PHOENIX group

Competition Compliance Policy

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1. Introduction

The PHOENIX group has built a trustworthy and highly credible reputation as a leading European pharmaceutical distributor and multiple pharmacy operator. Our reputation, credibility and business ethics are of great importance and the result of years of hard work by all our Employees. This is one of our most important assets and of significant strategic advantage to our business. The PHOENIX group has adopted a Zero Tolerance approach towards any breaches of this Policy, an approach which is fully supported by the PHOENIX group Executive Board.

2. Objective

Anticompetitive conduct constitutes an administrative offence in many jurisdictions for both the individual and his or her employer. In some jurisdictions, it is subject to criminal prosecution. The PHOENIX group is committed to a competitive market and the prevention, deterrence and detection of any violation of applicable competition laws. In many areas of competition law there is a fine line between remaining within the bounds of the law and overstepping it. Some practices often require close scrutiny before being implemented. The PHOENIX group cannot relieve its Employees from the responsibility of carrying out this assessment, as it is often necessary to review the circumstances of the particular case. The aim of this Policy is to ensure compliance with the relevant competition laws and provide guidance for Employees. Adherence to the principles set out in this Policy will minimise the risk of violation. In case of doubt, Employees should always consult their superior, local compliance staff or legal team.

3. Scope of this Policy

This Policy applies to all entities and businesses within the PHOENIX group and each business entity will seek to adopt and promote policies and procedures that are consistent with the principles set out herein. Within the PHOENIX group, the responsibility to reduce the risk of anticompetitive conduct resides at all levels of the organisation.

Where an entity of the PHOENIX group is either a minority or majority shareholder or plays a managerial role in another company, including joint ventures, the representatives of PHOENIX that sit on the respective entity's Board of Directors or management committee should actively support the implementation of comparable competition standards.

This Policy applies in all Member States of the European Union (EU) and in all other countries unless otherwise specified.

4. Legislation

This Policy is based on the provisions of EU competition law, which set high standards of competition and apply uniformly throughout the Member States. All PHOENIX group entities within the EU and their Employees must strictly abide by these legal provisions.

In some areas of the law, in particular where the abuse of a dominant position is concerned, provisions of national law of the Member States may be stricter than EU law. The same may generally apply in non-EU countries. All PHOENIX group entities and their Employees must comply with the relevant local legislation. If Employees are unsure what these legislation requirements are, they must consult their superior and/or the local compliance staff or legal team.

Competition law protects free and open competition from restrictions that may be brought about by companies. Free and open competition is one of the pillars of our economic system. It promotes dynamic efficiency, creates growth and jobs and ensures that consumers can obtain modern products at reasonable prices. Competition law makes sure that it stays this way. Just as importantly, it also protects the PHOENIX group against anticompetitive practices of other companies.

The basic provisions of EU competition law are:

- The prohibition of cartels;
- The prohibition of abusing a dominant position.

Comparable provisions can be found in the national laws of all EU Member States and many other countries.

5. What is a Cartel?

Agreements or concerted practices between companies or decisions by associations of companies with anticompetitive object or effect

Cartels covered by this Policy are as follows:

- **Horizontal agreements or practices:**
  Agreements or concerted practices between competitors or decisions of associations of such companies with anticompetitive object or effect.

- **Vertical agreements or practices:**
  Agreements or concerted practices between companies at different levels of the

supply chain or decisions of associations of such companies with anticompetitive object or effect.

The guiding principle of the prohibition of cartels is the "requirement of autonomy". According to this principle, every company must act autonomously when determining and implementing its business policy.

The prohibition of cartels also includes concerted practices that are based on an implied understanding between the parties involved. Thus, the prohibition can be violated without an explicit (oral or written) agreement.

Anticompetitive effects already exist if an agreement or concerted practice between companies or decision of an association of companies reduces the uncertainty – concerning the effects of one's own commercial conduct – typical of competition. One example is the exchange of competitively sensitive information.

To be illegal, it is not necessary for the relevant agreement, concerted practice or decision to actually have an effect on competition. It is sufficient if the agreement or practice has the object of achieving such effects.

EU competition law explicitly prohibits agreements, concerted practices and decisions that:

- Directly or indirectly fix purchase or selling prices or any other trading conditions;
- Limit or control production, markets, technical development, or investment;
- Share markets or sources of supply;
- Apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- Make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

However, this list is not exhaustive and the authorities and courts have regarded agreements, concerted practices and decisions as anticompetitive in their object or effect that are not expressly mentioned. Specific areas of focus are set out under 8.1 to 8.5.

Consequences under legislation can be far-reaching if proven, and may include[1]:

- Fines or prison sentences for individuals involved in a cartel;
- Fines for PHOENIX group entities whose representatives are involved in a cartel;
- Voidance of agreements;
- Damage claims by aggrieved parties.

[1] May not apply in every country

6. What is an Abuse of a Dominant Position?

There is no general definition of this concept. Generally speaking, the prohibition of abusing a dominant position is directed at the unilateral conduct of companies that have a position of strength in a given market.

A company has a dominant position if it is so strong in a specific market that it can act vis-à-vis competitors, suppliers and customers in a way that would otherwise be impossible. A dominant position always exists in a specific market. Companies therefore cannot be "dominant" per se. Determining whether PHOENIX group has a dominant position in a specific market is a complex legal task which must be carried out by the legal team on a case-by-case basis. As a rule of thumb: if a company has a market share of 30 per cent or more, it may have a dominant position in that specific case. The same applies if the market share of a company is twice as large as that of its most important competitor. Market dominance is presumed if a company has a market share of more than 50 per cent[2]. When determining the market share, the relevant market includes all the products that are interchangeable from the customer's point of view.

A dominant position is not prohibited per se, but is instead often the result of a particularly high level of performance. If a company has a dominant position in a specific case, however, particularly strict rules apply in terms of the consideration to be given to other market players. In markets in which a company has a dominant position, it may not therefore unjustly impede or discriminate against other market players.

EU competition law explicitly mentions the following examples of abusive practices:

- Directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- Limiting production, markets or technical development to the prejudice of consumers;
- Applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- Making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

However, this list is not exhaustive and the authorities and courts have considered practices abusive that are not expressly mentioned. Specific areas of focus are set out under 8.6.

Consequences of abusing a dominant position are the same as those of participating in a cartel (see above).

[2] Stated percentages may not apply in every country

7. What PHOENIX expects of its Employees

7.1 Every Employee is personally responsible for complying with the applicable provisions of competition law and this Policy. As a general rule Employees have to:

- Refrain from any agreements or coordination with a competitor that could reduce competitive pressure between PHOENIX group and the competitor;
- Refrain from any exchange of information that would make it possible to draw conclusions about the current or future market conduct of PHOENIX group or the competitor.

7.2 Unless explicitly specified otherwise by legal or compliance staff, it is particularly unacceptable for Employees to:

a) Enter into an agreement with a competitor on or otherwise coordinate price-related issues, sales quantities or quotas, market shares, the allocation of sales territories or customers or the handling of customer or supplier claims;

b) Exchange information with a competitor on banned or critical topics unless explicitly otherwise specified by the legal or compliance personnel (see 8.1).

7.3 The PHOENIX group expects that all Employees will:

a) Comply with the provisions of this Policy and that of the applicable laws at all times; this includes off-duty contacts insofar as the PHOENIX group's interests are affected or Employees are perceived by third parties to be representing the PHOENIX group;

b) Raise any concerns as soon as possible if the person believes or suspects that an infringement has occurred or may occur in the future in line with the separate PHOENIX group Whistle Blowing Policy;

c) Respect the PHOENIX group's customers, suppliers and all other parties with whom it interacts to achieve its objectives by conducting business with integrity and in a lawful and professional manner;

d) Never rely on outsiders such as competitor or trade association representatives but instead seek advice and guidance from their superior and/or local compliance or legal personnel should they be unclear or uncertain of any aspect of this Policy and their own responsibilities to ensure compliance;

e) Attend any training sessions or other events designed to communicate this Policy.

8. Specific Areas of Focus

8.1 Information exchange with Competitors

Competitively sensitive information regularly forms part of PHOENIX group's business secrets. Irrespectively of their duties under competition law, all PHOENIX group Employees must observe secrecy of such information in accordance with the provisions in place, particularly as part of their employment contract. According to these provisions, it is generally prohibited to disclose business secrets of PHOENIX group to third parties.

In addition, the exchange of information between competitors is a very delicate area of competition law. It prohibits competitors from exchanging competitively sensitive information. Even the unilateral and one-time disclosure of competitively sensitive information can lead to a competition law violation where it allows for the disclosing and receiving companies to act in concert and thereby reducing competitive pressure.

Whether an exchange of information allows for conclusions to be drawn about the current or future market conduct of the participating companies or reduces competitive pressure mainly depends on the type of information exchanged. There are types of information that, as a general rule, do not normally raise concerns from a competition law perspective ("permissible topics"), types of information that under competition law may practically never be exchanged with competitors ("banned topics"). Finally there are types of information that may raise competition law issues in individual cases when exchanged with competitors ("critical topics").

The following are permissible topics:

- General technical or scientific matters, e.g. general trends in the industry or current technical innovations ;
- General legal and socio-political questions and the joint representation of interests vis-à-vis governmental institutions (i.e. lobbying activities), e.g. legal framework conditions or current proposed legislation, their significance for the industry and possibilities for joint representation of interests vis-à-vis the legislator or the government ;
- General (i.e. not company-specific) economic situation, e.g. economic situation of the industry and outlook, stock market prices;
- Questions on areas in which PHOENIX group does not compete with any of the other companies involved.

The following are banned topics, which PHOENIX group Employees may generally not communicate about with competitors:

- All price-related information, e.g. pricing policy, purchasing or sales price levels, purchasing or sales price components, intended price changes;
- Capacities, e.g. warehouse or carrying capacities, capacity shortages;

- Distribution policy, sales quantities or quotas, allocation of sales territories and customers, customer lists, current orders, handling of customer or supplier claims or grievances.

The following are critical topics, which PHOENIX group Employees may never, unless the information is publicly known or there the legal or compliance personnel have granted explicit approval, communicate about with competitors:

- Conditions, e.g. supply conditions;
- Costs, e.g. administrative or logistics expenditures;
- Investments, e.g. into IT or logistics;
- Turnover, sales figures and market shares, unless publicly known.

There always is the risk that a conversation about a permissible topic gets side-tracked and switches to banned or at least critical topics. Moreover, the above lists of topics are not exhaustive and the general rules (see 7.1) always apply. Thus, correct conduct in competitively sensitive situations requires all PHOENIX group Employees to:

- Always be cautious when communicating with competitors;
- Make objections if banned topics or critical topics are addressed;
- Stop the conversation if their counterpart does not acquiesce immediately.

8.2 Benchmarking with competitors

Benchmarking within the meaning of this Policy is the continuous process by means of which competitors, outside their own groups, compare operational functions, discover differences and their causes, determine specific potentials for improvement and formulate competitive objectives. By contrast, this Policy does not cover benchmarking activities between non-competitors.

For benchmarking activities, the following rules apply:

a) Benchmarking is not exempted from the prohibition of cartels, i.e. the prohibition applies as usual. The mere fact that a process is referred to as “benchmarking” does not render the activity legal.

b) Since benchmarking represents a special form of information exchange, in particular the criteria described above (see 8.1) apply.

c) There is a danger that on the periphery of the actual benchmarking, competitively sensitive information could be exchanged. In such situations, Employees have to make sure that no banned topics or critical topics are discussed and, where there are doubts as to permissibility, objections have to be raised. If the counterpart does not acquiesce immediately, the conversation has to be stopped.

8.3 Trade association work

Trade association work offers members the opportunity to exchange experiences and to combine and jointly represent their political interests. Such activity is normally in line with the requirements of competition law.

Trade association work is not exempted from the prohibition of cartels, i.e. the prohibition applies as usual. Trade associations may under no circumstances become a platform for anticompetitive conduct. To this end, in addition to the rules set out in section 7 and 8.1 above, PHOENIX group Employees participating in trade association meetings have to observe the following rules:

a) Before the meeting: Insist that a detailed agenda is sent and check the agenda for banned topics and critical topics. If the agenda contains such items, the Employee may not attend the meeting and must inform his or her superior and/or consult the local compliance or legal staff.

b) During the meeting: Insist that detailed minutes of the meeting be kept. Take care that the talks do not veer off course and that sensitive information is not exchanged that might shed light on current or future market strategies. Employees shall especially be careful if the agenda contains open-ended items such as “general market situation” or the like. Object to discussions of topics in case of any doubt as to their permissibility under competition law. If so, have the objection recorded in the minutes. Leave the meeting if discussion of the topic continues. Have the fact of leaving the meeting, the Employee’s name and the time recorded in the minutes, and inform the superior and/or the local compliance or legal staff.

c) There is a danger that on the periphery of the actual meeting, competitively sensitive information could be exchanged. In such situations, Employees have to make sure that no banned topics or critical topics are discussed and, where there are doubts as to permissibility, objections have to be raised. If the counterpart does not acquiesce immediately, the conversation has to be stopped.

d) After the meeting: Insist on the distribution of the minutes of the meeting and the approval thereof by the participants. Check the minutes of the meeting for ambiguous language that could give outsiders the impression that topics have been discussed that are questionable under competition law. Try to ensure that such language is corrected and inform the superior and/or the local compliance or legal staff.

e) Have the relevant trade association agree on a code of conduct.

8.4 Trade fair events

At fair trade events, Employees will meet a large number of people. The rules to be applied depend on whether or not the relevant individuals work for a competitor of PHOENIX group.

In terms of competition law, discussions with non-competitors for the most part do not pose any problems. Non-competitors include specialised journalists and representatives from government and industry as well as customers and suppliers. Employees should be

the best possible ambassador for PHOENIX group. However, they have to take care not to disclose business secrets such as confidential prices and conditions.

When talking to competitors, Employees must be much more careful as there is an increased risk of becoming involved in anticompetitive conduct. Therefore, Employees have to observe the rules set out in section 7 and 8.1 above, particularly regarding the discussion of banned or critical topics, and always explicitly and unequivocally distance themselves from such conversations.

8.5 Vertical agreements or practices

Vertical agreements or practices do not normally impede competition. On the contrary, e.g. when buying, a customer must of course agree upon amounts, prices, rebates and other conditions with the supplier.

Even a vertical agreement or practice that contains what is called a vertical restraint, i.e. a clause that also might have an anticompetitive object or effect, does not automatically violate competition law. Many vertical restraints are admissible provided that their positive effects on competition outweigh the negative effects.

There are some vertical restraints, however, which scarcely have any pro-competitive effects. These “hardcore restrictions” are generally prohibited. The most important hardcore restrictions are resale price maintenance and restrictions of sales into specific territories or to specific customers.

Thus, PHOENIX group Employees must:

a) Not agree with customers of PHOENIX group on their resale prices in relation to third parties;

b) Not agree with suppliers of PHOENIX group on PHOENIX group’s resale prices in relation to its customers;

c) Refrain from any agreement or concerted practice that has as its object or effect the restriction of sales by a customer of PHOENIX group related to the territory into which or the buyers to whom the customer may resell (subject to exceptions according to the block exemption regulation).

The prohibition of resale price maintenance also requires that price lists, catalogues, price tags or packaging may not show fix resale prices. Also, PHOENIX group Employees must not use any other, indirect means in order to discipline their customers’ resale pricing policy. However, there may be exceptions under national healthcare regulation. E.g. in Germany end-customer prices for prescription medicines are determined according to the medicine price regulation. Similar regulation exists in countries such as Austria, Croatia, Estonia, Finland, France, Hungary, Latvia, Macedonia, Poland, Serbia, Slovakia, Sweden and the UK. In some of these countries, even end-customer prices for non-prescription medicines are fixed by the law.

Often it is difficult to assess whether an agreement containing a vertical restraint is anticompetitive or not. Therefore, when negotiating a vertical agreement that could prevent or restrict competition (i) between PHOENIX group and its customers or suppliers (such as a non-competition agreement) or (ii) between PHOENIX group and its

competitors (such as a tying agreement with customers) or (iii) between PHOENIX group's customers or suppliers and their respective competitors (such as an exclusivity agreement), Employees should always consult compliance or legal staff.

8.6 Abuse of a dominant position

Competition law provides for special consideration to be shown towards business partners and competitors by companies who have a dominant position on a given market. A number of countries have similar rules that apply to companies with a strong (although not dominant) market position. One of these countries is Germany.

It cannot be excluded that in some markets PHOENIX group holds a dominant position. Where a dominant position has been determined by the legal or compliance personnel, the following activities are prohibited (see also 6):

- Selling at unreasonably high prices ("price exploitation");
- Depriving competitors of customers by selling at artificially low prices (or at artificially high discounts) they cannot compete with ("predatory pricing"), e.g. selling below cost price;
- Refusing to supply without an objectively valid reason for doing so;
- Treating customers differently for no objective reason ("discrimination"), e.g. applying different prices, discounts or business terms to equivalent transactions with customers or suppliers without justification;
- Making the sale of one product conditional on the sale of another product ("tying").
- Applying certain kinds of discounts , e.g. discounts with tying effects, discounts on condition that the customer buys all or most of its requirements of such product solely from one company ("fidelity discounts") or discounts with similar effects designed to ensure that the customer is rewarded only if it maintains or increases the share of products purchased from the dominant supplier.

8.7 Third Parties

Anticompetitive conduct of Third Parties can have reputational implications for PHOENIX group entities even without their involvement. Accordingly, we aim to ensure that all Third Parties we engage with share our standards of integrity. Therefore, each Employee shall immediately inform his or her superior and the local compliance or legal personnel when becoming aware of actual or potential infringements of competition law by Third Parties.

8.8 M&A Transactions

PHOENIX group entities may be accountable for the past actions of acquired entities. In order to avoid negative consequences for PHOENIX group entities it is important to conduct adequate due diligence subject to size and structure of the transaction. Moreover it is important to ensure that the acquired entities immediately share our standards of integrity and act accordingly.

9. Compliance Organisation and Monitoring

9.1 Overall responsibility at group and entity level

The PHOENIX group Executive Board bears the overall responsibility for the Group's compliance with competition law. The respective Board of Directors bears the overall responsibility for compliance within each PHOENIX group entity.

9.2 Compliance organisation at group level

The PHOENIX group Executive Board establishes a Group Compliance Committee comprising one member of the PHOENIX group Executive Board, Head of Legal, Head of Human Resources, Head of Group Audit, and Head of Corporate Communications and assigns it the following tasks: supervision, review, decision and escalation unit for local requests, yearly reports to the PHOENIX group Executive Board.

A compliance manager should be appointed who is responsible for the on-going operation and development of the compliance system, training, reporting and case handling.

9.3 Compliance organisation at entity level

The local compliance organisation should be part of the MD organisation. The local compliance organisation can either be on company level or on country level, i.e. the compliance organisation of one company is responsible for all PHOENIX group entities in its country.

The respective Board of Directors should establish one (or more) Local Compliance Committee comprising at least three senior managers, including one member of the local Board of Directors and, where applicable, Head of Legal and Head of Human Resources and assign it the following tasks: supervision, review, decision unit for local concerns, yearly and quarterly reports to the local Board.

A local compliance manager should be appointed who is responsible for the on-going operation of the compliance system, training, reporting and case handling.

9.4 Compliance monitoring

Compliance will be monitored through:

- Periodic risk assessment,
- Periodic compliance statements from 'high risk' Employees,
- Appropriate competition training with Employees,
- Active and visible support from the Executive Board and the Boards of Directors for each business, particularly by regularly monitoring events that could give rise to competition law risks.

Where appropriate, internal and external audit controls may also be used.

10. How to report any Concerns of Misconduct

Any concerns Employees have in relation to anticompetitive conduct must be reported to or through:

a) Their direct manager, or

b) Their local compliance or legal staff, or

c) The PHOENIX group whistleblowing process.

11. Consequences of Misconduct

Failure of an Employee to comply with this Policy can result in disciplinary action up to and including termination of employment. The respective Board of Directors and the local human resources department are jointly responsible for deciding on the appropriate course of action. The respective PHOENIX group entity may also take civil recovery action against the Employee.

12. Training Support and Resources

It is the personal responsibility of every Employee within PHOENIX group to understand and observe this Policy. The local Board of Directors is responsible for ensuring all Employees of PHOENIX group are aware of this Policy and any subsequent amendments made.

If you have any questions or concerns in relation to this Policy or competition law in general please contact your local compliance or legal staff.

13. Glossary

Board of Directors	Top level Management of the respective PHOENIX group entity, irrespective of the local organisational or legal denomination.
Competitor	All companies that compete with PHOENIX group in a sales or purchasing market.
Employee	Person employed by a PHOENIX group entity.
Information Exchange/ Exchange of Information	Any forwarding – even unilaterally – of competitively sensitive information by/to a PHOENIX group Employee to/by an Employee of a competitor.
M&A Transactions	Mergers, acquisitions and joint ventures.
PHOENIX group	Includes any company in which the majority of shares

	are owned by a PHOENIX group entity.
Third Parties	Any person, company or organisation (other than PHOENIX group entities or Employees) which the PHOENIX group collaborates with, engages to obtain goods or services from and/or provides business support to.
Zero Tolerance	PHOENIX group does not tolerate any violations of this Policy. It will investigate any suspicions of non-compliance with this Policy and take the appropriate measures.