

# Evolan sustainability report 2018

## 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 has shown a strong result which confirms that our strategy is working.

I am proud of what we at Evolan have achieved during 2018, and especially of our employees which are the enablers of everything we achieve. The commitment among our team and the will to improve and break new grounds is constantly present. We all believe in our business model and in our products and the positive effects they have on society.

The fact that we are a small company also entails challenges, not least from a sustainability perspective. However, we believe that taking sustainability issues into account when moving forward is of great importance if we want to stay financially sound in a world with increasing regulations and customer demands. We also see sustainability as an opportunity to gain competitive advantage in a market where the lowest price is always prioritised.

This is our second sustainability report, which allows our stakeholders the opportunity to better understand how we view, what we are doing and what our future plans are in terms sustainability.

In 2017, we became members of Pharmaceutical Supply Chain Initiative (PSCI). During 2018, this membership was useful as a knowledge bank where we could take part in sector specific audits. We see the membership as an important tool in monitoring and managing complex sustainability issues in pharmaceutical supply chains. Our priority during 2018 was to continue our work with supplier audits. During the year we conducted three audits of subcontractors in India focusing on Environmental, Health and Safety and Ethical issues. We will continue to develop our work with sustainable supply chains. This includes, initiating the development of a Supplier Code of Conduct, which will strengthen and clarify our sustainability demands on our suppliers.

It is of great importance that Evolan is a company that attracts the best competence and that our products are produced in a way that respects both people and planet. Further, these products need to be reliable, accessible and safe. I believe that by continuously improving our sustainability efforts, we will keep earning the trust of our stakeholders which will be both be beneficial for us at Evolan and society at large.

Richard Karroum, Managing Director, Evolan Pharma AB 2019-12-16



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, New Zealand and Canada.

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. At the end of 2018 we had about 190 pharmaceutical marketing authorisations 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 other 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 2018 for the consolidated group\* amounted to 355 122 TSEK. Mostly thanks to increased sales in Generic Rx and Originator products, net sales rose by 32 percent compared with the previous year (2017: 33%). The total capitalization amounted to 298 475 TSEK.

\*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 2018.

## Our business areas

### Store brand OTC

- Three exclusive store brands- ABECE and Apofri for the leading pharmacy chains in Sweden and Norfri for the leading pharmacy chain in Norway.
- Generic pharmaceuticals of well-known originator products but also medical devices, food supplement and cosmetics.



## 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

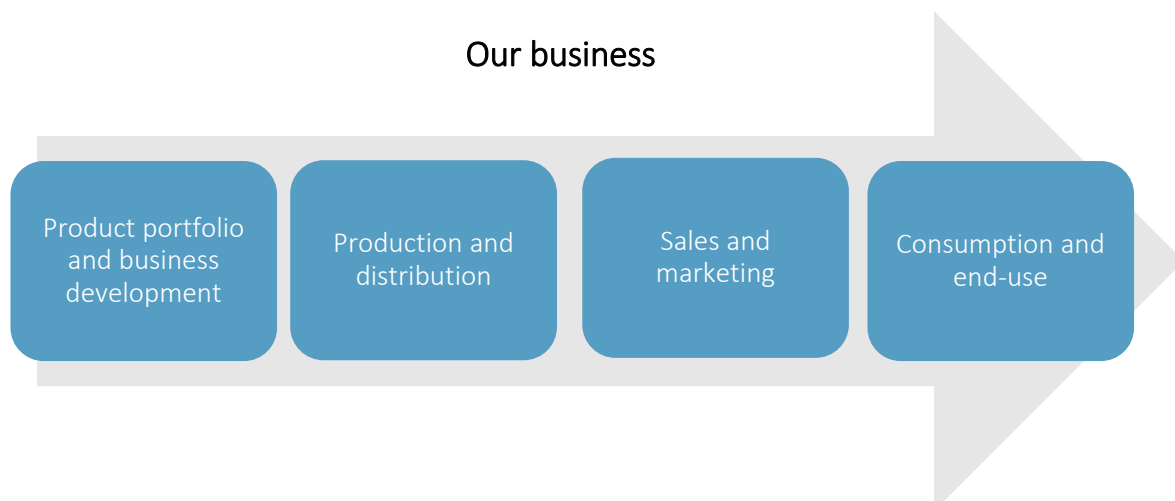
## Originator products

- 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

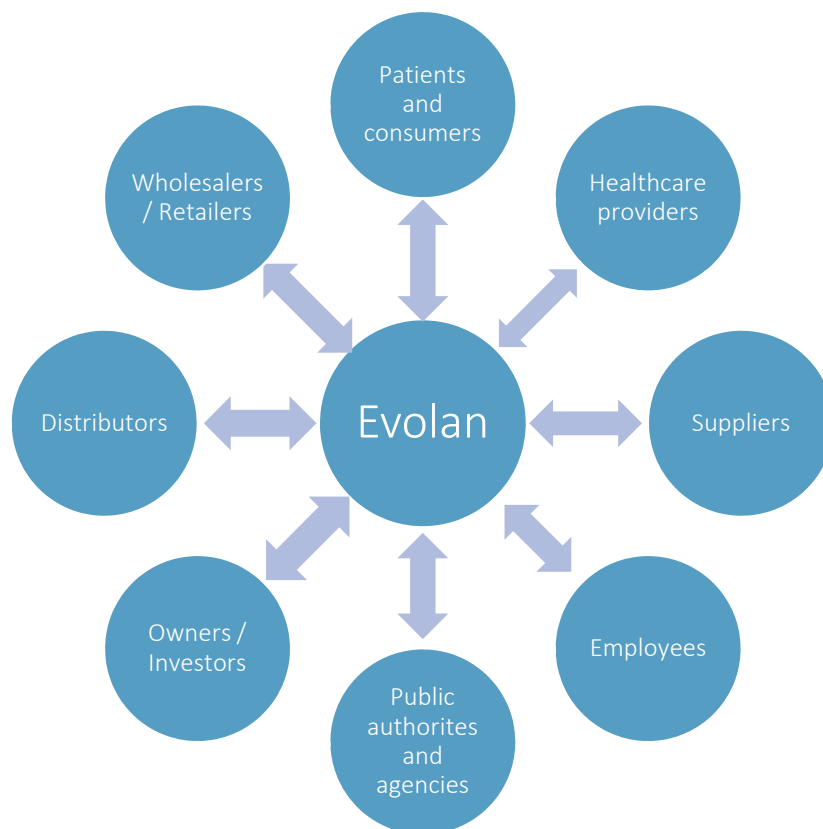


## Evolan and our surrounding world

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 2018 Evolan had informal dialogues with different stakeholder groups, such as customers, suppliers, employees and owners. In 2017, a survey was carried out with the help of a third party with key stakeholders from above mentioned stakeholder groups as well as public authorities and other types of organisations such as policy institutes and research foundations. Input from this dialogue is 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.

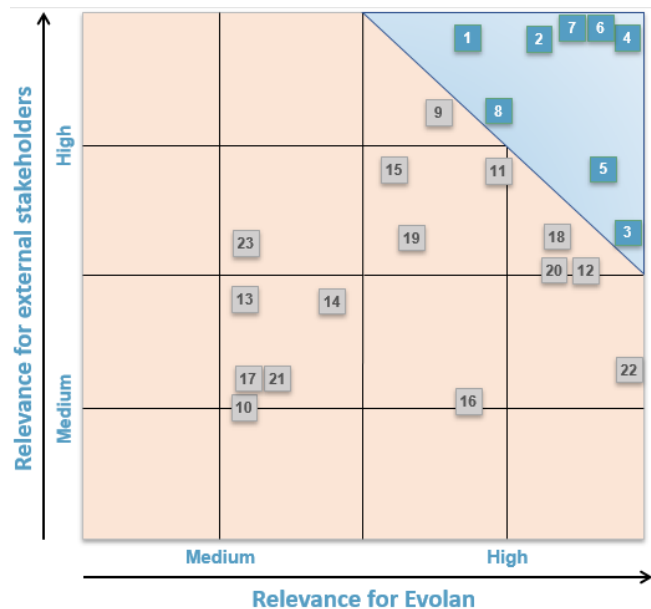
## Sustainability for Evolan

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 certified 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 a lobby organisation for generic companies in Sweden and Evolan is taking a leading role in the organisation as holding the position as chairman of the board.

## 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.

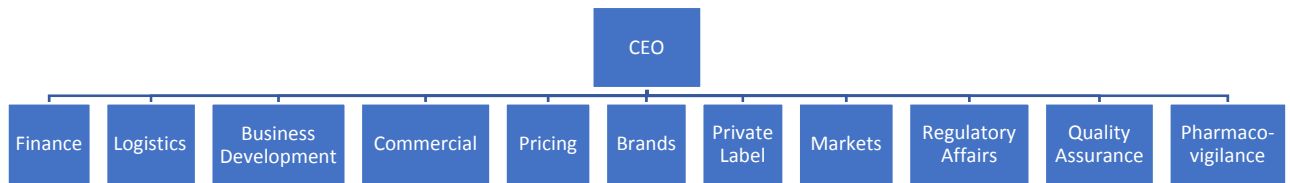
**During 2018, Evolan employed, in average, 25 people in Sweden and Finland.**

We believe that one important ingredient in attracting and retaining employees is our internal culture and our way of doing business. Evolan is 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 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 of our employees. In order to follow up on health and safety, we measure both staff turnover and lost day rate. In 2018 1 new person was employed by Evolan (2017: 5) and 2 left the company (2017: 0). The lost day rate was 56 days (0.95%) (2017: 51 days, 0.88%).

#### Diversity and equal opportunity

During 2018, Evolan had, in average, 16 female and 9 male employees (2017: 15 female, 9 male), and women held 1 out of 3 management positions (members of the board) (2017: 1/3 female). 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.

0 incidents of discrimination were reported during 2018 (2017: 0).





## 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 and we can see that our customers have an increasing awareness about the demands on environmental, health and safety issues related to our products, even though there is a large spectrum within the group of Evolan's suppliers. 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 2018, Evolan had about 40 suppliers of pharmaceuticals, located mainly in Europe. All suppliers but two are suppliers of finished goods. This is a challenge to Evolan as we have no supply agreements with the suppliers of drug substances, excipients and packaging materials to our pharmaceutical products. 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.

### Supplier audits

Evolan performs at least 3 supplier audits per year, focusing on sustainability. The suppliers to be audited are prioritised according to

- the supplier's operation's risk having a negative impact on sustainability,
- if the supplier is located in a high risk country according to the Country Risk Classification from amfori BSCI, and
- the amount of the active pharmaceutical ingredient(s) (API) Evolan sell per year and product.

In practice, this means that API suppliers are prioritised compared to finished product manufacturers as the API production process is considered to have a higher negative effect on sustainability, for example when it comes to the use of and effluents to water. It also means that suppliers outside EU is 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 make a decision on the need for an action plan and a follow-up audit. The ambition is always to resolve deviations in close dialogue with the supplier. In case of serious deviations and if deviations are not corrected, decisions are taken on requirements for continued cooperation or whether it should be closed.

In 2018, Evolan conducted audits of three production sites with regards to environment, safety and health. 1 site for finished products and 2 sites for active substances. None of the audits observed any major concerns and all suppliers were considered to be acceptable for future supply. However, some minor issues and non-conformances were observed and corrective action plans were prepared to address these. The suppliers were also recommended to implement formal management system standards for some areas, in order to further improve their work with respect to sustainability.

### **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.

In 2018, Evolan asked all its suppliers of pharmaceuticals to present data on environmental compliance, water efficiency and effluents to water associated to their manufacturing of Evolan's products in 2017. All suppliers were also asked to present the same data from their suppliers of active pharmaceutical ingredients.

The result of the survey was that 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.

In 2019, the survey was performed once again and all Evolan's suppliers of pharmaceuticals were asked to present data for 2018. Even though the response rate was higher compared to the previous year, the same result was achieved- it is not possible to draw any conclusions from the data received as too little data was received and the data that was received was very quality variable in quality.

In total, 43 suppliers, covering 148 Marketing Authorisations (MA's), were requested to provide Evolan with data, by filling out forms. Only 10 suppliers, covering 23 MA's, managed to return the forms filled out, covering both the manufacturing of the finished product as well as the active substance. 13 suppliers, covering 61 MA's, returned with parts of the requested data, most often the missing data was from the API manufacturers. 20 suppliers did not return to Evolan with any data at all. These 20 suppliers cover in total 64 MA's.

This was the second time Evolan conducted the survey and once again the results were poor and inconclusive. It is therefore Evolan's strong belief that in the sustainability report for 2019, a survey of another kind has to be performed. It could be a more basic one, focusing on if the suppliers even have implemented some sort of sustainable approach to their everyday work. This in order for Evolan to

better understand the different levels of sustainability work being performed with its suppliers, as a benchmark for future work within the area.

### The Pharmaceutical Supply Chain Initiative

One of the measures in driving sustainability in the supply chain is The Pharmaceutical Supply Chain Initiative (PSCI) ([pscinitiative.org](http://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 since 2017. In 2018, Evolan attended the PSCI 2018 spring meeting in Södertälje, Sweden.

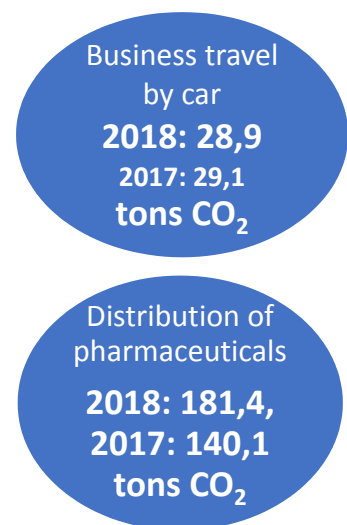
### Our climate impact

One important environmental impact for Evolan is the CO<sub>2</sub> 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 strives 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.

### CO<sub>2</sub> emissions 2018



## About the report

Evolan's sustainability report 2018 is the company's second 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 reports on an annual basis. This report's sustainability data covers the fiscal year 2018. 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 report is externally assured by a third party. The report of 2018 has been externally assured by a third party.

For any questions related to this report, please contact Fredrik Engström:  
[Fredrik.Engstrom@evolan.se](mailto: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	
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 2018
102-11	Precautionary Principle or approach	9-10	
102-12	External initiatives	9, 11	
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		No restatements
102-49	Changes in reporting		No significant changes
102-50	Reporting period	12	
102-51	Date of most recent report		2018-06-28
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 2019. See pages 9-10.
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 2019. See pages 9-10.
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 2018.