



karo[®]
healthcare

Karo Intressenter Holding AB

Sustainability Report
2023

Smart choices
for everyday
healthcare[®]

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This report covers Karo Intressenter Holding AB and its subsidiaries for the period from 1 January 2023 to 31 December 2023. All business activities are conducted within Karo Healthcare AB and its subsidiaries. Therefore **this report covers mainly Karo Healthcare.**





Karo at a glance

- Introduction
- This is Karo
- CEO letter
- Chairman and EQT's perspective
- Sustainability highlights 2023



INTRODUCTION

How Karo and sustainability connect

Running a sustainable business is no longer a choice. It's the licence to operate for any company.

At Karo, our purpose is to provide smart choices for everyday healthcare and to do this in a responsible way – for people, society and the environment. So for us, sustainability isn't just a way of doing business. It's integral to it.

As a consumer healthcare company, we work to advance global health and wellbeing. Through our brands, we help people make smart choices about their everyday health. From making sure they have easy access to effective and proven products, to tackling taboos around intimate issues, we empower people to take care of themselves. By preventing and solving health problems through our brands, we ease the burden on healthcare systems and societies all over the world. But, more importantly, we help people live healthier and more fulfilling lives without pain, shame or discomfort.

This puts sustainability at the heart of our business. Even so, we're very aware that we face a dilemma. Promoting health and wellbeing means consuming products. And that means using

resources, from sourcing to shop shelves. So our business must strike a balance. We have to meet today's needs without compromising those of future generations. That's no easy task. To deliver on our purpose calls for a collective effort across the business and throughout our value chain.

However, when it comes to taking action and responding to challenges, we believe we have an advantage. As a company, we're defined by our entrepreneurial spirit. Our people are ambitious, fast-acting and forward-thinking. We dare to do things differently, test bold new ideas, and work together to make them happen. We believe that's exactly what it will take to tackle the big challenges the world faces.

While we have started positively on the road to sustainability, we still have work to do. In this report, we reflect how far we've come, and how we intend to continue. ●

This is Karo

OUR VISION

To become a responsible leader in everyday healthcare, delivering superior value to people and society.

OUR PURPOSE

Smart choices for everyday healthcare[®]

Karo is a consumer healthcare company guided by the purpose of helping people improve their health and wellbeing. Good health means more than just avoiding severe illness. It also means addressing, treating and – better still – preventing the health-related problems people face in their daily lives.

We empower people to manage their everyday health issues and steer clear of the discomforts, embarrassments and limitations they can create. By providing people with smart choices for everyday healthcare, we give them control of their daily health and lay the foundations for a better quality of life – ultimately allowing them to live their lives to the fullest.

OUR VALUES

Challenge: we dare to explore and challenge industry conventions. We always go for the smart choice. If there's a better way of doing things, we'll find it.

Connect: working together across functions and borders, we connect with our colleagues, partners and consumers to define the best way forward.

Act: progress is in our DNA, but never at the expense of integrity. We achieve our goals through trust and strong execution.

Care: is at the heart of everything we do. We care about people's health and wellbeing. And we care about the world around us. ●

OUR BRANDS

We own and commercialise a range of trusted brands in everyday healthcare. By continuously building our knowledge, we can evolve these brands, products and claims, to make sure we meet consumers needs, address emerging trends, and connect with consumers across channels and markets. As a virtual company, we work with trusted partners to produce and distribute our products. Our virtual set-up makes us fast and flexible, with a clear focus on delivering what's best for our brands, customers and consumers.



CATEGORY	KEY BRANDS	
SKIN HEALTH	<ul style="list-style-type: none"> E45 Remescar Locobase 	We provide a range of quality skin health brands that cater to diverse skin types and needs, including very dry and problematic skin.
FOOT HEALTH	<ul style="list-style-type: none"> Lamisil Nailner CCS 	Our range of foot health brands target issues such as Athlete's Foot, nail fungus, dry skin and cracked heels, promoting overall foot health.
INTIMATE AND DIGESTIVE HEALTH	<ul style="list-style-type: none"> Proct Pevaryl Multi-Gyn 	Our portfolio of brands empowers consumers to treat intimate health conditions such as bacterial vaginosis and haemorrhoids, relieving the discomfort caused by such issues and improving quality of life.
WELLNESS	<ul style="list-style-type: none"> Nutravita Alpha Foods Flux 	In preventive care, our range of brands includes vitamins, minerals, protein powders and mouthwash, all of which work to promote everyday health and wellbeing.
PAIN, COUGH AND COLD	<ul style="list-style-type: none"> Paracet Ibux Paralgin Forte 	We offer a range of products that relieve pain and fever as well as products that prevent and treat symptoms of common cold.
SPECIALTY PRODUCTS	<ul style="list-style-type: none"> Selexid Burinex Kaleorid 	Within prescription drugs, we offer a portfolio of trusted original brands across a variety of therapeutical areas.

Read the full product information for our pharmaceuticals here: [Lamisil AT 1% Cream](#), [Selexid Tablets](#), [Paracet](#).



Facts & figures

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

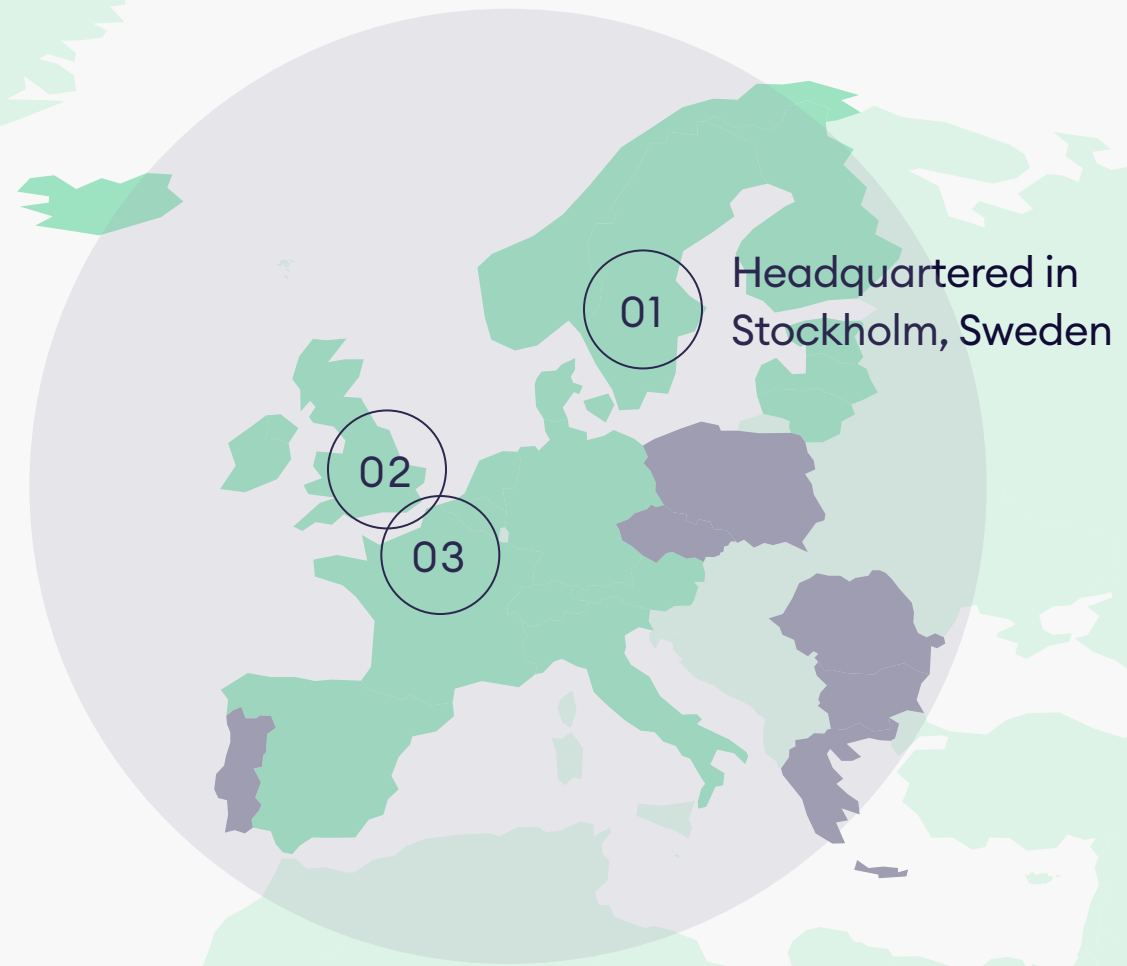
Our largest hubs

- 01 Stockholm
- 02 Maidenhead
- 03 Ghent

Highlighted on the map are

- Direct markets
- International Trade Business with a turnover of more than 1 million EUR

At the end of 2023, we completed the acquisition of the topical Lamisil business from Haleon. Sold in more than **80 markets**, Lamisil is a globally recognised brand for the treatment of fungal infections like Athlete's Foot. The Lamisil brand will add around **EUR 60 million** to our total revenue.



Revenue¹ of

495

million EUR

¹⁾ Pro forma 2023

Online sales

~30%

of revenue generated

Workforce

~410

colleagues across 12 countries

Products sold in

90+

markets

A broad portfolio of

80+

brands

Units sold in 2023

96

million

Innovation agenda

150

new products launched in 2023

CEO LETTER

Acting on our commitments

Sustainability and business are becoming ever more closely connected, driven by more regulatory frameworks on the one hand, and by the demands of customers and consumers on the other. In our case, the connection is also driven by something deeper. Sustainability is written into our purpose – to provide smart choices for everyday healthcare, and do it responsibly, for people, society and the environment. So in this sense, sustainability is fundamental to who we are.

Three pillars in place

This is what led us to develop our sustainability strategy in 2022, and put it into action in 2023. To move sustainability to the heart of our business, we've made three overall commitments – which we call our three pillars. We seek to improve health and wellbeing by enabling consumers to make smart choices and by providing products that prevent and solve problems, in this way creating societal value. We look to contribute to a climate-positive future, operating within the limits of the planet and its resources. And we aim to contribute to a fair, equal and inclusive society by being a responsible employer and partner – across our entire value chain.

We have much to do in pursuit of these aspirations. With 2023 being the planet's warmest year on record, this work is more urgent than ever.

Defining the task

As this report shows, in 2023 we've started to make progress on our sustainability commitments, not least by integrating them into our plans and processes.

Looking at our environmental work alone, we've mapped our value chain to gauge our impact, assessing our products' footprint and updating how we calculate our greenhouse gas emissions. This groundwork has helped us understand our priorities and allowed us to develop roadmaps for the way forward. As a result, we're proud to have submitted ambitious sustainability targets to the Science Based Targets initiative (SBTi). All this gives us a clear baseline for more action and progress, with our objectives anchored in data.

As a mainly virtual company, we rely on partners throughout our complex value chain. Upstream, we've worked with our suppliers to understand the climate impact of our products – from the energy used to manufacture and transport them, to their ingredients and formulations, and the materials used to package them. Downstream, we are in close dialogue with our customers too, to make sure we meet their need for information and transparency around product impact.

Deepening our partnerships in this way, we work together to explore the best ways to curb our environmental footprint and communicate our collective efforts clearly to consumers.

“Our commitment to sustainability is more than just a business strategy; it's a reflection of our values and our responsibility to future generations.”

Building on strong foundations

We embark on this work as a growing business with strong foundations. We've shown resilience to grow well ahead of our industry and across all our categories and markets, despite the cost of living and inflation continuing to make conditions tough.

This broad-based success is a tribute to our specialist capabilities. These include consumer insight to discover what people most value, and innovation to challenge convention in our marketing and evolve our products. They also include brand building to stay connected to consumers, and commercial, digital and ecommerce skills to make our products easy to access.

As well as fully integrating our 2022 digital-first acquisition, Sylphar, we've also made our biggest ever brand acquisition by bringing the global

anti-fungal skin health brand Lamisil into the Karo family. While we remain focused on growing and deepening our presence in Europe, Lamisil gives us a new perspective and opens up long-term global opportunities.

Exploiting a can-do culture

As we grow, we want to maintain the mindset of a startup, capable of making rapid decisions, experimenting and giving people and teams the freedom to run with new ideas. This culture, and our resilience, will be our ally in 2024 as we continue to embed sustainability across the business and strive to make smart, responsible choices of our own. ●

Christoffer Lorenzen,
CEO



Chairman and EQT's perspective

Pointing the way to a more sustainable future

It's with great pleasure and a profound sense of responsibility that we present our latest Sustainability Report. At Karo, sustainability isn't just a buzzword; it's an integral part of our business ethos. As Chairman, I'm proud to oversee a company that recognises the important role of sustainable practices in today's business landscape.

We believe sustainability is essential for long-term success, and that it goes beyond ticking boxes. It's about having a positive impact on people, society and the environment. It's about making smart choices for everyday healthcare while making sure that future generations inherit a world that's both healthier and more sustainable.

Our report highlights our progress and efforts in three main areas: promoting health and wellbeing, reducing environmental impact and embracing social responsibility. From product innovation to supply chain management, every aspect of our operations is guided by our dedication to sustainability.

While we're proud of our achievements so far, we know there's more work ahead. We're committed to ongoing improvement, tackling challenges with determination and innovation. I invite you to explore this report; learn about our journey; and join us in building a healthier, more sustainable future for everyone.

Kåre Schultz,
Chairman of the Board



“We're committed to ongoing improvement, tackling challenges with determination and innovation.”

“EQT believes that sustainability is key to financial success. But it requires focus – to ensure sustainable operations as well as commercial growth driven by sustainable products. Karo Healthcare is making great progress in both areas. In 2023, the company pledged to cut scope 3 emissions by 60% by 2030, and is working actively with its supply chain to achieve it.

At the forefront of innovation, Karo is also building rigorous sustainability evaluation for new products and is on track to increase the share of brands and products that further advance health and wellbeing. With women holding half of the positions on the Board, Karo embraces gender equality, ensuring better decision-making through gender balance. All of these achievements make Karo a sustainability lighthouse in our EQT portfolio.”



Sophie Walker,
Head of Sustainability Private Capital
US & Europe, EQT

Sustainability highlights 2023

Health and wellbeing

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

Improved consumers' every-day health and wellbeing by selling

96

million units in 90+ markets

Interacted with

160,000

healthcare professionals through meetings, webinars and fairs in our top 10 markets

Developed

250+

consumer-relevant claims from 30+ clinical studies

Continue to support Operation Smile with

140,000

EUR in contributions

Environment

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

December 2023

Science-based targets

submitted for validation

Absolute GHG emissions

+2.7%

while GHG intensity -3.5% (per EUR sales)

Sourced

100%

volume of palm oil derivatives responsibly¹

Achieved

100%

renewable electricity through Guarantees of Origin for our own operations

75%

of packaging is recyclable

¹ For our estimated consumption of palm oil and its derivatives, we purchased Certified Sustainable Palm Oil (CSPO) credits through the Roundtable on Sustainable Palm Oil (RSPO) supply chains Book and Claim system, thereby supporting the production of sustainable palm oil.

Fair society

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

Employees from

32

countries of origin

Women represented

46%

of senior managers and

An employee Net Promotor Score (eNPS) of

40

with a participation rate of 82% (30+ is considered 'great' on Bain & Co's scale)

50%

of our Board of Directors

Strong Net Collaboration Score (NCS) of

16

(Scale of -100 to +100. Read about NCS on page 32)



Strategy

- Integrating sustainability across the business
- Our sustainability strategy
- Health and wellbeing
- Environment
- Fair society

Integrating sustainability across the business

How can Karo become a sustainability leader in healthcare? We met with Head of Sustainability Alice Devine and Chief Strategy and Corporate Development Officer Michael Kaltenborn to get their take.

Karo has started on the road to sustainability. How helpful is the business' purpose on that journey?

Alice: We're in a perfect position to help create a better world by improving people's everyday lives and contributing to a healthier society. We provide products in more than 90 markets that support individuals and families, helping them overcome minor health issues that are often overlooked. There's also a clear link between our purpose and the UN Sustainable Development Goals around health and wellbeing.

Michael: Also, healthcare systems are under more strain. Over half of the world's population lacks access to basic medical care. So self-care becomes increasingly important, and businesses like Karo can play a bigger role by creating easy access to healthcare products that improve people's lives. That's what gets me up in the morning.

Is sustainability compatible with profit?

Michael: Yes – it can actually be an enabler, even an accelerator. To succeed, you need a sustainable business model that's based on people's needs and supports a spirit of innovation. This is what ultimately leads to profit. Growth and profitability then give us the strength and resources to develop different approaches that support sustainability. Also, sustainability is a differentiator, especially if you find ways to exceed current industry standards. For employees and customers, this can be critical. So, growth enables sustainability, and sustainability enables growth.

Alice: McKinsey data from the US suggests you're right.¹ FMCG products with two or more sustainability claims comfortably outperformed those with none. So, integrating sustainability makes you more relevant to your consumers. We also see increasing demands from

regulators and customers. Not long from now, retailers are only likely to take products that incorporate recycled plastic. So, we have to take action to stay relevant.

What are the challenges in integrating sustainability across the business?

Alice: The main one is that more than 95% of emissions are in our value chain and beyond our direct control, so our partners are vital. Our value chain survey this year told us that a significant number of our suppliers are already making progress on setting targets and taking steps like using renewable power. With others, it's about being clear about what we expect, creating incentives and helping them make progress. We're doing that by working with industry initiatives to make sure we're all consistent in what we ask our partners for. It's the whole industry's challenge.

Michael: I totally agree. To make an impact, we need to join forces. We strongly believe partnerships within the industry and along our value chains are the way to reach

our sustainability goals. And ultimately, being sustainable is a better value proposition for all of us, no matter where in the value chain we are.

How about internal challenges?

Alice: There's full commitment to sustainability across Karo. But it's also a challenge to create time and space for it in such a busy, fast-moving business. We have to make it part of our existing processes. It already is in many cases, for instance in how we assess innovation opportunities.

Michael: You're right that there's no question about our commitment at all levels. We're working hard to balance short-term profitability on the one hand and sustainability on the other. Sustainability is becoming one of our top priorities, and we're ready to work in new ways, which is part of our culture in any case. If a sustainable solution comes with higher costs, we need to be creative to make it work, and we need to come up with a value proposition. That's where innovation comes in.



¹ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

**How hard is it to convince everyone you mean it?**

Michael: Sustainability can only work with transparency and authenticity, from board level right through to consumers. We have the chance to have more impact because we're faster on our feet. It's crucial that our stakeholders feel that we have a real and honest discussion around sustainability, and that we have ambitious goals. This is what makes us a credible and authentic partner.

Alice: Absolutely, authenticity is vital to get everyone's buy-in inside and outside the business. If it's there, say through external certification of a vegan product, the consumer chooses that product not necessarily because it's more responsible, but because they trust you for being transparent. It also means you can charge a premium price because the story behind it is credible. Also, internally, with that authenticity in place, sustainability becomes a bottom-up topic rather than just a top-down one, because everyone sees it every day in the office and knows it's for real.

What successes have you had this year?

Alice: Later in 2024, we'll launch one of our leading products in a 100% recycled plastic bottle. It's currently our single biggest user of plastic, and it will cut our overall emissions by up to one percentage point. The new bottle is also manufactured closer to the market, as is the product, so there's less transport impact.

Michael: This is a great example of how the whole Karo team worked together to develop a more sustainable solution that also led to lower costs at the end. It also shows us that we need to be willing to take calculated risks to be more sustainable. But of course, we are also working on many other aspects of sustainability. Empowering our employees is important for us, and we are proud of our diverse workforce and the gender parity among our people managers.

What are your priorities for 2024?

Michael: We want to develop bolder and more significant innovations to shape and strengthen healthcare in many different ways. We're encouraging a sustainable innovation culture in our brand teams, so that we not only assess all sustainability measures but think of new ways of going beyond the benchmark with our product launches. Long-term, our vision is to make the most of our category-leading positions by harnessing technology like wearables. But we're absolutely aware that there's no time to lose, and that we have to act now. The global climate crisis shows us that we can't afford to wait for future technologies or solutions.

Alice: It's really important to build momentum so we start seeing results from our initiatives, and carry on integrating sustainability into as many areas as possible so that our strategy delivers. A key focus in 2024 will be to deliver on our short-term packaging-related goals.

You've both joined Karo within the past two years. What do you believe has changed since you came on board?

Alice: Before, I think it would be fair to say that initiatives were more adhoc and uncertain when it came to sustainability. Now, we have a well-defined strategy and a clear direction, and we have data. Data helps us know we're doing the right thing. That makes for better conversations and more informed decision-making – and much faster progress.

Michael: Yes, I agree. Having accurate data is a very important base that helps us get a deeper understanding of our challenges so we can develop solid goals. This whole process of identifying indicators and understanding our sustainability impact better makes us more mature and stronger, moving away from being a startup by making sustainability part of how we think and work. ●

Our sustainability strategy



Our purpose is to provide 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 faces 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.

Ultimately, being more sustainable is good business. By helping to lead the way, we strengthen our business and create new opportunities. By engaging more deeply with consumers, we become more innovative and efficient, and reduce our risks.

Moving towards sustainability is also compatible with who we are. 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 boost consumers’ confidence and wellbeing.

Through the sustainability strategy we launched in 2022, we’ve set ambitious goals and targets. We’re now integrating sustainability into every aspect of our business – from major areas like sourcing and product innovation, to

smaller yet important aspects like our car policy. Putting sustainability at the core of our business involves making it a topic on everyone’s agenda, and part of every conversation and every decision.

Our approach to sustainability

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.

We base our strategy and targets on the latest science. For example, our greenhouse gas (GHG) 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.

Cooperation is the key

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

So we work continuously to improve our understanding of our impact across the value chain. This includes all steps of the product life cycle, from extracting raw materials to disposing of packaging. We took a big step forward in 2023 by better mapping our product components, ingredients and climate impact, involving our key suppliers in the process. We will continue this work in 2024, and expand its scope.

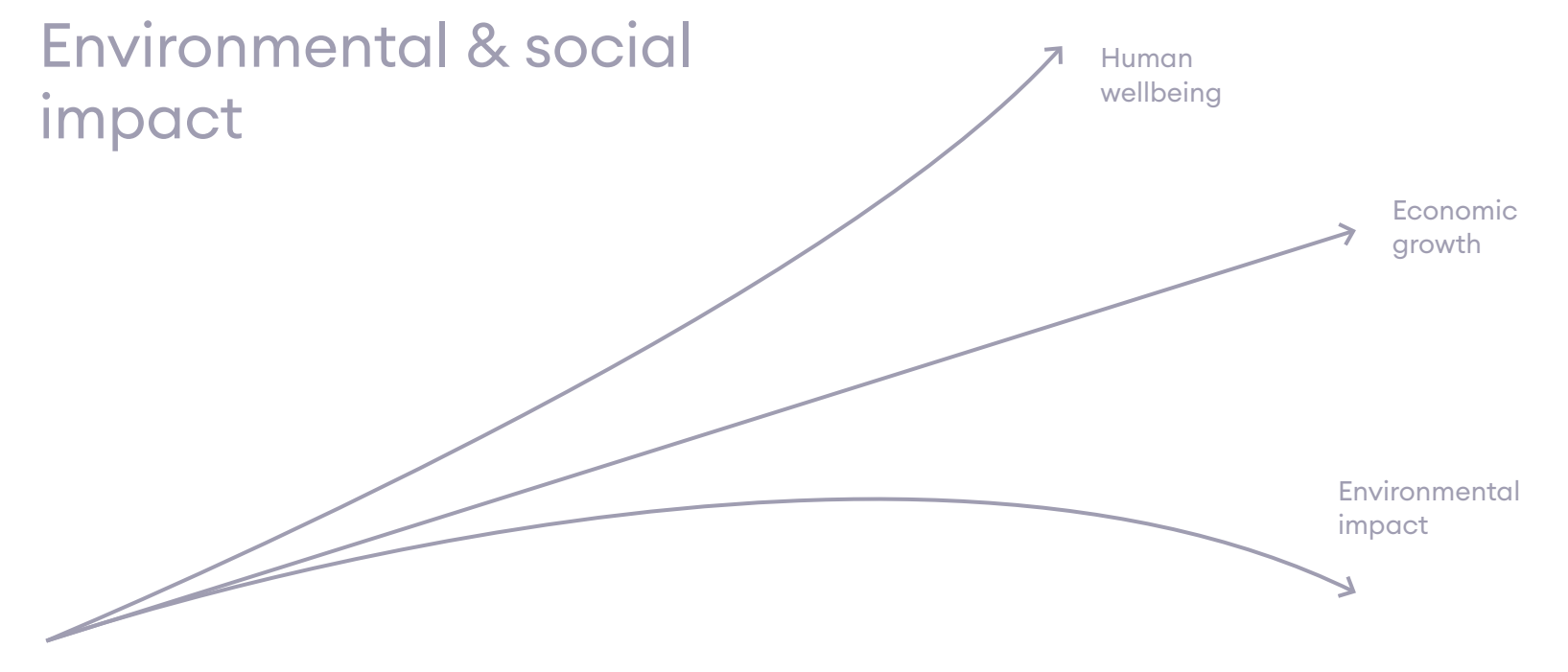
Understanding impact throughout the value chain is not an easy journey, but our direction is clear – and we have no option but to succeed.

Our three-pillar strategy

The close connection between our sustainability strategy and our purpose empowers us to work on what matters most. That’s why our sustainability strategy is founded on three pillars:

- advancing **health and wellbeing**
- minimising our impact on the **environment** and improving the health of the planet
- contributing to a **fair society** as a responsible employer and across our value chain

Under each, we’ve set long-term commitments, supported by goals and targets to shape our priorities and drive our progress. ●





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



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)



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





Health and wellbeing

Through purposeful brands, our goal is to empower our consumers, so they can live comfortably and confidently while improving their health. Our brands drive important values and tackle issues that matter not just to consumers but also to society. Alongside products, we provide education to help people get well and stay well, promoting wellness by working to prevent illness and confront the stigma or embarrassment surrounding minor health issues that undermine quality of life.

By providing smart choices and backing them with education, we break down barriers associated with these issues, and help consumers look after themselves.

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

We own and commercialise a range of trusted and original brands in everyday healthcare. They're united by one ambition: to enhance the health and wellbeing of people globally by educating, empowering and supporting them with products and services that help them take care of themselves.

Good health means more than avoiding severe illness. In a world where people look for acceptance, it's easy to overlook the minor health discomforts and

irritations that affect their daily lives. At Karo, we're driven by knowing that we can overcome many of these challenges.

Dealing with less severe but often overlooked problems like itching, aches or odours can have a big effect on daily life. It's not just about treating symptoms, but recognising that everyone deserves to live comfortably and confidently without being held back by discomfort and taboos.

Good health is also about preventing issues from occurring in the first place, whether it's through a balanced lifestyle and taking in essential nutrients, or using a mouthwash for better oral health.

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 or 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. Many of our products in skin health and wellness aim to prevent issues from happening at all. This helps consumers stay well and avoid treatment later – 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 potential to drive broader value through our brands. Some of them back initiatives such as supporting inclusion and representation, and helping consumers to talk about health-related problems seen as embarrassing.



CASE: E45

Boosting confidence and embracing diversity with E45

In 2023, E45 – Karo's leading skin health brand – launched the 'This is ME45' communications platform, an embodiment of the brand's core values. The debut campaign focused on how the brand's portfolio can make people feel more comfortable about their skin, and, by doing so, help to boost individuality and self-confidence.

But E45's commitment to boosting confidence didn't stop there. In 2023, the brand won the UK Channel 4's Diversity in Advertising Awards. Created specifically to offer a platform to underrepresented communities in advertising, this award focuses on elevating voices within the LGBTQIA+ community. The award win and campaign approach will serve as a powerful message to both the industry and society at large, encouraging others to be more inclusive and accepting.

The brand's dedication to delivering its authentic and ownable 'This is ME45' message will not sit as a stand-alone campaign. It feeds into a broader strategy that

questions traditional beauty standards and genuinely embraces authenticity. From street casting to delving into real-life 'skin stories', E45 aims to deepen its connection with consumers and contribute to positive societal change. A change that goes beyond skincare and touches the very core of self-acceptance and confidence.





CASE: Anti-microbial resistance

Fighting anti-microbial resistance



The World Health Organization (WHO) identifies antimicrobial resistance (AMR) among the top 10 threats to global health in the decades to come.¹ Through our brands, we are in a position to help tackle this global challenge. And no one is more dedicated to this task than our Medical Advisor, Alice Åslund.

Through her personal commitment and professional expertise, Alice exemplifies Karo's collective mission to provide targeted antibiotic solutions and actively participate in high-level dialogues, reinforcing our role in the fight against AMR.

"The urgency of addressing AMR cannot be overstated," says Alice, referring to the critical role played by the overuse of broad-spectrum antibiotics in fuelling this global health crisis. She has been an important contributor in expanding the use of targeted solutions in the battle against antibiotic resistance. They include our narrow-spectrum antibiotic tailored for urinary tract infections (UTIs). The antibiotic in Karo's portfolio has been used for treating UTIs in the Nordic countries for over 40 years. Despite increased consumption, this antibiotic continues to maintain low resistance rates.

In 2023, Alice participated in an exciting geo-expansion initiative in Poland, collaborating closely with local partners to provide internal training sessions on clinical features and research related to antibiotics treating UTIs.

But our commitment extends beyond the product. As a responsible supplier of antibiotics, we actively participate in Platinea, a multi-sector collaboration aimed at preserving and supplying existing antibiotics.² Throughout the year, we have engaged in discussions about harmonising treatment guidelines and joint procurement mapping of the Nordic and European antibiotic landscape.

Alice stays up to date with evolving research and guidelines that advocate against the use of broad antibiotics, emphasising the importance of responsible antibiotic supply. "It is a privilege to work towards making a positive impact in the fight against the global health threat posed by antimicrobial resistance," says Alice.

¹ <https://www.unep.org/explore-topics/chemicals-waste/what-we-do/emerging-issues/antimicrobial-resistance-global-threat>

² <https://www.platinea.se/>

Empowering partners and consumers for prevention and self-care

An ageing global population and the growing burden on healthcare systems create new challenges for everyday health. All of us will likely have to shoulder more responsibility for our own health and wellbeing.

This is why we want to make it easy for people to access not just products, but also important health information. This is an essential part of what we see as our role, alongside our partners and healthcare professionals, to help consumers prevent and treat everyday health problems.

Supporting healthcare professionals in their work

It's important for us to stay close to, and support the healthcare professionals who recommend and sell our products. We're working to help educate both them and our customers. In some countries, we do this through our sales teams, who are experts in our products and therapeutic areas. In others, we work through digital initiatives like online training.

In 2023, in our top 10 markets, we had more than 160,000 interactions with healthcare professionals through face-to-face or online meetings and training. In Sweden, our digital educational platform, Karo Academy, lets us reach healthcare professionals with clinical documentation, product training and webinars. In 2023, we had more than 8,500 views in our webinars, primarily targeting pharmacists. In 2024, we're planning to expand Karo Academy, starting with Norway.

Helping consumers stay informed

It should be easy for consumers to find solutions, whether it's in a store or online – and we believe we have a big role to play in keeping them informed.

In our top 12 markets, we recorded 1.7 million visitors on our own brand sites and Karo informational websites, all from unpaid traffic. In Sweden, we have several non-branded sites, for example 'Hostkollen', which focuses on coughs. We're also collaborating with an online doctor to improve information for consumers.

Overcoming healthcare taboos

We see great potential for treatments in categories that often go untreated because they're associated with discomfort, embarrassment and stigma. Examples include intimate and digestive health issues. If ignored, these 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 what 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. In 2023, we've developed detailed educational information for healthcare professionals on these issues. It includes guidance on how to discuss conditions and start what's often seen as an uncomfortable conversation. We'll continue this work in 2024, as well as develop communication that encourages consumers to ask for help at earlier stages of discomfort, instead of suffering in silence.

Our Multi-Gyn brand continued to drive initiatives to break taboos around intimate health, sharing information about bacterial vaginosis and encouraging women to dare to speak about their problems. In 2023, our leading skin health brand, E45 lived up to its updated brand purpose: a commitment to help everyone feel comfortable in their own skin. Read more about this initiative on page 16.

Driving product innovation

Innovation is crucial in helping us further our ambitions, whether it's in communicating with consumers, improving the user experience and delivering products in new and better ways, or finding ways to limit brands' environmental impact.

Promoting health and wellbeing inevitably means using resources, from sourcing raw materials to delivering the products to the store. Striking a balance is crucial for us, to make sure we meet today's needs without compromising those of future generations.

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 to 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 ideas 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.

As part of our innovation framework, a mandatory sustainability assessment makes sure we evaluate sustainability at the right time in the development process. Our new traffic-light tool then helps us make informed decisions. The tool integrates the principles of circular design, encouraging teams to:

- use more renewable or recycled materials
- make sure all new packaging materials are recyclable
- investigate new formats to deliver products
- source key raw materials responsibly.

In 2023, we ran sustainability workshops to help all brand teams understand each brand's environmental impacts throughout the product lifecycle. This led to a plan to mitigate the impacts of both new and existing products, along with a list of initiatives to advance our sustainability goals and bring value through consumer-relevant claims or efficiencies. The initiatives include:

- packaging - making packs recyclable and using recycled or sustainably sourced materials
- formulations - reducing biodiversity impact.

As a next step, we'll also focus on the social dimensions of sustainable innovation and sourcing. We plan to review ingredients and certifications linked to social impacts.

Using science to build product claims

It's important for us to establish clear, accurate and documented problem-solving benefits or claims for our products. They help consumers make informed decisions, and choose products that match their needs. And they build confidence in products' reliability and effectiveness. This is why we continuously refine and renew products to meet evolving consumer needs.

In 2023, we ran more than 30 clinical studies to help substantiate consumer-relevant claims for skin, foot and intimate health products, building trust and 'reason to believe'. We developed more than 250 claims for brands like E45, Decubal, CCS and Multi-Gyn, and we've already started to communicate them on packs and brand websites, and in other channels. This commitment to research remains a priority in 2024.

**Launching new products**

In 2023, we introduced more than 210 new products, a significant increase from around 140 the previous year. Some of these involved extending existing formulations to new countries or regions. Around 150 were entirely new developments, offering consumers more choice or venturing into new product segments, as we plan to do in 2024 with our new sun care ranges (see more about this on page 28).

CASE: Foot health

Providing the right solution for Athlete's Foot



Athlete's Foot is a commonly occurring fungal infection affecting the feet. This contagious condition is often misdiagnosed and undertreated, with an estimated 70% of the global population experiencing it at some point in their lives.¹ Timely diagnosis and effective treatment are important to improve outcomes for those affected.

Clinical symptoms of Athlete's Foot vary, ranging from mild symptoms such as skin peeling and dryness to severe manifestations, leading to deep open sores and lesions. Consequently, misdiagnosis is common, contributing to improper treatment of the infection with people either mistreating or neglecting treatment altogether.

We're helping to address gaps in disease awareness and symptom recognition by providing better healthcare solutions to consumers.

This year, we conducted a study among more than 300 Athlete's Foot sufferers in the UK, Germany and USA to better understand consumer needs. Based on the insights we gained, we developed a new marketing campaign and new product claims. We're also developing tools for healthcare professionals to help them provide

complete care solutions and make well-informed decisions. In preparing them, we've engaged with different groups to understand knowledge gaps – for example among pharmacists, who often are consumers' first point of contact.

Helping to bridge knowledge gaps will be a key target for us in 2024. We plan to use our digital channels, develop toolkits, present case studies, publish articles on relevant topics like diabetes and foot health, and host webinars with experts. We believe that through broader education of healthcare professionals, we will be able to encourage a more proactive approach to foot health, where awareness, education and comprehensive care help to provide solutions for people living with these issues.

¹ Ward, H.; Parkes, N.; Smith, C.; Kluzek, S.; Pearson, R. Consensus for the Treatment of Tinea Pedis: A Systematic Review of Randomised Controlled Trials. *J. Fungi* 2022, 8, 351. <https://doi.org/10.3390/jof8040351>

Safeguarding product quality

Our consumers trust us to develop safe and effective products. Across our value chain, we pledge to safeguard product quality and safety. 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.

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.

Research shows that environmental stewardship is increasingly important to consumers. It's not yet the deciding factor in choosing a healthcare product, but consumers still expect businesses to take responsibility and lead the agenda. They're also more aware of 'green-washing', and so expect companies to demonstrate authentic commitment to sustainability.

This is something we take into account when we develop and communicate initiatives, and it's why we prioritise recognised certifications, for example in our newly launched sun care range and our vegan Alpha Foods products. In other cases, like moving to post-consumer recycled plastic, we've involved consumers to understand their expectations.



Giving back to communities

We give back to communities through our work with charities. This includes Operation Smile, an organisation carrying out free surgery for children with facial deformities, primarily cleft lip and palate. Karo has been a proud supporter of Operation Smile since 2018, and in 2023, we deepened our collaboration through a nutrition project in the Philippines aimed at preparing children and infants for surgeries.





At our annual 'Move for a Smile' event, we sponsor one cleft surgery for every participant's 45-minute physical activity. This event not only boosts employee engagement and fosters team spirit, but also raises awareness of Operation Smile through our employees' social media activity. In 2023, we also invited customers and partners to join in.

In 2023, our total contribution corresponded to 625 life-changing cleft surgeries, benefiting an equal number of children and families.

To support low-income families in Sweden, and avoid having excess products destroyed, we donated 125,000 products to the organisation Matmissionen, which has social supermarkets in the Stockholm area providing affordable products to people facing financial difficulties. ●




Commitments and targets

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

Commitment 1 Advance health & wellbeing through purposeful brands

Goal: Increase share of brands and products that advance health and wellbeing by meeting more than one of these criteria:

- a. Have a documented problem-solving benefit/claim
- b. Help consumers stay healthy and in this way prevent downstream treatment needs
- c. Support a wider societal change by making a positive difference for people and the planet

Status: On track 

In 2023, we ran over 30 clinical studies to develop 250+ consumer-relevant claims for skin, foot and intimate health products. These claims are backed by scientific data on the finished product. Studies conducted exclusively in 2023 contributed to improved claims for products representing 9% of total non-pharmaceutical sales. The average number of criteria (a, b, c) supported by our brands was 1.5 in 2023, an increase from 1.3 in 2022. This was largely driven by E45 expanding its brand purpose (on brand level, weighted average sales).


Commitment 2 Empower consumers in prevention and self-care

Goal: Provide consumers with educational information focusing on smart choices – living healthy lives to the fullest (increase our annual reach by 15%)

Status: On track 

An update to our website analytics means it hasn't been possible to compare the number of website visits with last year. In our top 12 markets, we recorded 1.7 million visitors on our own brand sites and Karo informational websites, all from unpaid traffic (Google Analytics 4).


Goal: Increase interactions with customers and healthcare professionals to support consumer education

Status: On track 

We continuously interact with our customers and healthcare professionals, for example through physical and online meetings and training. In 2023, we had more than 160,000 interactions in our top 10 markets.

Commitment 3 Sustainable and trusted product innovation


Goal: Drive sustainable product innovation and increase and convert 30% revenue to 'more sustainable' products by 2030

Status: Acceleration needed 

We introduced a mandatory sustainability assessment to evaluate the sustainability features of new products. This traffic-light tool emphasises our increased ambitions, especially within packaging where we encourage teams to incorporate circular design principles. Teams must justify each decision they make in the development process. Our goal for new product launches is to be better than the market average, and we're working to define this measurement. To meet our goal, we need to accelerate work to shift our existing portfolio to more sustainable product and packaging solutions.

Commitment 4 Give back to our community

Goal: Support relevant partner organisations with cash, products or in-kind donations

Status: On track 

We continued to support projects connected to everyday healthcare and our brands. In 2023, we supported Operation Smile with 140,000 EUR, the equivalent of 625 cleft lip and/or palate surgeries. Locally, our Decubal brand supported Barn-cancerfonden in Sweden and Mödrehjälpen in Denmark. To support low-income families in Sweden we contributed with 125,000 products to Matmissionen.



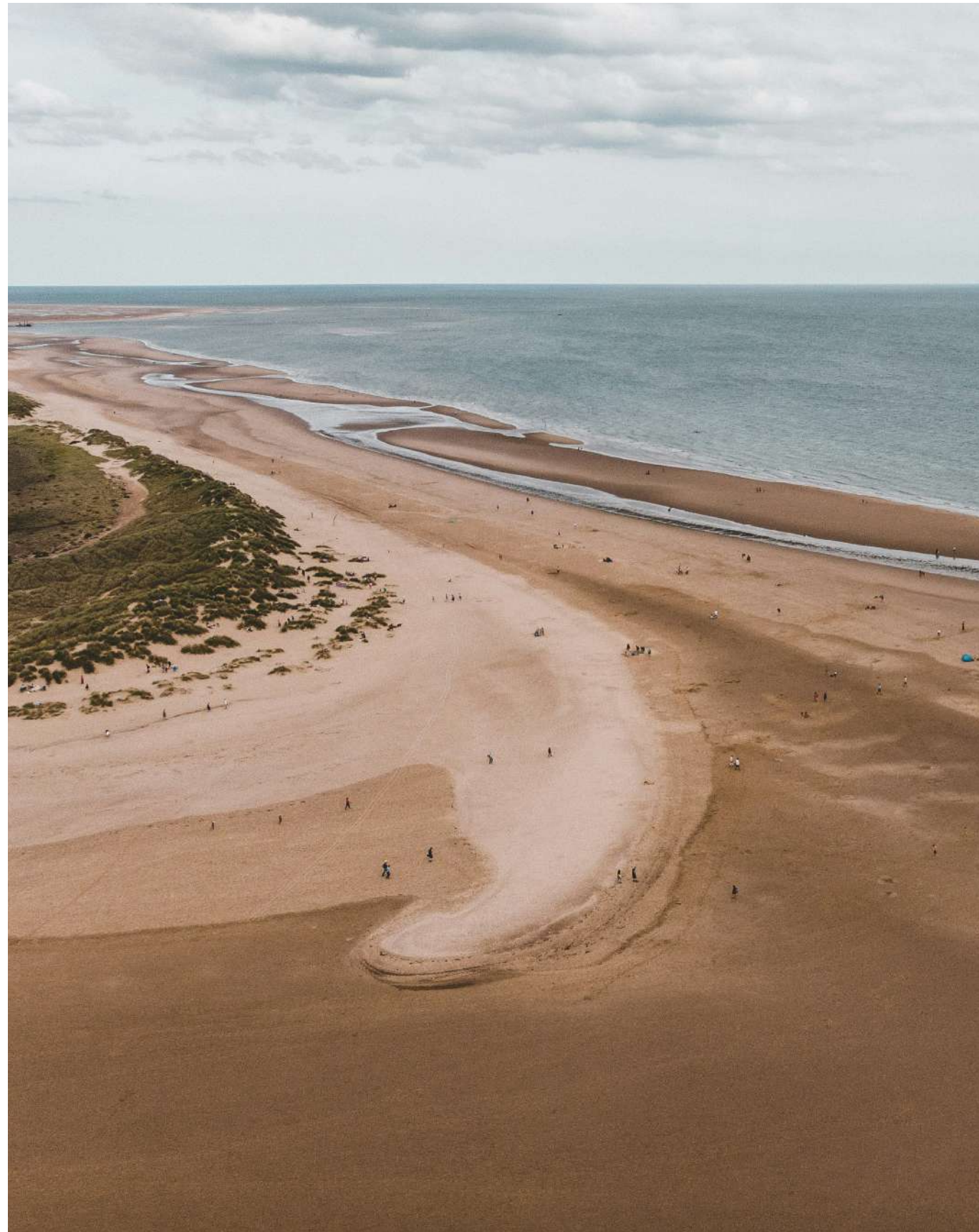
Environment

We're committed to minimising our environmental footprint and want to help secure a climate-positive future where our business operates within the limits of the planet. This means taking responsibility throughout our products' value chain – from how our raw materials are sourced, to ensuring efficient production and transportation, and that packaging can be recycled at the end of its useful lifespan. Through continuous development, innovation and partnerships, we're working to reduce the environmental impacts 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).



**Moving towards net-zero climate impact**

Climate change is one of society’s biggest challenges and with 2023 breaking all heat records, it’s more urgent than ever. It affects ecosystems, communities and people around the world, as well as our business. Extreme weather and rising temperatures have already affected our supply chain, and this will continue. 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 ambitious goals will help raise the bar for the standard we set – not just for ourselves but also for our partners across our value chain. We have opportunities to be more efficient and do things differently, and we’ll 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 80% by 2030 (absolute emissions: scope 1, 2)¹
 - 100% renewable electricity in our own operations
 - offset remaining scope 1 and 2 emissions
- cut emissions by at least 60% by 2030 (absolute emissions: scope 3)¹
 - net-zero transport from supplier to customer by 2030.

Most of our greenhouse gas (GHG) 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. Transporting goods is the second largest category, while emissions from business travel and energy consumption in offices and warehouses are relatively minor contributors.

¹ Scope 1 and 2 include direct emissions from our own offices and vehicles, and indirect emissions from our energy consumption. Scope 3 includes emissions for products purchased; third-party transport (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.

Future-proofing our climate targets

In December 2023, we submitted our GHG emissions targets to the Science Based Target initiative (SBTi) for validation, as we want to make sure they’re aligned with the latest science on reaching the Paris Agreement climate goals. The validation process will continue in 2024.

During the submission process, we took the opportunity to increase our ambition for reducing our scope 1 and 2 emissions from 60% to 80% by 2030, from a 2022 baseline. Our objective for scope 3 emissions remains at 60%. These goals strengthen our position as an ambitious player in our industry, committed to becoming a responsible leader in everyday healthcare.

Achieving these targets will depend on delivering on our GHG reduction roadmaps. We’re rallying our entire organisation towards this goal, from developing products to distributing and marketing them. We’ll also look outward, identifying opportunities to decarbonise our value chain. This is why engaging with key stakeholders is also on our agenda.

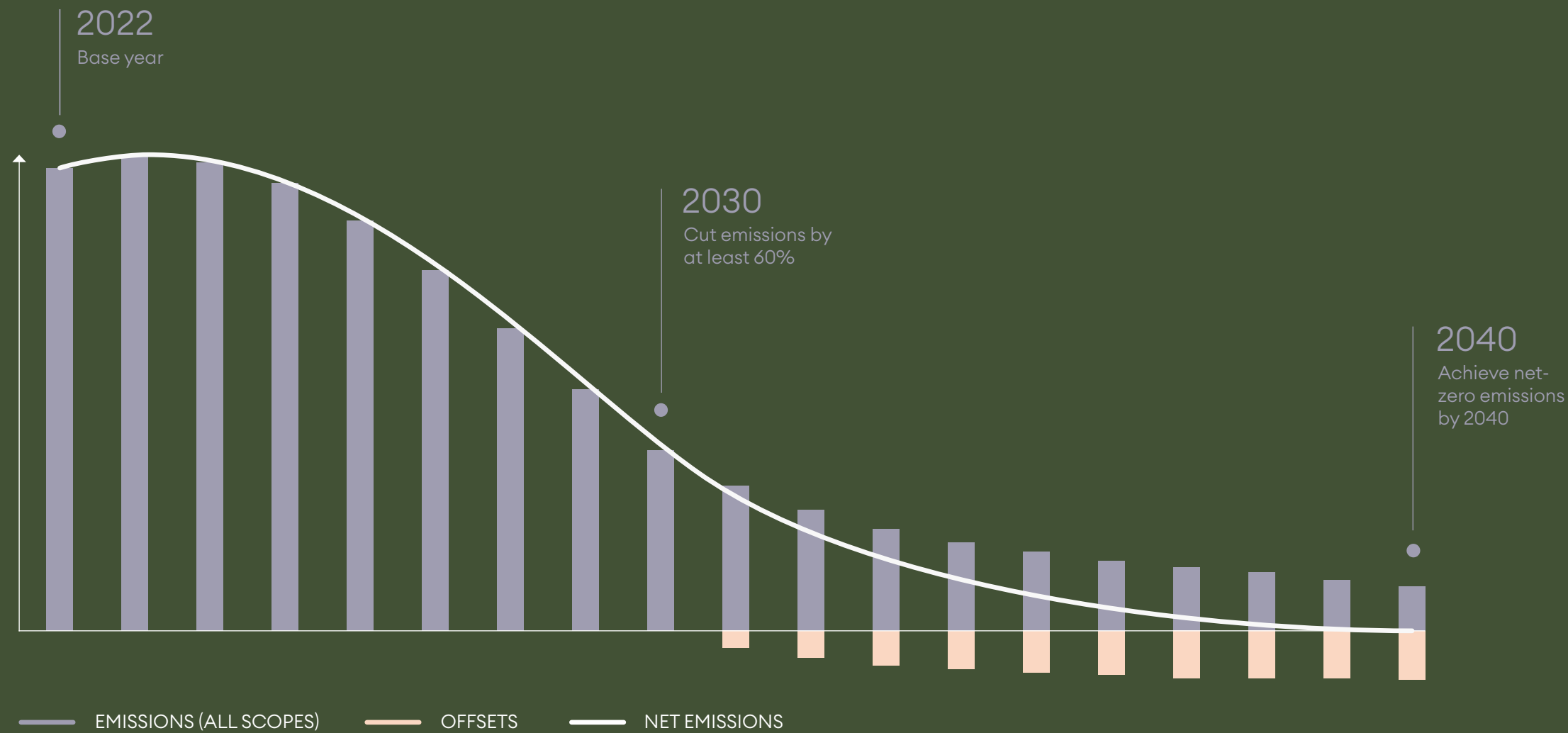
The key areas for reducing our impact include:

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. GHG removals – offsetting our residual emissions, which will be essential for reaching net-zero.

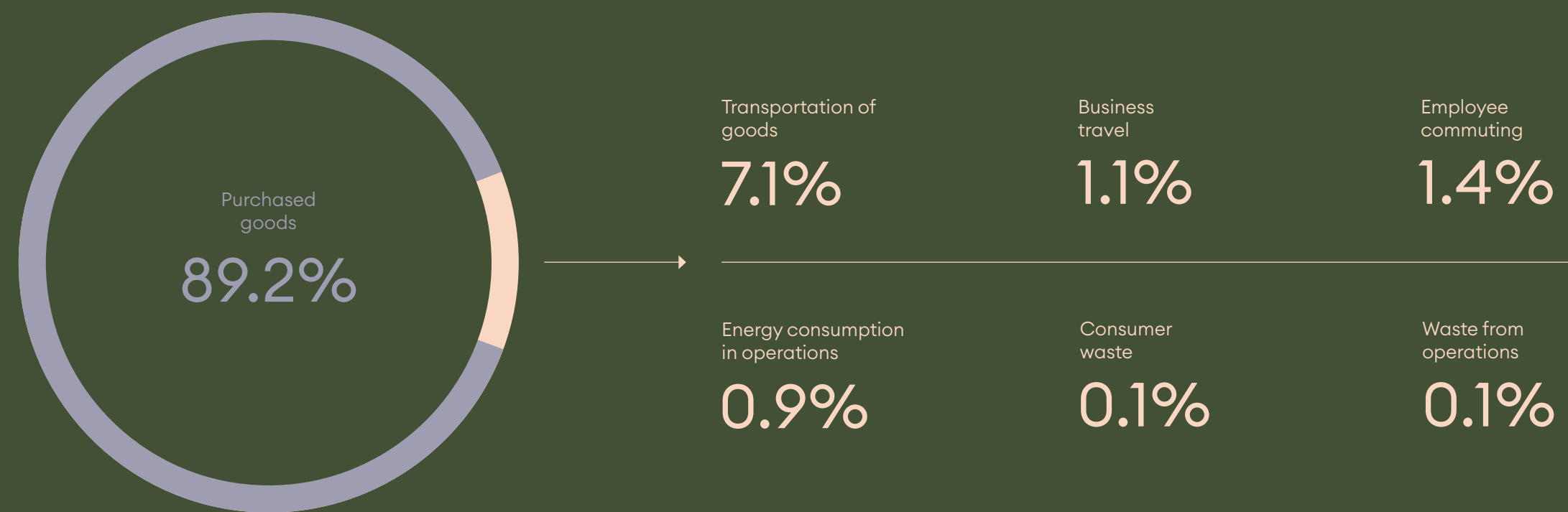


ROADMAP

GHG emissions roadmap 2022 to 2040



Source of GHG emissions 2023



GHG emissions (tonnes CO₂e)

Year	2022	2023
Scope 1	304	353
Scope 2	30	9
Scope 3	47,946	49,241
Total	48,280	49,603

The table shows market-based emissions. Scope 2 emissions under the location-based approach (using grid-average emission factors) were 97 tonnes CO₂e in 2022 and 47 tonnes CO₂e in 2023.

Renewable electricity:

100%

through the purchase of Guarantees of Origins (GOs)

Cut emissions by at least

60%

by 2030 (absolute emissions: scope 3)

Calculating our GHG emissions

In 2023, with support from Schneider Electric, we conducted our fifth annual GHG footprint calculation. It shows that our largest source of emissions, 99.3%, is in scope 3, with only 0.7% in scope 1 and 2. The main scope 3 categories are: purchased goods and services (89.2%) and transportation of goods (7.1%).

Between 2022 and 2023, our emissions increased by 2.7% to 49,600 tonnes CO₂e, while our organic net sales increased by 9%.¹ The increase is mainly down to increasing emissions from purchased goods (1% increase due to on average heavier products that use more materials) as well as a 29% rise in transport emissions, primarily fuelled by a growing share of online sales.

We updated our GHG emissions methodology in 2023. Our main priority was to improve the calculation accuracy on purchased goods. Instead of using a spend-based estimate as in 2022, we based our 2023 year's calculation on a hybrid approach, combining supplier-specific data on energy use and emissions with data from our component material database. This enabled us to draw a clearer picture of the indirect emissions of the products we purchase.

We also recalculated our 2022 baseline using this improved methodology. This resulted in a significantly lower 2022 baseline, changing from 162,300 to 48,300 tonnes CO₂e. This highlights the weakness of the earlier methodology and the challenges of calculating emissions outside our control. We expect ongoing improvements to our calculations in the years to come.

The new method will help us measure progress from reduction initiatives around sources of suppliers' energy consumption, as well as product components' materials.

¹ Net sales including organic growth with constant currency, excluding impact of mergers and acquisitions.

**Engaging our suppliers**

We recognise that we have an important role to drive change across our entire supply chain. As most of our GHG emissions are embedded in the products we purchase and commercialise, collaborating with our suppliers is vital to reducing our footprint.

In 2023, we surveyed 15 key direct suppliers on a range of sustainability topics to assess their maturity level, collect emissions data and identify opportunities to reduce GHGs. The initiative allowed us to connect with important suppliers, and our new insights will help us deepen our collaboration to reduce emissions. We also plan to expand our engagement by inviting more suppliers to take part in our survey.

Creating a roadmap to 2030

Our supplier survey was part of a wider examination of our GHG emissions. This involved evaluating our emissions across all three scopes, giving us a deeper understanding of our impact.

Across the organisation, we pinpointed opportunities to cut emissions, including a business case around electrifying our car fleet. The result is a list of actions aimed at reducing our emissions, effectively establishing a GHG reduction roadmap extending to 2030, and covering all our material emissions sources. We will need to update the roadmap regularly to keep up with business changes, and we'll communicate our progress continuously.

We aim to encourage all our suppliers to calculate their GHG footprint, set targets in line with the Science-Based Targets initiative, and transition to renewable energy sources.

CASE: Offsetting emissions

Investing in a GHG reduction project in Kenya

We offset our scope 1 and 2 emissions (370 tonnes CO₂e) by investing in a Gold Standard-certified project in Kenya. The 'clean-burning stoves' project addresses the challenges of emissions and deforestation by distributing affordable, energy-efficient cookstoves to families in rural areas. This initiative not only focuses on carbon reduction, but also comes with significant social benefits.

Traditionally, many families in rural Kenya rely on three-stone open-fire stoves for cooking. These stoves not only emit harmful smoke causing respiratory problems; they also contribute to deforestation as wood is gathered from nearby forests.

The clean-burning stoves project aims to change this by providing an alternative cooking solution that not only has a lower environmental impact, but also improves the health of families by reducing harmful smoke by almost 40%. To allow for accountability and traceability, each stove is assigned a serial number.

Beyond the environmental and health benefits, this project also brings positive

change for women in these rural communities. The project develops local market channels and supports affiliate companies to establish sustainable distribution networks adapted to local needs. Over 60% of those involved in sales, manufacturing and distribution are women, bringing gender inclusivity to a sector traditionally dominated by men. At a very practical level, the stoves also free up time for the local women as they are the ones who are primarily responsible for cooking and collecting fuel.





CASE: Logistics

Reducing impact from transports

We are committed to reducing GHG emissions from transporting our goods. To help achieve our ambitious goals, we launched a number of initiatives in 2023. Andreas Ekholm, our Logistics Manager, has participated in many of these projects.

“In collaboration with our logistics partner, Tamro Sweden, we introduced biogas on selected Scandinavian routes,” says Andreas. “We’ve adopted this renewable alternative to fossil-based diesel for transports between Sweden and Norway, involving 250 trucks annually. We’re expecting to cut emissions by up to 80% on this route alone – that’s the equivalent to 86 tonnes of carbon dioxide annually.”

Based on these positive estimates, Andreas and the

team are looking into whether it would be possible to implement biogas on other routes. But this is not as straightforward as it sounds. The lack of infrastructure in many regions is a significant challenge, as is the uncertain regulatory environment, which makes transporters reluctant to invest in specific technologies. Finally, the carbon reductions achieved have to be balanced against the higher cost of renewable fuels.

Another initiative that the team has been working on this year has been better utilisation of space in trucks. “By introducing double stacking of pallets from one of our major European suppliers to our warehouse in Sweden, we’ve increased our truck utilisation rates. This reduces the total number of

trucks on the roads, which in turn saves money and brings down our GHG emissions,” says Andreas.

Close collaboration with our strategic transport partners is really important when it comes to identifying opportunities to reduce emissions. We work with them to analyse inbound and outbound shipment flows, customer order patterns and how we can plan to improve efficiency.

As Andreas explains: “Optimising our flows and making sure we fill our trucks, is the best way to reduce both our emissions and cost. The whole team is committed and considers GHG efficiency in every decision and opportunity we have. There is no other way if we are going to achieve our targets.”



Reducing our emissions

We’re continuously working to reduce our GHG footprint across our value chain.

Since 2022, we’ve bought 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 2023.

Packaging constitutes a significant share of our product emissions. We’ve found ways to bring down these emissions, including using more recycled plastic; shifting to recyclable pumps and pouches; and sourcing paper and board from Forest Stewardship Council (FSC) certified sources. Read more about packaging on page 27.

We plan to delve deeper into the impact of our formulations. Given that palm oil derivatives are among our primary raw materials, it’s important to source them responsibly. Read more about our action around palm oil on page 28.

Engaging our direct suppliers is crucial to reducing emissions. We aim to encourage all our suppliers to calculate their GHG footprint, set targets in line with the

Science-Based Targets initiative, and transition to renewable energy sources. Suppliers representing 27% of spend have validated Science-Based Targets, or have committed to setting targets.

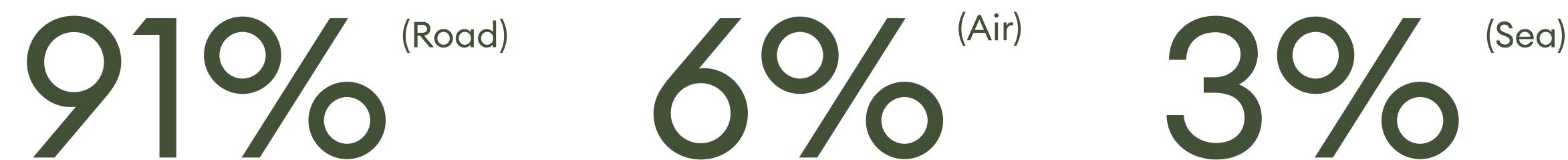
Transport is another material area, and we work continuously to minimise emissions and enhance efficiencies. In 2023, we cut emissions on one delivery route between Sweden and Norway by 80% by switching to biogas. Also, we’re focusing on improving truck utilisation through measures like double stacking pallets, enabling us to move more products per truck. Reducing air freight, to cut both costs and carbon, is a priority. Although a few indirect markets still rely on air freight, we’re working to shift routes to sea, road or rail whenever we can.

To address our direct emissions, we’re working to cut the impact of our car fleet. This involves moving to electric vehicles, alongside reviewing our policy to embrace more sustainable transport options.

As part of our commitments, for the second consecutive year we’ve offset our scope 1 and 2 emissions (370 tonnes CO₂e) by investing in a Gold Standard certified project. Read more about this on page 25.

BREAKDOWN

GHG emissions from transport





Reducing our packaging footprint

Packaging is a complex area, as our product portfolio is so broad. And it obviously plays a significant role when it comes to our products' impact, both in terms of GHG emissions and generating waste.

We continue to drive packaging initiatives with the waste hierarchy and 5R principles – Rethink, Remove, Reduce, Renew and Recycle – in mind. First, rethink the packaging and the function it serves; remove all unnecessary packaging components; and reduce materials. Then, assess more sustainable options like renewable or recycled material, and finally make sure that packaging is recyclable at the end of life.

As part of our innovation framework, we launched a mandatory sustainability assessment in line with the waste hierarchy. A traffic-light tool helps teams implement responsible packaging principles in new product development. In 2023, we also ran workshops with our brand teams to discuss and decide on improvements in existing product packaging. Read more about this work on page 18.

In 2023, we collected and improved data about our packaging components to build a comprehensive packaging database. This empowers us to make informed decisions and prioritise action based on reliable data. The platform is a tool for pinpointing the best opportunities to

achieve our ambitious packaging targets. It also helps us to efficiently track progress on our packaging indicators.

Plastic is the most used packaging material for Karo products, followed by paper and board, representing more than 70% of the packaging sold in 2023. This is why we focus specifically on these material categories, tracking KPIs such as virgin plastic consumption, and use of post-consumer recycled plastics and FSC-certified material. We also track the recyclability of our portfolio, which increased slightly to 75% in 2023.¹

We're improving the recyclability of our products in various ways. One challenge for recycling facilities is pumps containing metal springs. To improve recyclability, we're exploring options like removing some pumps, making them detachable, or, ideally, adopting fully recyclable pumps with a plastic spring. Also, we're reviewing pouches made of multi-materials, which also pose a recycling challenge.

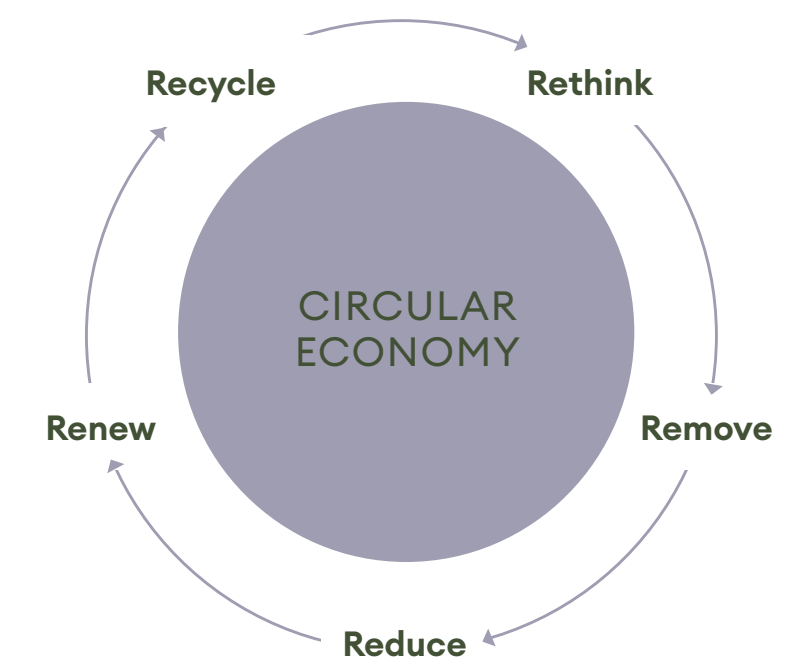
A recycle-ready packaging component is, of course, only the first step. In the end, it's consumers who either do or don't recycle a component. So we're also working to educate them on how to recycle correctly through better labelling on packs and information online.

Using post-consumer recycled plastics (PCR) is part of our strategy to reduce virgin plastic use, and several of our brands are starting to incorporate PCR plastics. As part of our sustainability assessment, we always ask whether PCR is an option. Several of our brands have either launched or will launch components containing PCR plastics. For example, in 2023, we launched the new Decubal hydrating body lotion in a bottle containing 50% PCR plastics. In 2024, one of our major brands will shift to 100% PCR.

¹ To determine what is recyclable we use the OPRL Labelling Rules (<https://oprl.org.uk/>)

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



Protecting ecosystems

Our operations, particularly our sourcing practices, have an indirect impact on ecosystems and local biodiversity. Natural raw materials are part of many of our products, including our packaging. Our target is for all our materials from agricultural, forest and marine environments to be sustainably sourced and deforestation-free by 2030.

We have two main priorities: sourcing paper and board used in our packaging from responsibly managed forests (using FSC-certified material), and improving the traceability of palm oil-based ingredients in our formulations. We don't source any of these raw materials directly – our suppliers are typically responsible for that – but we're still responsible for their sustainability.



The packaging database we built in 2023 allows us to track progress on the use of FSC-certified materials in our packaging. We've identified the most important suppliers in terms of consumption and started discussions about material sourcing. We expect results to emerge from these discussions in 2024 as we phase out non-FSC stock during 2023. We've made some progress, and currently 5% of the material is FSC-certified, but it's slower than expected. One step forward was the change of Mabs packaging in 2023, as mentioned in last year's sustainability report. Also, since mid-2023, all new products use FSC-certified material.

Our commitment to deforestation-free sourcing also covers our product formulations. As many cosmetics ingredients are derived from palm oil, they could be linked to ecosystem destruction upstream in the value chain. In 2023, we joined the Roundtable on Sustainable Palm Oil (RSPO), a global non-profit organisation bringing together stakeholders across the palm oil supply chain. We mapped our palm oil consumption for 2023, based on the palm-oil-derived ingredients in our formulations. We also bought Certified Sustainable Palm Oil (CSPO) credits through RSPO's Book and Claim platform covering our full estimated consumption, in this way supporting the production of sustainable palm oil. Becoming RSPO members marks a milestone in our journey to sustainable sourcing. Our next step will be to deepen our collaboration with our suppliers to encourage them to source physical RSPO-certified palm oil.

In our materiality assessment, we concluded that water is material for us, both in terms of consumption in our upstream value chain, and the potential release of waste water from production and consumer use. We have launched a project to understand the aquatic toxicity of a number of key ingredients and will continue working with key suppliers on this. When developing our new E45 and Decubal sun care range, we've had formulations validated through the EcoSun Pass approval, reducing their impact on marine ecosystems. ●

CASE: Protecting ecosystems

Protecting the skin – and the environment

Consumers with complex skin needs – particularly those with very dry, sensitive or eczema-prone skin – often find it difficult to select a suitable sun protection. To address their needs – and make the most of our skin health expertise – we decided to launch a sun care range within the E45 and Decubal brands.

Throughout the development phase, we worked to find ways to incorporate sustainability into the formulation process. We were particularly focused on avoiding UV filters that are known to affect marine ecosystems and ensuring that these products were safe to use for the entire family.

Our solution was to strive for EcoSun Pass approval for our formulations. EcoSun Pass is one of the most trusted and comprehensive sustainability assessments of sun care products. Unlike certifications that only address aquatic toxicity or ingredient biodegradability, EcoSun Pass evaluates formulations across eight comprehensive criteria, providing the kind of transparency and scientific rigour that we wanted to base our claims on.

While the improved formulations came at a higher cost than other sun filters – involving the use of high-quality biological sun filters and more stringent sourcing standards – we believe in investing in premium quality rather than leaving the cost for our oceans and our consumers' skin to bear later. We are proud to introduce this new range to our portfolio, allowing people to trust E45 and Decubal for a more responsible way of protecting their skin.




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: On track 

Goal: Cut emissions by at least 80% by 2030 (scope 1, 2)

Status: Acceleration needed 


We've raised our goal to cut 80% of our scope 1 and 2 emissions by 2030 and have developed a plan to achieve this. In 2023, market-based scope 1 and 2 emissions increased by 8% due to our expansion of the car fleet in Spain after bringing the sales organisation in-house. Our car fleet contributes to over 90% of our scope 1 and 2 emissions (market-based). As part of our plan, we're updating our car policy to transition our entire fleet to electric vehicles (EVs), leading to a significant reduction in emissions in the coming years.

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

Status: Acceleration needed 

Our scope 3 emissions increased by 2.7%, while emission intensity (emissions per EUR sales) decreased by 3.5%. Almost all our GHG emissions (99%) fall under scope 3, with 89% in the purchased goods category. We improved the method for calculating these emissions and are working with suppliers to reduce emissions. In 2024 we plan to launch an engagement program encouraging suppliers to calculate their GHG footprint, set Science-Based Targets and transition to renewable energy sources.

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

Status: Acceleration needed 

GHG emissions from transports rose by 29%, mainly due to a higher share of online sales and fewer units per parcel. Sustainability initiatives helped reduce emissions, such as using biogas on some Nordic routes and double stacking pallets from a key European supplier. Transportation remains a key focus area for us.

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 electricity consumption from all our operations (scope 2 emissions). In 2023 we purchased 393 EACs using wind and solar technology.


Goal: Offset remaining scope 1 and 2 emissions

Status: Goal reached 

We've offset our scope 1 and 2 emissions (370 tonnes CO₂e) by investing in a Gold Standard-certified project in Kenya. Read more about this on page 25.


Commitment 2 A circular, waste-free world

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

Status: Acceleration needed 


Growing sales across our brands meant we used 12% more virgin plastic in 2023. The growth of our skin health category, with larger product formats, also contributed to the overall rise in plastic use per product. We expect our initiatives to introduce recycled plastics and optimise packaging formats will start to show progress from 2024.

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

Status: Acceleration needed 


Currently, our average recycled plastics use is 1%. Many Nutravita bottles already have 30% post-consumer recycled (PCR) plastic, and upcoming launches in other brands will also feature PCR. Introducing recycled plastics is challenging due to limited supply, higher prices and strict regulations on pharmaceutical packaging. In 2024, we plan to shift one of our biggest brand's plastic bottles to PCR plastic.

Goal: 100% of packaging reusable or recyclable by 2027

Status: On track 


In 2023, our packaging recyclability was 75.0%, slightly improving from 74.8%. This year, we've focused on assessing the entire packaging portfolio to improve data quality, with 96% of the portfolio by weight now assessed. We've identified various areas for improvement, including the recyclability of our pumps and multi-layer pouches.

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

Status: On track 

We're working to make sure there's consistent recycling information across markets, including clear on-pack recycling instructions. In the UK, all new products include recycling information with on-pack recycling labels (OPRL). The Alpha Foods and Remescar brands introduced an online tool offering country-specific recycling information.

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

Status: Goal reached 

In 2023, we scrapped more products because of acquired brands' obsolete stock. But we sent none to landfill. Despite ongoing efforts to reduce obsolete stock by improving our processes, it will take time before we see the positive results of these changes.


Commitment 3 Protecting ecosystems (water and nature)

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

Status: Acceleration needed 

We're transitioning to FSC-certified paper and board, but progress has been slower than we anticipated, with approximately 5% certified material in 2023. We're in talks with our largest suppliers and aim to start shifting more products to FSC-certified stock in 2024. All new products now use FSC-certified paper and board. Converting our Mabs compression socks to certified board was our biggest initiative so far.

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: On track 

We use various palm oil-derived ingredients in our products, and during the year we mapped our usage. Our estimated total volume is 840 tons across all formulations. To promote the production of certified sustainable palm oil we are members of the Roundtable of Sustainable Palm Oil (RSPO), and we source certified sustainable palm oil credits equivalent to our total consumption through RSPO's book and claim scheme.



Fair society

We aim to contribute to a fair, equal and inclusive society as a responsible employer and partner throughout our value chain. This includes making sure our own workforce feels empowered and engaged; that everyone feels 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.



CASE: Diversity

Nurturing growth through Scaled Entrepreneurship

With our brands, we want to improve health and wellbeing and help people live their lives to the fullest. But we are also committed to making sure that our workplace creates the best conditions for personal and professional growth for our people. We believe this requires looking beyond the traditional workplace measures of ‘job satisfaction’ and ‘engagement’ to truly focus on the value of each individual.

As Lisa Westerdahl, our Chief People and Sustainability Officer explains: “We want to create a work environment where every one of us can be our authentic selves every day. In this environment, we feel valued for who we are and can share our expertise. And we can be honest in our discussions, without feeling judged.”

To create the optimal conditions for growth – for the individual as well as the business – we implemented a new operating model in 2022: Scaled

Entrepreneurship. This model allows us to maintain the mindset of a start-up while effectively growing our business in a structured way.

In this operating model, we have put cross-functional ‘squad teams’ in the driving seat. These are self-empowered teams that work with a specific brand or category and include people from different parts of the company. All squad teams have a flat organisation, which means everyone takes equal responsibility for decision-making.

“Each person brings their own expertise to the squad, so everyone has something unique and valuable to offer,” says Lisa. “As a result, the squads tend to generate more ideas with fresh, insights-driven perspectives. And because of the way we’re organised, we can get these ideas and innovations to our consumers faster.”

Our version of Scaled Entrepreneurship has another signifi-

cant benefit: diversity. Karo is already ahead of the field when it comes to gender diversity, with an equal split between genders among people leaders and on the Board of Directors. Now, thanks to the squad teams, we’re also taking the lead in cognitive diversity.

“Not everyone works in the same way, and we shouldn’t feel pressured to be analytical or creative if those are not our natural characteristics,” says Lisa. “That’s one of the great strengths of operating in the squad teams. By creating teams that mix not only commercial, operational and scientifically-minded people, but also both strategic and tactical personalities, everyone is able to contribute with their own strengths.”

**Nurturing an engaged workforce**

Our social impact starts in our own business. We want to give our employees the opportunity 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 in a fast-growing company. To track our progress, we run Employee Experience Surveys (EES) twice a year. In 2023, the employee net promoter score (eNPS) was 40,¹ where a score of 30+ is defined as ‘great’ by Bain & Co, who invented the eNPS. This is down on last year’s eNPS of 50, which Bain considers ‘excellent’. Although our score fell, it did so from an exceptionally high level, and we’re confident that our employees still feel engaged.

We also scored above 4 out of 5 from employees on ‘strategy and communication’, ‘culture’, ‘leadership’ and ‘wellness and inclusiveness’. This tells us that our colleagues understand our purpose and goals, and that they’re fully behind what we’re trying to achieve. That’s also a tribute to them, not just our way of working. Many of our highest scores are related to ‘leadership’, highlighting the effectiveness of our people leaders in cultivating a supportive and inclusive workplace.

Areas in the EES with lower scores include work-life balance and stress levels. Employee wellbeing along with health and safety are our top priorities, as they contribute to employee satisfaction, motivation and our reputation as an attractive employer. So to support our people – and hopefully improve our ESS scores in this area – we provide flexible work hours, health insurance, fitness subsidies, and ergonomic assessments of workstations and office equipment.

¹ In response to the question ‘how likely is it that you would recommend Karo Healthcare to a friend or colleague?’.

Recognising our people

Based on feedback from recent surveys, we've started several recognition programmes. We've developed a feedback toolkit to help people managers give their team members continuous feedback. And through 'feedback cards', we also encourage everyone to give feedback to colleagues and managers both within and outside their teams. Also, our Karo Karma Award lets anyone nominate colleagues who exemplify our values of Challenge, Act, Connect and Care. And our new Smile Recognition Award programme lets managers nominate team members for outstanding achievements. Two winners earn a field trip to see Karo's contributions to local communities. The 2023 winners will join our chosen charity Operation Smile for one week on-site during a mission. Read more about Operation Smile on page 20.

Empowering consumers and colleagues

We aspire to be an empowering organisation, focused on serving consumers with our brands and unleashing the creativity of our colleagues. Through our way of working – Scaled Entrepreneurship – we make better decisions closer to the consumer, make ourselves faster and more efficient, and create engaging, fun roles and connectivity across Karo. Read more about Scaled Entrepreneurship in last year's sustainability report.

In 2023, we welcomed 50 new 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 in 2023 shows great feedback from newcomers, who gave us 4.2 out of 5. The onboarding includes a welcome kit with information, videos, training and follow-up.

**CASE: A culture of collaboration**

Connectivity – the key to a strong community and an even stronger business

Karo is a company with a dynamic network made up of around 410 people spread across our 12 locations across Europe. Every employee holds a unique position in this network – sharing information and creative ideas, shaping the culture or driving performance. But the strength of our network – and ultimately the success of Karo as a business – depends on how well we understand each other and how connected we are, within our own team as well as with other teams across the organisation.

To complement traditional employee experience surveys, we run Karo Connect – a network survey across the entire organisation that allows for a detailed examination of collaboration quality and areas for improvement. The focus is on enhancing collaboration within critical workflows to drive better teamwork and organisational performance.

The network survey hasn't just given us a practical tool to map the quantity and quality of our collaboration, it's created an

awareness across the organisation of how we can effectively work to strengthen both.

Managers are already using the results of the survey in their team development sessions to identify collaboration gaps and discuss what they can do to boost their collaboration across the Karo organisation.

Our 2023 Net Collaboration Score (NCS) of +16 is strong, positioning us in the top 10% compared to similar companies. The results also demonstrate a significant improvement from the previous score of -13 in 2021.

A high collaboration score indicates an engaged, motivated, and innovative organisation with a healthy culture. By addressing areas for improvement identified through the survey, we aim to further strengthen our collaborative environment, ensuring continued growth and excellence across all aspects of our operations.



A dynamic workplace with diverse backgrounds and experiences makes our teams more productive; fosters a broader range of perspectives; and leads to more innovative problem-solving and better decision-making.

Creating a diverse and inclusive environment

Our social agenda is well advanced through our workplace practices, culture and employee engagement. We prioritise a diverse, inclusive environment, where our people feel they can be themselves; be accepted for who they are; and learn and develop as individuals and professionals.

We aim to attract competent and high-performing people who align with our culture, regardless of gender, gender identity, sexual orientation, ethnicity, race, religion, country of origin, disability or age. To make sure we continue to progress on this commitment, we've established key performance indicators.

We aim for an even distribution of both genders in our Corporate Management Team and among people managers. Our current proportions are 33% women in the Corporate Management team, and 46% among Senior Managers. On our Board of Directors, women represent 50%.

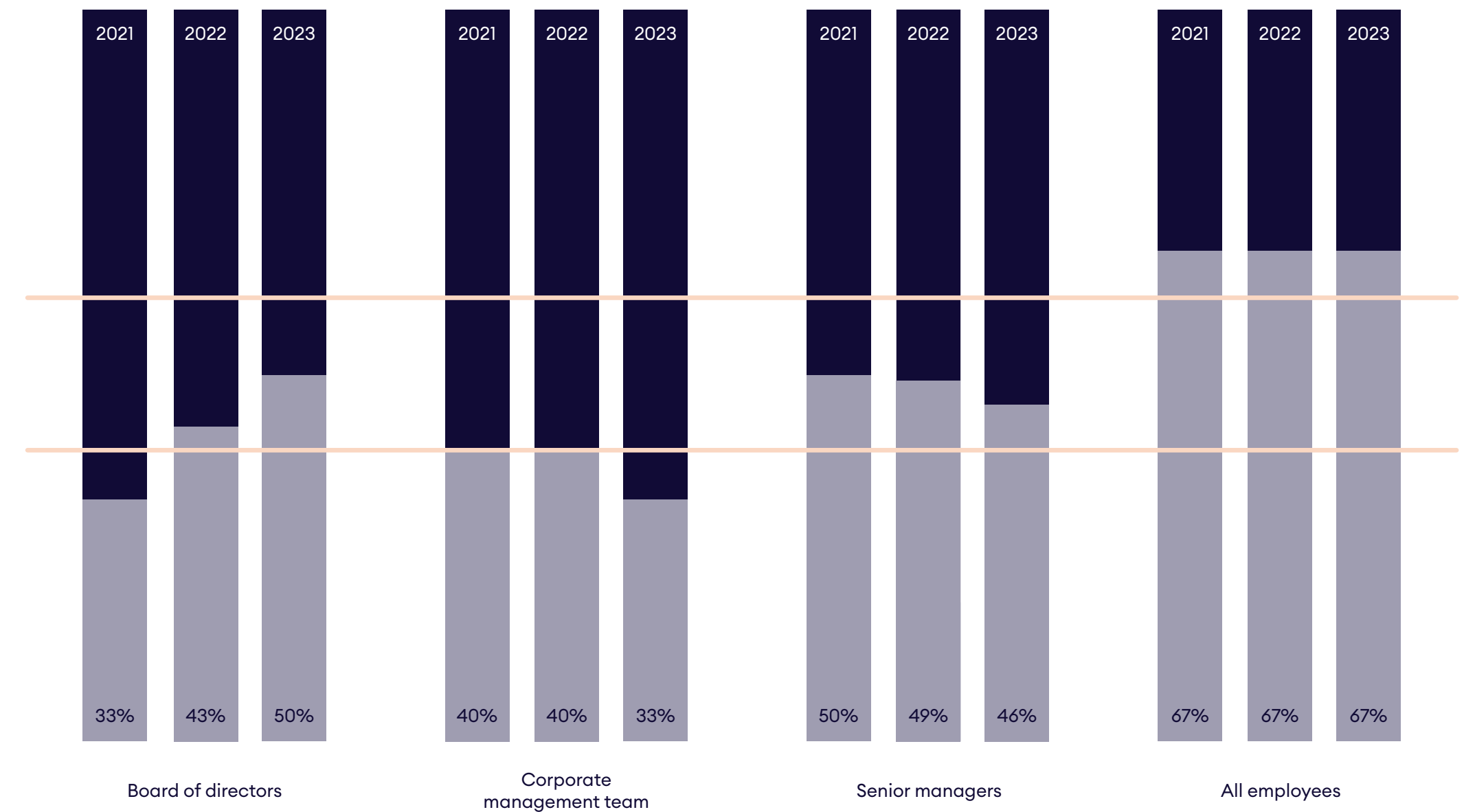
We value all dimensions of diversity, and our approximately 410 employees come from 32 different countries. As an international company, we want to make sure that our employees reflect the diversity of our markets and consumers. Moreover, a dynamic workplace with diverse backgrounds and experiences makes our teams more productive; fosters a broader range of perspectives; leads to more innovative problem-solving and better decision-making; and ultimately contributes to a more successful business.

This is why we've committed to increasing our focus on diversity, equity and inclusion (DE&I). In 2024, we'll conduct an audit to assess the maturity level in different parts of our business before setting a DE&I strategy and priorities. To guide us in this work, we've partnered with experts in the field who will give guidance and train people leaders and employees.

DIVERSITY

Gender diversity, share of women

● MEN ● WOMEN — OUR TARGET (40 - 60%)





CASE: Talent management

Empowering people to grow



When Estel Filella started with us as a sales and marketing manager, we had just 30 employees and weren't yet called Karo Healthcare. Ten years later, we're more than ten times bigger, and Estel has grown with us. She now leads marketing for our biggest brand, Lamisil, acquired in 2023.

It's been quite a journey, she reflects, but some things haven't changed. "Back then, we were a small business, quick in our decision-making, with people empowered to pursue ideas. That culture is still part of who we are, even though we've grown across Europe, and we're now expanding into global markets. We may have developed more sophisticated processes and methods, and bigger teams, but we're still the same fast-moving, agile business."

Pursuing a passion for healthcare

Estel has thrived in this environment, pursuing a passion for healthcare that's guided her since studying for her pharmacy degree. She's worked on many of our brands, from haemorrhoids to skincare to nailcare. "I'm driven by helping people solve healthcare issues with products that make a difference and make their lives better, which is totally what Karo is about," she says.

It's work that's made her joint winner of our annual Smile Award, earning her a trip to Madagascar to see at first hand the work of our chosen charity Operation Smile in helping children with lip and cleft palate.

Feeling freedom to move fast

Now, from her base in Barcelona, Estel is planning campaigns for

the global Athlete's Foot treatment brand, Lamisil as a global marketing manager. "To do it, I'm bringing together our experts in communications, strategy, innovation, consumer insight and more," she explains.

A recurring theme in her work at Karo is the chance to innovate, and the ability to move fast. "In my previous role as Innovation Lead Marketing Manager for our Skin Health category, we were looking for opportunities to grow our skincare portfolio, including the E45 brand. In 18 months, we launched more than 20 new skin health products in 10 markets. With Lamisil, within two months of the brand becoming part of Karo, we were planning new campaigns. That's how quickly we can move."

Feeling supported

Sustainability is another hallmark of this environment, says Estel. "It's who we are because we make people's everyday lives better by improving their health and wellbeing. It's also part of how we work. Factors like recyclable packaging materials, for instance, help us decide whether to go ahead with product innovations."

As she strives for her next success, Estel feels supported by Karo: "It's a human company, pushing people to be better but caring for them too. That's how we all grow personally as well as professionally."

Karo at a glance

Strategy:
Fair society

Governance

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. This means living 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 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.

It's important that our people have the chance to report anything that doesn't look right, both inside and outside the business. With the support of an external partner, we operate a whistleblowing policy and process. Through this, employees and other stakeholders can raise concerns anonymously. A dedicated committee oversees and takes action on reported cases, and makes sure we follow up.



Looking beyond our business

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. To make sure they live up to our standards, it's vital we're clear about what we expect, and that we work 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 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 2023, suppliers representing 84% of our spend signed our code or agreed to a comparable one.

In 2023, we updated our supplier selection process by better integrating sustainability questions into how we assess would-be suppliers. We also began updating our due diligence process to better integrate human rights considerations in line with the UN Guiding Principles on Business and Human Rights. This includes a new tool to assess potential material risks related to our suppliers. The tool considers country risks including working conditions, freedom of association, discrimination, bribery and corruption and child labour. We assessed a number of key suppliers and identified no severe risks. We will expand this in the coming year.

Promoting responsible supply chain standards

Karo has been a member of the Pharmaceutical Supply Chain Initiative (PSCI) since 2022. The organisation promotes responsible supply chain standards by bringing members together to define and encourage responsible business practices. In 2023, we took part in several PSCI events to learn, share experiences and contribute to shaping the organisation's agenda. Through the PSCI, all our direct suppliers also have access to educational events, including ones on 'beyond compliance' best practice topics.

A key objective of the PSCI is to collaborate on audits, aiming to reduce the audit burden for suppliers, enhance efficiency for brands, and make results and corrective action more visible. In 2023, we mapped our suppliers

using the PSCI audit database to identify where audits had already been completed. We found a small number of current suppliers who had already completed a Self-Assessment Questionnaire (SAQ) or undergone an audit. We will expand this and run a limited number of audits to make sure all the suppliers we work with meet our standards when it comes to business responsibility.

In 2023, we invited 15 key suppliers to participate in a climate strategy and footprint survey. Read more about this initiative on page 25.

Recognising our suppliers as important partners, we continue to strengthen our processes to effectively manage and control sustainability performance throughout our value chain. ●

Managing sustainability with our suppliers

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





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

Our employee net promoter score (eNPS) fell from 50 to 40. A score of 30+ is considered 'great' on Bain & Co's scale. The participation rate was 82% in the two surveys we held in June 2023 and early January 2024.

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

Status: Goal reached

In our employee engagement survey, our people ranked the company's recognition culture 4.0 (scale 1-5), slightly down on 2022. The question about whether there is a culture of feedback at Karo scored 4.4 (same result as last year).

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 4.2 on the wellness and inclusion section of our engagement survey, a slight fall from 4.4 in 2022. All employees receive a financial wellness contribution, and we organised several social activities throughout the year, including 'Move for a Smile' where employees and external partners raised money for charity.

Commitment 2 A diverse and inclusive business and society

Goal: Create an inclusive culture where everyone is treated fairly and equally, by making sure all employees feel they can bring their true self to work

Status: Goal reached

We scored 4.4 on the question asking whether employees feel they can bring their true self to work (down from 4.5 in 2022).

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 2023, our workforce included 32 nationalities. The statement "I can make my voice heard" scored 4.2 (4.3 in 2022).

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

Status: Acceleration needed

On our Board of Directors, women represent 50%. The Corporate Management team consists of 33% women and 46% of Senior Managers are women. In 2024, we'll conduct an audit to assess our DE&I maturity before setting a strategy and priorities.

Commitment 3 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 2023, suppliers representing 84% of our spend had signed our code or agreed to a comparable one.

Commitment 4 Responsible and ethical business practices

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

Status: On track

In 2023, we trained 95% of employees in ethics and anti-corruption. We launched digital anti-corruption training for all employees in 2023.



Governance

- Materiality assessment
- Interacting with our stakeholders
- Sustainability governance
- Sustainability risks
- About this report

Materiality assessment



Pinpointing what matters most

Our materiality process is dynamic, reflecting our commitment to staying informed about evolving trends, regulatory frameworks, scientific advances and stakeholder input. After continuous reviews, the materiality assessment for 2023 remains unchanged.

In 2024, we plan to conduct a double materiality assessment (DMA), which explores both our impact on the world, and the impact of sustainability factors on our financial performance. This is an important part of linking sustainability more closely to our business activities. It also helps us prepare for compliance with the Corporate Sustainability Reporting Directive (CSRD).

Our materiality process starts with identifying the most material areas, and prioritising them. We then make sure the whole organisation deals with them. Our methodology involves evaluating these areas based on both their potential impact on our business results and our impact on people, the environment and society as a whole.

Our updated materiality assessment in 2022 resulted in 20 material areas, grouped into five main topics. The assessment included an in-depth peer review, bench-

marking against industry best practices, a review of the latest scientific developments and input from key stakeholders.

Our material topics focus on advancing consumer health and wellbeing, ensuring the highest standards in product quality and safety, and addressing the challenges posed by climate change and environmental stewardship. Also, we prioritise talent management and employee development to help build a supportive and inclusive workplace culture. And we uphold ethical business conduct as a fundamental principle guiding our operations.

The topics we've identified as material inform our sustainability strategy and long-term commitments and targets. ●

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.

Material areas in 2023

TOPIC	MATERIAL AREA
Health and wellbeing	Advancing health and wellbeing Nutrition and diets Accessibility and affordability of products
Environmental stewardship	Climate change and energy Water Packaging and waste Sustainable sourcing Biodiversity and ecosystem impacts Responsible product innovation Responsible consumption Circular economy
Social responsibility	Product quality and safety Workplace health, safety and wellbeing Diversity, equity and inclusion Talent management and employee development Labour and human rights
Ethical conduct	Ethical business conduct Responsible marketing and sales practices Animal testing and welfare
Economic	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 and business partners, competent authorities, 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 and preferences – also when it comes to how sustainability issues influence the choices they make. We use these insights 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 relationships 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 consumers.

Customers and healthcare professionals also play an important role in helping us spot ways to improve overall and in specific areas like assessing product quality. Interaction and feedback are important to make sure our brands and products help advance health and wellbeing.

Increasingly, our customers are asking for reassurance that we’re taking responsibility for both our environmental and social impacts.

Employees

Our employees are key to our success. We listen to and communicate with them in various ways. Twice a year, we run an extended company-wide employee experience survey to understand what employees think and feel, and to spot any issues early. We hold regular virtual town hall meetings where all employees can ask questions directly to the CEO. We also share company news through our internal communication channels. This helps keep employees informed about important developments, encouraging transparency and inclusion.

We're a flat and non-bureaucratic organisation that empowers people to make their own decisions. Our open office environment facilitates the flow of ideas and information, promoting collaboration and innovation, as employees can easily exchange thoughts and knowledge.

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. This regular interaction is crucial for maintaining strong and effective relationships.

Each year, we assess all our direct suppliers on supply, quality and sustainability. This process makes sure suppliers meet our standards and requirements. Suppliers also have a regular quality audit conducted by our quality team, to make sure they comply with standards.

In 2023, we ran an in-depth survey with 15 key direct suppliers to understand their maturity around climate strategy and collect data on their carbon footprint. We see this as a first step to strengthen collaboration around climate strategy in our supply chain.

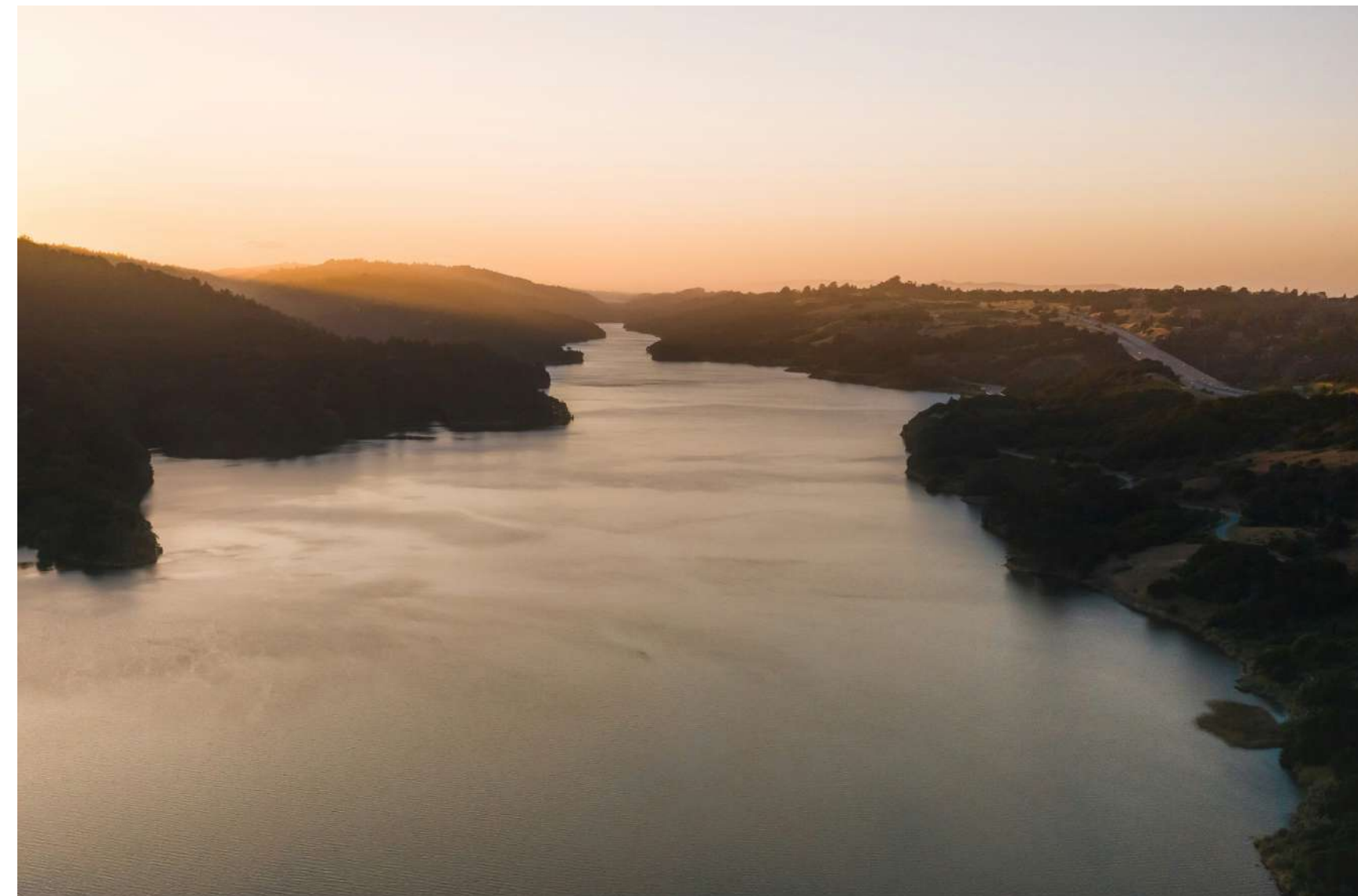
We also regularly connect with other business partners on sustainability-related topics, asking for or providing specific information. Initiating two-way discussions on sustainability helps build a shared commitment to more sustainable practices.

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 →



The Roundtable of Sustainable Palm Oil (RSPO)

Visit site →



Platform for Innovation of Existing Antibiotics (PLATINEA)

Visit site →

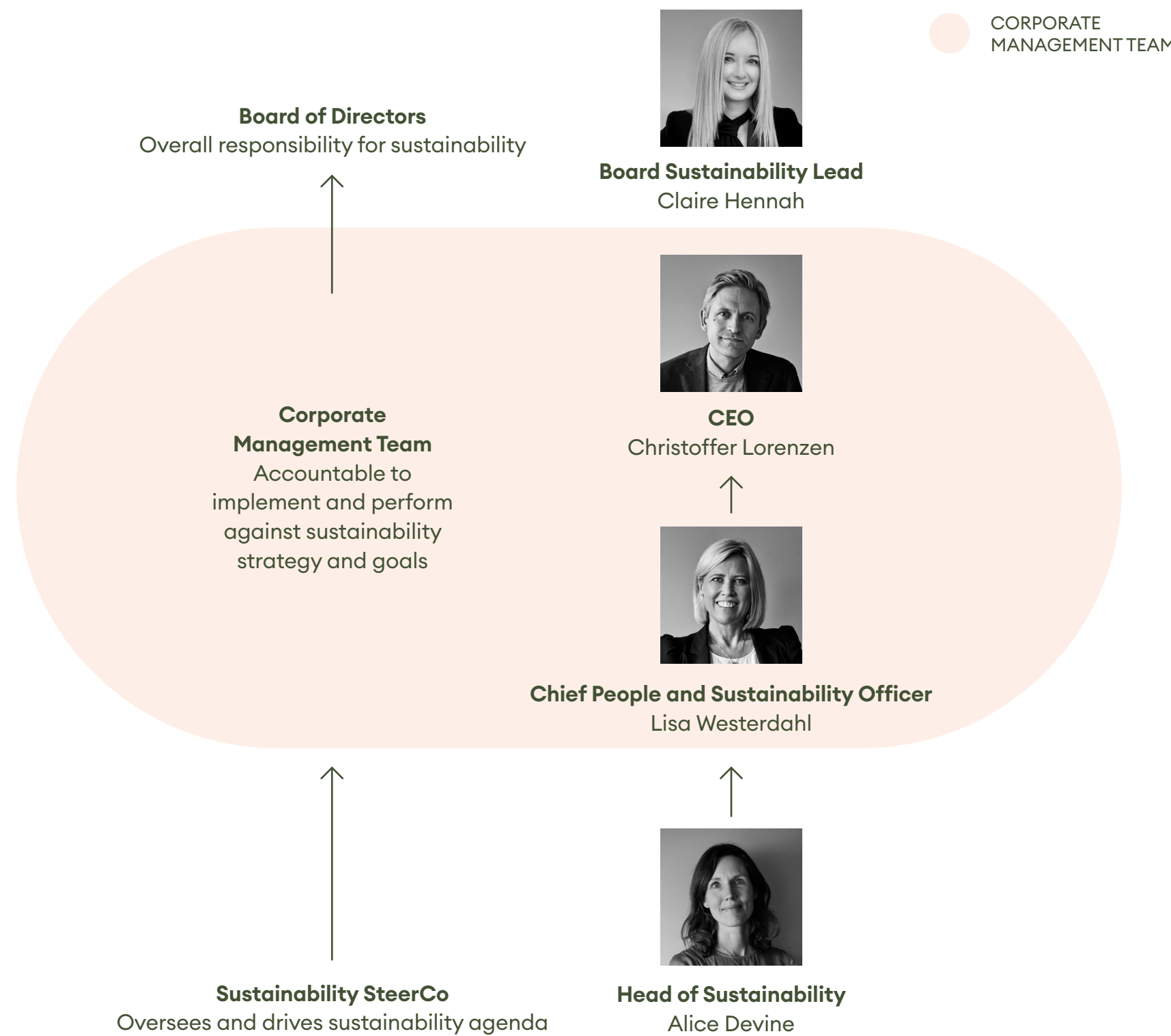
The Swedish Cosmetics, Toiletries and Detergents Association (KoHF)

Visit site →

On-Pack Recycling Labels (OPRL)

Visit site →

Sustainability governance



We're working to integrate sustainability into our business functions and existing plans and processes. Oversight, guidance and overarching decisions are governed by the principles outlined in the figure.

Structures and accountability

Responsibility for implementing our sustainability strategy lies with the Head of Sustainability, together with the Group Management Team. The Head of Sustainability reports to the Chief People and Sustainability Officer, who in turn reports to the CEO.

The Board of Directors are updated continuously on sustainability topics, and our private equity owners, EQT, receive regular news as well. Board member Claire Hennah has been made responsible for sustainability, and she receives regular updates. In 2021, board members and the Corporate Management Team created a steering committee to oversee and drive our sustainability agenda.¹ The steering committee reports to the CEO and held regular meetings throughout 2023.

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

A good example of how we integrate sustainability considerations into strategic decision-making is our new product development process. Embedded in our current innovation framework, a mandatory sustainability assessment makes sure we evaluate sustainability at the right time in the process. The outcomes generated by our recently implemented traffic light tool then inform decisions at appropriate forums. Read more about this process on page 18.

¹ The steering committee consists of the Head of Sustainability, Vice President People, Sustainability and Corporate Communications, COO, CMO and CEO.

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, anti-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, and through a well-established supplier qualification process.

We have procedures for making sure we comply with laws and quality standards, and promote patient safety. We store our policies and procedures in Advantum, our version-controlled document management system. All new employees must verify that they've read and understood all policies and procedures before they start work.

We have regular external audits to review our quality management system based on compliance with regulations and processes. We hold licences to distribute and manufacture medicinal products and medical devices according to GDP, GMP and ISO 13485. We are also qualified to ensure patient safety by complying with the EU directive on medicinal products 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 and patient safety data through a person responsible for pharmaceutical monitoring. Health authorities verify 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. ●

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	Creating value
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"> – Reducing overall footprint from Karo products and operations, e.g. by transitioning to renewable energy sources, reducing energy consumption, and using low-carbon materials in production and product development. 	<ul style="list-style-type: none"> – Attract conscious consumers through product-related sustainability claims. – Enhance brand reputation by promoting responsible practices.
Climate change – weather conditions that affect 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 increasing costs and a shortage of resources or raw materials, leading to a lack of stock and potential health risks for patients. Complex supply chains are at risk of weather impacts, especially related to transporting raw materials or finished products.	<ul style="list-style-type: none"> – We have several suppliers with similar capabilities in different locations across Europe. Our ambition is also to diversify suppliers geographically. – We’re in close contact with suppliers, continuously evaluating deliveries and priorities. This allows us to respond quickly to potential disruptions. – We work to optimise routes, which includes using different modes of transport. 	<ul style="list-style-type: none"> – Build robust supply chains, allowing us to be resilient and flexible to protect product supply even in a disrupted environment.
Working conditions and human rights	Social risks in our supply chain include excessive working hours, low wages, 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 we regularly assess them on their sustainability performance. – We’ve set targets to increase our share of credibly certified raw materials. 	<ul style="list-style-type: none"> – Increase productivity and employee satisfaction through responsible business practices and fair pay that create a comfortable work environment.
Biodiversity – impact of nature-derived raw materials	We source several nature-derived raw materials which have a potential negative impact on ecosystems and 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 source only responsible and deforestation-free materials by 2030. – We’re working to adopt more sustainable sourcing practices, e.g. to only purchase credibly certified materials and improve traceability of our key raw materials. – We’re working to map all the raw materials used in our products. 	<ul style="list-style-type: none"> – Secure long-term supply by promoting sustainable sourcing. – Attract conscious consumers through product-related sustainability claims. – Enhance brand reputation by promoting responsible practices.
Product quality and safety	We provide pharmaceuticals, medical devices, food, food supplements and cosmetic products, which could expose consumers who use them to health and safety risks.	<ul style="list-style-type: none"> – We have stringent quality control measures according to applicable regulations, and we make sure our pharma products meet our high standards of quality and safety including: <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 (GVP) permit & Qualified Person for Pharmacovigilance (QPPV). Pharmacovigilance audit – Training staff on managing adverse events. 	<ul style="list-style-type: none"> – Build trust in our brands through reliable and safe products.

Sustainability risks

Continued

Risk	Description	Mitigation	Creating value
Water use and discharge	Water consumption and discharge during production and consumer use could have an impact on the local environment.	<ul style="list-style-type: none"> - We're mapping all the ingredients used in our products, and, as part of this, we're working to identify, assess and reduce the impact on water from consumer use. - We're starting to work with selected suppliers to better understand our footprint and how we can reduce our impact from production. 	<ul style="list-style-type: none"> - Build resilience and avoid shortages in times of crisis through responsible and efficient manufacturing practices.
Bribery and corruption	All interactions with suppliers, customers and other business partners carry a risk of bribery and corruption.	<p>Our anti-corruption programme includes:</p> <ul style="list-style-type: none"> - Our Code of Conduct and Supplier Code of Conduct, which set out our zero-tolerance approach to bribery and corruption - An annual anti-corruption e-learning, which all employees have to complete, as well as confirming they've read and understood the Code of Conduct - A Supplier Code of Conduct - all suppliers must sign or agree to an equivalent standard - A whistleblower process to encourage employees, former employees and external partners to report potential issues. 	<ul style="list-style-type: none"> - Build trust with stakeholders.
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 nurture an inclusive workplace culture, and have targets covering diversity, equity and inclusion. - Our Code of Conduct and Diversity and Inclusion Policy clarify our standpoint. - We run employee engagement surveys twice a year, and we evaluate and follow up on any issues. 	<ul style="list-style-type: none"> - Attract a diverse and talented workforce. - Strengthen our reputation as an attractive employer. - Enhance innovation and creativity through diverse perspectives.
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 collaborate with regulatory authorities for compliance. - We have a robust supply tracking system and regulate quality and compliance in business contracts with distributors. - We conduct quality control of distributors to prevent unauthorised sales. - We conduct audits of distribution and warehouse partners (3PLs). - We follow Good Distribution Practices (GDP). 	<ul style="list-style-type: none"> - Ensure patient safety and trust in our brands, and in pharmaceuticals in general.

About this report

the guidelines, a first screening step defines if we should report data in each of 15 categories. 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; employee commuting; downstream transportation and distribution; and end-of-life treatment of sold products.

We're continuously working to improve data accuracy. In areas where data is still governed by some uncertainty our reporting is based on informed assumptions.

In 2023, we improved the methodology of our largest emission category, purchased goods, which now rely on

product-specific emission factors as well as emissions from our direct suppliers. We're now using a hybrid methodology, which is more advanced and precise compared to the spend-based methodology we used last year. 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.

We've updated our baseline calculations (2022) using the updated methodology. ●

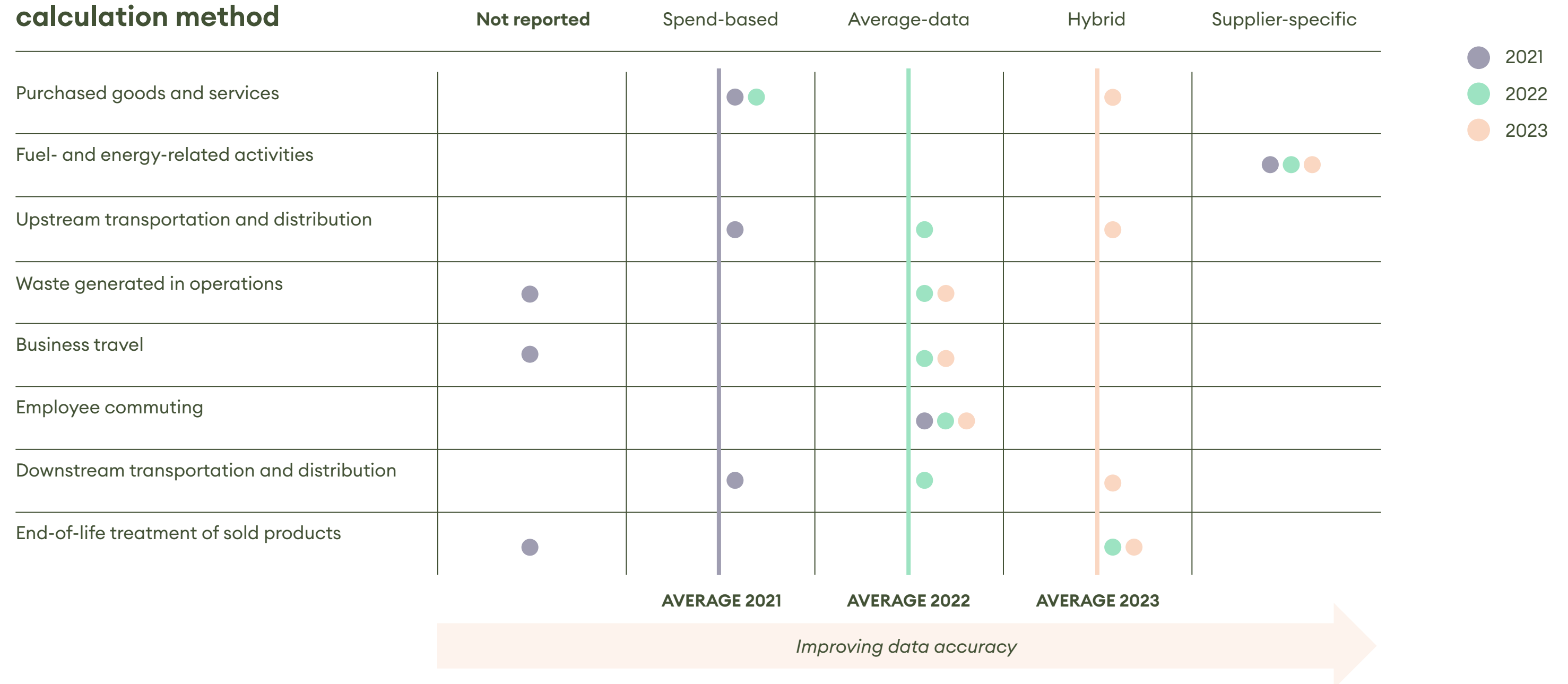
This report covers Karo Intressenter Holding AB and its subsidiaries for the period from 1 January 2023 to 31 December 2023. All business activities are conducted within Karo Healthcare AB and its subsidiaries.

This is our second stand-alone sustainability report and consists of our statutory sustainability report in accordance with the Swedish Annual Accounts Act. As part of our commitment to transparency, we aim to communicate openly and be accountable in our work to become more sustainable. This report aims to give our stakeholders clear and comprehensive information about our sustainability performance, challenges, commitments and goals. The report also covers the sustainability strategy, policies, commitments and performance data for the group.

Calculating our GHG emissions

We calculate all our greenhouse gas emissions using the Greenhouse Gas Protocol Guidelines. For scopes 1 and 2, we compile energy consumption and kilometres-driven data from each of our offices. For scope 3, according to

Scope 3 category: calculation method



Auditor's limited assurance report

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

To Karo Intressenter Holding AB, Corp. Id. 559180-2052

Introduction

We have been engaged by the Board and the Managing Director of Karo Intressenter Holding AB to undertake a limited assurance engagement of Karo Intressenter Holding AB's Sustainability Report for the year 2023. Karo Intressenter Holding 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 44 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 RevR12 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 ISQM 1 (International Standard on Quality Management) which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Karo Intressenter Holding 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, 11 April 2024

KPMG AB

Håkan Olsson Reising
Authorized Public Accountant

Karin Sivertsson
Expert Member of FAR



Sustainability Report 2023

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