

# Confessions of an oat company

SUSTAINABILITY  
UPDATE 2020

“ This past year showed the world that a seismic shift in behaviour is possible if we have a strong vision of a better future and the will to try, fail, and try again. At Oatly, our vision is to meet the climate emergency head on by driving a plant-based revolution and shifting toward a sustainable food system. That means delivering Oatly products to millions more people around the world, while making long-term improvements that reduce our reliance on the planet’s resources. Our vision is not an easy one and cannot be achieved in one quarter or one year. But we will continue to drive forward because we know what is possible for the planet if we succeed. ”

**Ashley Allen**  
Chief Sustainability Officer



# THE BEGINNING

It all started in the late '80s in the south of Sweden. A group of scientists at Lund University were exploring the mechanisms and effects of lactose intolerance. They looked around and decided it might also be cool to develop a plant-based food that people could use as a substitute for cow's milk. They wanted this new food to be the perfect combination of nutritional value and sustainability, and it would have to taste good enough to make people consider switching from dairy. The bar was set high, so it didn't happen overnight, but in 1990, the big day finally arrived. The scientists discovered that natural enzymes could break down fiber-rich oats into a liquid food. High fives all around!

## A COMPANY BUILT ON THE IDEA OF CHANGE.

Traditional food production uses about half of all habitable land on earth, requires large amounts of resources, emits greenhouse gases and harms biodiversity. Yeah, that's a huge problem, especially because on top of that, the current food system does not meet our nutritional needs, driving non-communicable diseases like malnutrition, obesity, and heart and vascular diseases. We believe that transforming the food industry is necessary to face humanity's greatest challenges. And it's not just us. The science is clear: To tackle climate change, we must shift the food system, and moving from current diets to more plant-based can have a transformative impact.<sup>1</sup>

<sup>1</sup>EAT Lancet, IPCC Land, Global food system emissions could preclude achieving the 1.5° and 2°C climate change targets, Reducing food's environmental impacts through producers and consumers

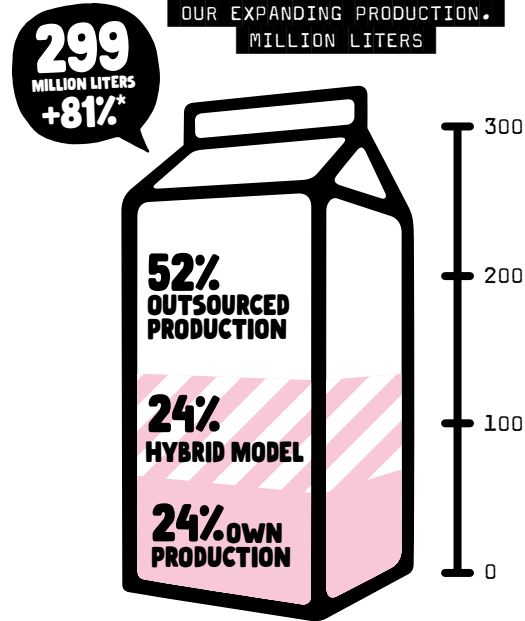


# TODAY

We are the world's original and largest oat drink company. Our company mission is to make it easy for people to eat and drink what's good for them without recklessly taxing the planet's resources. For over 25 years, we have exclusively focused on developing expertise around oats: a global power crop with the right combination of nutrition and low resource use suited for sustainability and human health. Our commitment to oats has resulted in a broad product portfolio, including drinks, gurts, cooking creams, frozen desserts and spreads.

## HYPER GROWTH JOURNEY

Demand for our products is growing crazy fast and as a company we're on a hyper growth journey. In 2020, we doubled our revenue and increased our produced liters by 81%, bringing plant-based options to millions of more people around the world. (Yeah, that's what you call a success, but let's keep it in parentheses since we need our feet to stay on the ground.) To scale our production capacity, we opened our second U.S. production site in the first half of 2021, and three additional sites in Singapore, China and the UK are currently under construction or in the planning

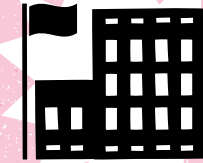


stages, while we also continue to expand capacity of our existing sites (see, feet on the ground definitely needed).

Our long-term strategy is to own self-sufficient global operations, but meanwhile, we must find flexible solutions that meet our growing demand here and now. In 2020, 52% of our production was made by outsourcing through different production partners and 24% was made through a hybrid model where we worked together with production partners on the product.



Products in over **20** markets, across **3** continents



Headquarter in Malmö and offices in Landskrona, Helsinki, Amsterdam, New York, London, Berlin, Shanghai and Hong Kong



Produced **299** m liters of product (81% increase compared to 2019)



USD **421** m in revenue (106.5% increase compared to 2019)

## OATLY IN NUMBERS 2020



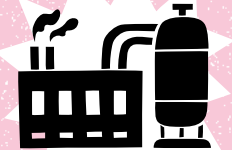
**792** employees (52% increase compared to 2019)



**132** products with published climate footprint



Owners:  
Nativus Company Limited, jointly owned by China Resources and Verlinvest, The Blackstone Group, Öste Ventures, Gullspång Invest AB, Östersjöstiftelsen, Bank von Roll AG, private individuals and our employees



**3** factories in **2** continents



# 2020'S HIGH (AND LOW) LIGHTS

2020 was a year of climate crises, injustice and a pandemic. But it was also a year of progress. Global challenges are drivers for change, like a force of nature pushing us forward. For us at Oatly, 2020 will go down in the history books as a year when our top priority was to keep our employees safe while continuing our fast growth.

# OVERALL CORPORATE CLIMATE FOOTPRINT

OVERALL COMPANY CLIMATE IMPACT (METRIC TONS CO<sub>2</sub>e):

**167,000**

**+111%**

With an increased production volume, +81% compared to 2019, comes an increased total corporate climate impact, +111%. The two main drivers of our CO<sub>2</sub>e emissions are transportation and cultivation of ingredients, and if you want to

learn more about these areas to understand why the climate impact per liter went up, don't worry—we'll get back to it. In 2020 we also improved our reporting system with updated and more standardized emission factors—which of course didn't increase our impact in real life, but still had an impact in the numerical world.

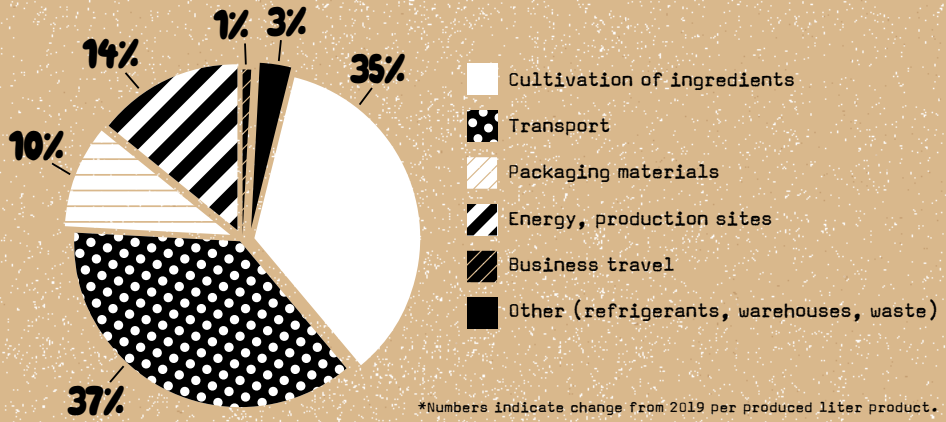
SEE "IMPORTANT SIDE NOTE"

CLIMATE IMPACT PER LITER (KG):

**+17%\***

**0.558 CO<sub>2</sub>e**

DISTRIBUTION OF GREENHOUSE GASES, BY CATEGORY



\*Numbers indicate change from 2019 per produced liter product.

**IMPORTANT SIDE NOTE**

In 2020, we measured more categories of emissions than previous years, such as waste generated in production, refrigerants and additional transportation. We also updated the greenhouse gas-emission factors for all ingredients (according to data supplied by our external partner on carbon calculations) and applied a more standard set of GHG emission factors (provided by DEFRA) for other categories, such as transportation and energy. These updates added to our total climate impact. Still, we'll never stop increasing our knowledge or improving our data, because why should we?



**SUPPLY CHAIN UPGRADES**

As our production expands to new countries and our sourcing becomes more complex, we face new supply chain challenges and risks. In 2020, we launched a new approach to integrate sustainability into our

daily sourcing decisions and updated our sustainability requirements to better reflect the global scope. And in late 2020, we introduced the Eco-vasis tool to more actively partner with our suppliers on their sustainability efforts.

**INGREDIENTS**

THE CLIMATE IMPACT FROM INGREDIENTS WENT DOWN:

**-17%\***

The main reason the per-liter climate impact of our ingredients decreased is that we changed where we source oats, sourcing more from low-impact countries such as Sweden and Canada. The climate impact from oats depends on multiple factors, including farming systems and practices, type of land, and average yield. The biggest volume of oats we source is from Sweden, cultivated with the guarantee that no growth regulators or glyphosate are used. In 2020, we developed this oat growing program further together with our supplier, and by 2021 we will expand the program to include more climate-efficient fertilizers. We will continue to work with farmers and suppliers on supporting sustainable practices for oat cultivation.

Unsurprisingly, oats remain our biggest and most important ingredient, accounting for 84% of our total purchase volume of ingredients.



# TRANSPORT

## THE CLIMATE IMPACT FROM TRANSPORT WENT UP:

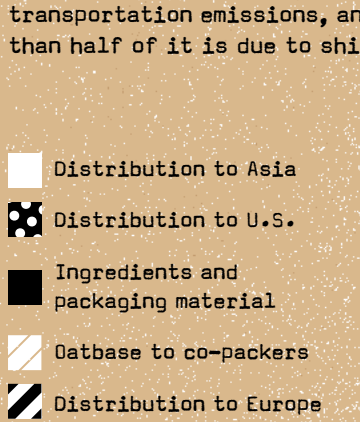
**+79%\***

Even though we transported much more ingredients and products in 2020 compared to 2019, you wouldn't expect an increase in climate impact measured per liter, right? And still, here we are, up 79%? Yeah, that requires an explanation:

Distribution of finished products is by far the biggest driver of transportation emissions, and more than half of it is due to shipping

products to Asia from factories in Europe and the U.S. The good news is that as we start up production in Asia, we expect to drive down this impact. However, a significant portion of the increase in transportation emissions is related to a wider scope of data collection and an updated set of GHG emission factors (tips: Read the "important side note" on page 9). This means that we now have a much more accurate—though higher—baseline to measure future improvements against.

DISTRIBUTION OF GREENHOUSE GASES, TRANSPORT



\*Number indicates change from 2019 per produced liter product.

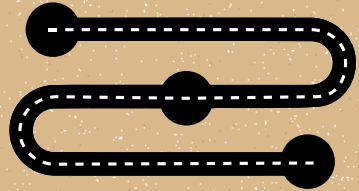
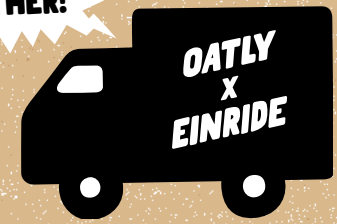
## IN 2020, WE DID SOME PRETTY AMAZING THINGS TO IMPROVE OUR TRANSPORTATION CLIMATE IMPACT:



Reduced the number of terminal trucks, reducing diesel consumption by 6,000 liters/year.



Partnered with Einride to be one of Europe's first companies to digitize and deploy a fleet of electric trucks, now delivering liquid oats in Sweden! CO<sub>2</sub>e saving: 400 metric tons/year.



Started implementing a warehouse network around the world which is designed to minimize the distance to production sites and customers.

## PACKAGING

For packaging, the raw materials—where they come from and how much is used—are important determinants of climate impact. We increased the share of renewable sources by 1% in 2020. Our goal is to source packaging that is made from 100% renewable or recycled materials and is fully recyclable.

### PACKAGING MATERIAL FROM RENEWABLE SOURCES:

**87%**

### THE CLIMATE IMPACT FROM PACKAGING WENT DOWN:

**-11%\***

# ENERGY

**OUR ENERGY CONSUMPTION (KWH) DECREASED:**

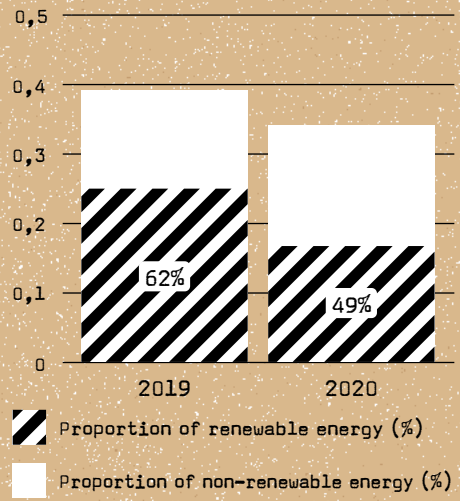
**-16%\***

**THE CLIMATE IMPACT FROM ENERGY INCREASED:**

**+35%\***

So, we used less energy per liter (win!), but the climate impact from energy per liter still increased. Is that even possible? Well, if the share of energy from renewable sources goes down from 62% to 49%, the answer is yes—and that’s also what happened in 2020. Okay, things don’t just “happen,” but we’ve recognized that sourcing renewable energy is a huge challenge as we expand production to new regions.

**ENERGY PER PRODUCED LITER (kwh/l)**



only, the share of renewable energy is 65%, mainly thanks to our production site in Sweden that continues to be powered by 100% renewable energy. And challenging or not, there’s nothing that will ever stop us from continuing to work toward 100% renewable energy solutions for all of our production. We are also seeking ways to improve the efficiency of the energy used in our factories and exploring opportunities to generate energy onsite.

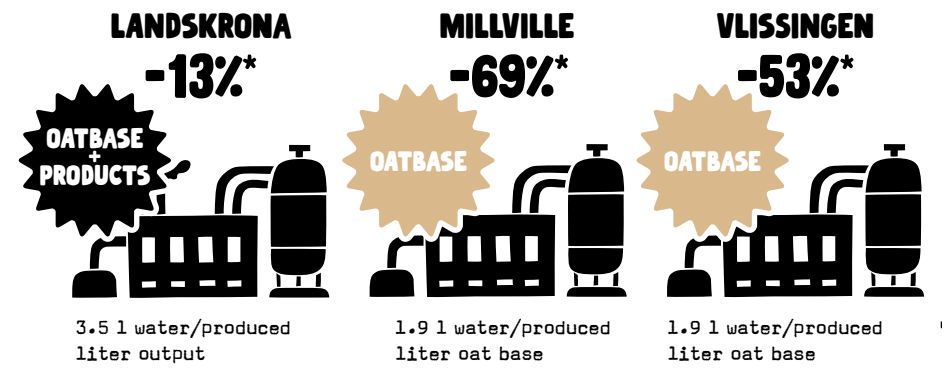
## WATER USAGE DOWN IN ALL OUR OWN PRODUCTION SITES!

Hurray! Our sites in Vlissingen and Millville reduced their water usage during 2020, following their 2019 start-up phase, as the production found its rhythm and we implemented measures to improve water efficiency.

losses and less water needed for cleaning.

The Millville site installed a fancy “closed-loop barrier fluid” unit to overcome the irregular flow pressure in the municipal water system. And at our site in Landskrona, more effective production planning resulted in fewer production

Because our production sites differ in setup (some produce oat base only while others also produce finished products) it’s difficult to combine site-level water usage into a consolidated metric or compare the sites to each other. But that’s also the only not-so-great thing about these downward-pointing water consumption numbers:



## 100% OF OUR LEFTOVERS REPURPOSED!

This is how we did it: In Landskrona the insoluble oat fibers were turned into animal feed (and a small part into biogas), in Vlissingen all fibers ended up as biogas, and in Millville the fibers were mainly used as animal feed, except for 8% that was brought back to the fields as soil improver.

# UP- DATE FROM THE FIELDS



## U.S. OATS FOR OATLY

In 2020, Oatly implemented the second year of our U.S. Oats for Oatly pilot program in partnership with Practical Farmers of Iowa, Sustainable Food Lab, and our oat supplier. The program is designed to test cost-sharing incentives and market opportunities for corn and soy farmers in the U.S. Midwest to incorporate oats and cover crops into their farm rotations. The added crop diversity can break up pest cycles, increase agrobiodiversity on farm, reduce the use of nitrogen-intensive fertilizers, and provide additional markets to farmers for new crops (like oats). The 2020 year kicked off with a farmer recruitment social, where farmers talked about the program over

some scoops of Oatly frozen dessert! Whether it was the compelling sustainability story or the free treat, recruitment was a success and 2020 saw our original four farmers continuing in the program as well as the recruitment of 13 new farmers across Iowa, Minnesota and Nebraska, totaling 1575 acres of farmland enrolled.

At the end of 2021, we'll wrap up a three-year agricultural cycle of crop rotations and gauge the impacts of integrating oats with other crops. Exciting times ahead!

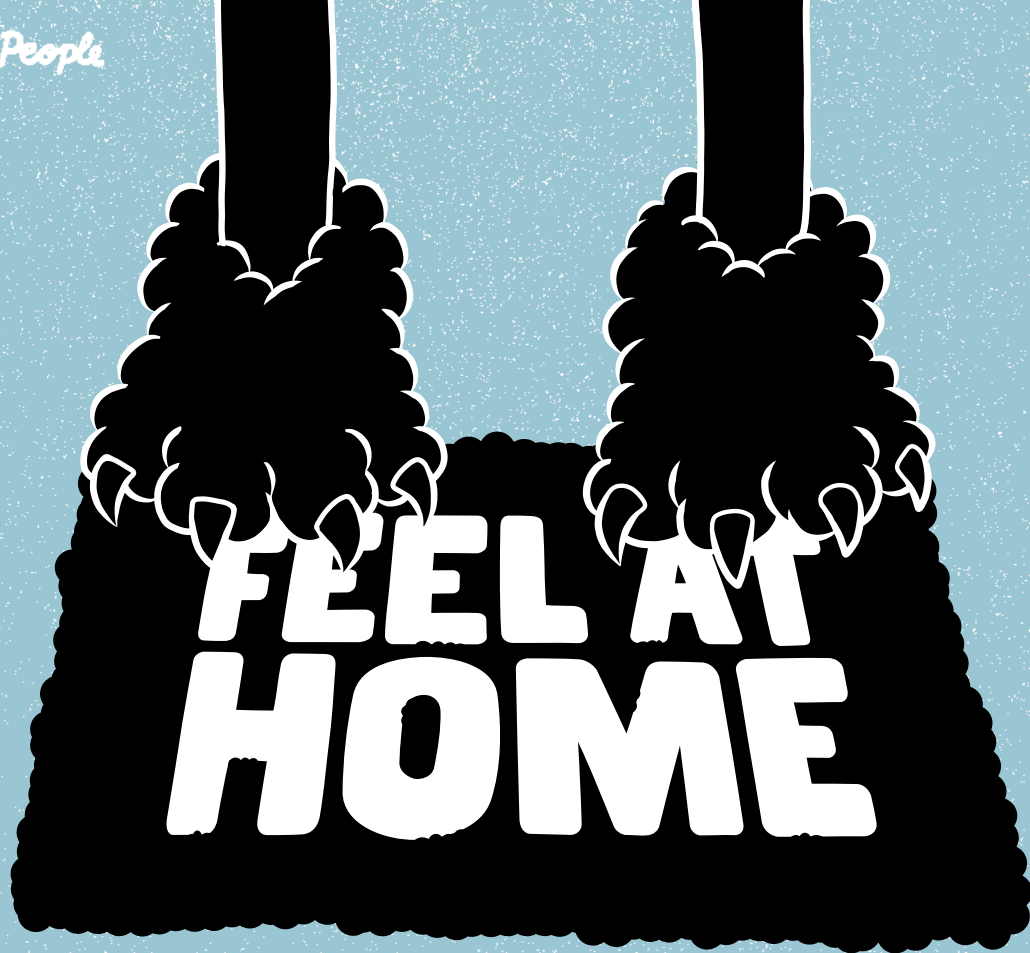
## MEANWHILE IN SWEDEN...

Remember Adam, the Swedish farmer who participated in a research project to make his farm as sustainable as possible? In 2020, we received his final results, and they were all good news: A more diversified production has increased the farm's number of produced calories by 79% (yearly average over four years) while halving the greenhouse gas emissions per calorie. The farm also kept a steady income and spread the risk across more revenue streams.<sup>2</sup> The initiative was expanded with nine additional farmers in 2019 and ended in early 2021—we'll keep you posted on the findings.



<sup>2</sup>Rööös, E. et al. (2021). Moving beyond organic—A food system approach to assessing sustainable and resilient farming. *Global Food Security*, 28, 100487.





# FEEL AT HOME

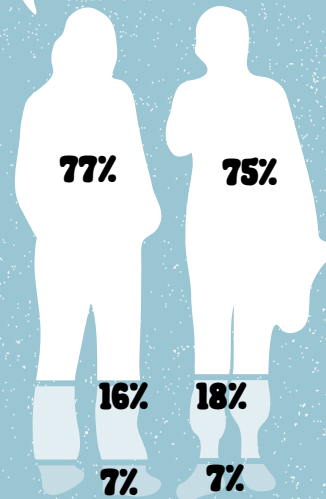
Oatly should feel like home to everyone who works here, regardless of spiritual beliefs, birth country, race, gender, sexual orientation – or whatever that makes you, you.

As happy and proud as we are of our strong culture, it's just as important to make sure that it develops hand in hand with the company. In 2020, we put extra focus on building capabilities for inclusiveness. We launched a transformation framework

with the goal of ensuring that we are enacting real change, not just ticking a box. Our company should be 100% free from discrimination and offer equal opportunities and treatment for all, meaning that our diversity and equity just can't look good on paper but must be built into the culture.

To assess our inclusiveness, we asked employees if they agree with these statements:

**"I CAN BE MY AUTHENTIC AND WHOLE SELF AT WORK." IN 2020 77% AGREED, 7% DID NOT AND THE REST WAS NEUTRAL.**



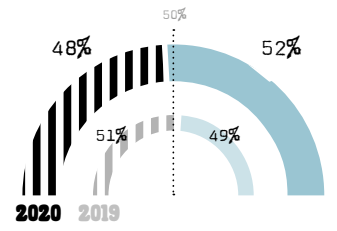
**"I FEEL INCLUDED AND RESPECTED AT WORK." IN 2020 75% AGREED. 7% DID NOT AND THE REST WAS NEUTRAL.**

We also ask employees, "Do you feel that Oatly is free from discrimination and treats people equally regardless of gender, transgender identity, race or ethnicity, sexual orientation, disability, beliefs or age?" In the survey conducted in 2020, on a scale from 0 to 10, our employees gave the average of 9.2. That's an improvement from 2019, when the average score was 8.6.

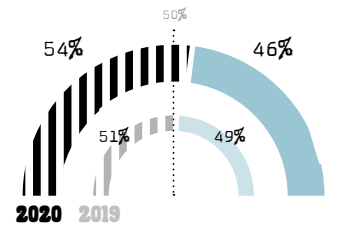
## GENDER DIVERSITY

Men Women

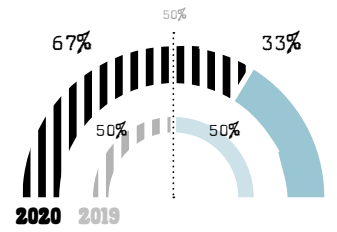
### ALL EMPLOYEES



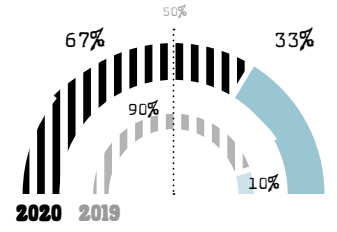
### TEAM MANAGERS



### LEADERSHIP TEAM



### BOARD



# SUSTAINABILITY COMMITMENT:

# 86%

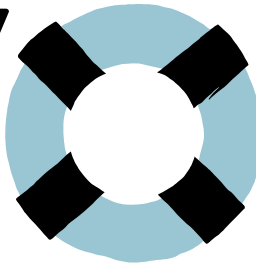
Our sustainability ambitions and actions are dependent on dedicated and knowledgeable people who are thriving in their jobs. We're lucky to have many! In 2020, the committed co-worker index ended up at 86% — a small decrease compared to 2019's result (88%), but a high commitment score. But do we settle for anything less than 100%? You get one guess.

## MORE THAN HALF OF OUR CO-WORKERS (62%) STATED THAT SUSTAINABILITY WAS AN IMPORTANT REASON FOR CHOOSING TO WORK FOR OATLY.

A high sustainability motivation among coworkers is a great foundation to build on. We want to:

- Maintain sustainability as our core value and make sure our coworkers know how they can contribute.
- Incentivize our leaders to prioritize sustainability by making it part of their performance expectations.

## T-OATLY SAFE



Our safety and health policy ensures that we build a 'T-OATLY' safe mindset. We know that rapid production growth comes with the risk of increasing incidents and accidents, so building the right culture and behaviors around safety is crucial. Everyone should understand their responsibilities and participate in a sharing-and-learning culture, where good practices are communicated, and incidents seen as important learning opportunities.

### 2020'S SHORT LIST OF OATLY'S HEALTH AND SAFETY EFFORTS:

- Supported COVID-safe working conditions for all employees.
- Introduced a hazard reporting process.
- Investigated 109 Near Miss reports to help identify safety improvement areas.

# COMMITTED



# COWORKERS

# EMPOWERING A PLANT-BASED REVOLUTION

When the goal is to transform the whole food system and change eating habits around the world, it soon becomes pretty obvious that that's a job much too big for any one oat drink company. We need a movement, involving companies, consumers, baristas, retailers, cooks, teachers, restaurant owners, community leaders,

policy-makers—yeah, pretty much everyone.

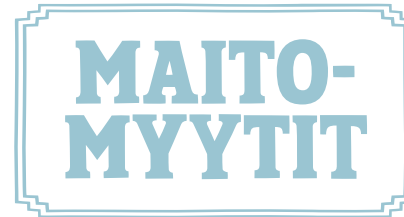
To support this movement, we continue to use our voice as loudly and clearly as possible (and sometimes not possible, but somehow still doable). Here are the 2020 highlights:

In Finland, we sparked a society-wide discussion on the topic of health and sustainability impacts of milk with our booklet "Milk Myths," which was sent out to parents in 240,000 households.

**AM 171 IS OFFICIALLY TOAST**



We successfully campaigned to stop Amendment 171—a proposal in the European Parliament that would prohibit all use of dairy-related language, packaging and imagery for plant-based products. On May 24, 2021, the EU decided to withdraw the proposal. Oat drink toast!



**WE HELPED LAUNCH THE EUROPEAN ALLIANCE FOR PLANT-BASED FOODS TO PUT PLANT-BASED FOOD AT THE HEART OF THE TRANSITION TOWARD MORE SUSTAINABLE AND HEALTHY FOOD SYSTEMS.**

**HEY BUNDESTAG!  
57067  
SIGNATURES**

In Germany, thanks to 57,067 petition signers, we presented to the German government a proposal to make climate declarations on food a law. So far, we haven't heard any result, but we'll keep you posted.

**WE LAUNCHED THE SILENT BARISTA PROGRAM IN CHINA, WHERE WE SUPPORT HEARING-IMPAIRED PEOPLE WITH TRAINING TO BECOME PROFESSIONAL BARISTAS.**

**WE CONTINUED TO CALCULATE OUR PRODUCTS' CLIMATE FOOTPRINTS, MEANING ALL 132 PRODUCTS IN EUROPE HAVE A PUBLISHED NUMBER.**



**HELP-DAD.COM**

In Sweden and the UK, we launched a "Help Dad" campaign, including a tool kit and plant-based versions of traditional recipes to help young adults have conversations with their families about climate change and plant-based food.

# THE MORE WE GROW AS A COMPANY...

...the more opportunities we have to impact and drive the development of sustainable food systems and plant-based diets. Even though our growth undeniably has brought challenges and difficult decisions when it comes to short-term sustainability results, we are as determined as always with our mission and purpose as a company, and we step into this critical decade with a clearer sustainability vision than ever.



# LESSONS LEARNED



Back in 2016, we set a goal to reduce our overall climate impact by 25% per liter produced by 2020. At that point we were a small Swedish company with one factory, producing 39 million liters of product and emitting about 14,500 metric tons of CO<sub>2</sub>e. Fast forward to 2020, when we produced 299 million liters of product and emitted about 167,000 metric tons of CO<sub>2</sub>e, which means that we didn't meet our original goal but instead our CO<sub>2</sub>e per liter increased by 49%. Failure? Well, before you go on with that thought, consider this: Not only have we

succeeded in our ambition to offer millions of new people around the world more sustainable food choices, but we have also developed our climate accounting over the years and today (unlike in 2016), we include more emission categories and have more accurate and detailed emission figures. This means a strict comparison is hard to make — you can't compare apples to pears and so on. Now, we'll work hard to decrease our climate impact from this new baseline, and make use of all the learnings we've got from our journey and rapid growth so far:

## 1 WHERE WE SOURCE OATS MATTERS.



The average climate impact of cultivation varies widely depending on the country of origin and the type of land used for cultivation. Moving forward, we are using this information to inform where we source, and to identify local solutions to grow oats in a more sustainable way.

## 2 THERE CAN BE A TRADE-OFF BETWEEN LOCAL PRODUCTION AND TRANSPORTATION.

As production often lags behind our demand, we need to distribute our products over longer distances, resulting in greater transport emissions. At the same time, new production sites need

energy sources and supply routes, and it can be challenging to find renewable solutions while expanding so quickly. Over time, we need to use this knowledge to find the sustainability sweet spot.

## 3 OUR PEOPLE ARE OUR MOST VALUABLE RESOURCES

Sustainability is one of our guiding principles, and everyone's responsibility. As we grow our team, keeping a high level of sustainability commitment is key.

## 4 SUSTAINABLE SOLUTIONS TAKE TIME.

We are in many ways an impatient company. We want change now. That drive is what got us here — to being the world's first and biggest oat drink company. But when you are constantly growing and changing, sustainable solutions take time. Sometimes it gets worse before it gets better.



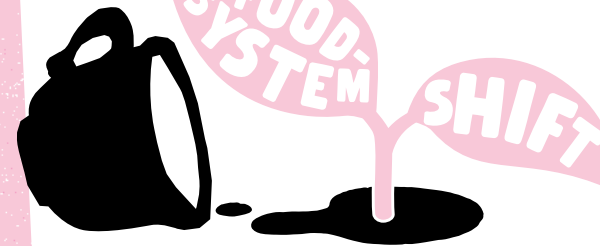
“As we continue on this growth journey, we need to remember that speed and scale are exactly what our mission requires. Surely it would be more comfortable to take it easy and to do things the way they've always been done, but it's simply not why we come to work every day.”  
— Toni Petersson, CEO

# THE FUTURE.

By the end of this decade, the world needs to cut the emissions of greenhouse gases in half in order for global warming to stay within a 1.5-degree target. The UN has called on all businesses to accelerate the transformation toward a sustainable future that addresses climate change. We want to lead by example as a future company, guided by science, respecting the planet, while creating safe and inclusive

workplaces with thriving people. We are committed to drive a shift in society—in the ways people eat, food is produced, and the planet is treated—where people can make small changes, like switching to plant-based foods, that improve their lives and ensure a healthy planet for future generations. We will drive positive change through three areas of action across our value chain:

## WE WILL DRIVE A



### Ambition 1

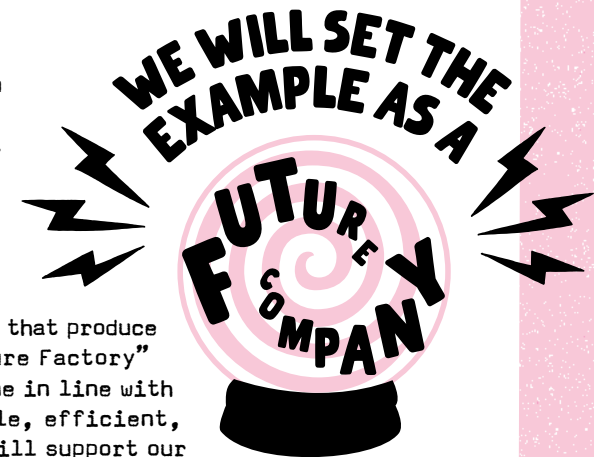
By 2029, Oatly's food system will give back to nature and communities where we source by restoring carbon, improving biodiversity, and boosting farmers' income.

### Ambition 2

By 2029, we will reduce our climate footprint by 70% from a 2019 baseline of 0.48kg per produced liter and align that ambition with a 1.5 degree C climate pathway.

### Ambition 3

By 2029, all of the facilities that produce our products will meet "Future Factory" criteria, which we will define in line with the principles of sustainable, efficient, safe, and inclusive, and we will support our production partners along the journey.



### Ambition 4

By 2029, mainstream plant-based diets by leading a shift from dairy, with a milestone to shift 2.9 billion liters from dairy to Oatly by 2025, saving up to 2.5 million metric tons of CO<sub>2</sub>e.

**THE ORIGINAL**



[www.oatly.com](http://www.oatly.com)