

SUSTAIN- ABILITY REPORT 2018

**Slightly
worse than
last year!**

FINALLY A NEW SUSTAINABILITY REPORT!

We ended that sentence with an exclamation mark because this time

of year is the most exciting time of year—it's when we get to share our sustainability progress with you.

Before we do though, you need to know that we wrote the two previous sentences before we had all the numbers for this report in place and now that we do, we can summarize our sustainability performance for 2018 in three words: not so great. At least if you look at the numbers from a purely numerical perspective where a worse number is just a worse number. On the other hand, if you consider the fact that in 2018 we increased our turnover by 65% and our workforce by more than that, while at the same time delivering our oat products to far more people around the world than ever before, well then, the numbers mean something else entirely.

Each liter of oat drink that replaces a liter of cow's milk contributes to lower resource use and less climate impact. That's called a win. And while the figures in this report are not as good as we want them to be—due primarily to temporary production solutions that resulted in increased transportation in order to manage our expansive growth—we have to remember that every liter of cow's milk that gets swapped for oat drink significantly benefits this planet we live on.

We will of course dive deeper into all of this while discussing whether growth such as our own can actually be done sustainably, while providing perspective on those not-so-great numbers and a few rather fantastic ones.

A couple of practical things first. This report covers the entire Oatly group for the year 2018. If you would like to know more about the scope of the report, we suggest you start at the end, where you'll find a section called "About the report."

Otherwise, it is time. Turn the page and enjoy.



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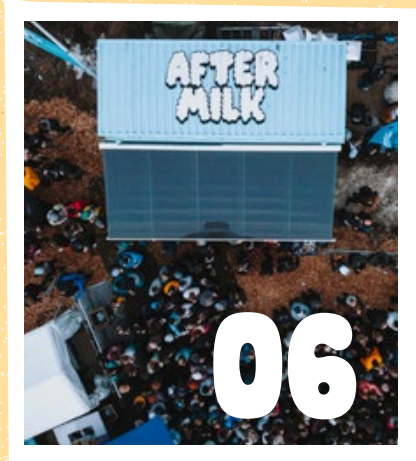
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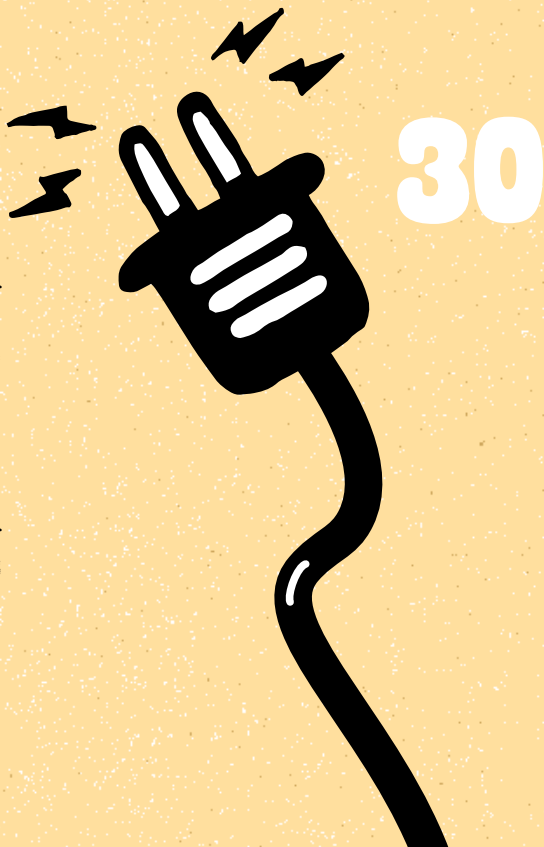
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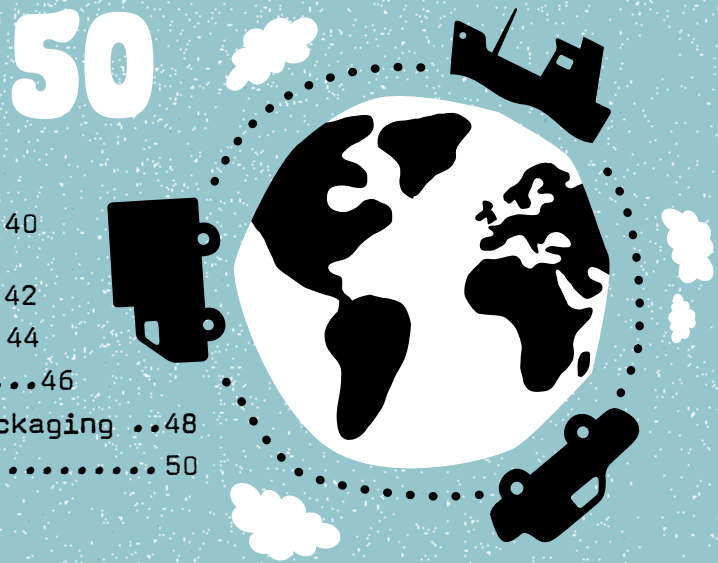
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We stand up for what we think is important.



OATLY WHO?

Picture it! Sweden. Many, many years ago—the eighties, to be exact. Some researchers at Lund University who had just helped discover lactose intolerance looked around and decided it might also be cool to develop a plant-based food that could be used as a substitute for cow's milk. But this one would be the perfect combination of nutritional value and sustainability—and it had to taste good enough to make people consider switching from dairy. Sure. Easy, right? So seasons came and went, months turned into years, and the researchers, well... researched, determined to consider every possible ingredient option. Then one day in 1990, they discovered that natural enzymes could break down fiber-rich oats into a liquid food. Eureka! The humble oat was the answer. High-fives all around. And so, the first oat drink was created, and the tiny company that would make that oat drink for all the world to enjoy, was named Oatly.

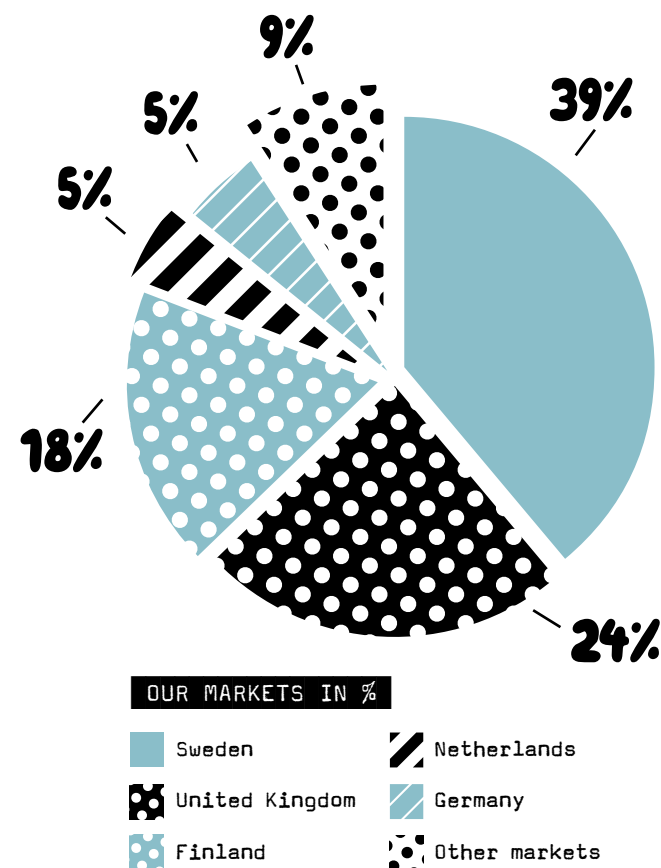
Since then, it's been all about oats. We hold several patents tied to our manufacturing process, and we are always working to develop our technology and our products. For us, the most important thing is to push for a larger-scale transition toward a sustainable food system, and we are engaged in many research projects in the fields of sustainability and health. Bottom line, we want to make it easy for people to eat and drink what's good for them without exhausting the planet's resources. That, and totally change the way the food industry makes food, but more about that later.

In case you haven't heard, we develop, produce, market and sell oat-based products. We rely on our suppliers to help make it all go smoothly—especially when it comes to ingredients and packaging. Oats are (surprise!) our main ingredient, and in 2018 they accounted for 78% of our purchase volume, followed by rapeseed oil, which constituted 9%. Most of our packaging is paper-based, except for the plastic cups in which we pack our Creamy Oat Fraiche, our Oat Spreads and some of our Oatgurt. When it comes to the production of our products, we have our own factory in Landskrona, but we aren't yet able to manufacture everything ourselves—there, too, we rely on our partners. In 2018, over 80% of our oat base and 60% of our finished products were produced in our own facility, while the remaining 40% were produced by

various co-packing partners. Currently, our customers are located in 22 countries and include grocery stores, the food service industry, restaurants and cafes.

Our total growth for 2018 was 65%, and we had a turnover of 1028 million SEK. Our growth is also reflected in a 70% increase in number of employees. This pie chart shows the size of our various markets. The "Other" slice includes China, Norway, Spain and the US. Our bestselling Barista Edition oat drink has made cafes one of our most important sales channels.

Oatly is owned by Industrifonden, the Foundation for Baltic and East European Studies, Verlinvest, China Resources, the company's founders, private individuals and our employees. Our headquarters are located in Malmö and our main production and development center is in Landskrona. We also have offices in New York, London, Berlin, Shanghai and Hong Kong.



**TOTAL
NUMBER OF
EMPLOYEES**



SUSTAINABLE GROWTH

When Oatly first began to take shape as a company and brand, our vision was to offer nutrient-rich, oat-based products to “the whole world” without having to build up a resource-intensive dairy infrastructure resulting in a reckless amount of greenhouse gas emissions. Yeah, we used to talk kind of corporate-y. Twenty years later, here we are, headed for globalization. So it looks like we can take the quotes off “the whole world” part of our company vision. The demand for our products has totally blown up and we are growing fast in both new and more mature markets—a whopping 65% in global growth in 2018, to be exact.

Can we handle it? How do we manage our growth and still keep everything sustainable?

Well, the answers to those questions are pretty long. In fact, it’s going to take most of these two pages to cover it all, so please do get comfortable. First, let’s set the scene. In 2018, the global need for more climate-friendly food production and consumption began to get serious attention around the world. Respected scientific journals including Science, Nature and The Lancet published articles on topics like sustainable nutrition, the importance of eating more plant-based products, and the major environmental impact of food production. Of course, the one that really got global attention, and may have scared a few people, was the “Global Warming of 1.5 °C” report from the IPCC (The Intergovernmental Panel on Climate Change) which spelled out the fact that we humans have to convert our current food system to produce, and eat and drink more plant-based products—for the sake of our health and the health of the planet. Oh, and this change all has to start happening soon. Like ASAP.

It’s hard to say whether this wave of articles and reports has had a big impact—but one thing’s for sure: the production and the consump-

tion of plant-based products are both on the rise. For example, more than 540,000 people in the UK are now vegans*, which is triple what that number was a decade ago. Since over half of those UK vegans are between the ages of 15 and 34, it looks like the meat-and-dairy-free trend is going to continue. And it’s not just happening in the UK. A global increase in plant-based eating is underway, and it’s reflected in our company’s growth, which is occurring in all of our markets. So the interest and the will to go plant-based are there. Now it’s incredibly important for the food industry to step up and make sure plant-based products are available—products that make switching to a plant-based diet not just possible, but easy (hint: they have to taste good). Of course, it’s also really important to make sure the growing selection of plant-based products is high-quality, both from a nutritional perspective and in terms of resource consumption, too.

When a company grows as quickly as we are growing, more resources are going to be needed. It’s just part of the deal. To try to meet the demand in 2018, we had to increase our proportion of production partnerships. Even though our own Landskrona production plant has gotten its energy from renewable sources since 2016, many of the new partnerships we managed to find couldn’t offer the same kind of energy solutions. And the percentage of renewable energy in production (our goal is 100%) decreased in 2018 compared to 2017. The expansion of our own production hasn’t progressed fast enough either, and despite many production records, the year was marked by constant capacity shortages—and a lot of empty store shelves, unfortunately. Transportation between various facilities has also increased, and more travel has been necessary so that coworkers can start up new partnerships and introduce employees in new offices around the world.

So, it’s really not easy. Maybe we shouldn’t even bother to grow? Shall we just abandon our vision of supplying the whole world with oat-based products that are less resource-intensive than the equivalent animal-based alternatives?

Um, no way.

We’re convinced that we are—and our products for sure are—a necessary part of the world’s transition to eating more plants. So we believe we have to find the temporary (if not-so-perfect) production solutions that make it possible to meet the current consumer demand for our products, while we also work to find the pretty-close-to-perfect solutions that will work really efficiently in the long term. We think it’s key to get our product out and establish a worldwide presence, so we can start contributing to a better and more sustainable global food system. But it will be necessary to make sacrifices along the way—and we’re the first to admit that we’ll be forced to report worse numbers as a result. As sad as worse numbers make us, they also motivate us to meet the challenge to do better.

One advantage of getting bigger as a company is that it becomes easier to reach more people and get them to listen. As we grow, we have more opportunities to generate attention and discuss the issues we’re so passionate about. And we can dictate our demands to our suppliers and partners around the world, which in turn affects more people and businesses. The concept of “sustainable growth” can never be limited to a single company and its products. Of course, collaboration is absolutely necessary for achieving change in society. Through contact with consumers, suppliers, industry colleagues, customers, decision-makers and the research community, we can work together to increase the scope of the transition to plant-based eating. And as long as we keep working within the framework of ambitious sustainability goals and can contribute to a broader transition in the food industry, the future is looking pretty great.

In other words, we want to keep growing. Hope that’s cool with you.

* Foodnavigator, 2018



IN WASTE OATS

RESOURCE WASTE

Animal-based products account for more than half (60%) of global food-related emissions and three-quarters of the land used for food production—but they only yield 18% of our globally consumed calories*. Resource waste is one big reason why researchers agree that we need to eat more plant-based foods in order to cope with the sustainability challenges we humans now face.

But why do plant-based products actually generate less greenhouse gas emissions? Surely the most important factor is how the products are transported? Actually, nope. To understand the impact of a food, it's important to look at it from a life cycle perspective, which means examining the effects from farm to grocery store. That's the only way it becomes clear where in the chain the biggest climate culprits can be found. As an example, let's compare our Barista Edition on the German market (which is produced in Sweden but sold in Germany) with German cow's milk. It's clear that the greatest climate impact is in the agricultural stage. Check it out, we made a bar graph and everything. In the agriculture stage, greenhouse gas emissions from cow's milk are primarily generated by the cows' feed, their manure, and especially the powerful methane gas that is created in their stomachs during digestion. (please note: we made it all the way through that sentence without saying "cow farts.")

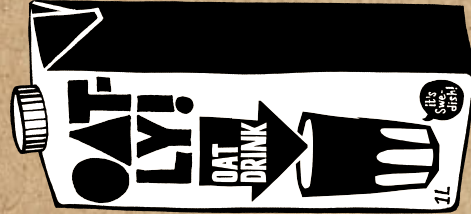
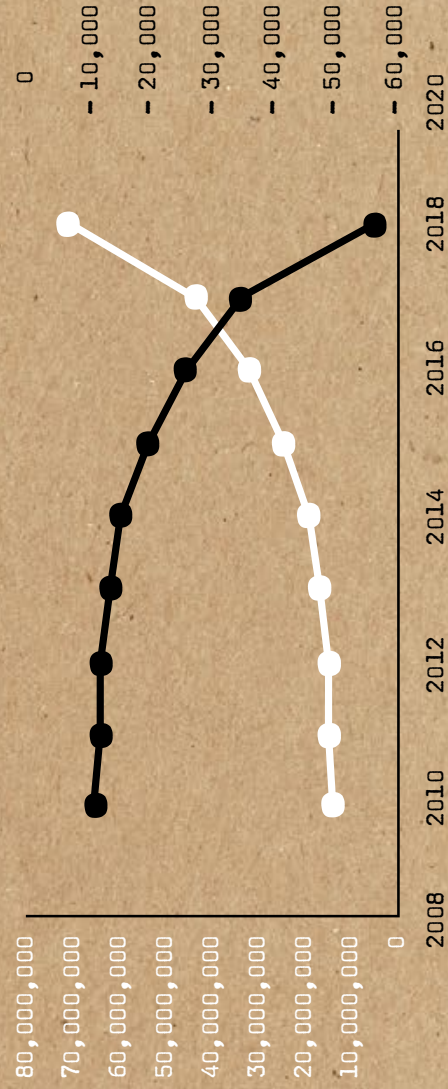
WHERE'S THE CLIMATE IMPACT?



11,478
TIMES AROUND
THE WORLD

In 2018, we sold 71,482,745 liters of oat drink worldwide. Assuming that the same amount would otherwise have been consumed as cow's milk, switching to Oatly resulted in a 56,471-ton reduction in greenhouse gases**—as much as would be generated by traveling around the world 11,478 times in a car.

LITERS SOLD — REDUCED TONS OF CO₂E



-84%
SATURATED FAT

Compared to cow's milk, our oat drinks contain less saturated fat—a full 84% less, to be precise (calculated on our product Barista Edition). In other words, oat drink is great for the planet and our bodies, too.

* Science, 2018: "Reducing food's environmental impacts through producers and consumers"
** Based on climate data from CarbonCloud

Interview: Nancy Bocken

Nancy Bocken, Professor of Sustainable Business Management and Practice at The International Institute for Industrial Environmental Economics at The University of Lund in Sweden, is researching circular business models. We talked to her about our "topic of the year": sustainable growth.

To begin, what is circular economy?

In short, circular economy is a new view of the economy focused on the optimal use of products and resources over time and can be described as three "loop"-strategies:

Slowing the loop. Slowing consumption of products and therefore resources. Making products that last and making sure that each product has a well-defined mission.

Closing the loop. Making sure both production material and the finished product can be, and are, recycled.

Narrowing the loop. Decreasing material and energy use per product. This work is already ongoing in most businesses as it is a way to reduce costs and increase profit.

Slowing the loop is the strategy that potentially offers the most environmental impact, but it is often also the most challenging one to implement.

From your perspective, what makes a business or a product sustainable?

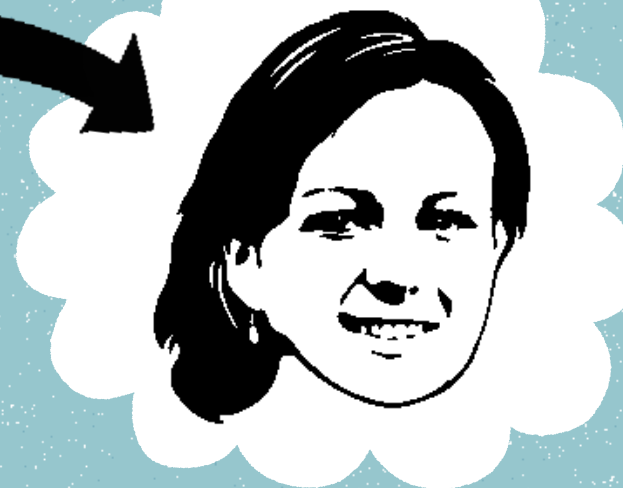
While conventional business models—often 'linear' business models—are focused on how business is done, how you create, deliver and capture values, to satisfy a certain customer demand, a circular or sustainable business model also takes into consideration how you, as a company, can create positive value for the society and the environment. For example, a sugary drink might have a short-term "feel-good" effect for the person drinking it, but seen from a broader perspective it can have negative societal value, e.g. obesity for

society if we all drink too much of it. For a sustainable business or product, it is the other way around: a circular business model not only offers a superior value proposition to the customer, it also impacts the environment or the society, preferably both, positively.

What is the purpose of our business? That is the main thing you should ask yourself as a company. One traditional answer might be "to make as much money as possible" but it is better to think more deeply and, for example, ask "how can we contribute to more sustainable and healthy living?" Then, with the main purpose as a starting point, you can think of other aspects: Are there any values that we destroy or miss in relation to our society or the environment, and if so, how can we create opportunities out of those challenges? How can we improve the business for all stakeholders, not only the shareholders and owners of the business?

Can a company grow in a sustainable way?

Sustainable growth is a topic of much debate. The fact is, we need to decrease consumption and kind of shrink the market. Companies need to focus on increasing the quality of their products to make them last longer. But that also requires a change in consumers' consumption patterns. In some cases, consumers may need to accept paying more for products of a higher quality. In this way, companies can sell fewer products while earning more per product and then live with lower volumes. We can also consider other business models, focused on selling services rather than prod-



ucts. For example, an alternative way to sell a washing machine would be to provide people access to a washing machine for free in their homes but have them pay each time it is used. With this business model, people might wash fewer loads, as they become more conscious about how much they use the machine.

"A CIRCULAR BUSINESS MODEL NOT ONLY OFFERS A SUPERIOR VALUE PROPOSITION TO THE CUSTOMER, IT ALSO IMPACTS THE ENVIRONMENT OR THE SOCIETY, PREFERABLY BOTH, POSITIVELY"

For a company like Oatly, the situation is a bit different. The food industry is less explored within circular economy. But in Oatly's case, you are replacing less sustainable animal-based products with more sustainable plant-based products, meaning that you create a positive impact on the environment. People will always need food, and as long as you sell a type of product that people would have bought anyhow—replacing unsustainable demands with more sustainable demands – then

growth can be a "good" thing. However, if growing means creating new demand that didn't exist before, or selling unnecessary products, then it is harder to legitimize. It is an ethical question that often is, or should be, up for debate in sustainable companies.

What aspects are important to consider when growing?

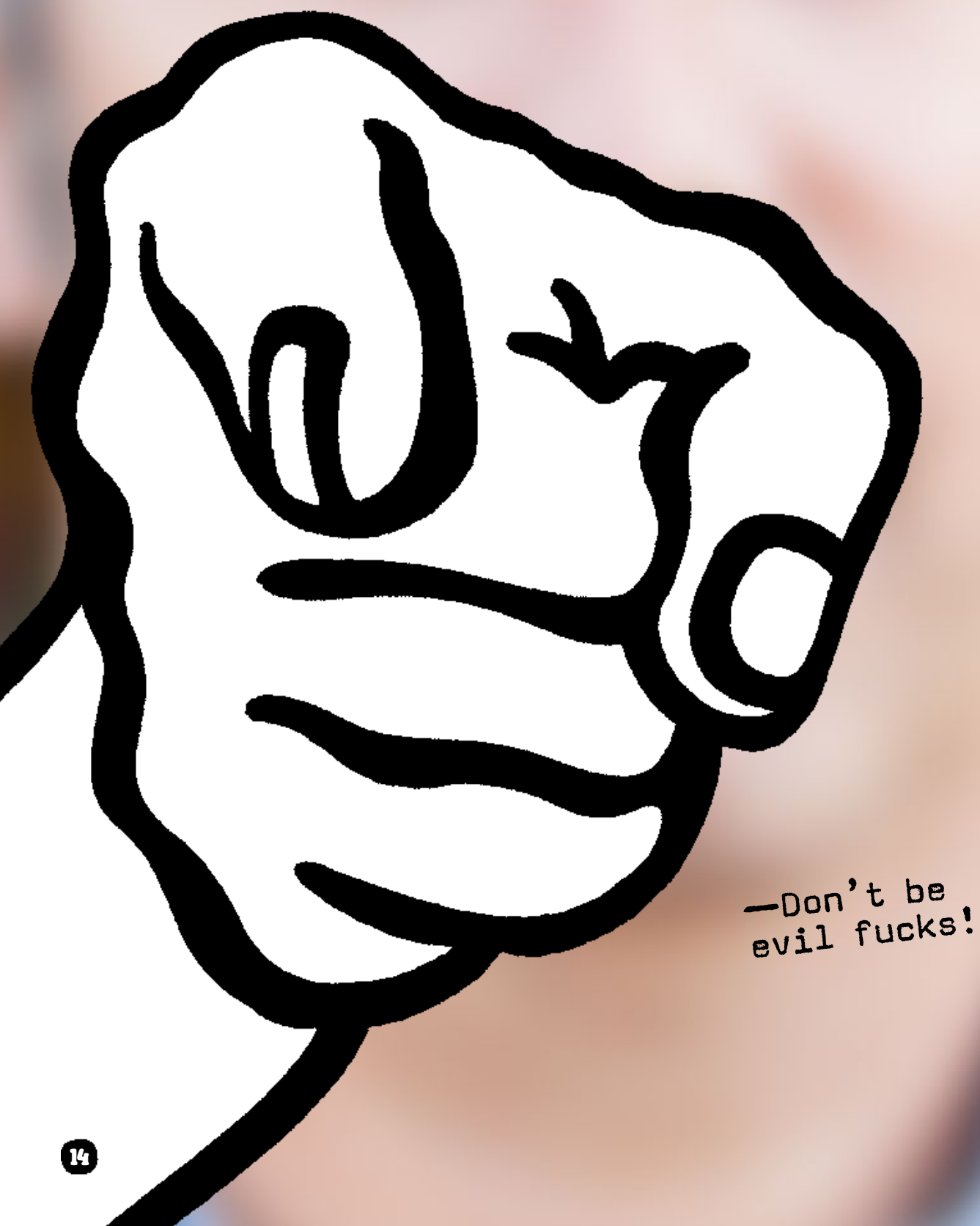
It is important to stay close to the mission and vision of the company. You need to understand exactly what impact you are trying to "scale up"—and how you can minimize potential negative impact.

You could also look outside your own direct business. For example, can a paper company plant more trees than you take? Or contribute positively to biodiversity? Can you create positive value for society or the environment—apart from what you already do within your core business—in the areas that you operate?

Then there are internal aspects to consider. Actually, growth might be one way to keep employees motivated. But to attract the right employees, especially from younger generations, it requires new ways of thinking as they tend to be more conscious.

Last but definitely not least – will we manage to create a sustainable future?

I think that all areas are developing in a good direction and it is very encouraging. Circular economy gets a lot of attention in Europe, but also in big economies like China so things are shifting. Many companies are willing to make a change, are being proactive and are asking the right questions. Individual consumers are engaged and standing up for their rights, especially young people. Still, we all need to increase our efforts and work even harder, because time is really running out if you look at figures related to biodiversity loss and climate change. We need to move quicker; my fear is that everyone is waiting for someone else to take action. At the same time, we need to stay positive—otherwise, how can we be motivated to go to work every day? We need individual leadership and responsibility to build a sustainable future.



—Don't be
evil fucks!

We promise to be a good company.

"A good company." What does that mean, and how is it achieved? We are constantly debating this question, and we try to keep it in mind when making all of our decisions. How can we balance short-term business activities with long-term sustainability goals? These are hot topics here at Oatly, and what's right (or at least what feels right) one day will not necessarily be quite right the next. Our company isn't perfect—far from it. Knowing this allows us to keep pursuing purposeful work to improve, and step by step we can introduce better solutions in the areas where better solutions exist—or develop new ones where better solutions don't exist yet.

We want to be open about everything we do. By promising to be a good company, we always have something to explain, defend, justify and especially, to improve. It also means that we engage in a close and constant dialogue with consumers, suppliers, researchers and pretty much all of society, to make sure that together we are moving toward our goals:

A sustainable food system.

A happier planet.

And equally happy people.

P.S. If you ask our creative director, John, what our promise to be "a good company" really means (after all, he was the one who came up with it), he says it means that we promise to not be "evil fucks." And that's certainly another way to put it.

ANTI-CORRUPTION

So far, we have assessed that the risk of corruption (both internally and in the supply chain) has been low, so we have not worked very actively in this area. But given our rapid growth, which entails a growing organization and a growing global network of contacts, we will have to keep a closer eye on this. We have introduced an internal whistleblower system, and we've included corruption as an area to address in our risk assessment of new suppliers. We also include anti-corruption responsibilities in our code of conduct, which both our employees and business partners are obliged to follow. But we are happy to say that none of these steps have uncovered any cases of corruption so far.

THE SUSTAINABILITY TEAM

Sustainability is not just a word we throw around when we want to seem important or cool. Sustainability is actually at the heart of Oatly. It's what is most important to us. As a company, we are always striving to make sure not only our products, but everything we do, has as little negative impact on the planet as possible. That doesn't mean we're perfect, but we are always working towards that goal. We want sustainability to characterize our organization and act as a benchmark for our employees. And we believe sustainability should always play a big role in our decision-making processes. We aren't 100% there yet, but we're working on it every day.

At Oatly we have the world's best* sustainability team—Carina, Anna and Helene. They devote their days to company-wide work—any time sustainability is a topic, one of these three is there, working hard. In the beginning of 2019, the team got a cool new member—a Sustainability Controller. And given how much is happening at Oatly, it wouldn't surprise us if this Sustainability Team gets a two-page spread next year.

* Biased opinion, but probably true.





SUSTAINABILITY STRATEGY AND VISION

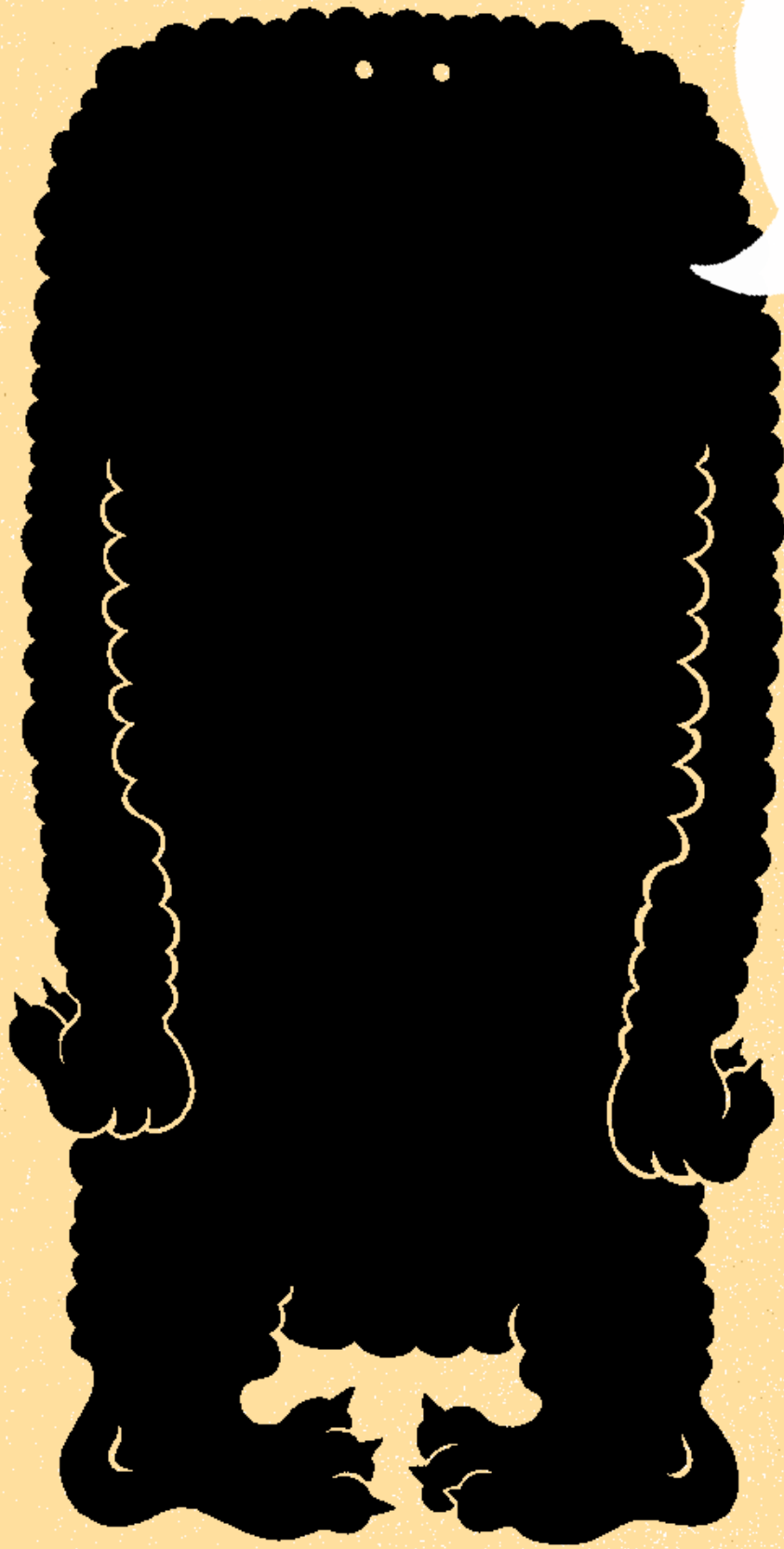
What do we really want to achieve with our sustainability work? Well, exactly the same thing we want to achieve as a company. One might say that sustainability is our business. Through our very existence, we hope to make the shift towards plant-based diets easier, and to help achieve the Paris Agreement's goal to "keep global warming below 2 degrees Celsius, but preferably below 1.5 degrees." Of course, our sustainability work also focuses on how we can reduce our own footprint. In 2016, we set an overall target to reduce the CO2e that we generate by 25% per produced liter by 2020.

Our sustainability vision is...

... to be a company that paves the way in the field of sustainability, with dedicated employees and sustainability as the thread that runs through everything we do and all the decisions we make.

... that all our resources (we're not talking people here, but things like raw materials, energy and packaging) should be sustainably produced, efficiently used, and preferably also reusable or recyclable.

... to be a driving force in society for the increased production and consumption of plant-based foods.



In 2014, we developed a strategy for achieving our sustainability vision and our overall goal, and we've stuck to it ever since. We think it still reflects the areas that are central to the success of our work on sustainability. The strategy is based on an analysis of how we as a company—at all levels in the value chain—affect people and the environment. And if you've already glanced at the next page over there, you know that our strategy is divided into four areas:

AREA 1

RESOURCE EFFICIENCY

We want to minimize our impact on the planet through the efficient use of raw materials and energy. We want to produce as little waste and residual products as possible, and in the long term we hope to find uses for unavoidable “left-overs” (i.e., the stuff we don’t need). You can read about our work in this area on page 24.

AREA 2

SUPER SUPPLIERS

Our suppliers and partners are key in achieving our sustainability goals. You can read more about how we collaborate with them on page 40.

AREA 3

COMMITTED COWORKERS

We would be nothing without our motivated, knowledgeable and committed coworkers. Read more about the world's best employees on page 52.

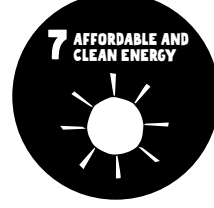
AREA 4

Upgraded Society

By having an active voice in the ongoing public debate, we hope to be a driving force for the necessary transition of the food system. We participate in discussions about how food and beverages affect our climate and our health, and we are involved in research projects aimed at fostering sustainable development in society. You can read more about our work in this area on page 66.



GOAL 12:
Ensure sustainable consumption and production patterns.



GOAL 7:
Ensure access to affordable, reliable, sustainable and modern energy for all.



GOAL 5:
Achieve gender equality and empower all women and girls.



GOAL 2:
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.



GOAL 13:
Take urgent action to combat climate change and its impacts.



GOAL 8:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



GOAL 6:
Ensure availability and sustainable management of water and sanitation for all.



GOAL 3:
Ensure healthy lives and promote well-being for all at all ages.

SUSTAINABLE GOALS

In support of our company vision, we've set up concrete goals across many areas and we regularly check the key performance indicators (aka KPIs) to make sure we're working in the right direction. Yep, we're talking black-and-white numbers, follow-up, risk analyses and action plans. It's a lot cooler than it sounds (although it sounds pretty cool to us)—and above all, it's important. In this report, we've chosen to highlight the goals and KPIs we consider to be most important in our various strategic areas.

Our vision of benefiting both people and the planet goes far beyond our own business, and we're convinced that climate challenges can only be fought if we look beyond borders and

national interests. That's why we think it's important to tie our efforts to the UN Sustainable Development Goals, and it's clear that we are affecting several of them—both positively and (occasionally) negatively. Through an analysis, we've landed on the eight global goals (see below) to which we believe we can contribute the most (and the best). Since we have so much we want to tell you about regarding this particular work, we bit the bullet and made a proper Excel spreadsheet—unfold at your own risk! (Well, of course you dared to do it. Nothing's ever boring when our graphic designers Petra and Kristoffer are involved, not even an Excel spreadsheet with important information and important numbers. Okay, now that you've opened it, why not go ahead and read it, too?)

UN Sustainable Development Goals

GOAL 2:
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

UN targets

2.4 Sustainable food production and resilient farming practices.

What can we do?

The supply of agricultural raw materials is central to our business. It is also in agriculture that our business has the greatest impact. At the same time, plant-based production and consumption deplete less of the planet's resources compared to animal products.

Risks

Resource-intensive, animal-based production is the norm.
Shortage of raw materials due to drought and other extreme weather.
Many stages in the supply chain hamper the monitoring of sustainability criteria.
Small volumes make it harder to impose tough demands on suppliers.

Our management

Company mission.
Sustainability criteria for oats: Natur Plus.
Certifications (UTZ, Fairtrade, Organic, RSPO).
Research and collaborative projects with suppliers.

Our status

Transition to plant-based food production and consumption: sales increase 65%
Percentage of oats with cultivation concept: 72% Natur Plus
Organic oats: 18%
Total organic ingredients: 15%
Percentage of ingredients assessed as higher risk, from a sustainability perspective: 3% (of which certified by a third party: 37%)

Read more here

GOAL 3:
Ensure healthy lives and promote well-being for all at all ages.

3.4. Reduce the number of deaths caused by non-communicable diseases and promote mental health.

Diet is the biggest cause of chronic lifestyle diseases (cancer, type 2 diabetes, cardiovascular disease). Among other things, the excessive intake of saturated fat and insufficient intake of fibers are to blame. We're working to promote the increased consumption of plant-based food, in line with current research.

Existing regulatory frameworks and norms hinder the transition.
A lack of knowledge about plant-based diets and sustainable eating.

Active participation in the industry organization Plant Based Sweden.
A strategy to increase knowledge about plant-based diets and sustainable eating.
Long-term work to increase key stakeholders' knowledge about the importance of transitioning the food system.

Education in Swedish school cafeterias: 450 school chefs have completed an oat Academy workshop.
Fat index: minus 280,314 kg of saturated fat.
Information and training activities about sustainable eating have reached about 20,000 nutritionists, dieticians, and healthcare professionals in Sweden and the UK.

Upgraded Society p. 66
Healthcare professionals p. 74

GOAL 5:
Achieve gender equality and empower all women and girls.

5.1 Eradicate discrimination against women and girls.
5.5 Ensure the full participation of women in leadership and decision-making.

The fair distribution of resources, power and influence is fundamental to a sustainable society, and as a company we have great potential to exercise influence and create conditions that foster equality. We do a lot of hiring, so it's especially important that we focus on this in the recruitment process.

Challenge of finding relevant expertise.
Subconscious recruitment of people who are similar to oneself.

Goal of equal distribution of women in leadership positions.
Equal treatment policy.
Policy against harassment and victimization.
Payroll surveys
Training in open-minded recruitment for HR and recruiting managers.
Requirements for both male and female candidates in recruitment selection.

Leadership positions with staff responsibility: 33% women, 67% men
Management team: 50% women, 50% men
Board: 100% men.
Annual payroll survey.

Equality p. 56

GOAL 6:
Ensure availability and sustainable management of water and sanitation for all.

6.3 Improve water quality and wastewater treatment, and increase reuse.
6.4 Streamline water use and safe water supplies.

We are a producing company, and to be able to manufacture our products we depend on a supply of good quality water. We also have a direct impact on this goal through our own production and the opportunity to influence our partners.

The production rate is prioritized over improvement projects.
Partners who do not share our goals and values.
A lack of data from partners.
Increasing production generates more process wastewater.

Goal on water usage in our own production: 3 liters of product per liter of produced.
Environmental permits.
Supplier evaluation.
Sustainability requirements are included in supplier contracts.

Factory in Landskrona: water used: 5.25 liters/produced liter of product.
Monitoring in accordance with environmental permits.

Water p. 32
A sustainable supply chain p. 42

GOAL 7:
Ensure access to affordable, reliable, sustainable and modern energy for all.

7.2 Increase the global proportion of renewable energy.
7.3 Double the increase in energy efficiency.

We use considerable amounts of energy and have a responsibility to work to ensure that our use is resource-efficient and that the energy comes from renewable sources.

The production rate is prioritized over improvement projects.
New production facilities in markets without access to renewable energy sources.
Partners who do not share our goals and values.

Long-term goal of renewable energy sources in production.
Aspiration to reduce energy consumption per produced liter.
Energy efficiency projects.
Supplier evaluation.
Sustainability requirements are included in supplier contracts.

Total percentage of renewable energy sources used in production: 8%
Our own facility, Landskrona: Energy consumption: 0.42 kWh/produced liter of product.

Energy p. 30
Oat drink life-cycle assessment p. 38
A sustainable supply chain p. 42

GOAL 8:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

8.5 Full employment and decent working conditions with equal pay for all.
8.8 Protect workers' rights and foster a safe and secure working environment for all.

As an employer and purchaser, we have a great opportunity to exercise influence and push for a safe workplace where people can thrive and where human rights are respected throughout the value chain.

High work tempo.
Rapid organizational change.
Inadequate safety introduction.
Many stages in the supply chain increase the risk of corruption and disrespect for human rights.

Goal of 97% attendance.
Health and safety training.
Health and safety policy.
Fire protection policy.
Policy against harassment and victimization.
Organizational and social working environment training for leaders.
Updated preparedness and emergency plan.
Whistleblower service.
Code of conduct.
Supplier evaluation
Sustainability requirements are included in supplier contracts.
Certifications for high-risk ingredients.
Membership in SEDEX.

(Sweden)
Attendance: 96%
Long-term sick-listing: 6%
Accidents: 14 (4 absences following medical evaluation).
Incidents: 32
Supplier sustainability index: 84%
Signed codes of conduct: 100%

Human rights p. 42
Full speed ahead at the oat factory p. 54

GOAL 12:
Ensure sustainable consumption and production patterns.

12.5 Significantly reduce the amount of waste.
12.8 Increase public awareness of sustainable lifestyles.

By raising awareness among both employees and consumers, together we can reduce our climate footprint. We are able to positively influence this goal through our production, our role as an employer, and external communication and advocacy work.

Insufficient development of technologies to move toward using fiber residuals for human consumption.
Demand for "on-the-go" packaging with, e.g., straws or bottle caps.
The production rate is prioritized over improvement projects.
Rapid increase in staff and globalization make it difficult to establish a unified sustainability culture.

Renewable packaging materials: 100%
Goal of 100% committed coworkers.
Sustainability strategy.
Company mission.
Campaigns with sustainability messages.

Fiber residues per produced liter: 10%
Renewable packaging materials: 94%
Employee engagement for sustainability: 86%
Active consumer dialogue.

Oatly who? p. 06
Sustainability strategy and vision p. 16
Waste p. 34
Our oat fiber residue p. 36
Packaging p. 46
Mind control? p. 60
Our friends p. 68

GOAL 13:
Take urgent action to combat climate change and its impacts.

13.3 Increase knowledge and capacity to cope with climate change.

Climate change is a threat to our civilization. We measure our company's climate footprint and work constantly to improve ourselves. We have a responsibility to continuously evaluate the best way forward, together with our employees and partners.

Rapid growth with ad hoc solutions where the rate of production is prioritized first.
Co-packers with fossil energy.
Limited access to renewable energy in new production facilities and offices.
Biofuels are a new area, both technologically and in legislation and governance.
Rapid increase in staff and globalization make it difficult to establish a unified sustainability culture.
Increased travel due to globalization.

Target 2020 - Reduce our climate footprint at the company level by 25% per produced liter vs 2016 = 281 g CO₂e/prod. liters.
Climate footprint, ingredients: 110 g CO₂e/prod. liters.
Climate footprint, packaging: 51.7 g CO₂e/prod. liters.
Climate footprint, transport: 56.9 g CO₂e/prod. liters.
Research and collaborative projects with suppliers.
Company mission.
Travel policy.

Climate footprint, company level: 398 g CO₂e/prod. liter.
Climate footprint, ingredients: 195 g CO₂e/prod. liter.
Climate footprint, packaging: 61.3 g CO₂e/prod. liter.
Climate footprint, transport: 99.3 g CO₂e/prod. liter.
Climate footprint, business trip: 4.1 tons CO₂e per employee.
Percentage of domestic travel by train (Sweden): 82%.

Overall corporate climate footprint p. 26
Energy p. 30
Ingredients p. 44
Packaging p. 46
Transport p. 50
Globalization = travel p. 58



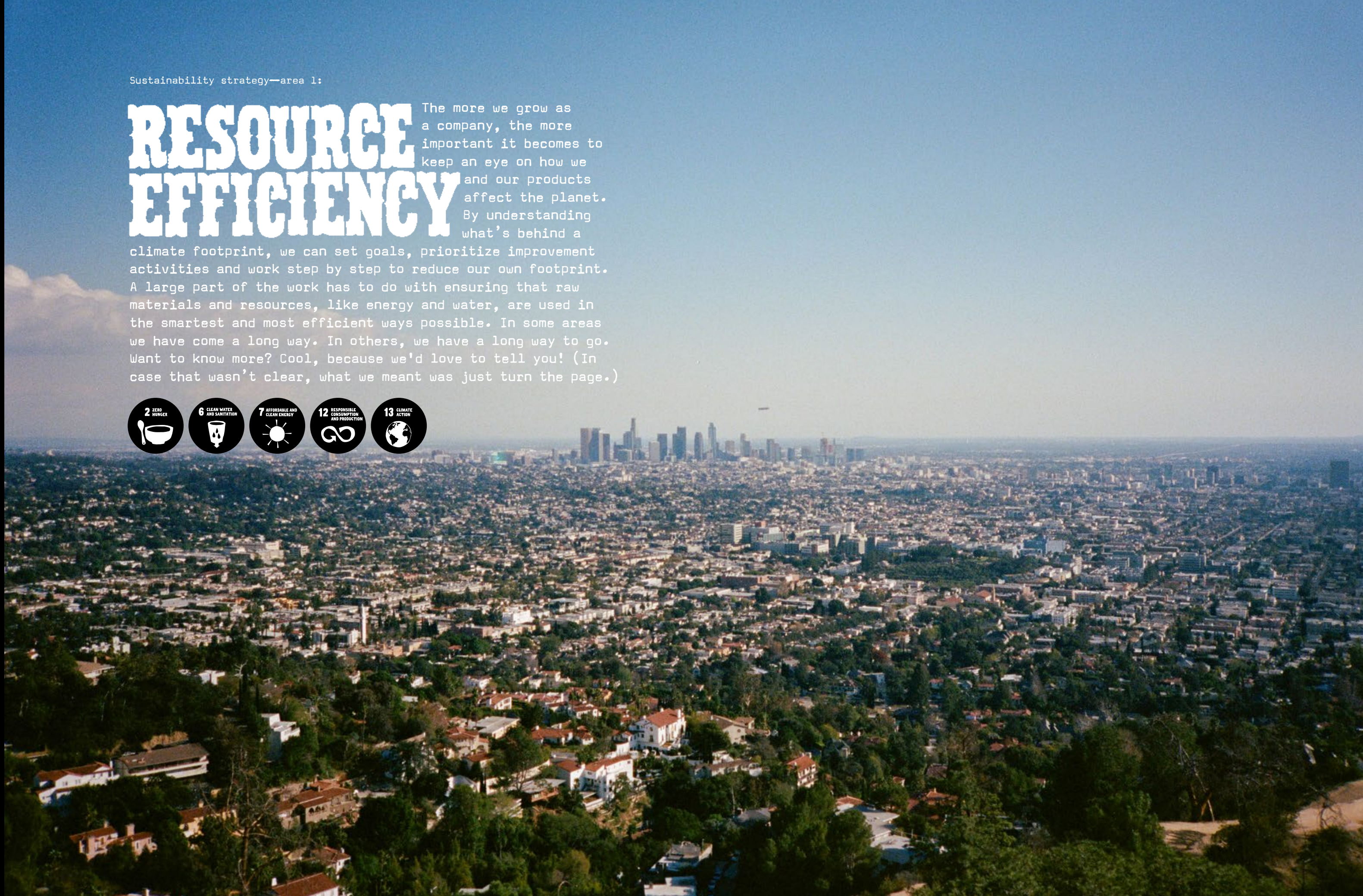
This must be important...

Look! A big splashy foldout spread in the middle of a sustainability report.

Sustainability strategy—area 1:

RESOURCE EFFICIENCY

The more we grow as a company, the more important it becomes to keep an eye on how we and our products affect the planet. By understanding what's behind a climate footprint, we can set goals, prioritize improvement activities and work step by step to reduce our own footprint. A large part of the work has to do with ensuring that raw materials and resources, like energy and water, are used in the smartest and most efficient ways possible. In some areas we have come a long way. In others, we have a long way to go. Want to know more? Cool, because we'd love to tell you! (In case that wasn't clear, what we meant was just turn the page.)

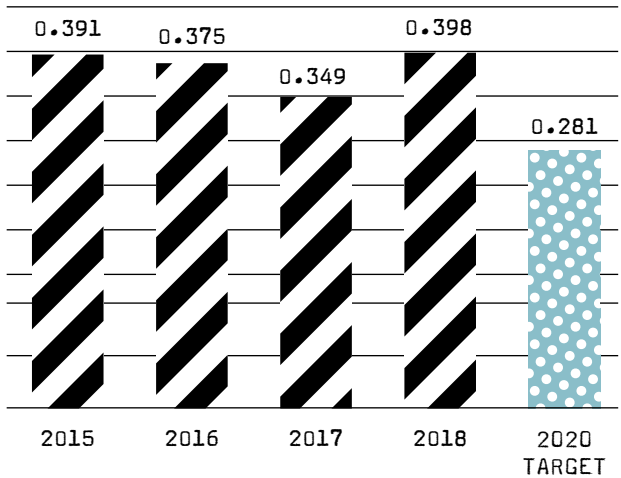


OVERALL CORPORATE CLIMATE FOOTPRINT

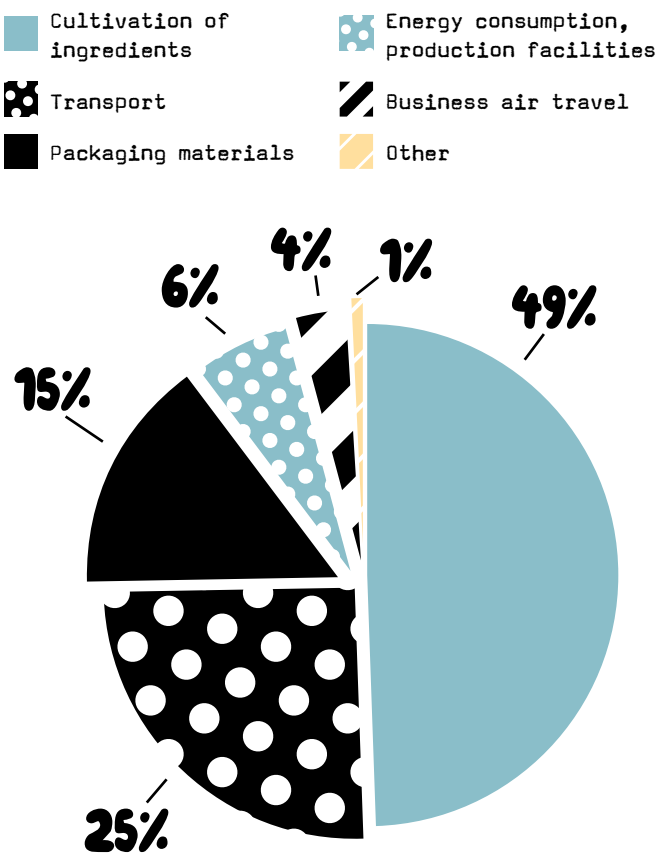
In 2016, we gave ourselves a target: a 25% total greenhouse gas emissions reduction by 2020 (calculated per liter of product). At the time, we had no clue about the growth spurt that was coming, or the major challenges it would bring in terms of maintaining a production capacity that matches the demand for our products. 2018 was a tough year involving a lot of ad hoc solutions and extra shipments of products, all of which means our climate footprint moved in the wrong direction. Of course, we're not happy with that fact. Increased shipments and a drop in the percentage of renewable energy used in our production solutions were the biggest culprits, and access to more detailed climate data about our ingredients also contributed to the not-so-great trend.

In 2019, one of our most important tasks will be to calculate (and recalculate) various scenarios and develop action plans to reduce our climate footprint. That might be the most vague and corporate-sounding sentence we've ever written, but it really does mean we're about to get to work. We will also review our goals and set new targets that go beyond 2020. Our production capacity will increase, and although everything suggests that 2019

GREENHOUSE GAS EMISSIONS, KG/L PRODUCED



DISTRIBUTION OF GREENHOUSE GASES, BY AREA



will also be a year of a lot of growth (which we're very excited about, of course), we're expecting to achieve a better balance between capacity and demand, which will mean a more stable existence with more time for improvement work. To contribute to a major transition of the food system, we want to—and will—continue to grow, but we have to do it within the framework of sustainable resource use. Don't worry; our code of conduct, as well as our quality and environmental policies, all support our sustainability work. So together with our amazing employees, we'll be continually moving toward reducing our climate footprint and resource use as we grow.



OUR PRODUCTION

Oh wow, how do we explain this?

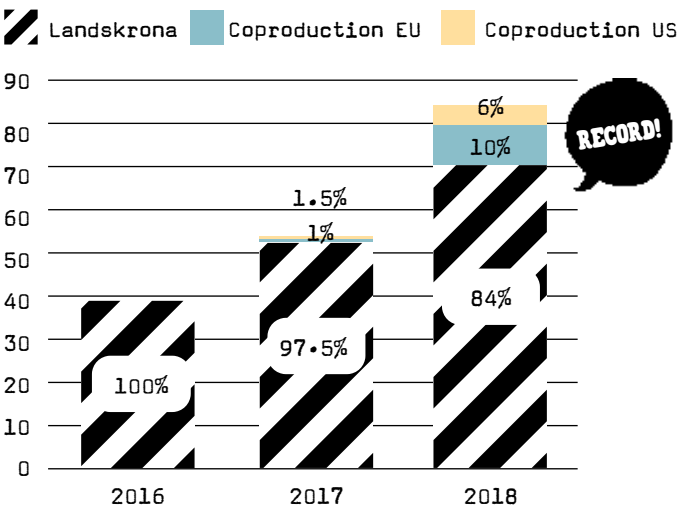
In our 2017 report, we quite eloquently described our plans to bring a large part of our external production home to Landskrona over the course of 2018. We talked a lot about how this would reduce our climate footprint, because transportation would be reduced and our facility would be using renewable energy.

But.

As you know by now (well, actually you may not know unless you've been reading this report in chronological order from page one, which no one really does these days), in 2018 our growth was a slightly crazy 65%, and even then, our customers couldn't buy as many of our products as they wanted. We've done everything we can to produce, produce, produce. Among other things, we expanded the production in Landskrona, with brand new packaging lines for cups and chilled beverages, all while expanding existing production, just as we promised in the 2017 sustainability report. We've been producing so much, our Landskrona factory has been nicknamed "the record factory," (okay yes, by us) because we beat our previous production records almost

every week. But in spite of all our efforts, our production capacity has fallen short, and we've had to retain many of our external partners (especially companies that help us pack our products; in this report we sometimes refer to them as "co-packers") and even find new

OAT BASE PRODUCTION (IN MILLIONS OF LITERS)

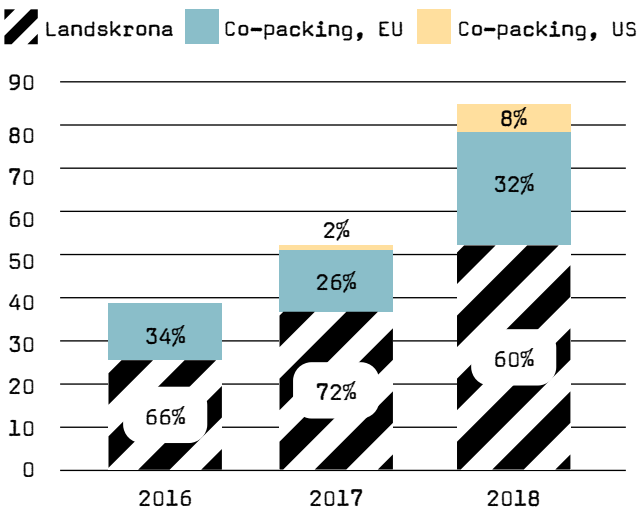


collaborations. In some ways it's been kind of fun, but in more ways, it's been quite a challenge.

So, what are the numbers? Well, in 2018 we produced just over 85 million liters of products in total. Despite a major production increase in Landskrona, the proportion of products packaged there fell in relation to our total packaged products.

Anyway, we have no intention of slowing down. We're continuing to expand (and keep beating records, we hope) in Landskrona, and in 2019 we will also inaugurate new Oatly factories in both the Netherlands and the US. And of course, our goal is that these factories will have renewable energy sources since we are still striving to eventually get 100% of our consumed energy from renewable sources.

VOLUME OF PACKAGED PRODUCTS (IN MILLION OF LITERS)



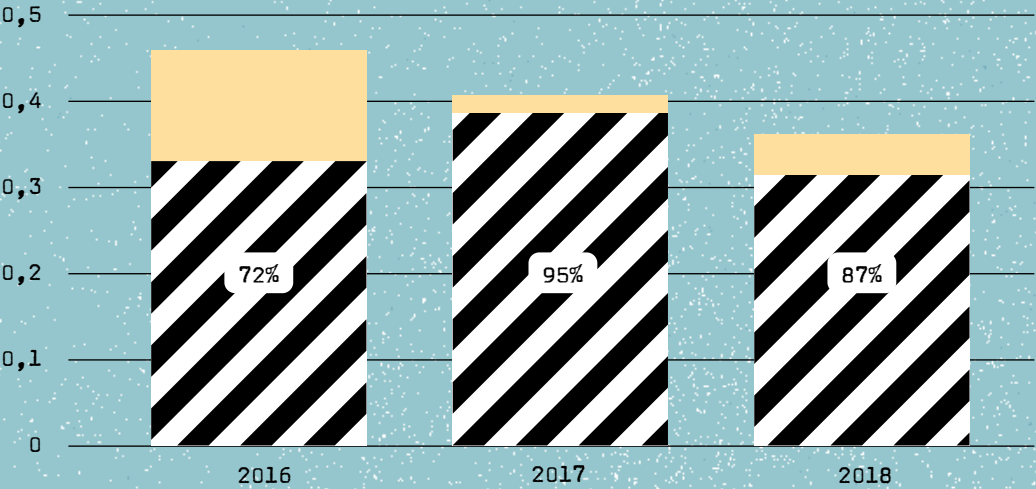
ENERGY

We like talking about the fact that all the energy in our business in Landskrona comes from renewable sources (see, we just talked about it again) but after two years of repeatedly bringing it up, it's starting to feel unfair to rest on our laurels. Since our partners handle some of our production, we need to work to increase their proportion of renewable energy use, too. At the same time, we have to take the next step at our own facility and reduce our overall energy consumption. Although the climate footprint from our production is virtually non-existent, it's still important to conserve renewable energy, of course.

ners play a major role. We also see that it is something we need to address. Energy sources are one of the things we evaluate when selecting our partners, but to be perfectly honest, we haven't passed anyone over because of how they get their energy. In order to meet the demand for our products, we've simply had to say "yes" even to partners who haven't come as far as we have (but actually, that's exactly how the road to improvement can start!). According to the contracts we sign with our partners, they must annually report sustainability data and be open to a dialogue about what improvements we can make together. In the long term, we believe this will help reduce the climate footprint of our products. We also hope it will spill over into other companies' value chains.

ENERGY PER PRODUCED LITER (KWH/L)

- Proportion of renewable energy (%)
- Proportion of non-renewable energy (%)



So, what did our energy consumption look like in 2018? Well, 87% of the total energy required for the production of our products came from renewable sources. That's a decrease from 2017, when 95% of the total energy came from renewable sources, because that year a greater share of our production was based in Landskrona. It is primarily our partners in Germany, England and the United States that have potential for serious improvement. In the United States, only 19% of the energy came from renewable sources. That's a concern, because our US market is expected to grow quickly, and within the next few years it will likely account for a large proportion of our volume. In other words, moving forward we'll need to be sure to find or develop sustainable energy solutions in the US. These are exciting times, to say the least. The good news is that the total energy consumption per produced liter of our products decreased by almost 10% in 2018 compared to 2017. This is partly because we have received more specific consumption data (which is a lot better than we thought it would be), but actually, the reduction has been due to improvements made by our co-packers. Way to go, co-packers!

In case you're interested, the level of energy consumption in our Landskrona factory has stayed the

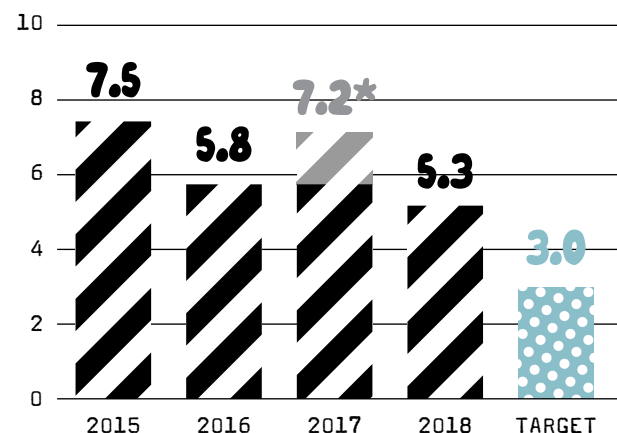
same for the last two years, at about 0.42 kwh/liter. In 2018, we expanded production in several stages and in doing so, we made sure to design more energy-efficient processes. Hopefully this will be reflected in the consumption figures from 2019 forward. (Another reason our 2019 sustainability report is going to be flying off the shelves.) Once the expansion is completed in spring 2019, we will also do a larger energy audit in order to identify any other ways we can improve. Didn't we start this page with something about resting on our laurels? We must not be using that phrase right.

WATER

As you might expect, if you know us at all by now, we carefully measure and monitor water consumption in our production facility in Landskrona. And in 2018 we also started to collect water data from our partners, too. This isn't an easy task (not to complain), because most of them have a lot of different customers, which makes it tough to separate out the water consumption specifically linked to our products. But we are doing our best.

WATER CONSUMPTION (L/LITER PRODUCED)

LANDSKRONA



Just as in 2017, it is still a challenge to handle the increased amount of process wastewater generated by our ever-increasing production. But we are actually planning our own wastewater treatment plant in Landskrona, and we're set to break ground sometime in 2019. In the meantime, we have started doing some other key things to reduce the amount of process wastewater, including operating a smaller

wastewater treatment facility that reduces the amount of organic material in the water. Thanks to a newly installed tank, we can also control the diversion of our wastewater in a way that reduces the risk of disturbances to the municipal wastewater treatment plant.

The life cycle assessment conducted for our products in 2018 (read more on page 38) shows that from "cradle to grave," we use approximately 6.4 liters of water per liter of oat drink.

Approximately 80% of the water is used during production in our factory (15% is ingredient water and 65% is consumed in connection with dishwashing and cleaning) and the remaining 20% is expended in other lifecycle steps (milling, transport and the manufacture of packaging). To reduce water consumption, in 2018 we optimized the dishwashing process (partly by reusing rinsing water) and closed the systems for hot and cold water, all of which is successfully conserving both water and energy.

Thanks to the climates where they're grown, the cultivation of our oats doesn't require irrigation—rainwater does the trick. However, climate change may cause this to, well...change in the future, so it is important for us to work with the climate adaptation of our crops. Research subjects specifically related to oats include water absorption, as part of the ScanOats project (read more on page 70).

* The consumption figure for 2017 is uncertain because the water meter was out of order. A probable estimate is that water consumption in 2017 was unchanged compared to 2016.

THANK
GOOD
FOR THE
TERRIBLE
SWEDISH WEATHER

WASTE

In many ways, 2018 was “the year of the fiber residues.” Many consumers around the world have expressed their displeasure at the fact that we send our fiber residues over to a nearby pig farm. We have welcomed this discussion because it gets to the crux of the sustainability issue and shows that things are rarely black and white (read more about this on the next spread).

In addition to engaging in the fiber residue debate, we’ve worked to improve the management of waste at our facility in Landskrona. Our waste management supplier has visited us several times, and together

we have made sure that we are using the right type of containers, and that signage and procedures are in place. We have developed criteria for packaging when purchasing raw materials, added more sorting categories and improved our internal knowledge and processes. By strengthening our collaboration, we’ve also inspired each other to come up with more sustainable solutions. For example, our supplier introduced more sustainable vehicles after getting inspired while visiting us (not that we want to take all the credit).

OUR OAT FIBER RESIDUE

During the spring of 2018 the vegan community, primarily in the UK, questioned our approach to the disposal of our oat fiber residue at our Landskrona production plant. They wanted to know how a company that makes so many great vegan products could possibly send our fiber residue, approximately 8,000 tons in 2018, to local pig farmers. Below you can read our response (slightly shortened).

- MONDAY, OCTOBER 8 -

First of all, we would like to thank everyone for their patience. The study and analysis of what to do with the residues from the production of our oat drink is one of the most complex issues that this company has faced. Because we are a science-based company, the first place we tend to look for answers on how to solve challenges is, of course, science. This time, however, we found science alone could only provide partial answers. Instead, our meetings have been filled with philosophical discussions: How do we stay true to our overall objective of long-term systemic change by shifting consumption of animal-based food products to plant-based food products without having to make decisions along the way that conflict with our belief system? How can we always make the right decision when every option has a new set of implications?

There are undoubtedly gazillions of ways to create change in society. We believe the best way for us to contribute is to introduce more people to the advantages of a plant-based diet. The more sustainable and better tasting products we make, the easier it will be for people to shift their consumption patterns and when they do, the planet and all the humans and animals that live here will benefit. It is simple logic, yet to make a significant global impact, simple logic is not enough. This demands persistence and dedication and focus and humility

and the understanding that at times, the decisions we have to make in order to create systemic change will not be supported by everyone, sometimes not even our greatest supporters. It would be naive to believe otherwise.

As a sustainability company we will always look at things from a sustainability perspective first. That is why we believe the best solution moving forward is to develop technology and the refinement of oat residues so that we can turn the oat residues into new oat-based consumer products. We are therefore excited to announce that we have just received a grant from the Swedish governmental agency for innovation, Vinnova, for SEK 1,727,500. We will match their initial grant by contributing an additional SEK 1,727,500 for a total of SEK 3,455,000. This project started on June 1, 2018 and will continue through January 30, 2020 with the aim to develop two new food prototypes produced in pilot-scale and evaluated for their commercial viability.

It is impossible to predict the impact of such a research project or to what extent we would be able to produce, market and sell food products derived from our oat residue. It is our hope that we will be able to utilize a significant portion of the oat residues in the future; however as our production grows, we will need to look into additional alternatives. One promising option involves the building of biogas energy renewal plants at our production

facilities. The biogas plants would turn the oat residue into renewable energy and power our production facilities. At present, our Landskrona production plant is powered by fossil-free energy sources, which have lowered greenhouse gas emissions per liter of oat drink from 110g to 7g, putting our facility on course to be carbon neutral. However, building a biogas plant on site at our facilities would create a closed cyclical system, providing far greater impact. We have initiated work on the Biogas Development Project which is currently in the process of conducting a feasibility study for an on-site plant in Landskrona.

In the interim, as we develop the projects outlined above, we will continue to make our oat residue available to local farmers near our plant in Landskrona until we can be certain that the impact of altering this course doesn't have a more negative holistic impact on the planet and the humans and animals that live here. The loss of nutrients and energy currently available in our oat residue would mean that local farmers would need to find these nutrients elsewhere, which historically has meant South America where the growth of soy concentrates has contributed to the deforestation of the Amazon and proven fatal to the ecosystems of that region. The total harm done in that equation is potentially so significant that we are unable to justify trading the local reuse of oat residue

for one that entails habitat extinction and climate change. Additionally, this approach allows farmers to source more sustainable feed options as we develop our projects, ultimately eliminating the need for emergency replacement soy concentrates at all costs.

If we have failed to see a potential solution that you may happen to be tinkering with, we would love to hear about it. We will therefore be sending out a select number of invites to those of you who have been active on this issue so that you may share your thoughts and ideas with us in person. It is our hope that you can find the time to join us in London at the beginning of December where you will be able to speak to our experts and share your ideas. We are hoping that this could be the first of an ongoing dialogue where we get the chance to source your experience and ideas in finding a way to move forward.

Lastly, we would like you to know that we appreciate both your support and your constant questioning of our positions and choices. The only way forward as a society is to grow our shared unrelenting drive to question and re-imagine the way things are done, in regard to society in general but more specifically in how we as humans relate to our food systems and the planet.

To be continued . . .

OAT DRINK LIFE CYCLE ASSESSMENT

WHY DO YOU ALWAYS HAVE TO COMPARE YOURSELVES TO COW'S MILK? WHY CAN'T YOU TALK ABOUT YOUR OWN BENEFITS INSTEAD?

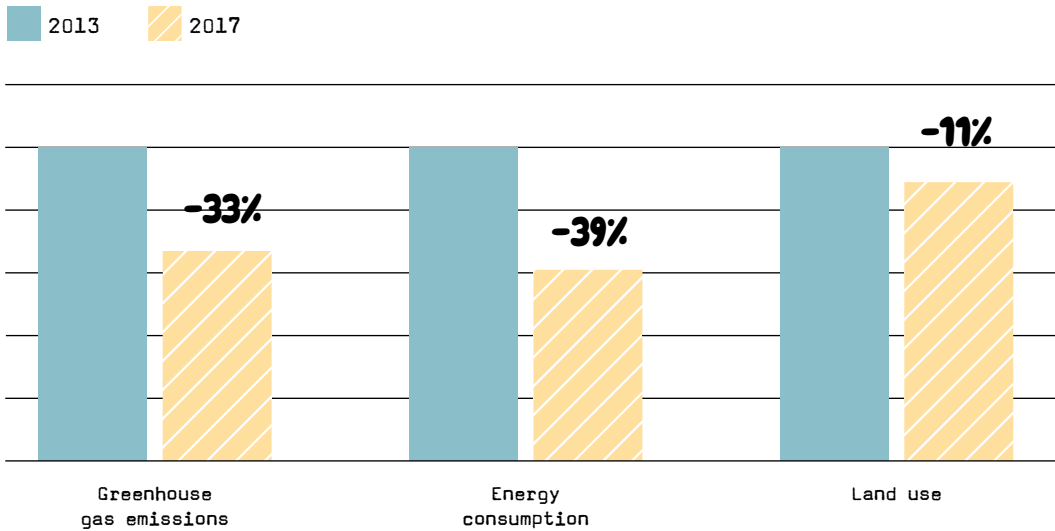
Good, better or best? Without a point of reference, it can be hard to know where anyone falls on that scale. That's one reason we often talk about oat drink in relation to cow's milk. Since cow's milk is an alternative to plant-based drinks, it's the drink that many consumers compare us to. It's as simple as that.

But we, of course, are eager to talk about our strengths without adding cow's milk to the mix. So eager, in fact, that we hired RISE (Research Institute of Sweden AB) to update a life cycle assessment from 2013 for our oat drink (1.5% fat, Swedish condi-

tions). Although our rapid growth has meant that our production in 2018 was less efficient overall, over the past five years production in Landskrona has definitely developed in the right direction. By updating our life cycle assessment from 2013, we got a better picture of how changes linked to production, packaging and shipping have affected the overall environmental footprint of the products that we produced in Landskrona. Thanks to this type of analysis, we can figure out specific ways to improve in the future, as well as talk about what we do well (or not so well, if that's the case) in a transparent and quality-assured way.

So what are the results? We're so glad you asked. Since 2013, we've reduced the climate footprint of our fortified oat drink (1.5% fat) by 33%, from cultivation to the store shelf.

CLIMATE FOOTPRINT 2017 VS. 2013



Environmental impact vs. climate impact?

The concept of environmental impact includes a bunch of categories, and one of these is climate impact, aka (the notorious) greenhouse gas emissions. Here are some examples of other categories of environmental impact: land use, energy consumption and water use.

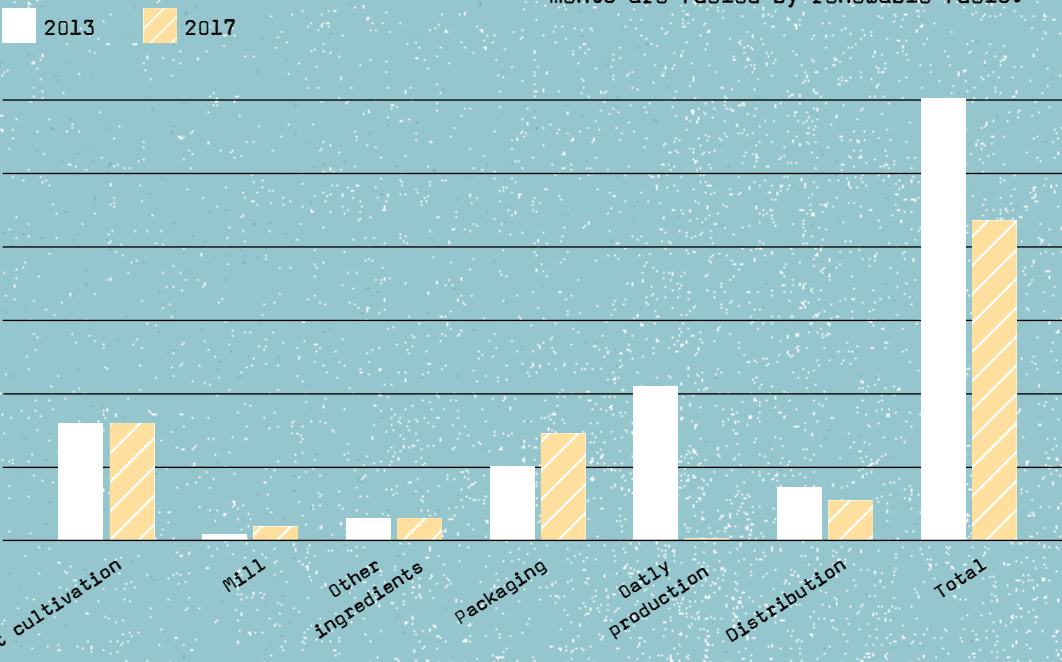
How did we manage to do this? The short (and totally correct) answer is: by changing the energy sources used in our production in Landskrona. In 2013 we used natural gas and electricity from the normal Swedish electricity network, but we have now converted to biogas and "Bra miljöval" ("Good Environmental Choice") electricity. The diagram below shows our climate footprint, divided into the various parts of our products' life cycle. As you can see, the impact of our production has dropped by a full 94%.

The footprint from our distribution has also been reduced (a bit), because we now use a larger percentage of fossil-free fuels than in 2013. However, the contribution from packaging has increased because we now use stronger trays that can handle greater

transport distances. This is necessary because we are now selling our products in more markets, which in some cases are quite far away from the production facilities (for now).

So how do we further reduce the climate footprint of our products? The LCA study provides a clear answer: for production in Sweden, we should focus on improvement work within oats cultivation and packaging (read more about this on pages 70 and 46). On the other hand, when it comes to our expanded production across many locations with various partners and in our own new facilities, it will be incredibly important to strive for renewable energy sources (if you think we're always going on and on about this, well, that's because it's really important to go on and on about it). We also have to minimize our transport needs, and we can combine these two measures by making sure the remaining, unavoidable shipments are fueled by renewable fuels.

CLIMATE FOOTPRINT 2017 VS. 2013

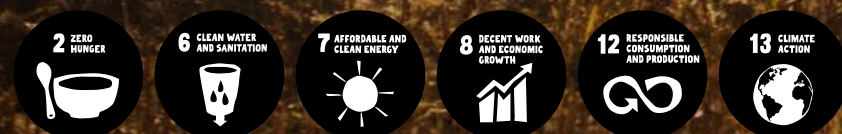


Sustainability strategy—area 2:

SUPER SUPPLIERS

Our suppliers and partners play key roles in our efforts to make our sustainability work a big success. Which, as you may have heard, is our goal.

So we try to surround ourselves with people and businesses that are as passionate about sustainability as we are, and who share our values and vision. They are, quite simply, “super suppliers”—although it really isn’t always that simple. In this section, we’re going to tell you about the work we’re doing to create a sustainable supply chain that ensures both social and environmental responsibility.



A SUSTAINABLE SUPPLY CHAIN

A lot of our sustainability goals are impossible to achieve without suppliers that can provide the most sustainable oats, the most climate-smart packaging materials, the most fossil-free transport—you get the idea. So it's incredibly important for us to find partnerships in which we can collaborate on improvements and make a real difference. To make sure we start off on the right foot, we evaluate potential suppliers from a sustainability perspective before we sign anything. In fact, in 2018, we introduced sustainability requirements as part of our contracts.

It's not easy to establish a structured approach to sustainability in the supply chain while simultaneously moving full speed ahead and struggling to deliver products to our customers. In 2018, we focused on setting up workflows and developing frameworks including risk assessment models, evaluation forms and sustainability criteria for our ingredients. Our suppliers are being revised according to sustainability requirements in connection with a larger quality audit

that we always conduct on site, but in 2018 the sustainability component was not sufficiently comprehensive. We think it's pretty clear that verification and follow-up are areas in which we will need to improve over the course of 2019.

Human rights

In the past, our sustainability work involving suppliers has mostly focused on environmental and climate aspects like energy, water, wastage, materials selection and cultivation parameters. But we can never claim that a supply chain is sustainable unless we also include important social components, such as working conditions, human rights, safety, health and equality. In 2018, we made sure to learn more about these areas, both through external collaborations and support and through a larger screening of our suppliers. We are now a member of SEDEX (the Supplier Ethical Data Exchange).

This makes it easier for us to obtain supplier data and also allows us to share our own sustainability information. For suppliers who are not members of SEDEX, we have developed a self-assessment form that allows us to identify risks associated with things like the origin of ingredients, the percentage of temporary employees and the number of stages in the supply chain. Over the course of 2018, we updated our code of conduct, which suppliers must accept and sign before we enter into a collaboration. And in that same year, all our suppliers in the major purchasing areas (raw materials, packaging, transport and external production) for our European production committed to complying with our code of conduct (or its equivalent). That

means we reached our target of 100%! (In 2017 the corresponding figure was 67%.) Of course, now we're planning to extend the scope of this compliance to markets outside of Europe.

Supplier Sustainability Index

We have developed a sustainability index for our total supplier base. Parameters included in the 2018 index were:

- ☛ Signed code of conduct
- ☛ Completed sustainability assessment

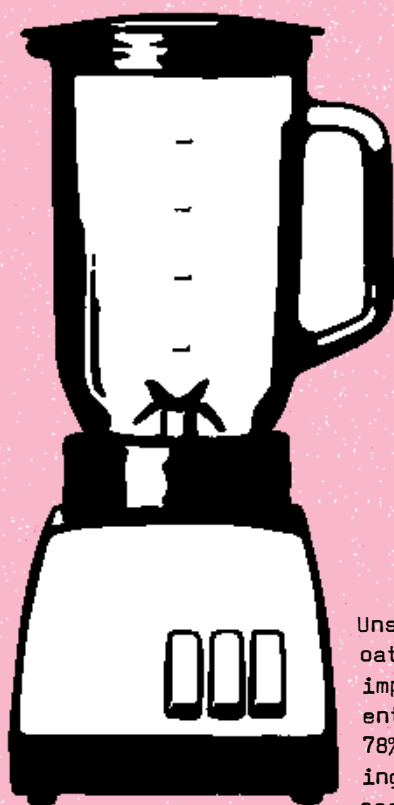
In the future, our Code of Conduct and Sustainability Assessment will constitute "hygiene factors," and will be key in our new supplier approval process. But while we get these new requirements in place, we wanted to

measure exactly how many of our existing suppliers are already following the guidelines outlined in these new documents. Our target for 2018 was 90%, and we measured 84%. The lower result is partly due to the fact that we didn't have time to make as many evaluations as planned. Also, our suppliers had their hands full, because of course, production was the top priority.

Moving forward, we plan to develop the Supplier Sustainability Index even more, to make it tougher, and (for example) to measure the concrete results and effects of the improvements we are looking for. Additionally, we plan to create a special category of suppliers who are working up to or beyond our expectations and requirements. We were thinking of calling them "Not Bad Suppliers" or "Totally Rad Suppliers" but we decided to go with "Super Suppliers."

The Oatly Code of Conduct is based on the principles of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Labour Organization's (ILO) Eight Fundamental Conventions and the UN's Sustainable Development Goals. It highlights the importance of human rights and also addresses corruption and whistleblower protection.





INGREDI- ENTS

Unsurprisingly, oats are our most important ingredient, representing 78% of our purchasing volumes. Rapeseed oil takes second place at 9%. Our LCA study (see page 38) shows that our products leave their biggest footprint at the primary production level (which means the cultivation of raw materials like oats and rapeseed). In 2018, we received more background data on the oils we use, and this caused the emissions figures used for our calculations to increase. It's a drag when things go the wrong way, but at the same time we want to work toward improvements based on the real starting points. We really have no interest in friendly figures when we're striving for improvements.

Oats

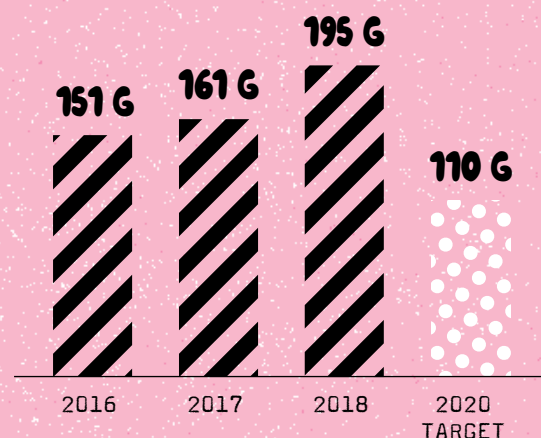
In 2018, 90% of our oats were grown in Sweden. The rest were grown in Canada and were used in the production of oat drinks for the US market. 18% of the oats were organic—significantly less than in 2017, when the number was 28%. The reason the percentage of organic oats is decreasing is that the EU regulation for organic production doesn't allow certain ingredients, like vitamins and minerals, that are important in several of our bestselling products.

Our Swedish-grown conventional oats, which make up almost 75% of all our oats, are cultivated according to a concept known as Natur Plus, which means (among other things) that no growth regulators or glyphosate are used. The aim is

to also include goals for reducing the climate footprint of cultivation through measures at the farm level.

Our North American oats supplier is engaged in various projects aimed at developing sustainable farming methods, and in 2018 they helped us start collaborative projects with two organizations: the Sustainable Food Lab and the Practical Farmers of Iowa. Among other

INGREDIENTS CLIMATE IMPACT (G CO₂e PER PRODUCED LITER)

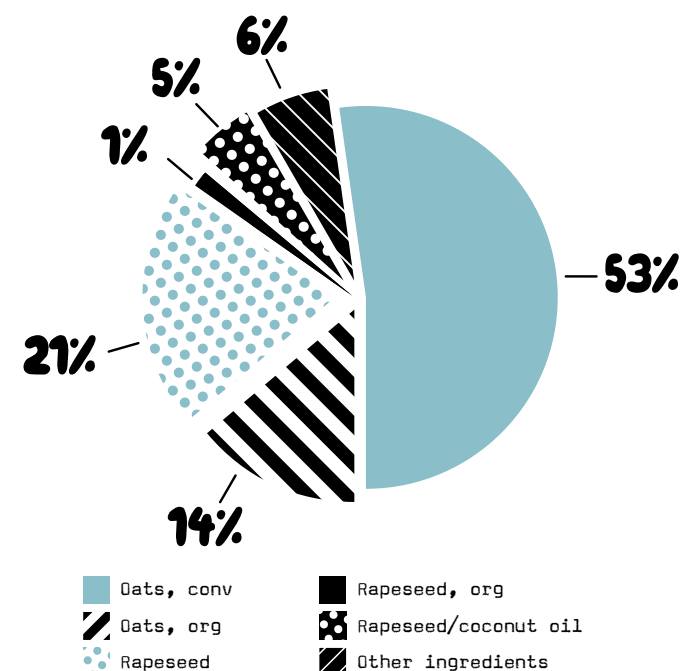


things, the goal is to increase interest in oat farming and encourage greater diversification in an area dominated by corn and soybeans.

Rapeseed oil

Just over 80% of the conventional rapeseed for the rapeseed oil we used in 2018 was cultivated in Sweden. The remainder was grown in the EU (mostly in Austria) and in Canada. The organic rapeseed was cultivated in Romania, Italy,

CLIMATE FOOTPRINT, INGREDIENTS—SHARE



Ukraine and Greece. We do not yet have a cultivation concept for growing conventional rapeseed, but it will be a priority going forward.

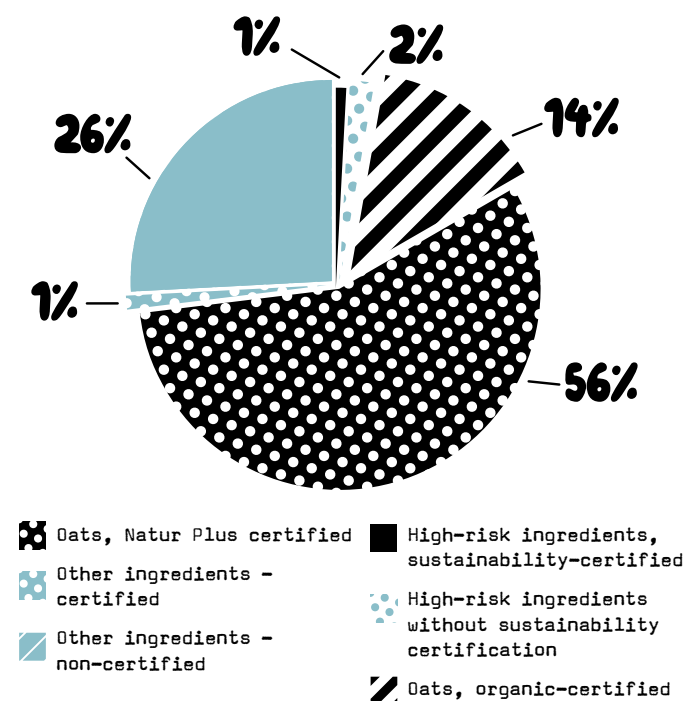
Last—but just as important

If it's important for us to focus on oats and rapeseed because they are our main ingredients, there are other reasons why it's important to keep track of the ingredients we use in small volumes and which we identify as high-risk ingredients (3% of our purchase volume). For cocoa, coffee, vanilla and some exotic fruits, we see that there are risks in the supply chain—with regard to both environmental and social aspects. We also use coconut oil and palm oil. From a sustainability perspective, the latter is particularly controversial. We have only used certified and traceable palm oil in our products. But in 2018 we started the process of replacing palm oil with various combinations of rapeseed and coconut oils after a report by the EFSA (EU Food Safety Authority) revealed that undesirable by-products can be created in the refining of vegetable oils. The highest levels were discovered in palm oil, and although our oil contained very low levels of these substances, we take all health risks very seriously. So in 2018 we reduced our use of palm oil from 140 tons to 50 tons, while our use of various combinations of coconut and rapeseed oil increased from 0 to

280 tons. This actually resulted in a larger climate footprint than before, but in this case the health aspect was most important.

To manage the risks linked to ingredients, we have developed a process in which we evaluate suppliers and impose requirements (read more on page 43). With regard to high-risk ingredients, we pay particular attention to factors like the number of stages in the value chain, subcontractors and country of origin, and we work with third-party certifications such as UTZ, Organic and Fairtrade. Country of origin is one of the most important factors, since risk levels are often linked to how a country is governed. We use the country risk classifications of BSCI (Business Social Compliance Initiative), which take into account aspects such as political stability, corruption and the democratic rights of citizens. We opt to refrain from making purchases from high-risk countries whenever possible, but when no alternatives exist, we aim for these ingredients to be certified by a third party. The diagram below shows the percentage of our total ingredient purchases that have received various certifications. Coconut oil accounts for nearly one-third of the remaining uncertified high-risk ingredients, and we are engaged in an ongoing effort with our supplier, which is developing a third-party certification.

INGREDIENTS CERTIFICATION



PACKAGING

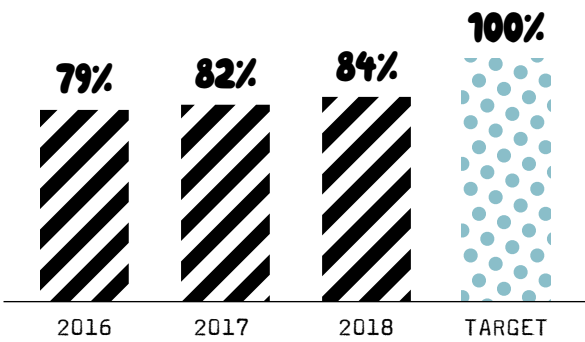
When it comes to the environmental impact of packaging, there are a lot of things to consider: the origin of raw materials, materials consumption, manufacturing processes and recyclability, as well as the ability of the packaging to contribute to the reduction of food waste, more efficient transport and increased food shelf life. For us, it's most important to reduce the climate footprint, which is measured over the entire life cycle of the product and provides a good overall picture. This makes parameters like the percentage of renewable raw materials and materials consumption especially important.

So how do we figure it all out? Well, when it comes to packaging (and many other things), cooperation is key. That's why we're constantly seeking opportunities for improvement together with our suppliers and in various collaborations and research projects. In 2018, we participated in "Kunskap i Rätt Förpackning," a collaboration forum where we got together with other companies in Sweden (e.g., materials manufacturers, packaging manufacturers, waste companies and recycling companies) and discussed how we can work together to increase the recycling of paper and plastic packaging. The project made it clear that collaborations are necessary and that knowledge of the entire value chain is essential for making the right choices.

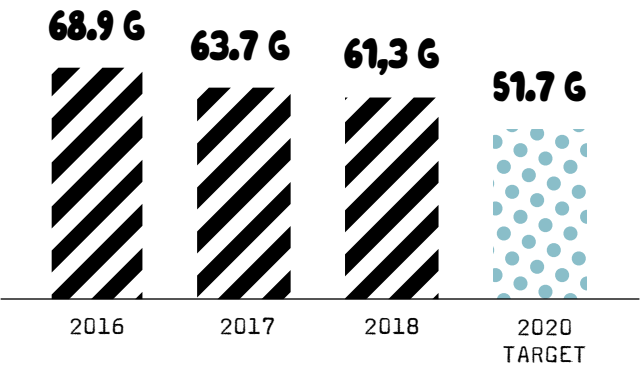
We also worked on increasing the proportion of renewable content in our packaging. For example, our ice cream is now available in a lovely paper cup instead of being packaged in fossil-based plastic. This has cut the weight of the packaging in half and reduced its climate footprint by a full 80%. Yes, we're proud!

In 2018 the percentage of renewable materials in our packaging rose from 82% to 84%, while the climate footprint was reduced by about 4%

RENEWABLE PACKAGING MATERIALS (%)



PACKAGING CLIMATE IMPACT (G CO₂e PER LITER PRODUCED)



per produced liter. Not huge differences compared to 2017, but we also didn't make any major efforts (aside from the ice cream packaging we mentioned above). On the other hand, we put a lot of effort into obtaining more supplier-specific data connected to the climate footprint of our packaging materials, and together with our suppliers, we identified and defined improvement measures that can further minimize the climate impact of our packaging. For example, in 2019 we will review how our other cup packaging—the plastic ones—can become more sustainable.

Our most-used packaging is the one-liter package, so of course it's extra important to improve those. In 2019, we will begin work to increase the percentage of plant-based plastics, which will help us take another step towards a goal we really want to achieve: "a plant-based beverage in a plant-based package" (which is also recyclable!). How great would that be? So we've got a lot going on. And now that we've written about it in this sustainability report, there's even more pressure to deliver. You know, kind of like when you tell your friends that you're planning to hit the gym.



QUESTIONS AND ANSWERS ABOUT OUR PACKAGING

Why don't you use biodegradable plastic in your packaging?

Biodegradable plastics can be a good solution when the degradation will occur in the same place as the plastic is used. However, when the packaging will be collected for material recycling after use (as in our case), biodegradable plastics can cause problems because they often require industrial composting and can't be recycled with other plastics. Plus, most of these materials don't biodegrade quickly in nature or in the ocean either (as one might expect). In fact, it takes a very long time.

When no good alternative to plastic exists (for example in moisture barriers and caps), we have chosen to invest in renewable plastics that can be recycled. Many of our packaging caps are now plant-based and recyclable, and in the future we want to (we will!) increase the amount of these materials used in our packaging.

Can your packages really be recycled when they are made of mixed materials?

Collected beverage cartons (which is the not-so-hip name of the material our paper packaging is made of) can be recycled in paper mills around the world in a simple process that requires only water and stirring. The packaging is shredded in a mill so that water can penetrate it and dissolve the paper fibers into paper pulp. Because plastic and aluminum do not dissolve in water, they can easily be separated. The pulp then becomes new paper, while the plastic and aluminum are reused in various ways, such as for energy production (Sweden), cement manufacturing (Germany) and building materials (US).

What percentage of beverage cartons are recycled in your various markets?

Sweden: 33%

United Kingdom: approximately 35%

Germany: 78%

USA: 16% (But 61% of the consumers claim they always recycle their cardboard packaging.)

Clearly, the German market is head and shoulders above the rest in terms of packaging recycling. Among other things, it's because they have stricter laws that have resulted in more collection points than in other countries, so it's just easier for consumers to recycle their packaging. Otherwise, yeah, there's definitely room for improvement across the board.

I want to sort my empty packages! What do I do?

Sweden: Beverage cartons are collected along with paper packaging via home-based waste sorting and/or through one of the country's 5,000 recycling stations. All households are covered.

United Kingdom: Beverage cartons are included either as part of municipal curbside collection systems (69%) or through bring bank systems for beverage cartons only (25%), i.e., a total coverage of 94%.

Germany: Beverage cartons are collected together with other lightweight packaging in so-called "yellow bags" via curbside collection (at home) or at specific collection points. Coverage: 100%

USA: Over 63% of the country's residents have access to recycling, and that number grows every day. The packaging is sorted into a recycling container, either together with all the other recyclable materials or separately, with glass, metal and plastic only.

Source: Tetra Pak



A MINI MATERIALS LEXICON:

- ★ Renewable material: made from resources that are continually replenished
- ★ Fossil material: made from finite resources
- ★ Biodegradable material: can be broken down by microorganisms under specific pressure and temperature conditions (usually only industrially)
- ★ Recyclable material: can be recycled by existing technology (providing the local infrastructure is in place) to become new products



—Stop
littering!

TRANSPORT

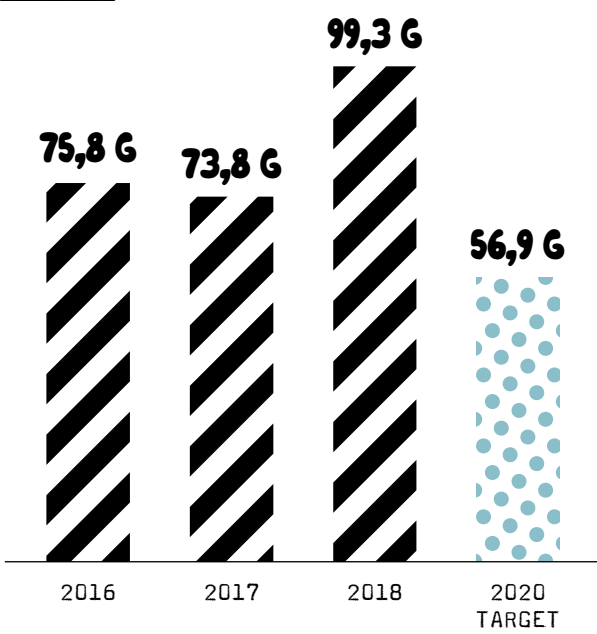
Remember back when we talked about transport on page 39? No? That's okay. You are currently reading the page you really want to be reading if you're looking for the whole transport story, so you're good. Transport represents a quarter of our total climate footprint. It includes all of our incoming raw material shipments (especially oats, rapeseed oil and packaging materials), transportation to and from co-packers, and the distribution of finished products to all of our markets.

The climate footprint from transport (calculated per liter) increased considerably in 2018. This can be explained by two things in particular. First, we started some new production collaborations, which means we are transporting oat base to more co-packing sites than before. We have also increased our sales to markets that are farther away. In the long term, we hope to start production in more locations around the world, providing more localized supplies of Oatly products in more markets. But even when that happens, there will still be shipments required, so we need to work toward improving the efficiency of those shipments by increasing our percentage of renewable fuels. It's worth mentioning that producing locally isn't always the best option, even if transport can be reduced. Because we use renewable energy in our production in Landskrona, from a climate perspective it has sometimes proven to be better to produce in Landskrona and transport our products to certain countries (which use fossil energy sources) than to produce on location and avoid transport. As always, it's important to get an overall picture before drawing any conclusions.

When it comes to the logistics of transport, we have a lot of work to do. Our logistics flows could definitely be more efficient, so we are looking at building more plants, warehouses and distribution centers. But again, the new plants will need to use renewable energy sources—otherwise the climate gains from cutting down on transport will disappear. Renewable fuels are an exciting area in which a lot of changes are happening fast, in terms both of new technological innovations and of legislation and governance. So it's not always easy to know what is most sustainable. For example, the climate benefits of biofuels

are currently the subject of a lot of discussion in the scientific community and the business world, as well as among politicians. New regulations were established in 2018, both at the Swedish level (now it's mandatory to reduce climate emissions from fossil gasoline and diesel by blending in biofuels) and at the European level (a proposal for the classification of raw materials for biofuels, which will come into play in 2020). We have been following these developments, and in our role as a procurer, we naturally want to be involved in driving demand for more sustainable transport. To learn more, in 2018 we participated in various seminars and conferences on sustainable transport. We also simply talked to our transporters and asked for input about how, with their help, we can improve our climate footprint. Most proposals have to do with the transportation of more goods by train (so-called intermodal solutions), and we will continue to examine these options in 2019. We also dream of the day when we can place our first order for electric semi truck transport of heavy goods. Ah, what a great day for the planet that will be! Assuming that the electricity comes from renewable sources, of course. Yeah, there's always something.

TRANSPORT CLIMATE IMPACT (G CO₂e PER PRODUCED LITER)



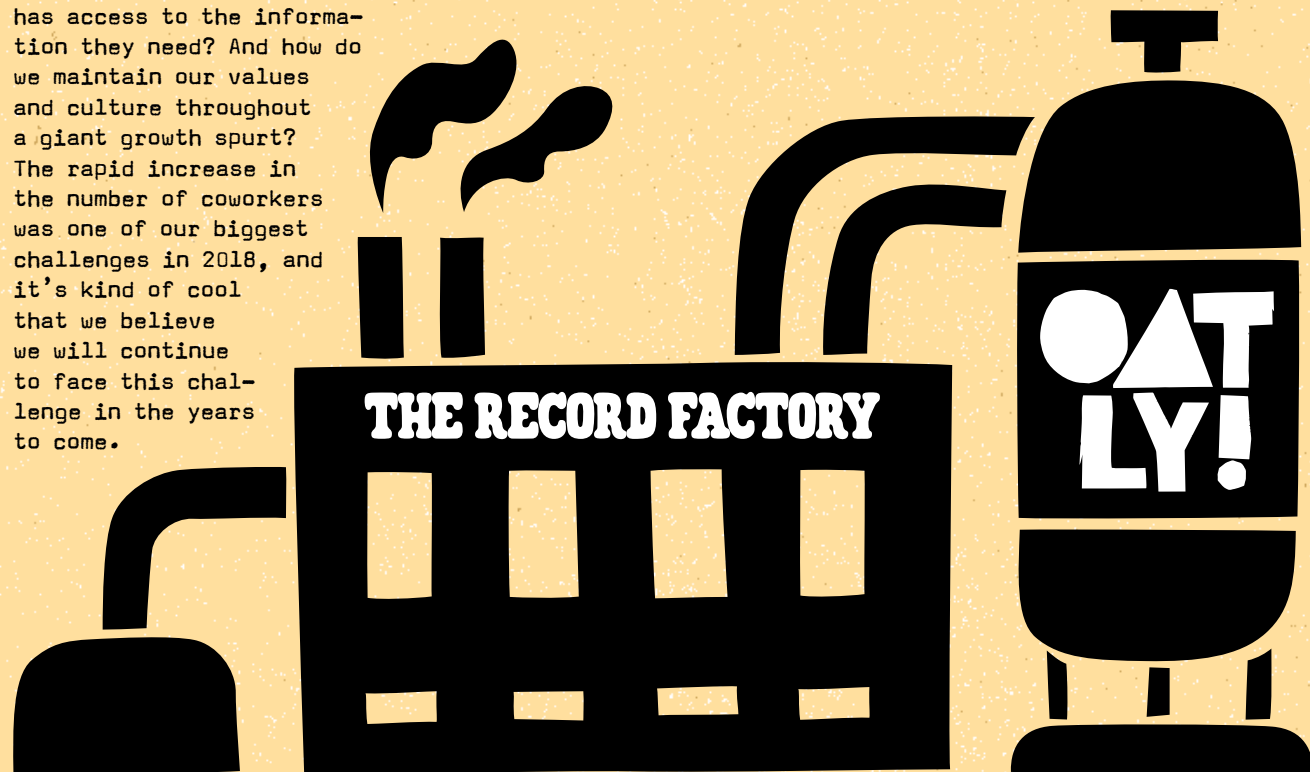
COMMITTED COWORKERS

What would we be without our employees? Nothing. And we're not just saying that because our employees will probably read this page. Because we know our success and development is entirely dependent on dedicated and knowledgeable employees who are thriving in their jobs. We work to ensure that all of our coworkers feel committed to sustainability, and we foster a corporate culture in which everyone is allowed 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.



FULL SPEED AHEAD AT THE OAT FACTORY

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 hits a slightly crazy 65%, 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 2018, we hired 119 people, increasing our staff by 70%. Fun, for sure, but how do we make sure everyone's feeling good and has access to the information they need? And how do we maintain our values and culture throughout a giant growth spurt? The rapid increase in the number of coworkers was one of our biggest challenges in 2018, and it's kind of cool that we believe we will continue to face this challenge in the years to come.



In 2018, we had 96% attendance in Sweden (next year, we hope to be able to measure this in all countries where we have employees). An internal survey showed that the main risks our employees report they face are in the areas of expertise and health. So, in 2019, we will invest in improving employee skills as well as our onboarding process. We know our fast-paced work environment combined with rapid organizational changes can increase the risk of shortcomings in our safety introduction, which in turn increases the risk of accidents in the factory. In 2018, there were 14 accidents at the Landskrona factory, four of which led to absence. To reduce the risk of accidents, we use something called "incident reporting"—i.e., employees report events that could have caused an accident, but didn't. By analyzing these reports and introducing new measures, we think we can prevent accidents. We also have a health and safety policy and a fire protection policy, and we conduct occupational health and safety training. We're making 2019 a "health year," during which lectures on stress management, life balance and self-care are interspersed with activities like yoga and functional movement training. Which reminds us, if you've been reading this report since page 1, it's time to take a break. How about some yoga poses or a nice walk outside?



EQUALITY

Our company's total number of employees changes weekly (literally), but by the end of 2018 we employed 290 people (a whopping 70% increase since 2017)—143 women and 147 men. In other words, overall the company has a pretty even gender distribution. Does that mean we're a completely gender-equal company? Well, in positions with staff responsibility, the distribution was 33% women and 67% men; at the management level, 50% of our employees were women and 50% were men; and the board consisted of 100% men. In our equal treatment policy, we establish that we should have a gender balance between women and men at all levels of employment, that everyone should be given the same opportunities for education and development, that we should provide equal pay for work of equal value, and that no discriminatory treatment or discrimination should occur in the workplace. To ensure that we actually achieve all the goals in this policy, we will focus on it even more in 2019. Basically, we have to put more women in managerial positions, as well as

achieve a more even gender distribution in the departments where one gender is over-represented. We will continue to demand that our recruitment partners present us with both female and male candidates, especially for roles and professional categories where one gender is already over-represented. In certain areas it remains a challenge to find candidates of both genders. Moreover, a common risk in recruitment is that we subconsciously hire people who are similar to ourselves. Therefore, we will educate ourselves about open-minded recruitment. What are we already doing? Every year we carry out a number of training sessions in Organizational and Social Work Environment which is obligatory for managers, and where, among other things, the topic of harassment is addressed. We also work to identify and analyze our salaries and roles (and the connections between them) in Sweden, and this practice will be expanded to include our global offices.

GLOBALLY

Total number of permanent employees: 290 (+70%) of which 143 women / 147 men
Board: women 0% / men 100%
Management level: women 50% / men 50%
Leadership positions with staff responsibility: women 33% / men 67%



GLOBALIZATION = TRAVEL

Increased emissions for reduced emissions? Huh?

As we've already mentioned, it is pretty difficult to grow globally without traveling. In 2018, our business trips generated 1,220 tons of greenhouse gases. That's 4.1 tons per employee, which is an increase of 32% compared to the prior year. But in a year like 2018, when we grew by 65%, it was too difficult to simultaneously reduce business travel. So maybe a spike in trips is defensible, if we are doing it for the opportunity to contribute to a major transition to more sustainable food systems. But of course, if our emissions exceed the reduction we can contribute, we're hardly doing the world a favor. But it's definitely not that bad (hint: keep reading).

A little math:

In 2018, we sold 71,482,745 liters of oat drink worldwide. If we play with the (not unrealistic) idea that this quantity replaced the same amount of cow's milk, that means a 56,471-ton reduction in greenhouse gas emissions. That, in turn, corresponds to 28,335 round-trip flights between Malmö and New York*.

No, we aren't advocating for air travel. Flights account for 4% of our total climate footprint, which is far too much. Naturally, our goal is to reduce this number. That isn't just a goal, by the way, it's a must. Because otherwise we won't be able to look at ourselves in the mirror. We have to start somewhere, and for us that has initially meant examining the trips we make within Sweden. In 2018, 82% of our domestic travel was by train. That's an improvement over the 2017 figure of 79% (despite the fact that the total number of trips in 2018 was

greater). But even if we're slowly moving in the right direction, that's not good enough. In 2018, we participated in a research project that investigated the underlying causes of travel behavior and how companies can work to reduce the climate impact of business trips and commuting. Its insights have been used in updating our travel policy and in our continued efforts to promote and encourage sustainable travel.

The next step will be to review the conditions for increased domestic train travel in all countries where we have offices. There's definitely room for improvement, however, we may not be able to reach 100% train travel, because trains are not always available, or become too time-consuming in larger countries.

And then there are the long-distance trips, which pose an even bigger challenge. But the more local employees we hire, the less we should need to fly. In the course of 2019, we intend to conduct a survey of needs, challenges and opportunities linked to long-distance travel. Our sustainability team led by example in 2018, when they took the train from Malmö to London—yes, it's possible!

* A round-trip between Malmö & New York emits 1993 kg CO₂e according to klimatsmartsemester.se



THE OATLY DEPARTMENT



OF MIND CONTROL

MIND CONTROL?

It goes without saying that not all Oatly employees are the same. Here you can find everything from yogis to classic office workers (and yoga-loving office workers, for that matter). You don't have to fit a certain mold to work with us. The only thing you can't be (for obvious reasons) is a climate change denier—or at least, that would present us with a real challenge. Because we are constantly working to encourage and increase our employees' commitment to sustainability. If we as a company want to drive change and break down old norms (and indeed we do), we have to make sure our employees are committed to the same values. That's why we are working to provide all of our employees with greater knowledge in order to inspire their commitment.

Our sustainability team—Carina, Anna and Helene—may be rockstars, but they can't handle all of the company's sustainability work by themselves. Of course, employees have to exercise their own thinking about sustainability and use it as a guide in their daily lives.

Our goal is for all of our employees to feel committed to sustainability. "All" as in 100%. We annually measure an index we call "Committed Coworkers," in which we ask our employees if they believe that:

- ☛ Oatly should have high ambitions for its sustainability work.
- ☛ They know how they contribute to sustainability, in their roles and in their daily work.
- ☛ They are developing their commitment to sustainability at Oatly.

ABOUT THE TARGET

Last year we had a weighted target of 95%. Even though we didn't achieve it, we have concluded that we set the bar too low. From now on, the target is 100%. Is that even remotely realistic? Well, it will be very challenging. But it would be weird to have a target that indicates that we think it's okay to have employees who don't feel committed to sustainability.

The 2018 result for Committed Coworkers was 86%—an increase of 6% compared to 2017 (yay!). Germany showed the greatest commitment (94%), while US commitment was lowest (but still high), at 84%. While we're excited about the increase, we can see that our growing number of employees poses a risk moving forward. We have to work even harder to make sure everyone gets the information and inspiration they need to keep our sustainability flag flying high(est). Happily, 99% of employees say they are developing their commitment to sustainability at Oatly. This payoff proves that our employee activities—like workshops, lunch lectures and cooking classes—actually work. In the autumn of 2018, 21 of our employees also went on a "climate impact diet" in collaboration with the social entrepreneurship company Be-Change. Climate diet? Yes, everyone had to try to reduce their own climate footprint in three areas (food, transportation and housing) while increasing their well-being and quality of life. The goal was to increase employees' motivation and initiative with regard to sustainability and to provide climate-centered healthcare to better cope with possible climate anxiety. How'd it go? They reduced their climate footprint by 35% (an average of 2.3 tons per person), while hopefulness increased and environment-related anxiety decreased. In addition, 53% of participants felt like their quality of life had increased. Not bad, right?

WHAT'S IT LIKE TO WORK AT OATLY?

Encouraging consumers to take responsibility to protect the planet is a very touching approach for me. It makes me feel like a Marvel hero even without superpower.

Yvonne, Creative Services Manager, China

”

So many things that are great; mainly the feeling of being part of something bigger. Also the vibrant, fast pace that we're moving at and how so many people are willing to go the extra mile. Which leads me on to the obvious factor—all wonderful, passionate colleagues.

Jacob, IT Manager, Sweden

”

I like that my job tasks me with making sure folks in the US understand that we're not just a pretty cup of latte art—that we're here to try to make a meaningful change in the way people think about the impact of what they eat and drink.

Sara, Communications and Public Affairs Lead, USA

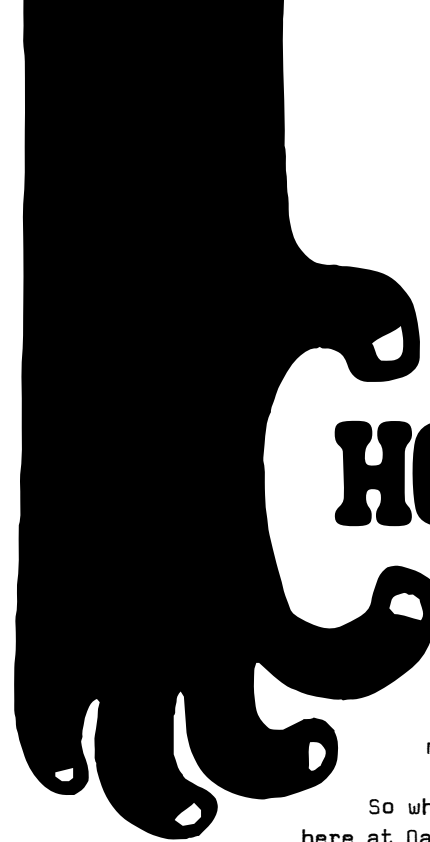
”

”

The good thing about having such a beautiful factory is that I can give kickass tours for our visitors and coworkers. I love that. Then there is our “F#&k what everybody thinks, we're doing this!”-attitude. That's something I am proud of.

Jasmin, Operator, Sweden





HOW CHEESY!

Now we'd like to talk about cheese. That might

seem a bit odd in the middle of a section about "Committed Coworkers," but hang in there. It's a pity that cheese is so often overshadowed by meat when people talk about food and the environment, because cheese actually has a bigger climate impact than both pork and chicken. Huh? Can that be right? Yes. If you consider the fact that it takes about ten liters of cow's milk to produce one kilo of cheese* it starts to make sense.

So what does this have to do with our employees? Do we eat cheese here at Oatly? Yes, quite a few of us do. We're writing this partly to show that we totally understand that change isn't always as simple as it sounds, but also to provide an example of how we try to spread knowledge to help people make educated choices and maybe get motivated to start to change their habits.

And who knows, maybe soon we will make everyone ridiculously happy by making an oat cheese!

* Source: Swedish dairy company Arla



Source (in Swedish): Öppna listan - ett utdrag från RISE klimatdatabas för livsmedel v 1,5

Upgraded Society

We want to make a difference on a large scale. Our plan is to spread our message of the importance of sustainable food systems to as many people as possible, because we're convinced that knowledge leads to change. We may be growing like crazy, but we're still a fairly small company. In order to make a real difference, we have to reach outside of our own business—beyond the food industry. It's important for us to get out and participate in events where we have the attention of a lot of people. So that's what we do, and quite regularly. We drive public opinion through our communication and advertising. We engage in discussions with politicians and other influencers and decision-makers, also we participate in research projects. And we do a lot of other things, too. We've tried to summarize all this on the following pages. We hope we've at least come close. See what you think.



OUR FRIENDS

To make sure we're setting the right priorities in our sustainability work, at the end of 2017 we summarized what our friends (or perhaps we should call them our stakeholders) think. We asked retailers, consumers, suppliers, researchers, interest groups and a bunch of other people what they think Oatly should focus on. We tried to capture the opinions of younger people, because they're the ones who will actually have to live with the effects of what we do today, plus they will play a major role in driving the transition to plant-based eating that we're pushing for. Anyway, "reducing the climate and environmental impact of our production" ended up at the top of almost everyone's list. And that feels great, because when it comes to what we can do within our business, we were totally thinking the same thing.

We aspire to spark conversations by being transparent and pushing the issues that are

important to us. We hope that you (whoever you are: oat drink lover, oat drink skeptic, farmer, packaging designer or politician) will find we have an ongoing dialogue in which we respond to questions and criticism, listen to advice and comments, and use all of this as a basis to do things better. At least that's what we hope. Since part of the goal of our sustainability work is to contribute knowledge around sustainability issues, we spend a lot of time communicating with consumers (and non-consumers). For example, in 2018 our communications department responded to more than 13,000 emails (which is still not even close to all the answers they provided via our social media channels). Merely offering products that simplify a change in the food industry is not enough. We also need to participate in discussions about why switching to a more plant-based diet is important, and of course we always need what we say to be based on research and facts. We see a risk that our communication may be viewed as a PR gimmick aimed at increasing sales, rather than as scientifically based information (which it is!). That's why we always want to support the message of our campaigns with dialogue and give clear answers directly to anyone who has questions.

Oct 15, 2018

**HONESTLY....
IT'S GREAT THAT
YOU'RE SOLD
OUT... IT MEANS
PEOPLE LOVE YOUR
PRODUCTS! 🥰**



July 6, 2018

Can you stop trying to sell your product by smearing your competitors?



July 7, 2018

We don't want to smear anyone. We're simply convinced that a change has to happen, because today's livestock production is very resource intensive and has a huge negative impact on the climate.



July 8, 2018

By the way, if you aren't trying to smear anyone, why is that precisely what you do in every advertising tweet I get from you guys?



July 8, 2018

We don't think that comparing the climate impact of various foods constitutes "smearing." What we want is to conduct an open and informed dialogue on food and sustainability. Of course, it's ultimately up to every individual to decide what they want to eat and drink.

Oct 15, 2018

**WHAT A PITY THAT YOUR PRODUCTS
TASTE SO F*CKING AWFUL**



Oct 6, 2018

Hi, Oatly. Is there no Swedish company that can do your packaging, so that you don't have to send the oat drink to GERMANY only to then sell it in Sweden? Feels like a very unnecessary blow to the environment.



Oct 6, 2018

Hi, Emma! No, unfortunately we haven't managed to find a packaging partner in Sweden that can guarantee dairy-free packing (which is a must for us). However, the distance from our oats factory in Landskrona to northern Germany is no greater than the distance to central Sweden! All the best, Oatly

Sept 24, 2018



Nov 1, 2018

Now we look forward to you offering a wider range of organic products—that will make us really proud! ❤️



Nov 1, 2018

Hi Hanna, we share your hope that we'll expand our organic product range! At present, the vitamin enrichment of organic plant-based drinks is not permitted (according to existing EU rules), and since we would like our drinks to contain vitamins and calcium, we must unfortunately choose between being enriched or being organic. However, the Swedish National Food Agency has recently approved a proposal that plant-based organic beverages may be enriched with vitamin D, so other vitamins may also be approved in the long term. Keep your fingers crossed! Love, Oatly



Dec 21, 2018

"Don't care that it's not always there." I am madly in love with your product and happily wait to see it back in stores ❤️ Just picked up a case today and cracked one open before making it home. Thank you for creating such a tasty alt-milk, and for the consistency of its taste and quality. It's definitely the best out there and well worth waiting for. #sponsorme lol 🍷🍷

Aug 6, 2018

JUST WANTED TO GIVE YOU KUDOS for coping with all these comments. Those of us who choose plant-based products have so incredibly much to thank you for, both in terms of your fine products and the cool marketing that increases interest in vegan alternatives. Kind regards from an old and loyal customer (who's also a nutritionist).

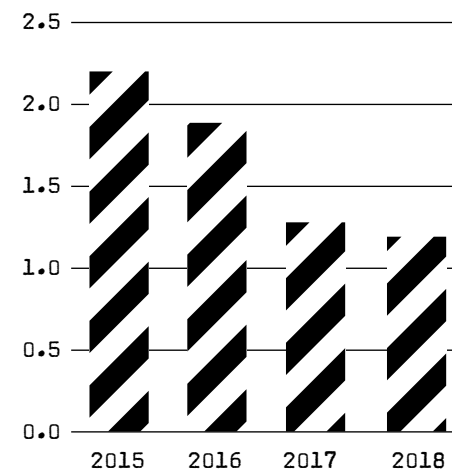
THE SUSTAINABLE FARM

How are things going for Adam Arnesson over at Jannelund Farm? Thanks for asking! In recent years, Adam has transitioned his farm from primarily producing animal feed to starting to grow a larger proportion of crops for human consumption. Together with Adam and researchers from Swedish University of Agricultural Sciences, we are following how sustainability parameters are developing at the farm. And anyway, it's going well! Despite a year of drought and smaller harvests, Adam still managed to reduce the amount of greenhouse gas emissions per produced calorie.



EXCITING RESEARCH!

CLIMATE IMPACT: JANNElund FARM
(G CO₂e/KCAL)



NEW LEGUME FOODS

In 2018, the SLU-led research project “New Legume Foods,” in which we participate as a business partner, examined indicators and frameworks for evaluating crop production and measuring sustainability at the farm level. As a raw materials buyer, it's clearly really important for us to gather this knowledge and follow its development closely. The main goal of this project is to develop climate-smart and protein-rich foods from Swedish-grown legumes. In 2018, the work focused on developing processes for the smaller-scale production of flours made from field peas, white beans, yellow peas and broad beans. We participated in the evaluation work and selected two types of flour (field pea and white bean), which we will assess more in 2019 with an eye toward possible product development.

SCAN OATS

Since 2017, Oatly has been one of three companies that are part of the ScanOats industrial research center, headquartered at Lund University, Sweden. A portion of the research focuses on studying the health effects of oats. In 2018, we developed lab-scale products with higher levels of oat oils of various compositions, and these products will be included in a research study starting in 2019. The goal is to understand how the different components of oats contribute to good health.



WORK FOR CHANGE

The trend is clear. More and more people (especially young people) are actively choosing to eat and drink plant-based products—for the sake of both their health and the planet. In 2018, 31% of respondents to the Swedish “Ungdomsbarometer” (“Youth Barometer”) lifestyle survey stated that they are choosing to cut out

meat and other animal products to some extent. At the same time, it is clear that the existing political regulations do not match this development—rather, they hinder it. That's why we're engaged in long-term efforts to increase the knowledge of politicians and decision-makers. And we are not alone in our thinking.

VÄXTBASERAT SVERIGE WANTS TO:

- Push for the increased production and consumption of plant-based foods
- Disseminate knowledge and information about the possibilities of plant-based food, and achieve a healthier population on a healthier planet
- Demand an increased proportion of plant-based foods in public kitchens
- Improve the conditions and opportunities for the production and processing of plant-based foods

Together with other companies who are passionate about a transition to a more plant-based diet, in 2018 we founded “Växtbaserat Sverige” trade association. Its aim is to promote the transition that is necessary in order to meet the climate, environmental and health challenges currently faced by society and the food industry.

We also participated in the establishment of **Sweden Food Arena**, in which some sixty food companies and organizations active within the food industry collaborate to foster an innovative, sustainable and competitive food sector. On our end, we primarily focus on the need to increase the plant-based contingent of food-related research investments.

SYSTEM ERROR

You'll have to forgive us for whining a bit about this, but we think there are a few regulations out there that (against all logic) give cow's milk huge advantages. School milk subsidies are perhaps the most obvious of these, but there's also the fact that organic cow's milk—unlike organic oat drink or organic “whatever” drink—may be enriched (by enriching the feed that the cows eat). Seems like cheating. And it's very weird. But okay—now's not the time to mope around. Instead, we just have to work even harder to push for a change. So what do we do? Here are some examples from Sweden, which is our most established market (of course we want to do similar things in other parts of the world):

Examples of regulations that prevent transition:

- 1 School milk subsidies—The EU grants a subsidy that for Sweden is 0.17 euro/liter of cow's milk.
- 2 Organic plant-based composite products may not be enriched—while many municipalities are aiming to increase the proportion of organic food
- 3 Sustainability criteria for the public procurement of food overlook plant-based foods and lack clear requirements regarding climate impact
- 4 Dietary guidelines that refer to animal-based dairy products as the norm

Oat Academy

Oat Academy is a workshop format in which we discuss sustainable meal preparation, with a focus on climate and health. And cook, of course! We conducted 22 workshops in 2018, and since the program started in early 2016, around 1,400 large-scale catering chefs have earned a black belt in plant-based cooking.

Climate Kitchen of the Year

Every day, approximately 1.3 million school lunches are served in Sweden. The cool thing about such large volumes is that it's possible to make a big difference. And that's where the “Climate Kitchen of the Year”—a category in the White Guide Junior competition (a Swedish competition for best school lunches)—comes

Oat Stations

For ages, schools have provided kids with milk. And now they'll also offer oat drink—at least that's what we want them to do. That's why we are lending Oatly fridges to schools (and other large-scale caterers)—so they can fill them with oat drink and give students an opportunity to make a climate-smart choice.

in. The goal is to highlight school cafeterias that are actively driving a transition to more sustainable and plant-based meals, but also to inspire more cafeterias to start thinking along the same lines. The 2018 Climate Kitchen of the Year was the Vallens Environmental School in Sundsvall. Congrats!

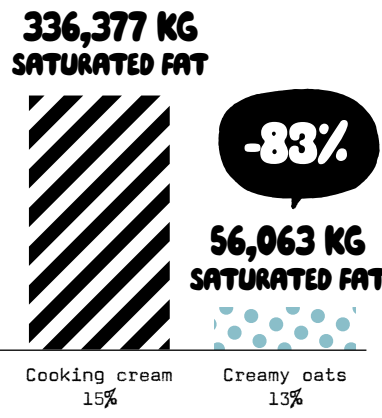
HEALTHCARE PROFESSIONALS

In Sweden and in the UK, our dietitian Julia works on activities to target nutrition and health professionals. In 2018, the watchwords were “Sustainable Eating.” Here at Oatly, we think it’s super important to be able to demonstrate how people can eat good, healthy and sustainable food. That’s one reason why we chose to collaborate with the nutritionist Camilla Sjörs, one of Sweden’s foremost specialists in sustainable eating. Together we created a webinar for dietitians and nutritionists in Sweden, which included brand-new research together with concrete tools for healthcare professionals that make it easier for them to inform their patients and inspire them to choose healthy and climate-friendly foods.

We also reach dietitians and nutritionists with our newsletters “Havrenytt” (Sweden) and “Oatly Way” (UK). Here too, in 2018 we spotlighted sustainable eating in themed issues. Our dietitians were also on hand at a meeting of 300 dietitians convened in London by the British Dietetic Association. We engaged dietitian Lynne Garton for the event, and she presented a completely new concept: “Sustainable Diets for your Dietetic Practice—Getting Started.” Sustainable eating is a fairly new area in nutrition research, but we are convinced that interest among both consumers and professionals will increase in the coming years. Moving forward, our vision is to be a resource for knowledge about sustainable eating!

That’s phat!

Our products are suitable for those who need to consume good fat (and who doesn’t need that?). For example, products like Barista Edition and Creamy Oats are rich in healthy unsaturated fats.* The total amount of Creamy Oats we produced in 2018 contained 280,000 kg less saturated fat than the same amount of cow’s milk-based culinary cream. Amazing right? Maybe even amazing enough to warrant a free pass on the goofy, pun-based headline above this paragraph?



* Replacing saturated fats with unsaturated fats in the diet helps maintain normal cholesterol levels in the blood.

IT’S LIKE YOU KNOW WHAT, BUT MADE FOR YOU KNOW WHO

Last year, we launched our new refrigerated oat drinks in the UK and Holland. And we did so with a campaign we were forced to censor in this sustainability report, because the Swedish Market Court

has banned us from saying, “XX’X XXXX XXXX XXX XXXX XXX XXXXXX.” We still have a hard time understanding why. We just think it’s the best way to describe our products. Oh well.



FESTIVALS & ACTIVITIES

We like to be where the people are, so what could be better than participating in events and festivals? (Actually, please don't bother listing what could be better, because since it's a question that could only have subjective answers, we will just say that festivals beat whatever you come up with so let's all just keep checking out this awesome page about festivals, okay?) So, we like to join festivals and events around the world. Once we get ourselves situated at one of these things, we like to tell people who we are, listen to thoughts and ideas and try to inspire a more plant-based lifestyle. Maybe you were in China or Hong Kong where we hooked up exercise bikes to a smoothie blend-

er, so you could pedal to make your own snack? Or hey, maybe we met in the US at one of our Fika Talks, where we discussed topics like sustainability, equality and what it really means to be a transparent company. If you're into coffee, we probably saw each other at a coffee festival or cafe promotion somewhere in the world—and maybe you got to taste your first-ever plant-based cappuccino (and became a lifelong convert, of course). It's impossible to describe everything we've done, but here's a few places where you might have shared an oat latte with us in 2018 (in which case, we really enjoyed it!).

March 28, 2018
London



During the London Coffee Festival, we were on hand in Boxpark, where we ran a weeklong pop-up cafe along with the awesome coffee supplier Old Spike. They educate and hire people who are homeless for various reasons. They also make amazing coffee, of course.

April 19, 2018
Oakland, CA



At our "Fika Talks," we discussed sustainability, equality and transparency with locals, suppliers and cafe owners.

Aug 11, 2018
Gothenburg



At Way Out West, we wanted to draw public attention to the planet's record high temperatures. We offered temporary heat relief with our refreshing vegan ice creams.

Sept 22, 2018
Hong Kong



In Hong Kong, people could make their own smoothies with the help of our "Blender Bike."

Sept 8, 2018
Berlin



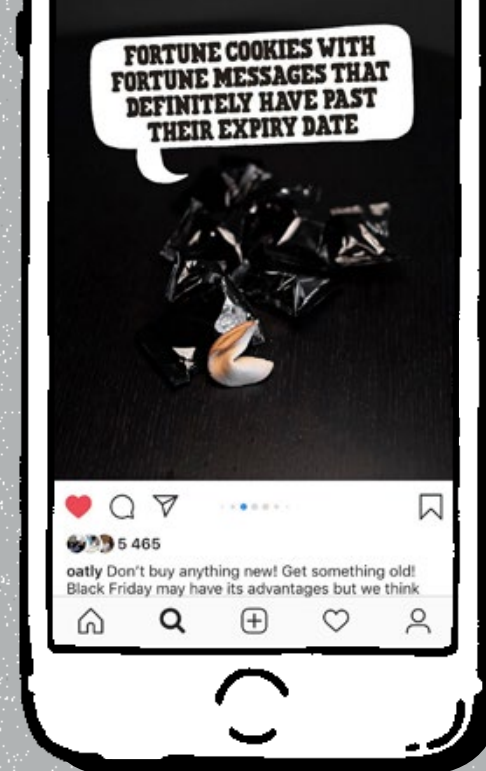
At Lollapalooza in Berlin, we offered festival-goers vegan doughnuts and really great dancing.

SOCIAL MEDIA

When we're sharing our message on social media, we often want to spark debate. In fact, we believe in giving people a reason to think about and question their old (food) habits and positions, because that's a first step towards starting to make a change. But sometimes we just want to talk trash—simply because we think it's funny—or share a fantastic recipe for vegan cheesecake. Of course, we're also very curious to hear what people who like (and don't like) our products feel and think about us. Not that we need everyone to love us, but rather because through dialogue we can gain thoughts and ideas that make us evolve and get better, answer questions, and explain our view of (often oat-related) things.

Hey Barista!

Our new website and Instagram account “Hey Barista!” are all about the amazing people in coffee around the world. And although they share our passion for coffee, the focus is on the people behind the profession: their diverse lives, stories and origins—and totally not about us or oats. How refreshing! www.oatlybarista.com



Black Friday

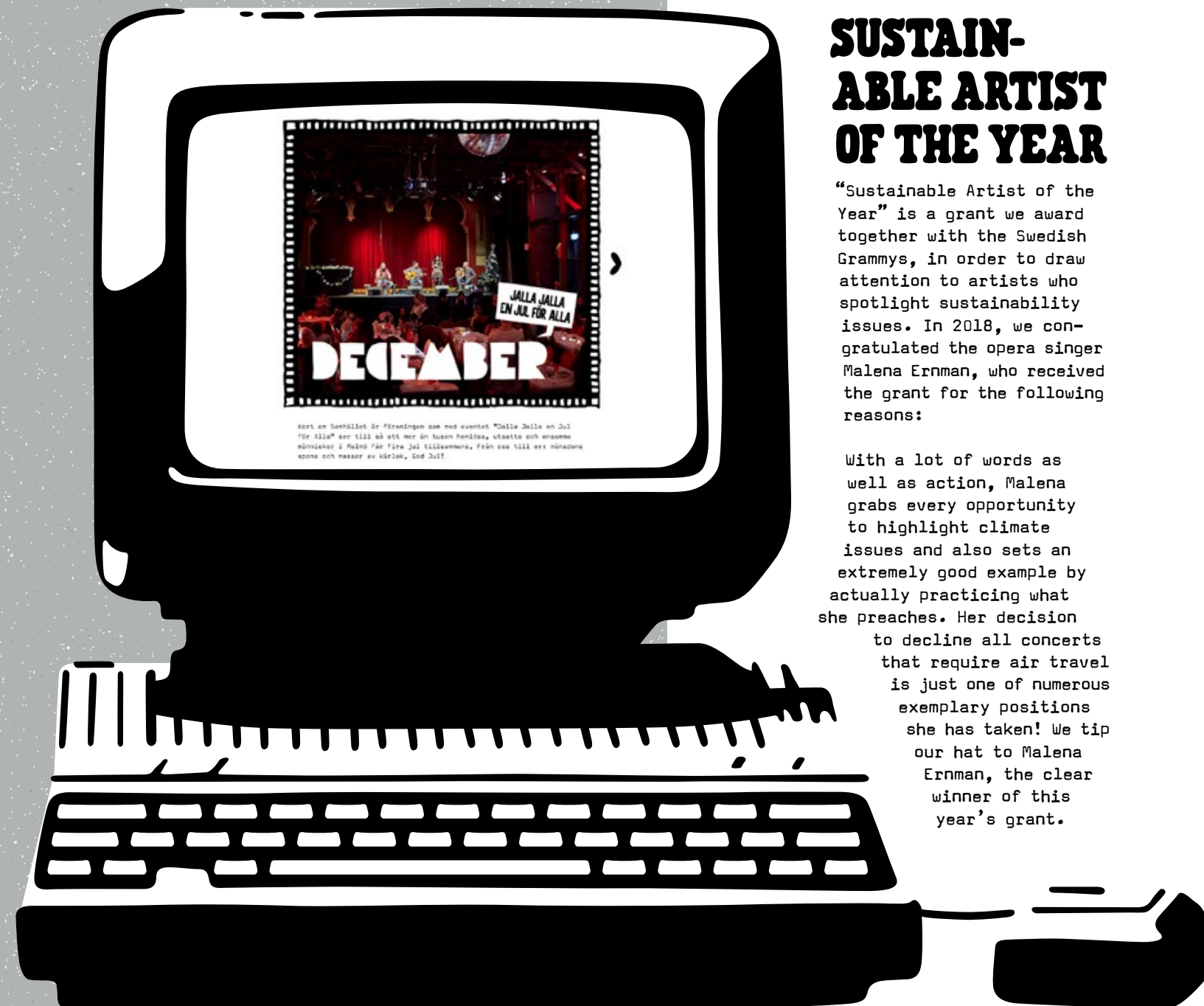
On Black Friday, we gave away our old stuff to our followers who made the best case for why they should have a particular object—all to encourage more sustainable consumption (and yes, we cleaned up our offices quite a bit, thanks).

We stand up for what we think is important.



Sponsor of the Month

With our “Sponsor of the Month” award, we've acknowledged people and groups who do fantastic things for a more sustainable, fair and equitable world. In 2019, we took the concept global with “Je Ne Sais Quoi of the Month” (the “I-Don't-Know-What of the Month”), which refers to something super cool but kind of indescribable (and that's exactly what we're looking for).



SUSTAIN-ABLE ARTIST OF THE YEAR

“Sustainable Artist of the Year” is a grant we award together with the Swedish Grammys, in order to draw attention to artists who spotlight sustainability issues. In 2018, we congratulated the opera singer Malena Ernman, who received the grant for the following reasons:

With a lot of words as well as action, Malena grabs every opportunity to highlight climate issues and also sets an extremely good example by actually practicing what she preaches. Her decision to decline all concerts that require air travel is just one of numerous exemplary positions she has taken! We tip our hat to Malena Ernman, the clear winner of this year's grant.

TONI & THE COW

In this corner of the ring: Oatly's CEO Toni Petersson. And in the other corner: Oatly's Creative Director John Schoolcraft. The latter is dressed up as a cow. It's not really clear why.

The Cow: "You go around saying sustainability is so important. But at the same time, you're expanding, building new factories all over the world. That seems a bit hypocritical to me."

Toni: "No, it isn't. But sure, it's hard to expand while simultaneously achieving better numbers in a sustainability report. That's 100% true, and it's definitely a problem. But from a broader perspective, the fact that we're expanding globally can only be seen as a positive."

The Cow: "Have you thought about taking it a bit easy and not expanding at all? Just being happy with selling more locally...?"

Toni: "Now you're talking as if we only sell products. We do much more than that. This is a whole ideology based on sustainability, health and transparency. And it's a really good thing to spread that around the world. I'm not saying that we're the best, but we stand for something that aims to make the world a better place. Are we perfect at it? Certainly not. We can do so much more! But that's still what it's all about—the ability to spread this ideology."

The Cow: "How important are sales numbers for you, compared to getting people to eat and drink more plant-based products? Be honest now."

Toni: "Sales are merely the result of what we do and what we stand for. They're the result of our actions. If we do what we do well—if we do it in the right way, with the right intentions and the right ambitions—well, then it's great if our sales are going



**“So let’s be
GIGANTIC—as
long as we do
the right things.
It’s more of a
mindset, really.”**

well. That gives us more opportunities to participate in and drive the transition to a more sustainable, plant-based food industry. But it doesn't start with us trying to sell things. Then we'd be just like any other company.”

The Cow: “Isn't it dangerous to get too big and suddenly sell a lot of things? I mean, Oatly's a small company that fights the powers that be, and then suddenly you're a big company...”

Toni: “First of all, we humans consume far too much. There's incredible overconsumption in large parts of the world. So yes, consumption is a problem. But if you're a big company that does things right, isn't that really great? Isn't that fantastic? Isn't that what creates change?”

The Cow: “More than a small, upstart company?”

Toni: “Yes, because you have the opportunity to implement things in a completely different way when you scale them up. Take oat farming, for example. You can go in and influence how people grow and buy oats. So let's be GIGANTIC—as long as we do the right things. It's more of a mindset, really.”



The Cow: “Okay, but then how do you maintain your mindset?”

Toni: “We must always have more people working here who are focused on doing the right things than those focused on earning money. It's my job to make sure that remains the case.”

The Cow: “Let's take a look at the sustainability work, then. What's the most important area to focus on? Is it production, shipping, travel, recycling or getting farmers to change?”

Toni: “That's a great question, because that focus has changed as we've grown larger. When we were small we said, 'Let's influence what we can influence. Let's just start with our factory and try to communicate in a way that allows us to create social change.' But now we have opportunities to go further back in the process—to look at farming, for example, and taking ownership of the entire chain.”

The Cow: “And what good does that do?”

Toni: “The opportunity to really have an effect on the climate is during cultivation, before we even get the raw materials. That's where you can make the biggest difference. But historically, we've been most active in the production itself. Now we have to alter our approach. For a long time, we've talked about a transformation in consumption, where people are moving toward more plant-based products—and that's a huge shift that's great for the planet. The second major shift that we now intend to address is the farming itself, because we need to make agriculture more sustainable.”

The Cow: “Big words, but how much do you believe Oatly can really do?”

Toni: “I think we can do a lot. We're actually helping to trigger and catalyze a change—not as the only player, but as one of the players. In any case, we have an ideology that's shared by many people, and we're blazing the trail. We don't just want to make money or sell products. We've actually got a deep philosophy about doing the right thing—about being a good company. A company with values for the future.”

The Cow: “Seriously? I'm supposed to believe that?”

Toni: “I can't tell you what to do. You'll have to decide for yourself. But you can start by reading our sustainability report.”

THE END. OR IS IT? (OF COURSE NOT!)

Well, here we are—we've come to the end of the 2018 sustainability report. But this isn't really an ending at all. On the contrary, it's just the beginning of what we want to achieve. At this point, it should be clear that our pretty crazy growth in 2018 wasn't a one-hit wonder, but rather something we want to continue. And we'll keep working hard to make that happen. By reaching out to more parts of the world (and to more people), we're convinced that we can do good. For both people and the planet. You may remember researcher Nancy Bocken's words about sustainable growth (if you don't, you can refresh your memory on page X, or just keep reading): "People will always need to eat and drink, and as long as one product replaces another product that would otherwise have been purchased and consumed—and the replacement product is better from a sustainability perspective—growth can be considered a good thing."

In our case, we are absolutely confident that our plant-based products are more sustainable than the animal-based alternatives (if we ever start to doubt it, we just have to look at the numbers on page 10). So yes, we see our long-term growth as fully sustainable. At the same time, we can't be content with "just" that. Even if our products' numbers are better, we certainly aren't satisfied with last year's results, which are presented in this report. Many numbers are going in the wrong direction, and that's definitely not okay. Although we know our long-term goal is a good one, we can't ignore the short-term effects along the way. And we aren't. Our strength lies in our desire to keep getting better, and in the passion that pushes

us to constantly question everything—from rules and norms to technological solutions. In a few more years, we have no doubt that we'll look back at this time and acknowledge that it was challenging. Maybe by then our rate of growth will be slightly more reasonable, and it'll be easier to create stability and work on improvements. Or maybe not—perhaps we'll be growing just as quickly (hey, we can dream!) but will have had time to get used to it.

The last word? Of course it goes to our Sustainability Director, Carina:

"We're in the midst of a very exciting time. More and more people are realizing that their behaviors can make a difference. It's really awesome that our products enable people to make simple, sustainable choices in their everyday lives. To cope with the global challenges we're all facing, good, healthy and sustainable plant-based food and drink must become a matter of course—for everyone. That's starting to happen, and I believe this is just the beginning."



ABOUT THE REPORT

Whether you're reading this page first or last, it's here to provide some insight into how we produced this report: what is included, what distinctions we have made, and a few clarifications (we hope):

➤ This report is based on the entirety of Oatly AB, which in 2018 meant all operations in Europe and the US, as well as Oatly Hong Kong Holding Ltd and Oatly Shanghai Co Ltd. However, the focus is on Europe because our operations in the US and China are still being established.

♥ Our sustainability work, and yes, the content of this report, is based on our four strategic areas: "Committed Coworkers," "Resource Efficiency," "Super Suppliers" and "Upgraded Society." In addition to sharing our results for 2018, we tell you about our goals and activities in each area, as well as the risks we've identified. To avoid getting caught living in our own bubble (because sustainability is a global thing), we've outlined which of the UN Sustainable Development Goals we contribute to through our business. We describe how we work with them on page 22.

♥ A sustainability report is full of figures (yay!), so it's only right to say a few words about those, too. We can make extensive and careful calculations about everything we do ourselves, but it's harder to provide numbers on our partners. For example, a co-packer may have several different customers, which makes it hard to get a precise figure for how much of its energy consumption has been specific to our products. But if we're unable to provide reliable numbers, we will of course tell you.

♥ To help us map our environmental impact, we have conducted lifecycle assessments of our biggest products. The data in these lifecycle

assessments has been provided by RISE, Research Institutes of Sweden. We have obtained data on the greenhouse gas emissions from our ingredients through our collaboration with RISE and CarbonCloud (carboncloud.io), as well as (to a lesser extent) from suppliers.

♥ Our supplier monitoring includes all suppliers in our major purchasing areas (raw materials, packaging, transport and external production) involved in our European production. As we build organizations in the US and China, we are developing similar systems there.

➤ The stakeholder analysis that we made in 2017 was not updated in 2018. This does not mean that our contact with the outside world has diminished. Quite the opposite. We are actually a bunch of extroverts. Our dialogue with consumers, customers, politicians, suppliers and partners remains ongoing and is described throughout the report.

♥ In the "Upgraded Society" section, we address how we can influence society by pushing the issue of a transition from animal-based to plant-based nutrition. This area is fairly Sweden-focused, because that's where we've been around the longest, and so it's also there (here) that we've made the greatest strides in this type of work. But just wait!

Articles cited in the report:

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IPCC (The Intergovernmental Panel on Climate Change), 2018: "Global Warming of 1.5 °C" <https://www.ipcc.ch/sr15/>

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Öppna listan - ett utdrag från RISE klimatdatabas för livsmedel v 1.5
<https://www.ri.se/sv/v%C3%A5ra-ber%C3%A4ttelser/klimatdatabas-smartare-matkonsumtion>



Want to know more? Contact our Sustainability Director Carina at: carina.tollmar@oatly.com

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