

SUSTAIN- ABILITY REPORT

2019



**POCKET
EDITION!**

“I recognize how big the sustainability challenges are and how impossible it can seem for any one person or one company to help solve them. But every individual action, when multiplied by a family, a company, a city, and a country, creates a movement. And through this movement, we will create the change we need.”



Ashley Allen
Chief Sustainability Officer

Just to get things clear from the start: this is the short version of our 2019 sustainability report. The full version, aka 98 meters (!) of scroll, is available at oatly.com. We do hope you will read it sometime, like whenever this version isn't quite providing you with enough pie charts, percentages and oats (it could happen).

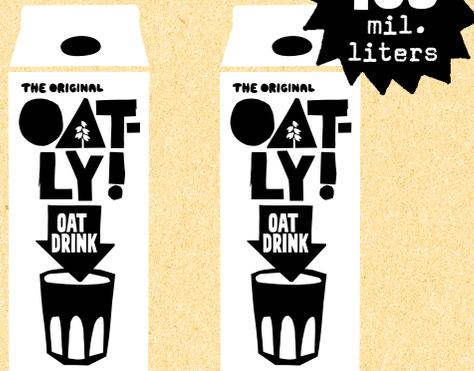


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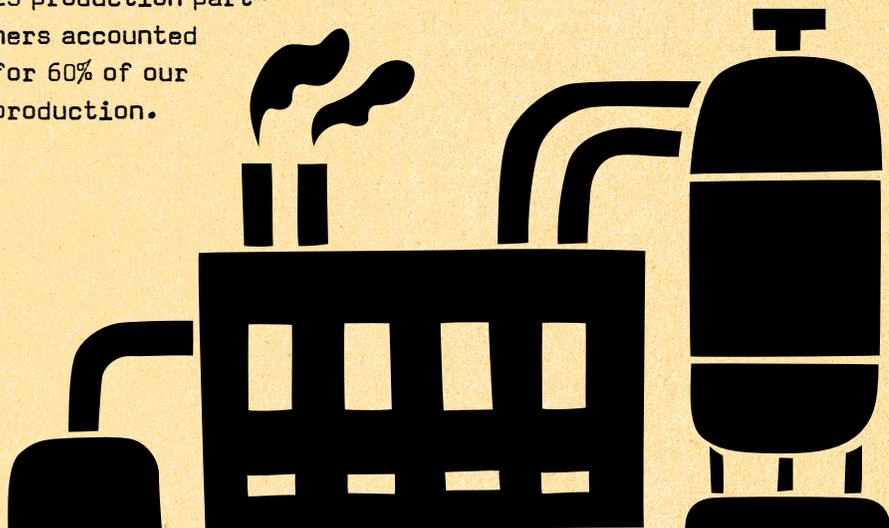
So, 2019's numbers, huh? Okay, we realize it might seem like we haven't checked a calendar lately, but actually it takes a good amount of time to put together a sustainability report. You know, numbers must be collected and analyzed, bar graphs designed, explanations written and so on. Good thing our sustainability work is an ongoing story, so our next report is always in the works and hopefully, right around the corner. Back in 2019, we made important strides in some areas and struggled in others. And this is probably where we should stop talking intro stuff and start talking about those strides and struggles. After all, that's what you would expect to find even in a short version of a long version of a sustainability report, right?

OATLY WHO?

As you probably know, it's all about oats for us. We develop, produce, market and sell oat-based products. In 2019, we produced 165 million liters of product, which was almost double (+93%) the amount we produced in 2018.



To make this happen, we expanded our production capacity, and we now have three of our own factories in: 1. Landskrona, Sweden, 2. Millville, New Jersey, USA and 3. Vlissingen, the Netherlands. But even with all this factory power, we still need support to meet the demand. In 2019, our 15 production partners accounted for 60% of our production.



Oats are our main ingredient, as you might have guessed, and in 2019 they accounted for 87% of our purchase volume, followed by rapeseed oil, which constituted 7%. Our customers are currently located in 25 countries and include grocery stores, the food service industry, restaurants and cafés.

Our total growth in sales for 2019 was 88% (!) and we had a turnover of 1,949 million SEK (equivalent to 206 million USD). Our wild growth also continued in terms of people, and we ended up with a 74% increase in our number of employees.

OWNERS

Industrifonden, the Foundation for Baltic and East European Studies, Verlinvest, China Resources, the company's founders, private individuals and our employees.

OFFICES

Malmö (headquarters), Landskrona, Helsinki, Amsterdam, New York, London, Berlin, Shanghai and Hong Kong.

SYSTEM CHANGE REQUIRED

Right now, we are facing many existential challenges. A global pandemic, a reckoning around racial inequality and fires and storms that remind us our climate is changing in real time. We need to make fundamental shifts in our society, and change needs to happen fast. We simply can't wait for perfect solutions before we take action.

Food production uses about half of all habitable land on earth, requires a large amount of resources, emits greenhouse gases, and leads to reduced biodiversity. At the same time, today's food

system does not meet our nutritional needs, with malnutrition, obesity, heart and vascular diseases, cancer, type II diabetes and respiratory diseases as a result. Non-communicable diseases were the most common causes (73%) of death globally in 2019*. Altogether, the picture is clear: The food system has to change.

The system change that we want to be part of requires us to go far beyond our own oat drink company. Even if our products themselves have a low climate impact compared to, let's say, animal equivalents, we

are still not just part of the solution. We are also part of the food system that we want to change, so we need to understand and work with the risks and challenges that are linked to our own production, supply chain and impact on people and the planet.

Systemic changes are hard. But knowing what we know about the state of the planet and the people who live on it, failing to act isn't a choice.

*Source: Global Burden of Disease, a tool to describe causes of diseases and death globally:
www.thelancet.com/lancet/visualisations/gbd-compare

WHAT ARE SOME CHALLENGES YOU SEE FACING NUTRITIONAL RESEARCH IN THE FUTURE?

We need more research within the area of plant-based products and diets. Today we can see that consumer norms are starting to change, especially among young people, and this transition can be bolstered by scientific evidence. We need more facts about how to combine food into a good, plant-based meal and what effects this has on a person's health.

NINA JANSSON, NUTRITIONIST



SUSTAINABILITY STRATEGY AREAS

SINCE 2014, OUR SUSTAINABILITY WORK HAS BEEN DIVIDED INTO FOUR MAIN AREAS:

Upgraded Society

We hope to be a driving force for the necessary transition of the food system.

We want to minimize our impact on the planet through efficient use of raw materials and resources such as energy and water.

RESOURCE EFFICIENCY

SUPER SUPPLIERS

Our suppliers and partners play a key role in the achievement of our sustainability goals.

We would never be able to “walk the talk” without our motivated, knowledgeable and committed coworkers.

COMMITTED COWORKERS

Since we believe a “future company” thinks beyond itself (and since we want to be a “future company”), it is obvious that we need to contribute to the United Nations Sustainable Development Goals. We

took a serious look at these goals, and it was clear that we can contribute to several of them. We considered where we can have the biggest impact and prioritized eight goals to focus on first:





Upgraded Society

We could talk about sustainability amongst ourselves all day long, but it wouldn't exactly be the most helpful thing we could do for this amazing planet we all live on. We believe that when knowledge is shared, more people will start making changes. So it's our daily mission to spread the importance of sustainable food systems to anyone who might be interested and, more importantly, to those who may not be. How? Research projects. PR and advertising. Events. Discussions with politicians, consumers, decision-makers and other influencers. Yeah, these things - amongst others.

HEY FOOD INDUSTRY, SHOW US YOUR NUMBERS.



In the name of committing to action, we decided to calculate the individual climate footprint of all our products. During 2019, we got through 119 of our oat products' footprint calculations, and there's more to come. Now, the problem is that a single climate footprint number doesn't really say much if there's

nothing to compare it with. Like, is 0.38 kg CO₂e/kg oat drink really good or ridiculously terrible or somewhere in between? The solution, of course, is for more of the food industry to put their figures on the table—or preferably right on their packaging.

In Germany we decided to take things a step further and petition the Bundestag to make a law requiring that climate footprint information be printed on food packaging. The petition terms set

by the Bundestag were characteristically stern. 28 days. 50,000 signatures. We launched a multimedia campaign, all wrapped up in 8-bit retro graphics, but with just a few days left to sign, we realized... it wasn't going to happen. We were 20,000 signatures short.

Epic fail! Or ... not?! On deadline day, our Hollywood ending materialized. With our final Instagram post sparking a surge of hope and urgency, we were pushed across the finish line with 57,067 signatures!

Thanks to the petition signers, we had a hearing with the Petition Committee of the Bundes-

tag on September 14, 2020, in which we presented the case for making CO₂e food labels a law. And now, we'll have to leave you with a cliffhanger as we don't yet know how this all will end...

HEY BUNDES TAG!



One of our campaigns created more of a debacle than the others in 2019: the Swedish “Spola Mjölken” (“Ditch milk”). Long story short: A small change to a campaign logo used back in the ’70s aiming to decrease alcohol consumption and a clear and short message* papered around the country was all it took. Politicians tweeted, columnists reflected, and farmers

raged. Suddenly everyone was discussing dairy and meat and health and the climate. The comment fields in our social media channels exploded as people were, well ... engaged. Altogether, we managed to create an important discussion about food and sustainability. And best of all: norms are slowly starting to change.

*Ditch milk. Switch to oat drink and save 75% in CO2e. Source: CarbonCloud.

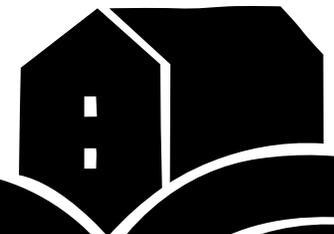
DO YOU HATE FARMERS?

This is a question we get sometimes (like when running “Ditch milk” campaigns), and here’s our answer:

NO. WE LOVE FARMERS.

And we really need farmers. Without them, no oats, and no Oatly. But we (and the planet) especially need farmers who are ready to convert today’s sometimes not-so-sustainable methods of agriculture to more sustainable ones.

Luckily, those farmers exist. In both Sweden and the US we are involved in projects with farmers who want to make changes, for example growing more plants for direct human consumption (and thereby feed more people while decreasing the climate impact) or putting oats back into rotations to restore more sustainable farming systems.



RESOURCE EFFICIENCY

The more we grow as a company, the more important it becomes to keep an eye on how our products affect the planet. A big part of that work is ensuring that raw materials and resources, like energy and water, are used in the smartest and most efficient ways possible. In other words, as we grow and use more things, we want to use less of them. Makes perfect sense, right? We've done a pretty good job in some areas, but in others we still have a long way to go. Want to know more? Cool. Just keep reading.

Climate impact per liter produced product: 0.48 g CO₂e
+20% compared to 2018

Energy use per liter produced product: 0.39 kWh
+8% compared to 2018

Share of energy from renewable sources: 63%
-24 percentage points compared to 2018

Water use per liter produced product: 4.3l
-19% compared to 2018

Share of renewable packaging material: 86%
+2 percentage points compared to 2018

OVERALL CLIMATE FOOTPRINT

In 2016, we set a target to decrease our total climate impact (including farming, production, packaging, transports, etc.) per liter of product by 25% by 2020. Back in those olde times, we couldn't imagine the massive growth journey we were about to begin—since then, we've increased our production by 324%! If this increase in plant-based products means a decrease in the consumption of animal-based products, then we have contributed to healthier and more climate friendly food habits. So why aren't we giving ourselves a rousing cheer? Because with great growth comes great responsibility, and reducing the climate impact from our production has turned out to be a real challenge considering the fast pace of growth and our production solutions being in constant flux. In 2019, our overall corporate climate footprint increased by 20% per liter of product produced. Why? Well, the reason for the negative number is due to a few, but crucial, parameters:



INGREDIENTS

Oats sourced from other places than before, thus creating a higher emissions footprint. Read more on page 26.

TRANSPORT

Increased distribution to Asia and, more specifically, doing a small portion of that by flight. Read more on page 28.

PACKAGING

A small increase related to secondary packaging in the US (which is much heavier than what's used in Europe). Read more on page 30.

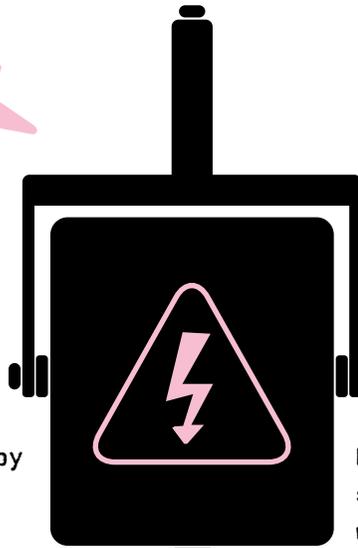
ENERGY

Less share of energy from renewable sources at new production sites. Read more on page 22.

ENERGY

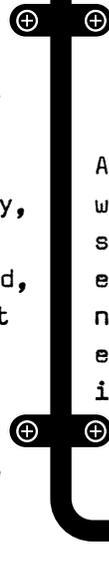
In 2019, the climate footprint related to energy increased by 137% (from 0.025 to 0.058 kg CO₂e per produced liter) and constituted 12% of our total climate footprint—a level we definitely aren't proud of.

So what happened? Basically, the share of energy from renewable sources decreased, from 87% to 63%. Looking at our own production sites, the share of renewable energy was 74% (Landskrona was best in class with 100%), while our production



partners show lower average numbers: 64% in Europe and 20% outside Europe. Still, we stand firm on our goal of 100% renewable energy, no matter if the production is done by ourselves or by partners.

Also, we're of course doing what we can to use less energy, since the most sustainable energy is the energy that's not being consumed. Our total energy use increased slightly in 2019, from 0.36 kWh per produced liter in 2018, to 0.39 kWh per produced liter.



WATER

At our own sites, the water consumption decreased from 5.3 to 4.3 liters per liter of product in 2019. Yay! "Our own sites?" you might ask. Yes, this number does not include production partners, as the information can be tricky to get since our partners make many different products in their factories. Exactly how much water is used for our products is something we are trying to work out together.

The great reduction of water consumption is mainly due to some successful projects in Landskrona—for example, a new central system for energy re-use means using less steam to heat incoming water. This also dramatically decreased the need for water from the municipal water supply—and increased the rate of high-fives on our quality and environment organization.



SUPER SUPPLIERS

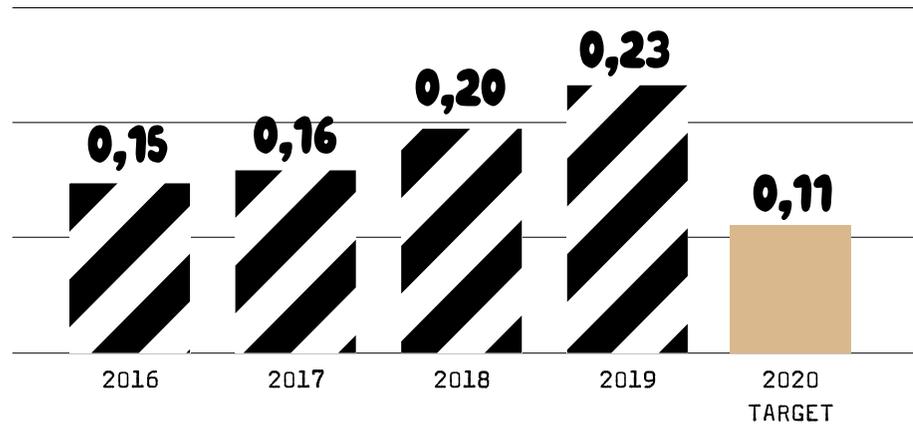
Since sustainability is both our passion and our business, we try to surround ourselves with people and partners who are as passionate about it as we are. Suppliers who share our values and vision play key roles in how successful our sustainability efforts turn out to be. In this section, we'll be telling you more about the work we are doing to create a sustainable supply chain—one that ensures both social and environmental responsibility. Come to think of it, you might find this to be one of the more interesting sections of this report, because we'll be talking about people other than oat company people for a while. Well, see what you think.

INGREDIENTS

Almost half (49%) of our total 2019 climate footprint, or 0.23 kg CO2e per liter of produced product, comes from our ingredients. This is an increase of 15% compared to 2018, and is mainly due to the use of Finnish oats that have a relatively high climate footprint due to humus-rich soils. The reason for using Finnish oats was partly due to

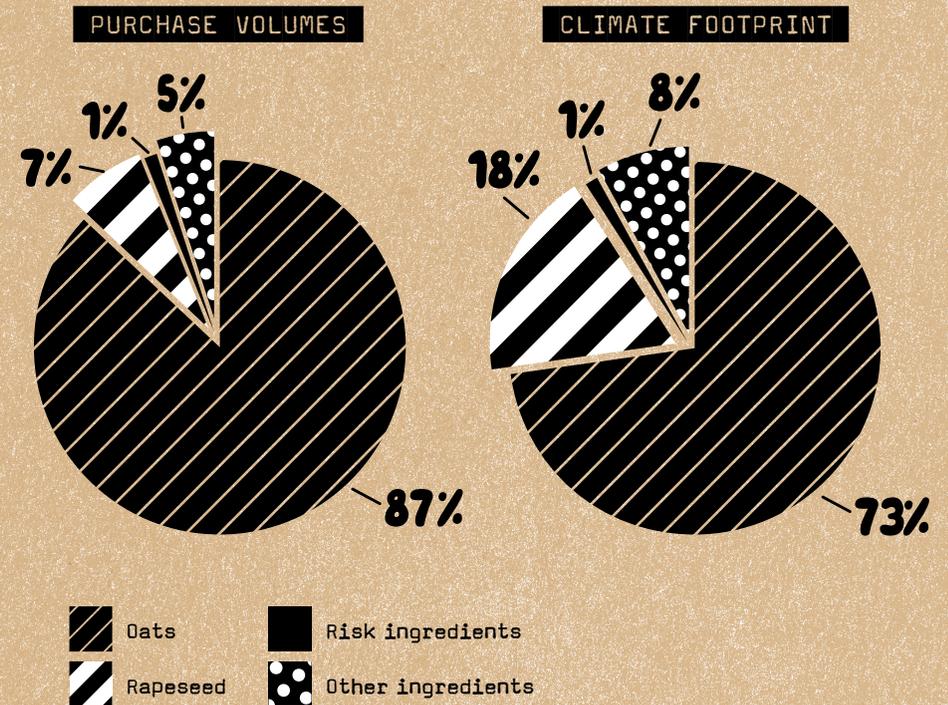
the hot summer of 2018 in Sweden, which resulted in bad harvests. Because of the increasing demand for oat products (hurray!) we will continue to increase the volume of oats we buy, meaning it will be even more important for us to work on decreasing the impact from their cultivation, regardless of where we are sourcing them.

CLIMATE IMPACT OF INGREDIENTS
(kg CO2e/produced liter)



Our supply chain is growing, and its complexity along with it. Because of that we have decided to re-evaluate existing methods to capture and mitigate the supply chain

risks (social as well as environmental) related to our ingredients. To assess the risks, we refer to tools such as BSCI, Global Forest Watch and others.



TRANSPORT

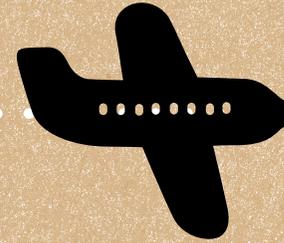
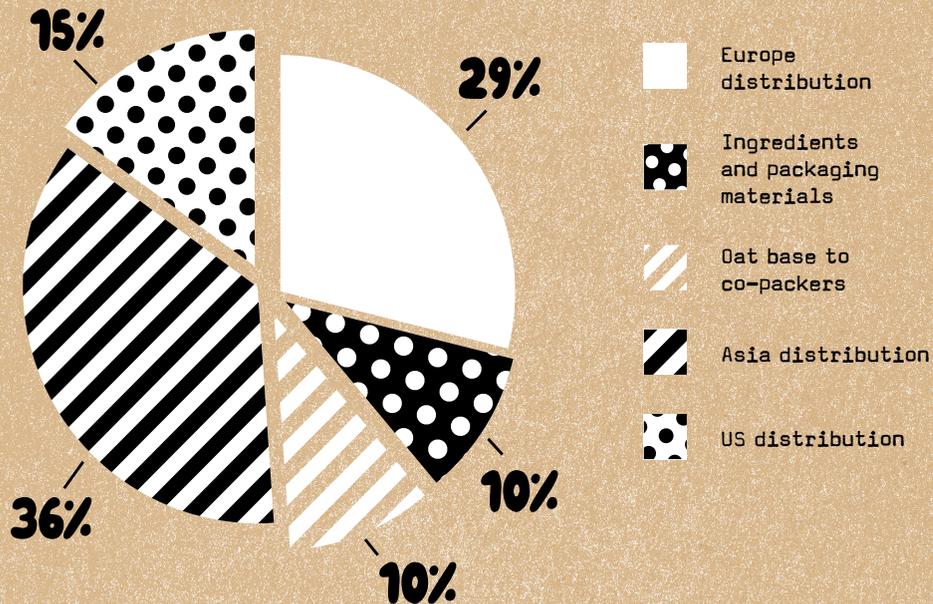
The transport of our products and ingredients accounts for 24% of our climate footprint, the same percent share as last year, but unfortunately 16% higher when measured in grams CO2e per liter of produced product.

The main reason for the increase was unusual circumstances related to our transports to Asia. To avoid delays after quality issues during production,



GREENHOUSE EMISSION, TRANSPORT

Share



7% of the 2019 volume to Asia had to be transported by flight (instead of boat). It may seem like a small percentage overall, but just this 7% accounted for 80% of the transportation climate impact related to Asia. And listen to this: If we could remove the air freight to Asia from the 2019 result (which we obviously can't and why the end of this sentence is purely hypothetical), our total climate footprint from ALL transport in 2019 would be down 17% from 2018. So, going forward we plan to remove it also in a non-hypothetical way: We're currently building a new production site in Asia, which will mean shorter transportation distances and a farewell to air freight. (Waving-hand emoji!)

2020 REPORT SPOILER ALERT:

All our transports of oats and oat products in the south of Sweden are now done with electric trucks. And of course, the Swedish transports are just the beginning of this mega-positive story...



PACKAGING

“A PACKAGE IS WORTH A THOUSAND WORDS”

...is not really how the old saying goes, but if you've seen any of our cartons you know we believe it. But no matter how insightful or completely useless a package's outside might be, the most important function of a package is to protect its contents from being wasted.

OUR FOCUS AREAS WHEN IT COMES TO

Most life cycle assessment studies of packaging conclude that the raw materials (origin and consumption) are especially important to climate impact. With this in mind, here's our focus in the packaging area →

Renewable Renewable Renewable Renewable sources

During 2019, the share of renewable packaging material ticked up from 84% to 86%. A small step, but definitely not the finish line—this metaphorical renewable packaging race isn't over until we reach 100%!

RESOURCE EFFICIENCY (LOW WEIGHT)

The amount of packaging material per produced liter increased by 3% in 2019, mostly due to the secondary trays in the US market being much heavier than the corresponding trays used in Europe. Now, we're looking into the reasons for this huge weight difference and then we'll try to do whatever we can about it.

SOCIAL SUSTAINABILITY

Social sustainability is super important and includes everything from basic human rights to well-being and the opportunity to develop professionally at work. We map risks, background reasons, potential consequences and how each risk can be minimized, in three different areas:

OATLY EMPLOYEES

PRODUCTION PARTNERS

SUPPLIERS

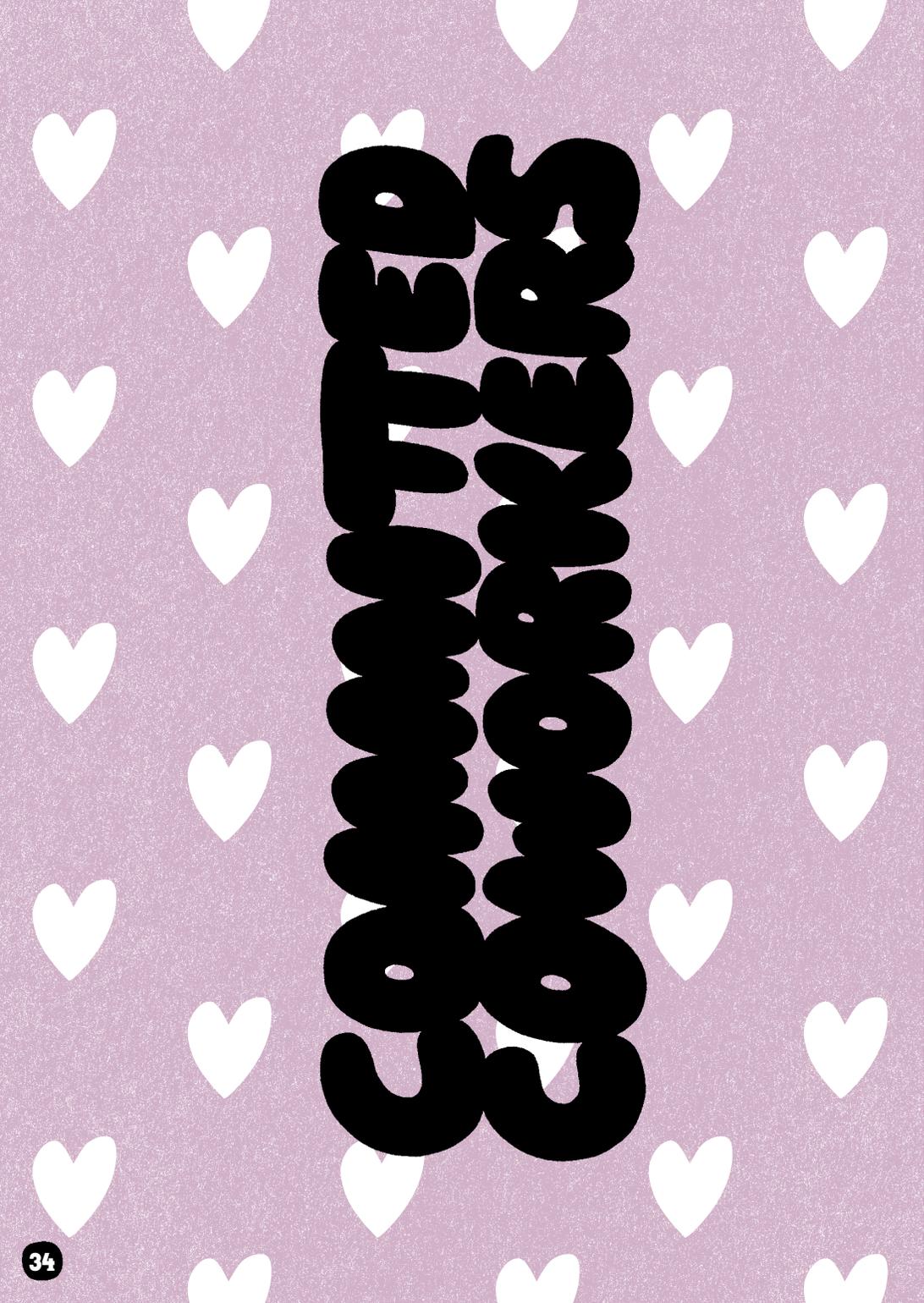
To make sure that we choose to work with partners and suppliers who share our values and vision for sustainability, we use supplier evaluations—done by ourselves or by SEDEX (Supplier Ethical Data Exchange). This helps us assess and identify risks associated with things like the origin of ingredients, the percentage of temporary employees, and health and safety regulations. All our suppliers and production partners must also either commit to comply with our code of conduct or present their own, which needs to be at a standard equal to ours.



ANTI-CORRUPTION

Corruption, bribes and money laundering seem more like the plot of a late-night TV movie rather than something you'd find at an oat drink company. And while the risk of those things in our organization is assessed as very low, it's still possible. Because of that, we're doing a number of things to prevent it. For example, anti-corruption responsibilities are included in our code of conduct as well as in the risk assessment for new suppliers and we're also using a whistle-blower system. We are happy to say that no cases of corruption were detected during 2019.



A purple background with a repeating pattern of white hearts. The hearts are arranged in a grid-like pattern, with some hearts slightly offset from the others, creating a sense of movement and depth.

COMMITTED COWORKERS

Naturally, our employees mean everything to us. Without them, there is no “us,” no Oatly (and no sustainability report, just imagine). We work to ensure that all of our coworkers feel committed to sustainability, and to achieve a corporate culture in which everyone is encouraged to be themselves and contribute their unique perspectives and experiences. The old “too many cooks spoil the broth” thing might very well apply to broth, but it definitely doesn’t apply to oat drink.

WORKING AT OATLY

No one is happier than we are that plant-based diets and oats are taking the world by storm. But as a company, when your annual growth in sales hits 88%, you're going to need a lot from your employees. Like a (super) fast work pace, innovative thinking, and the energy to welcome new colleagues, whom you'll want to introduce to the company in the best way possible. In 2019, we increased our staff by 74%! Fun, for sure, but how do we keep everyone feeling happy and how do we maintain our values and culture throughout a giant growth spurt? The rapid increase in the number of our coworkers is one of our biggest challenges, and it's kind of cool that we believe we will continue to face this challenge in the years to come.

We want sustainability to be a mindset, a natural part of our everyday lives and incorporated into all kinds of decision-making. At the same time, it's not about being perfect. Actually, being perfect is not even a goal, because when you are perfect (like that's even possible), how can you improve?

WHAT DO OUR EMPLOYEES THINK IT MEANS TO HAVE SUSTAINABILITY AS A CORE VALUE?

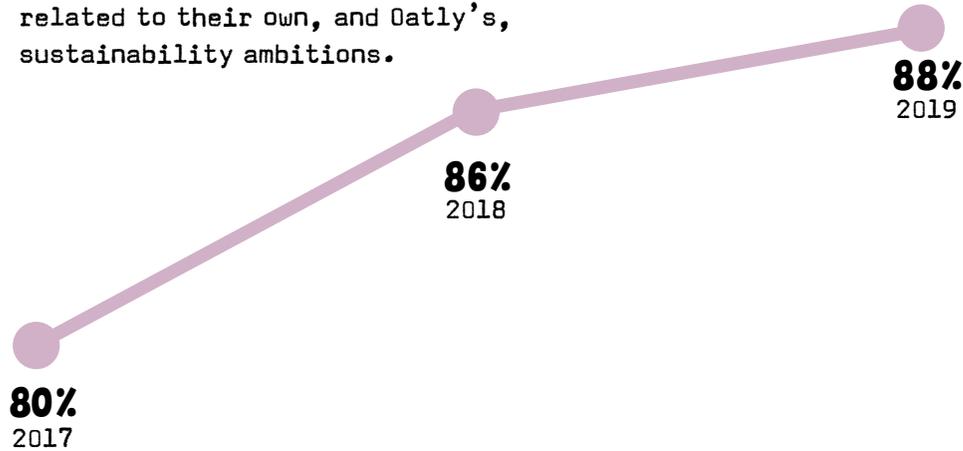
"It means engaging everyone in what they can do to be more sustainable. We don't need a hundred people doing it perfectly, we need a million people doing it imperfectly."

"Sustainability is a never-ending improvement project."



COMMITTED COWORKER INDEX

The committed coworker index is a measurement based on three questions we ask all employees related to their own, and Oatly's, sustainability ambitions.



1.

Do you know how you contribute to Oatly's work on sustainability in your role and daily work?

2.

Do you feel that your engagement with sustainability is developed at Oatly?

3.

What ambition do you think Oatly should have for our sustainability work?

82%

of our coworkers say our sustainability focus was an important reason why they applied for a job at Oatly. Wow!



SAFETY

We carefully monitor the safety in our factories. In 2019, there were 4 accidents in Landskrona (14 in 2018), 2 in Vlissingen, and 2 in Millville. We also use "near-miss reporting," where employees report events that could have caused an accident but didn't. Last year we had 59 reported near-misses in Landskrona, and by analyzing them and introducing new measures, we can prevent accidents. Of course, the goal is to have zero accidents.

EQUALITY & DIVERSITY

We had no reports of cases of discrimination related to equality and diversity in 2019. But when we asked all coworkers if they feel that Oatly is free from discrimination and treats people equally regardless of gender, transgender identity, race or ethnicity, sexual orientation, disability, beliefs or age, the result was 85% (on a scale from 0 to 100%). This number is definitely not good enough for us! To dig deeper, we did an additional survey in some of our offices and formed an internal project group to work on actions in line with the results.

Our goal is to have balanced representation between men and women in leading positions. We demand that our recruitment partners present us with both female and male candidates, especially for roles and professional categories where one gender is already overrepresented.

GLOBAL NUMBERS 2019



EMPLOYEES



BOARD



GLOBAL
EXECUTIVE TEAM



MANAGER POSITIONS
WITH EMPLOYEES

FINALLY, AN INTERVIEW WITH OUR SUSTAIN- ABILITY TEAM

Oatly is a company with sustainability at the top of the agenda. So does that mean you have an easy job?

Helene: I would call it inspiring rather than easy. You get lots of opportunities to put your expertise

and values into action. But it's also challenging since you understand the urgency and always feel that there is more to be done.

Looking back at 2019, what was your greatest success?

Annika: All the climate footprint calculations that we made—119 in total!

I think it is hard to imagine how complex our production situation is, with different solutions for different products and a lot of things constantly changing. The work that we have done gave us new insights that will benefit other teams in the company as well.

Anna: The climate footprint calculations also come with a challenge. We need to get more people to understand what they mean so they can use the information. But the biggest challenge is, of course, that we need to get more food companies to be transparent with their numbers, so that consumers can compare climate footprints and make informed choices.

What were the top challenges of 2019?

Carina: Our company growth, and more specifically the complexity that comes with it. Sometimes we need to find production solutions really fast, which of course is fine and necessary, but it tends to complicate the climate impact measurements and follow-up.

Abi: Thanks to our campaigns and communication, there are so many good discussions related to sustainability going on out there in our different markets.

In a dream world we would have the time to back up our local teams and participate in the discussions, but we simply don't have the time to be involved in everything, and that can be frustrating.

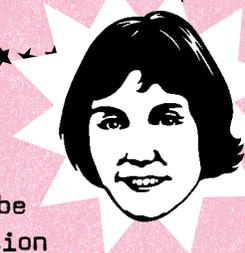
What do you want to read in our sustainability report five years from now?

Anna: That we have inspired other companies in their sustainability work and that

more companies are transparent with their products' climate footprints. Let's even hope for a law!

"SINCE WE ALWAYS WANT TO IMPROVE, WE WILL STILL FEEL THAT THERE ARE A LOT OF THINGS THAT WE CAN DO EVEN BETTER."

Carina: In many ways, I believe we, as a company, will be in a similar situation as we're in today. Because even if we (hopefully) have taken a great leap forward in many areas, the sustainability challenges will remain. And since we always want to improve, we will still feel that there are a lot of things that we can do even better.



THE ORIGINAL



www.oatly.com