

PROBI

SUSTAINABILITY

REPORT 2018





Probi operates in the global healthcare products market and offers probiotics of the highest quality to food, healthcare and pharmaceutical companies. Probi has a vision to help people live healthier lives.

Introduction

This sustainability report applies to the 2018 financial year and is Probi Group's first sustainability report. The sustainability report concerns the parent company Probi AB (corporate ID number 556417-7540) and all units consolidated in Probi's consolidated accounts for the same period.

Probi's Business

Probi AB is a Swedish publicly traded bioengineering company with a vision to be a world leader in probiotics and to help people live healthier lives. Probi's business model is based on conducting research and development, obtaining patents for and documenting probiotic bacteria and developing and producing ready-made probiotic consumer products.

Our business concept is to provide probiotics with clinically documented beneficial health effects to leading food and dietary supplement companies. The Group comprises the Parent Company, Probi AB, and four subsidiaries: Probi USA Inc., Probi Asia-Pacific Pte. Ltd., Probi Food AB (dormant) and Probi Feed AB (dormant). Probi's headquarters are based in Lund, Sweden, whilst the manufacturing facilities are located in the US: Redmond, Washington and Lafayette, Colorado.

Environmental footprint

A natural progression from Probi's focus on health and well-being is to work for a better environment and for sustainable development. According to Probi's Environmental Policy, these efforts shall be integrated into the daily operations. The negative environmental impact of operations

should therefore diminish through continuous implementation of feasible improvements. Probi hires professional freight carriers that have effective systems of transport. During 2018, Probi AB's (Parent Company) transports amounted to a CO₂ consumption of 328 tonnes (256 tonnes, 2017). This information was not available from the Probi USA's transport, due to large diversity of freight carriers.

Probi's international operations entail business travel by air. During 2018, Probi's carbon offsets corresponded to 282 tonnes of carbon equivalents in the Nakau Rainforest Conservation Programme in Fiji, in partnership with ZeroMission in accordance with the Plan Vivo standard. The carbon offsetting relates to carbon emissions arising from the business-related air travel of Probi AB. Tracking the carbon emissions for Probi USA and Probi Asia-Pacific is currently not possible. We are working on to get a consolidated view on the Group's total carbon emissions from business travel by air. Probi AB's emissions by air amounted to 397 CO₂ tonnes in 2017, resulting in that Probi has reduced its CO₂ emission by 115 tonnes in one year.

Probi's fermentation and production facilities in Redmond, Washington, and Lafayette, Colorado, are GMP certified and hold all licences required under US environmental law.

During 2018, the total electricity consumption (non-renewable energy sources) amounted to 2,397 MWh, corresponding to a CO₂ consumption of 1,695 tonnes. United States Environmental Protection Agency's emissions factor was used for the calculation of the greenhouse gas equivalencies. Moreover, therms of natural gas is also used in the production and the total consumption of 61,772 therms resulted in a CO₂ consumption of 328 tonnes in 2018. Probi measures the environmental efficiency of energy consumption as CO₂ emissions in tonnes in relation to the Group's sales in SEK millions. The environmental index related to energy consumption for 2018 thereby amounted to 3.35. Previous year's (2017) environmental energy consumption index was 3.15 (2,284 MWh (1,615 CO₂ tonnes) and 58,781 therms of natural gas (312 CO₂ tonnes)).

During 2018, the total water consumption in the production sites amounted to 28 megaliters. 2017's water consumption data was not available. Probi measures the environmental efficiency of water consumption as megaliters in relation to the Group's sales in SEK millions. The environmental index related to water consumption for 2018 thereby amounted to 0.047. It was not possible to collect information regarding energy and water consumption for Probi AB's office in Lund, since the Parent Company only leases a part of a building and the lessor only provides information for the whole building. Calculating the consumption rates per square meter would not be reliable data to report. Moreover, no production takes place in Lund.

During 2018, a total of 1,969 kg (1,148 in 2017) waste from Probi AB's laboratory in Sweden was disposed by an external supplier, certified to dispose non-hazardous and hazardous waste. The waste mainly consisted of laboratory chemicals and these chemicals are categorized as non-hazardous waste. No waste data was available from Probi USA and the sales office in Probi Asia-Pacific, which only consists of a few employees. To measure total weight of waste from the production facilities in the US is a target for future reports.

Social sustainability

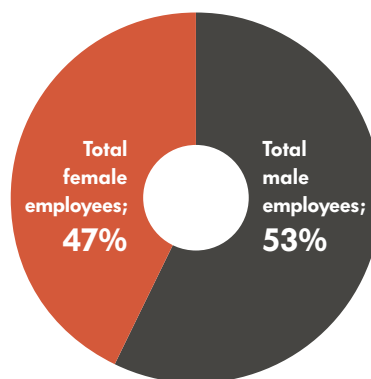
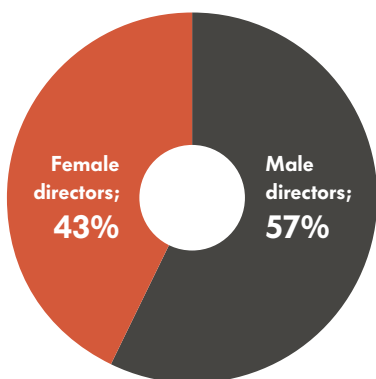
Diversity

Women and men have the same prerequisites at Probi. Consequently, all assessment should only be objective and gender-neutral, focusing on competence and suitability. The company strives to have as even gender distribution as possible on different positions. All employees are entitled to be treated with respect. Probi's Board of directors consists of seven board members. Three of the board members are female and four are male. All of the board members are over 50 years old.

In addition, the Nomination Committee has in its work taken into account point 4.1 of the Swedish Code of Corporate Governance, which constitutes the diversity policy that the Nomination Committee has applied in preparing its proposal for the Board of Directors, whereby the Nomination Committee has strived for an appropriate composition, characterized by diversity and breadth of the proposed members' competence, experience and background and an even gender distribution.

By the end of the reporting period, the employee turnover rate was 32 % in Probi Group. This is mainly a result of the turnover rate among blue collar workers in the US production sites. The total number of new employee hires during 2018 is 47 and the average age in Probi Group is 41 years. The table below presents a comprehensive view of the age and gender distribution of all Probi employees. Since the Asia-Pacific region only consists of few employees, we report Europe-Middle East-Africa region together with the Asia-Pacific region in this report.

| Age | | < 30 | | 30 - 50 | | 50 < | | No. of employees |
|-------------|-----------------------|------|--------|---------|--------|------|--------|------------------|
| Region | Company | Male | Female | Male | Female | Male | Female | |
| EMEA/APAC | Probi AB/Asia-Pacific | - | 100% | 35% | 65% | 46% | 54% | 44 |
| AMERICAS | Probi USA | 47% | 53% | 62% | 38% | 69% | 31% | 124 |
| All regions | Probi Group | 9% | 13% | 27% | 24% | 17% | 10% | 168 |



Work environment

Probi's fundamental goal is to create a good working environment for all employees. Risks for physical and psychological ill health should be prevented. The aim is for everyone, regardless of their duties, to be given the opportunity for both influence and development as well as for cooperation and social contacts.

The work with the work environment must be carried out as a natural part of the daily tasks, and partly as a systematic work in which we conduct regular studies of the working environment and implement and follow up the decided actions. Internal policies and Probi's Code of Conduct set the basis for employees how to act and how we want to be perceived as a company. We work together to achieve a good working environment, which includes measures against alcohol and other drug abuse. Probi is a substance-free workplace and the use of illegal substances and/or alcohol is prohibited during working hours. Offensive treatment, behavior or bullying is not accepted at Probi, regardless of who it involves. Employees who are subjected to offensive treatment should quickly get help or support. Probi has therefore drawn up a complaint procedure/action plan against offensive treatment with actions that will be taken if it would occur.



Code of Conduct

During 2018, Probi started to implement a Code of Conduct for the Group. This code covers, amongst other things, respect for human rights, equality, business principles and working conditions. The Probi Code of Conduct explicitly states that Probi shall not use child labor and/or forced labor for any of its work and respect international conventions on human rights.

Equal treatment and equal opportunities must apply to everyone regardless of ethnic, social or national origin, skin color, gender, sexual orientation, religion, political opinion or age. Probi respect its employees' rights of free association and collective bargaining. No employee should risk being harassed or retaliated against using these rights. A whistleblowing function was implemented if there would be any violations against the code. Whistleblowing means that an employee reports irregularities or problems that have caused or could cause serious damage to the company and/or interests of its stakeholders. All managers at Probi shall encourage their employees to report conduct that is contrary to the principles in the code.

Occupational Health and Safety

The tasks of systematic improvement of Probi's work environment include the regular examination of working conditions and assessing the risks of ill health and accidents at work. The work also includes investigation of causes for accidents and serious incidents to prevent the risks of similar accidents. Probi's production facilities are complying with applicable OSHA (Occupational Safety and Health Administration) standards by the United States Department of Labor.

Probi's production facilities in Lafayette, Colorado, and Redmond, Washington have occupational health and safety management systems implemented in order to eliminate and control workplace hazards. All employees must follow the safety manuals. Both production facilities have appointed safety committees that have meetings on a monthly basis, where they for example identify safety issues, develop solutions to safety problems, review accidents and evaluate the effectiveness of the safety program.

Work related injuries and accidents can occur because employees are not trained in the proper job procedure or due to non-compliance of safety regulations. One way to prevent injuries and accidents is to establish proper job procedures and training of employees. The two production facilities do also conduct "Job Hazard Analyses" (SAFE-07) and have implemented a training program for the employees regarding, for example, the warehouse, sanitation, maintenance, production packaging and quality. The employees do also get training, for instance in general manufacturing practices and personal protection equipment.

Product Quality

Production of live and active probiotics is a very complex process and we put a lot of effort into ensuring our probiotics have the highest quality. Since 1998, Probi's laboratory activities in Lund have been accredited according to ISO 17025 requirements for testing laboratories – General requirements for the competence of testing and calibration laboratories. SWEDAC is the regulatory authority for the accreditation.

Economic aspects

A description of Direct Economic Value Generated and Distributed can be found in the Annual Report 2018 on www.probi.com (pages 44 seqq.).

Anti-corruption

Non-compliance with anti-corruption laws can have a serious economical and reputational impact on the business and financial condition of the Probi group and may also result in violations of undertakings that Probi has made in its financing arrangements. Probi has therefore, in order to manage the risks of non-compliance with anti-corruption laws, adopted an anti-corruption policy for the prevention, deterrence and detection of corruption. The Policy applies to all employees at Probi, including managers, executive officers and members of the board of directors. Probi provides adequate training for all employees consistent with Probi's risk profile and appropriate to employee responsibility. No incidents have been reported during 2018.

Trade Sanctions

Probi has a Trade Sanctions policy implemented and the terms trade sanctions and embargoes refer to laws and regulations imposed by countries – usually in furtherance of foreign affairs, national security, or human rights objectives – that restrict dealings with targeted individuals, entities and governments. Such restrictions may include a general prohibition on all dealings with the government of a targeted country and individuals or entities located, resident, or organized in that country.

Reporting standards

This sustainability report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act, chapters six to seven.



This is the translation of the auditor's report in Swedish

The auditor's report on the statutory sustainability report

To the general meeting of Probi AB, corporate, identity number 556417-7540

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report on pages 2-5 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report 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. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Malmö, 2nd of April 2019

Ernst & Young AB

Peter Gunnarsson
Authorized Public Accountant