

# Probi's sustainability work



This sustainability report applies to the 2020 financial year. 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. The sustainability report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act, chapters 6-8.

**Every advanced probiotic solution begins with an important but simple question: How can Probi improve people's health and well-being? With this goal in mind, Probi is continually searching for new insights and perspectives that lead to innovative probiotic solutions.**

Probi's researchers and research groups around the world have published more than 60 human clinical trials on the LP299V® strain alone, primarily in the fields of digestive health and iron absorption. Studies document a positive correlation between probiotics and health benefits for gastrointestinal health, as well as for the immune system. Probi is thereby contributing to global health by offering probiotic products.

## Sustainability Risks

A natural progression from Probi's focus on health and well-being is to work towards sustainable business operations. Probi's environmental risks are comparatively low, as the company does not develop or manufacture active pharmaceutical ingredients associated with side effects for consumers, patients in clinical trials or the environment. The sustainability risks in our value chain (see page 9) are mainly connected to our in-house production, our contract suppliers and our employees. The main risks are environmental impact from production and sales, social conditions and business ethics. Within the framework of these areas, Probi's management has prioritized key sustainability areas. Read more about these in the table on the next page.

AREA	RISK DESCRIPTION	RISK MANAGEMENT	COMMENTS
<b>Environment &amp; Production</b>			
<b>Environmental impact</b>	Access to and pricing of water and energy can vary as a result of climate change. Risk of floods or intense heat waves, which in turn can affect insurance costs, international transport and/or direct investments.	Resource consumption in production should be done in a sustainable manner, without endangering the well-being and style of life of future generations. According to Probi's Environmental Policy, environmental efforts should be integrated into daily operations, including resource efficiency. The negative environmental impact of Probi's operations should therefore diminish through continuous implementation of improvements.	Probi initiated an upgrade program in our manufacturing unit in Redmond, WA, during the third quarter of 2019, with the aim of further improving the manufacturing efficiency and quality of production to strengthen competitiveness. The investment program continued throughout 2020, but the full effect is not expected until the second half of 2021. The expectation is that the upgrade will have a positive impact on energy and water consumption in the upcoming years.
<b>Suppliers</b>	Low standards of working conditions and resource wastefulness at Probi's suppliers can have considerable consequences for Probi's reputation and operations. This can, moreover, affect business relationships, quality of products, the environment and, eventually, profitability.	The Quality Assurance team performs audits of Probi's contract suppliers, making sure that the suppliers meet Probi's standards. The contract suppliers have to answer a "Supplier Questionnaire" where aspects concerning, for instance, sustainability are highlighted.	In late 2020, a project of implementing a Code of Conduct for suppliers began. The aim for 2021 is to be able to send out a Code of Conduct to be signed by Probi's contract suppliers.
<b>Social Sustainability</b>			
<b>Diversity &amp; equality</b>	Lack of diversity and unequal conditions could have a negative impact on Probi's reputation as an employer. Innovation is important to Probi's customers and diversity plays a large role in innovation. A lack of diversity and equality would cause Probi to miss out on valuable expertise, thereby weakening the company's ability to innovate.	Probi's processes, policies and routines ensure fair treatment of all employees. Probi's Code of Conduct and Diversity Policy determine essential principles related to equality and diversity. Mistreatment can be reported to Probi's whistleblowing channel, which is managed by an external law firm. The organization has an action plan for responding to discriminatory treatment which includes measures that may be taken, depending on the nature of the situation.	No incidents were reported to the whistleblowing channel in 2020.
<b>Health &amp; well-being</b>	High absence due to sickness or other reasons could result in a negative impact on Probi's operations and possibly even damage Probi's reputation as an employer.	Probi regularly reviews the organization in different ways, such as mandatory development discussions and employee surveys. Probi offers various health benefits in order to improve the employees' health and well-being. Healthcare in Sweden is largely tax-funded, a system that ensures everyone has equal access to healthcare services. Probi USA and Asia-Pacific pays a large portion of employees' premium costs for health coverage and provides long- and short-term disability coverage for all employees. Starting in 2021, Probi will cover a portion of the premium costs for employees' family members. Probi also monitors the financial well-being of employees and offers pension plans for all employees in accordance with local laws and practices.	Probi constantly work for the improvement of health of the employees and encourage activities to promote health, safety and well-being. Probi as an employer encourages activities, such as employee clubs and team building, which positively influence the "Probi culture".
<b>Occupational health and safety</b>	Poor working conditions and high risk of accidents can damage Probi's reputation and thereby affect the recruitment of new employees and the ability to attract talent.	Probi's production facilities comply with applicable OSHA (Occupational Safety and Health Administration) standards, have occupational health and safety systems in place and have appointed safety committees that meet 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. Probi USA also conducts risk analyses and has implemented a training program for the employees regarding, for example, the warehouse, sanitation, maintenance, production packaging and quality. The employees receive training in, for instance, general manufacturing practices and personal protection equipment.	Probi continuously reviews and evaluates working conditions and safety. Systematic improvement of Probi's occupational health and safety includes regular examination of working conditions and assessment of risks for illness and work-related accidents.
<b>Business Ethics</b>			
<b>Anti-corruption</b>	Incidents of corruption could harm Probi's reputation and have a serious negative effect on Probi's business and financial position.	Probi has 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 on an annual basis, and 77% completed anti-corruption training in 2020. Training efforts will continue in 2021 and beyond.	No incidents of corruption were reported in 2020.
<b>Human rights</b>	Damage to Probi's brand and trust if Probi were to be involved in business where ethical guidelines are not followed.	Probi has a Code of Conduct that applies to all employees. This code covers, amongst other things, respect for human rights, equality and business ethics. The Code of Conduct explicitly states that Probi shall not use child labor and/or forced labor and shall respect international conventions on human rights.	All employees at Probi have signed the Code of Conduct. A whistleblowing function is implemented in the event of any violations of the code. See also the comments in the section "Suppliers".
<b>Clinical trials</b>	Damage to Probi's brand and trust if Probi were to conduct or be involved in trials where ethical guidelines are not followed.	Probi's studies are performed in accordance with ethical principles, which stem from the Declaration of Helsinki and are consistent with the International Conference on Harmonization (ICH)/Good Clinical Practice (GCP), EU Clinical Trials Directive and applicable local regulatory requirements.	As the bacterial flora is different in animals compared to humans, it is seldom relevant to test probiotics in vivo (animal models).

# Environment & Production

Probi continuously evaluate the company's processes with the aim of continuing to streamline and digitize various functions of the business.

In recent years, the organization has updated various software systems in order to reduce paper consumption. These updates have included quality control, the supplier invoice management system and a new HR system with digital time-stamps, digital contract signing and reporting. These measures have had a direct positive effect on the environment by reducing the company's paper consumption.

Probi's production facilities in Redmond, Washington, and Lafayette, Colorado, are GMP certified and hold all licenses required under US environmental law. The United States Environmental Protection Agency's emissions factor is used for the calculation of Probi's carbon dioxide emissions. The figures reflect the consumption of Probi USA. The facility in Lund, Sweden, consist only of offices and one laboratory, with relatively low environmental impact.

## Sustainable pastures in Mongolia

To compensate for the emissions arising from the company's air travel, Probi contributes to the project Sustainable pastures in Mongolia in partnership with ZeroMission in accordance with the Plan Vivo standard. This compensation is intended to offset carbon emissions arising from the business-related air travel of Probi AB and Probi USA in 2020. The project is about adapting to sustainable land use, preserving biodiversity and improving social conditions. Through active participation and coordination, pastures are restored, making them more resilient while simultaneously binding carbon dioxide. The project includes more than 140 shepherd families in three different areas of 78,500 hectares. Preserved biodiversity is achieved through the formation of cooperatives that inventory and patrol the steppes to prevent illegal deforestation and poaching of important animal species. By educating and enabling nomad groups to market and sell their products, their incomes also increase. A total of around 130,000 tonnes of carbon dioxide are estimated to be bound in the soil through improved land use methods.

## Environmental facts



### ENERGY CONSUMPTION

	kWh	Therms	CO2 (tonnes)	Index <sup>1)</sup>
2017	2,257,616	58,781	1,908	3.116
2018	2,396,711	59,221	2,008	3.324
2019	2,085,225	54,083	1,760	2.811
2020	1,909,374	58,310	1,659	2.313

<sup>1)</sup> CO2 tonnes in relation to net sales.

Electricity and gas are used in the production processes of the manufacturing units in Probi USA. The decrease in kWh from previous year is due to the fact that certain production steps have been outsourced. The increase in therms is a result of increased production volumes.



### WATER CONSUMPTION

	Megaliters	Index <sup>2)</sup>
2018	29.3	0.049
2019	27.6	0.044
2020	31.7	0.044

<sup>2)</sup> Megaliters in relation to net sales.

Water is mainly used in the fermentation process in the manufacturing unit in Redmond, Washington.



### FREIGHT EMISSIONS

	Air	Road	Sea	CO2 (tonnes)	Index <sup>1)</sup>
2017	245.3	1,451.7	-	1,697.0	2.772
2018	320.1	1,395.6	-	1,715.7	2.840
2019	322.6	1,356.1	1.8	1,680.5	2.684
2020	275.9	1,693.8	-	1,969.7	2.747

<sup>1)</sup> CO2 tonnes in relation to net sales.

Probi hires professional freight carriers that have effective systems of transport. By doing so, the company can access more efficient transportation methods, thus reducing its environmental impact.

Probi takes the initiative to hold meetings digitally when face-to-face meetings are not necessary. In 2020, the majority of meetings were held digitally due to Covid-19. However, Probi's international operations as a B2B company entail business travel by air, and customer meetings, exhibitions and fairs are a crucial part of the business. To compensate for the resulting emissions, Probi contributes to the project *Sustainable pastures in Mongolia* in partnership with ZeroMission, in accordance with the Plan Vivo standard. This compensation is intended to offset carbon emissions arising from business-related air travel.

# Social Sustainability

**Probi's vision is to offer products that improve people's health and well-being. Health is therefore an essential part of Probi's business and the organization is determined to create a good and engaging working environment for all employees. Probi offers a safe and supportive working environment, both physically and psychologically. The aim is for everyone, regardless of their duties, to be given the opportunity for both influence and personal development at Probi.**

## Diversity & Equality

Probi advocates diversity and an inclusive culture. The company recognizes the importance of diversity and the role it plays in innovation, which is relevant for customers' needs and for being an attractive employer. All employees regardless of gender, ethnic and religious background have the same prerequisites to be successful at Probi. Equality shall prevail in questions of employee development, pay review and parental leave. Probi strives to have an even gender distribution as possible in different positions. 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.

## Probi's Employees

Motivated and healthy employees are the foundation of a sustainable organization. Probi looks at health from three different perspectives: physical, mental and financial. Probi offers

safe workplaces for all employees. All employees in Sweden are affiliated with the collective agreement IKEM. The company also follows local guidelines and regulations, performs regular inspections and implements measures to ensure a psychologically healthy work environment across the global organization. Part of Probi's culture is to be a learning organization with a safe environment where employees are not afraid to make mistakes and have the opportunity to develop. To encourage health, Probi offers paid vacation days to all employees, including in the US and Asia. As an employer, Probi pays its employees a market wage and offers benefits such as pensions and other insurance in accordance with local regulations and practices. By offering fair compensation for work and benefits that promote employees' health, Probi creates financial well-being among its employees. The employees are Probi's greatest asset, and employee surveys are therefore conducted on a quarterly basis. Based on the results of the survey, the organization continues to do what is appreciated, while at the same time improving in areas that could be better.

## Covid-19

In 2020, Probi introduced various measures to ensure the safety of employees during the pandemic. All employees who were able to work from home were encouraged to do so. The organization continued with technical training for employees so that they could collaborate and perform their jobs without meeting in-person. The production facilities were provided with additional protective equipment, and processes and routines were modified to allow for physical distancing. Various restrictions and guidelines were communicated on a regular basis to everyone at Probi in order to minimize the risk of transmission in the workplace, as well as to take responsibility for reducing the spread of the virus in society.

## Social facts

### Gender distribution



### Employees



↑ 49% Men  
↓ 51% Women

### Board of Directors



↑ 40% Men  
↓ 60% Women

### Executive management team



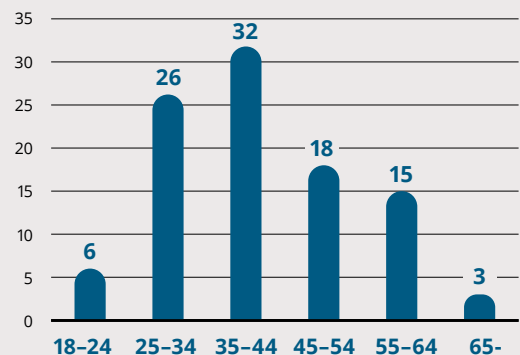
↑ 75% Men  
↓ 25% Women

### Managers



↑ 61% Men  
↓ 39% Women

### Age structure of employees as of 12/31/2020, in %



**28%**

Employee turnover\*

**41 years**

Average age

**74**

New hires

\*The high employee turnover rate is impacted by a high turnover rate among US production workers.

# Business Ethics

**Probi performs its business operations in a responsible and credible manner. This is achieved through adherence to applicable laws and regulations, strong company values and maintaining good relationships with colleagues, customers and suppliers**

## Anti-corruption

Probi operates in many parts of the world and must therefore ensure that anti-corruption laws and trade sanctions are upheld. Probi does not seek or accept business advantages based on illegal, improper or unethical behavior and has therefore adopted an Anti-corruption Policy as well as a Trade Sanctions Policy. The Trade Sanctions Policy refers to laws and regulations imposed by countries – usually in furtherance of foreign affairs, national security or human rights – that restrict dealings with targeted individuals, entities or governments and countries. Employees who were identified as requiring knowledge of relevant trade sanctions received training during the year, and no violations were reported in 2020.

## Human Rights

Equal treatment and equal opportunities must apply to everyone regardless of ethnic, social or national origin, skin color, disability, gender, sexual orientation, religion, political opinion, pregnancy or age. Probi respects its employees' rights of free association and collective bargaining. No employee should risk being harassed for exercising these rights. All managers shall encourage their employees to report conduct that is contrary to the principles in Probi's Code of Conduct. Probi's whistleblowing channel is managed by an external law firm, which will receive all reports submitted in the whistleblowing channel and evaluate whether or not they qualify as

whistleblowing. Employees can use this channel to report, for example, irregularities or problems that have caused or could cause serious damage to the company and its stakeholders.

## Clinical Trials

Probi is continuously striving to develop and investigate new possible indications where probiotics may have positive effects on different health areas. Probi collaborates both with independent researchers and with Contract Research Organizations (CROs). The approach is to perform clinical studies in order to investigate the positive effects of Probi's strains in humans. Probi conducts clinical trials in areas such as digestive health, iron absorption, immune health and bone health. This is connected to Probi's vision of offering products that improve people's health and well-being.



## The auditor's report on the statutory sustainability report

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

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 34-39 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, 30 March 2021  
Ernst & Young AB

Peter Gunnarsson  
Authorized Public Accountant