

## Corporate social responsibility – our business and the community

As a leading European healthcare group we must be trusted and responsible. Historically corporate responsibility issues have been managed at a local level by each of our businesses. In 2005 we started to take a more coordinated approach – establishing new management structures, gathering data and setting targets in a number of key areas.

We are committed to reporting annually on our progress and this is our first corporate responsibility report in which we provide baseline data and targets on key issues.

### How we manage corporate responsibility

At Board level overall accountability for corporate responsibility rests with Ornella Barra, Executive Director. In 2005 we set up a new Group Corporate Responsibility Committee to coordinate the way we manage and report on environmental and social issues. This is made up of representatives from key corporate departments.

Whilst the Managing Directors of each of our businesses are responsible for the implementation of Group policies, each business has nominated an individual to oversee corporate responsibility and these representatives work with the Group Corporate Responsibility Committee to drive forward improvements.

In 2005 we introduced Standards of Business Conduct to ensure adoption of a consistent approach across the Group on ethical and other corporate responsibility issues. We also introduced a new Community Policy as well as Environment, Health and Safety Standards which sit alongside our Environment Policy and Health and Safety Policy.

### Scope of our report

Our corporate responsibility report covers 2005. We have reported consolidated data for the Group, excluding businesses acquired or disposed of during the year and all associates.

### Our core values are:

Partnership

Service

Excellence

Innovation

### FTSE4Good

Alliance UniChem is included in the FTSE4Good, an index of companies that meet specified corporate responsibility standards.



### Serving the community

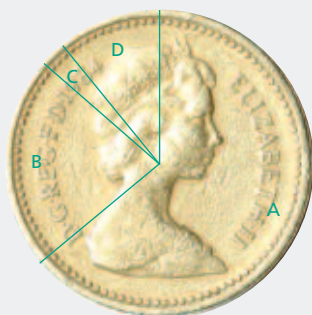
Improving the quality of life in the communities we serve is our business. Throughout the year we have worked closely with health authorities, charities and other organisations in order to meet the needs of local communities. Our UK retail pharmacy business, for example, has partnered with Primary Care Trusts (PCTs) and other organisations to introduce a range of new services such as pharmacy blood pressure testing and heart assessments. It also works with healthcare charities to provide information and advice to customers on a range of issues including distributing leaflets produced by Macmillan Cancer Relief during Lung Cancer Awareness Week.

We seek to make a difference in our local communities through our charitable contributions and in 2005 we introduced a new Charity Policy. This sets out our commitment to support healthcare and local community organisations and to develop long-term strategic partnerships with a select number of charities.

A Charity Committee has been set up to manage our charity partnerships. The committee includes representatives from our corporate office, UK retail and wholesale businesses. We have selected two partner charities – Macmillan Cancer Relief and the disability charity Leonard Cheshire. The Group has given an initial £50,000 to each of these charities and has worked closely with them to determine how the money is spent.

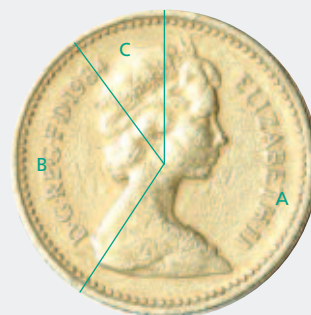


**Community giving by type (2005)**



A. Cash donations	£220,000
B. Commercial initiatives in the community	£75,000
C. Employee volunteering	£9,000
D. Gifts in kind	£37,000
<b>Total</b>	<b>£341,000</b>

**Cash given by cause (2005)**



A. Healthcare	£175,000
B. Developing countries (health/ social welfare/emergency relief)	£90,000
C. Other local community projects	£30,000
<b>Total</b>	<b>£295,000</b>

This includes cash donations and commercial initiatives in the community.

**Top:** Leonard Cheshire communications project.

**Middle:** UK pharmacy graduates volunteering.

**Bottom:** Mensen in Nood vaccination programme in the Congo.

**Community targets**

Continue to strengthen relationships with our two partner charities (Macmillan and Leonard Cheshire), in ways that are mutually beneficial.

Set up payroll giving schemes in our corporate office, UK retail and wholesale businesses.

Our total community investment during the year (cash, gifts in kind and employee volunteering) was £341,000.

In addition, our UK employees raised over £100,000 for Diabetes UK and a further £70,000 for other recognised healthcare charities. Fundraising initiatives included organised events, sales of charity pin badges and collection tins in pharmacies and warehouses.

**Examples of community giving:**

The Group has given an initial £50,000 to Macmillan in the UK to sponsor a Mobile Macmillan Cancer Information Centre. This tours the country providing advice and support to people living with cancer.

The Group has donated an initial £50,000 to the disability charity Leonard Cheshire in the UK to help fund a communications project. This is enabling disabled people who cannot speak to communicate more effectively through the use of pictures and symbols. Lindsey Steward (shown in the photo above) indicates her likes and dislikes by choosing from a range of images from a personally tailored 'communication book'.

Our UK retail business has set up a new volunteering scheme for pharmacy graduates who, working in teams, plan and carry out community projects. By the year end five teams involving a total of 68 graduates had completed projects. Activities included cleaning up a conservation area at a local school in the Midlands, decorating a Leonard Cheshire home for the disabled in Peckham and helping to renovate a night refuge centre in Chichester. In addition to the graduate scheme around 40 employees volunteered to run educational sessions for children on "Safety of medicines in the home", as part of a junior citizenship scheme coordinated by the police.

In The Netherlands our wholesale and retail businesses have donated £10,000 to the development charity Mensen in Nood. This money has helped provide vaccinations for children from the province of Kananga in the Congo. The Group has also matched this donation by giving £10,000 to the charity for a project to improve healthcare in small villages in Navrongo Bolgatangaonze, Ghana.

**Energy (2005)**

Energy (GWh)	142
Energy efficiency (KWh/m <sup>2</sup> floor space)	233
CO <sub>2</sub> from energy (tonnes)	29,700

**Below:** Bioforce Development Institute training for development workers.

**Below right:** Medicines donated to help victims of the Pakistan earthquake.



In France our wholesale business donated £8,000 to the Bioforce Development Institute which provides training and advice for humanitarian and development workers in order to improve the delivery and effectiveness of international aid.

In the UK our wholesale business donated antibiotics and other pain relief medicines to help victims of the Pakistan earthquake. The products, with a wholesale value of around £7,000, were distributed by International Health Partners to emergency relief organisations in Pakistan. Almus also donates medicines for doctor's travel packs, providing essential medicines for British doctors involved in humanitarian work in developing countries.

**Environmental targets**

Source 40% of electricity used by our existing businesses from renewable sources by 31 December 2006. This would help cut our total CO<sub>2</sub> emissions from energy by approximately one third.<sup>1</sup>

Improve fleet efficiency (units delivered per tonne of CO<sub>2</sub>) by 5% over a three-year period (by 31 December 2008).<sup>2</sup>

Increase the proportion of general waste recycled at our warehouses by 5% over a three-year period (by 31 December 2008).<sup>1</sup>

<sup>1</sup> Target applicable to Group businesses as at 31 December 2005.

<sup>2</sup> Target applicable to our own delivery vehicle fleet in the UK, France and The Netherlands wholesale businesses.

**Caring for the environment**

Our key environmental concerns are energy, transport, waste and water. The Group's Environmental Policy sets out our commitment to minimising our impact on the environment.

In 2005 we gathered data for the first time on key environmental impacts and set quantitative targets to drive forward improvements across the Group.

As well as tackling our direct impacts, in the UK we have also started to engage with suppliers on environmental and social issues.

**Energy**

In 2005 the Group used 142 GWh of energy – equivalent to the annual energy use of around 6,000 UK households. This resulted in emissions of 29,700 tonnes of carbon dioxide (CO<sub>2</sub>), a greenhouse gas which contributes to climate change. Our overall energy efficiency was 233 KWh per square metre (m<sup>2</sup>) of floor space. We are working to reduce CO<sub>2</sub>

emissions by improving energy efficiency as well as switching to renewable sources of electricity where this is cost effective.

At a number of depots across Europe our warehouse Best Practice programme has led to improvements in energy efficiency through the upgrading of electrical equipment and the installation of new heating/cooling systems. In addition, improvements in operational productivity such as reduced picking times have also resulted in energy savings. For example, at our depot in Livingston, UK, energy efficiency increased by around 20% in 2005 following implementation of the programme in 2004. As part of our Best Practice programme, upgrades were carried out at a total of six depots in 2005 in addition to six carried out in 2004.

In the UK our wholesale business has set out to improve energy efficiency, working in partnership with The Carbon Trust, a government funded organisation. Audits were carried out at its head office and at two of the eleven wholesale depots in order to identify ways to save energy. In response, posters have been put up at each location to raise awareness of energy conservation. An energy management system has also been installed at its head office in Chessington which tracks energy use on a half hourly basis. The management system will be extended to the wholesale depots in 2006. Our UK retail business has also started to work with The Carbon Trust and energy audits are planned for 2006.

We purchased renewable energy in our UK retail, UK wholesale and Dutch wholesale businesses. The UK businesses switched to a renewable contract in October 2005, which supplies electricity from large-scale hydropower plants in Scotland. In The Netherlands we purchased electricity generated from a mix of

**Transport (2005)**

Transport fuel (000 litres)	9,600
Distance travelled (000 km)	83,600
CO <sub>2</sub> from fuel use (tonnes)	25,200
Transport efficiency (km per litre)	8.6
Transport efficiency (units delivered per tonne of CO <sub>2</sub> )	31,700

Data covers our own product delivery fleet only. It does not include third party distribution or business travel.

**Water (2005)**

Water (m <sup>3</sup> )	181,600
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**Waste (2005)**

General waste disposal (tonnes)	6,500
General waste recycled (tonnes)	8,200
General waste recycled (%)	56
Pharmaceutical and hazardous waste disposed (tonnes)	600

Data on general waste and recycling is not currently available for our retail business. Data on pharmaceutical and hazardous waste does not include unwanted pharmaceuticals returned by customers.

biomass and wind power throughout the year. Our businesses in Norway also receive all electricity from hydropower. In 2005 23% of our total electricity consumption was from renewable sources.

**Transport**

Our businesses manage the handling and distribution of pharmaceutical products in seven European countries. In the UK and The Netherlands our own vehicle fleets carry out the majority of our product delivery. In France around half of our deliveries are conducted by third party contractors and in the Czech Republic, Norway, Italy and Spain most of our product delivery is outsourced.

In 2005 we owned or leased approximately 1,400 product delivery vehicles. The majority are vans which deliver products from our wholesale depots to customers. Larger trucks and lorries make deliveries from our central distribution centres to our depots. Over 90% of our vehicles meet the EURO III or higher standards on emissions. In 2005 the fleet produced emissions of 25,200 tonnes of carbon dioxide (CO<sub>2</sub>). In our wholesale businesses in the UK, France and The Netherlands the fleet efficiency was 8.6 kilometres per litre of fuel and 31,700 units delivered per tonne of CO<sub>2</sub>.

Fuel efficiency is a key consideration in our fleet purchasing decisions. Our UK wholesale business has selected a new standard van for its fleet that is 8% more fuel efficient than previous models.

We also seek to optimise efficiency through logistical planning such as increasing vehicle loads and plotting the most efficient routes. In the last 18 months our UK wholesale business installed a telematics unit in all vans which monitors vehicle movements and enables better route planning. In addition the

UK business re-evaluated all van routes using a new computer routing system. The initial results show some significant savings, with some depots achieving up to a 15% reduction in kilometres travelled. In The Netherlands our wholesale business has also reduced kilometres on certain routes by integrating deliveries at our warehouses.

**Waste**

In 2005 our wholesale businesses generated 14,700 tonnes of general waste – equivalent to the annual household waste produced by around 12,000 UK households. A total of 8,200 tonnes (56%) was recycled, including 7,900 tonnes of cardboard and 250 tonnes of plastic.

The majority of our waste is packaging and we work to reduce this by using reusable plastic containers for the majority of our deliveries. Although nearly all our wholesale depots send waste for recycling, there is currently a considerable variation in the proportion of waste recycled across our sites which we are seeking to address. Our UK wholesale business is planning to increase recycling by switching to a single waste and recycling contractor for all depots and by getting dedicated managers at each site to monitor recycling rates and practices.

We also seek to reuse unwanted retail products including discontinued stock items or damaged goods. For example, our UK retail business donated £17,000 worth of discontinued reading glasses to charity.

In 2005 the Group disposed of around 600 tonnes of pharmaceutical and hazardous waste from our own operations. This included out of date or damaged pharmaceutical stock as well as other medical and special waste including needles from blood tests and chemicals used in photo processing. Our pharmacies also take back unwanted pharmaceuticals from

customers, in line with legal requirements, and ensure these are disposed of safely. We have procedures in place to prevent spillage or leakage of hazardous materials into the surrounding environment.

**Water**

In 2005 we used an estimated 181,600 m<sup>3</sup> of water – equivalent to the annual water use of around 1,400 UK households. Water is mainly used for general purposes, some of our wholesale depots also using water for the controlled washing of vehicles. Water use is monitored to identify potential leaks and ways of improving efficiency.

**Global 100**

Alliance UniChem is included in the 2006 list of the Global 100 Most Sustainable Corporations in the World, researched by Innovent Strategic Value Advisors Inc and published by Corporate Knights Inc.

**Accident rate (2005)**

	2005	2004
Lost-time accidents (number)	450	464
Lost-time accident rate (number per 100,000 hours worked)	1.32	1.42
Three-day lost time accidents (number)	346	350
Three-day lost time accident rate (number per 100,000 hours worked)	1.01	1.07

The accident data covers all businesses including new acquisitions that were purchased during 2005. The data for 2004 has been revised to exclude associate businesses.

**Health and safety targets**

Reduce our three-day lost time accident rate within the existing Group by 30% over the next five years (by 31 December 2010).

Target applicable to Group businesses as at 31 December 2005.

**Promoting health and safety****Workplace health and safety**

The health and safety of our employees, contractors and the general public is of paramount importance to the Group. We have a Group Health and Safety Policy and we introduced new Environment, Health and Safety Standards in 2005 covering 20 key areas. Our businesses are working to implement these standards and we monitor compliance through an assessment process.

Each of our businesses is required to report lost-time accidents to the Group on a monthly basis and to fully investigate all accidents and near misses to prevent similar incidents. In 2005 the lost-time accident rate was 1.32, 7.0% lower than in 2004. The three-day lost-time accident rate was 1.01, 5.6% lower than in 2004. The three-day lost-time accidents resulted in 3,883 calendar days lost – an average of 11 days off work for each of these accidents.

In our wholesale depots one of the main health and safety risks is strains and muscular injuries incurred from lifting and moving boxes. Our wholesale businesses carry out regular training on manual handling and are working to minimise risks and manual handling injuries in the future. In our wholesale business in The Netherlands regular training of employees has contributed to zero manual handling injuries in 2005.

Road safety is also a key priority for our drivers. In our wholesale business in The Netherlands a pilot project was carried out during the year on safe driving techniques and ways to control vehicles in difficult circumstances. This will be extended during 2006. In our UK wholesale business training for drivers is planned in accordance with the Safe and Fuel Efficient Driving (SAFED) standard.

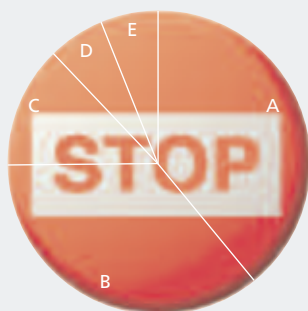
Our businesses also promote awareness of health and safety issues. For example, the internal magazine of our UK wholesale business, 'Team Talk', includes regular tips on health and safety. Our UK retail business is developing an online training tool on health and safety which will be rolled out to all its pharmacies in 2006. Our businesses in Italy and Spain also have online training programmes on health and safety.

As a healthcare group the health and wellbeing of our employees is important to us. For example, our UK wholesale business has introduced free diabetes and blood pressure testing for employees at its head office and depot in Chessington.

**Customer safety**

Our UK retail business has comprehensive operating procedures to ensure safe processes for the dispensing of prescriptions. These are reviewed regularly to reflect our culture of continual improvement and delivery of best practice. Dispensing errors are recorded and investigated in order to learn how to avoid them. In Norway, dispensing errors are also recorded and there are processes in place to promote ongoing improvement. In The Netherlands, all major incidents are reported to the National Inspector of Healthcare, as required by regulations. A third of our pharmacies in The Netherlands are certified to the HKZ national quality management standard for the healthcare sector which sets out procedures for recording dispensing errors and incidents. Certification will be extended to all our pharmacies in The Netherlands by the end of 2006.

Our Almus range of generic medicines features innovative colour differentiated packaging, specifically designed to enhance safety in dispensing. In 2005 Almus sponsored a new Patient Safety Award for UK pharmacies which recognises the expertise of pharmacists and technicians in creating practical solutions to dispensing risks. The award is open to all UK pharmacies. Jonathan Burton, superintendent pharmacist at the independent Danderhall Pharmacy, Danderhall, Scotland and a customer of our UK wholesale business, won the award for his initiative 'Making Patient Safety a Priority', which included posters, monthly newsletters and a training safety pack.

**Causes of three-day lost time accidents (2005)**

A. Slips/trips/falls	39%
B. Manual handling	36%
C. Equipment/warehousing	13%
D. Vehicle accidents	6%
E. Other	6%

**Respecting ethics****Product testing**

No animal testing is commissioned or carried out by the Group.

Alliance UniChem does all that it can to source products that have not been tested on animals and believes that alternative methods of testing should always be sought first.

We work closely with our suppliers of our own brand non-prescription healthcare products to ensure they do not use animal testing unless it is legally required. No animal testing is carried out by Almus or our other own brand generics suppliers, although it may have been undertaken by the developers of the original patented drugs in order to obtain product licences.

It is our policy that no animal testing should be carried out on our own brand personal care products such as soap and shampoo. In 2005 we have contacted all our suppliers to check compliance with our policy. None of our own brand personal care products are tested on animals and the raw materials within them have not been tested since at least 30 June 2000, in line with EU regulations.

As a wholesaler of pharmaceutical products and operator of pharmacies we recognise that many of the branded products we stock will have been tested on animals as part of their product licensing procedures. As a Group we have an obligation on professional and legislative grounds to ensure the provision of licensed medicines to patients. If we have a choice of products to be used, we consider the methods of testing before deciding on which products to stock. We fully acknowledge that we have an ethical and legal obligation to do so but as a secondary factor to patient wellbeing.

**Standards of business conduct**

In 2005 we introduced standards of business conduct to ensure a consistent approach across the Group on a range of ethical and corporate responsibility issues. These standards provide detailed guidance for employees to help them make appropriate judgements and decisions in the course of their work. Our UK retail business is planning workshops about the Standards for its managers during 2006.

We strive to be honest and fair in all our business dealings and the Standards explicitly prohibit the giving or receiving of any bribes. We do not make any donations to political parties.

**Pharmacy ethics**

Pharmacists are highly skilled healthcare professionals and complete rigorous academic and practical training. Community pharmacists are not only responsible for dispensing medicines but also provide professional advice to customers on safe and effective use of drugs. In addition they provide guidance on healthy living. Pharmacists have a duty to act in their patients' best interests and deliver the highest standards of care available. Professional regulators set out strict ethical and moral guidelines for pharmacy practitioners. For example, pharmacists in the UK must comply with the Code of Ethics drafted by the Royal Pharmaceutical Society of Great Britain. Our UK retail business acknowledges the fundamental importance of these legal and ethical parameters and employs designated pharmacists to conduct regular branch audits in order to monitor and support ongoing compliance.

**Gender diversity (2005)**

	Executive directors	Senior managers (Group)	UK employees
Total employees	5	77	11,794
Male employees (%)	80	91	27
Female employees (%)	20	9	73

**Workplace**

Our business success depends on the hard work, skills and expertise of the people who work for us. We aim to provide excellent career development opportunities and to be an employer that people aspire to work for.

Our Standards of Business Conduct set out our approach on a range of employment issues including equal opportunities, diversity, trade unions, health and safety and ethics.

At the end of 2005 78% of our employees had been working for the Group for over one year and 49% over five years.

**Training and development**

We invest in training programmes to help employees enhance their skills and reach their full potential. In 2005 we spent £4.3 million on training.

During 2005 we operated a two-week management development programme for our 77 Senior Managers at the INSEAD business school in France.

Our UK wholesale and retail businesses use the Investors in People Standard, demonstrating the importance we attach to employee development. UniChem, our UK wholesale business, is accredited to the Standard.

Within our UK retail business, the operations and human resources departments are accredited and there are plans to roll this out across all pharmacies by the end of 2007.

**Equal opportunities**

We recognise the importance of reflecting within our workforce the diversity of communities we serve. Our Standards of Business Conduct set out our commitment to equal opportunities and to providing a workplace that is free from any form of discrimination on the grounds of gender, age, religion, nationality, marital status, disability or sexual orientation. We have collected data on gender diversity for senior managers and UK employees.

Our UK retail business has started a series of diversity training workshops for senior management including directors. These focus on the value that diversity can bring to the business. In 2005 three one-day workshops were held for 30 senior managers and additional workshops are planned for 2006.

**Pay and benefits**

We seek to attract and retain experienced and skilled employees through competitive rates of pay and benefits. Salaries are determined by each of our businesses, taking into account remuneration levels in comparable businesses.

**Communication and consultation**

Our businesses maintain an on-going dialogue with employees in a range of ways including regular staff briefings, internal newsletters and employee surveys. Our UK retail business has employee consultation panels that meet on a regular basis and it also carries out an annual employee survey.

We recognise the right of all employees to join trade unions. In 2005 around 50% of employees were represented by trade unions or other collective bargaining arrangements. Our European Works Council, set up in 2002, briefs and consults with elected employee representatives on pan-European issues and met twice in 2005.

**Human rights**

Our Standards of Business Conduct set out a commitment to upholding human rights in the workplace and to avoiding any form of child or forced labour.

In the UK we have also started to engage with our suppliers to ensure there are no human rights abuses in our supply chain.

#### Supply chain targets

Introduce a Group ethics policy for suppliers of own brand products by 31 December 2006.

#### Supply chain

We have started to manage the environmental and social risks in the supply chain of own brand products, which include non-prescription healthcare products and personal care items. In the UK we developed a draft Statement of Social and Ethical Practices which sets out minimum standards on issues such as wages, working hours, discrimination, child labour and environment. This will be formally adopted and incorporated into all new and renewable supplier agreements for own brand products supplied to our UK wholesale and retail businesses in 2006.

Our UK wholesale and retail businesses have also developed a self-assessment questionnaire to monitor social and ethical practices in the supply chain, and to date all their own-brand suppliers have been asked to complete it. The UK quality assurance manager has started to follow up any issues or concerns arising from the self-assessment. Our UK retail business has also sent the questionnaire to suppliers of branded products for its 2005 Christmas gifts range and plans to extend the monitoring in 2006 to cover all high-risk suppliers of branded products.

#### Customer service

We strive to provide high levels of service for both our retail and wholesale customers. For example, our UK retail business has developed a range of new services to give customers better access to healthcare, in line with new government regulations. Private consultation areas were available in over half our 738 pharmacies in England and Wales. Services on offer at a range of pharmacies include healthy heart assessments, cholesterol testing, blood pressure measurement, smoking cessation programmes, travel advice and pregnancy tests. Mystery shopper surveys are also regularly carried out in the UK to monitor the quality of customer service and advice.

Our UK wholesale business has continued to enhance customer service through its Customer First programme. In 2005 a range of new initiatives were launched including a Customer Care Card providing details of key contacts, a bulletin on out of stock items and customer presentations to help employees understand the importance of their individual roles in delivering healthcare solutions. The business also maintains dialogue with customers through its Customer Forum meetings.