

Evolan sustainability report 2017

Message from CEO

In my role as CEO for Evolan my main responsibility is to continue to develop our business and create possibilities for continued sustainable expansion. During the last financial year, Evolan showed a strong result which confirms that our strategy is working.

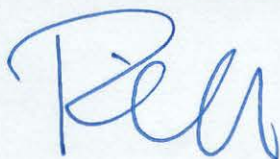
I am proud of what we at Evolan have achieved during 2017, and especially of our employees which are the enablers to everything we achieve. We are a small family owned company, and I can truly say that it very much feels like working with a family. The commitment among our team, the will to improve and break new grounds are constantly present. We all believe in our business model and in our products, and the positive effects they have on society.

In 2017 we took new steps in terms of sustainability to strengthen our work within this area. I am proud that we now have finalised our first sustainability report that allow our stakeholders to better understand how we look upon sustainability, what we do and what our plans look like going forward. The report is also an important tool for Evolan, to steer our sustainability work and to make sure that we are on track and deliver in a way that take into account financial, environmental and social developments. During 2017 Evolan became member of the Pharmaceutical Supply Chain Initiative (PSCI), conducted 3 audits in India focusing on Environmental, Health and Safety issues and Ethical issues.

Even though we have increased our focus on sustainability in the past year, we are most likely to see new challenges and possibilities ahead within this area. Not only is legislations and regulations continuously being sharpened, but our customers are also increasing their demands on us in terms of our sustainability performance. We are dedicated to be a trustworthy partner to all of our clients, and for us to be able to keep our promises we will continue to improve our sustainability efforts and our responsibility towards a sustainable development. For us, this means continuing making sure that Evolan is a company that attracts the best competence and also a company that makes sure that our products have been produced in a way that respects employees and the environment. And last, but not least, that our products are reliable, accessible and safe. I believe that if we continue our journey taking all of these areas into consideration, we will also continue to earn the trust of our stakeholders and secure a sustainable development for us at Evolan and for the greater society.

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

Richard Karroum, Managing Director, Evolan Pharma AB 2018-06-28

A handwritten signature in blue ink, appearing to read 'R. Karroum', is placed below the printed name.

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 increasing extent from the other Nordic countries and other markets.

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



Evolan divides its business operations within four main areas - Store brand OTC, Branded OTC, Generic Rx and Originator products. We currently have about 150 pharmaceuticals in our product portfolio and in addition, medical devices, food supplements and cosmetic products.

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

Net sales in 2017 for the consolidated group* amounted to 269 350 TSEK. Thanks to launches at several pharmacy chains and an expanded product range, net sales rose by 33 percent compared with the previous year. In 2017 the global rights to two medical devices were acquired.

*Evolan Pharma AB, Apofri AB, reg No 556776-6847 and Weflan AB, reg No 556749-3274. More details can be found in the annual reports for 2017.

Our business areas

Store brand OTC

- Two exclusive store brands- ABECE and Apofri for the leading pharmacy chains in Sweden
- Generic pharmaceuticals of well-known originator products



Branded OTC

- Distributor of Zilk Eye, Tiger Balm and Clear Eyes



Generic Rx

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

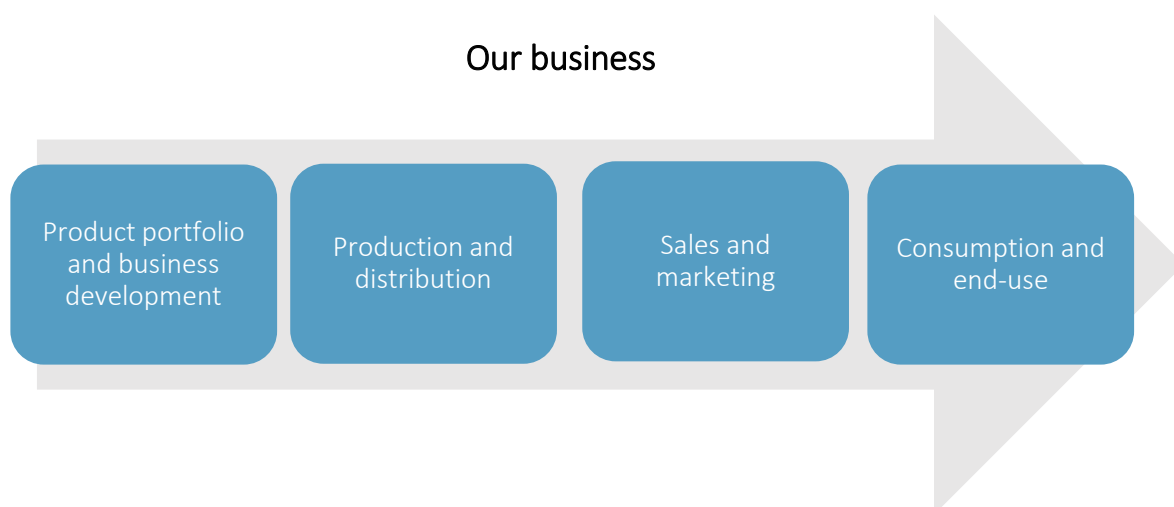
Originator products

- Dedicated sales force for a product portfolio of ADHD medication
- Invicorp (erectile dysfunction) and Zipzoc, Viscopaste and Ichthopaste (wound care)

Goals and strategies

Evolan is an expansive company that aims at grasping new business opportunities and new business models. We take pride in our products and the value they add to society by increasing the well-being of people and enhancing quality of life. Our employees are key for us when it comes to realising our goals, and we are therefore working hard to both attract and retain the best talents.

Our business



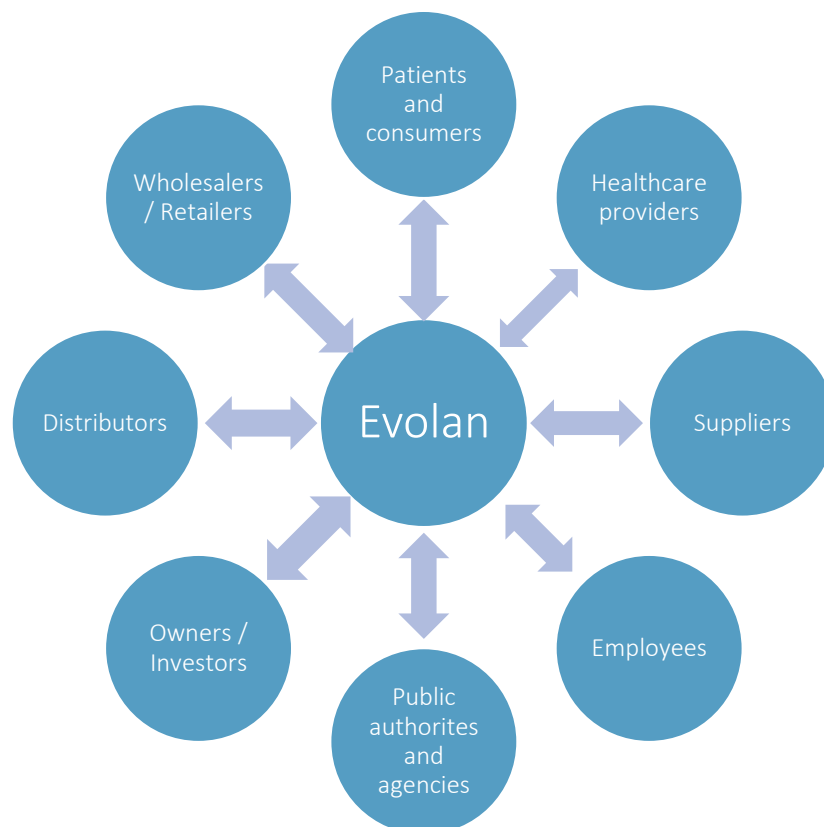
Evolan and our surrounding world

Our business is focused to Sweden and the other Nordic countries, with production of finished goods from suppliers mainly located in Europe and a few in India. It is important to be aware of and informed about issues that are of concern for various stakeholder groups in the regions where we sell our products, but also in regions where the 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 capability of understanding and responding to our stakeholders' needs are of vital importance for our success. During 2017 Evolan had both informal and formal dialogues with selected stakeholder groups, such as customers, suppliers, public authorities, other types of organisations such as policy institutes and research foundations, employees and owners.

A survey was carried out with the help of a third party with key stakeholders from the above mentioned stakeholder groups. Input from this dialogue are used in both developing Evolan's sustainability agenda, as well as guide the issues we are reporting on.

Our stakeholders



In the survey the representatives from all stakeholder groups highlighted compliance with laws and regulations as a topic of great importance. Environmental and social topics related to manufacturing of pharmaceuticals and sustainability in the supply chain i.e. effluents and waste and supplier assessments, were considered among the most important topics for customers, public authorities,

other organisations, owners and employees. Equal opportunity and anti-discrimination was considered as a very important topic by Evolan's customers, suppliers, owners and employees. The latter two stakeholder groups also highlighted competence as a topic of great importance. Topics related to customer health and safety, information about products and customer satisfaction were considered specifically important by owners, suppliers and other organisations. More information on how we are working with these topics is covered on the following pages.

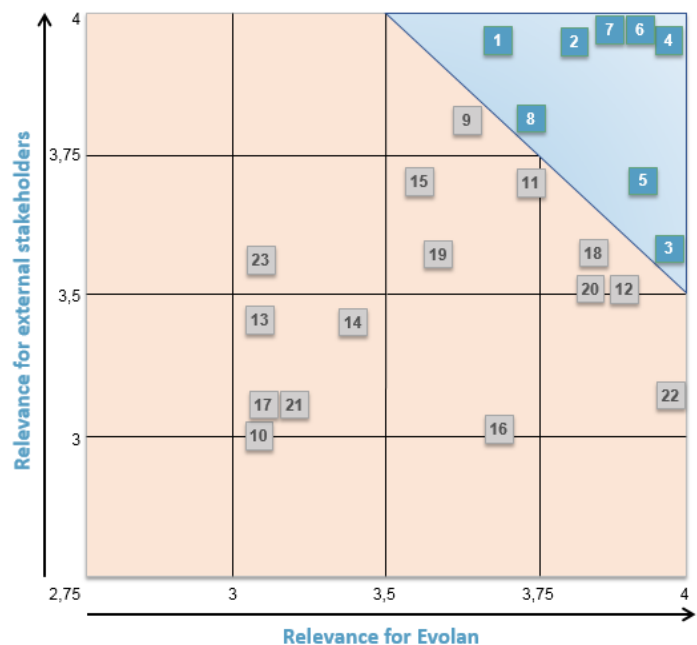
Sustainability for Evolan

In Evolan's sustainability report we present how we work and perform within the different sustainability areas that we have identified as material for Evolan and our stakeholders. Our key sustainability areas 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.

Material issues along our value chain

Evolan started identifying the most significant sustainability issues throughout our value chain in 2017. Based on the feedback we received in the stakeholder survey, a materiality analysis was conducted in an internal workshop and eight sustainability topics were prioritised and established as our material ones. The topics were selected based on the level of relevance for our business and for external stakeholders. The direct and indirect economic, environmental and social impacts of each issue were also considered in the prioritisation.

Our material issues:	
1.	Customer health and safety
2.	Equal opportunity and anti-discrimination
3.	Greenhouse gas emissions
4.	Effluents and waste
5.	Supplier environmental assessment
6.	Occupational health and safety
7.	Compliance
8.	Sustainability in supply chain
9.	Environmental protection and biodiversity
10.	Diversity
11.	Water usage in production
12.	Accessibility and reliability
13.	Research and development
14.	Energy usage
15.	Information about products
16.	Customer satisfaction
17.	Stakeholder dialogue and participation
18.	Human rights in supply chain
19.	Supplier social assessment
20.	Sound finances
21.	Animal testing
22.	Attracting and retaining competence
23.	Anti-corruption



Customer and patient

Patient safety and product quality is the top focus for Evolan. We accept nothing less than the highest possible safety and quality and we place the same high demands on our suppliers and partners. Evolan is approved by the Swedish Medical Products Agency (MPA) to import, release and sell medicinal products manufactured within the EU or imported into the EU. The company is 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 products of high quality and safety for consumers. There is also a demand of providing all the appropriate information on our products, including instructions on handling residues.

To act according to GMP, GDP and GVP means that Evolan is responsible for products also after being expedited to customers. This includes having systems for receiving and investigating product complaints, as well as dealing with medicinal questions from customers and health care professionals and handling adverse events reporting. We are also obliged to audit our suppliers on a regular basis, to ensure that they are also living up to the required standards. Data from complaints, adverse events, audits etc. are compiled and analysed to see trends and to make decisions on changes that have to be made in order to improve the products and to minimize health risks. This is a continuing and a never ending process.

All Evolan's activities that relates to GMP, GDP and GVP are controlled via Evolan's quality system, with instructions on how to act in order to fulfil the requirements in the legislation.

Evolan has a broad product portfolio. Most products are pharmaceuticals but there are also medical device products, food supplements and even a few cosmetic products. Within the pharmaceutical product group, there are originator products for ADHD, generic products, both prescribed but also many sold at pharmacies as non-prescription medicines.

Evolan's major operations are related to generic pharmaceutical and as a consequence, Evolan is a member of the Swedish organisation FGL (Föreningen för Generiska läkemedel och Biosimilarer). FGL is lobby organisation for generic companies in Sweden and Evolan is taking an active part in the organisation.

Employees

Innovation and the development of new pharmaceuticals is driven by highly skilled and educated employees. These resources are often short in supply. Being able to both attract these scarce resources and retain them is crucial for Evolan.

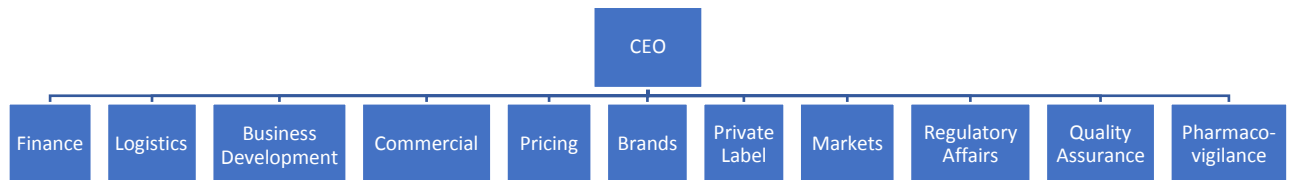
During 2017, Evolan employed, in average, 24 people in Sweden and Finland.

We believe that one important ingredient in attracting and retaining employees is our internal culture and our way of doing business. We are a small family owned company and this permeates all aspects of our way of working. Our corporate culture is professional and informal at the same time, and our organisation is decentralised with short decision paths.

Two focus areas for Evolan is health and safety and diversity and equal opportunities, which we believe are crucial building blocks in creating a thriving environment for our employees.

The Head of OTC is responsible for the sustainability work within Evolan with Evolan's CEO having the ultimate responsibility.

Evolan's organisation of different functions



Health and safety

A good working environment where our staff can thrive is essential in order to be able to keep our employees and giving them the possibility to perform at their fullest potential. As we work in an industry that relies on human capital and innovations we understand the importance of creating and upholding a work place where people's wellbeing is the focus. The fact that Evolan is a small family owned company also affects the way we see our employees. Each individual at Evolan becomes a crucial player and is involved in all decisions that we take. 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 of our employees.

In order to follow up on health and safety, we measure both staff turnover and lost day rate. During 2017 five persons were employed by Evolan and no one left the company. The lost day rate was 51 days (0.88%).

Diversity and equal opportunity

During 2017, Evolan had, in average, 15 female and 9 male employees, and women held 1 out of 3 management positions (members of the board). No women and one man worked part-time and no employee had a temporary employment.

Equal opportunities and diversity is important to us, and we have zero-tolerance towards discrimination. No employee at Evolan should be discriminated 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.

No incidents of discrimination were reported during 2017.



Suppliers

Evolan strives to ensure high quality and availability of our products and we are therefore partnering with a number of well-established suppliers to produce our pharmaceuticals. Not only do we have high demands in terms of quality of our products, but we have also started to increase our demands on our suppliers in terms of sustainability. We also see that our customers have an increase awareness about the demands on environmental, health and safety issues related to our products. For Evolan it is not only a hygiene factor to make sure we have a sustainable supply chain, it is also a matter of competitive advantage. In order to continue to expand we need make sure that both people working in the supply chain and the surrounding environment are being respected.

By the end of 2017, Evolan had more than 30 suppliers, located mainly in Europe and a few in India. All suppliers but two are suppliers of finished goods. This is a challenge to Evolan as we have no contract with drug substance manufacturers, nor suppliers of excipients and packaging materials. Thus, we are dependent on our finished product suppliers to put pressure on their suppliers of raw materials in order to cover the whole length of the supply chain.

Sustainability in supply chain

One of the measures in driving sustainability in the supply chain is The Pharmaceutical Supply Chain Initiative (PSCI) (pscinitiative.org). The organisation is a group of pharmaceutical and healthcare companies who share a vision of better, social, environmental and economic outcomes in the communities where we source our products and raw materials. The organisation's vision is to establish and promote responsible practices that will continuously improve social, health, safety and environmental sustainable outcomes for our supply chains. This includes:

- Fair and safe work conditions and practices
- Responsible business practices
- Environmental sustainability and efficient use of resources

Evolan is a member of the PSCI and we have, during 2017, started the process of further developing our work with sustainability in the supply chain through the development of processes for screening suppliers as well as audits with the help of the resources within PSCI.

Social aspects in production

In 2017 we increased our focus on human rights and social aspects in the supply chain. A number of revisions of suppliers were conducted and a plan for and system on screening new suppliers in terms of human rights were developed.

Evolan conducts audits of at least three production sites per year (starting 2017) and prioritizes high risk suppliers. Audits conducted in 2017 showed that the producers audited were respecting human rights, but some small actions for improvements were also identified in terms of working hours at one supplier and health and safety for pregnant women at another producer. The suppliers have been informed about the issues and have been launching efforts to come to terms with these.

Depending on the outcome of the audit, Evolan takes decisions on the need for action plans and follow-up audits. The ambition is always to resolve deviations in close dialogue with the supplier. In case of serious deviations from contracts and if deviations are not corrected, decisions are taken on requirements for continued cooperation or whether it should be closed.

Since the work commenced during 2017, key performance indicators and measurements of outcomes is not available at the time of the publishing of this report. However, Evolan aims at disclosing quantitative data on human rights in the sustainability report for 2018.

Pharmaceuticals and the environment

Pharmaceuticals and the environment is an important issue in the pharmaceutical industry. Effluents to water associated with the production of pharmaceuticals and drug residues are the greatest indirect environmental impacts for Evolan. Since Evolan do not manufacture pharmaceuticals, the biggest potential environmental impacts are limited to the production phase at Evolan's suppliers. Evolan manages the issue through continuous dialogue with suppliers as well as audits of production sites focusing on sustainability, especially environmental compliance, water efficiency and effluents to water. Audits conducted in 2017 showed that the producers are environmentally compliant, water is recycled for gardening and cooling purposes and process waste is treated in a proper way. However, one tanker spillage was reported in late 2016 and one minor risk was identified regarding lacking control procedures. All three audited suppliers are ISO 14001 certified.

All suppliers of pharmaceuticals to Evolan, including those audited during 2017, were asked to present data from 2017 on environmental compliance, water efficiency and effluents to water associated to their manufacturing of our products. All suppliers were also asked to present the same data from their suppliers of active pharmaceutical ingredients.

Unfortunately, it was not possible to draw any conclusions from the data received as very few suppliers managed to collect the requested data. Some suppliers considered the data to be confidential and others could only present data for their total manufacturing operations, making the data difficult to use as Evolan normally is a very small customer to our suppliers.

The data collection gives a good view of our situation- most of the environmental impact of Evolan's business is happening due to activities by our suppliers elsewhere. Given Evolan's relatively small size, the possibility to influence and put pressure on our suppliers is limited. It also shows that our

suppliers' sustainability work varies a great deal, with some writing annual sustainability reports whilst others seem to be completely new to the concept.

The data collection from suppliers on environmental compliance, water efficiency and effluents to water associated to manufacturing of Evolan's products will be performed again in 2018, with improvements to the method to collect data, hopefully resulting in more and better data received.

It is Evolan's strong belief that, despite a limited possibility to influence and put pressure on our suppliers, a substantial change can still be made via a long term dialogue.

Our climate impact

One important environmental impact for Evolan is the CO₂ emissions associated with distribution of our pharmaceuticals and business travel by car. These are activities that we are mostly or completely handling ourselves and we therefore have a greater chance of influence.

When transporting finished goods, Evolan tries, as far as possible, to transport the goods by boat, avoiding air freight. For all transports of goods, Evolan strive to fill containers and trucks in order to maximise the number of packs per transport. When transporting only small quantities, trucks are often shared with others to fill the truck to a maximum.

Evolan's business travel by car is mainly related to the company's sales representatives' activities and is the most efficient way of travelling and for most occasions, the only possible alternative.

CO₂ emissions 2017

Business travel
by car

29,1 tons CO₂

Distribution of
pharmaceuticals

140,1 tons CO₂

About the report

Evolan's sustainability report 2017 is the company's first sustainability report. This report has been prepared in accordance with the GRI Standards: Core option. By doing so Evolan aims to ensure transparent reporting based on content which is relevant to our stakeholders.

The report is structured according to five thematic areas which corresponds to the areas which are of importance to our stakeholders; Customer and patient, Environment, Employees, Suppliers and Economy.

Evolan will report on an annual basis. This report's sustainability data covers the fiscal year 2017. This report describes Evolan, defined as Evolan and its subsidiaries, as well as Evolan's value chain. Definitions regarding boundaries as well as measuring techniques and calculations for each topic specific disclosure are given in the GRI index.

Evolan's annual sustainability reports will be verified by a third party. The report of 2017 has been verified by a third party.

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

GRI-index

General disclosures

Number	Disclosure	Page	Comment
102-1	Name of the organisation	Frontpage	
102-2	Activities, brands, products and services	3-4	
102-3	Location of headquarters	3	
102-4	Location of operations	3, 7	
102-5	Ownership and legal form	3	
102-6	Markets served	3	
102-7	Scale of the organisation	3, 7	
102-8	Information on employees and other workers	8	
102-9	Supply chain	4, 8-9	
102-10	Significant changes to the organisation and its supply chain		No significant changes in 2017
102-11	Precautionary Principle or approach	9-10	
102-12	External initiatives	9	
102-13	Memberships of associations	7, 9	
102-14	Statement from senior decision-maker	2	
102-16	Values, principles, standards, and norms of behaviour	2, 7	
102-18	Governance structure	8	
102-40	List of stakeholder groups	5	
102-41	Collective bargaining agreements		No
102-42	Identifying and selecting stakeholders	5-6	
102-43	Approach to stakeholder engagement	5	
102-44	Key topics and concerns raised	5-6	
102-45	Entities included in the consolidated financial statements	12	
102-46	Defining report content and topic Boundaries	5-6, 14-15	
102-47	List of material topics	6	
102-48	Restatement of information		This is Evolan's first sustainability report
102-49	Changes in reporting		This is Evolan's first sustainability report
102-50	Reporting period	12	
102-51	Date of most recent report		This is Evolan's first sustainability report
102-52	Reporting cycle	12	
102-53	Contact point for questions regarding the report	12	

102-54	Claims of reporting in accordance with the GRI Standards	12	
102-55	GRI content index	13-15	
102-56	External assurance	12,15	

Material topics

GRI Standard	Boundary	Number	Disclosure	Page	Comment
GRI 305: Emissions		103-1-3	Management Approach	11	
	Own transports	305-1	Direct (Scope 1) GHG emissions	11	Data covers business travel by car. Calculation tools used: Naturvårdsverket schablonmall utsläpp koldioxid Gases included in the calculations: CO2
	Purchased transports	305-3	Other indirect (Scope 3) GHG emissions	11	Data covers all distribution arranged by Evolan. Data does not cover distribution arranged by our manufacturers. Calculation tools used: EcoTransIT, Euro5, DHL Carbon Calculator Gases included in the calculations: CO2
GRI 306: Effluents and Waste	Production, Consumer	103-1-3	Management Approach	7, 9-11	
		306-1	Water discharge by quality and destination	9-11	Omission: Data not available. The possibilities to collect the data will be further explored in 2018. See pages 8-10.
GRI 307: Environmental Compliance	Production	103-1-3	Management Approach	9-11	Social Compliance is also crucial for Evolan and covered under Customer Health and Safety.
		307-1	Non-compliance with environmental laws and regulations	9-11-	Omission: Data not available. The possibilities to collect the data will be further explored in 2018. See pages 8-10.
GRI 308: Supplier Environmental Assessment	Production	103-1-3	Management Approach	9-11	
		308-2	Negative environmental impacts in the supply chain and actions taken	10	No significant actual and potential negative environmental impacts identified.

GRI 403: Occupational Health and Safety	Evolan, Production	103-1-3	Management Approach	7-8	
			Own indicator: staff turnover and lost day rate	8	
GRI 406: Non-discrimination	Evolan	103-1-3	Management Approach	7-8	
		406-1	Incidents of discrimination and corrective actions taken	8	
GRI 414: Supplier Social Assessment	Production	103-1-3	Management Approach	9-10	
		414-2	Negative social impacts in the supply chain and actions taken	10	No significant actual and potential negative social impacts identified.
GRI 416: Customer Health and Safety	Consumer	103-1-3	Management Approach	7	
		416-1	Assessment of the health and safety impacts of product and service categories	7	100 % of our pharmaceutical products have been assessed on basis of their health and safety impacts. For our other main product categories, similar assessments are undertaken in most cases. No exact percentage for these product categories is available for 2017.

Revisors rapport över översiktlig granskning av hållbarhetsredovisningen