



Evolan sustainability report 2019

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. Our strong revenue growth in 2019 (32%) is to a large extent due to increased sales within the Generic Rx business area of Evolan. 40% of the increase is directly related to products that have been developed by Evolan. This shows that it has been a successful strategy to focus on own developments. In 2019, we received a Certificate of Registration for medical devices according to ISO 13485:2016, marking a milestone in Evolan's history. I am proud of what we at Evolan have achieved during 2019, and especially of our employees which are the enablers of everything we do. 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.

A major event for the whole pharmaceutical industry globally during 2019, was the implementation of the Falsified Medicines Directive in the EU. The directive is meant to result in less falsified medicines entering the supply chain by adding tamper evident sealing and a unique code to each pack of pharmaceuticals sold as prescription medicine.

Many manufacturers and marketing companies have suffered from technical issues associated with the implementation of the directive, but Evolan was very well prepared and did not suffer to any greater extent.

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 third 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 of sustainability. From 2019, our reporting to a larger extent entails all products rather than mere focus on pharmaceuticals.

In 2017, we became members of Pharmaceutical Supply Chain Initiative (PSCI). We see the membership as an important tool in monitoring and managing complex sustainability issues in pharmaceutical supply chains. Our priority during 2019 was to continue our work with supplier audits. During the year we conducted three audits of subcontractors, two in India and one in Romania 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 in 2020, 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 beneficial for us at Evolan and society at large.



Richard Karroum, Managing Director, Evolan Pharma AB 2020-06-18

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 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.



Evolan divides its business operations within four main areas - Store brand OTC, Branded OTC, Generic Rx and Originator products. During 2019, more than 150 different products contributed to Evolan's business. This includes pharmaceutical products, 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 2019 for the consolidated group* amounted to 469 683 TSEK. Mostly thanks to increased sales in Generic Rx products, net sales rose by 32 percent compared with the previous year (2018: 32%). The total capitalization amounted to 381 405 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 2019.

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



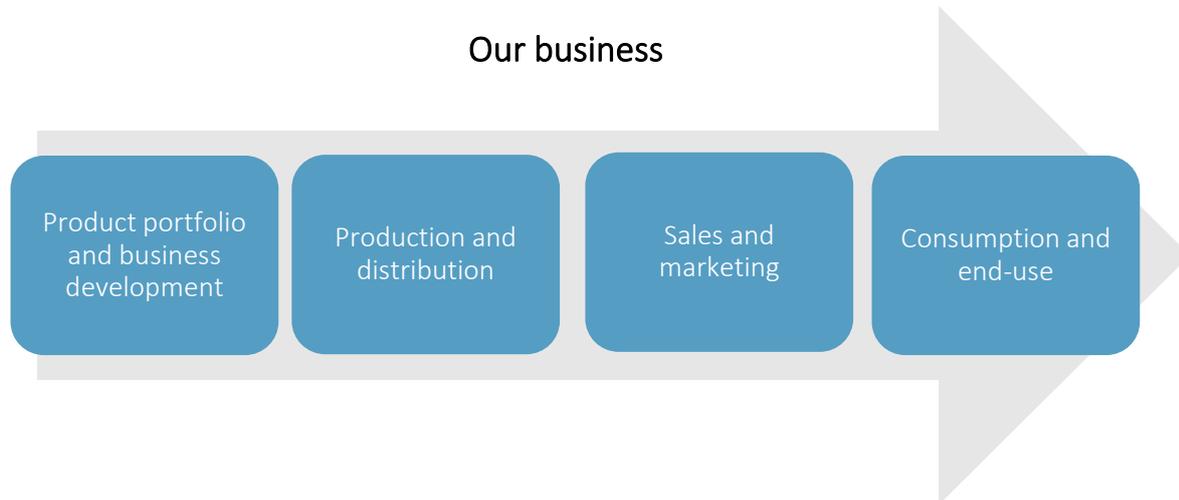
Originator products

- 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.



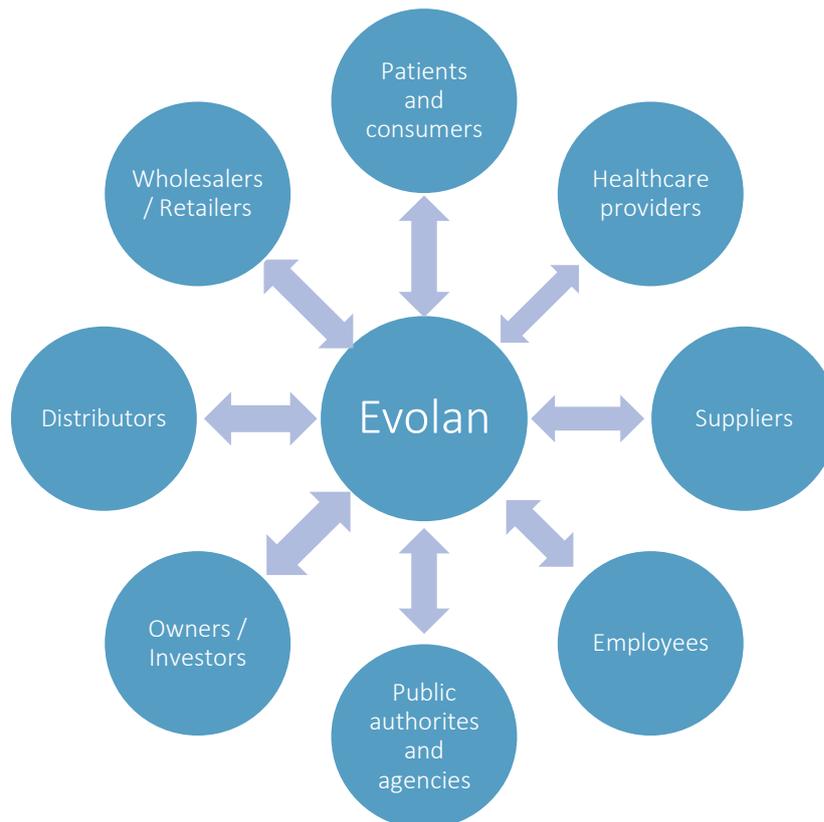
Evolan and our surrounding world

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 2019 Evolan had continued 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 were 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

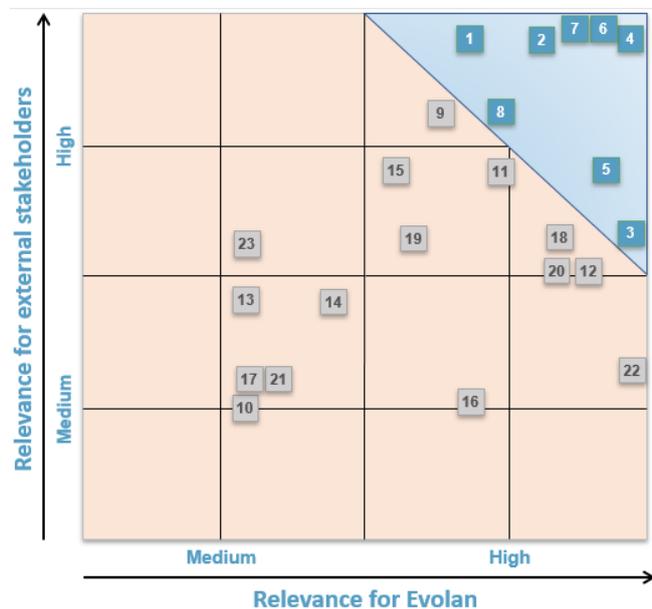
In Evolan’s sustainability report we present how we work and perform within the different sustainability areas that we have identified as material for Evolan and our stakeholders. Our key sustainability areas can be found in all stages of our value chain; from the development of new products to the use 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 and customer safety and product quality are the top focuses 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.

During 2019, Evolan received a Certificate of Registration for medical devices according to ISO 13485:2016. This is equivalent to the certification Evolan has received for its pharmaceutical products and is a milestone in Evolan's history as it further increases possibilities for new business.

Evolan was inspected by the Swedish Medicines Products Agency in 2019 and received an extended certificate to proceed with its business.

All Evolan's activities that relates to medical devices and pharmaceuticals 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. In 2019, Evolan launched many new products. Two of them, Karbamid Evolan and Glycerol Evolan have contributed a great deal to the increased turnover of 2019. The products are generic versions of Canoderm and Miniderm.

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 products 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.

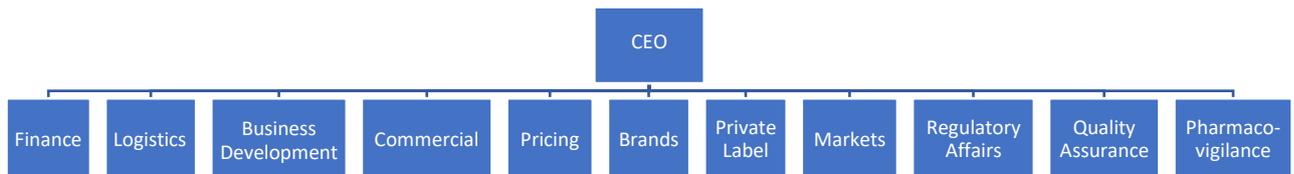
During 2019, Evolan employed, in average, 26 people in Sweden.

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 professional and informal at the same time, and our organisation is decentralised with short decision paths.

Two focus areas for Evolan are 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 workplace 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 our employees. The results from 2019 show that Evolan employees have a very healthy life style - more than 90% exercise on a regular basis, no one smokes and the BMI is in general according to normal.

In order to follow up on health and safety, we measure both staff turnover and lost day rate. In 2019 three new people were employed by Evolan (2018: 1) and two left the company (2018: 2). The lost day rate was 57 days (0.97%) (2018: 56 days, 0.95%).

Diversity and equal opportunity

During 2019, Evolan had, in average, 18 female and 8 male employees (2018: 16 female, 9 male), and women held one out of three management positions (members of the board) (2018: 1/3 female). No women and one man worked part-time and no employee had a temporary employment.

Equal opportunities and diversity are 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.

Zero incidents of discrimination were reported during 2019 (2018: 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 products. 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 of 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.



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. By the end of 2019, Evolan had about 45 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 agreements with the subcontractors, supplying materials to our 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. In 2020 Evolan will develop a Supplier Code of Conduct, which will strengthen and clarify our sustainability demands on our suppliers.

Supplier audits

Evolan performs at least 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, 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 decide 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 2019, Evolan conducted audits of two production sites in India and one in Romania with regards to environment, safety and health. Two sites for finished products and one site 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 and are being prepared in order to deal with this. One supplier was recommended to implement formal management system standards for some areas, in order to further improve their work with respect to sustainability. Another supplier had excessive overtime hours which will be attended.



Pharmaceuticals and the environment

Pharmaceuticals and the environment is an important topic 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.

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

The response rate was low, and the quality of the responses differed a great deal in quality. Evolan therefore decided that in the report for 2019, a simpler more basic survey, focusing on if the suppliers had implemented any sort of sustainable approach to their everyday work, would be included. This 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 survey and the results derived from it is presented below.

The survey was e-mailed to each supplier with a table to fill out. The table consisted of 39 questions divided on 4 different parts with a yes or no answer.

- General part about certifications, sustainability reports etc
- Environmental part about waste handling and use of resources etc
- Occupational Health and Safety part about the workers' health and safety and how it is handled etc
- Social Responsibility part about employees being treated fair.

The survey was sent to 45 suppliers and 26 responses were received (58%).

The result showed that almost every supplier had some sort of certification with regards to quality (88%). This is what could be expected given the fact that most suppliers handle pharmaceuticals and are therefore obliged to have such certifications. On the other hand, only 24 % and 12 % were certified with regards to environmental and occupational health and safety aspects, respectively. 12% was also the number of suppliers producing a corporate sustainability report.

In the environmental part, 68% had established environmental policies and goals and three out of four had a designated employee for environmental issues. More than 90% had procedures for safe storage and handling of chemicals and waste and 76% had a system for reducing use of resources. On the lower side, 48% had environmental demands on their suppliers.

In the occupational health and safety part, the scores were in general high (>85%). 100% of the suppliers had accident insurances for work related accidents and 92% had established health and safety goals. The lowest score, 48%, was found, as in the environmental part, when being asked about demands on suppliers with respect to health and safety.

The social responsibility part showed the same result as the occupational health and safety and environmental parts, with regards to supplier demands - 48% had social responsibility demands on their suppliers. 73% had established a social responsibility policy and more than 90% had systems for wages being payed regularly and being above the legal minimum level and working hours not exceeding the legal limits.

For Evolan, the survey gave a snapshot of the current situation and it will be interesting to see how the results will change for 2020. For the 2020 survey, it will be important to also try to increase the number of responses. As for previous years, it was many times difficult to receive responses from the suppliers. This can, to a large extent, be due to Covid-19, as a lot of Evolan’s suppliers gave this reason for not having the resources to complete the survey.



The Pharmaceutical Supply Chain Initiative

Evolan is a member of the Pharmaceutical Supply Chain Initiative (PSCI) (pscinitiative.org) since 2017. 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 environmentally 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

Our climate impact

One important environmental impact for Evolan is the CO₂ emissions associated with distribution of our products 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 or truck, 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.

CO₂ emissions 2019

Business travel by car
32 tons CO₂

Distribution of products
275 249 tons CO₂

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.

Evolan's reporting on CO₂ emissions has previously only included business travel and distribution of pharmaceuticals. Data from previous year is thus not included for comparison.

About the report

Evolan's sustainability report 2019 is the company's third 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 four thematic areas which corresponds to the areas which are of importance to our stakeholders; Customer and patient, Employees, Suppliers and Our Climate Impact.

Evolan reports on an annual basis. This report's sustainability data covers the fiscal year 2019. 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. From 2019, Evolan's reporting to a larger extent entails all products rather than mere focus on pharmaceuticals.

Evolan's annual sustainability report is externally assured by a third party. The report of 2019 has been externally assured by a third party.

GRI-index

General disclosures

Number	Disclosure	Page	Comment
102-1	Name of the organisation	3	
102-2	Activities, brands, products and services	3-5	
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, 8	
102-8	Information on employees and other workers	9	
102-9	Supply chain	5, 10	
102-10	Significant changes to the organisation and its supply chain		The Evolan office in Finland has closed during 2019.
102-11	Precautionary Principle or approach	10-12	
102-12	External initiatives	7-8	
102-13	Memberships of associations	8, 13	
102-14	Statement from senior decision-maker	2	
102-16	Values, principles, standards, and norms of behaviour	2, 7-8	
102-18	Governance structure	9	
102-40	List of stakeholder groups	6	
102-41	Collective bargaining agreements		No
102-42	Identifying and selecting stakeholders	5-6	
102-43	Approach to stakeholder engagement	5-6	
102-44	Key topics and concerns raised	6-7	
102-45	Entities included in the consolidated financial statements	14	
102-46	Defining report content and topic Boundaries	6-7, 16-17	
102-47	List of material topics	7	
102-48	Restatement of information		No restatements
102-49	Changes in reporting		No significant changes
102-50	Reporting period	14	
102-51	Date of most recent report		2019-12-16
102-52	Reporting cycle	14	
102-53	Contact point for questions regarding the report	20	
102-54	Claims of reporting in accordance with the GRI Standards	14	
102-55	GRI content index	15-17	

102-56	External assurance	14, 18	
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Material topics

GRI Standard	Boundary	Number	Disclosure	Page	Comment
GRI 305: Emissions		103-1-3	Management Approach	13-14	
	Own transports	305-1	Direct (Scope 1) GHG emissions	13-14	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	13-14	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 308: Supplier Environmental Assessment	Production	103-1-3	Management Approach	10-13	
		308-2	Negative environmental impacts in the supply chain and actions taken	10, 11	No significant actual and potential negative environmental impacts identified.
GRI 403: Occupational Health and Safety	Evolan, Production	103-1-3	Management Approach	9	
			Own indicator: staff turnover and lost day rate	9	
GRI 406: Non-discrimination	Evolan	103-1-3	Management Approach	9-10	
		406-1	Incidents of discrimination and corrective actions taken	10	
GRI 414: Supplier Social Assessment	Production	103-1-3	Management Approach	10-13	
		414-2	Negative social impacts in the supply chain and actions taken	11	One supplier audited in 2019 had excessive overtime hours, which will be attended.
GRI 416: Customer Health and Safety	Consumer	103-1-3	Management Approach	7-8	

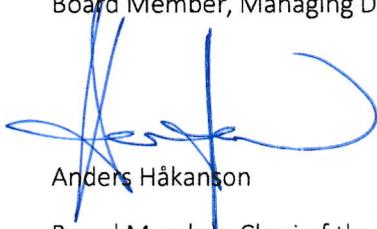
		416-1	Assessment of the health and safety impacts of product and service categories	7-8	100 % of our pharmaceutical products have been assessed on basis of their health and safety impacts. For our other main product categories, similar assessments are undertaken in most cases. No exact percentage for these product categories is available for 2019.
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Evolan Pharma's Sustainability Report of 2019 is signed off on behalf of Evolan Pharma AB by
Managing Director Richard Karroum.



Richard Karroum

Board Member, Managing Director



Anders Håkanson

Board Member, Chair of the Board



Ulrika Widenborg

Board Member

Auditors' Limited Assurance Report on the Sustainability Report

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