Oatly Group

Transparency in Supply Chain Statement for the financial year ending 31 December 2022

0. About us

0.1 Our mission at Oatly is to make it easy for people to eat better and live healthier lives. Without recklessly taxing the planet’s resources. Our goal is to produce and deliver oat-based products that have high nutritional value and low environmental impact. We are driven by a constant desire to evolve and become better at what we do. We want to work together with co-workers, suppliers and partners for a healthy, sustainable and transparent food chain. As part of that ambition, we are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business.

0.2 Oatly strongly opposes slavery and human trafficking in any form. This statement sets out the steps taken by the Oatly Group, directly and through its subsidiaries, (together the Oatly Group or “Oatly”), in the last financial year, to ensure slavery and human trafficking is not occurring in any part of our business or supply chains.

0.3 The Oatly Group includes Oatly UK Ltd. Oatly has assessed that both Oatly AB, in its capacity as owner of Oatly UK Ltd., and Oatly UK Ltd. separately have an obligation to make a Transparency in Supply Chain statement (in accordance with s.54 of the Modern Slavery Act). This statement is intended to satisfy that obligation in respect of both companies.

1. Organisation structure and supply chains

1.1 In May 2021, our ultimate parent company, Oatly Group AB, completed our initial public offering (IPO) and began trading on the Nasdaq Global Select Market under the ticker symbol “OTLY.” Following the IPO, Oatly Group AB’s largest shareholders continue to be Nativus Company Limited, jointly owned by China Resources and Verlinvest, and Blackstone Funds, with the remaining ownership becoming decentralized toward institutional investors in the market.

1.2 We have a commercial presence in 20 markets across Europe, the Middle East and Africa (EMEA), North America and Asia. Our products are sold through a variety of channels, from independent coffee shops to continent-wide partnerships, from major international food retailers to premium natural grocers, as well as through e-commerce. In 2022, we sourced the majority of our raw materials from Europe and North America.

1.3 We utilize three main supply models to meet global demand for our products: co-packing, hybrid and end-to-end self-manufacturing. In 2022, 30% of our production was through our Oatly-operated end-to-end factories, 43% was made through a hybrid model, where an Oatly-operated oatbase factory teams with a nearby or co-located production partner that finishes and packages our products, and 27% was made by outsourcing through different production partners, most of which create finished product from oatbase received from an Oatly factory. A small number of production partners are also manufacturing oat base. In late 2022, we announced a more asset-light strategy, focusing our approach on Oatly’s proprietary oatbase technology and capacity and actively linking with production partners to create a more hybrid production network across select geographies.

1.4 Our Sustainability Team with the support of our Supply Chain and Operations function has responsibility for working with our suppliers to identify and reduce the risk of slavery and human trafficking in the supply chain. Since the summer of 2020 (including throughout the financial year ending 31 December 2022) we have had a dedicated individual in the Sustainability Team, who has strong experience of supply chain management, to help support this work.

2. Policies in relation to slavery and human trafficking

2.1 As part of Oatly’s promise to be a good company, we do not tolerate any form of slave labour or human trafficking in any part of our business. This is set out clearly in our Business Conduct and Ethics Guidelines ("Code of Conduct") that capture our ethics as a company. It 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...
Due diligence processes

3.1 Employees, partners and suppliers must read and sign our Code of Conduct confirming that they will comply with our standards or demonstrate that their own Code of Conduct has similar standards.

3.2 Our Code of Conduct states our company values and requirements on key issues including human rights and working conditions. During 2022, suppliers and production partners were required to either commit to comply with our Code of Conduct or present their own, with a standard equal to ours, as part of negotiation of contracts (or renegotiation of existing contracts). We have also included compliance clauses in our commercial agreements and other contracts with third parties.

3.3 In 2022, we began a process to update our code of conduct, drawing lessons from a 2021 partnership with Harvard Undergraduate Consulting on Business and the Environment. We anticipate finalizing this effort in 2023.

4.6 As Oatly continues to evolve, the complexity of our supply chain does too. To manage these complexities, we are creating a more consistent and transparent system to monitor suppliers’ sustainability performance and mitigate risks. More specifically by establishing new policies and global requirements on identified risk material supply chains, ways of working with due diligence visits and onboarding new tools for supply chain management.

4.7 In 2022, we continued to develop our supplier assessment process, anchored in the basic sustainability requirements that we set for suppliers. Part of that assessment is requesting that our suppliers register with Ecovadis. Since 2021, we have introduced 77 suppliers into our Ecovadis network. Of those, we have 58 with a confirmed rating within the platform across four categories: environment, ethics, labour & human rights, and sustainable procurement. Over the coming years, we aim to both expand the Ecovadis program to other suppliers and work with select partners on actions to improve their individual scores.

4. Risk assessment and management

4.1 To better understand and address sustainability risks such as modern slavery, we partnered with an independent third party, Preferred by Nature, in 2021 to 2022 to conduct supply chain sustainability assessments of selected ingredients, and we are now incorporating our learnings within our global policies and requirements for the specified risk materials.

4.2 We have also upgraded our whistleblower program. Oatly has also established a Whistleblower Hotline that is available 24 hours a day, 7 days a week, by telephone at (800) 461-9330 or on the Internet at whistleblower.oatly.com. Employees may remain anonymous and will not be required to reveal their identity in contacting the Whistleblower Hotline. Our whistleblower service enables reporting any behaviour that goes against the Code of Conduct. In 2021 we enhanced our whistleblower system to allow reporting through multiple channels with global support, several language options and a better process to ensure anonymity for all of our employees and consultants. Our Code of Conduct also encourages employees to contact their supervisor or the Oatly General Counsel, with any concerns. We also ask our suppliers to meet our sustainability requirements (as part of their commitment to our Code of Conduct) by for example, reporting their sustainability performance. We had no reports, through the whistleblowing procedure or other communication channels, indicating potential modern slavery or human trafficking risks in our business or supply chains in 2022.

4.3 Although we recognise that we use a small percentage of ingredients that come from high-risk countries where modern slavery may be more likely, based upon our supplier sustainability performance evaluation and internal reporting to date, we consider there is a broadly limited risk of modern slavery in our business and supply chains. However, we know that transparency can be a challenge, so we interpret the results of our sustainability performance monitoring and internal communication channels.
with caution and continually investigate and monitor our suppliers’ performance throughout the supply chain.

4.4 In 2022, we defined our strategic direct materials, which are the materials most significant for making Oatly products – whether because we source a high volume or because the global material supply chains are commonly associated with sustainability risks, such as potential deforestation, forced labour and worker rights violations. We conducted a materiality analysis and identified the following strategic direct materials in our supply chain: oats, rapeseed oil, packaging material, vanilla, coffee, cocoa, coconut oil, palm oil and cane sugar. Our intention is to establish sustainable sourcing policies for each of the strategic direct materials to source these products in a way that improves sustainability performance and addresses key sustainability risks. As a specific example of addressing sustainability risk in our supply chain, in 2022 we developed a policy for sourcing palm oil sustainably.

**Training on modern slavery and trafficking**

4.5 All our employees are made aware of the Code of Conduct as part of the onboarding process, and we included our Code of Conduct in all employment contracts.

4.6 We expect our co-workers, suppliers, and partners to share our view of the importance of openness, transparency, privacy, integrity, and trust. For us, trust means acting in an ethical and proper manner that is characterized by a respect for people, nature, and the law. A close dialogue with our partners, suppliers and consumers is important to us to be able to tackle such issues as modern slavery and human trafficking. We put emphasis on the issue of transparency within the food industry and we continually strive to be one of the most transparent companies in the industry.

5. **Further Steps**

We will continue to assess what more it might do to identify and mitigate the risks of modern slavery and human trafficking in its business and supply chains. This may include undertaking a contextual modern slavery risk assessment to identify and prioritise further actions we may wish to take. We note in this regard that, in 2020, we conducted a gap analysis on our Code of Conduct and concluded that we needed to develop a supplier-specific code of conduct to set global standards, demonstrate best practices, and provide clear accountability and performance evaluation guidelines. We are making progress and aim for this supplier code of conduct to be drafted during 2023. We also understand and plan to work with our suppliers to map select supply chains where high sustainability risks have been identified. During 2022 we began the work with risk supply chain specific requirements. These requirements focus on due diligence needed for each risk supply chain and lists actions that Oatly sourcing teams and suppliers should take to mitigate those risks where they occur.

**Approval of this statement**

8.1 This statement was approved by the Board of Oatly AB on 23 June 2023.

8.2 This statement was signed by Jean-Christophe Flatin, CEO of Oatly AB on 1 July 2023:

Signed: Jean-Christophe Flatin

By: Jean-Christophe Flatin

CEO - Oatly AB