



Evolan sustainability report 2023

Message from CEO

In our mission to improve lives through healthcare solutions, we are mindful of the need to balance patient care with responsibility toward the environment and people. This report outlines our initiatives, achievements, and challenges in adopting sustainable practices.

In line with upcoming and new sustainability legislation on EU level, we initiated a new project by the end of 2023 in which we will conduct a double materiality assessment in accordance with CSRD requirements. In preparation for the new directive on corporate sustainability reporting, we are mapping our sustainability risks in our value chain with focus on our human rights and environmental impacts.

During 2023, the supply of pharmaceuticals to Sweden was affected by both national and international events. Many Nordic companies encountered similar challenges. The prevailing global circumstances, coupled with elevated energy costs, inflation, a weakened Swedish krona, and escalating interest rates, continue to pose sustainability challenges for pharmaceutical supply. Additionally, the industry experienced supply chain disruptions due to the ongoing situation in the Middle East, with hindrances in transportation, such as in the Suez Canal and the Red Sea.

Although Evolan was affected by these challenges, we continued to grow our business. New products were introduced in our product catalogue, and our exploration of and expansion to new markets has continued. We have remained steadfast in our commitment to uphold our responsibility to society, the environment, our employees, and end-users.

As a small company, we believe in the importance of collective action to drive global change and through our membership in the Pharmaceutical Supply Chain Initiative (PSCI), we are part of promoting good business conditions and better environmental standards throughout our industry's supply chain.

I am looking forward to together with all the great employees of Evolan, continue to develop Evolan as a sustainable company, introduce new products and improve the way we work with our supplier base to meet our customer's needs even better.

As we navigate the pharmaceutical industry, we remain dedicated to sustainability, acknowledging that our choices today shape the well-being of future generations.

Richard Karroum, CEO, Evolan Pharma AB 2024-03-25 ¹



¹ This report includes Evolan Pharma AB, reg No 556718-9781 with subsidiaries.

About Evolan

Evolan Pharma AB, located in Danderyd, Sweden, is a privately owned Swedish pharmaceutical company with most of our sales coming from Sweden, but also to an increasing extent, from the other Nordic countries and other markets, such as the UK, Australia, the Netherlands, Germany, New Zealand, USA, and Canada.

Our competencies are concentrated around business development, marketing and sales of pharmaceutical products and other products closely related to pharmaceuticals. To ensure high quality and availability of our products, we are partnering with a number of well-established producers and service providers.

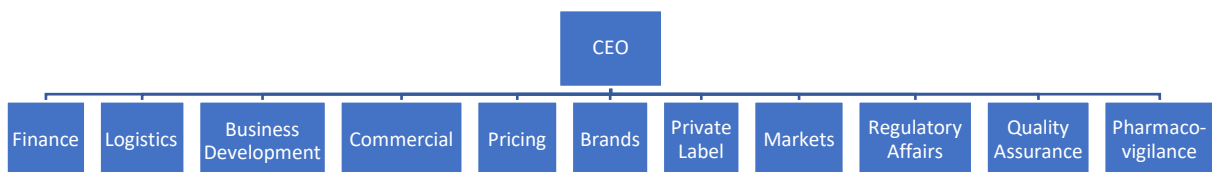
We outsource all of our manufacturing and product development activities. Apart from this, the office in Danderyd includes all other functionalities needed for a pharmaceutical company, including departments for regulatory affairs, pharmacovigilance, quality assurance, and a logistics department that plays a key role for Evolan in everyday business.

In 2023, Evolan had a change in the legal owner structure through a merge of a holding company. The group mother is still the same and the change has not had any impact on the company's operation nor its strategy.

Net sales in 2023 for the consolidated group² amounted to 948 638 TSEK. Net sales rose by 23 percent compared to the previous year (2022: 11 %). The total capitalisation amounted to 824 161 TSEK.

Our organisation

Evolan's organisation of different functions



The Board, the highest governance body, is structured by the CEO and owner of Evolan, Richard Karroum, who is also a part of the Board together with the former CEO, Anders Håkansson. Anders operates solely as the Chair of the Board at Evolan. Evolan's CFO is responsible for HR at Evolan and the Head of Store Brands, reporting to the CEO, is responsible for the operative sustainability work as developing policies and frameworks as well as conducting work related to Evolan's impact. These are all communicated to Evolan's CEO, who has the ultimate responsibility, including overseeing the effectiveness of Evolan's sustainability work.

Evolan's organisation is by choice presented in a flat horizontal way to illustrate that the company has short decision channels, and that cross-functional dialogues are encouraged and also identified as part of our success. For situations when conflict of interest may take place, the praxis is that involved

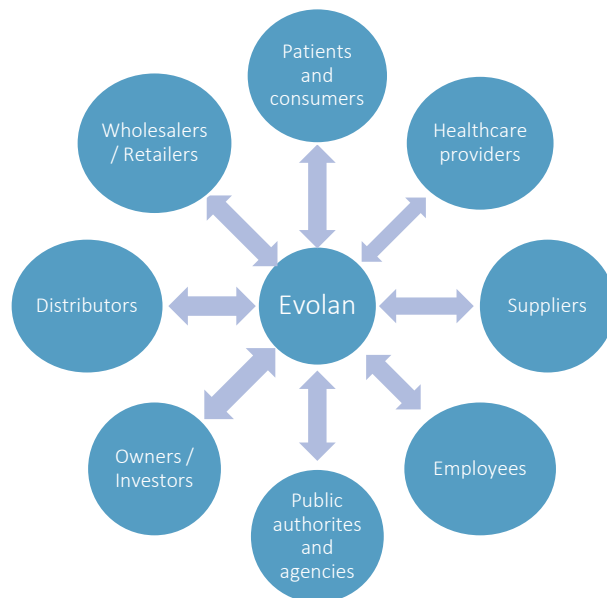
² Evolan Pharma AB, Apofri AB, reg No 556773-6847 and Life Medical Sweden AB, reg No 556636-5929. More details can be found in the annual reports for 2023.

individuals are not allowed to be part of such business decision and that full transparency is encouraged. Instructions can be found in the employee handbook. In 2023, no conflict of interest has been reported.

Our stakeholders

Our capability to understand and respond to our stakeholders' needs is of vital importance for our success. During 2023, Evolan continued having informal dialogues with different stakeholder groups, such as customers, suppliers, employees and owners. A lot of our dialogue with stakeholders was held digitally.

It is important to be aware of and informed about the issues that are of concern for various stakeholder groups in regions where we sell our products, but also in regions where our products are produced, stored and transported. Some stakeholders are of special importance to us, since they are either influencing our business to a large extent or vice versa.



Our business areas

Evolan is an expansive company that aims to grasp new business opportunities and models. The core of our business is about improving the health of people in general. We take pride in our products and the value that they add to society by increasing the well-being of people and enhancing their quality of life. In line with our strategy, Evolan is growing and expanding into new assortments and adjusting to supply an increased online market and grocery chains such as ICA and Coop.

Evolan divides its business operations into four main areas - Store brand OTC, Branded OTC, Generic Rx and Originator products. During 2023, 201 (2022: 200) different products were attributed to Evolan's business. This includes pharmaceutical products, medical devices, food supplements and cosmetic products.

Store brand OTC

- Three store brands – ABECE and Apofri for the leading pharmacy chains in Sweden and Norfri for the leading pharmacy chain in Norway, as well as one new additional brand - NET, for general OTC sales in Sweden.
- Generic pharmaceuticals of well-known originator products but also medical devices, food supplement and cosmetics.

Branded OTC

- Distributor of Panodil, Fenuril, Hydrokortison Evolan, Tiger Balsam, Clear Eyes, Melatan, Bamse, Oliva, Pedicare and Sasco.

Generic Rx

- Monthly tender business for generic pharmaceuticals.
- Focus on smaller specialty products and niche generics.

Originator products

- Invicorp (erectile dysfunction) and Zipzoc, Viscopaste and Ichthopaste (wound care).

Our engagements

The Pharmaceutical Supply Chain Initiative (PSCI)

Evolan has been a member of PSCI (pscinitiative.org)³ since 2017. It is a non-profit business membership organisation with the purpose to bring together members to define, establish and promote responsible supply chain practices, human rights, environmental sustainability, and responsible business. Its vision is for excellence in safety, environmental and social outcomes for the whole global pharmaceutical and healthcare supply chain.

By helping suppliers meet industry expectations, and by articulating the expectations in the PSCI Principles for Responsible Supply Chain Management, all members are expected to support and incorporate these principles into their key supplier documents and agreements. Through Evolan's engagement in PSCI, access to a full library of resources, webinars and events is provided. Furthermore, PSCI hosts conferences and arranges trainings for suppliers.

PSCI is today not only seen as an organisation bringing benefits to its members, but a membership is also a requirement for Evolan to brand some of its pharmaceutical products with the Swedish Pharmacy Association's sustainability brand "Välvald". Evolan has also adopted the PSCI's Principles as their own Supplier Code of Conduct.

FGL (Föreningen för Generiska läkemedel och Biosimilarer)

Evolan's major operations are related to generic pharmaceuticals. Evolan is a member of the Swedish organisation FGL, which is a lobby organisation for generic pharmaceutical companies in Sweden and a member of the European organisation Medicines for Europe. FGL aims to contribute as the representative for the generic and biosimilar industry in dialogue with the government, authorities, the health care sector and other associations and organisations in this field. Evolan is taking a leading role in the organisation by holding the position as Chairman of the Board.

³ Link: [The PSCI Principles - PSCI \(pscinitiative.org\)](http://pscinitiative.org)

Evolan's Sustainability Agenda

Evolan's ambition is to do business in a responsible and sustainable way. We comply with local laws and regulations and follow commonly accepted best practices. We do not accept violation of any laws or regulations. We do not accept any unethical business dealings, and our Evolan Business Code of Conduct sets the standard for ethical behaviour for all our employees. We aim to minimise negative impacts while maximising the positive impacts on our business and the society. There have been zero instances of non-compliance with laws during 2023.

Our sustainability ambitions can be found in all stages of our value chain; from the development of new products to the use of them in medicinal treatment of patients. Customers and legal requirements are always considered, and our staff is well trained and up to date on sustainability requirements and requests for documentation in tenders and in dialogues with customers.

Evolan's work to continuously improve our sustainability efforts and to reduce our climate impact is a natural part of how we work, and it is engrained in our processes and in our dialogues with our business partners. In 2021, we adjusted our Supplier Code of Conduct for pharmaceutical products to further be in line with the PSCI Principles for Responsible Supply Chain Management. The implementation of the policy continued during 2023. As it is our goal to work with suppliers that fully share our sustainability ambitions, all our new suppliers are requested to sign our Supplier Code of Conduct.

Evolan's sustainability agenda originates from 2017. In order to ensure the agenda is kept relevant, it has been reviewed and updated regularly. At the end of 2023, we initiated a new project which will be carried out during 2024, where we will review our material topics and conduct a double materiality assessment in accordance with the requirements in the Corporate Sustainability Reporting Directive (CSRD). In preparation for the new directive, we will be mapping our sustainability risks in our value chain with focus on our human rights and environmental impact.

However, this sustainability report is based on a materiality review conducted in 2022 in line with updated GRI (Global Reporting Initiative) Standards, that resulted in a list of material topics based on Evolan's largest impact throughout our value chain, see next section.

In this sustainability report by Evolan, we present how we work and perform within our four (4) sustainability focus areas:

- **People**
- **Product**
- **Environment**
- **Supplier Management**

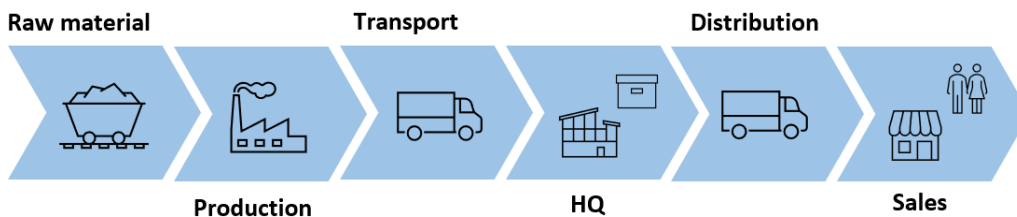
Our assortments are mainly produced in Europe with a few being produced in India and elsewhere. It is important to be aware of, and informed about, challenges when it comes to both environmental performance and social sustainability within the pharmaceutical industry. Evolan is aware of that a large part of manufacturing pharmaceuticals take place within countries that are to be considered high-risk when it comes to having a negative impact on people, the environment and society. Simultaneously, the manufacturing of pharmaceuticals takes place within a global supply chain that is known for low transparency. Evolan acknowledges these issues, which is further addressed throughout the report.

Being a small actor within the global pharmaceutical industry, our greatest opportunity to make an impact comes from putting clear requirements on our suppliers upstream. By choosing to only work with credible and ethical suppliers that we trust, we aim to prevent and mitigate any violations against nature and humanity that may take place further up the value chain. Furthermore, by being part of industry initiatives, such as PSCI, and using our collective leverage we want to take proactive measures and hope to contribute to a more sustainable pharmaceutical industry.

Material topics

Our material topics lay the groundwork for our sustainability focus and efforts.

As the world around us keeps changing, it is important that we understand and continuously reflect on the impact we have on the surrounding world. Our sustainability reporting follows the GRI Standards. The revised GRI Universal Standards means a partially new process for determining material topics, focusing even more on organisations' impact outwards. The material topics presented in this report are based on an updated materiality analysis conducted in 2022, to determine Evolan's most significant impacts on the economy, environment, and people, including their human rights.



Evolan's value chain

In order to identify Evolan's short and long-term impacts throughout our value chain, we mapped it out and used both external sources and internal documentation, such as documentation from stakeholder dialogues with customers and employees, as well as dialogue with external experts. Significance of negative impacts were assessed based on severity, which is a combination of scale, scope and remediation. Significance of positive impacts were assessed based on scale and scope. For potential impacts, probability was also taken into account.

Based on this analysis, the impacts were prioritised from highest to lowest significance. The results are listed below and show the nine impact areas that were identified as most significant and therefore correspond to our material topics. These are grouped into the four areas we focus on in this report, namely People, Product, Environment and Supplier Management. The material topics are validated by Evolan's board and approved by our CEO.

Material topics

- Biodiversity and ecosystem
- Diversity, equality and inclusion
- GHG emissions
- Health and Safety
- Human rights and Labour rights
- Local communities
- People wellbeing
- Supplier management
- Water

People

Customers and patients

Product quality along with customer and patient safety are of the highest importance to us. We make sure that all our products and services follow the highest possible safety and quality standards, and we expect nothing less from our suppliers and partners. Evolan is certified by the Swedish Medical Products Agency (MPA) to import, release and sell medicinal products manufactured within the EU or imported into the EU. We are inspected regularly by the MPA in order to ensure that we meet Good Manufacturing, Distribution and Vigilance Practice (GMP, GDP and GVP). These are regulations that all pharmaceutical companies must meet in order to ensure the products are of high quality and safety for consumers. We also provide all the demanded necessary information about our products, including instructions on the handling of residues. Evolan was latest inspected by the Swedish Medical Products Agency in 2022, an inspection from which we received an extended certificate to proceed with our business. The cosmetic assortment is handled similarly to non-prescription medicine.

To act according to GMP, GDP and GVP means that Evolan is responsible for products even after they are expedited to customers. This includes having systems for receiving and investigating product complaints, dealing with medicinal questions from customers and health care professionals, as well as handling adverse events reporting. We are also obliged to audit our suppliers on a regular basis, and to ensure that they are living up to the required standards. Data from complaints, adverse events, and audits are compiled and analysed. This is done to recognise possible issues and to make decisions on changes that must be implemented in order to improve the products and to minimise health risks. This is a continuous process. Cases that are considered to be of significant concern are communicated to the CEO, internally through direct dialogue and for external concerns, the info@evolan.se email is open for contacting Evolan. In 2023, zero significant concerns were reported to our CEO.

Evolan upholds a certification for medical devices according to ISO 13485:2016 and MDSAP, which is the equivalent to the certification Evolan has received for its pharmaceutical products. In 2023, Evolan was subjected to a MDSAP audit by the British Standards Institution (BSI) with a positive outcome. All Evolan's activities that relate to medical devices and pharmaceuticals are controlled via Evolan's quality system, with instructions on how to act in order to fulfil the requirements of the legislation.

Lastly, Evolan was also audited on good distribution practices (GDP) by Apotek Hjärtat and pharmacovigilance (PV) by Medice during 2023 with positive results.

Employees and People wellbeing

We know that innovation and the development of new products comes as the result of driven and highly skilled employees. We therefore work hard to both attract and retain the best talents, as it is a crucial prerequisite for Evolan’s success.

During 2023, Evolan employed 29 people in Sweden.

We believe that one important ingredient in attracting and retaining employees is our internal culture and our way of doing business. Evolan is a small family-owned company and this permeates all aspects of our way of working. Our corporate culture is both professional and informal at the same time; our organisation is decentralised with short decision channels that offers all employees a possibility to influence and be part of the decision-making process. We take care of our employees, offer flexibility and more frequent manager – team member contacts. All our employees take part in at least one development talk annually. This gives them the opportunity to receive feedback, develop and raise any concerns they might have.

Our employees receive regular training in various areas throughout the year, with a total of 191 hours of training in 2023 (2022: 160), averaging on 7 hours of training for women and 6 hours of training for men at Evolan. See the conducted training hours in 2023 divided by department in the below graph. To advance the collective knowledge about Evolan’s sustainability work and upcoming reporting legislation, an introductory training on CSRD and ESRS was conducted where key employees and management officials, including our CEO, participated.



Following the pandemic, we have adopted a more flexible way of working. We allow people to work from home, but we are equally happy to see everyone come into the office daily, as we see it being healthy and very important to get the day-to-day interactions with colleagues as well. As a result, the majority of employees express that they rarely (67%) or never (11%) experience stress in their work. We closely follow the workload of our employees and by measures such as adding staffing resources, significantly reducing business

travel and increasing the use of digital tools such as MS Teams, reduced stress levels have been noted. Through our insurance, we are able to offer higher compensation during prolonged sick leaves, as well as cover the costs needed to re-introduce the employees into the workplace.

During 2023, Evolan employed, in average, 29 people (2022: 27), out of which 17 were women and 12 men. In addition, we have had two subconsultants working with sales in the UK during 2023. In 2023, 1 new person were employed by Evolan (2022: 9) and 1 left the company (2022: 7).

Evolan’s remuneration policy shall encourage further professional development and reflect good professional performance. It must always be done in a way that does not disadvantage anyone on the basis of gender, ethnicity, religion or in any other discriminatory way. Due to our flat organisational structure and composition of the Board, there are no particular remuneration policies specific to the members of the Board. In 2023, the ratio between the highest paid employee at Evolan and the median annual compensation is 1,6 and the average salary increase was 3,98%. All data has been retrieved from Visma, the payroll system we use.

Human rights and Labour rights

With various new legislations and regulations that are being put forth regarding companies' responsibility relating to human rights due diligence, it is becoming increasingly relevant and even more important for us to reflect on these issues. We acknowledge that in high-risk countries such as India where Evolan sources from, less than ideal working conditions and labour standards can occur in regions with little or no regulation, for example workers' rights to freedom of movement, and to exercise freedom of association and collective bargaining may be violated or at risk.⁴

With the largest risks for human rights violations taking place upstream in our supply chain, we see it as our duty to make sure that our suppliers adhere to our Human Rights requirements set out in our Supplier Code of Conduct, which is based on the very well worked through principles set out by the PSCI.

The success of our business relies on many partners who supply our goods and sell our products, and our commitment to sustainable growth means that we need to know who we are doing business with. Respect for human rights and a commitment to work for sustainable sourcing – outlined in our Supplier Management Framework (described further in this report) – are showing our ambitions to work together with others in our value chain and how this is done through identifying, prioritising and mitigating risks.

Evolan does not have a collective agreement for our employees, however, the content in our employment agreements upholds a standard very much in line with a Swedish standard private civil servant agreement (*privattjänstemännens kollektivavtal*). For our suppliers and in line with PSCIs principles, open communication and direct engagement with workers to resolve workplace and compensation issues is encouraged.

Human rights and Labor rights violations are both included in our regular supplier audits.

Health and Safety

At Evolan we aim to provide a good and healthy work environment where our employees can thrive, develop and perform at their highest potential. As we work in an industry that relies on human capital and innovations, we understand the importance of creating and upholding a workplace where people's wellbeing is in focus. The fact that Evolan is a small family-owned company with an entrepreneurial business model also affects the way we see our employees. Each individual at Evolan is an important player and is encouraged to take part in the decisions that we make. We believe that creating an environment where the job is both meaningful and appreciated is important. A flat hierarchy is equally important and gives our employees the possibility to impact their work and the company's progress.

To further increase the health of our staff, we offer an annual health check to all our employees. The results from 2023 shows that Evolan employees have a healthy lifestyle – most exercise on a regular basis, very few persons use nicotine products, and nearly everyone is seen to have healthy diets. This is consistent with previous years. We sometimes play team sports with colleagues. Furthermore, Evolan has a work environment policy, available in both Swedish and English, that we work with regularly. New employees are offered a run-through on an ergonomic workplace, and all

⁴ https://www.upphandlingsmyndigheten.se/riskanalyser/vard-och-omsorg/lakemedel/#manskliga_rattigheter
<https://swedwatch.org/wp-content/uploads/2021/01/pharma-reportfinal200219-ab-fin-enkelsidor.pdf>

employees have access to an annual health control that, among other things, provides access to psychosocial and physical workspace support. Everyone who took part in the health check reported to enjoying working at Evolan much (26%) or very much (74%).

Fully in line with PSCIs principles, suppliers shall provide a safe and healthy working environment and health and safety measures shall extend to contractors and subcontractors on supplier sites.

Diversity, equality and inclusion

To have diversity within a company can only be seen as an asset. We are happy to have employees from many different cultures at Evolan, providing a more enriched work culture. Equal opportunities and diversity are of importance to us at Evolan, and we have zero-tolerance towards discrimination. To better exemplify this and adhere to our non-discrimination goals, we have a gender-neutral employee handbook.

During 2023, Evolan had, on average, 17 female (58%) and 12 male (41%) employees (2022: 17 female, 10 male) and both management positions (members of the board) were held by men (2022: 2/2 male) over 50 years of age. At Evolan, 54% of those employed are between 30 and 50 years old, 41% are over 50 years old, and 5% are under 30 years old. The average employee age at Evolan is 47 years. In 2023, 27 of 29 employees worked full time and 2 employees worked part time. No employee had a temporary employment. Being a small company, driven employees with necessary skills and experience are needed. In our recruitment processes, diversity and equality are important elements considered and we aim for a more equal gender mix of our employees to be a company that stays relevant and attractive on the work market.

No employee at Evolan should be discriminated against based on gender, ethnicity, religion, disability, sexual orientation, age or any personal characteristics. All Evolan employees are covered by an insurance that can be used for counselling, at no cost for the employee and under confidentiality. Zero incidents of discrimination were reported during 2023 (2022: 0).

Local communities

With Evolan supplying from India, which is to be considered a high-risk country within the pharmaceutical industry, there is a risk for environmental pollution taking place during the manufacturing of pharmaceuticals. This can lead to violations of local community members' right to a healthy environment, including their access to clean water, air and soil. Water contamination can lead to reduced agricultural yields and fish mortality, leading to loss of income. People that come in direct contact with water might experience health problems as well.⁵

Evolan recognises the lack of transparency for raw material supply and chemicals bought on commodity markets to be a huge problem within the industry, making it also a major challenge for Evolan to manage. Evolan's Supplier Management Framework aims to cover these topics, but as raw material supply often takes place far upstream the value chain, our engagement in PSCI and to work with peers in the industry are becoming more important.

⁵ <https://swedwatch.org/wp-content/uploads/2021/01/pharma-reportfinal200219-ab-fin-enkelsidor.pdf>

Products

Evolan has a broad product portfolio. Most products are pharmaceuticals but there are also medical device products, food supplements and cosmetic products. Within the pharmaceutical product group, there are originator products, generic products, including both over the counter and prescription medicine and our industry is regulated and followed-up by local authorities.

Evolan strives to ensure high quality and availability of our products and we are therefore partnering with several well-established suppliers to produce our products. We have high demands in terms of the quality of our products and Evolan's quality management system is continuously being further digitalised. This allows for not only our suppliers but also authorities to have safer and easier access to SOPs etc.

In 2023, we have continued to see an increased demand from our customers on being aligned with the international sustainability frameworks and member organisations such as PSCI. Many of our main customers promote sustainability by selling a "sustainable assortment" and we are more and more being asked to provide information about the products and to ensure that the products we deliver to these customers fulfil sustainability requirements.

Environment

Environmental topics were considered among the most important topics for our stakeholders who participated in our most recent the stakeholder dialogue, and it was also reflected in the results of the materiality analysis done in 2022.

In our last Supplier Assessment Questionnaire (SAQ), Evolan asked all suppliers of products if they had established environmental policies and goals. The result was that 62% of the respondents (2022: 80%) had environmental policies and 73% had environmental goals. Only 26% had set environmental goals for their supplier base.

When asked if the supplier has ambitious climate ambitions or targets regarding emissions, 62 % of the respondents answered positively and stated that they either have a vision for zero emissions, a climate positive ambition and/or have climate goals in line with Science Based Targets initiative (SBTi).

Biodiversity and ecosystems

It is widely known and reported that within the pharmaceutical industry, active drug substances are released into the environment and water streams during the production phase as well as in the end-consumer phase. This has had a negative impact on aquatic environments and affected the behaviour of aquatic organisms in many areas, by for example inhibiting reproduction or being toxic to some species.⁶ Evolan recognises this to be another challenge for their industry and also a challenge for Evolan to manage. Evolan's Supplier Management framework covers the topics and the Supplier Code of Conduct states that Evolan's suppliers shall operate in an environmentally responsible and efficient manner to minimise adverse impacts on the environment. Suppliers are encouraged to conserve

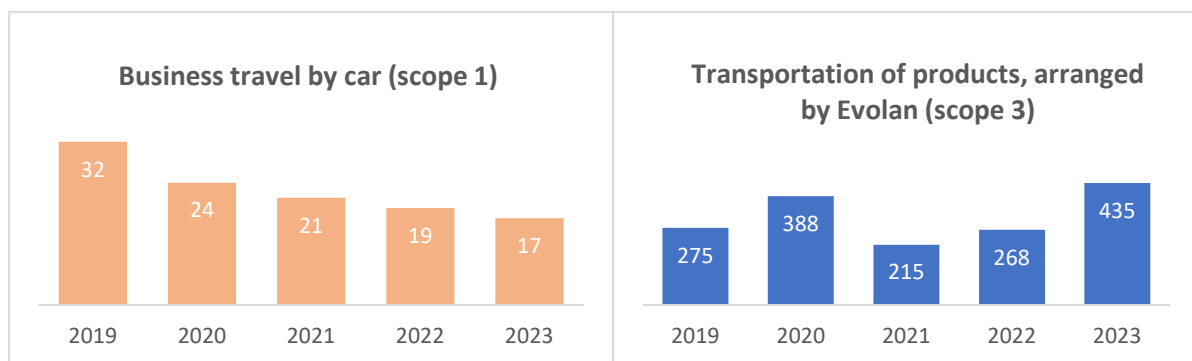
⁶ https://cdn.naturskyddsforeningen.se/uploads/2021/05/11103126/lakemedel_i_miljon_2019.pdf

natural resources, to avoid the use of hazardous materials where possible and to engage in activities that reuse and recycle.

GHG Emissions

Our climate impact for CO₂ emissions is linked to energy consumption during production of our product assortment, business travel and logistics within our value chain and the distribution of our products. By outsourcing our production, we are aware that a large portion of our climate impact is linked to parts of our value chain where we have the least control. The activities we handle ourselves, and therefore have a greater opportunity to influence, are the CO₂ emissions associated with distribution of our products and business travel by car.

Evolan's CO₂ emissions (tons)⁷



When transporting finished goods, Evolan tries, as far as possible, to transport goods by boat and truck, avoiding air freight. For transport of all goods, Evolan strives to fill containers and trucks in order to minimise emissions per unit delivered. When transporting only small quantities, trucks are often shared with others to fill the trucks to maximum capacity. There is also a constant objective trying to lower the number of suppliers to Evolan, thereby making transportation more efficient as well as being able to focus on fewer suppliers in the sustainability dialogues.

Evolan's business travel by car is mainly related to the company's sales representatives' activities. This is usually the most efficient way of travelling, and for most occasions, the only possible alternative. Due to COVID-19, travel by car was significantly reduced as most customer events were held digitally, but even if physical events and meetings are possible to arrange today, many remain digital. We also encourage a move towards electrical and hybrid cars and during 2023 an increasing number opted for this alternative when leasing a car.

We are through our supplier management processes following up on how our suppliers of pharmaceutical products work with waste and emissions. Based on our latest Supplier Assessment Questionnaire (SAQ), when it comes to GHG emissions, 50% out of 26 responding suppliers did measure energy and fuel consumption. In the area of Distribution, only 19% of respondents reported being able to provide us with GHG emissions data.

⁷ Calculation method: *Naturvårdsverket schablonmall utsläpp koldioxid*. Gases included in the calculations: CO₂
 Calculation method: EcoTransIT, Euro5, DHL Carbon Calculator. Gases included in the calculations: CO₂

Furthermore, we have become better at sorting our waste, and have in our office different bins for glass, paper, electronics and food. This not only saves resources and the environment, but subsequently also leads to less emissions. We also use renewable energy (scope 2) for our office energy consumption.

Water

As described in this report, a challenge within our industry is the emissions to water both during the production phase and to some extent also in the end consumer phase causing negative effects on both ecosystems as well as people. Since Evolan does not manufacture pharmaceuticals, the environmental impacts that are limited to the production phase are managed in accordance with our Supplier Management framework and through collaborative efforts, such as our membership within PSCI. This is also a topic included in our process for supplier audits.

From our last SAQ, we note that 62% of our responding suppliers of products report that they have a systematic way of working when it comes to minimising negative water related impacts, 65% when it comes to minimising waste and spill and 53% when it comes to minimising emissions to soil, air and water. 62% report that they have a policy in place manage water and effluents while only 34% of responding suppliers report that they measure, or ask their suppliers to measure, total water discharge. There were no reported major incidents causing significant harmful effluents.

Supplier Management

With an ambition to work for a responsible and sustainable value chain, collaboration with suppliers is needed. Through clear expectations, risk analysis and a structured way of working with follow-up, risk exposure will be reduced and by increased knowledge about Evolan's sustainability risks, it is possible to together and in dialogue with our suppliers also work for a sustainable business growth.

By the end of 2023, Evolan had about 60 (2022: 55) suppliers of pharmaceuticals, located mainly in Europe, all but four of the suppliers supplied finished goods. As a general rule, Evolan only has commercial agreements with suppliers of finished products. The suppliers of finished products, in their turn, have agreements with suppliers of raw material, packaging material, etc. This is a challenge for Evolan. As we have no agreements with the subcontractors supplying the raw materials to produce our products, we are dependent on our finished product suppliers to pressure their suppliers of raw materials to meet our sustainability requirements throughout the supply chain.

During 2023, we have continued to increase our demands on our suppliers in terms of sustainability. For Evolan, hygiene is not the only factor driving us to make sure we have a sustainable and functioning supply chain, it is also a matter of competitive advantage and fulfilling an increased customer demand. In addition to this, we need make sure that both people working within the supply chain and the surrounding environment are being respected.

Supplier Management Framework

Evolan has in the end of 2022 developed a Supplier Management Framework to describe how we are managing our suppliers during their entire lifecycle as our supplier. It describes how to perform Responsible Sourcing practices, including relationship -, risk - and performance management, to ensure a supplier portfolio that fulfils the expectations we have lined out in our Supplier Agreements and Supplier Code of Conduct. Evolan strives to apply a proactive, structured, and systematic way of tracking suppliers' performance.

The purpose of our Supplier Assessment Framework is to secure professional management of our supplier portfolio and ensure that we contract strategic suppliers that both fulfil our business needs and act in line with our business values. It also serves to align actions and communication across the company.

Our Responsible Sourcing model is built on data-based decisions and a systematic approach anchored in our company goals, sustainability efforts and international frameworks, with the OECD Due Diligence guidelines as a reference point. The model is presented in five steps below but can in practice rather be described as ongoing activities embedded in Evolan's sourcing process and a way of working with our supplier base.



Expectations

In 2021, Evolan implemented an updated Supplier Code of Conduct for pharmaceutical products to further be in line with the PSCI Principles for Responsible Supply Chain Management. 63% (2022: 47%) of Evolan's pharmaceutical suppliers have by end of December 2023 signed the code, and the roll-out will continue during 2024, why we expect to increase this number. Evolan has commercial agreements covering 100 % of our suppliers of finished products.

Evaluation

A Supplier Assessment Questionnaire – SAQ – was further developed by the end of 2023 and one (1) questionnaire was sent in December. The feedback may result in adjustments and the plan is to continue sending our key suppliers the questionnaire during 2024, and to start using it for evaluation

purposes when selecting new pharmaceutical suppliers. The SAQ has replaced the annual supplier survey. The SAQ was sent out to Evolan's 60 suppliers of products of which 26 responded (43%).

Risk analysis

Risk management means understanding holistic supplier related risks and defining mitigation activities that will lead to an action plan. Risks may be related to finances, compliance, delivery, quality and sustainability, but risk analyses are also used for more specific topics such as environmental, human rights and labour rights risks. A routine for Sustainability Risk Analyses was developed at the end of 2022.

Follow-up

Continuous follow-up includes maintaining an active dialogue to ensure that suppliers and products delivered are compliant, but also that supplier development efforts are in alignment with Evolan's goals and sustainability focus areas. The topics for such development dialogues may change over time. For key suppliers we conduct business review meetings where we can, and besides the business dialogue, we also follow-up on sustainability performance and progress.

Each year, a few suppliers are selected for on-site audits performed by us or by a third party. During 2023, three supplier audits were conducted in India with good results. The selection process for this is described in next section.

Corrective actions

Non-conformances found in a supplier audit, reported as an incident or identified in a risk analysis or follow-up, are initially handled by Evolan's sustainability function. If an approved supplier does not fulfil Evolan's requirements on performance or compliance after assistance from Evolan, the case is escalated to the Head of Store Brands. An escalation can, if not solved, lead to a decision on business on hold, phase out or termination of the business between Evolan and the supplier. Business on hold as well as termination is decided by the Head of Store Brands, and if business critical, also by Evolan's CEO. An escalation is initiated by procurement or Evolan's sustainability function. Actions regarding escalation cases are documented and filed in accordance with Evolan's escalation process.

Supplier audits

Evolan's ambition is to perform a minimum of three supplier audits per year, focusing on sustainability. The suppliers to be audited are prioritised according to:

- The supplier's operations, and the risk of having a negative impact on sustainability.
- The supplier's location – if it is in a high-risk country according to the Country Risk Classification from Amfori BSCI.
- The amount of the active pharmaceutical ingredient(s) (API) Evolan sells per year and product.
- If the supplier has recently been audited or not.

In practice, this means that API suppliers are prioritised over finished product manufacturers since the API production process is considered to have a higher negative impact on sustainability, for example when it comes to the use of, and effluents to, water. It also means that suppliers outside the EU are prioritised as they are generally associated with higher risk according to the Country Risk Classification from Amfori BSCI.

Depending on the outcome of an audit, Evolan will decide on the need of an action plan and a follow-up audit. The ambition is always to resolve deviations in close dialogue with the supplier. In the case of

serious deviations and if deviations are not corrected, decisions are taken on requirements for continued cooperation or whether the partnership should be terminated.

In 2023, Evolan conducted three audits at pharmaceutical second tier suppliers in India. None of the suppliers had been audited by Evolan previously. All facilities examined were generally compliant to the requirements of the audit and recommended to remain part of the supply chain. One of the facilities had been third party certified to ISO9001 2015, ISO 14001 2015, ISO 45001 2018 and SA8000 2014, and demonstrated good practice approach to the social responsibility requirements.

About the report

Evolan's sustainability report for 2023 is the company's seventh sustainability report. This report has been prepared in accordance with the revised GRI Standards. By doing so, Evolan aims to ensure transparent reporting based on content which is relevant to our stakeholders and where Evolan has our biggest impact.

The report is structured according to four thematic areas which correspond to the areas where Evolan has the most impact; People, Product, Environment and Supplier Management.

Throughout this report, we reference a few verified sources related to the issues in the pharmaceutical industry. Two of the main sources we reference are reports and information published by The Swedish Society for Nature Conservation (SSNC)⁸ and Sweden's National Agency for Public Procurement⁹.

Evolan reports on an annual basis. This report's sustainability data covers the fiscal year 2023, and no restatements of information has occurred. This report describes Evolan, defined as Evolan and its subsidiaries, as well as Evolan's value chain. From 2019, Evolan's reporting to a larger extent entails all products rather than a mere focus on pharmaceuticals.

Evolan's annual sustainability report is externally assured by a third party. The report of 2023 has been externally assured by a third party.

⁸ https://cdn.naturskyddsforeningen.se/uploads/2021/05/11103126/lakemedel_i_miljon_2019.pdf

⁹ https://www.upphandlingsmyndigheten.se/riskanalyser/vard-och-omsorg/lakemedel/#manskliga_rattigheter

GRI content index

Statement of use	Evolan has reported in accordance with the GRI Standards for the period 2023-01-01 - 2023-12-31.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION	Comments
			REQUIREMENT(S) OMITTED REASON EXPLANATION	
General disclosures				
GRI 2: General Disclosures 2021	2-1 Organizational details	3		
	2-2 Entities included in the organization's sustainability reporting	2		
	2-3 Reporting period, frequency and contact point	18, 24, 26		
	2-4 Restatements of information	18		
	2-5 External assurance	18, 25		
	2-6 Activities, value chain and other business relationships	7		
	2-7 Employees	9		
	2-8 Workers who are not employees	9		
	2-9 Governance structure and composition	3,11		
	2-10 Nomination and selection of the highest governance body	3		

2-11 Chair of the highest governance body	3		
2-12 Role of the highest governance body in overseeing the management of impacts	3		
2-13 Delegation of responsibility for managing impacts	3		
2-14 Role of the highest governance body in sustainability reporting	3		
2-15 Conflicts of interest	4		
2-16 Communication of critical concerns	8		
2-17 Collective knowledge of the highest governance body	9		
2-18 Evaluation of the performance of the highest governance body		Not applicable due to the organisational structure and small size of the company.	
2-19 Remuneration policies	9		
2-20 Process to determine remuneration	9		
2-21 Annual total compensation ratio	9		
2-22 Statement on sustainable development strategy	2		
2-23 Policy commitments	5,15		
2-24 Embedding policy commitments	14		
2-25 Processes to remediate negative impacts		Information incomplete. Processes have yet to be developed. Evolan recognises this to be an	

			area to look further into in 2024.	
	2-26 Mechanisms for seeking advice and raising concerns	8		
	2-27 Compliance with laws and regulations	6		
	2-28 Membership associations	5		
	2-29 Approach to stakeholder engagement	4,7		
	2-30 Collective bargaining agreements	10		
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	7		
	3-2 List of material topics	7		
Water				
GRI 3: Material Topics 2021	3-3 Management of material topics	14-17		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	14		
Biodiversity and ecosystems				
GRI 3: Material Topics 2021	3-3 Management of material topics	14-17		
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	12		
GHG emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	12-14		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	13		

	305-3 Other indirect (Scope 3) GHG emissions	13		
Supplier management				
GRI 3: Material Topics 2021	3-3 Management of material topics	14-17		
Own disclosure	The percentage of suppliers that have been screened using environmental criteria	15-16		
Own disclosure	The percentage of suppliers that have been screened using social criteria	15-16		
Health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	10-11		
GRI 403: Occupational Health and Safety 2018	403-6 Promotion of worker health	11		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	10-11		
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	9		
GRI 404: Training and Education 2017	404-1 Average hours of training per year per employee	9		
Diversity, equality and inclusion				
GRI 3: Material Topics 2021	3-3 Management of material topics	11		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	11		
GRI 406: Non-discrimination 2016	Disclosure 406-1 Incidents of discrimination and	11		

	corrective actions taken			
Human rights and Labour rights				
GRI 3: Material Topics 2021	3-3 Management of material topics	10-11, 14-17		
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	10		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	10		
Own disclosure	The percentage of suppliers that have been screened using social criteria	15-16		
Local communities				
GRI 3: Material Topics 2021	3-3 Management of material topics	11,14-17		
Own disclosure	The percentage of suppliers that have been screened using environmental criteria	15-16		
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	11		
People Wellbeing				
GRI 3: Material Topics 2021	3-3 Management of material topics	9		
Own disclosure:	Positive contribution to end-consumers health	4,9		

Evolan Pharma's Sustainability Report of 2023 is signed off on behalf of Evolan Pharma AB by



Mar 25, 2024

Richard Karroum

Board Member, CEO



[Anders Håkanson \(Mar 25, 2024 16:32 GMT+1\)](#)

Mar 25, 2024

Anders Håkanson

Board Member, Chair of the Board

Auditors' Limited Assurance Report on the Sustainability Report

For any questions related to this report, please contact Fredrik Engström:
Fredrik.Engstrom@evolan.se

Evolan Pharma AB
Postal Adress: Box 120, SE-182 12 Danderyd, Sweden
Visiting Address: Svärdvägen 19, SE-182 33 Danderyd, Sweden
+46 8 544 960 30
www.evolan.se









Evolan Sustainability Report 2023 final

Final Audit Report

2024-03-25

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