



karo[®]
healthcare

Sustainability Report
2022

Smart choices
for everyday
healthcare[®]



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Karo at a glance

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Introduction

In the past few years, Karo has taken leaps towards reaching our vision of becoming a responsible leader in everyday healthcare, delivering superior value to people and society.

We're accelerating our sustainability agenda and are proud to launch our new sustainability strategy and plan to support healthy and sustainable societies.

Karo provides 'smart choices for everyday healthcare', empowering people to live life to the full. We own and commercialise branded original consumer healthcare products and medicines that offer self-care, prevention and treatment. Our brands are quality-assured, and they're trusted by consumers in more than 90 countries, with Europe and the Nordic region as our core markets.

With our expanding geographical and omni-channel footprint, we're increasing our focus on organic growth and commercial excellence, while at the same time building a sustainable business that contributes to healthy and prosperous societies.

We're a virtual company with limited operating assets. Our core capabilities in the digital and commercial fields are spread across the group, with our in-house teams in these areas among the best of their kind, and we build partnerships to get access to research and production. Our 400 colleagues work from headquarters in Stockholm and hubs across Europe and focus on continuously improving our product offerings and our ability to connect to consumers across channels.

As we grow, we'll improve the health of even more people and increase social benefits through fair jobs. At the same time, we'll work to minimise our environmental impact, including our carbon and forest footprints with the goal of not only reaching net-zero, but in the end having a net-positive impact. ●



Facts & figures

We have high ambitions to become a European leader in everyday healthcare.

Revenue¹ of

4.4

billion SEK

¹⁾ Pro forma 2022



Products sold in more than

90

markets

A broad portfolio of

80+

brands

Units sold in 2022

84

million

Our largest hubs

- 01 Stockholm
- 02 Maidenhead
- 03 Ghent
- 04 Rotterdam

People and diversity

We are an equal opportunities employer. Women represent **40%** of our corporate management team and **49%** of our people managers¹.

We embrace diversity. Our employees come from 36 different countries.

We regularly measure employee engagement and have increased our average employee Net Promotor Score (eNPS)² to 50 in 2022 (2021: 33).

Approx.

400

colleagues across 12 countries

¹ 31 December 2022

² The eNPS question: 'How likely are you to recommend Karo to a friend or a colleague?' Bain & Co, the source of the eNPS system, defines a score above 50 as 'excellent'.



Average age

40

years

Women represent

49%

of people managers

36

countries of origin

Employee Net Promoter Score

50

in 2022



LETTER FROM THE CEO

Leading Karo to a sustainable future

It's been another year of growth for Karo as we continue on our journey towards becoming a leading force in European consumer healthcare. We've integrated our 2022 acquisitions of the digital-first company, Sylphar, and the skin health brand E45 and onboarded new capabilities and teams. And we've grown our direct business, especially in the UK, and we've opened up direct operations in Spain.

We've also recorded growth in organic sales and operating profit, which has been achieved against a backdrop of upheaval caused by the war in Ukraine, which has disrupted supply chains and triggered a rapid rise in inflation and costs.

Putting sustainability at the heart of our success

Despite these challenges, we've continued to emphasize the sustainability agenda and have moved it to the heart of our business. As well as commercial success, our vision is about improving people's health and wellbeing and creating value for society, while minimising our impact on the planet.

Our updated sustainability strategy, which we're proud to present in this report, spells out our priorities. It shows the positive impact we want our

business model to have, and how we see our brands and business contributing to the common good. It also demonstrates that, for us, sustainability and business strategy are indivisible.

“We're committed to helping consumers make smarter choices that are better for them – and better for our planet and the social fabric of communities.”

Making the most of our strengths

We implement this strategy from a position of strength. Our people are engaged and motivated – I'm particularly proud of our employee NPS score, which reached 50 this year. We're also building new capabilities, especially our innovation and in-house digital commerce functions.

This makes us even better positioned to realise our growth ambitions by mobilising our core competencies: to bring better, more efficacious products to market, connect them to consumers, and improve people's quality of life by solving their everyday healthcare problems. We're committed to helping consumers make smarter choices that are better for them – and better for our planet and the social fabric of communities.

Taking concrete action

We've made progress on combining growth with sustainability. In 2022, we signed the UN Global Compact, showing our commitment to its ten principles on human rights, labour, environment and anti-corruption. We also strengthened our team, welcoming a new sustainability lead, Alice Devine, and embedding our sustainability agenda in the corporate management team. We committed to long-term environmental, social and governance (ESG) targets and communicated them in our annual report. And, last but certainly not least, we continued to analyse the footprint of our operations, working with partners to document and understand our impact in detail.

This gives us the springboard to accelerate our sustainability work and make good on our promises. We have given ourselves a tough challenge, but we have a responsibility to help combat climate change and so rise to humanity's biggest challenge. The critical global situation demands nothing less. ●

Christoffer Lorenzen,
CEO, Karo Healthcare

EQT and Chairman's perspective

Since 2019, EQT has been the majority shareholder of Karo. EQT is a leading private equity firm with a mission to help businesses develop into great and sustainable companies.

Via its ownership, EQT is providing access to a network of industry professionals, leading skills and operational expertise needed to support and accelerate our ambitious growth journey. In 2022, the remaining shares were acquired by EQT and Karo was taken private in December. EQT today owns 97% of the shares and has one seat on the Board held by Erika Henriksson. The board consists of experienced executives and represents different critical areas of expertise. The Chairman is Patrick Smallcombe, who joined the Board in 2021. ●



“

Our ambition is that we put sustainability at the heart of our brands and business to make people healthy and to fight climate change. That's not a nice-to-have or a differentiator. It's an inescapable obligation.”

Patrick Smallcombe, Chairman of the board

“

Businesses are crucial to creating a sustainable future. The ones who are best at living up to that responsibility will be tomorrow's winners. It's simply good business. That's why, for us as investors, our companies' sustainability efforts are embedded in the overall strategy. Good results in this area leads to strong commercial and financial outcomes.”

Erika Henriksson, Partner at EQT Partners and board member of Karo

Highlights

2022

January 2022

Karo completed the acquisition of Belgian digital-first company Sylphar International NV. The acquisition brought fast-growing, consumer-centred brands and a team excelling in e-commerce and digital marketing.

February 2022

Karo joined the Pharmaceutical Supply Chain Initiative (PSCI), an organisation committed to promoting responsible supply chain standards.

April 2022

Karo completed the acquisition of E45[®] from Reckitt, scaling up our operations in the UK, in line with the strategy to expand commercial operations in major European markets. E45[®] is the leading dermatology brand in the UK and South Africa, strengthening our position in this category.

April 2022

Karo published long-term ESG targets and commitments in the 2021 annual report and on the website.

June 2022

Karo established direct operations in Spain.

August 2022

Karo appointed Alice Devine as Head of Sustainability. Alice brings strong and relevant experience and will be instrumental in the acceleration of Karo's sustainability agenda.

November 2022

Karo's corporate management team approved an updated materiality assessment and revised sustainability strategy.

November 2022

Karo joined the world's largest corporate sustainability initiative: the United Nations Global Compact.

December 2022

Karo changed name to Karo Healthcare – a shift that reflects our broad perspective on everyday health as well as our promise to both consumers and societies.

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec



Strategy

- Turning ambition into reality
- Our sustainability strategy
- 1. Health and wellbeing
- 2. Environment
- 3. Fair society

Turning ambition into reality

Head of Sustainability Alice Devine is here to lead the way to realising our ambition within sustainability – and be, as she says, part orchestrator, part change enabler.

For Alice Devine, the road to a career in sustainability started with being told to turn the lights off in her childhood home. ‘Like a lot of British parents, my father always wanted us to save energy by turning the lights off as we left a room,’ she remembers.

That early awareness turned to commitment when Alice herself became a parent. ‘At that moment, your perspective changes. It’s all about tomorrow, thinking about what we’re doing to the planet and the world we’re passing on to our children. It became very important to me to do something personally to make change happen.’

Now, she’s devoting her energies to setting us on the road to sustainability as our first Head of Sustainability. She’s co-ordinating our work in pursuit of our strategy, vision and goals. And she’s working closely with our teams on the changes that turn ambition to reality – whether it’s making packaging recyclable, making sure carton board comes from certified sources, or making a positive social impact.

Starting quickly

True to Karo’s enterprising culture, Alice is keen to move quickly and decisively. As well as focusing on where we

can make the biggest impact, she’s also keen to get tangible results fast. ‘Ambitions like reducing the climate impact of our supply chain will take years to achieve and involve dealing with complex challenges,’ she explains. ‘We’re at the start of this process. But we need to develop momentum early and feel that we’re making progress. As well as working on a strategic level, it’s good to try things on a small scale, and to learn as we go. That gets people motivated.’

That means initiatives like our packaging checklist and other tools, to get our teams to adopt a sustainability mindset in everything they do. ‘We have to make sustainability part of everyday decision-making, which means helping us all realise the impact of our product, brand or sourcing choices. Do we really need a cardboard carton for this product? Can we use space in trucks better and so make fewer journeys and cut our carbon emissions?’

Alice sees herself as an orchestrator but also as an enthusiast and enabler: ‘I’m a cheerleader for people’s efforts. I want to give them tools and knowledge they can put into action in their own areas. Ultimately, it’s going to be down to all our decision makers and specialists to integrate this thinking in the business.’

Turning sustainability into a competitive advantage Alice, an engineer by training, comes to us from 15 years of championing sustainability in cosmetics and accessories businesses. She’s worked in functions like sourcing and business development, and she believes that’s a bonus as it helps her to see things through colleagues’ eyes.

The goal is to make sustainability second nature, says Alice: ‘I want to make sustainability a source of competitive advantage for us by making it part of the business and its purpose, not an add-on. Our business is about helping people start healthy, so a positive social impact is already at our core. There’s a lot of enthusiasm and commitment too, but it needs to be channelled, co-ordinated and facilitated. And that’s what I’m doing. It’s putting sustainability on the agenda strategically, so we all pursue it as one.’

Understanding our impact

Sustainability is complex territory. For us, that’s especially true because our virtual operating model means we don’t directly control the environmental impact of our manufacturing or logistics.

The first step is to understand our climate impact, then get the right targets, structures and processes in place and be clear about the actions that matter most. As Alice explains, ‘We need an idea of where we are now – our baseline impact. We’ve started mapping our product ingredients to understand where they come from.’

In 2023, Alice will mastermind our climate roadmap, a plan to see us through to 2030 as we focus on our own operations but also work with our suppliers to make our whole value chain more sustainable.

The plan will include annual targets, so everyone in Karo can see how their team and role can contribute. ‘It’s about everything from the origins of our ingredients to the amount of water and energy our manufacturers use and the waste they generate. It’s also about getting our carbon reduction targets validated by the Science Based Targets initiative (SBTi) to make sure they’re ambitious enough. The more stretching our targets are, the more innovative we can be in working towards them.’ ●



“We have to make sustainability part of everyday decision-making, which means helping us all realise the impact of our product, brand or sourcing choices.”

Alice Devine, Head of Sustainability

Our sustainability strategy



Our purpose is to create smart choices for everyday healthcare, and to do it responsibly for people, society and the environment. We want to do business in a way that meets the needs of today without compromising the needs of future generations.

Humanity is currently facing huge challenges – climate change, the loss of biodiversity and growing social divides to mention a few. As a business, we not only have a responsibility to do the right thing; we also have a significant impact on the world around us, and we can influence our customers, consumers and suppliers to make more responsible choices. By helping to lead the way, we strengthen our business and create new opportunities. By engaging more deeply with consumers, we will become more innovative and efficient, and reduce our risks.

As a healthcare company, advancing global health and wellbeing is at the heart of our strategy. This could be by breaking taboos and treating health issues; preventing issues from occurring in the first place; or creating brands that help to boost consumers' confidence and wellbeing.

Through our sustainability strategy, we've set ambitious goals and targets. In the coming years, we'll work to integrate sustainability into all parts of our business, making sure we take responsibility throughout our value chain. It won't be an easy journey, but our direction is clear and we have no option but to succeed.

Our approach to sustainability

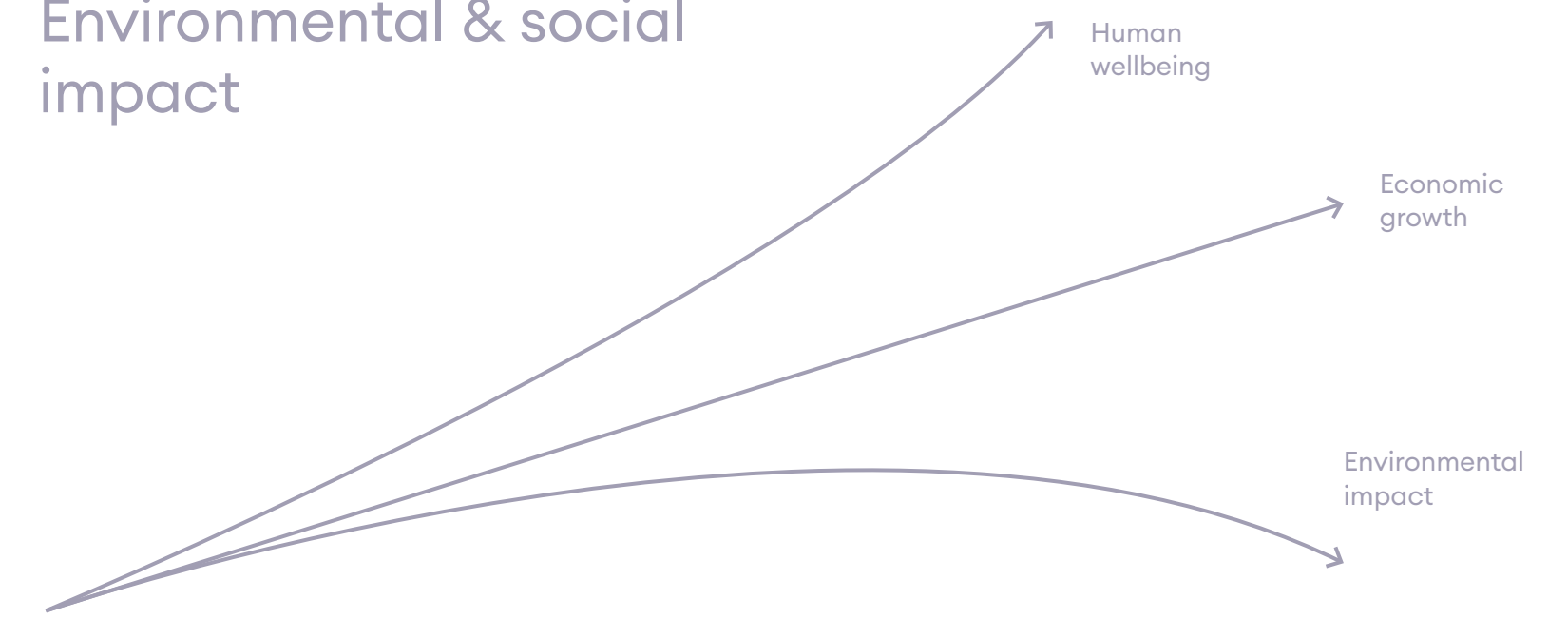
Our priority is to focus first on our most significant impacts, and where we have the biggest opportunity to create change. Since we outsource all our manufacturing and logistics, most of our impact is not within our direct control. This means that close partnerships and other collaborations are crucial for us to meet our goals and targets and overcome our challenges.

Cooperation is the key

We look to base our strategy and targets on the latest science. For example, our carbon reduction targets are, as a minimum, in line with the Paris Agreement. We've also considered the UN Sustainable Development Goals, with our core business closely linked to Goal number 3, Good Health and Wellbeing.

In 2022, we've aimed to improve our knowledge of our impacts across the value chain. This includes all steps of the product life cycle, from extracting raw materials to disposing of packaging. We're deepening our understanding by collecting more detailed data, but we are not yet where we want to be. We will continue the work in 2023.

Environmental & social impact



On our journey towards sustainability, we're working to increase the value our business creates over time. We plan to maximise our positive impact on human health and wellbeing as we grow. At the same time, we want to reduce any negative environmental impact, progressively moving towards net-zero. And we want to act as a responsible and trusted business partner.

Our sustainability strategy

We've updated our sustainability strategy to better reflect our core business and let us work more efficiently on what matters most. The new strategy is built on three pillars: advancing health and wellbeing, improving the health of the planet, and contributing to a positive and inclusive workplace and fair society.

Under each pillar, we've set long-term commitments to guide our work. Each commitment is supported by specific goals and targets to ensure progress and prioritise our actions. ●



1 Health and wellbeing

Support our consumers to be healthy, live well and feel empowered to improve their own health

- advance health and wellbeing through purposeful brands
- empower consumers in prevention and self-care
- drive sustainable and trusted product innovation
- give back to our community



3 Fair society

Contribute to a fair, equal and inclusive society as a responsible employer and throughout our value chain

- have an empowered and engaged workforce
- support a diverse and inclusive business and society
- secure fair jobs throughout our value chain
- ensure responsible and ethical business practices



2 Environment

Secure a climate-positive future where our business and value chain operate within the limits of the planet

- achieve net-zero climate impact by 2040
- contribute to a circular, waste-free world
- protect ecosystems (water and nature)





1. Health and wellbeing

Through purposeful brands, we want to support our consumers to be healthy, live well and feel empowered to improve their health. Through our brands, we want to highlight values and issues that matter to our consumers as well as to society as a whole. An important area is helping to reduce the stigma around ‘health-minus’ categories, where stigma or embarrassment are barriers to getting help and treatment, and educating consumers in prevention and self-care.

Our long-term commitments are to:

- advance health and wellbeing through purposeful brands
- empower consumers in prevention and self-care
- drive sustainable and trusted product innovation
- give back to our community.



Advancing health and wellbeing

Good health means more than avoiding severe illness. It also means addressing, treating or – better still – preventing the health-related problems people face in their daily lives.



We own and commercialise a range of trusted and original brands in everyday healthcare. We continuously adjust and renew our brands and products to meet emerging consumer trends, and we make sure our products are safe to use and meet all relevant quality requirements.

Our ambition is that all our brands help advance health and wellbeing by meeting at least one of these criteria:

1. Have a documented problem-solving benefit/claim. Our prescription and over-the-counter products offer problem-solving benefits in several categories, including intimate health, digestive health, pain, cough and cold.
2. Help consumers stay healthy, so they avoid needing treatment later. Many of our products in skin health and wellness aim to prevent issues from happening at all. This helps consumers stay well and avoid later treatment costs, and cuts the burden on healthcare systems.
3. Support a wider societal change by making a positive difference for people and the planet. We offer superior products with a clear brand purpose. We see great potential to drive broader value through our brands, and some of them back initiatives like supporting young women's mental health, and helping women to talk about health-related problems seen as embarrassing.

CASE: Eczema

Raising awareness about eczema

Around one in ten of us will suffer from the allergic skin disease atopic eczema at some point. Over eight out of ten (84%) sufferers report having daily symptoms¹. They can have a profound effect on quality of life, whether it's that relentless itch, lack of sleep or loss of self-confidence affecting mental health.

With brands like E45 and Locobase in our growing skin health portfolio, we're on a mission to raise awareness of this condition. Based on input from healthcare professionals like dermatologists, general practitioners and pharmacists, we're creating educational material for them, as well as clear, simple product information. We're also reaching more people with eczema directly with our existing range of eczema and dry skin creams and lotions, as well as new product launches, such as Itch Relief Coolmousse and Gel. And we continue to generate compelling content and deploy it through the right channels to help us reach as many people suffering

with eczema as we can. This is about fulfilling our mission to help more people relieve and treat atopic eczema, and ultimately stop it affecting their daily lives.

¹ Source: 2018 study of 1,189 patients. www.efanet.org/campaigns/world-atopic-eczema-day





CASE: Anti-microbial resistance

Working against anti-microbial resistance

Our portfolio includes a narrow-spectrum antibiotic against urinary tract infection. As a responsible supplier of antibiotics, we need to acknowledge and spread information about anti-microbial resistance (AMR). AMR happens when an antibiotic is over-used and the bacteria change and no longer respond to it. Antibiotics become ineffective and infections become harder, sometimes even impossible, to treat, increasing the risk of disease spread, severe illness and death. The World Health Organization (WHO) expects more deaths from AMR than from cancer by 2050.

Maintaining the value of existing antibiotics for future generations is absolutely crucial for our existence. That's why in 2022 we joined Platinea, a multi-sector collaboration to preserve and enhance existing antibiotics. Platinea's vision is to shift from a one-dose-fits-all approach to a precision method, where each patient gets the right antibiotic in the right dose, at the right time, for the right duration. Platinea was founded in Sweden in 2017 and is now starting to implement its strategy in Europe, so it's a great time for us to join.

Prevention and self-care

We want to help our consumers prevent and treat everyday health problems by giving them easy access to information. We're committed to guiding and educating consumers in their purchase choices. It should be easy to find solutions, whether it's in a store or online. In our top 12 markets, we had 800,000 users visiting both our own brand sites and informational websites (for example, in Sweden we have a non-branded site about coughs, 'Hostkollen'.) We believe we have a big part to play in better-informing consumers.

It's also important for us to stay close to, and support, the healthcare professionals who recommend and sell our products. We're working on initiatives to help educate both healthcare professionals and customers. In some countries, we do this through our sales teams, who are experts in our products and therapeutic areas. In others, we offer our services through digital initiatives like online training. In Sweden, we've launched a digital educational platform, Karo Academy, where we can reach pharmacy personnel with clinical documentation, product training and webinars. In 2023, we plan to expand this to more countries and more healthcare professionals.

We believe there's great potential in treatments in 'health-minus' categories associated with discomfort, embarrassment and stigma that mean they're under-treated. Examples include intimate and digestive health issues. Left untreated, health-minus ailments can have a serious impact on quality of life. By building awareness and providing online information and treatment options, we aim to remove physical and psychological barriers to getting the necessary treatment.

To better understand the information consumers need on their path to purchase in the anal discomfort category, we surveyed more than 5,100 consumers in five of our key markets in 2022. We uncovered several moments that



matter, underlining the importance of pharmacies and healthcare professionals as a key source of knowledge. By increasing the reach of our educational information, for example through Karo Academy, we'll be able to meet that need in a more focused and relevant way.

In Germany, we launched an initiative under our Multi-Gyn brand aiming to break taboos around intimate health. Read more about this initiative on page 18. ●

CASE: Consumer communications

Leading the way in our brand communication

Alongside our focus on continuing to build a diverse, inclusive workforce, in 2022 we started a more thoughtful, intentional focus on representation in our consumer communications.

Our brands and products are designed to serve everyone in our society and we want our advertising and communications to represent that society accurately and without bias. In 2022, our advertising for our skin health brand, E45, in the UK, depicted a broad range of ethnicities and skin types, representative of multi-ethnic Britain. Our Indy Beauty advertising and website communications celebrated a wide range of body types and ethnicities, without air-brushing or re-touching. In 2023, our new Nailner global advertising campaign represented both same sex and straight relationships.

As we originate new creative content on other brands, we aim to fully represent the society we live in and depict a broad range of different dimensions of diversity. ●



Indy Beauty® offers 100% vegan products within skin care and hair care.



With over 70 years experience in skin health, E45® offers a complete portfolio of high-quality products for problem skin.



Nailner® is proven to treat and prevent nail fungus, while also improving the appearance of the nail during treatment.



CASE: Taboos and Multi-Gyn

Empowering women to take care of their intimate health by banishing taboos

Product development and quality

Our consumers trust us to develop safe and effective products, and do everything we can to protect the environment. A product’s sustainability impact is largely set during the design phase. The decisions taken then affect, among other things, which materials manufacturers use; how they produce the product; how consumers use it and whether packaging can be separated and recycled at the end of life. So, integrating sustainability early in the design process helps reduce the product’s impact throughout its life cycle.

We’re encouraging a sustainable innovation culture in our brand teams, empowering them to come up with innovative solutions and giving them the tools to spot improvements, big or small. Our aim is that every new product we launch is better than the product benchmark.

We’re developing a simple scorecard to measure and report on our progress transparently. It will integrate the principles of circular design, and encourage us to:

- use more renewable or recycled materials
- investigate new formats to deliver the products
- make sure all new packaging materials are recyclable
- focus on reducing the impact of our ingredients.

We partner with customers and healthcare professionals in each market to make sure our products satisfy consumer needs. Through focus group interviews, online surveys, market research and talking to pharmacy and customer service staff, we get valuable insights for our product development process, and for new services and support for customers. Working with consumers also helps us better understand their needs, which in turn helps us improve our products and our consumers’ experience. Across our value chain, from production to serving consumers, we pledge to safeguard product quality and safety.

Abnormal discharge, odour or vaginal itch. These are symptoms that many women recognise. But only a few know that bacterial vaginosis (BV) might be causing their discomfort, even though it’s the most common vaginal disease. And even fewer women talk about their intimate problems. Instead, they suffer in silence because it’s still considered a taboo. BV has a high recurrence rate and its symptoms affect many women’s wellbeing and self-esteem.

Our Multi-Gyn brand is working to change this and created a series of talks in Germany, Tabulos Intim by Multi-Gyn, to educate on BV and show the condition is easy to treat, as well as reassure women they’re not alone, and empower them to talk about their intimate health.

A popular TV moderator interviewed three guests who shared their personal stories, as well as a gynaecologist who gave background information and practical tips. The initiative has generated a lot of positive engagement and helped de-stigmatise the issue for many, who for the first time feel able to talk about their issues. In the first seven weeks of the campaign, we reached 6.6 million users, and got 3,100 likes, with the brand’s Instagram followers growing by 27%.

After our products reach consumers and patients, we monitor quality and patient safety data through pharmacovigilance, overseen by our regulator. We also train all our people to keep their patient safety knowledge and procedures up to date.

Supporting local communities

We give back to communities through our work with charities. This includes Operation Smile, a charity carrying out surgery for children born with cleft lip and palate around the world, which we’ve supported since 2018. Support and donations during 2022 corresponded to 625 cleft lip and/or palate surgeries that will change as many families’ lives. Read more about this initiative on page 19.

In 2022, we’ve seen war in Europe. We combine our concern and empathy for the people of Ukraine with condemnation of Russia’s invasion.

To help in this humanitarian crisis, we’ve supported Ukraine with products to meet important sanitary needs.

Donations include:

- 12,000 bottles of Decubal hand wash through the professional aid organisation Human Bridge
- 77,000 bottles of DAX Alcolgel hand sanitiser through a Ukrainian state-owned trading company
- 1.6 million doses of paracetamol and ibuprofen, thanks to great cooperation between authorities and companies. ●



CASE: Operation Smile

Supporting a life-changing nutrition programme in the Philippines

Operation Smile provides safe and effective surgeries to children suffering from cleft conditions. However, not every child is able to undergo the surgery, with malnourishment being a common reason for doctors to turn down children. For infants with cleft conditions, breastfeeding can be a struggle and contribute to undernourishment. Therefore, proper nutrition and feeding are essential for growth and development to prepare for the surgery. At the core of comprehensive cleft care, Operation Smile places a significant emphasis on addressing these nutritional needs.

Through Operation Smile, we're supporting a special nutrition program in the Philippines that prepares children for life-changing cleft surgeries. The program focuses on strengthening the health infrastructure at the hub site Dr. Jose Fabella Memorial Hospital, and surrounding centres, in Manila. One of the key components of the program is the establishment of a nutrition clinic at the newly built Fabella Maternity Ward, which provides essential structure and equipment for prenatal and new-born care. In 2022, highlights have included establishing a cleft registry at Fabella Maternity Ward and the adjacent centres, training for midwives, and gathering data about new-borns. ●



Commitments and targets

- Goal reached**
- On track**
- Acceleration needed**
- New**

Commitment 1 Advance health & wellbeing through purposeful brands

<p>Goal: Increase share of brands and products that advance health and wellbeing by meeting more than one of these criteria:</p> <ul style="list-style-type: none"> a. Have a documented problem-solving benefit/claim b. Help consumers stay healthy and therefore prevent downstream treatment c. Support a wider societal change by making a positive difference for people and the planet 	<p>Status: New</p>
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The average number of criteria (a, b, c) supported by our brands was 1.3 in 2022 (on brand level, weighted average sales). Our target is to increase to 2.0 by 2025, making sure that we focus on creating value through all our products and brands.

Commitment 2 Empower consumers in prevention and self-care

<p>Goal: Provide consumers with educational information focusing on smart choices, helping them live healthy lives to the fullest (increase our annual reach by 15%)</p>	<p>Status: New</p>
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In our top 12 markets, we had 800,000 consumers visiting our own brand sites and other Karo-owned informational websites.

<p>Goal: Increase interactions with customers and healthcare professionals to support consumer education</p>	<p>Status: New</p>
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We continuously interact with our customers and healthcare professionals through for example physical and online meetings. In 2023 we will develop an improved way to measure and follow-up on these interactions.

Commitment 3 Sustainable and trusted product innovation

<p>Goal: Drive sustainable product innovation and increase and convert 30% of revenue to more sustainable products by 2030</p>	<p>Status: New</p>
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A simple scorecard focusing on the areas of circular design, packaging, and ingredients will be implemented during 2023 to guide and encourage progress towards our sustainability goals.

Commitment 4 Give back to our community

<p>Goal: Support relevant partner organisations with cash, product or in-kind donations</p>	<p>Status: On track</p>
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We continued to support dedicated projects connected to everyday healthcare and our brands. In 2022 we supported Operation Smile, contributing to the equivalent of 625 cleft lip and/or palate surgeries. We also donated 89,000 hand hygiene products and 1.6 million doses of pain killers to Ukraine. (Action 6.1 in Annual Report 2021)



2. Environment

We aim to secure a climate-positive future where we operate within the limits of the planet and its resources. This means taking responsibility throughout our products' value chain, including how our suppliers source raw materials, manufacture and transport products, and make sure packaging can be recycled at the end of life. Step by step, we are working to lower the environmental impact of our products and operations.

Our long-term commitments are to:

- achieve net-zero climate impact by 2040
- contribute to a circular, waste-free world
- protect ecosystems (water and nature)



“In 2023, we’ll create a carbon reduction roadmap to 2030, defining annual targets for absolute carbon reduction. We also plan to have our targets validated by the Science Based Targets initiative.”

Planning to reach net-zero climate impact

Climate change is one of society’s biggest challenges. It not only affects our business but also ecosystems, communities and people around the world. Extreme weather and rising temperatures have already had an influence on our business and supply chain, and will continue to have in the future. We have a responsibility to reduce our impact and lower our exposure to climate-related risks.

Reducing our impact to net-zero throughout our value chain won’t be easy. We don’t have all the solutions yet, but we believe an ambitious goal will help raise the bar for the standard we set – across our value chain as well as in the priorities we make. We have opportunities to be more efficient and do things differently, and we’ll work hard to challenge ourselves and look for innovative solutions. To succeed, we also need to work closely with our partners, external experts and other stakeholders.

Our top-level targets are to:

- achieve net-zero emissions by 2040 (scope 1, 2, 3)¹
- cut emissions by at least 60% by 2030 (absolute emissions: scope 1, 2, 3)¹
 - net-zero transports from supplier to customer by 2030
 - 100% renewable electricity in own operations
 - offset remaining scope 1 and 2 emissions

Most of our carbon footprint occurs in the value chain, outside our direct control. Our largest impact comes from sourcing our products and from the extraction and

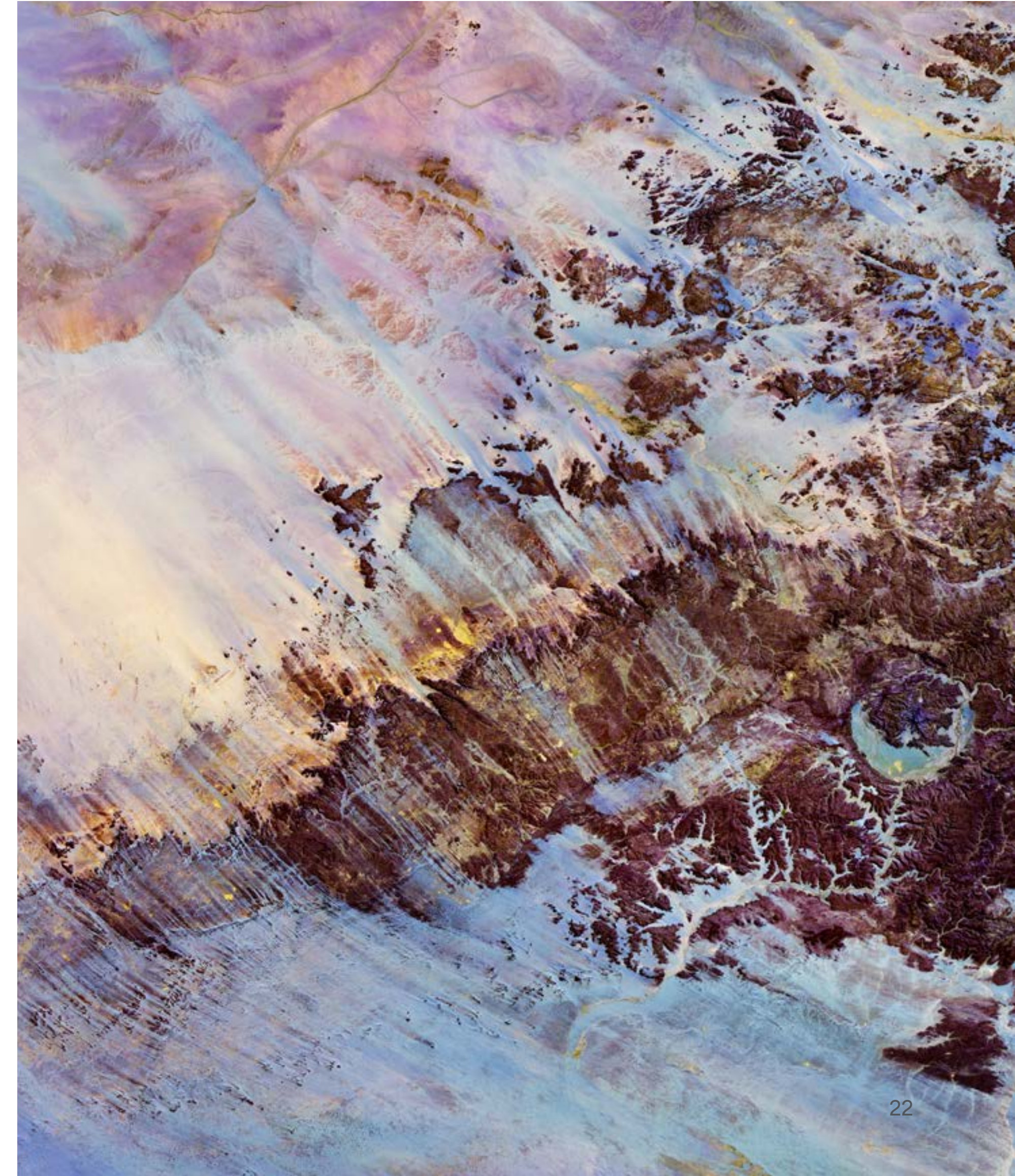
production of raw materials, ingredients, components and energy used to manufacture them. Transportation of goods is the second largest category, while emissions from business travel and energy consumption in offices and warehouses are minor.

In 2023, we’ll create a carbon reduction roadmap to 2030, defining annual targets for absolute carbon reduction. We also plan to have our targets validated by the Science Based Targets initiative.

The key areas for reducing our impact include:

1. Energy efficiency – reducing energy use in our own operations and throughout our supply chain by working with our partners.
2. Renewable energy – working to source 100% renewable electricity in our own operations and in our supply chain.
3. Responsible materials and circularity – making sure our partners source natural materials responsibly, and increasing our contribution to the circular economy.
4. Carbon removals – offsetting our residual emissions, which will be essential for reaching net-zero.

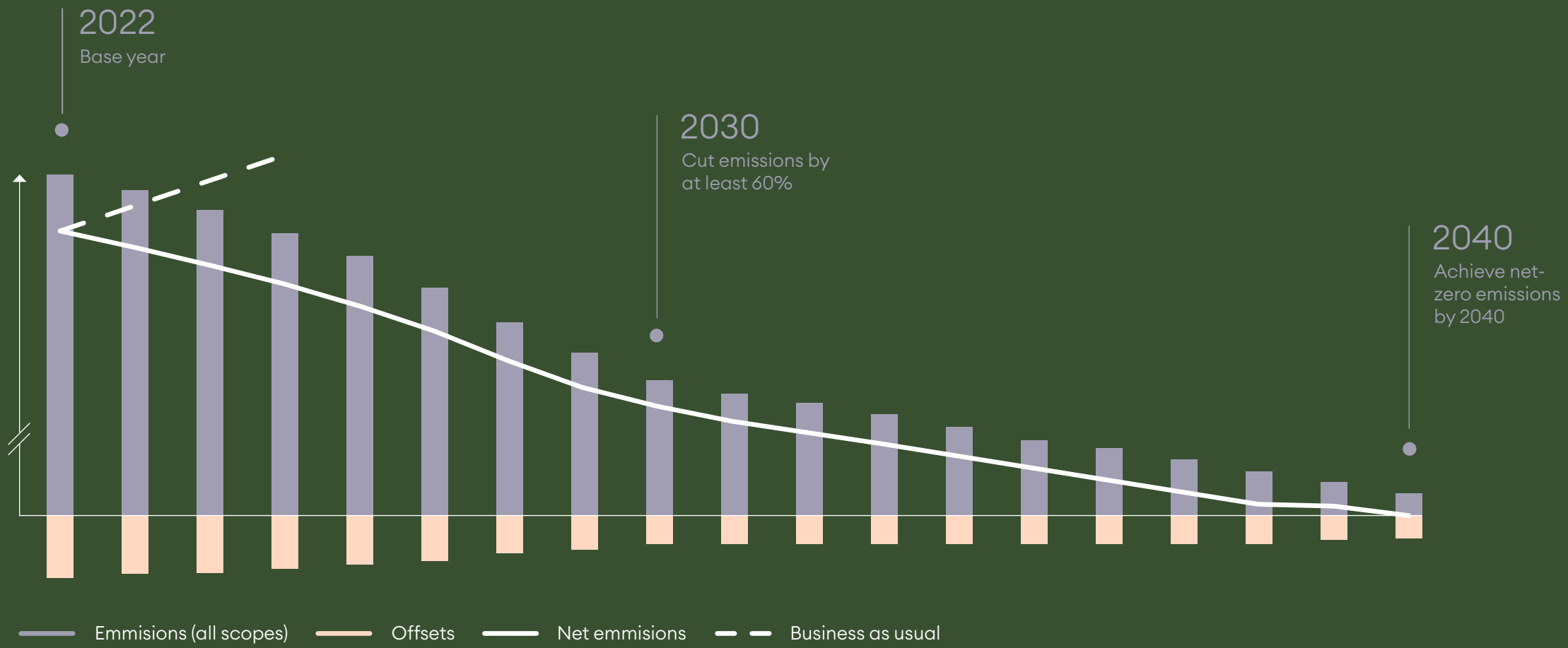
¹ Scope 1 and 2 include direct emissions from our own offices and vehicles. Scope 3 includes emissions for products purchased; third-party transportation (from our suppliers to consumers); waste generated in operations or after people use the products; business travel; and employee commuting. Our base year is 2022.



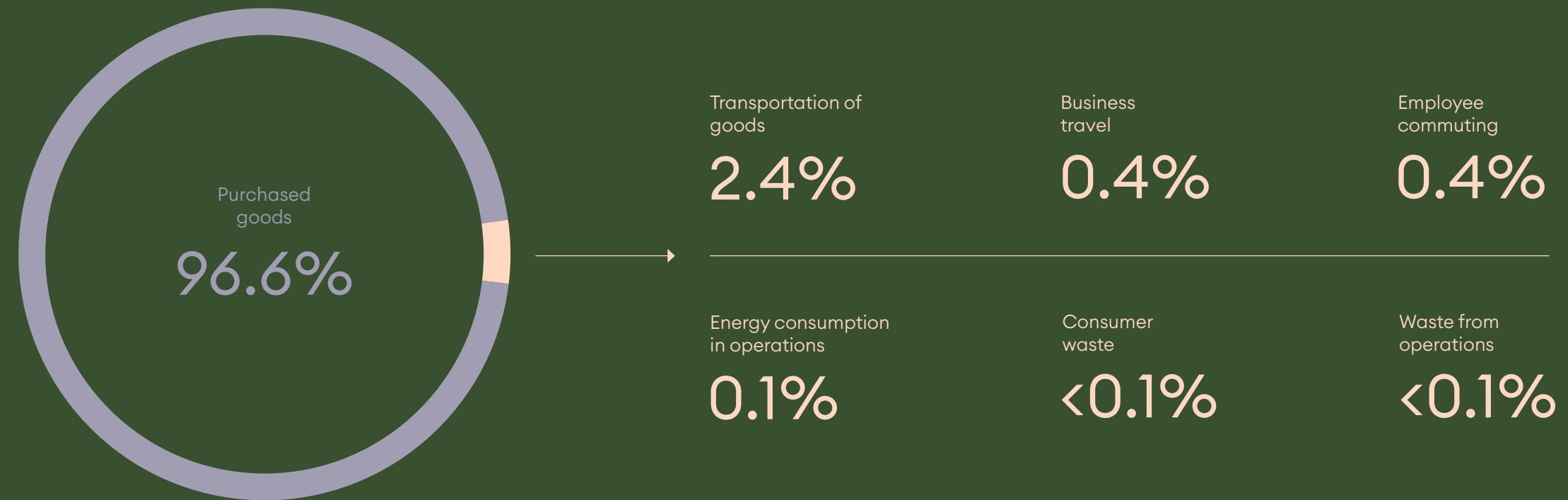


ROADMAP

Carbon emissions roadmap 2022 to 2040



Source of carbon emissions 2022



Carbon emissions (tonnes CO₂e):

	Location-based	Market-based
Scope 1	304	304
Scope 2	96	30
Scope 3	161,993	161,993
Total	162,393	162,327

Renewable electricity:

100%

through the purchase of Guarantees of Origins (GOs)

Cut emissions by at least

60%

by 2030 (absolute emissions: scope 1, 2, 3)

Calculating our carbon emissions

In 2022, with support from Schneider Electric, we conducted our fourth annual carbon footprint calculations. They show that our largest source of emissions, 99.8%, is in scope 3 and only 0.2% in scope 1 and 2. The main scope 3 categories are: purchased goods and services 96.6% and transportation of goods 2.4%.

We aim to make 2022 our base year and will measure and report on progress annually.

Action to reduce our carbon footprint

We're continuously working to reduce our carbon footprint across the value chain.

Since 2022 we buy traceable renewable energy certificates, Guarantees of Origin (GOs), to match electricity consumption from all our direct operations. This means we've contributed to generating an amount of renewable energy that's equivalent to our scope 2 electricity emissions. We also bought certificates to cover our electricity consumption in 2022.

As a virtual company, we outsource our production, logistics and warehousing, which means we need to work with our partners to reduce the impact of our operations and products. To better understand our partners' level of maturity, we asked a selection of them about their carbon reduction targets and what they're doing to reach them. This showed that our suppliers are in very different positions. Some have already set Science Based Targets and are taking structured action to reduce emissions, while others are right at the start of their sustainability journey. We'll gradually increase our demands, to make sure that our partners take action. Our ambition is to engage all our suppliers in reporting carbon emissions and setting targets in the coming years.

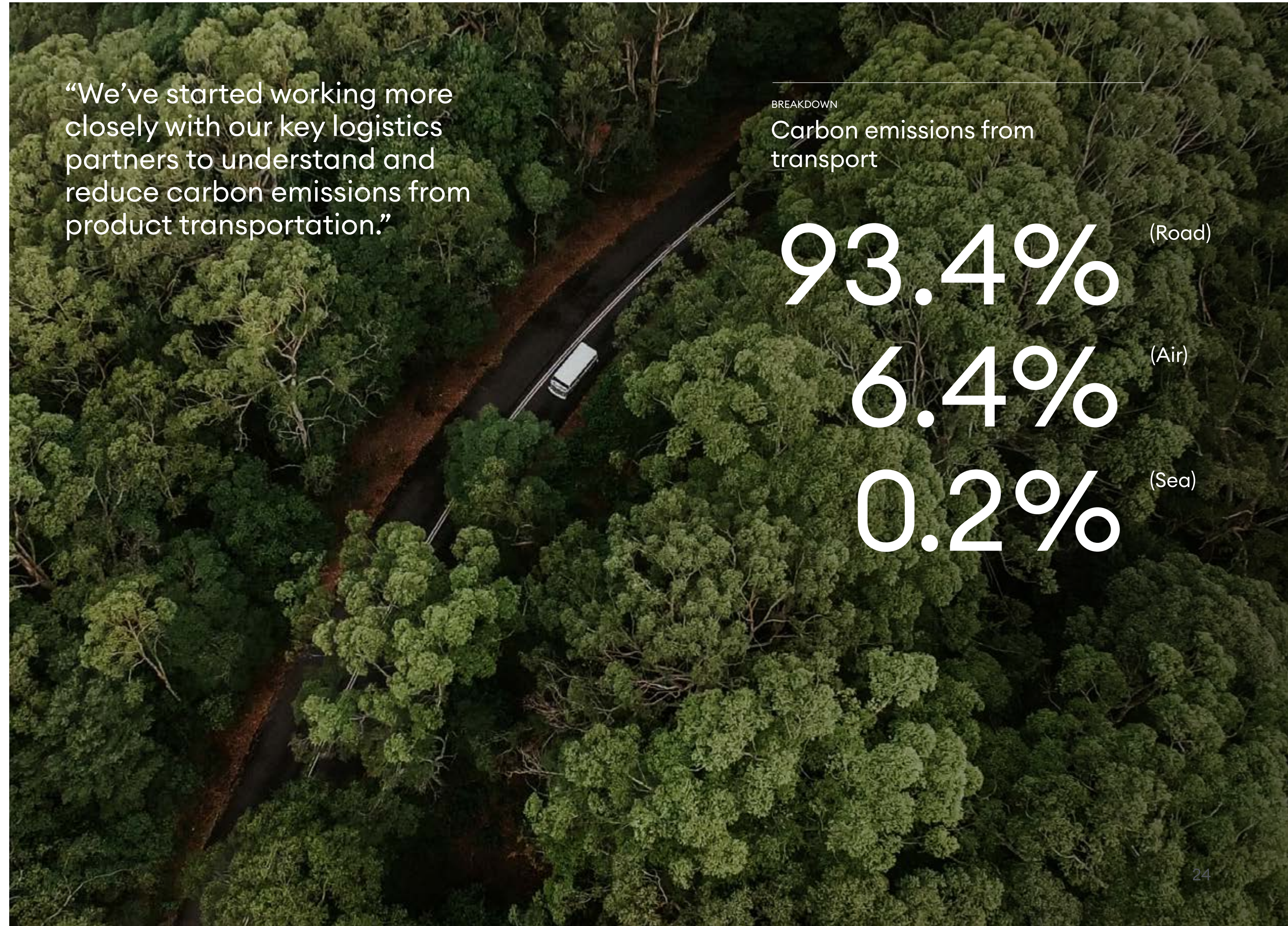
A range of packaging projects are underway that will contribute to reducing our carbon footprint. For more on them, see the section on Packaging on page 25. →



We've started working more closely with our key logistics partners to understand and reduce carbon emissions from product transportation. Our initiatives include consolidating our supplier and warehouse network to streamline transportation and boost efficiency, while reducing costs and emissions. We also have opportunities to improve internal planning, consolidating shipments from key suppliers to make sure we fill more trucks fully. We've eliminated all regular air freight, except small shipments to distributors in distant markets where we don't have feasible sea or land options.

Our suppliers are almost exclusively based in Europe, and in 2022 we relentlessly continued our work to reduce complexity and consolidate our supplier base. In 2022, we made several big acquisitions, leading to an increase in our supplier base to 123 direct material suppliers. However, through product transfers, full-service sourcing and pruning, we've reduced and consolidated our supplier base to further streamline freight and orders, as well as reduce our carbon footprint.

As part of our commitments, we have offset our scope 1 and 2 emissions (342 tonnes CO₂e) by investing in a Gold Standard certified project in Kenya. Gold Standard projects meet strict criteria for environmental and social responsibility, in addition to carbon reduction. This specific project distributes affordable, energy-efficient cookstoves to families in rural Kenya, which, on top of cutting emissions and reducing pressure on forests, improves the families' health by reducing harmful smoke. Time is also freed up for the women and children who are primarily responsible for cooking and collecting fuel.



“We've started working more closely with our key logistics partners to understand and reduce carbon emissions from product transportation.”

BREAKDOWN

Carbon emissions from transport





CASE: Reducing impact from packaging

Unpacking sustainability

We're on a mission to bring our packaging into line with our 5R strategy. In 2022, we set about showing our brand teams exactly what that's going to take. And leading the way is Neil Holden, our Head of Packaging and Supply Quality.

'Those 5Rs are a useful conversation starter for the teams behind our brands,' says Neil. 'We look at every brand and ask if it's possible to make changes. We start by encouraging teams to rethink their approach to packaging. That's the first of the Rs, and it opens their minds to the others. Can we remove packaging altogether? Can we reduce it? Our ambition is for all our packs to be recyclable by 2027, so how can we further that? Can we switch to sustainable materials? All our new cardboard packs have to be from sources certified by the Forest Stewardship Council (FSC), for instance.'

Unravelling complexity

The 5Rs also show how complex sustainable packaging can be, and how important product development decisions are to our environmental

impact. As Neil explains: 'We've removed plastic from secondary packaging, apart from shrink wrap, and our teams see how that matters. But it's not just the environmental impact of the packaging materials themselves. It's how they affect emissions from transporting products. The design of the pack dictates how efficiently we use the space on each truck. And the weight of the pack's materials decides how much fuel it takes to move them.'

Neil describes his role alongside Head of Design Steve Binding as educational. 'We're coaching our teams. Our intention isn't to have a big sustainability function as this is everyone's responsibility. So ultimately, it'll be down to our commercial teams to realise our goals. The 5Rs checklist is also a tool for our Innovation and Growth Board, which signs off new products. So it's part of governance.'

We've already made progress. As well as switching Mabs compression socks from a plastic pack to a board-based carton, we've removed

the outer carton for our Decubal product. That saves materials, but also simplifies the supply chain as there's one less component to design, make and replenish.

In 2023, as well as focusing on our existing brands, we'll work on ways to make some of our recent acquisitions more sustainable. That could mean making plastic bottles recyclable and redesigning them to use pallet space more efficiently, or overhauling whole ranges. As Neil says: 'We've got a responsibility to make ourselves more sustainable, and we have to get there.'



Neil Holden

Reducing our packaging footprint

Packaging is a complex area, as our product portfolio is so broad. We're working to reduce the environmental impact of our packaging by using the 5R principles – Rethink, Remove, Reduce, Renew and Recycle. This means we want to remove all unnecessary packaging, minimise material use, introduce more recycled materials, and make sure that all our packaging is recyclable at the end of life.

For plastics specifically, we've set targets to reduce our absolute consumption of virgin plastics, and increase our use of recycled material. In 2022, we started the detailed mapping process of our packaging components to understand our starting point.

Our packaging improvement plan has two main workstreams. The first is identifying and acting on opportunities to improve our current packaging. By way of example, in 2023 we have reworked the packaging for our Mabs compression socks, introducing a board-based carton to replace the current plastic packaging. Replacing fossil-based plastic with an FSC-certified renewable material reduces the packaging's environmental footprint. Additionally, the carton manufacturer is located close to the sock manufacturer, which reduces transport costs and emissions.

We've also reviewed our use of post-consumer recycled (PCR) plastic. New Remescar product launches now use PCR plastics, and we plan to extend our use of PCR onto more brands in line with our commitment to use 30% recycled materials in our packaging.

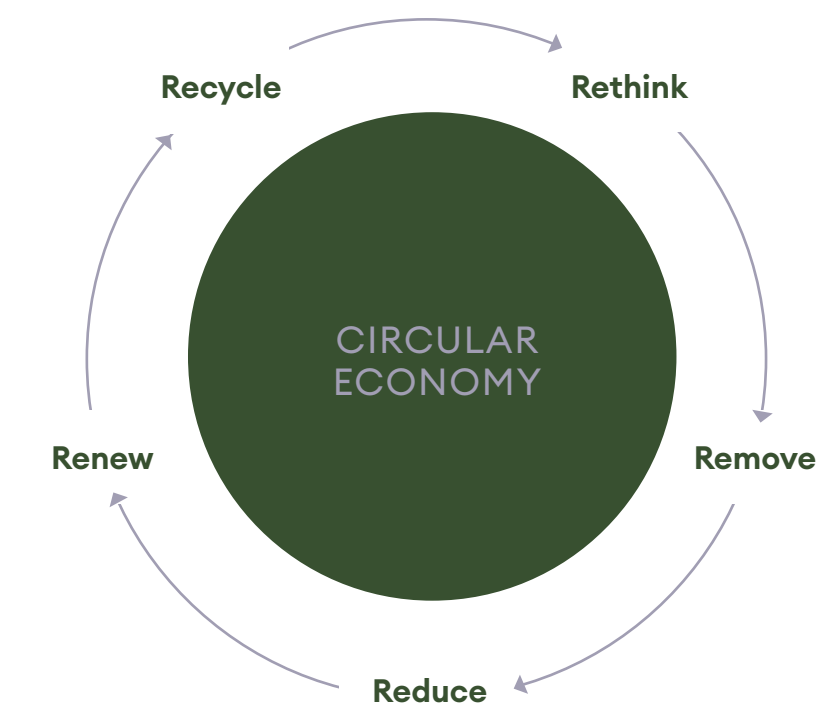
We're also working to make sure new products meet our key requirements at launch, for example in terms of recyclability. In 2022, we introduced a checklist in our innovation development process to make sure every new launch considers packaging sustainability.

As we committed to do in 2021, we've removed plastic used as secondary packaging (apart from shrink wrap) for all brands, except those we acquired in 2022. We'll continue to work on this commitment.

In 2022, our wellness brand Flux and foot health brand CCS worked with the Swedish recycling initiative Bower Collective to promote consumer recycling. We've decided not to renew the partnership, as consumer engagement was lower than expected. Instead, we're planning more efficient ways to encourage our consumers to recycle in countries beyond Sweden. In the UK, we joined the On-Pack Recycling Label (OPRL) initiative to help businesses increase recycling rates by providing tools and support, as well as a widely recognised set of labels. By using OPRL-developed recycling labels in the UK, we hope to improve our recycling communication to consumers and contribute to improving recycling rates.

CIRCULAR ECONOMY

Reducing our packaging footprint



- **Rethink:** change of design or format
- **Remove:** eliminate unnecessary components
- **Reduce:** lightweight the components
- **Renew:** replace plastic with renewable carton board, or use recycled materials
- **Recycle:** make sure all components are recyclable at end-of-life

CASE: Alpha Foods

Reducing impact from packaging

Many of Alpha Foods' plant-based food and dietary supplements are sold in a cylinder-shaped container made of carton board, plastics and aluminium. This year, we've been working on updating the packaging format to reduce the amount of material used and to make the production, transportation and warehousing of this packaging more efficient.

The new pouch, which we will be introducing gradually from Q2 2023, is only made of plastics. This reduces the amount of packaging used by more than 70% by weight – or by an estimated 44 tonnes of waste on an annual basis. We also decided to stop adding a plastic scoop to every bag by default. Instead, we sell the scoop separately to consumers who specifically want it, saving an additional four tonnes of plastic waste.

By being more efficient to pack and ship, we estimate that this new type of packaging will reduce transport and warehousing costs by more than 20% – which in turn means a

reduction of carbon emissions too. Finally, the new pouch is also more stable, which makes it more efficient to produce, ultimately leading to lower production costs.



Alpha Foods is a nutritional lifestyle brand focused on herbal blends, vegan proteins, collagens and food supplements. Alpha Foods is one of our biggest digital-first brands.

Protecting ecosystems

Biodiversity is the foundation of healthy ecosystems, and we affect local biodiversity, for example through our sourcing practices.





Natural raw materials are part of many of our products, including our packaging. We may not source the raw materials directly – our suppliers are typically responsible for that – but we're responsible for their sustainability.

Our target is for all our materials from agricultural, forest and marine environments to be sustainably sourced and deforestation-free by 2030. This includes materials such as paper and carton board, palm oil and soy. We're now collecting data on the amount of material we use and where it's sourced from. Several of our brands are already using FSC-certified paper and board, and we'll continue to implement this across all brands. For other materials, the next steps will include action plans for how to reduce our impact.

In our materiality assessment, we concluded that water consumption is material for us. We'd planned to focus on this during the year, but due to other priorities we're now planning to take the first steps during 2023. Working with our suppliers, we want to understand our impact by mapping water consumption and waste water in production, from specific raw materials and from consumer use. Based on this we'll develop a plan to reduce our impact. ●




Commitments and targets


-  **Goal reached**
-  **On track**
-  **Acceleration needed**
-  **New**

Commitment 1 Net-zero climate impact

Goal: Net-zero emissions by 2040 (scope 1, 2, 3)


Status: Acceleration needed 

Goal: Cut emissions by at least 60% by 2030 (scope 1, 2, 3)

Status: New 

We've improved accuracy of our footprint measurements, and decided to make 2022 our base year. In 2023, we'll create a carbon reduction roadmap to 2030, defining annual targets for absolute decreases. We'll also start the process to have our targets verified by the Science Based Targets initiative. (Goal 1 in Annual Report 2021).

Goal: Net-zero transports from supplier to customer by 2030

Status: Acceleration needed 

Emissions from transports constitute 2.4% of our mapped emissions. Comparisons with previous years are difficult since we've improved our methodology in 2022. In 2022 we reduced the cost and impact from transports in several ways, from structural improvements like creating more central hubs to reduce complexity, to smaller initiatives reducing share of express shipments. Our fill rate for full truck-loads has remained stable at 81%. (Goal 3 and actions 3.1, 3.2, 3.3 in Annual Report 2021)

Goal: 100% renewable electricity in own operations

Status: Goal reached 

Since 2021 we've purchased traceable renewable energy certificates, Guarantees of Origin (GOs), to match the energy consumption from all our operations (scope 1 and 2 emissions). (Goal 1 in Annual report 2021)


Goal: Offset remaining scope 1 and 2 emissions

Status: Goal reached 

We've offset our scope 1 and 2 emissions (342 tonnes CO2e) by investing in a Gold Standard certified project in Kenya. (Goal 1 in Annual Report 2021)

Commitment 2 A circular, waste-free world

Goal: 50% less virgin plastics in our packaging by 2030

Status: Acceleration needed 

Several initiatives aim to reduce the amount of plastics we use. One example is replacing the Mabs plastic pouch with a carton, to be launched in 2023. We've removed all secondary packaging made from plastics (excl. shrink wrap), with the exception of brands acquired in 2022. We aim to improve our packaging data to report progress in our next report. (Goal 2 and action 2.2 in Annual Report 2021)

Goal: 30% average recycled content in our plastic packaging by 2025

Status: New 


We're testing the use of post-consumer recycled (PCR) plastics in some of our digital-first brands. We're evaluating options to introduce PCR in more packaging, but this is challenging because of limited supply and higher prices.

Goal: 100% of packaging reusable or recyclable by 2027

Status: New 


58% of our portfolio by weight has been assessed. Out of these, 80% of packaging is considered recyclable.

Goal: Encourage consumers to recycle packaging with clear recycling information on packs and other channels

Status: On track 

During 2022 our brands Flux and CCS took part in the Swedish recycling initiative Bower Collective to promote consumer recycling. We recently became members of On-Pack Recycling Label (OPRL) and will work to improve on-pack recycling information for our UK products. (Action 2.1 in Annual Report 2021)


Goal: Send no waste to landfill from Karo operations by 2025

Status: New 

During the year we scrapped more than 1 million units because they were obsolete or discontinued, but sent no products to landfill. We're working to improve our processes to lower the number of obsolete products.

Commitment 3 Protecting ecosystems (water and nature)

Goal: 100% FSC-certified or recycled paper and board by 2025

Status: Acceleration needed 

We're gradually shifting to FSC-certified paper and board. We're collecting data about our baseline and expect to share progress in our next report. (Action 2.3 in Annual Report 2021)

Goal: All agricultural, forest and marine derived materials should be sustainably sourced and deforestation-free by 2030 (including palm oil, paper and board, and soy)

Status: New 

We've started to map our use of palm oil and soy and will create action plans on how to reduce our impact in 2023.



3. Fair society

We want to contribute to a fair, equal and inclusive society as a responsible employer and throughout our value chain. This includes making sure our own workforce feels empowered and engaged; that everyone feels that they can be themselves at work and that we give equal opportunities to all. The same ethical standards apply to our suppliers and business partners.

Our long-term commitments are to:

- have an empowered and engaged workforce
- support a diverse and inclusive business and society
- secure fair jobs throughout our value chain
- ensure responsible and ethical business practices





A self-empowered organisation and Scaled Entrepreneurship

An engaged workforce

Our social impact starts within our own business. We want to provide an opportunity for our employees to create something that's meaningful and bigger than each individual; something that gives a sense of purpose.

Keeping people engaged and connected is doubly important when we're growing fast and welcoming many new people. To track our progress, we run employee engagement surveys twice a year. In 2022, the employee net promoter score (eNPS) increased from 33 to 50¹, where a score of 50+ is defined as 'excellent' by Bain & Co, who invented the eNPS.

We also scored 4.3 out of 5 from employees rating our strategy and communication, culture, leadership, and wellness and inclusiveness. This tells us that our colleagues understand our purpose and goals, and that they are fully behind what we're trying to achieve. And that's also a tribute to them, not just our way of working.

In the past two years, we've started several initiatives following feedback from engagement surveys. We've created a recognition toolkit, which, among other things, helps people managers give their employees continuous feedback. We've also launched a programme to recognise our employees. We call it Karo Karma, as it's linked to people doing good and spreading their karma the Karo Way, in line with our values: Challenge, Act, Connect and Care.

One area of improvement the engagement survey highlighted is work-life balance and stress levels. Our employees' wellbeing and health and safety are a priority, as it helps to keep employees satisfied and motivated, while

¹ In response to the question 'how likely is it that you would recommend Karo Pharma to a friend or colleague?'

We strongly believe in the strength of diverse, self-empowered teams working cross-functionally to serve our brands and consumers in the best way possible. We want to offer colleagues an engaging environment that provides learning opportunities, and to optimise our ways of working – which are inspired by start-up methods and mindsets. To make sure we can react rapidly to changing markets, we've created autonomous brand and consumer-centric teams, supported by expertise and standardised capabilities of repeatability and scalability. We call it Scaled Entrepreneurship.

The organisational structure of Scaled Entrepreneurship consists of four types of teams:

1. Squads are empowered cross-functional teams with overall responsibility for managing a category or brand to optimise growth and profitability.
2. Tribes organise our go-to-market channels and drive best practices across brands and categories. They're responsible for executing and activating brands in the marketplace.
3. Guilds make sure we operate effectively across standard processes within, for example, Operations and Finance. The Guilds are accountable for standardisation, repeatability and scalability, and set the standard for efficiency across Karo.
4. Centres of Excellence (CoEs) are competence centres for Squads, Tribes, Guilds or specific projects to draw on. Innovation and Sustainability are examples of CoEs.



safeguarding our status as an attractive employer. To help our employees, we offer health insurance, keep-fit subsidies and regular ergonomic inspections of workstations and office equipment.

We aspire to be a self-empowered organisation, focused on serving consumers with our brands and unleashing the creativity of our colleagues. Through our newly-implemented way of working, Scaled Entrepreneurship (see fact box), we'll make better decisions closer to the consumer, improve efficiency and speed, and create engaging, fun roles and connectivity across Karo.

In 2022, our workforce grew from 330 to approximately 400 employees, so a good onboarding process is important to make sure all newcomers get the same introduction to our history and culture, as well as essential processes and policies. Our onboarding experience score shows great feedback from newcomers joining in 2022, who gave us 4.4 out of 5. The onboarding includes a welcome kit with information, videos, specific training and follow-up.



CASE: Talent management

An environment full of opportunities

Karo offers a work environment full of opportunities for our people to grow, and Jip Kelderman is the proof.

Three years after joining Karo as a supply chain co-ordinator in the Netherlands, she's now our Head of Planning and is based in Stockholm. 'The opportunity to add an international dimension to her career by moving from her native Netherlands to Stockholm, has been a great chance for me to grow', says Jip.

A fast moving environment

She now manages a team of 11 planning and supply specialists, making sure Karo's customers are supplied with products. It's a busy role. Her team works with over 120 manufacturers plus international distributors and other external stakeholders. It can be unpredictable too, with plenty of short-term challenges to overcome. But it's a supportive environment

as well as a fast-moving one, says Jip: 'There are great managers here who inspire me and are great role models. They also mentor me, without me having to ask. That's very much part of how people are here.'

Feeling a warm welcome for new ideas

It's also an environment open to new ideas. We're currently trialling the order portal that Jip and a colleague suggested. Jip says: 'It's a culture where nobody has a monopoly on ideas, and everyone can learn from each other.'

'There's also a balance between people with a lot of industry experience, and newcomers who bring a different perspective. In my own team, I have 11 experts. I don't need to tell them what to do or how to be good at planning. Instead, I just have to listen to them as we work together to find smarter ways of doing

things. While you can push your own ideas here, you can also absorb them from others.'

Enjoying the buzz of an international business

Jip enjoys the people, the energy and the drive of Karo. Many of her colleagues come from other countries and cultures, which Jip believes adds perspectives in discussions. 'We are all working towards the same goals, but there are many ways to get there.'

One of the most valuable experiences, says Jip, is also being able to work with different disciplines: 'I'm working with finance, master data, quality assurance and regulatory, the commercial teams and many more. We all listen to each other, finding out what matters to the others, how I fit into the organism, and how our interests overlap. That makes it a lot more fun to work together on improvements.'



Our employees, diversity and inclusion

Our social agenda is well advanced through our workplace practices, culture and employee engagement. We prioritise an environment marked by diversity and inclusion, where our people feel they can be themselves and learn and develop as individuals and professionals.

We want to attract competent and high-performing people who fit into our culture regardless of gender, gender identity, sexual orientation, ethnicity, race, religion, country of origin, disability or age. We've defined KPIs for continuous progress on this commitment.

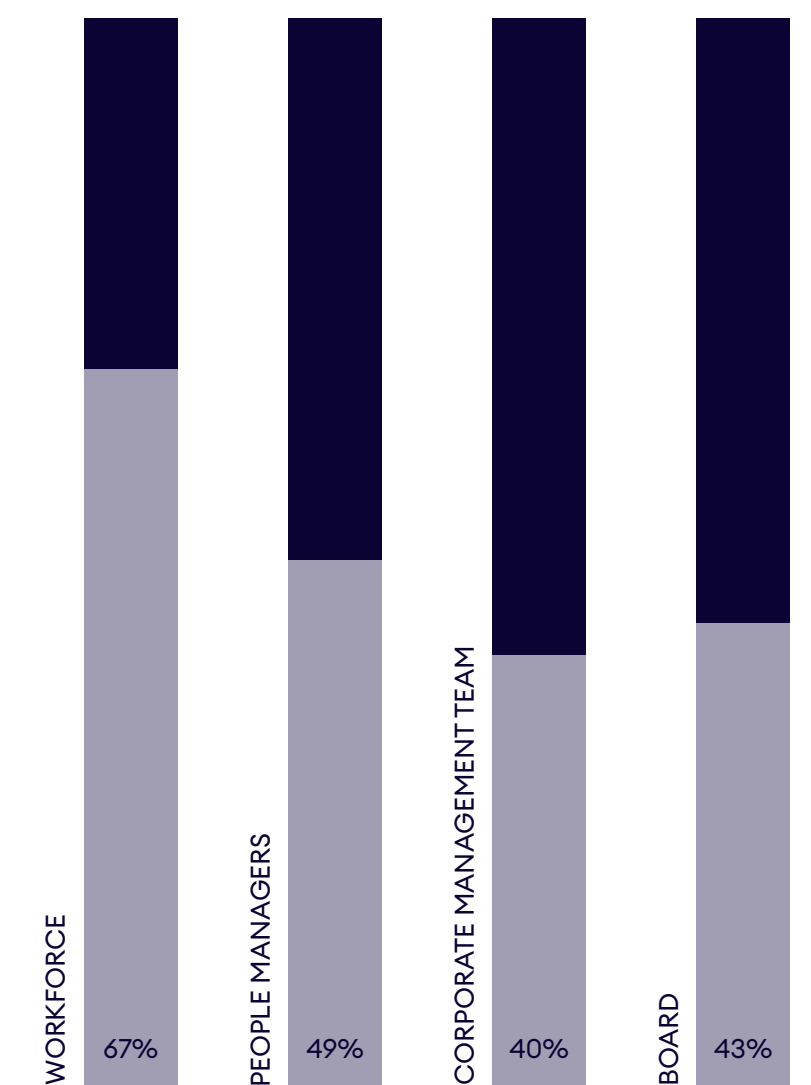
We aim for an even distribution of both genders in our Corporate Management Team and among people managers. Our current proportions are 40% women in the Corporate Management team, and 49% among people managers. On our Board of Directors, women represent 43%.

We value diversity, and our approximately 400 employees include 36 different countries of origin. As an international company, we want to make sure that our employees also reflect the diversity of our markets and consumers. We're confident that a dynamic workplace with diverse backgrounds and experiences makes our teams more productive and contributes to a more successful business.

DIVERSITY

Gender diversity among employees

● MEN
● WOMEN





“Every year, we assess all our suppliers according to four sets of criteria, including sustainability. Based on the results, we agree on a corrective action plan.”

Looking beyond our business

The majority of our impact on both people and the planet takes place outside our direct operations. As a virtual business, we don't own any manufacturing sites or warehouses, but instead work in close partnership with external suppliers who provide these services. Clear requirements and expectations of our external suppliers are critical to making sure they live up to our standards, and that we're working together to meet our targets to reduce impact across the full value chain.

The minimum requirements for all our partners, including our direct suppliers, are in our Supplier Code of Conduct. The code is based on relevant ILO (International Labour Organisation) and UN conventions and lays out standards for human and labour rights, environmental responsibility and anti-corruption. All direct suppliers have to sign off on this code, and in 2022, suppliers representing 82% of our spend signed our code or agreed to a comparable code. We are working to achieve 100%.

Our suppliers are assessed according to four sets of criteria, including sustainability. A major mapping was completed in 2021 and we will update this regularly. Based on the results, we agree on a corrective action plan. As a next step, we'll assess how to further evaluate our suppliers' sustainability performance on an ongoing basis. This helps us understand our supply chain risks, and mitigate our risks more effectively. It will also create clearer direction for our suppliers and support their sustainability journey.

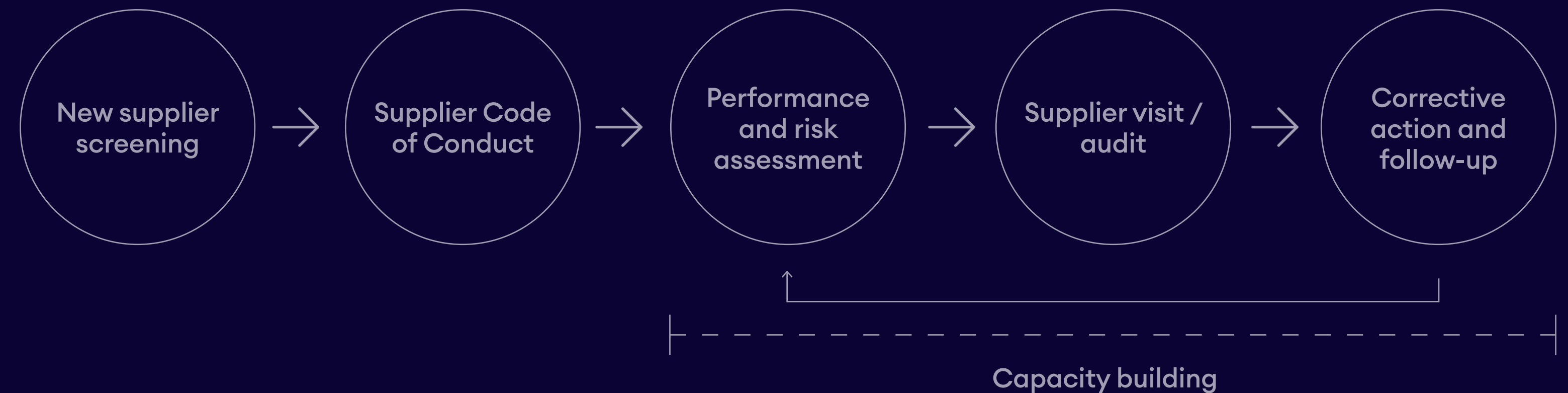


In the next phase, we will conduct an internal audit, screening and evaluation of a sample of key suppliers. Because of limited resources, we couldn't do this in 2022, but it will happen in 2023. The focus will be suppliers' compliance with the Supplier Code of Conduct and their ongoing sustainability work and climate ambitions.

In 2022, Karo joined the Pharmaceutical Supply Chain Initiative (PSCI), an organisation committed to promoting responsible supply chain standards by bringing members together to define and encourage responsible business practices. Through the PSCI, all our direct suppliers have access to educational events, where they can learn more about relevant topics and 'beyond compliance' best practice topics.

Managing sustainability with our suppliers

Integrating sustainability requirements within our sourcing practices is an important step of moving towards a more sustainable supply chain.





“We’re always striving to improve our processes and tools around compliance, as well as supporting our employees in making good choices.”



Ethical standards

Being responsible and keeping to the highest standards of ethics and transparency is central to who we are, how we behave, and how we run our business. It goes without saying that we live up to international principles and policies. But we also do everything we can to set an example for our partners and our industry. This matters in an era where business success is no longer defined just by financial measures, but also by conduct.

We’re always striving to improve our processes and tools around compliance, as well as supporting our employees in making good choices. The foundation is our Code of Conduct, which sets out our expectations and ethical guidelines around, for example, relationships with business partners.

Our management system comprises 11 key policies on corporate responsibility, covering environment and business ethics, as well as procedures for legal and quality compliance, and patient safety. All our employees must sign off on these policies.

We encourage all types of continuous feedback and ideas from our employees. During 2022, we implemented a new whistleblowing policy, process and system, with the support of an external partner. Employees can now raise concerns anonymously through this channel, and a specific committee oversees and takes action when required, making sure we follow up cases. ●



Commitments and targets

- Goal reached**
- On track**
- Acceleration needed**
- New**

Commitment 1 An empowered and engaged workforce

Goal: Provide a great employee experience and achieve an employee Net Promoter Score (eNPS) of 30 or higher ('Recommend to a friend')

Status: Goal reached

The employee net promoter score (eNPS) increased from 33 to 50 (average score from two engagement surveys held in June and December 2022). The participation rate was 81%. A score of 50+ is defined as 'excellent' on Bain & Co's scale. (Goal 4 in Annual Report 2021)

Goal: Ensure a culture of continuous feedback, where all employees receive annual performance reviews

Status: Goal reached

In the employee engagement survey Karo colleagues ranked the company's recognition culture 4.2 (scale 1-5), a similar score to 2021. The question about whether there is a culture of feedback at Karo scored 4.4 (increase from 4.2). (Action 4.2 in Annual Report 2021)

Goal: Provide an attractive and safe physical work environment and employee benefits like wellness contributions and wellness and social activities for all employees

Status: Goal reached

We scored 4.4 on the Wellness and Inclusion section of the engagement survey, a slight increase from 4.3 in 2021. All employees receive a financial wellness contribution and we organised several social activities throughout the year, including 'Move for a smile' where 250 employees participated and raised money for charity. (Action 4.3 in Annual Report 2021)

Commitment 2 A diverse and inclusive business and society

Goal: Create a diverse team that reflects and represents the communities we operate in. Diversity measured as a minimum of 30 different countries of origin to make sure we include different backgrounds

Status: Goal reached

In 2022 our workforce included 36 nationalities. The statement 'I can make my voice heard' scored 4.3 (4.4 in 2021). (Actions 5.1 and 5.3 in Annual Report 2021)

Goal: Ensure all management levels are gender balanced (at least 40% of each gender measured for Board, CMT and Senior Managers)

Status: Goal reached

The Corporate Management team consists of 40% women and 49% of people managers are women. On our Board of Directors, women represent 43%. (Action 5.2 in Annual Report 2021)

Commitment 2 Fair jobs throughout our value chain

Goal: Make sure all our direct suppliers have signed the Supplier Code of Conduct

Status: Acceleration needed

We expect all our suppliers to comply with our Supplier Code of Conduct, which we've communicated to all our suppliers. By the end of 2022 suppliers representing 82% of our spend had signed our code or agreed to a comparable code, which is short of our 100% target. We'll work on reaching the target in 2023. (Goal 8 and Action 8.2 in Annual Report 2021)

Commitment 3 Responsible and ethical business practices

Goal: All employees to participate in annual ethics and anti-corruption training

Status: Acceleration needed

The share of employees we trained in ethics and anti-corruption during 2022 was 72%. We launched a new Learning Management System (LMS) in December 2022 and we're introducing a new digital anti-corruption training for all employees in 2023. (Action 7.2 in Annual Report 2021)

Goal: New employees to read and understand our ESG policies and commitments within six months of joining Karo.

Status: Acceleration needed

We are unable to provide data for 2022. We'll simplify access to training on all policies by implementing digital training in the LMS during 2023. (Action 7.2 in Annual Report 2021)



Governance

- [Materiality assessment](#)
- [Our stakeholders](#)
- [Sustainability governance](#)
- [Sustainability risks](#)
- [About this report](#)

Materiality assessment



Pinpointing what matters most

Our materiality process makes sure we're addressing all the areas that matter most on the journey towards becoming a more sustainable business. The process starts with identifying what these areas might be, and then prioritising them. We then make sure the business as a whole deals with them.

Our approach has been to assess these areas in terms of both their potential impact on our business results, and our impact on people, the environment and society.

In 2022, we reviewed and updated the materiality assessment we conducted in 2021. This included doing an in-depth peer review, identifying industry best practice and getting input from key stakeholders, while making sure we were up to date on the latest developments in science.

The result is an updated list of 20 material areas, grouped under five main topics. We added some new areas to our list, for instance biodiversity and ecosystem impacts, and talent management. In other cases, to simplify, we grouped all sub-areas related to climate change and energy into one topic. We did the same for sub-areas related to water and packaging and waste. ●

Our most important material areas are:

- Advancing consumer health and wellbeing
- Product quality and safety
- Climate change and energy
- Talent management and employee development
- Ethical business conduct.

Our full list of material areas 2022

TOPIC	MATERIAL AREA
Health and wellbeing	<ul style="list-style-type: none"> Advancing health and wellbeing Nutrition and diets Access and affordability of products
Environmental stewardship	<ul style="list-style-type: none"> Climate change and energy Water Packaging and waste Sustainable sourcing Biodiversity and ecosystems impacts Responsible product innovation Responsible consumption Circular economy
Social responsibility	<ul style="list-style-type: none"> Product quality and safety Workplace health, safety and wellbeing Diversity, equity and inclusion Talent management and employee development Labour and human rights
Ethical conduct	<ul style="list-style-type: none"> Ethical business conduct Responsible marketing and sales practices Animal testing and welfare
Economic	<ul style="list-style-type: none"> Social and economic contribution

Interacting with our stakeholders

To protect our long-term profitable growth, we need to understand and respond to the demands and expectations of our stakeholders, both internal and external. We are in regular contact with important stakeholder groups to monitor their changing needs, and hear their views on our business and strategy to make sure we stay relevant.

Our stakeholders expect us to aim for the highest standards of social and environmental sustainability, and we're determined to meet these expectations.

Our key stakeholder groups include: our consumers, customers and healthcare professionals, employees, suppliers, shareholders and wider society.

Consumers

Our consumers are at the centre of what we do. We continuously listen to them through different direct channels like our customer service and social media, focus groups and online service, and by gathering specific brand insights.

We want to raise awareness about treatment options across all our everyday healthcare categories. That's how we contribute to improving quality of life and breaking down the barriers that could stop people dealing with their everyday health issues. By engaging with consumers, we also learn more about their needs – insights which we use to improve our products and give them an even better experience.

Customers and healthcare professionals

We engage with customers and healthcare professionals

in each of our markets to strengthen our relationship and make sure we offer innovation, educational materials and activities that help our customers meet consumers' needs and simplify their choices. The insights we gather inspire product development as well as new services and support for end-users.

Employees

Our employees are key to our success. We listen to and communicate with our employees in various ways. Twice a year, we run a company-wide employee engagement survey. We hold regular virtual townhall meetings where all employees can ask questions directly to the CEO. And through our internal communication channels, we share company news. We're a flat and non-bureaucratic organisation that empowers people to make their own decisions.

Suppliers and business partners

Stable and long-term relationships with our strategic suppliers are important for our growth and development. Our supply, sourcing and quality teams frequently communicate and meet with our direct suppliers. Each year, we assess all our direct suppliers on supply, quality and sustainability. Suppliers also have a regular quality audit from our quality team.

Shareholders

We want to give our owners good risk-adjusted returns. We deliver on our shareholder commitment by executing our strategy and delivering on our purpose. As part of this, sustainability is a regular topic at board meetings.

Society

We help advance global health and wellbeing by offering high-quality healthcare products and services. We're working to increase awareness around everyday healthcare, reducing social stigma, and providing information and education that help to treat and overcome health issues. We also contribute to a fair, equal and inclusive society as a responsible employer, and by working with our suppliers and other partners. ●

We are a participant of:

UN Global Compact

Visit site
→



We are a member of:

The Pharmaceutical Supply Chain Initiative (PSCI)

Visit site
→



Platform for Innovation of Existing Antibiotics (PLATINEA)

Visit site
→

The Swedish Cosmetics, Toiletries and Detergents Association (KoHF)

Visit site
→

On-Pack Recycling Labels (OPRL)

Visit site
→

Sustainability governance



Structures and accountability

Responsibility for implementing our sustainability strategy lies with the Head of Sustainability, together with the Group Management Team. We recruited a Head of Sustainability in 2022, and she reports to Vice President of People, Sustainability and Corporate Communications, who in turn reports to the CEO.

The Board of Directors gets regular sustainability updates, and our private equity owners, EQT, receive regular news. In 2021, board members and the Corporate Management Team created a steering committee¹ for sustainability issues, with the objective to oversee and drive our sustainability agenda. The steering committee reports to the CEO and held regular meetings throughout 2022.

We don't have a large sustainability department as we believe that a sustainability mindset should be integrated into everything we do and is a distributed responsibility. Accountability for how we implement and perform against our sustainability strategies, goals and policies should be part of respective business functions and their targets. We're working to implement this through our new way of working, which we call Scaled Entrepreneurship. In this model, the sustainability function is a Centre of Excellence (CoE) – a competence centre that gives expertise to all parts of the organisation, including the brand, operations and project teams, who in turn are responsible for driving action.

Policies, guidelines and regulations

We're governed by both external regulations and internal control documents. Key internal policy documents include our Code of Conduct, as well as specific policies relating to quality, bribery and anti-corruption, diversity and inclusion, health and safety, sustainability and environment, privacy and IT, patient safety, data integrity and risk management. We manage our suppliers and other business partners through our Supplier Code of Conduct.

We have procedures for making sure we comply with laws and quality standards, and promote patient safety. We store our policies in Advantum, our version-controlled document management system. All new employees must verify that they've read and understood all policies. We have regular external audits to see that our management system is effective. We also hold permits to deal in pharmaceuticals and Good Manufacturing Practice, Good Distribution Practice and ISO 13485 standards, and we're qualified to ensure patient safety by complying with the EU directive on pharmaceuticals for human use.

This means we can pledge to safeguard product quality and patient safety for consumers and patients throughout the value chain, from production to customer service. After our products reach consumers and patients, we monitor quality assurance and patient safety data through a person responsible for pharmaceutical monitoring, appointed by the regulator. They see that we maintain a system for reviewing products, and that we evaluate products' risks and benefits continuously. To protect patient safety, we train all staff each year to keep their knowledge up to date. ●

¹The steering committee consists of the Head of Sustainability, Vice President People, Sustainability and Corporate Communications, COO, CMO and CEO. The board member Kristofer Tonström also participates regularly.

Sustainability risks

We identify and analyse risks that could have a material impact on our operations. We do the same with risks that our business carries for the environment, people and communities. We review these risks annually.

Risk	Description	Mitigation
Climate change – emissions from our operations and products	Emissions from our products and operations contribute negatively to the climate crisis.	<ul style="list-style-type: none"> - We're implementing our carbon reduction strategy, which will help lower our impact across the full product life cycle. - We're planning to get our climate targets approved by the Science Based Targets initiative (SBTi). - Since 2021, we've bought traceable renewable energy certificates (GOs) to cover our scope 2 electricity consumption.
Climate change – weather impacts on our supply chain	Our direct suppliers and supply chain are at risk from short-term weather-related disruption and long-term impacts of changing weather patterns. The result could be a shortage of resources or raw materials, leading to a lack of stock and potential health risks for patients.	<ul style="list-style-type: none"> - We're in close contact with suppliers, continuously evaluating deliveries and priorities. This allows us to respond quickly to potential disruptions. - We have several suppliers with similar capabilities in different locations across Europe.
Working conditions and human rights	Social risks in our supply chain include excessive working hours, low wages, and threats to health and safety, gender diversity and freedom of association. These risks can occur at our direct suppliers, at component and ingredient suppliers and in extracting raw materials.	<ul style="list-style-type: none"> - We set out our minimum requirements for working conditions and human rights in our Supplier Code of Conduct, which our suppliers have to sign and extend to their own suppliers. - The majority of our direct suppliers are in Europe, and every year we assess them all on their sustainability performance. - We've set targets to increase our share of credibly certified raw materials.
Biodiversity impact of nature-derived raw materials	We source several nature-derived raw materials which can have a potential negative impact on biodiversity through, for example, deforestation (paper and carton board, palm oil and soy).	<ul style="list-style-type: none"> - We've set a target to only source responsible and deforestation-free materials by 2030, and we're in the process of developing an action plan.
Product quality and safety	We provide pharmaceutical and cosmetic products, which could expose consumers who use them to health and safety risks.	<p>We take action to make sure our products meet our high standards of quality and safety:</p> <ul style="list-style-type: none"> - Good Manufacturing Practice (GMP) permit & Qualified Person (QP). - Good Distribution Practice (GDP) permit & Responsible Person (RP). - Good Pharmacovigilance Practice permit & Qualified Person for Pharmacovigilance (QPPV). Pharmacovigilance audit. - Training staff on managing adverse events.
Water use and discharge	Water use and discharge during production and consumer use could have an impact on the local environment.	<ul style="list-style-type: none"> - We'll start work with selected suppliers to better understand our footprint and how we can reduce our impact from production, consumer use and our ingredients.
Bribery and corruption	All interactions with suppliers and other business partners carry a risk of bribery and corruption.	<ul style="list-style-type: none"> - Our Code of Conduct and Supplier Code of Conduct set out our zero tolerance approach to bribery and corruption. - All employees have to confirm they've read and understood the Code of Conduct. - Suppliers have to sign the Supplier Code of Conduct. - We have a whistleblowing process to encourage reporting of potential issues.
Employee engagement, diversity and inclusion	Risk of low diversity, equality and inclusion, which gives us an unengaged, less productive workforce and leaves us unable to attract the right people and skills.	<ul style="list-style-type: none"> - We run employee engagement surveys twice a year, and we evaluate and follow up on any issues. - We have targets covering diversity, equity and inclusion. - Our Code of Conduct and Diversity and Inclusion Policy.
Qualified distribution of pharmaceuticals	Unauthorised distribution of pharmaceuticals by third parties can mean pharmaceuticals being sold, and possibly misused, in markets where they're not registered.	<ul style="list-style-type: none"> - We regulate quality and compliance in business contracts with distributors. - Our quality control of distributors prevents unauthorised sales. - We audit warehouse partners (3PLs). - GDP permit & Responsible Person (RP).

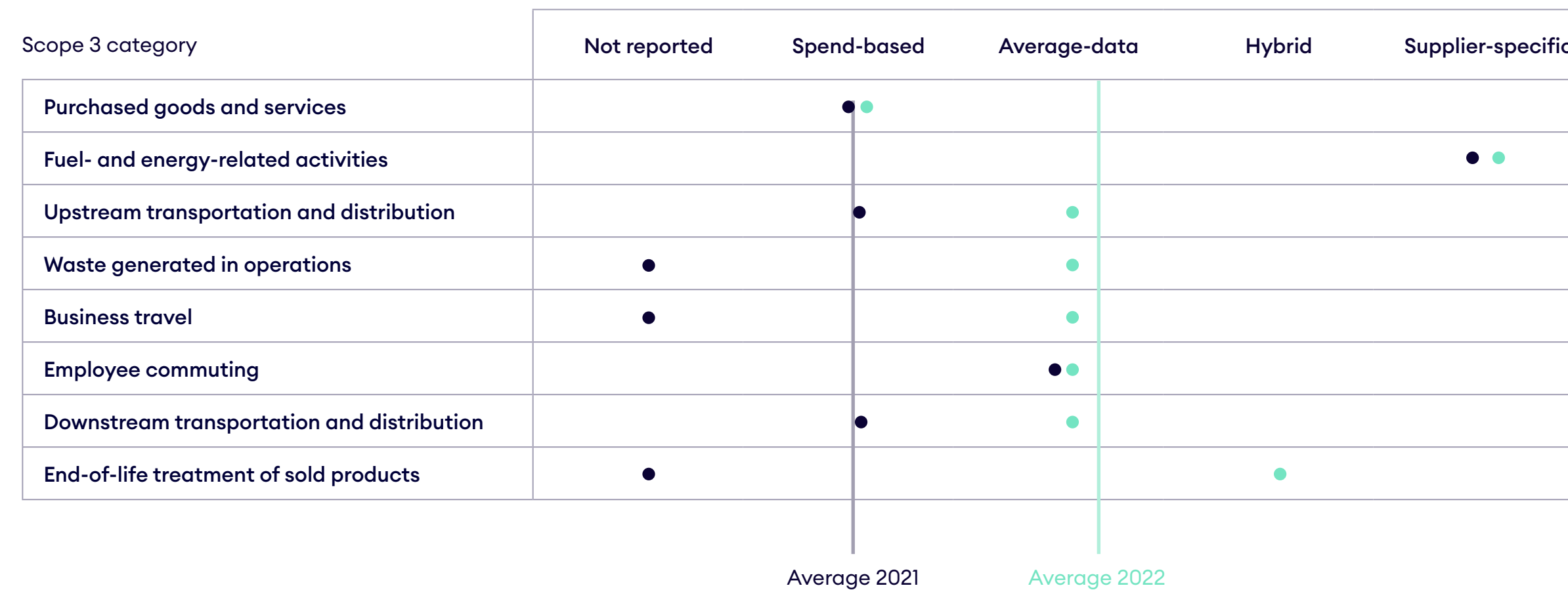
About this report

This is our first stand-alone sustainability report. It covers the sustainability strategy, policies, commitments and performance data for Karo Healthcare AB and its subsidiaries from 1 January 2022 to 31 December 2022

Calculating our carbon emissions

We calculate scope 3 emissions using the Greenhouse Gas Protocol Guidelines. According to the guidelines, a first screening step defines if we should report data in each of the 15 categories, and this shows we have a non-neglectable impact in eight categories: purchased goods and services, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel and employee commuting, downstream transportation and distribution,

and end-of-life treatment of sold products. We are continuously working to improve data accuracy and there are still areas with uncertainty and assumptions. In 2022, the accuracy of the calculations improved overall, and several of the categories moved from a spend-based method to average-data or hybrid methods. According to the Greenhouse Gas Protocol, average data means using product weights and consumption data from industry or international averages with relevant emission factors while the supplier-specific method uses consumption data and emissions factors that are specific to the operations. A hybrid method combines supplier-specific data with average data. ●



Auditor's limited assurance report

Auditor's Limited Assurance Report on Karo Healthcare AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To Karo Healthcare AB, Corp. Id. 556309-3359

Introduction

We have been engaged by the Managing Director of Karo Healthcare AB to undertake a limited assurance engagement of Karo Healthcare AB's Sustainability Report for the year 2022. Karo Healthcare AB's Sustainability Report is also the Statutory Sustainability Report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability

Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 39 in the Sustainability Report and consist of the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report.

A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Karo Healthcare AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient

and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Managing Director.

A Statutory Sustainability Report has been prepared. Stockholm, 21 April 2023

KPMG AB

Håkan Olsson Reising
Authorized Public Accountant

Karin Sivertsson
Expert Member of FAR



Sustainability Report 2022

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