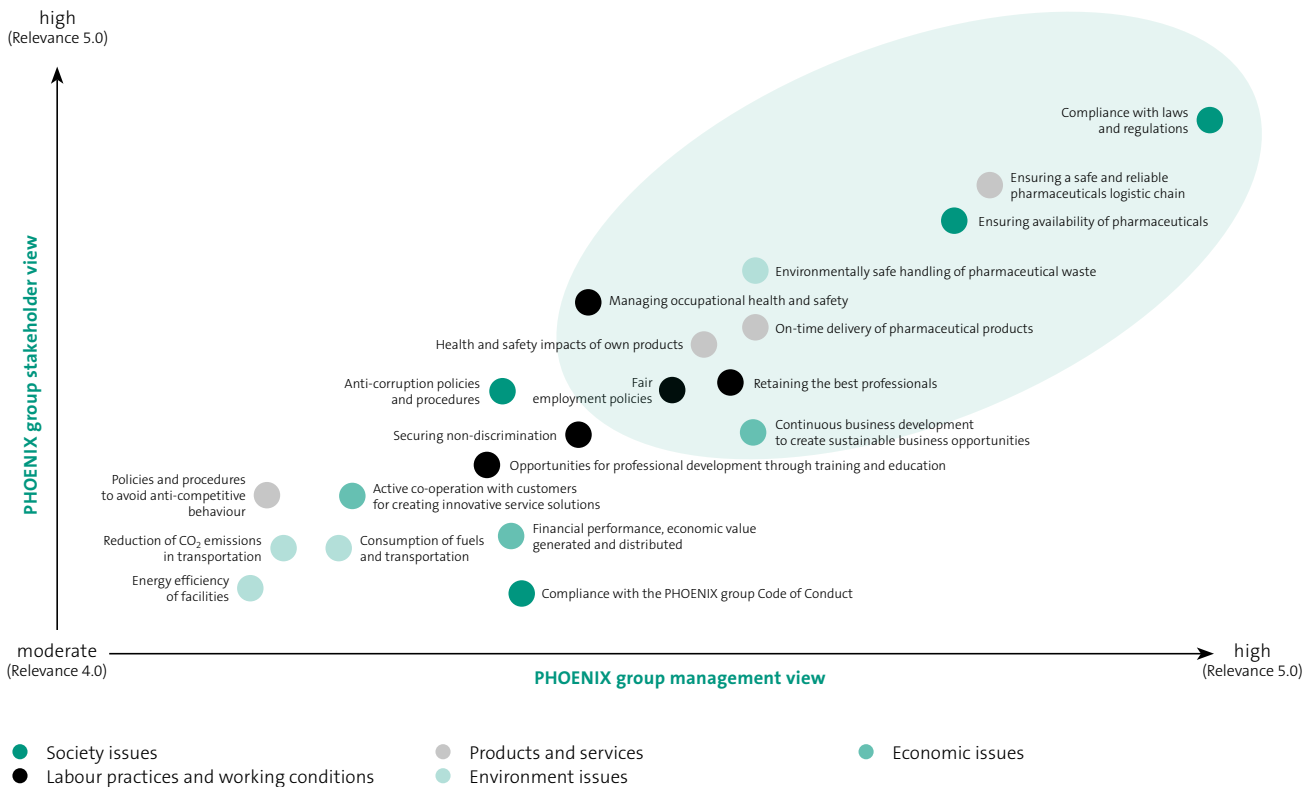
Stakeholder management



A total of 2,672 people participated in the survey. This corresponds to an encouragingly high response rate of about 31 per cent and highlights the importance of sustainability for our stakeholders. The result of the evaluation was a ranking of CSR issues by order of importance for the survey participants.

Subsequently, these issues were again reconciled separately with the view of the management of the PHOENIX group. This analysis was used to derive the materiality matrix of our company. The results were also confirmed at the management level for this reporting period. There were no significant changes in business activities. A new stakeholder survey is planned for October 2015. For the first time, this survey will be carried out in all countries of the PHOENIX group.

Materiality matrix of the PHOENIX group



Derivation of core areas of responsibilities and objectives

The materiality analysis makes an important contribution to defining the main areas of responsibility:

■ *Added value for customers and company*

The PHOENIX group is focused on the creation of value, stable growth and cost efficiency. We are continuously increasing the level of quality and safety in our products and services. Customer satisfaction and compliance with regulations are therefore the most important criteria.

■ *Environmental protection*

By reducing pharmaceutical waste, we not only conserve our financial resources but the environment as well. We are gradually implementing energy monitoring in our business and accelerating the use of efficient building technology. In transport logistics, the PHOENIX group is taking a wide range of measures to reduce fuel consumption and therefore CO₂ emissions.

■ *Support for employees*

As a modern employer, our approach is to create an attractive and safe work environment for the employees of the PHOENIX group. We invest in international continuous education programmes and the expansion of occupational health management. With tools for dialogue such as the company-wide employee survey and structured employee appraisals, we want to give new impetus to our corporate culture.

■ *Commitment to society*

The PHOENIX group continues to focus on promoting scientific advances in pharmaceutical research. Our commitment will also be accompanied in the future by the local and regional initiatives of our group countries and employees to support the common good and social projects.

GROUP-WIDE TARGETS

To derive the specific measures to be taken within these areas of responsibility, the PHOENIX group has established its first group-wide targets:

Target	Due	Status	Comments
Reduce group-wide costs of pharmaceutical waste by 0.10 % as compared to 2014/15 ¹⁾	2018/19	■	Page 28ff.
Reduce group-wide sickness rate from 4.47 % (2014/15) by 1 percentage point ²⁾	2018/19	■	Page 47f.
Employee commitment by implementing a group-wide employee survey	2015/16	■	Page 48f.

¹⁾ The target definition refers exclusively to the PHOENIX group wholesale business.

²⁾ Employee-related targets include the entire PHOENIX group.

■ Target launched ■ On-going ■ Target fulfilled ■ Target not fulfilled

Cooperative dialogue with our stakeholders

For the PHOENIX group, which serves as a link between pharmaceutical manufacturers and key customer groups, partnership and dialogue based on trust are fundamental to the company's activities.

The stakeholder survey, which formed the basis for the materiality analysis, also helps us select our most important stakeholder groups. Our internal survey participants (employees and management) named pharmaceutical companies, pharmacies, hospitals, and shareholders as the most important stakeholder groups. External survey participants identified pharmacies, hospitals, employees and pharmaceutical companies as the stakeholders most affected by decisions of the PHOENIX group.

The following overview combines the selection of key stakeholders with the tools used to engage them and their main sustainability issues. The tools listed are supplemented with a biannual stakeholder survey.

Stakeholder management of the PHOENIX group

Key stakeholder groups	Basis for selecting the group	PHOENIX approach to stakeholder engagement	Key issues of stakeholder group	GRI indicators ¹⁾
Employees and management	<ul style="list-style-type: none"> critical for operational performance and value creation 	<ul style="list-style-type: none"> regular meetings with employee representatives communications and information on key issues via newsletters or intranet 	<ul style="list-style-type: none"> training and education waste management product responsibility 	<ul style="list-style-type: none"> G4-LA9 G4-EN23 G4-PR1
Pharmacies and hospitals	<ul style="list-style-type: none"> needs and expectations critical for value creation 	<ul style="list-style-type: none"> regular communication with customer representatives cooperation with associations customer satisfaction surveys 	<ul style="list-style-type: none"> product responsibility 	<ul style="list-style-type: none"> G4-PR1
Pharmaceutical companies	<ul style="list-style-type: none"> needs and expectations critical for value creation 	<ul style="list-style-type: none"> regular communication with customer representatives cooperation with associations management discussions on business development customer satisfaction surveys 	<ul style="list-style-type: none"> ethics and integrity waste management product responsibility 	<ul style="list-style-type: none"> G4-56 G4-EN23 G4-PR1
Shareholders	<ul style="list-style-type: none"> important share of value creation through dividends and interest payments influence on strategy and actions of the company 	<ul style="list-style-type: none"> the owner is a member of the PHOENIX group Advisory Board 	<ul style="list-style-type: none"> No valid data available due to the limited number of usable survey replies received. 	
Business partners and subcontractors	<ul style="list-style-type: none"> needs and expectations relevant for value creation 	<ul style="list-style-type: none"> regular meetings 	<ul style="list-style-type: none"> product responsibility 	<ul style="list-style-type: none"> G4-PR1
Pharmaceutical authorities	<ul style="list-style-type: none"> significant influence through regulations and controls 	<ul style="list-style-type: none"> regular meetings with representatives of authorities who perform audits 	<ul style="list-style-type: none"> product responsibility waste management 	<ul style="list-style-type: none"> G4-PR1 G4-EN23

¹⁾ This is relevant to indicators that are already reported this year and should be reported in the future.

Our CSR highlights for 2014/15

Corporate Mission Statement takes effect

Through the introduction of a binding Corporate Mission Statement, we have once again strengthened our focus on value to customers and employees. Our vision is to be the best integrated healthcare provider – wherever we are.

Compliance system expanded

Ethically irreproachable behaviour towards our customers, partners, and competitors is our highest priority. With new training models and the introduction of a web-based whistleblower system, we have taken a targeted approach to expanding our risk prevention.

Energy efficiency improved

Cross-border programmes for energy monitoring and modernisation of the building technology in our distribution centres have yielded significant savings in the millions.

Award presented for outstanding research achievements

By presenting the 18th PHOENIX Pharmaceuticals Science Award, the PHOENIX group once again demonstrated its commitment to fundamental pharmaceutical research.

International training programme successfully completed

20 participants from 13 countries of the PHOENIX group have successfully completed the European Management Development Programme (EMDP). As part of this internationally oriented education initiative, the participants were taught important skills, for example, in intercultural management, leadership, and strategy.

Employees take the initiative for continuous improvement

Within the framework of the “Warehouse Excellence” initiative, employees at more than 85 PHOENIX group sites have learned to improve processes, improve quality and avoid waste through the exchange of knowledge at their own workplace.

Sustainable action for long-term success

The Executive Board of the PHOENIX group on the company's sustainability strategy

// Our leading position in the European pharmaceutical trade is based on our sustainable business model including the cornerstones of quality, cost awareness, and maximum profitability through the efficient use of resources. The PHOENIX group is making every effort to pursue this success in future. For this reason, we have adopted



Oliver Windholz
Chief Executive Officer



Frank Große-Natrop
Executive Board Member, Operations/Logistics

Our sustainability strategy is group-wide oriented

Our presence all across Europe is a critical success factor for the further development of the PHOENIX group, and one of which we will make even greater use in future. We are reinforcing international cooperation and promoting knowledge sharing between the subsidiaries and the Group level so that we can learn from each other and benefit from best-practice models. Thus we live a culture of co-existence and dialogue. The inclusion of all 25 PHOENIX countries in CSR reporting is a major milestone in this process.

We assume responsibility for our employees and the environment

Qualified, motivated employees are our most important resource. In order to provide more support for them, we offer a wide range of training opportunities and ensure a healthy working environment. The reduction in the sickness rate and our first company-wide employee survey are key initiatives for the future and ways with which we take responsibility for our employees. Protection of the environment plays an equally important role in our daily operations. We are focused on reducing pharmaceutical waste, decreasing harmful emissions, and improving energy efficiency.

a Corporate Mission Statement for the first time to serve as a guide for our actions as an independent family business. We have also begun to optimise our structures and processes at all levels. This is how we will achieve our goal of integrating sustainability in all areas of the company across the entire value chain. //



Stefan Herfeld
Executive Board Member, Retail



Helmut Fischer
Executive Board Member, Finance

Excellent performance is our most important success factor

The concept of quality plays a key role in all processes and areas of the PHOENIX group. This allows us to set our own standards that go beyond compliance with the stringent regulatory requirements applicable to the pharmaceutical trade. It is the only way for us to make a valuable contribution to the safe and reliable supply of pharmaceuticals – for the benefit of society. The continuous development of various services in our pharmacies and the steadily growing pharmacy network will also strengthen our market position in future.

We pursue long-term, profitable growth.

Our stable shareholder structure offers optimal conditions for our future growth path. Through organic growth and targeted acquisitions, we intend to expand our leading market position. This is also how we will face the global trend of consolidation in our industry. An optimal, dialogue-oriented cooperation of all business units and companies provides us with even greater opportunities to generate synergies. The successful issue of our third bond on the capital market has also sustainably strengthened the financial basis of the PHOENIX group.

Vision

We want to be
the best integrated
healthcare
provider –
wherever we are.



Responsibility
→ Environment



Responsibility
→ Employees



Responsibility
→ **Added value**



Responsibility
→ **Society**

01

→ Added value



Future-oriented growth

// The PHOENIX group wants to offer its customers first-class products and services. To do this we focus on customer orientation and quality. This approach also serves as the basis for the further long-term growth of our company. //

Clear targets on the road to success

Further information
in the chapters
“Environment” (p. 28),
“Employees” (p. 41) and
“Society” (p. 51).

Our vision is to be the best integrated healthcare provider – wherever we are. For us, this means providing each customer group with the best possible services and products along the entire pharmaceutical supply chain. Our strategy is clearly dedicated to our customers’ needs: only when our customers are successful can we be successful. This is why excellent performance is our most important success factor. On the one hand, this means striving for the highest possible quality in our daily work. It also means we are guided by the objective of making the most efficient use possible of our resources. We take our environmental and social responsibility very seriously.

Think together global – act local! We leverage our successful ideas across countries. Today we are the market leader in wholesaling in eleven countries and among the top 4 in almost all other countries in which we operate. And we benefit in particular from our unique geographic coverage, our steadily growing pharmacy network, the ongoing expansion of our services, and continuous enhancement of our logistics services.



Profitable growth – investments in storage expansions and new distribution centers provide the basis for the future of the PHOENIX group.

Growth strategy includes further acquisitions

However, the markets in which we operate are changing: growth in Europe was very slow in the reporting period, pharmaceutical wholesale is becoming increasingly globalised and cost pressures continue to rise. In future we will continue to aggressively pursue the measures introduced as part of our PHOENIX FORWARD programme launched in fiscal year 2013/14. The implementation of our European initiatives in the areas of indirect purchasing and Warehouse Excellence is already showing significant optimisation results.

To strengthen our market position, the PHOENIX group focuses on organic growth and acquisitions.

To strengthen and expand our market position, we will strive for both organic growth and targeted acquisitions. We benefit in this respect from our stable shareholder structure, which supports and promotes sustainable expansion. Last year, we spent EUR 19.4 million on acquisitions, mainly for pharmacies in different countries. Significant investments in the reporting period also went into the enlargement of warehouse facilities in Lyon, France, which substantially increased the availability of inventory. Another important logistics project was the distribution centre in Eindhoven, Netherlands, completed in September 2014, which is designed to increase future demand. In Germany, we made investments at various sites in technology and in our business premises. These investments will help secure the future of the PHOENIX group. In addition – subject to the approval of the relevant competition authorities – we have initiated major acquisitions in the Netherlands, the Czech Republic, and Slovakia.

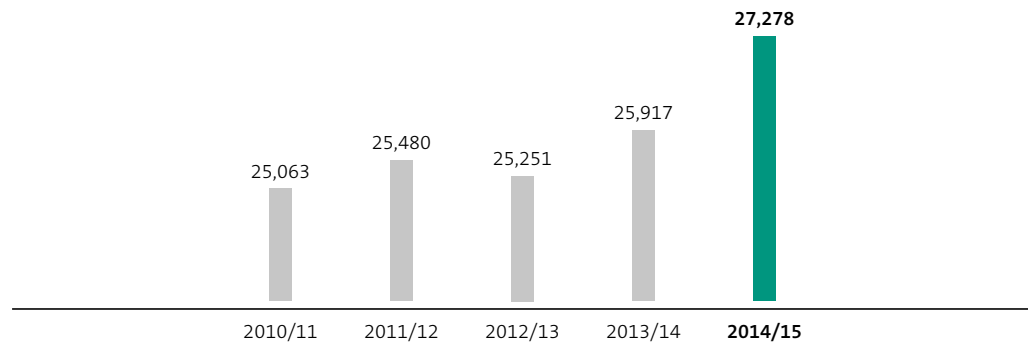
Profitable growth again in the past year

With our strategy of profitable growth and cost efficiency, we intend to create value for our customers and for ourselves in the long term. In the past financial year 2014/15, we also had impressive success in this area: the revenue of the PHOENIX group rose by 3.6 per cent to EUR 22,568.0 million compared to last year, and total operating performance increased by 5.3 per cent to EUR 27,278.2 million. We recorded considerably higher revenue in particular in our home market Germany – where one-third of total revenue is generated – as well as in the United Kingdom, the Netherlands, and Serbia. Profit before income tax increased significantly by EUR 218.2 million to EUR 361.3 million, which represents considerably stronger growth than our competitors. Another success was the issue of our third bond on the capital market during the reporting period, with a volume of EUR 300 million and a term of seven years. This fundamentally strengthened the financial base of the PHOENIX group.

Detailed information on the total operating performance can be found in the Annual Report 2014/15 on p. 39.

Total operating performance

in EUR million



SECURPHARM INITIATIVE

securPharm is an initiative that is intended to protect German pharmaceutical distribution against infiltration by counterfeit medicines. Different stakeholders of the pharmaceutical industry participate in a partnership programme that is compliant with the requirements of the EU Directive on Falsified Medicines.

The system was successfully tested under production conditions in 2013. The PHOENIX group was closely involved with this process from a wholesale perspective.

Top-quality products and services

Impeccable quality in the supply chain is the basis for a safe and reliable supply of pharmaceuticals. This includes compliant product warehousing, accurate delivery to pharmacies and hospitals, and ensuring optimal product availability to consumers in pharmacies or other sales locations. Quality assurance is a top priority within the PHOENIX group. All companies comply with the Good Distribution Practice (GDP) guidelines, as published by the European Union. They must have appropriate quality systems, which ensure that medicinal products are stored, handled, and distributed in accordance with relevant local legislation.

In addition, most companies of the PHOENIX group have an efficient recall system as well as a tracking system to allow product defects to be traced. The PHOENIX group works closely with drug manufacturers to ensure the availability of pharmaceuticals and, in the event of any shortages, to offer alternatives. Our trained and skilled employees also play a crucial role in safeguarding the high level of quality in day-to-day operations.

Particularly sensitive areas can be identified throughout the supply chain at the PHOENIX group: in incoming goods, scanners and random checks are used to inspect goods and protect against counterfeits. At the storage site itself, the focus is on protection against pests and temperature monitoring. A system with an online module allows us to observe and monitor the temperatures of storage sites all across Germany. Anaesthetics are stored separately; in the past financial year, we have, for example, refurbished our warehouse in Mannheim for this purpose. In shipping, the most important issue is the precise delivery of the goods ordered. In this area, we were able to reduce the error rate within the last years by more than 50 per cent by implementing Mobile Data Entry (MDE).

“BLAST FREEZER OPTIMISATION” PROJECT



Energy savings of 30 % – The new cooling packs freeze in just 6.5 hours instead of 12 hours.

New arrangement of cooling packs brings significant savings

The proper storage of medicines is essential to ensuring that they remain safe, effective, and defect-free until their expiry dates. Moisture, storage temperatures that are too high or too low, exposure to light, and improper removal can have a negative impact on their efficacy. There is a strong focus in the pharmaceutical trade on correct delivery times as well as on compliance with the prescribed storage and transport temperatures. Sensitive medicines must, for example, be stored at 2 to 8 degrees Celsius (refrigerator temperature), while the prescribed storage temperature for most other drugs is 15 to 25 degrees Celsius (room temperature).

The PHOENIX group uses cooling packs for the refrigeration of medicines. The cooling packs are composed of about 400 grams of gel. These are cooled to the required temperatures in blast chillers and shock freezers. Previously, a large amount of energy was consumed during the relatively long cooling process.

Energy consumption falls significantly

Through improved air circulation and adjustment of the control programme, we have reduced the time required for freezing and conditioning from 12 hours to about 6.5 hours. However, due to the new arrangement with an insert in the basket, 32 fewer cooling packs fit in a freezer. Overall, the

effect is still significant: with the same number of freezers, at least 25 per cent more cooling packs can be cooled to the required temperature. Tests carried out at the distribution centres in Neuhausen and Leipzig confirmed this. The total energy savings amounts to 30 per cent.

Ergonomics in the workplace is also improved

The innovation is rounded out by a basket stacker that was specially designed for the PHOENIX group. This ensures, in conformity with GDP guidelines, that the cooling packs are continuously maintained at the required temperature level until they are placed in the refrigeration box. The new system provides advantages for our employees: due to the low number of cooling packs, the weight of the baskets and thus the load our employees have to carry is considerably reduced. The baskets are now easier to order-pick directly on the conveyor system, while reducing walking distances at the same time. A positive side benefit is the ergonomic improvement. The basket stacker is currently in field trials; the initial feedback is very positive.

The “Blast Freezer Optimisation” project is impressive in that it addresses and unifies economic, environmental, and social components simultaneously.

Quality management takes account of stringent regulatory requirements

The quality management system (QMS) in Germany is based on the Trade Regulation for Medicinal Products (Arzneimittelhandelsverordnung - AM-HandelsV) and DIN EN ISO 9001:2008. The AM-HandelsV calls for compliance with the European Guidelines for Good Distribution Practice of Medicinal Products (GDP guidelines; see box.). In addition, other binding rules and standards of the industry related to transportation, packaging, and warehousing of medical products must be observed. A comprehensive Quality Management Manual (QMM), which has been available online for all employees since 2014 and gives us a base from which we can react flexibly to changes in legislation during the year, serves as an internal working foundation.



How we define quality “Quality is: delivering the right product in the right condition in the right amount at the right time to the right recipients.”

GOOD DISTRIBUTION PRACTICE

The Good Distribution Practice (GDP) guidelines were published on 7 March 2013 by the European Commission and entered into force on 7 September 2013. The most recent version is dated 23 November 2013.

The objective is to prevent falsified medicines from entering into the legitimate supply chain for medicinal products. In addition, it is intended to ensure that the distribution chain is monitored and that the quality and integrity of pharmaceutical products are maintained.

Quality management within the PHOENIX group is the responsibility of local quality management officers, who ensure the uniformity of QMS for all subsidiaries and their distribution centres, adjust it to legal and other changes, and provide support for external audits. In Germany, an additional decentralised quality management officer is employed in each distribution centre to ensure that the rules in the Quality Management Manual are complied with, improvement measures are initiated, and employees are adequately trained under the framework of the PHOENIX Academy. Additionally, important new developments are discussed and knowledge is exchanged at annual conferences of all quality managers.

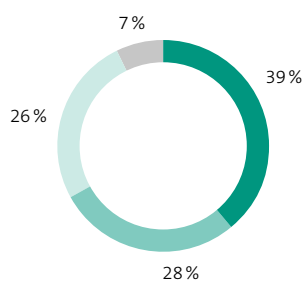
Audits provide important information

Through internal and external audits, we regularly review measures in place for safeguarding our high quality standards. On the basis of the insights gained, we are continuously developing our quality management systems in order to maintain and expand our high quality standards.

External regulatory inspections are conducted every two years. In the reporting period, 396 regulatory audits were carried out in the PHOENIX group. In addition, suppliers also regularly carry out audits of the business units; in the past fiscal year, 265 of these audits were conducted.

Furthermore, 283 internal audits and 75 different other audits were carried out group-wide, for example, by ISO associations. Denmark, Finland, Germany, Italy, Norway, and Sweden are already certified in accordance with ISO 9001. Norway, Sweden, and Hungary also hold the ISO 14001 certificate for environmental management. Slovakia is in the process of introducing this certification. In Estonia, the third-party audits were performed by the National Fire Safety Supervision Authority.

Number of Audits of the PHOENIX group in 2014/15



Total number of audits	2014/15
Audits by authorities ¹⁾	396
Internal audits	283
Audits by suppliers	265
Others	75
	1,019

¹⁾ In addition to local audits, internal audits also include reviews conducted by the internal audit department of the PHOENIX group.

Transnational exchanges in quality management

The new GDP guidelines were introduced seamlessly in Germany. External audits based on GDP guidelines and DIN EN ISO 9001:2008 confirmed the already high quality standards of the distribution centres. Here, too, we benefitted from a transnational exchange of experience and best practices, although not all provisions of the GDP guidelines are interpreted uniformly by authorities in Europe, for example, with regard to transport temperatures.

Extensive data protection for our customers

The issue of data protection plays an important role in our company. This includes the protection of the individual against the misuse of personal data. The rules for this in Germany are laid down in particular in the German Federal Data Protection Act. Within the PHOENIX group in Germany, a group data protection officer has been appointed, who, in the exercise of this function, reports directly to management. Among other tasks, she monitors compliance with all data protection regulations in the German group, coordinates data protection issues in the group and communicates directly with the data protection officers of the individual companies, and acts as the central contact for all privacy issues. The internal IT service provider PHOENIX group IT supports data protection by adequate measures in terms of infrastructure, applications and processes.



Customer satisfaction is a decisive quality feature – whether in contact with the patient or with pharmacy customers: PHOENIX is focused on customer satisfaction.

Focus on customer satisfaction

Across Europe, the PHOENIX group's customers include almost 100.000 of pharmacies, millions of patients and consumers, and numerous companies in the pharmaceutical industry. Our business is characterised by a high level of customer orientation, which is also established in our mission statement. Regular customer surveys are an important tool for measuring the satisfaction of our customers. In Bosnia, Bulgaria, France, Croatia, Macedonia, the Netherlands, Switzerland, Slovakia, Serbia, the Czech Republic, and Hungary, we have already conducted standardised surveys that are managed from group headquarters in Mannheim – with consistently positive results. The online questionnaires included, among other items, overall customer satisfaction, customer service, complaint management, the product range, and the advice provided by the sales manager. For 2015, additional centrally directed surveys are planned in Denmark, Germany and Austria.

Individual customer satisfaction surveys tailored to the respective markets were conducted or started during the reporting period by the subsidiaries in Denmark, Finland, the United Kingdom, Italy, Norway, and Sweden. The results of the surveys were overwhelmingly positive. Our Norwegian pharmacy brand Apotek 1 was again voted the best pharmacy in Norway.

At the same time, we use the feedback from our customers as an opportunity for continuous improvement. We go in-depth into critical issues and search for improved solutions for the benefit of our customers. We will continue to conduct regular customer surveys in future.

Our commitment:

- Sustainable growth with a focus on cost efficiency
- Long-term creation of value for the PHOENIX group and its customers
- Maintaining and expanding the high quality of products and services
- Guarantee of maximum product safety
- Continuous increase in customer satisfaction

Anchoring compliance within the company

// As a company active throughout Europe in the pharmaceutical industry, we are aware of our special responsibility for ethical conduct and integrity. This makes compliance an essential part of our corporate culture. The PHOENIX group has a zero-tolerance policy with respect to violations. //

Compliance holds the highest priority at PHOENIX

Responsible and compliant conduct is a matter of course for the PHOENIX group – both for achieving operational and financial targets and in order to safeguard the trust of our customers, business partners and other stakeholders. All business units observe and respect applicable laws and regulations as a legal foundation for their business activity.

A compliance organisation has been created to protect our company from the negative effects of corruption, bribery, and obstacles to competition. The overall responsibility lies with the Executive Board of the PHOENIX group and with the respective managing directors at country level. The top-level compliance body is the group Compliance Committee, which consists of the Chief Executive Officer and the heads of the Legal, Communications, HR, and Risk Management departments. Among other tasks, this committee monitors the compliance organisation, approves changes to guidelines and processes, and sets value limits for gifts and hospitality. It also acts as an escalation committee in cases of compliance violations.

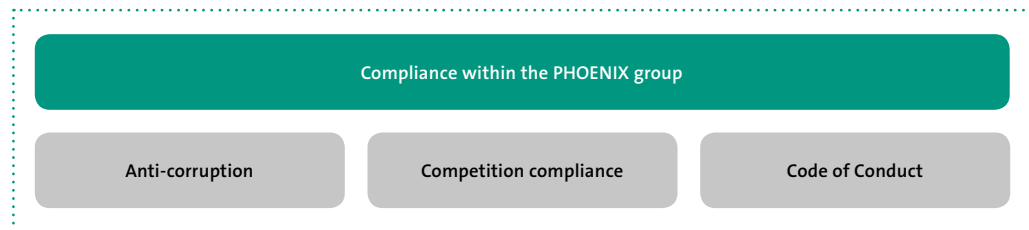
The tasks of the PHOENIX group compliance manager, who is part of the Legal department, include the administration and further strategic development of the compliance organisation as well as training measures. He is also the group-wide contact person for all compliance-related queries. In addition, all PHOENIX subsidiaries have appointed local compliance managers who are responsible for the local operational compliance processes. They also process specific cases and conduct training.

Our compliance guidelines are based on globally recognised standards, applicable laws and directives; this includes the UK Bribery Act and EU antitrust law. Our distribution agreements increasingly include business ethics clauses, and on some points the PHOENIX group rules even more stringently than those of the Foreign Corrupt Practices Act (FCPA). All measures are implemented in close coordination with the works council.

Compliance within the PHOENIX group targets three areas

The PHOENIX group views compliance as active risk management. As part of risk management hospitality, bribery, and price-fixing have been addressed.

Compliance within the PHOENIX group



The guidelines are available online at:
<http://www.PHOENIXgroup.eu/EN/PHOENIXgroup/Compliance/Pages/default.aspx>.

Three essential pillars form the foundation for compliance within the PHOENIX group:

- **Anti-corruption**

An anti-corruption policy was instituted in all subsidiaries in 2013/14. This policy includes, for example, information on general behaviour regarding gifts and hospitality. It also establishes how to deal with third parties as well as charity donations.

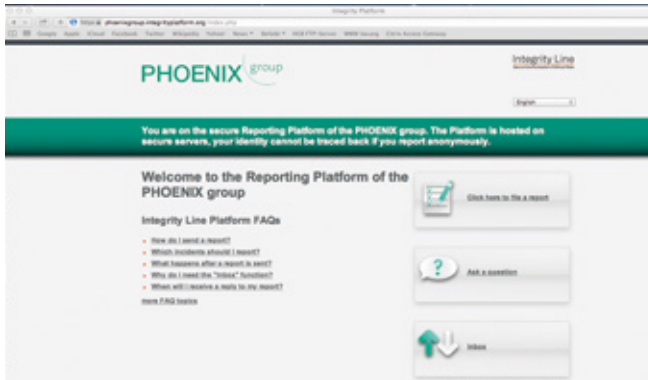
- **Competition compliance**

The competition compliance policy of the PHOENIX group promotes compliance with competition laws and is intended for use by our employees as a guideline. It includes prohibitions on sharing information on our market conduct with third parties and stipulates that no cooperation or consultation that suppresses competitive pressure is entered into with a competitor.

- **Code of Conduct**

Our company's Code of Conduct sets out the ethics, principles, and standards for all employees of the group. This concerns dealings with customers, suppliers and competitors, behaviour in the workplace, the handling of information, as well as reporting any violations of the Code of Conduct. The Code of Conduct is also available in all PHOENIX country languages.

The introduction of these guidelines demonstrates that corruption, competitive harm and misconduct by management will not be tolerated. Group policies are available on the Internet for all stakeholders and must be approved by the subsidiaries and distributed to all employees.



Case reporting system – Suspicious cases are handled by local Compliance Managers.

Extensive training system introduced

Training is essential for an effective compliance system. The employees affected will be given an understanding of the topics of anti-corruption, competition compliance, and the Code of Conduct by means of e-learning modules and face-to-face training. Our objective is to create awareness of the importance of compliance for the PHOENIX group and its employees. The Executive Board emphasises that all relevant employees must be trained in this area.

The Code of Conduct is accessible to all employees through e-learning modules or brochures. Employee groups with a special focus – that is, all employees with customer or supplier contact or transaction authorisation and all management – also receive classroom training on compliance. In total, this affects around 10 per cent of all employees of the PHOENIX group.

New case reporting system is a valuable source of insights

On 1 June 2014, the PHOENIX group introduced a web-based case reporting system in all national languages. This system offers the possibility of submitting a completely anonymous report on an incident or suspicion of misconduct. In addition, questions about compliance can be asked anonymously. It can be accessed by both employees and third parties at any time at: <https://phoenixgroup.integrityplatform.org>.

Suspected cases can also continue to be either reported via telephone or email to the local compliance manager or centrally at compliance@phoenixgroup.eu.

The PHOENIX group uses the case reporting system as a valuable source of information for potential risks and specific violations of rules. It also serves to avert potential harm to our company. In 2014 two cases of misconduct occurred, which led to an internal investigation and penalties. However, the PHOENIX group suffered no losses. No fines or state sanctions for legal violations were imposed against companies in the PHOENIX group during the reporting period.

UK BRIBERY ACT 2010

The UK Bribery Act 2010 was enacted in the UK in April 2010 and entered into force on 1 July 2011. It is considered to be one of the world's most aggressive anti-corruption laws.

The UK Bribery Act 2010 contains provisions on active and passive bribery, bribery of a foreign public official, and the failure of companies to prevent such acts of bribery. These provisions are more comprehensive than those of the FCPA (Foreign Corrupt Practices Act), which was introduced in the US in 1977.

02

→ Environment



Efficient management of natural resources

// For the PHOENIX group, responsibility for the environment is one of the essential components of its sustainability programme. The most important area of action is the careful handling of hazardous waste. We have set ourselves the objective of significantly reducing the creation of pharmaceutical waste from packaging damage and expired products. Particular attention is also given to improving energy efficiency in our processes and reducing emissions through innovative transport logistics. //

Environmentally aware waste management implemented

At the PHOENIX group nearly 10 million pharmaceutical product packages are transported each day. Damage caused by handling errors or technical problems in transport or storage cannot always be completely ruled out. In each case, damaged pharmaceutical products, even if only the outer packaging is affected, must be removed from the product cycle and may not be delivered to the customer. Risks to human health and the ecosystem must be excluded from the outset. Consequently, medicinal products with damaged packaging are consistently classified as hazardous waste by the legislators of the European countries. They must be treated in accordance with prescribed procedures and disposed of in special hazardous waste facilities. Damaged packaging, however, is not the only source of hazardous waste from pharmaceutical products. It can also result if the expiry date of individual drug batches has passed or from a manufacturer’s recall necessitated by product defects.

Target	Due	Status	Comments
Reduce group-wide costs of pharmaceutical waste by 0.10 % as compared to 2014/15 ¹⁾	2018/19	■	Page 28ff.

¹⁾ The target definition refers exclusively to the PHOENIX group wholesale business.

■ Target launched ■ On-going ■ Target fulfilled ■ Target not fulfilled

Reduction of pharmaceutical waste is the overarching objective

The PHOENIX group wants to prevent pharmaceutical waste at its source. We derive this commitment from the results of our materiality analysis, which defined the reduction of pharmaceutical waste as a CSR issue of overriding significance for our company and its stakeholders.

See the chapter “Success with responsibility”, p. 10.

For the company, the generation of pharmaceutical waste through damaged packaging is mainly associated with high cost risk, in addition to the environmental aspect. In this regard, the critical factor is not the quantitative amount of waste but the financial value of the respective pharmaceutical products, which can vary significantly. For example, the packaging for a research-intensive cancer drug is generally smaller than that of a cough syrup preparation, but in the event of damage the cost incurred is many times higher. As a result, as a key indicator and control variable, the PHOENIX group tracks the costs of pharmaceutical waste, which occurs of expired or damaged products.

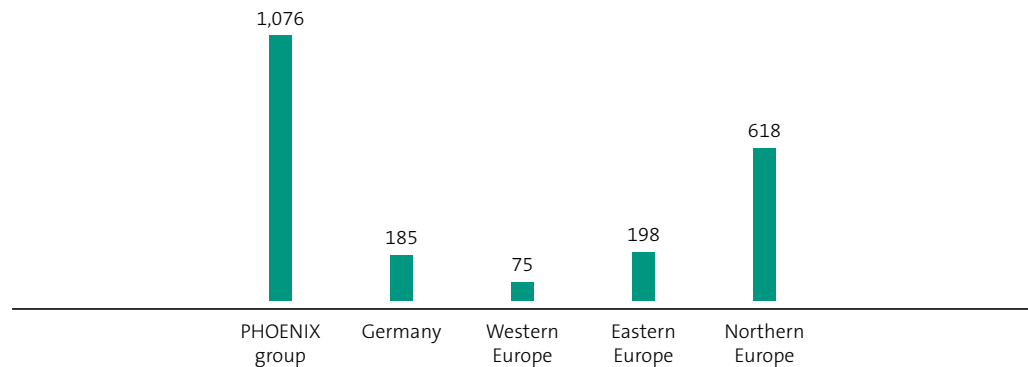
As part of quality management, we apply standard procedures and work instructions that minimise the risk of incorrect practices. In the individual subsidiaries, various approaches were pursued during the reporting period to reduce the amount of waste due to damaged packaging. These include internal information campaigns and employee training in the distribution centres on such topics as how to handle knives and how to place products onto shelves.

The PHOENIX group would like draw on the experience in the countries and has set a target to reduce the amount of costs due to pharmaceutical waste by 10 per cent by 2018/19. The year 2014/15 will be used as a basis for this calculation.

During the reporting period, 1,076.37 tonnes of pharmaceutical waste were recorded within the PHOENIX group. This corresponds to a total value of EUR 34.6 million which is almost 0,15 per cent of total turnover of the PHOENIX group. In most countries, especially Northern Europe, patients bring their damaged or expired goods back to the pharmacy, which then dispose these products with help of the wholesaler. The amount of pharmaceutical waste can therefore not be controlled.

Pharmaceutical waste by region

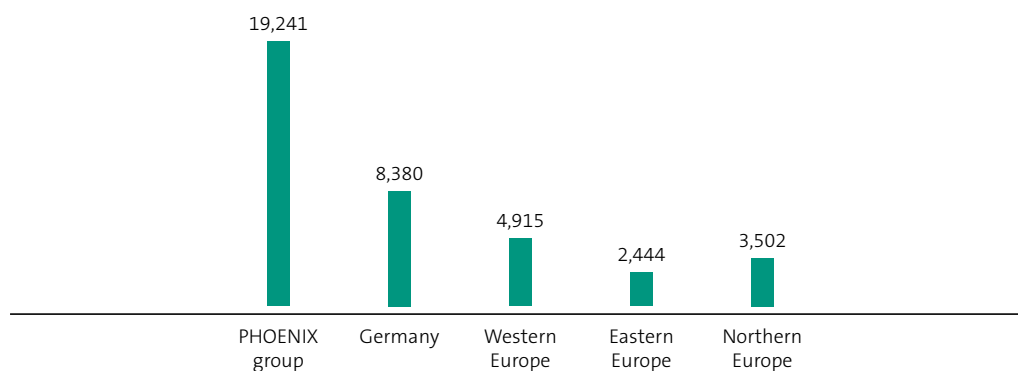
tonnes



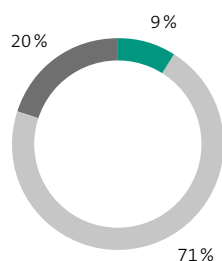
In addition to hazardous waste, company processes generate additional non-hazardous waste. This includes plastics, paper and cardboard, waste from energy production and mixed waste, which is transferred to specialised waste facilities for proper treatment. Wherever possible, biodegradable wastes are allowed to undergo their natural decomposition processes. Non-hazardous waste amounts to over 19,000 tonnes annually (see figure “Non-hazardous waste”). The vast majority of this is recycled in all group countries of the PHOENIX group. The disposal methods for non-hazardous waste are shown on the following page.

Non-hazardous waste by region

tonnes



Non-hazardous waste generated by the PHOENIX group

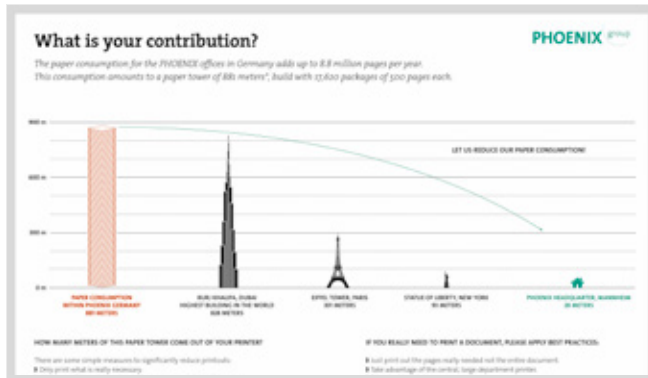


in tonnes	2014/15
Reuse	1,679
Recycling	13,666
Other type of waste disposal ¹⁾	3,896
Total	19,241

¹⁾ These include treatment plants and composting.

Prioritising waste prevention

In addition, the PHOENIX group has launched multiple initiatives aimed at the prevention of waste. A number of subsidiaries reduce the consumption of plastics by replacing plastic bags with paper bags or disposable tableware by washable utensils. Company-wide, we use plastic crates for customer deliveries, which can be reused after cleaning.



Strengthening environmental awareness – Various activities, such as a poster to make employees aware of how much they print, contribute to environmental conservation.

Printing more efficiently, protecting the environment

At PHOENIX in Germany around 8.8 million sheets of paper are used for printing each year. If you were to place those sheets in a single stack, it would be 881 metres high, taller than the current tallest building in the world - the Burj Khalifa in Dubai (828 m). If these figures give you pause for thought, studies show that manufacturing a single sheet of paper requires 10 litres of water and 15 grams of wood. This is why the CSR team and the General Procurement have launched an initiative for increased printing efficiency.

With a broad information campaign, employees are presented with easily actionable ideas they can use to make a personal contribution to reducing paper consumption. This includes, for example, on-screen text correction, electronic document archiving, use of the scan function, double-sided printing and doing without colour printing. This project was supplemented by a technical reorientation of the approach to printing. As a result, many smaller desktop printers have been replaced by a few large network printers that work simultaneously as multifunction systems (print, copy, scan, and fax). The consequent reduction in the number of models used also streamlines material requirements by standardising the toner cartridges.

Climate protection based on transparent data

The PHOENIX group chooses the right approaches to action, based on a careful analysis of the environmental impact of our business activity. Above all, this includes the systematic identification of greenhouse gas emissions. For the current reporting period, the collection of data across the entire group took place for the first time. At the same time, the data is now presented broken down by the regions in which the PHOENIX group has a presence. It is clear from the figures that both internal and outsourced transportation services combined account for the largest share of emissions at 62 per cent. From a regional view, Western Europe (including Germany) registers the most emissions, followed by Eastern Europe and Northern Europe.

Total GHG emissions (scope 1 – 3)

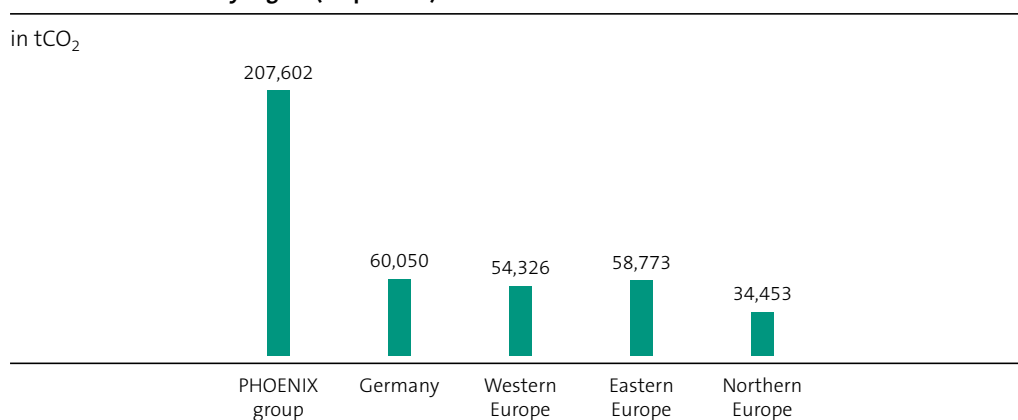
in tCO ₂	2014/15
Scope 1	
Direct energy use ¹⁾	
GHG emissions from fuels used in buildings	28,443
Transport ²⁾	
GHG emissions from own transport	12,021
Scope 1 total	40,464
Scope 2	
Secondary Energy ³⁾	
GHG emissions from the generation of purchased electricity and district heat	50,966
Scope 2 total	50,966
Scope 3	
Transport ²⁾	
GHG emissions from subcontracted transport	116,172
Scope 3 total	116,172
Total (Scope 1+2+3)	207,602

¹⁾ The CO₂ emission factors for direct energy use (light fuel oil and natural gas) are based on the EU ETS measurement guidelines (IPCC 1996, Good Practice Guide).

²⁾ The CO₂ emission factors for transport are based on values provided by Lipasto Finland (www.lipasto.vtt.fi/yksikkopaastot/tavaraaliikenne/tieliikenne/tavara_tie.htm). Business travel is not a material aspect in the total emissions of PHOENIX group.

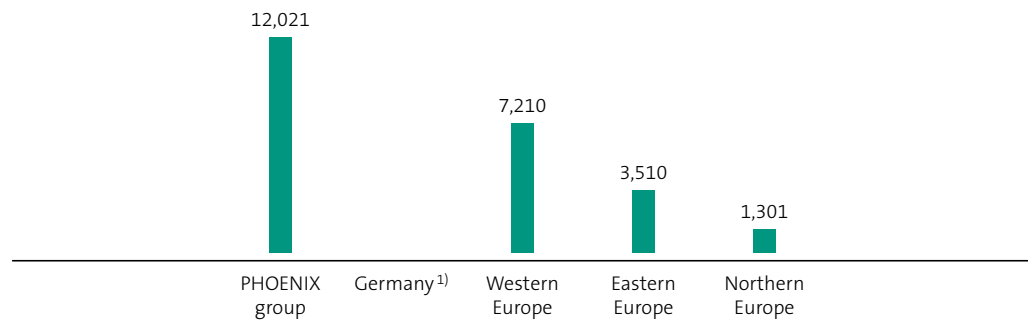
³⁾ The CO₂ emission factors for calculating the indirect energy consumption (district heating and electricity) are country-specific factors that rest upon annual values provided by the International Emissions Agency in 2012.

Total GHG emissions by region (scope 1 – 3)



Emissions from own transports by region (scope 1)

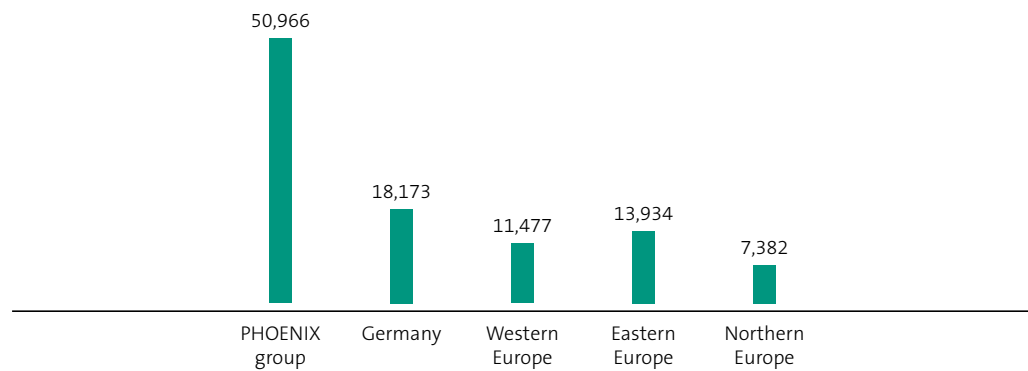
in tCO₂



¹⁾ Transports of our subsidiary "transmed" are shown under scope 3 for reasons of simplification.

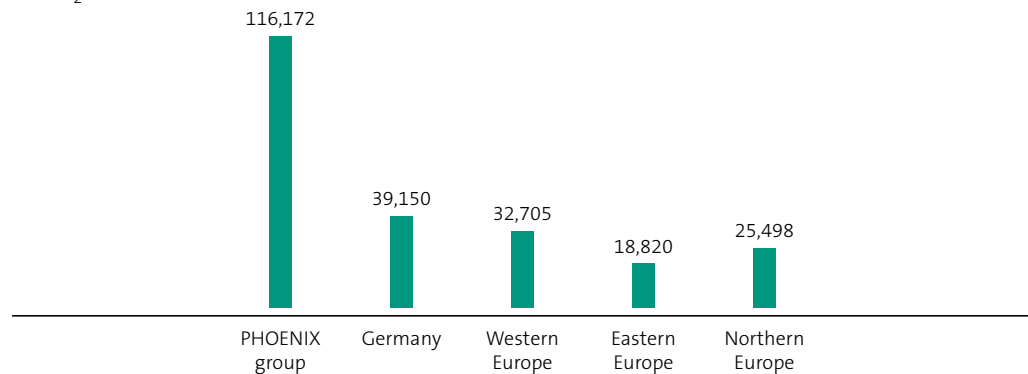
GHG emissions from indirect use of energy by region (scope 2)

in tCO₂



Emissions from subcontracted transports by region (scope 3)

in tCO₂



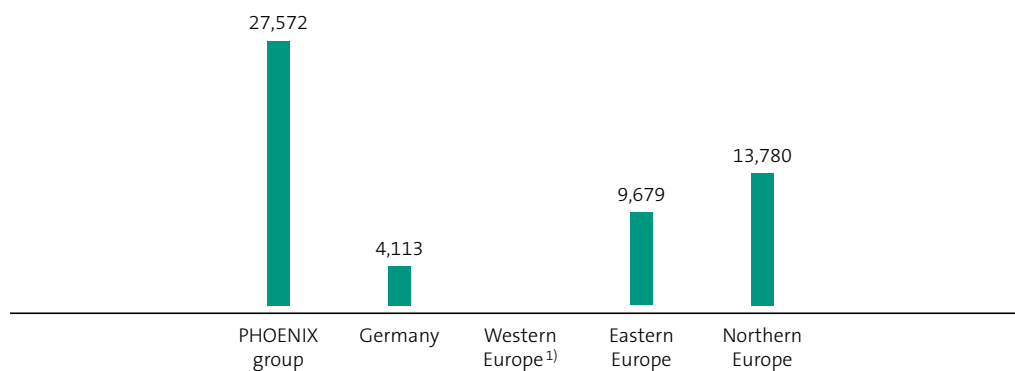
Systematically improve energy efficiency

To achieve its climate policy objectives, the EU has committed its Member States to reducing energy consumption by 20 per cent by 2020. To do this, the countries use different means to promote energy efficiency and the shift towards renewable energy systems. The PHOENIX group analyses these country-specific conditions and adjusts the choice of options for action accordingly. We are conscious of our responsibility towards the climate and the environment, but we also see an opportunity to achieve cost advantages through the efficient use of energy and thus continue to improve our competitive position.

See chapter
“Added value”,
page 21.

Consumption of district heating by region

in MWh



¹⁾ Heating gas and electrical power are predominately used in Western Europe. District heating is not used.

With the operation of 153 distribution centres company-wide, the enormous potential for saving energy in buildings is striking. The energy requirements for optimum functioning in the warehouses must be met, such as lighting of all relevant areas, 24 hours a day if necessary. In addition, it is important to monitor and maintain a constant temperature level using air conditioning, depending on the requirements for the respective pharmaceutical products.

Energy monitoring demonstrates potential

The PHOENIX group has the objective of introducing a systematic energy monitoring system for buildings used by the company in order to identify weaknesses, avoid wasting energy, and meet stringent legal requirements. Essential components of this include the careful and continuous recording of all consumption figures through the use of high-performance measurement systems, the establishment of target parameters and the determination of the necessary management tools. With respect to improvement measures, we are focused on reviewing energy supply contracts for optimisation potential, training employees on how to save energy, and modernising building technology, for example, in the areas of air-conditioning and ventilation technology and lighting. The PHOENIX group has already made considerable progress on this path. To date, the focus has been on the German and Italian business units as energy costs have risen particularly sharply there in recent years.

Energy monitoring is
expected to generate
further energy savings.

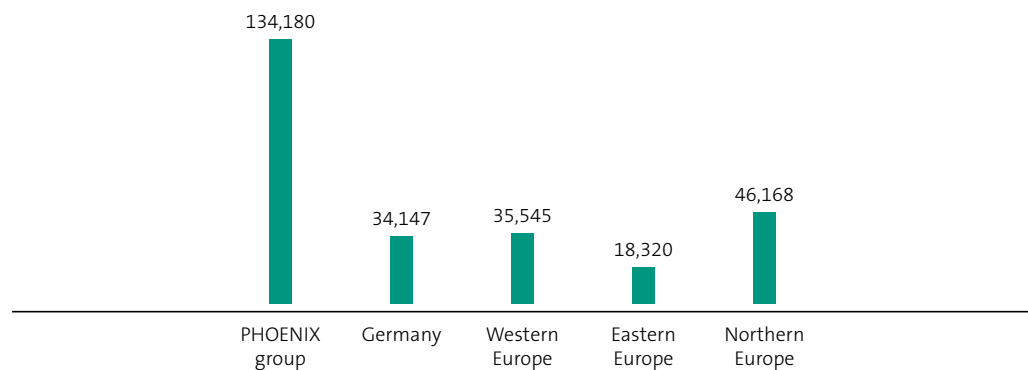
Efficiency projects successful at the subsidiaries

In Germany, energy monitoring was instituted in all distribution centres during the reporting period. Energy audits were carried out in three of them. Energy efficiency in lighting is one of the most important action areas that can be derived from this monitoring. New lighting designs with motion sensors are gradually being implemented in the buildings. For example, a test section with different lighting systems was installed in the dispatch area of the distribution centre in Hanau, where 24-hour lighting is required. This simulation provided meaningful data as a basis for the selection of energy-efficient lighting technology that meets these special requirements.

In Italy measures to improve energy efficiency launched in 2013 were continued. These include the use of cool outside air during the night for air conditioning, improved control of HVAC systems through the use of remote monitoring and management, replacing fluorescent lighting with LED technology and the introduction of automatic lighting control systems with dimming technology. It is projected in the current reporting period that this will result in a reduction in electricity consumption by approximately 10 per cent per year.

Consumption of electricity by region

in MWh



Energy-saving initiatives are also under way in other countries. In Austria, the PHOENIX group has provided a 100 per cent transition from fluorescent products to LED lighting. Other subsidiaries are focusing on the modernisation of their heating systems (Bosnia, Croatia, Macedonia, Serbia and Hungary) and are going to use solar energy through the installation of solar panels on the roofs of company buildings.

LED TECHNOLOGY AND GREEN POWER



Use of renewable energy sources – Electricity in the Nordic countries originates exclusively from a hydroelectric power plant in Norway.

Initiatives for a better energy and climate balance

The PHOENIX group makes its contribution using resources in the most efficient and environmentally friendly way possible. Group countries have taken a series of steps towards this aim. Flagships projects include the gradual conversion to LED lighting in buildings and the use of electricity from renewable sources.

LED: superior lighting technology deployed at PHOENIX

LED lighting uses about six times less energy than conventional incandescent bulbs whilst simultaneously allowing more light output. Their purchase pays for itself after just four years, and just two years for the retrofit variant, which is cheaper and easier to install. They have a service life of around 50,000 hours, which makes them clearly superior to energy-saving bulbs (which offer around 10,000 hours).

LED technology is also clearly in front in terms of environmental impact: unlike energy-saving bulbs, the disposal of which must be treated as hazardous waste, LED lights contain no mercury or other materials that are harmful to health. The PHOENIX group found these facts persuasive and has invested around EUR 2 million in recent years in the transition to LED lighting technology.

The transition has already shown success: in Germany, savings in electricity consumption of EUR 500,000 have already been achieved. In Italy, savings of more than EUR 100,000 have been realised. Other PHOENIX group companies plan to follow this path. In Austria, the conversion to LED lighting has already been fully completed.

100 per cent green power in Scandinavia

The PHOENIX group also relies on the use of renewable energy sources to help protect the environment. Among the company leaders are the Scandinavian group companies in Denmark, Finland, Norway and Sweden. They now draw 100 per cent of their power from regenerative energy production.

The electricity used comes exclusively from a hydropower plant in Norway, with proof of origin certified by the European Union. The advantage to the climate of these four PHOENIX group companies is therefore significant: their annual CO₂ emissions have reduced by more than 14,000 tonnes.



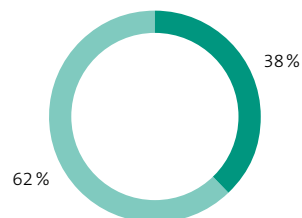
Optimal routing – By using software programmes and the local knowledge of relevant tour guides, the delivery routes (red) can be designed more efficiently in terms of time and distance.

Innovative transport logistics for better environmental protection

Various pharmaceutical trading models are used in the PHOENIX group. In these models, the specific transport services provided and the length of routes depend on the number of pharmacies to be supplied, the customer structure, and geographic conditions. Whereas in Germany, for example, multiple deliveries are made to individual pharmacies every day, in Norway a delivery schedule of three times a week is sufficient.

Irrespective of these different requirements, the PHOENIX group recognises that in addition to the cost aspects it also has a special responsibility for the environment. After all, CO₂ emissions resulting from transport make up the largest share (62 per cent) of total company emissions. In order to utilise this potential for efficiency and achieve a reduction in greenhouse gas emissions, the PHOENIX group focuses on a mix of multiple courses of action: from a fuel-efficient vehicle fleet to optimal routing to employee training in economical driving methods.

Comparison of total emissions to transport emissions of PHOENIX group



Total emissions	2014/15
Other emissions	38%
Emissions from transport	62%



Responsibility during transport – During deliveries the focus lies on fulfilling the supply chain.

transmed assumes responsibility

A particular focus here is on our subsidiary transmed, which occupies a key position in the supply chain between our distribution centres and the pharmacies. transmed ensures quick and flexible delivery to our pharmacy customers using a seamless network of branches and optimal routing. In addition to the German market, the company also has locations in Austria, Switzerland, Slovakia, the Czech Republic and Serbia. transmed makes approximately 8,000 trips daily with around 3,000 vehicles. transmed allows the carriers to lease transport vehicles from it. Currently, around 30–35 per cent of the vehicles used are owned by transmed and leased by the contracted carrier for use on the delivery route. The average lease term is 30 months. Due to short lease terms, transmed has a new fleet with modern, efficient vehicles available.

At transmed transparency prevails at all times with respect to equipment and fuel consumption by the vehicles used at the sites. For example, information on the number of kilometres driven per year by each branch has been collected since 2012, as well as information on vehicle categories and types, engine size, type of fuel used and the CO₂ emissions per kilometre driven. With this careful data collection, transmed also follows the GDP guidelines.

Optimised route planning reduces consumption of resources

Transparency is also the focus of another resource-efficiency project. transmed and the transport sectors of the subsidiaries conduct targeted reviews in search of opportunities for improvements in route planning. This involves solutions to the issues as to whether, from a logistical point of view, pharmacies are being serviced by the correct distribution centre, whether the number of stops is optimally aligned to the respective customer profile, and whether delivery time windows provide greater flexibility for the logistical optimisation of the route. The implementation of this package of measures for smart transport solutions has already achieved significant success in the company: costs recorded in transport area decreased by EUR 880,000 in 2014/15; a reduction of EUR 2.4 million has been targeted for 2015/16. Over the long term, the optimisation measures should result in annual cost reductions of EUR 3.2 million. In contrast there has been positive economic performance, such as increases in revenue from the 2014/15 fiscal year, which has produced an increase in transport volume. Nevertheless, general transport costs in the PHOENIX group have grown more slowly than revenues, clearly underscoring the effectiveness of the optimisation programmes.



Reduction of CO₂ emissions – An optimum loading of trucks and driving safety courses shall help hereby.

Employees are trained in more environmentally compatible driving methods

Our drivers play an important role in fuel-efficient, low-emissions transport logistics. The PHOENIX group conducts regular training in fuel-efficient driving for its employees, and requires its logistics partners to provide similar programmes. In addition to guidelines and training, we also use incentives for our employees to adopt environmentally friendly driving behaviour, as demonstrated by our Croatian subsidiary, where transport employees receive bonuses if, in addition to exemplary fulfilment of quality criteria, they maintain a fuel-efficient driving style and comply precisely with speed limits. This is verified using the “Online Vehicle Tracking System”, software through which driving behaviour can be aligned with speed limit compliance.

Our commitment:

- Reduction in costs of pharmaceutical waste due to packaging damage
- Systematic improvement in resource efficiency through energy monitoring
- Realising savings potential through the use of modern building technology
- Reduction in transport emissions

Innovative loading system improves transport capacity utilisation

Optimal vehicle loading is critical to maintaining a high level of transport cost efficiency and reducing emissions. In some subsidiaries, a new loading method was tested in the reporting year, which improves the capacity utilisation of the lorries that transport plastic totes used for delivering of pharmaceutical products from the production site to the PHOENIX group distribution centres. The use of CP1 pallets was tested, which at 120 x 100 cm are wider than the standard Euro pallets (120 x 80 cm). The prices of the two types of pallets are identical.

With the new method, six packing columns can be filled instead of four, which makes better use of space. Combined with a slightly raised packing height, one-third more totes and one-fifth more lids can now be loaded onto the lorries. As measured against the transport volume of the entire PHOENIX group, this creates potential savings of 40 lorry loads and over 2,000 pallets, corresponding to a cost reduction of EUR 50,000 per year within these countries.

03

→ Employees



Working together successfully

// The PHOENIX group owes its leading position in the European pharmaceutical trade above all to the commitment and expertise of its nearly 29,000 employees. This is why our objective as an employer is to provide optimal working conditions and attractive opportunities for the professional development of our employees. This includes customised continuing education programmes as well as a healthy working environment and a corporate culture based on trust and respect. //

Attractiveness as an international employer reinforced

Among the most important current projects in our company is constructive cooperation across national borders. We are driving international networking forward by working increasingly in transnational structures and teams to implement a common understanding of good governance in all countries and to provide our employees with new skills related to intercultural competence. In addition, we will continue to accelerate knowledge transfer of innovations and best-practice solutions. In other words, we constantly learn from each other.

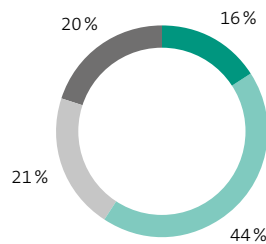
This emphasis on interaction paves the way for giving our employees new perspectives and raising the profile of the PHOENIX group as an attractive employer. The first company-wide employee survey will be an important milestone in this process. The survey will provide clear indications of what is important to our employees and where we can improve even more together. We also expect it will give special impetus to the gradual development of a corporate health management system, which will consolidate a number of different projects into a comprehensive system. Appropriately, we have set a goal of reducing the company's sickness rate over the long term.

Employees of the PHOENIX group: facts and figures at a glance

In 2014/15, around 30 % of employees in Europe and 92 % of employees in Germany were included in collective bargaining agreements.

At the end of fiscal year 2014/15, the PHOENIX group had 28,872 employees¹⁾ at the reporting date within all business units, a slight increase compared to 28,501 employees¹⁾ in the previous reporting period. The UK has the highest number of employees at over 6,000, followed by Germany (4,489) and Norway (2,777). The share of all female employees was around two-thirds on average. 40.1 per cent of employees work part-time.

Regional distribution of employees within the PHOENIX group



Total number of employees	2014/15
Germany	4,489
Western Europe	12,690
Eastern Europe	6,025
Northern Europe	5,668
Total	28,872

Future-oriented training and education programmes

The PHOENIX group strives to fill its needs for specialist and management talent from among its own staff.

Our employees must be prepared for the markets of the future and, in view of the high demands on their skills, have access to lifelong learning. At the same time, attractive opportunities for professional development and promotion are an important factor in job satisfaction. To this end, the PHOENIX group has developed an effective system of training and education that reacts flexibly to the different requirements in the individual countries and for the various occupational categories. These include language and IT trainings as well as individual external trainings. We attach great importance to specifically promoting employees with special potential and the willingness to take on management responsibility. This is based on our objective of substantially meeting demand for professionals and managers from our own ranks and so provide continuity in human resource management.

¹⁾ The information has been compiled for the reporting date; averages were used in the Annual Report 2014/2015 and in the CSR Report 2013/14.

Diverse opportunities for launching a career

The training and education activities of the PHOENIX group are arranged depending on the country and the qualifications of the employees in different positions. In Germany, the dual vocational training system has traditionally played an important role. In this system, young people can choose from a wide range of apprenticeships and dual courses of study. Our focus on the continuous development of new talent is also reflected in our high rate of apprentice retention of more than 70 per cent in fiscal year 2014/15.

Within the PHOENIX group, both apprentices and dual system students can experience the international character of the company as a result of their personal experience. If they are particularly suited, they will have the opportunity to spend a month working at a subsidiary in another country. By doing so, they not only gain valuable company and personal experience, but acquire intercultural competence as well.

Qualification on a systematic basis

The subsidiaries pursue common objectives despite having different structures and training concepts. Based on regular employee discussions with managers, required skills are identified for each individual and then coupled with training.

All employees first undergo extensive orientation programmes, such as training under the framework of Good Distribution Practices. Training on the company-wide Code of Conduct, the anti-corruption policy, and the competition compliance policy is also mandatory. In addition, the cross-disciplinary themes of health and safety are very important, as are leadership, management skills, sales, IT and languages.

The subsidiaries set their own priorities with respect to the skills of their employees and have broad leeway in structuring their programmes. For example, the Danish business unit has its own management academy. In the Netherlands and Germany, the promotion of talent is among the focal points. In the German business unit, for example, the Junior Development Programme targets employees with recognisable potential for development who are at the beginning of their professional careers. Over a period of 16 months, the participants acquire essential basic competencies in the fields of communication, methodological expertise, cooperation and self-management.

The PHOENIX Academy, as a central training facility in Germany, also offers training in intercultural competence in addition to the regular technical and management specific courses. This training is intended for managers on international assignments and teams that work across national borders.

In fiscal year 2014/15, more than EUR 4 million was invested in training and education.



High priority – training and workplace safety are a high priority within the PHOENIX group.

Internationally oriented training for managers

The objective of international networking and promotion is part of our European Management Development Programme (EMDP), which is aimed at young managers with high potential for development from all countries of the PHOENIX group. In the 18-month programme, the participants acquire skills in entrepreneurial thinking and action, in leadership and in communication. They expand their business management expertise as well as their methodological skills and improve their capacity for self-reflection. Tasks are largely worked on in multinational teams.

The PHOENIX group also provides opportunities for international education. Examples include the EMDP and the Top Management Education programme.

In 2014, 20 employees from 13 countries took part in the EMDP. During the final phase of the programme, the participants presented the results of the joint projects to the group's Executive Board. These projects included, for example, country-specific market strategies, IT solutions for logistics and optimised wholesale service models. This international training initiative was developed and implemented in collaboration with the Mannheim Business School and Malik Management Zentrum St. Gallen (Switzerland).

A further internationally-oriented training project is the Top Management Education Programme in collaboration with the well-known IESE Business School in Barcelona, Spain. Between 2012 and 2014, around 100 top managers of the PHOENIX group participated in this programme. Under the theme "Growing Entrepreneurial Competencies", the managers worked on joint projects across national borders with the aim of putting the newly acquired knowledge into practice in specific cases.

Cross-border exchange of information increasingly important in management

In addition to providing strategic developmental support for its employees, the PHOENIX group relies on group-wide knowledge sharing, allowing successful ideas and measures to be deployed across borders. Regular PHOENIX International Management meetings provide the platform for constructive, open communication between the management of the subsidiaries as well as managers with international responsibility. Supplementing this, the PHOENIX group focuses on the cross-border transfer of knowledge. Workshops have taken place in 17 countries with employees from other distribution centres (pull forwards). Such exchanges can help recognise the potential and implement measures for increasing efficiency and performance.

Responsibility for occupational health and safety

Optimal working conditions include a working environment that protects the health of our employees and ensures safe operational processes. This is why we have established structures and processes in all business units that ensure compliance with the laws and regulations of the countries as well as of the EU. One of the main instruments for this is our comprehensive quality management system, which defines the essential requirements and responsibilities for occupational health and safety. This encompasses accident prevention, workplace risk assessment and the designation of first responders and safety representatives as well as the design of working conditions that promote health and the documentation of work accidents and occupational disease. This ranges from accident prevention and assessing work space risk to appointing first responders and safety officers. It includes establishing healthy working conditions as well as the documentation of workplace accidents and occupational health concerns. In addition, warehouse personnel are trained in handling machinery and other technical equipment.

In this context, we attach particular importance to the regular and documented training of our employees in all issues related to occupational safety and health, including, for example, the use of first responders, fire protection, workplace ergonomics, safe display screen use and managing work-related stress.

Diverse health initiatives at our subsidiaries

The subsidiaries of the PHOENIX group have adopted initiatives that go beyond required standards to promote the health of its employees. In Sweden, the company offers professional counselling and support for stress management through a 24-hour telephone hotline. In Denmark, employees at the distribution centres are trained to pay attention to work methods that decrease impact on joints. A team of “Ergonauts” was formed from specially trained and dedicated employees who can give their colleagues instructions on low-risk movements and working methods. In Lithuania, employees can make an appointment with a massage therapist who comes to the company once a week to provide back treatments.

In Germany, many distribution centres conduct their own health days for their employees. In collaboration with health insurance companies, these events focus on providing information and advice on important health issues, such as the prevention of back pain, stress relief, eye exercises and proper nutrition.

Despite a dense network of safeguards, accidents at work cannot always be prevented. During the reporting period, a total of 568 lost time injuries were recorded within the PHOENIX group. At around 50.5 million actual working hours, the company-wide injury rate amounts to 11 per one million working hours.

The Group companies in Sweden, Denmark and Lithuania have taken steps beyond the required standards to promote employee health.

Total rate of occupational injuries¹⁾

per one million working hours	2014/15
Lost time injuries	568
Actual working hours	50,495,123
Total rate of occupational injuries (TRIF)	11

¹⁾ Reporting was done according to local legislations and includes work-related and travel accidents.

WAREHOUSE EXCELLENCE



WE
FORWARD

Quality and performance improvement – In small teams local ideas are discussed and implemented.

Warehouse Excellence: employees take the initiative for continuous improvement

The PHOENIX group relies on employee knowledge and initiative for the continuous improvement of its processes. A good example of this is the “Warehouse Excellence” (WE) initiative, which focuses on increasing quality and performance in distribution centres. Our warehouse employees are in a particularly good position to see where promising improvements can be made during their day-to-day work.

The Warehouse Excellence initiative was launched in 2013 as a pilot project at the Gothenburg and Munich locations. Since then, WE has been started at more than 85 locations in the PHOENIX group. During initial workshops, local warehouse employees learn about basic lean management tools. The goal is to make as many employees as possible capable of using observation and information exchange to identify where errors occur and how waste will be avoided while at the same time achieving the best possible level of quality. In this way, WE leads to a significant increase in quality and efficiency. This requires employee involvement, and therefore also has an effect on the management style used in the PHOENIX group. “Our common goal is to establish Warehouse Excellence as a ‘way of life’ in the company,” states Frank Große-Natrop, Director of Operations/Logistics.

Directly implementing their own ideas for improvement

Employees directly implement the techniques they learn in the warehouse. The team then assesses the results and prepares a list of ideas for improvement.

This includes, for example, improving their own workplaces by reorganising equipment to create a uniform workflow. Another measure was aimed at properly arranging and sorting articles according to frequency of use in order to avoid unnecessary travel. An implementation plan is developed with the employees concerned for each observation leading to a reduction in errors or improved quality.

The continuous improvement process is, however, not limited to technical or process changes. In regular focus groups, employees from different warehouse areas are asked for their assessment of the current situation in the distribution centre. This is done to get an idea of the current mood in the warehouse and determine what employees feel is important for a successful future within the PHOENIX group. The feedback from the focus group gives local management important information about how to improve, for example, the working atmosphere, working conditions, team spirit and communication.

The entire company benefits from information exchange

Our goal is to make as many employees as possible capable of participating in this initiative and provide them with the necessary knowledge. More than 1,800 employees have been trained under the Warehouse Excellence initiative to date. A knowledge portal was also set up to help employees by allowing them to exchange information on improved processes and best practice models. In summary, this is an initiative that builds on the ideas of PHOENIX group employees.

Target	Due	Status	Comments
Reduce group-wide sickness rate from 4.47% (2014/15) by 1 percentage ¹⁾	2018/19	■	Page 47f.
Employee commitment by implementing a group wide employee survey	2015/16	■	Page 48f.

¹⁾ Employee related targets include the entire PHOENIX group.

■ Target launched
■ On-going
■ Target fulfilled
■ Target not fulfilled

Health management becomes an area of focus

Unplanned employee absenteeism due to sickness can result in severe failure in a strongly customer-oriented and time-critical business area such as pharmaceutical wholesaling. Conspicuously high absenteeism in certain working areas and employee groups also reflects a possible need for action in the design of the working environment or with respect to job satisfaction. The PHOENIX group has recognised this as an important area of action and will intensify its efforts to reduce the sickness rate in future. Our goal is to reduce the current company-wide registered sickness rate of 4.47 per cent to 3.47 per cent by 2018/19.

Absenteesim

	2013/2014		2014/2015	
	Sick hours paid	Sick hours unpaid	Sick hours paid	Sick hours unpaid
PHOENIX group	1,461,384	810,134	1,498,630	760,300
Germany	335,026	144,438	347,758	116,663
Western Europe	666,525	235,757	651,007	217,101
Eastern Europe	136,611	230,034	142,358	225,190
Northern Europe	323,222	199,905	357,507	201,346

In Germany we focus on optimising reintegration management and intend to place even more emphasis on absence and return meetings with employees. We also plan to introduce a corporate health management system. This system will in future integrate all relevant aspects of occupational health and safety to achieve greater effectiveness. To this end, in the coming 2015/2016 reporting period, the operational and structural foundation will be put in place and the initial targets will be internally formulated.

Increased focus on life stages in employee development

An important part of the system will also be to structure employee health programmes in closer alignment with their current life situation. This model for life-phase-oriented personnel management mainly concerns issues related to the age, performance, employability and family background of our employees. Flexible working hours, age-diverse teams and family-friendly working conditions may be answers to these challenges and even play a role in utilising demographic change as an opportunity to further enhance the PHOENIX group's attractiveness as an employer.

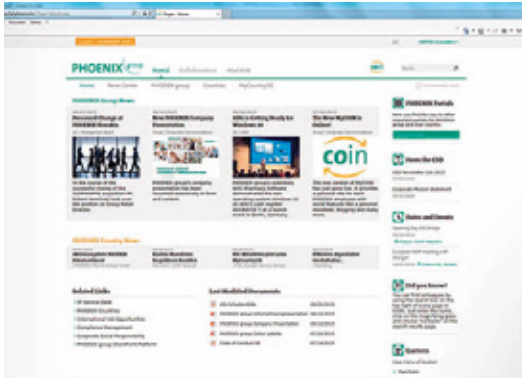
Company-wide employee survey in preparation

The PHOENIX group will conduct its first business-wide employee satisfaction survey in autumn 2015.

The PHOENIX group wants to learn first-hand how its employees view the company, where they see positive developments, and where they see weaknesses. Before the current reporting period, the countries used different methods and approaches to measure employee satisfaction with their jobs and their loyalty to the company. Surveys were conducted on an annual, two-year or four-year cycle – either internally or by using external investigations by market research companies or academic institutions.

Based on these experiences, we plan to conduct a systematic analysis on a uniform basis for better comparability in future. To this end, the PHOENIX group will conduct its first business-wide employee satisfaction survey in autumn 2015. All business units, countries and occupational groups will be included. The extensive catalogue of questions is divided into two primary themes of commitment and leadership.





Together in dialogue – The PHOENIX group's new intranet "COIN" connects all group countries together for the first time. In addition, staff receive individualised feedback in employee appraisal meetings.

The survey will influence future areas of action

The objective is to identify opportunities to improve satisfaction and motivation and to strengthen the bond between the company and its employees. Ways will also be identified to further improve our attractiveness as an employer. The results of the survey, which will of course be openly communicated to the employees, will enable us to develop central areas of action, which will also be aligned with country-specific requirements. In a planned follow-up process, concrete measures for improvement will be introduced and their implementation will be reviewed continuously.

Common management culture inspires trust

The PHOENIX group firmly believes that only an employee-oriented and collaborative management culture can guarantee a high level of satisfaction among employees and the long-term success of our company. For us that means cultivating an open and trusting style of communication and informing employees about all important company developments on a timely and regular basis: at staff meetings, company meetings, in dialogue with employee representatives, through written communications via our new Intranet COIN, newsletters and our local employee magazines.

CLOSE COOPERATION WITH EMPLOYEE REPRESENTATIVES

The PHOENIX group is committed to an operational partnership with employee representatives and works constructively with them. This cooperation is based on internationally recognised standards, taking into account the laws and conditions in each country.

The European Works Council (EWC) plays an important coordinating role. The EWC has made a significant contribution that has helped the PHOENIX group to grow closer together as a European company. The EWC is closely consulted with respect to significant measures that affect two or more countries, for example, with regard to the employee survey, compliance, and the Corporate Mission Statement. In addition, it is involved in future projects such as health management, the compatibility of work and family, and continuing education.

In addition to information and communication, it is essential that employees know how important their role is in value creation and that their motivation be reinforced for the best possible performance. This is an especially important task for management. They are role models who provide guidance and encourage innovative ideas. In addition to praising and recognising the work of our employees, they also provide honest feedback on the work of employees and assist them in their professional development.

Leadership guidelines provide orientation

The PHOENIX group has anchored these principles in the leadership guidelines adopted jointly by management, the national subsidiaries and the European Works Council. They serve as a model for a consistent management culture within the company while taking into account specific national and regional features. Based on six core topics, the guidelines establish principles for communication between supervisors and employees and also include instructions and guidance on how daily work should be structured.

Link to the leadership guidelines: http://www.PHOENIXgroup.eu/DE/PHOENIXgroup/Leitbild/Documents/PHOENIX_Guidelines_2012.pdf

Management guidelines as a model for communication between supervisors and employees



Structured employee discussions create space for dialogue

The main tool for dialogue between management and employees within the PHOENIX group is the annual employee review, which is carried out in various formats in the respective subsidiaries. As part of this structured discussion, the performance and behaviour assessment drawn up by the supervisor is discussed together, with the top priority being the recognition and appreciation of the employee. In addition, both parties use this opportunity to agree on new goals and prospects and explore training and development opportunities, which are matched to specific training programmes.

Our commitment:

- Expansion of international networking and knowledge transfer
- Company-wide employee survey
- Development of a corporate health management system at PHOENIX in Germany
- Reduction of sickness rate throughout the company
- Use of employee meetings as a tool for dialogue

04

→ Society



Giving back to society

// The PHOENIX group is active in the sensitive field of healthcare. This is why we assume responsibility above and beyond our own activities as a matter of course. In all countries and areas, we have a long history of predominantly local social commitment. Our focus is on support for pharmaceutical research in particular. //

Scientific commitment includes a wide variety of projects

Acting in an economically and socially responsible manner is a top priority for the PHOENIX group. As a leading European pharmaceutical trader, it is within the scope of our social commitment to support a particular concern of ours: pharmaceutical research. The largest project operated from Germany in this context is the PHOENIX Pharmaceuticals Science Award, but we also have a wide range of commitments in many other countries of our group.

In Italy, for example, we support charitable organisations in the field of cancer research every year. In Lithuania, the “Pink Run with BENU”, organised by Tamro, was held on 26 October 2014. Additional activities are also used here to create awareness and promote the prevention of breast cancer. In the Netherlands, we have begun supporting the Heart Foundation. The profit margin on the sale of products



Charity projects – The Pink Run brought attention to breast cancer prevention in Lithuania, while in the Netherlands a charity project by two employees received support.

in our own pharmacies goes to this foundation for research and treatment of heart disease. In France, all pharmacies participate in the “Association Plus Pharmacie” foundation through regular contributions to various charitable projects for sick persons across the country.

18th presentation of the PHOENIX Pharmaceuticals Science Award

For 19 years, the PHOENIX Pharmaceuticals Science Award has been supporting research and development in the pharmaceutical industry.

With the annual presentation of the PHOENIX Pharmaceuticals Science Award, we have been supporting research and development in the pharmaceutical industry for the past 19 years. The prize is awarded in the fields of Pharmacology and Clinical Pharmacy, Pharmaceutical Biology, Pharmaceutical Chemistry and Pharmaceutical Technology. It is funded with a total of EUR 40,000. The expansion of the Pharmacology category to include Clinical Pharmacy demonstrates our recognition of the increasing importance of this field. With this award, we are promoting excellence in scientific pharmaceutical research in the German-speaking countries. Participation is open to all research staff at pharmaceutical institutes, research facilities and research centres of the pharmaceutical industry in Germany, Austria and Switzerland.

On 6 November of last year, the award ceremony was held in Vienna, Austria, marking the first time the ceremony has been held outside Germany. This is in recognition of the fact that in recent years numerous entries have been received from Austria and Switzerland, and participants from those countries have also won awards. In 2014, the winners in their categories were:

- Professor Dr. Dario Neri from the Swiss Federal Institute of Technology in Zurich in the category Pharmacology and Clinical Pharmacy
- PD Dr. Bertolt Gust of Eberhard Karls University of Tübingen in the category Pharmaceutical Biology
- Professor Dr. Thomas Kurz of Heinrich-Heine University in Dusseldorf in the category Pharmaceutical Chemistry
- Professor Dr. Gerhard Winter of LMU Munich in the category Pharmaceutical Technology

The next award ceremony will be held at the end of October 2015 in Switzerland.



Social commitment – In addition to the annual presentation of the PHOENIX Pharmaceuticals Science Award, employees provide other worthy donations, such as blood in Lithuania.

Supporting disadvantaged children is another focus

Our activities also focus on helping disadvantaged or sick children. The charitable organisation KULTURBRAS e.V. has taken on the task of supporting disadvantaged children in Fortaleza, Brazil. Since 1995, a charity facility under German management with dedicated volunteers from the area provides regular meals to children. The children receive basic instructions in reading, writing, and arithmetic and there is also time for fun and games. In recent years, the programme has provided a path to a better future for more than 1,000 children. PHOENIX has supported this project for many years. In addition to a one-time financial donation, 5 cents of every purchase of its own brand from the PHOENIX private range goes directly to KULTURBRAS e.V.

Projects for children in need are also supported in other countries: for example, our company works with a foundation for orphans in Bosnia, Macedonia and Serbia. Tamro, our company in the Baltic countries, has been supporting the SOS Children's Villages in Latvia for the past seven years. In the Netherlands, we have been actively involved for the past three years with the national charity project "Spieren voor Spieren", which collects money for children with muscular diseases. The objective of this work is research into diseases as well as making long-term stays of children in hospital more pleasant.

Brocacef donated around 15,000 euros to the project "Spieren voor Spieren".

In Sweden, we make a valuable contribution to Queen Silvia Children's Hospital in Gothenburg. Many children are treated there, some of whom are battling serious illnesses. In order to make the children's free time more enjoyable, the foundation organises events and donates money to this hospital for recovery rooms. Over the past few years, Tamro has provided more than SEK 1 million in funding to this practical project, for example, to buy computers that the young patients can borrow and use during their stay.

CHILDREN'S HOSPITAL 2017



For the well-being of children – Conceptual drawing of the new children's hospital in Helsinki.



Tamro in Finland is helping to build a new children's hospital

The health of children, as well as their protection and support, are two especially meaningful areas for our company. The PHOENIX group gladly assumes responsibility in this area, sharing its business success with its stakeholders.

A project in Finland unites the two aspects in a special way: in 2012, a foundation was set up with the objective of building and opening a new children's hospital in Helsinki by 2017. The current Children's Hospital, built in 1946, is in poor shape and falling apart. It was built after the Second World War with the help of private donations – a tradition that should be allowed to continue. The Children's Hospital is the only full service children's hospital in the country and thus of particular importance. Despite the current appalling conditions of the hospital building, the results of the advanced medical care provided, are ranked among the top in the world – one more reason to continue providing for adequate conditions.

The overall costs for financing the new children's hospital will be approximately 160 million euros of which 30 million euros should be collected by donations. The target amount of EUR 30 million was already reached in August 2014. Since then, the total amount exceeds EUR 36,5 million which will

reduce the amount of debt financing. The project has involved thousands of volunteers, private companies, associations, foundations and schools. The new public Children's Hospital will be ready in 2017 when Finland celebrates its 100 years of independence.

Tamro makes a valuable contribution

Our Finnish company Tamro decided to support this innovative project in 2013 and to give all of its charitable donations over the next two years to this foundation. The target is to contribute at least EUR 100,000 by the end of 2015. More than half of this amount was already made available in 2014/15, and is a significant contribution to our social investments (see table "Economic value retained" in chapter "Key figures of the PHOENIX group"). On this project, Tamro makes direct donations to the foundation, and also calls on all employees, customers and other business partners to participate. To this end, the project has been intensively promoted on the Tamro website, in magazines, on other customer communication channels, and during numerous events. In addition, many employees of our Finnish company are also engaged directly in the project – for the benefit of the community.

Support for students and universities

As part of our sustainability strategy, we also want to make an important contribution to the development of the educational infrastructure and ensure the future of qualified young people for the long term. This is why we work closely with pharmaceutical schools and universities and with students in many European countries, such as Bosnia, Germany, France, Macedonia, Norway, Serbia, the Czech Republic and Hungary. On 7 October 2014, scholarships were awarded to successful students in Mannheim Palace for the 7th time. Half of the scholarship is paid for by the federal government, and the other half by private donors, individuals and companies, including, from the very beginning, the PHOENIX group. In Norway, Apotek 1 has been the main sponsor of the “Pharma-Aide Mali-Norvège” project since 2007. This is a student group of “Pharmacists without Borders” at the University of Oslo. The idea is to promote the cooperation of these students with pharmaceutical and medical students at the University of Bamako, Mali.

The PHOENIX group works closely with pharmaceutical schools and universities and with students in numerous European countries.

Other local projects emphasise community involvement

We are also involved on site, where such action appears particularly meaningful and where there is the greatest need. In Slovakia, for example, we work closely with workshops for the disabled and support young artists and employees who beautify cities through pro bono activities, either by cleaning the streets or through painting works. In the Czech Republic, we support International Humanity, a welfare organisation that manages projects in Africa such as educational projects or in the construction of new hospitals. In Hungary, pharmacies are supported by the collection of pharmaceutical waste and the “Foundation of Pharmacists for the Earth” is supported through the collection of paper and cardboard.

Our employees are also committed

Even beyond this, we also encourage all employees of the PHOENIX group to get involved, within their capabilities, for society and the common good, whether through volunteer work or participation in sponsored runs or other charitable activities. For example, the employees of the distribution centre in Munich support the fundraising campaign for the Sternenbrücke children’s hospice of Germany’s Volkswagen Beetle Club. In Finland, our employees participate in fundraising activities; in Lithuania, our employees donate blood every six months. In Hungary, managers and employees participate in the “PHOENIX Charity Run”, during which donations are collected to fulfil children’s wishes. Two employees of BROCACEF in the Netherlands collected money for a charity project, after which the Executive Board doubled the amount collected.

Our commitment:

- Targeted promotion of pharmaceutical research
- Intensification of local social commitment
- Expansion of group-wide projects for the public good
- Contribution to ensuring the future of qualified young people for the long term

Facts and figures

Basis of reporting

This sustainability report covers the fiscal year from 1 February 2014 to 31 January 2015 and describes the development and results of the PHOENIX group's CSR measures. It follows on from the sustainability report 2013/14 which was published in September 2014. The PHOENIX group's sustainability report for 2014/15 includes performance indicators from all group countries for the first time and therefore refers to the whole PHOENIX group as presented in the Annual Report. To simplify readability, countries were allocated to their regions. As the home market, Germany is reported separately. The regions are divided as follows:

- **Germany**
- **Western Europe:** United Kingdom, Netherlands, France, Switzerland, Italy and Austria
- **Eastern Europe:** Hungary, Czech Republic, Slovakia, Croatia, Bulgaria, Macedonia, Serbia, Bosnia and Herzegovina, and Poland
- **Northern Europe:** Denmark, Sweden, Finland, Norway, Estonia, Latvia, Lithuania

Due to the complexity of generating the data, the retail area was not taken into account in the environmental indicators. Since figures from the previous year were not uniformly available for all group companies, no prior-year key indicators are shown. Employee key figures were issued through the PHOENIX group's central personnel system and can therefore be provided for the comparable period of 2013/14. The exception is information on employee injuries with lost time, for which reporting to local officials varies based on national regulations.

Key figures of the PHOENIX group

Added value

	2013/14	2014/15
Economic value retained of all PHOENIX group countries in total EUR k		
Net turnover	21,792,370	22,567,998
Community investments	-2,177	-2,031
Employee wages and benefits	-1,076,078	-1,034,353
Operating costs	-20,405,093	-21,119,765
Payments to governments	-93,936	-73,364
Payments to providers of capital	-138,002	-99,225
Economic value retained	77,084	239,260

Environment

Total GHG emissions (scope 1 – 3)

in tCO ₂	2014/15
Scope 1	
Direct energy use ¹⁾	
GHG emissions from fuels used in buildings	28,443
Transport ²⁾	
GHG emissions from own transport	12,021
Scope 1 total	40,464
Scope 2	
Secondary energy ³⁾	
GHG emissions from the generation of purchased electricity and district heat	50,966
Scope 2 total	50,966
Scope 3	
Transport ²⁾	
GHG emissions from subcontracted transport	116,172
Scope 3 total	116,172
Total (scope 1+2+3)	207,602

¹⁾ The CO₂ emission factors for direct energy use (light fuel oil and natural gas) are based on the EU ETS measurement guidelines (IPCC 1996, Good Practice Guide).

²⁾ The CO₂ emission factors for transport are based on values provided by Lipasto Finland (www.lipasto.vtt.fi/yksikkopaastot/tavaraliikenne/tieliikenne/tavara_tiee.htm). Business travel is not a material aspect in the total emissions of PHOENIX group.

³⁾ The CO₂ emission factors for calculating the indirect energy consumption (district heating and electricity) are country-specific factors that rest upon annual values provided by the International Emissions Agency in 2012.

Consumption of district heating by region

in MWh	2014/15
PHOENIX group	27,572
Germany	4,113
Western Europe ¹⁾	0
Eastern Europe	9,679
Northern Europe	13,780

¹⁾ Heating gas and electrical power are predominately used in Western Europe. District heating is not used.

Consumption of electricity by region

in MWh	2014/15
PHOENIX group	134,180
Germany	34,147
Western Europe	35,545
Eastern Europe	18,320
Northern Europe	46,168

Total GHG emissions by region (scope 1-3)

in tCO ₂	2014/15
PHOENIX group	207,602
Germany	60,050
Western Europe	54,326
Eastern Europe	58,773
Northern Europe	34,453

Emissions by region from own transport (scope 1)

in tCO ₂	2014/15
PHOENIX group	12,021
Germany ¹⁾	0
Western Europe	7,210
Eastern Europe	3,510
Northern Europe	1,301

¹⁾ Transports of our subsidiary transmed will be shown in scope 3 due to simplification reasons.

GHG emission by region from indirect use of energy (scope 2)

in tCO ₂	2014/15
PHOENIX group	50,966
Germany	18,173
Western Europe	11,477
Eastern Europe	13,934
Northern Europe	7,382

Emissions by region from subcontracted transports (scope 3)

in tCO ₂	2014/15
PHOENIX group	116,172
Germany	39,150
Western Europe	32,705
Eastern Europe	18,820
Northern Europe	25,498

Pharmaceutical waste generated by region

in MWh	2014/15
PHOENIX group	1,076
Germany	185
Western Europe	75
Eastern Europe	198
Northern Europe	618

Non-hazardous waste generated by region

in MWh	2014/15
PHOENIX group	19,241
Germany	8,380
Western Europe	4,915
Eastern Europe	2,444
Northern Europe	3,502

Employees**Employees in headcount and Full-time Equivalent by region ¹⁾**

	2013/2014		2014/2015	
	Heads	FTE	Heads	FTE
PHOENIX group	28,992	23,796	28,872	24,461
Germany	4,524	3,555	4,489	3,577
Western Europe	12,541	9,856	12,690	9,887
Eastern Europe	5,650	5,144	6,025	5,659
Northern Europe	6,277	5,242	5,668	5,338

¹⁾ Per due date 31 January.

Personnel breakdown by gender and regions

in figures	2013/14				2014/15			
	Full-time male	Part-time male	Full-time female	Part-time female	Full-time male	Part-time male	Full-time female	Part-time female
PHOENIX group	6,903	1,958	9,853	10,278	7,250	1,893	10,041	9,688
Germany	1,435	355	932	1,802	1,458	339	946	1,746
Western Europe	2,977	1,200	2,566	5,798	2,954	1,254	2,559	5,923
Eastern Europe	1,470	82	3,426	672	1,639	73	3,672	641
Northern Europe	1,021	321	2,929	2,006	1,199	227	2,864	1,378

Total rate of occupational injuries¹⁾

per one million working hours	2014/15
Injuries with lost time	568
Actual working hours	50,495,123
Total rate of occupational injuries (TRIF)	11

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

Absenteeism

	2013/2014		2014/2015	
	Sick hours paid	Sick hours unpaid	Sick hours paid	Sick hours unpaid
PHOENIX group	1,461,385	810,134	1,498,630	760,300
Germany	335,026	144,438	347,758	116,663
Western Europe	666,525	235,757	651,007	217,101
Eastern Europe	136,611	230,034	142,358	225,190
Northern Europe	323,222	199,905	357,507	201,346

GRI Index

The GRI Index below includes Standard Disclosures from the GRI G4 Core Guidelines. It indicates the degree to which we are in accordance with the material aspects and indicators and where they can be found in this report. A third-party audit was not performed in 2014/15. To simplify the presentation, a column for third-party audits was therefore not included.

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Specific Standard Disclosures	Omissions	Page	
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G4-LA1	Total number and rates of new employee hires and employee turnover	The rates of new employee hires and employee turnover are not currently available. Standardised reporting of this key figure will be introduced in the next two years.	Flap, p. 42, p. 60
Aspect: occupational health and safety			
G4-LA6	Type of injury and rates of injury, lost days and absenteeism		p. 60
Aspect: training and education			
G4-LA9	Average hours of training per year per employee by gender and employee category	The average hours of training per year per employee is currently not available. Standardised reporting of this key figure will be introduced in the next two years.	p. 43 f.
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	Personnel development appraisal meetings were held in almost all PHONENIX group companies. An up-to-date percentage is currently not available. Due to differences in local data protection rules no information on gender or employee categories can be disclosed.	p. 50
Aspect: diversity and equal opportunity			
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	A breakdown of employees according to age is currently not available. Standardised reporting of this key figure will be introduced in the next two years. No minorities are known to the PHOENIX group.	p. 42, Imprint, Annual Report 2014/15 http://www.PHOENIXgroup.eu/DE/Service/Investor-Relations/Documents/PHOENIX%20group_Annual%20Report%202014-15_web.pdf

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Product responsibility		
Aspect: customer health and safety		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	A percentage of this aspect is currently unavailable. The existing processes, however, were explained in the respective chapter. p. 23 f.

Glossary

Abbreviations

CO₂ = 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

Arzneimittelhandelsverordnung (AM-HandelsV)

Ordinance on the Trade with Medicinal Products
The AM-HandelsV entered into force in Germany in 1987. It governs dealings with medicinal products and requires compliance with the European Guidelines for Good Distribution Practice.

Conversion of energy units

1 MWh = 3.6 GJ

1 GJ = 0.2278 MWh

Direct energy

Energy purchased as such.

Disclosures on Management Approach (DMA)

are designed to provide companies with an option for the way in which financial, ecological and social impacts with regard to major aspects are dealt with.

District heating

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

EU anti-trust law

Regulations of the European Union with regard to economic cartels that are formed among companies and other market actors. Additionally, anti-trust law includes all legal standards aimed at maintaining unobstructed competition with the greatest possible diversity.

European Management Development Programme (EMDP)

The European Management Development Programme is a European qualification and development programme for the next generation of leadership from all countries of the PHOENIX group.

FCPA

Foreign Corrupt Practices Act. A federal law of the USA since 1977 that bans payments and gifts of value to foreign government officials made for the purpose of obtaining a contract award for a business or maintaining a business relationship.

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 good manufacturing practice in connection with medicinal products.

Greenhouse gases (GHG)

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

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.

Junior Entwicklungsprogramm (JEP) – Junior Development Programme

JEP focuses on employees with recognizable development potential who are at the start of their professional career.

LIPASTO

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

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.

Mobile Data Entry (MDE)

Mobile data entry devices are barcode readers that support the goods receiving and shipping areas as well as inventory.

Pharmaceutical waste

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

securPharm initiative

securPharm is an initiative by multiple stakeholders in the pharmaceutical industry to protect the distribution of German medicinal products from the incursion of counterfeit products.

UK Bribery Act

One of the most aggressive anti-corruption laws in the world. Entered into force on 1 July 2011 in the United Kingdom.

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