

Sustainability at Probi

The Probi sustainability report

This sustainability report refers to the financial year 2021 and 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. The report consists of pages 28-41 and the account of Probi's business model and its links to sustainability on pages 9-10.

A natural progression of Probi's focus on health and well-being is to work towards sustainable business operations. Therefore, further steps have been taken in 2021 to move towards a sustainable future and meet the needs and aspirations of our stakeholders. This has resulted in a new sustainability strategy linked to the UN's 17 Sustainable Development Goals, with Probi focusing on three main goals.

Our primary mission is to make people healthier

At Probi, we are convinced that companies must operate responsibly towards society as a whole in order to maintain their position as companies. As it would be impossible to do business in a world rife with corruption, collapsed ecosystems and social injustice, all companies, both large and small, must work to protect social and environmental community values.

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 gastric 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 quality probiotic products.

In order for Probi to contribute to the health of people around the world through our probiotics, the company must also pay attention to what affects people and communities, such as the environment, social justice and the way business is conducted. We also need to focus on attracting the talent of the future so that the company can continue to be at the forefront of probiotics research and a leading partner to international players in the probiotics industry.

Probi's work in providing probiotics to contribute to healthier lives and a healthy planet, along with fighting social injustice and corruption, is thus a prerequisite for our business. At the same time, our manufacturing, research and development, partnerships with our customers and the

profits we generate from our operations are central to our ability to continue to contribute to a sustainable society. Profitability is an important prerequisite for survival, which means, among other things, that Probi will be able to grow, employ more people and continue to invest in the business. To meet the needs and demands of our stakeholders, create a strong brand and gain competitive advantages now and in the future, Probi's business must be sustainable. Sustainability therefore goes hand in hand with profitability for Probi.

Our role in society is to make people healthier, says CEO Tom Rönnlund:

"Our approach to sustainability is incorporated into everything we do; we achieve growth by providing probiotics for healthier lives. We are driven by development to make sure our probiotics have positive effects on health in more areas. However, our manufacturing and production must take place in a sustainable way in order to also contribute to a healthier planet."

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Probi AB (publ), corp. id 556417-7540

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report for 2021 on pages 28-41 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.

Lund, 31 March 2022
Ernst & Young AB

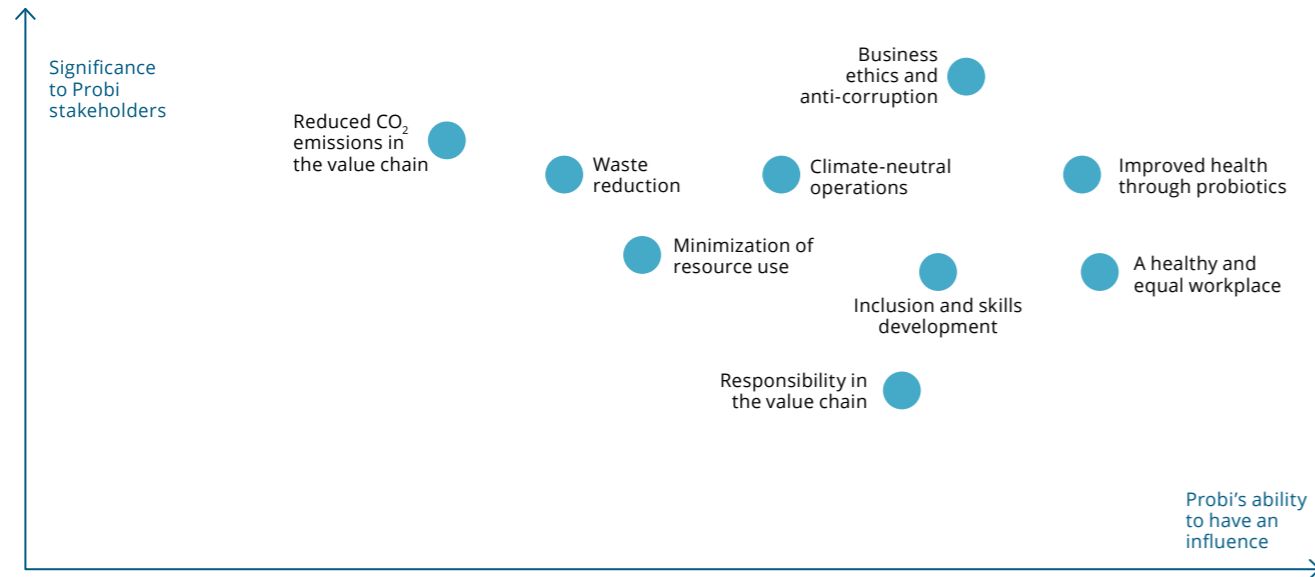
Peter Gunnarsson
Authorised Public Accountant

Our strategy is based on our stakeholders and UN goals

In 2021, Probi intensified its work on sustainability and adopted a strategy with objectives that also clearly contribute to the UN's global goals for 2030. The strategy and governance of our sustainability work is based on the key issues ("material sustainability issues") that stakeholders have identified and that Probi is able to influence. The key sustainability issues have been divided into three key areas of communication: Contributing to healthier lives, Acting responsibly and Stopping climate change. Probi conducts an ongoing dialogue with its stakeholders and has identified a number of issues that are important to stakeholders and where Probi is able to have an influence. The materiality analysis below is the result of Probi's assessment of these issues.



Materiality analysis results



Probi's stakeholders	IMPORTANT ISSUES	ANALYSIS
Consumers	Influence social and environmental issues in the right way. Companies must conduct business ethically. Consumers are interested in environmentally friendly packaging and its recycling.	Dialogue is conducted with the help of our customers. We strive to minimize emissions and waste from our operations through innovation and continuous investment in our production facilities and products.
Customers/ Partners	Want to buy services and materials from suppliers with the same values and ambitions. Want suppliers to have sustainability goals and strive towards a minimal carbon footprint. Suppliers must be transparent about the employment conditions of all employees in the organization and demonstrate processes that contribute to ethical business practices.	The Quality Assurance team performs audits of Probi's contract suppliers, making sure that the suppliers meet Probi's standards. In 2021, a Supplier Code of Conduct was also implemented. One of our sustainability goals is to ensure that all our suppliers have signed the Probi Code of Conduct by 2025.
Employees	Physically and psychologically safe workplace with good working conditions. The employer must take a stand on environmental and social issues and have an implemented sustainability strategy. The employer must provide opportunities to develop skills.	Probi continuously reviews and evaluates working conditions and safety. We constantly work for the improvement of health of the employees and encourage initiatives to promote health, safety and well-being.
Investors	Profitability, strong brand, products that meet needs both locally and globally both in the long and short term. Information on risk management and compliance with laws and regulations. Takes into account ESG (Environmental, Social & Governance) and how sustainability is integrated into operations.	Probi monitors trends, consumer behavior and demand for product content. We aim for a good ESG rating and a low risk profile in all aspects of sustainability.
Society/ Government	Increase the number of jobs and attract local investment. The type and amount of waste generated by the company and how it manages the waste. The value the company adds to society, along with tax revenues.	Probi always strives to comply with laws and regulations in the countries where the company operates and where its products are sold (regulatory issues). Through our growth, we have created more jobs in the regions in which we operate.

Our vision is to improve the health and well-being of people around the world

The starting point of Probi's new sustainability strategy is the company's vision to improve the health and well-being of people throughout the world. In Probi's day-to-day work – from probiotics research to manufacturing and new collaborations – a significant part of the sustainability work already takes place. The aim of the strategy is to ensure that sustainability efforts take place in all parts of the business and as strategically as Probi's business development in other spheres. Our work on sustainability helps us to achieve Probi's strategic goals and is supported by our "Four Cs" values.

The work on sustainability in three key areas, in which Probi has set ambitions, targets and an action plan. This sustainability framework helps guide Probi's work and ensure its contribution to the UN's Sustainable Development Goals for 2030. The work is monitored on an ongoing basis and progress and results are reported annually. As the strategy is implemented, Probi's work on sustainability will become a natural part of the company's normal business planning and strategy. Gradually, over the coming years, our ambitions will be complemented with concrete targets for the best management and results.

Providing probiotics for healthier lives and healthier planet

Contributing to healthier lives

Our products contribute to better health for everyone, something that is scientifically proven.

Acting responsibly

We do our utmost to minimize the use of natural resources and strive for safe working conditions throughout our value chain.

Stopping climate change

Probi is committed to contributing to the 1.5° C aim of the Paris Agreement.

Credible

Confident

Committed

Clear

Sustainable growth

Leading role in R&D

Manufacturing excellence

Our values

Probi's processes are structured around our "Four Cs" values. The HR department conducts quarterly employee surveys to gauge our employees' valuable opinions about the business.

"The people I work with get to be like a family, I love that there is room to grow in the company."

Quote from the latest anonymous employee survey.

Credible

We pride ourselves on our research, manufacturing capacity, internal cooperation and our approach to building lasting customer relationships. We provide the market with effective, quality-assured products. When customers and consumers use a Probi product, they should feel confident that it delivers what it promises. We always keep up to date within our fields and are trusted by customers, partners and employees. We place great emphasis on ensuring that our operations use safe processes and risk management tools.

Committed

Our customers and business partners can be sure of our full attention and support throughout the value chain. We will be dedicated to contributing to sustainable growth, make manufacturing of our products more efficient and reducing our carbon footprint.

Confident

We pride ourselves on the quality we provide in our products and our ability to deliver what we promise every time. Our rich tradition of research, commercial success and innovative concepts and products sets the stage for Probi's future success. We are constantly looking for new opportunities, accepting challenges and embracing change in order to be "First in Probiotics" and a leader in R&D.

Clear

We encourage honesty throughout our business, both internally and externally. Probi attaches great importance to business ethics and legal compliance. We present ideas, ask questions, encourage different perspectives and when a decision is made, we follow through with it.

Contributing to healthier lives



KEY SUSTAINABILITY ISSUES	
IMPROVED HEALTH THROUGH PROBIOTICS	
Long-term ambitions	<ul style="list-style-type: none"> By 2030, to increase the impact on well-being for everyone through the availability of scientifically-proven probiotic products. In partnership, to increase our effect on communities in need, through education, development, lending scientific expertise for research and development to promote health and well-being.
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Consumers that are not provided with facts (proven products) but are inundated by products with no effect by competitors. <p>Opportunities</p> <ul style="list-style-type: none"> Millions of people suffer from health problems that can be improved with probiotics. Structured research and development contributes to science and documentation to demonstrate the health benefits of products to consumers. Partnerships with leading players in the health industry will spread awareness of Probi's high quality probiotics.
How we manage our work at Probi	<ul style="list-style-type: none"> Probi's vision. Probi's goals. Probi's strategies.
Initiative 2021, risk management	<ul style="list-style-type: none"> R&D investment/turnover (see page 21). R&D in a number of new areas (see page 21). Management of, for example, changes in consumer trends, competition, operations subject to permits, supply of goods and product liability (see pages 48-49). A number of new customers (see page 17).
Results in 2021	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>9% increase in sales of ClinBac™ products as of 2019.</p> </div> <div style="text-align: center;"> <p>>40 Number of countries in which Probi products are sold.</p> </div> </div> <div style="margin-top: 20px;"> <p>0 recalls of products in 2021.</p> </div>
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Improved health (consumers, society). Increased access to probiotics, supported by science (consumers, society). Increased competitiveness and long-term revenue generation. Scientific backing for more health areas (consumers, partners, society, research).



“All companies, regardless of size, can contribute to making the world a better place. When Probi is helping people around the world to improve their health, we’re making fundamental contributions in society and showing that life and health are important.”

Basudha Bhattarai Johansson
VP HR & Sustainability

Our products contribute to better health for everyone, something that is scientifically proven

Quality, clinical trials

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 on animals.

Increased availability of Probi products

During 2021, Probi and Sinopharm, one of China's largest pharmaceutical and healthcare company, entered into a partnership to extend the portfolio of ClinBac products in the Chinese market. This partnership is an important step in our commercial efforts to offer clinically proven probiotic products to consumers worldwide and our expansion into China is important progress in establishing Probi's position in the high-growth APAC region.

Innovation and initiatives in the future

In 2020, Örebro University, in collaboration with Probi and nine other Swedish companies, was awarded funding for research into new needle-free vaccines delivered via mucosal routes instead of traditional injections. Researchers will develop different types of new vaccines and study vaccination through the mucous membranes. The project will involve the use of probiotic bacteria as carriers for the vaccine antigens in order to achieve immunity against pathogens.

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

The ambition for the future is to target new consumer segments such as infants, children and athletes. We will build on existing concepts but also develop new products in areas such as bone health, immune systems, iron absorption and vaginal health. We will also add oral health as a new segment, through a partnership with Blis Technologies.

Acting responsibly



	KEY SUSTAINABILITY ISSUE																
	MINIMIZATION OF RESOURCE USE	RESPONSIBILITY IN THE VALUE CHAIN															
Long-term ambitions	To reduce resource use, especially water and energy, in manufacturing in the USA.	By 2025, all our suppliers will adhere to the established principles of safety, security, diverse and inclusive environments for employees.															
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on Probi's reputation and operations. Resources such as water and energy are finite and must be used responsibly. The prices of resources, transport, insurance premiums, et cetera, are affected by continued depletion of the earth's resources, which in turn affects profitability. <p>Opportunities:</p> <ul style="list-style-type: none"> A clear commitment in terms of the environment and human rights and Probi's impact on the world around us is fundamental to public confidence in Probi's contribution to human health and well-being. This is also relevant to Probi's continued development and ability to retain and recruit the best talent, and to meet the requirements that partners have of suppliers like Probi. 																
How we manage our work at Probi	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Supplier Code of Conduct. Employee Code of Conduct. 															
Initiative 2021, risk management	<ul style="list-style-type: none"> Upgrade program in Redmond, Washington. 	<ul style="list-style-type: none"> Regular audits of Probi's contractual suppliers In 2021, the Code of Conduct was sent out for signature to all contractual suppliers and the largest other suppliers. 															
Results in 2021	<p>WATER CONSUMPTION</p> <table border="1"> <thead> <tr> <th></th> <th>Megaliters</th> <th>Index¹⁾</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>29.33</td> <td>0.146</td> </tr> <tr> <td>2019</td> <td>27.60</td> <td>0.176</td> </tr> <tr> <td>2020</td> <td>31.72</td> <td>0.131</td> </tr> <tr> <td>2021</td> <td>20.18</td> <td>0.091</td> </tr> </tbody> </table> <p>¹⁾ Megaliters in relation to produced probiotic culture in KG in Probi USA.</p>		Megaliters	Index ¹⁾	2018	29.33	0.146	2019	27.60	0.176	2020	31.72	0.131	2021	20.18	0.091	<p>43% of suppliers to whom the Code of Conduct was sent signed it. This work will continue in 2022 and beyond.</p>
	Megaliters	Index ¹⁾															
2018	29.33	0.146															
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Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes great responsibility for social and environmental issues (consumers, partners, society, employees). 																



	KEY SUSTAINABILITY ISSUE	
	A HEALTHY AND EQUAL WORKPLACE	ANTI-CORRUPTION, ETHICS AND INTEGRITY
Long-term ambitions	Promote the DEI (Diversity, Equity, Inclusion) agenda and a safe and secure working environment for all employees.	100% compliance with the Code of Conduct and all other policies and guidelines in order to maintain the highest possible standards in ethics, integrity, honesty and fairness.
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Shortcomings in diversity, gender equality, work environment and employee health at Probi decrease the likelihood of recruiting talent, business innovation and increase the risk of accidents and sickness rates. Probi's reputation as an employer is damaged and this has a negative impact on profitability in the long run. Cases of corruption generally have a negative effect on business opportunities in society and would damage Probi's reputation and business position. Unethical management of clinical trials damages the Probi brand and confidence in the company. <p>Opportunities:</p> <ul style="list-style-type: none"> A clear commitment in terms of the environment and human rights and Probi's impact on the world around us is fundamental to public confidence in Probi's contribution to human health and well-being, to Probi's continued development and ability to retain and recruit the best talent, and to meet the requirements that partners have of suppliers like Probi. 	
How we manage our work at Probi	<ul style="list-style-type: none"> Whistleblowing function. Code of Conduct. Diversity policy and Discrimination policy. 	<ul style="list-style-type: none"> Whistleblowing function. Anti-corruption policy. Trade Sanctions policy. Insider policy. Code of Conduct. Employee training.
Initiative 2021, risk management	<ul style="list-style-type: none"> Training in Code of Conduct, diversity policy. Processes and routines ensure the fair treatment of all employees. Action plan with measures in the event of discrimination. Manufacturing facilities comply with OSHA (Occupational Safety and Health Administration) standards. 	<ul style="list-style-type: none"> Clinical trials are conducted in accordance with ICH/Good Clinical Practice (GCP), the EU Clinical Trials Directive and applicable national law. Employee training. Implementation of a new whistleblowing system.
Results in 2021	<p>5 work-related injuries resulting in 10 work days lost.</p> <p>Gender distribution</p> <p>Recruitment</p> <ul style="list-style-type: none"> Men: 48% Women: 52% <p>Executive Management team</p> <ul style="list-style-type: none"> Men: 83% Women: 17% <p>Managers</p> <ul style="list-style-type: none"> Men: 60% Women: 40% 	<p>100% of Probi employees have signed the company's internal Code of Conduct.</p> <p>89% of Probi employees completed annual anti-corruption training.</p> <p>97% of selected Probi employees completed annual Trade Sanctions training.</p> <p>100% of Probi employees completed annual insider policy training.</p>
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes great responsibility for social and environmental issues (employees, customers, consumers, partners, society). 	



We do our utmost to minimize the use of natural resources and provide safe working conditions throughout our value chain

Acting responsibly

The Probi Code of Conduct

Probi has an internal 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 has been signed by all employees and is part of the induction package for new hires. The document can be found on the Probi employee intranet.

Human rights

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. This also applies to our suppliers and partners.

Purchasing, suppliers

Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on 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 contractual suppliers, making sure that the suppliers meet Probi's standards. The contractual suppliers have to complete a "Supplier Questionnaire" where aspects concerning, for instance, sustainability are highlighted. In 2021, a separate Supplier Code of Conduct was also implemented.

Anti-corruption

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 89% completed anti-corruption training in 2021. Training will continue in the years to come to ensure the right level of expertise within the organization.

Whistleblowing function

In 2021, a new system was implemented to ensure the proper handling of incoming whistleblower reports. Both internal and external parties can use this channel to report irregularities or problems that have caused or could cause serious damage to the company and its stakeholders.

A healthy and equal workplace

Diversity & Equality

Probi's processes, policies and routines ensure the fair treatment of all employees. Probi's Code of Conduct and Diversity Policy determine essential principles related to equality and diversity. The organization also has an action plan for responding to discriminatory treatment which includes measures taken, depending on the nature of the situation. 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 to free association and collective bargaining. No employee should risk being harassed for exercising these rights. Probi advocates diversity and an inclusive culture. We recognize the importance of diversity and the role it plays in innovation, which is relevant for customers' needs and for being an attractive employer. There must be equality in employee development, pay review and parental leave. Probi strives to have an even gender distribution as possible in different positions. In addition, in its work the Nomination Committee has 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. The Nomination Committee has sought an appropriate composition, characterized by diversity and breadth of the proposed members' expertise, experience and background and an even gender distribution.

Health and well-being

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 attractive working environment for all employees. 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. Probi's Four C values are used for guidance purposes in this work. 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. Probi has processes for performance reviews and employee surveys. Probi offers various health benefits in order to improve employees' health and well-being. Healthcare in Sweden is largely tax-funded, a system that ensures everyone has equal access to healthcare services. In the USA and Asia, Probi pays a large portion of employees' premium costs for health insurance. Probi USA and Probi Asia-Pacific also provide long- and short-term disability coverage for all employees. Starting in 2021, Probi USA covers a portion of the premium costs for employees' family members. As an employer, Probi encourages activities such as employee clubs and team building, which have a positive impact on the working culture.

Occupational health and safety

Probi's manufacturing 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 covering, for example, production and quality. The employees receive training in aspects including general manufacturing practices and personal protection equipment. Probi continuously reviews and evaluates working conditions and safety.

Focus on employees

In spring 2020, the world realized the speed of the spread of the Covid-19 virus, and it would soon be classified as a global pandemic. Probi was one of the companies to take swift action and, as in many other cases, a large part of the workforce was initially forced to work from home full-time. However, people around the world began to embrace the new circumstances and just over a year later the vaccine was ready for distribution, but the pandemic was not yet over. Probi took the opportunity to explore the option of allowing employees to work both from home and in the

office, according to their needs and wishes. In October 2021, Probi introduced, on a trial basis, a new work system: the Hybrid Working Model. Being able to choose where to spend your working day according to your tasks and needs is seen by many as the perfect solution to work-life balance. In this way, Probi is not only continuing to help reduce the spread of the virus, but also reducing the environmental impact of the daily commute. This new working model may even contribute to a better work-life balance for employees.

41 years

Average age

79

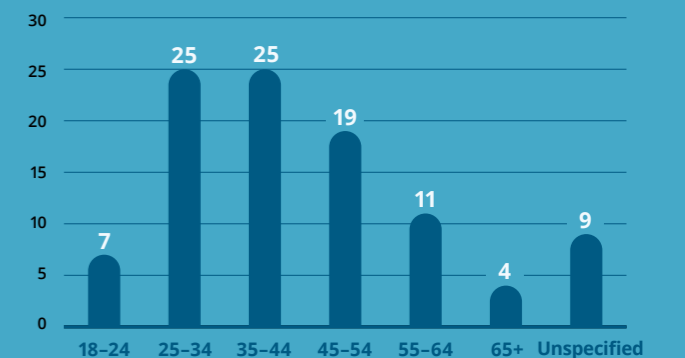
New hires

51%

Employee turnover

The high turnover was due to high labor market volatility among production workers in the USA, but also due to Covid-19.

Age distribution of employees as of 12/31/2021, in %



Curbing climate change



	KEY SUSTAINABILITY ISSUE																																																									
	REDUCED CO ₂ EMISSIONS THROUGHOUT THE VALUE CHAIN	CLIMATE-NEUTRAL OPERATIONS	WASTE REDUCTION																																																							
Long-term ambitions	<ul style="list-style-type: none"> Do our utmost to halve emissions in our operations and value chain by 2030. Reduce energy consumption per product manufactured. Reduce emissions from freight. 	Achieve net zero or negative climate emissions by 2040 but no later than 2050.	By 2030, reduce waste significantly in operations through prevention, reduction, recycling and reuse.																																																							
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> The world is facing a threat from the climate that will increase the vulnerability and health of the poorest and worsen the living conditions of future generations. The primary source of climate emissions for Probi is the manufacturing operations at facilities in Redmond, Washington and Lafayette, Colorado. The climate threat may affect the availability and price of resources and raw materials, a risk of floods and intense heat waves may affect insurance costs, the transport of goods and readiness to invest. <p>Opportunities:</p> <ul style="list-style-type: none"> Protecting the climate and the environment is a focus area for all our existing and potential partners, and Probi's commitment and monitoring is a prerequisite for growth. For an increasing number of consumers, a clear commitment to the environment, i.e. climate, waste, etc. on the part of employers and suppliers is a prerequisite for their employment or incentive to purchase. 																																																									
How we manage our work at Probi	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Production systems and processes. 																																																							
Initiative 2021, risk management	Encourage climate action in our broader role in society and continue to report targets and results transparently on an annual basis.	Integrate climate opportunities and risks into our business strategy and management processes.	Continuous improvement is a key theme at Probi. Probi is running a number of internal projects with a significant impact on waste minimization.																																																							
Results in 2021	<p>FREIGHT EMISSIONS</p> <table border="1"> <thead> <tr> <th></th> <th>Air</th> <th>Road</th> <th>Sea</th> <th>Total CO₂ (tonnes)</th> <th>Index¹⁾</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>320</td> <td>1,396</td> <td>-</td> <td>1,716</td> <td>2.840</td> </tr> <tr> <td>2019</td> <td>323</td> <td>1,356</td> <td>2</td> <td>1,680</td> <td>2.684</td> </tr> <tr> <td>2020</td> <td>276</td> <td>1,694</td> <td>-</td> <td>1,970</td> <td>2.747</td> </tr> <tr> <td>2021</td> <td>311</td> <td>1,461</td> <td>-</td> <td>1,772</td> <td>2.692</td> </tr> </tbody> </table> <p><small>¹⁾Tonnes of CO₂ in relation to consolidated net sales.</small></p> <p>ENERGY CONSUMPTION</p> <table border="1"> <thead> <tr> <th></th> <th>kWh</th> <th>Therms</th> <th>CO₂ (tonnes)</th> <th>Index²⁾</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>2,396,711</td> <td>59,221</td> <td>2,008</td> <td>9,981</td> </tr> <tr> <td>2019</td> <td>2,085,225</td> <td>54,083</td> <td>1,760</td> <td>11,235</td> </tr> <tr> <td>2020</td> <td>1,909,374</td> <td>58,310</td> <td>1,659</td> <td>6,846</td> </tr> <tr> <td>2021</td> <td>2,255,200</td> <td>62,958</td> <td>1,931</td> <td>8,717</td> </tr> </tbody> </table> <p><small>²⁾Tonnes of CO₂ in relation to produced probiotic culture in KG in Probi USA.</small></p> <ul style="list-style-type: none"> All electricity used at Probi's offices in Lund, Sweden, is 100% renewable. Part of the electricity consumed in the manufacturing facility in Redmond, Washington, is fossil-free. Probi in Sweden has adopted a hybrid work model on a trial basis, thereby minimizing the emissions that would have resulted from employee commuting during this period. In Lund, Probi has launched a new cycling scheme to encourage all its employees to cycle to work, for both health and environmental reasons. Probi continues to support projects through ZeroMission to offset its carbon emissions from air travel. Read more on the next page. 				Air	Road	Sea	Total CO ₂ (tonnes)	Index ¹⁾	2018	320	1,396	-	1,716	2.840	2019	323	1,356	2	1,680	2.684	2020	276	1,694	-	1,970	2.747	2021	311	1,461	-	1,772	2.692		kWh	Therms	CO ₂ (tonnes)	Index ²⁾	2018	2,396,711	59,221	2,008	9,981	2019	2,085,225	54,083	1,760	11,235	2020	1,909,374	58,310	1,659	6,846	2021	2,255,200	62,958	1,931	8,717
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Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes responsibility for its climate impact and also takes action to minimize it (consumers, society). Compliance with current and prospective laws (investors, risk perspective). Increased competitiveness and long-term survival of the business (customers, society, employees, investors). 																																																									



Sustainable pastures in Mongolia

To compensate for the emissions arising from our air travel, Probi contributes to the project Sustainable pastures in Mongolia in partnership with ZeroMission in accordance with the Plan Vivo standard. This carbon offset refers to carbon dioxide emissions resulting from Probi AB's and Probi USA's business-related air travel. The project involves more than 140 shepherd families in three different areas of 78,500 hectares. The project is about adapting people to sustainable land use, preserving biodiversity and improving social conditions. Preservation of biological biodiversity is achieved through the formation of cooperatives that patrol the area to prevent illegal deforestation and the poaching of important animal species. By educating people in how to market and sell their products, their incomes also increase. Around 130,000 tonnes of carbon dioxide is expected to be binded in the soil through improved land use practices.

Probi is committed to contributing to the 1.5°C aim of the Paris Agreement

Energy and water consumption, greenhouse gas emissions and waste

Probi continuously evaluates the company's processes with the aim of continuing to streamline and digitize various functions of the business. We take the initiative to hold meetings digitally when face-to-face meetings are not necessary. In both 2020 and 2021, 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, as customer meetings, exhibitions and fairs are an important 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.

To transport products to our customers, we employ professional freight carriers with efficient transport systems. By doing so, the company can access more efficient transportation methods, thus reducing its environmental impact.

Probi's production facilities in Redmond, Washington, and Lafayette, Colorado, are GMP certified and hold all licenses required under US environmental law. In terms of resource consumption, electricity and gas are primarily used in manufacturing. Water is mainly used in the fermentation process in the manufacturing unit in Redmond.

As an extension of Probi's culture of continuous improvement, great emphasis is placed on further streamlining production, minimizing waste and reducing the use of resources. The upgrade program started in Redmond in 2019 has had the expected positive impact on water consumption, as well as reducing costs of supplies and other overheads. Water is not exactly in short supply in the Seattle area, where our fermentation plant is based. But since this is an important part of the production of probiotics, it is particularly important for Probi to focus on water. An increased focus on water reduction reduced consumption by around 60% thanks to the installation of a new cooling system. The upgrade is much more efficient than the previous cooling systems. Modern refrigeration technology enables fermentation to be controlled with greater precision, which in turn improves production yields. The new cooling system not only reduces the amount of water used, but it also allows us to take our product to a much cooler temperature. In other words, it has benefits both in terms of environmental impact and the fermentation process itself.

The Probi value chain

Probi's commitment throughout the value chain

Probi is a vertically integrated global probiotics group monitoring the entire value chain; from research and development, formulation and production to marketing and sales. At Probi, sustainability is at the heart of who we are and what we do. We work continuously to ensure that we make the best decisions for our stakeholders and for the planet at every stage of our value chain. There are areas where Probi has more influence and certain areas where Probi has less ability to bring about change.

Because we are in the probiotics segment, there are only a handful of suppliers that Probi can buy its raw materials from.

We are working to increase our manufacturing capacity to produce more in-house, to ensure in turn that we can provide good quality products to our customers while monitoring working conditions.

Probi does not accept violations of human rights, wasteful consumption of natural resources, violations of labor laws or unethical business practices. We expect our employees and our suppliers to adhere to this business philosophy, thereby minimizing the risks to our customers, our shareholders and other stakeholders.

We are fair in our business practices and trustworthy while ensuring good relationships with our customers. Our sales and R&D teams work closely with our customers to provide a detailed and accurate overall view of what our products can do for people's health.

All our client-facing employees undergo annual anti-corruption training to ensure ethical business practices. Selected employees also receive training in Trade Sanctions and insider trading regulations. All our employees have signed Probi's internal Code of Conduct.

We select our partners carefully while we also ensure fair conditions in the agreements we sign. If a company wants to work with Probi, its values should match ours.

Probi also contributes to value creation in society; we are expanding and thereby increasing access to quality-assured, clinically tested probiotics that contribute to better health in various segments. Probi is a learning organization. We are constantly striving for improvement and innovation in both processes and production.

