CHALMERS

Advantages of applying ESG for sustainable growth

Lessons learned from Oatly's expansion in China

Bachelor's thesis in Industrial Engineering and Management

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Abstract

The Swedish company Oatly is Scandinavia's leading brand of plant-based products. Since expanding to China in 2018, Oatly has faced increased demand and grew its global sales in 2019 by 88%. In connection with an increasing awareness of sustainability in society, the term ESG has emerged. Furthermore, when expanding business to China, it is critical to consider ESG based on the UN's SDGs to sustain successful growth. Therefore, this report aims to understand how ESG can be applied, based on the UN's SDGs, and how ESG creates value for companies in China. Based on these findings, the aim is to identify which major sustainability aspects Oatly should focus on along with expansion in China.

This report is based on data collection through a literature review, the SWOT and PESTEL frameworks, and interviews with key people from Oatly. The literature review supplied the report with a comprehensive understanding of ESG, its connection with the UN's SDGs, and its application to companies in China. Through the frameworks SWOT and PESTEL, the report identified key internal and external factors in connection with strategic thinking and decision-making. Qualitative data has been collected through interviews. This data was of high relevance for the understanding of Oatly and the company's operations in China. By connecting the literature review, relevant frameworks, and interviews, the report could produce results, as well as create a proper opportunity for a deeper analysis.

The report concluded that Oatly should consider ESG in the context of its expansion in China. Firstly, the application of ESG based on the UN's SDGs was concluded to enable companies to identify important aspects related to sustainability, while sustaining transparency towards stakeholders. Secondly, by applying ESG metrics, companies in China can benefit from enhanced value creation. This value creation includes increased customer attractiveness and stakeholders' willingness to invest in the company's assets. Lastly, with ESG applied, it is clear that Oatly's expansion to China has resulted in challenges regarding sustainability performance. Thus, to maintain its sustainability focus, it is critical for Oatly to evaluate ESG performance along with continued growth in China and apply relevant ESG metrics to strategies.

Keywords: Oatly, ESG, China, SDG, Sustainable growth, Sustainable investing

Note: The report is written in English.

Sammanfattning

Det svenska företaget Oatly är ledande i Skandinavien på marknaden för växtbaserade produkter och expanderade till Kina år 2018. Året därpå ökade den globala efterfrågan på Oatlys produkter och företaget ökade sin nettoomsättning med 88%. I samband med en ökad medvetenhet gällande hållbarhet i samhället har termen ESG vuxit fram. Vid expandering av verksamheter till Kina är det betydande att beakta ESG baserat på FN:s Globala mål för att kunna upprätthålla en hållbar tillväxt. Denna rapport syftar därmed till att skapa en större förståelse för hur ESG kan appliceras baserat på de Globala målen, samt hur ESG skapar värde för företag i Kina. Baserat på dessa resultat är målet med rapporten att identifiera vilka huvudsakliga hållbarhetsaspekter Oatly bör fokusera på i samband med expansion i Kina.

Rapporten är baserad på datainsamling genom en litteraturstudie, ramverken SWOT och PESTEL, samt intervjuer med nyckelpersoner hos Oatly i Kina. Litteraturstudien försåg rapporten med en större förståelse av ESG, ESG:s relation till de Globala målen och dess tillämpning på företag i Kina. Genom ramverken SWOT och PESTEL har rapporten kunnat identifiera interna och externa nyckelfaktorer i samband med strategiskt tänkande och beslutsfattande. Kvalitativ data har samlats in genom intervjuer, vilka var relevanta för att förstå Oatly och företagets verksamhet i Kina. Genom att relatera litteraturstudie, ramverk och intervjuer kunde rapporten ta fram ett resultat och skapa en god chans till vidare analys.

Rapporten visade att Oatly bör beakta ESG i samband med expansion i Kina. Inledningsvis visades att en tillämpning av ESG baserat på de Globala målen gör det möjligt för företag att identifiera viktiga aspekter relaterade till hållbarhet, samtidigt som transparens gentemot intressenter och konsumenter upprätthålls. Vidare kan företag i Kina dra nytta av ett förbättrat värdeskapande genom tillämpning av ESG. Detta värdeskapande inkluderar ökad attraktivitet gentemot kunder samt intressenters vilja i att investera i företaget. Slutligen är det tydligt att Oatlys expansion till Kina har resulterat i utmaningar gällande hållbarhet. För att bibehålla sitt hållbarhetsfokus är det därför viktigt för Oatly att utvärdera sin ESG-prestanda i samband med fortsatt tillväxt i Kina, samt att tillämpa relevanta ESG-faktorer på strategier.

Nyckelord: Oatly, ESG, SDG, Kina, hållbar tillväxt, hållbara investeringar

Notera: Rapporten är skriven på engelska.

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Abbreviations list

APAC	Asian-Pacific region
B2B	Business-to-business
B2C	Business-to-customer
CO2	Carbon dioxide
CPI	Corruption Perceptions Index
CSR	Corporate social responsibility
EBITDA	Earning before interest, taxes, depreciation and amortization
ESG	Environmental, Social, and Governance
F&B	Food and Beverages
GHG	Greenhouse gas
GRI	Global reporting initiative
GDP	Gross domestic product
RoR	Rate of return
R&D	Research and development
SRI	Socially responsible investing
SDGs	UN’s sustainable development goals
3Ps	Pollution Prevention Pays

1. Introduction

With an increasing interest in products and services in society, sustainability becomes a key factor for continuous success (Ericsson, 2020). According to Conroy et al. (2020), it was claimed that “To build brands in the future requires more than the basics. You need additional differentiation: good for you, good for the environment, and supporting a shared social cause”. The term ESG, which stands for Environmental, Social, and Governance, has become a popular way of reflecting for financial institutions before investing (Henisz et al., 2019).

Since 1980, China has been the fastest-growing economy in the world (PricewaterhouseCoopers [PwC] China, 2013). According to PwC China, the country in East Asia has transformed from being seen as a sourcing destination into a market with real growth opportunities for companies. With its population of 1.4 billion people, China is today the world’s second-largest economy (PwC United States, n.d.). It is argued that business presence for foreign companies in Asia has become increasingly important and should in many cases be considered an integral part of the business (PwC United States, n.d.). Moreover, China was the only major economy in the world to grow its gross domestic product (GDP) during 2020, despite the outbreak of the coronavirus pandemic (British Broadcasting Corporation [BBC], 2021).

The development of China during the past half-century has indeed implicated benefits in terms of exponential economic growth and an increased GDP. However, as a result of increased manufacturing activities along with the use of non-renewable fossil fuels, China has simultaneously become the world’s largest emitter of carbon dioxide (CO_2) (Blokhin, 2020). China has recently pledged to change this direction of climate change and instead lead by example (Woetzel, 2020). Climate risks will affect all countries, but according to Woetzel, China is one of the few that has the technological and economic, as well as political, capacity to influence and shape the global response to these challenges. One step taken towards sustainable development is adapting the United Nations (UN) Sustainable Development Goals (SDGs), which China committed to in 2015 and will continue striving towards until 2030 (Jiang, X., 2020; UN, n.d.a). The SDGs have been adopted by 193 countries, serving as a roadmap for governments and companies towards a more sustainable future through new laws and policies (UN, n.d.a). These include national laws regulating companies’ working conditions, emissions, and corporate management (UN, n.d.a).

Given the fact that business presence in China often is associated with growth opportunities, while China currently is the world’s largest emitter of CO_2, it can be crucial for companies to keep the environmental situation in mind when expanding business to China (Ping An, 2020). In the same way, ESG can be considered for future success (Henisz et al., 2019).

The Swedish company Oatly was founded in the 80s and expanded to China in 2018 (Oatly, 2020). Oatly is a leader of plant-based products in Scandinavia and well-known for its sustainability measures (GMA, 2020). According to Verlinvest (2016), Oatly’s market share in Sweden for plant-based products constitutes approximately 40%. Along with the Chinese expansion, Oatly has faced an increased demand and in 2019, the company grew its global sales by 88% (Oatly, 2020b). Atkins (2018) describes that a strong ESG practice benefits both companies and investors in different ways. Regardless of being listed or unlisted, ESG is relevant for Oatly as all types of company actions are linked to continued sustainability concerning growth and expansion (Henisz et al., 2019). With the help of taking ESG into account and continuously analyzing its outcomes, Oatly can ensure moving in a favorable direction while keeping the standards and reputation that the company has gained with its origin in Scandinavia (Henisz et al., 2019).

1.1 Purpose

The main purpose of this report is to understand how ESG can be applied to companies in China in order to achieve successful expansion and growth, with respect to sustainability. The ambition for the material presented in this report is to be used as a basis for companies when evaluating business strategies associated with sustainable growth in China, including the UN’s SDGs and ESG, as well as to formulate strategic recommendations for Oatly in China.

1.2 Research questions

An analysis of how ESG can be applied to companies based on the UN’s SDGs will be conducted to understand how ESG can create value for companies in China. Based on this analysis, business strategies for companies should be analyzed in connection with expansion and growth in China. It is of importance to evaluate both opportunities and challenges for Oatly connected to attracting investors and to analyze Oatly’s strategies in China with respect to ESG. These sub-purposes together lead to the following research questions:

1. How can ESG be applied to companies based on the UN’s SDGs?
2. How does ESG create value for companies in China?
3. Based on ESG, what major sustainability aspects should Oatly focus on along with expansion in China?

1.3 Delimitations

Oatly Group AB, earlier called Havre Global AB, is the corporate group which Oatly AB is a part of (Retriever Business, 2021). The annual and sustainability reports analyzed in this report are connected to Oatly Group AB, including the corporate group, thus Oatly in China. Therefore, the name Oatly in this report refers to Oatly Group AB.

2. Theoretical framework

This chapter aims to present the theoretical framework of the report. The purpose is to show the foundation of the report and provide an understanding of the research displayed. The report's definition of ESG will be presented with the aim for transparency in the use of the chosen understructure.

2.1 ESG

In recent years, financial institutions have gone from being traditional investors in non-renewable resources, such as oil and gas, to invest in companies that ensure and deliver technologies in a sustainable way (Brownstein et al., 2020). The coronavirus pandemic has intensified discussions about the connection between sustainability and the financial system, leading to several key trends that have emerged lately in society (CFA Institute, 2021). In connection with these trends, ESG has become a popular way for socially conscious financial institutions to reflect before investing (Chen, 2021).

ESG consists of three central metrics used to measure sustainability within a company (Henisz et al., 2019). The environmental criteria consider a company's performance in correlation with environmental issues, hence the tracking and responsibility for the environment (Henisz et al., 2019). The social criteria examine the company's management of business relationships with e.g. suppliers, customers, and employees (Henisz et al., 2019). Finally, the governance criteria deal with the company's behavior towards audits, internal controls, executive pay, and shareholder rights, including responsibilities, expectations, and privileges between corporate stakeholders (Henisz et al., 2019). According to Nasdaq (2019), a governance system with strong characteristics is a valuable tool for a company's long-term goals.

In 2004, the UN's Global Compact published the study *Who Cares Wins*, where the term ESG was coined (UN's Global Compact, 2004). According to Crespi and Migliavacca (2020), ESG and sustainability have since then become a growing part of investments. Furthermore, investment companies have started to apply ESG metrics as part of their analysis process (Chelwat & Trivedi, 2016). Chelwat and Trivedi describe that growth opportunities, material risks, and other financial conclusions can be identified through the application of ESG metrics to potential future investments. Strong corporate ESG performance enhances financial performance, while ESG constitutes a significant source of risk for the business that might affect the financial return (Chelwat & Trivedi, 2016). Additionally, ESG criteria are being integrated into several strategies, such as business strategy and lending decisions, to manage how products and services contribute to sustainability (Qingrong et al., 2013).

ESG metrics are currently not commonly part of the mandatory financial quarterly reports (CFA Institute, 2021). However, companies often include disclosures and several mentions about their forecast regarding future investments in their annual reports or a standalone sustainability report (CFA Institute, 2021). Numerous institutions, such as the Sustainability Accounting Standards Board and the Global Reporting Initiative (GRI), continuously work to form ESG standards to define materiality (CFA Institute, 2021). The purpose of these standards is to increase the incorporation of such aspects into the investment process for companies and financial institutions (CFA Institute, 2021).

GRI is an independent institution founded by the UN and non-profit organizations (GRI, n.d.). In 2016, the previous global guidelines for sustainability reporting were transformed into the world's first standards, the GRI Sustainability Reporting standards (GRI Standards) (GRI, 2021). The purpose of the GRI Standards is to enable companies to report their operations and development regarding economic, ecological, and social aspects (GRI, 2020). The GRI Standards are divided into each area that the reporting should include and cover guidance, requirements, and recommendations (GRI, 2020). The importance of reporting positive and negative areas to be fully transparent and present a sustainability report of high quality is highlighted (GRI, 2020). According to the GRI Standards, the report's quality is determined based on e.g. the data included, the balance between positive and negative information, and yearly developments. The use and application of ESG in this report are selected based on Nasdaq Stock Exchange's *ESG Reporting Guide 2.0* (2019), as described in chapter 2.1.1.

2.1.1 Selected ESG metrics

The most relevant ESG metrics to analyze in this report are listed in table 2.1 and have been selected from Nasdaq Stock Exchange's *ESG Reporting Guide 2.0* (Nasdaq, 2019). The reporting guide is created as a tool for companies when reporting according to ESG and will be used to assess the different aspects of ESG activities (Nasdaq, 2019). When analyzing ESG in this report, these metrics are considered criteria. The UN's SDGs further support these metrics and are therefore used to motivate them (EU Commission, n.d.).

Table 2.1

ESG metrics

Environmental (E)	Social (S)	Governance (G)
E1. GHG Emission	S4. Gender Diversity	G6. Ethics & Anti-Corruption
E6. Water Emission	S9. Child & Forced Labor	G8. ESG Reporting
E7. Environmental Operations	S10. Human Rights	G9. Disclosure Practices
E10. Climate Risk Mitigation		

Note: List of ESG metrics used based on Nasdaq's *ESG Reporting Guide 2.0* (2019)

The selected environmental metrics deal with how the company handles greenhouse gas (GHG) emissions and water usage, and to which extent environmental operations are in place (Nasdaq, 2019). Additionally, the company's investments in mitigating climate risks will be considered. Social metrics include gender diversity, child and forced labor, and human rights (Nasdaq, 2019). Governance metrics will be assessed by studying the company's ethics and anti-corruption, ESG reporting, and disclosure practices (Nasdaq, 2019). Each of these metrics, as well as their connection with the UN's SDGs, will be further explained under the results in chapter 4.1.

2.1.2 Connection between ESG and CSR

ESG is somewhat stemmed from the CSR framework (Duque-Grisales & Aguilera-Caracuel, 2019). According to Duque-Grisales and Aguilera-Caracuel, both frameworks cover stakeholders, employees, communities, and the environment. CSR is a concept from the late 20th century and a key element in companies' responses to growing ethical requirements for firms (EU Commission, n.d.; Rodrigues-Gomez et al., 2020). According to the EU Commission, to act for human rights is considered a firm's responsibility, going beyond the economic return to shareholders. Apart from shareholders, a company should consider its responsibility and awareness towards a broader range of stakeholders (Baughn et al., 2006). According to Baughn et al., CSR symbolizes to which degree a company works to reduce its negative impacts. These impacts cover production and services which the company offers to its customers (Baughn et al., 2006). Additionally, CSR covers working conditions, civil rights, environmental protection, education, and training for employees throughout the supply chain (EU Commission, n.d.).

According to Rodrigues-Gomez et al. (2020), CSR can be defined into three areas: economic, social, and environmental. Since the establishment of CSR, these areas have started to evolve in the financial sector. Instead of quick financial performance and obligations exclusively towards shareholders, CSR has encouraged consideration of other, non-financial, aspects (Rodrigues-Gomez et al., 2020). Rodrigues-Gomez et al. relate the social area principally to human resources, including a companies' responsibilities towards employees and society. Environmental aspects encourage companies to reflect on their obligations to care for the environment and their understanding of the fundamentals of sustainable development (Rodrigues-Gomez et al., 2020).

According to many studies, companies can profit from being a forerunner of social and environmental sustainability (Baughn et al., 2006). Baughn et al. argue that financial performance is linked with the three CSR sustainability areas. A firm's level of commitment to CSR is likely to be influenced by stakeholder pressures and opinions from individuals and organizational, national, and transnational actors and agencies (Rodrigues-Gomez et al., 2020). Apart from these influences, the commitment to CSR can depend on the possibility to avoid eventual fines (Rodrigues-Gomez et al., 2020). Furthermore, public authorities play an important role in governing several aspects of CSR, such as the ESG metrics (European Union [EU] Commission, n.d.). Countries that have adopted the UN's SDGs should translate and implement the goals into public law, monitor and hold companies accountable when working against the SDGs (EU Commission, n.d.).

Both ESG and CSR include the reporting of a company's sustainable development (Duque-Grisales & Aguilera-Caracuel, 2019). In extension to CSR, ESG measures the activities through metrics providing companies with a more precise assessment of performance (Energy HQ, 2019). ESG can thus provide an index of the company's sustainability performance, while CSR rather represents the efforts and serves a self-regulatory strategy of the company (Energy HQ, 2019).

2.1.3 Criticism against ESG

There are challenges regarding ESG ratings and how to value the concept (MacMahon, 2020). Since many environmental and social impacts are hard to measure, MacMahon argues that creating the ESG ratings is challenging. MacMahon emphasizes that financial data, which is required to be presented in a standardized way according to accounting standards, is more accurate and polite than non-financial data. Kotsantonis and Serafeim (2019) further enlighten that there is no set standard for how disclosure of ESG data must be provided. Kotsantonis and Serafeim listed 20 different ways that companies report their employee health and safety data. Except for national and international accounting standards, the article shows the inconsistency among disclosure (Kotsantonis & Serafeim, 2019). Therefore, with an increasing amount of disclosed ESG data, Kotsantonis and Serafeim argue that the disagreement among ESG data providers will continue to increase.

According to Eccles and Stroehle (2018), the disclosure of ESG data is becoming too complex and confusing. Companies can either report financial information through national and international accounting standards or non-financial data, such as ESG (Eccles & Stroehle, 2018). Eccles and Stroehle claim that non-financial data disclosure remains highly unorganized and without any universally accepted standard. Berg et al. (2020) further found that ESG ratings diverge due to measurement divergence, i.e. different raters measure performance differently despite rating the same company.

2.2 PESTEL analysis

A PESTEL analysis can be applied to companies and markets to identify the main external forces that may affect future growth (Unicef, 2015). The framework is applicable due to its simple use in combination with the high possibility of analyzing forces, such as risks and opportunities (Rastogi & Trivedi, 2016). The different factors analyzed and represented by each letter in PESTEL are Political, Economic, Social, Technological, Environmental, and Legal (Unicef, 2015). Corporate Finance Institute (CFI, 2021) has listed several areas that should be taken into consideration when analyzing the different factors. These areas are illustrated in table 2.2 (CFI, 2021).

The PESTEL analysis, in several cases called PESTLE, is a developed version of the PEST analysis, whose framework's founder is not identified (Saracoglu et.la, 2018; CFI, 2021; CIPD, 2021). However, according to Kenton (2020), the PEST framework was first mentioned under the name ETPS by Francis J. Aguilar, a professor at Harvard Business School, in the publication *Scanning the Business Environment* in 1967. Despite the rearranged letters, the factors and influence remained the same (Kenton, 2020). According to Rastogi and Trivedi (2016), several authors began developing the acronym in different orders in the 1980s: PEST, STEEPLE, with the Ethics factor added, and PESTEL. In the past years, the acronym PESTEL has regularly been used (Rastogi & Trivedi, 2016). However, the exact reasoning is difficult to establish (Rastogi & Trivedi, 2016).

Table 2.2

PESTEL framework

Political	Economic	Social	Technological	Environmental	Legal
Tax policy	Economic Growth Rates	Cultural aspects & Perceptions	R&D Activity	Weather Conditions	Industry Regulation
Trade Restrictions	Interest rates	Health Consciousness	Automation	Temperature	License & Permits
Tariffs	Exchange Rates	Population Growth Rates	Technical Incentives	Climate change	Labour Laws
Bureaucracy	Inflation	Age Distribution	Rate of change in Technology	Pollution	Intellectual Property (IP)
	Unemployment	Career Attitudes		Natural Disaster	

Note: Table 2.2 has listed the different aspects of a PESTEL analysis that, according to CFI (2021), should be analyzed.

2..1 Criticism against PESTEL

A PESTEL analysis is based on assumptions and predictions, which could result in inaccurate conclusions (Morris & Weeks, 2020). To judge and understand the problems that the company is encountering, each factor needs to be thoroughly examined in terms of the degree of impact (Morris & Weeks, 2020). Collecting extensive external information and data on each factor requires patience, effort, and capital (Morris & Weeks, 2020). Collecting all the relevant data and assuring valuable findings are necessary to make accurate decisions (Morris & Weeks, 2020). With an analysis based on data, which tends to change, the outcome can be subjective (Morris & Weeks, 2020). Interpretations will vary from each individual, why it is necessary to involve an organized workforce in the research to assure information that is not misinterpreted (Morris & Weeks, 2020). Inaccurate interpretation regarding external forces can lead to various losses for a company (Morris & Weeks, 2020).

An additional limitation of the PESTEL analysis is the priority of factors (Morris & Weeks, 2020). Prioritizing which factor is the most critical in detailed data and information can be difficult (Morris & Weeks, 2020). This limitation creates further implementation errors and can cause the company to plan incorrectly (Morris & Weeks, 2020). Therefore, PESTEL analysis, solely focusing on external factors, is an insufficient method for strategic planning (Chartered Management Institute [CMI], 2013). To create a plan for a competitive scenario, both internal and external factors are required (CMI, 2013). Therefore, the PESTEL analysis should be combined with a SWOT analysis to obtain a greater understanding (CMI, 2013). Different analysis and tools are necessary depending on the target market and environment (CMI, 2013).

2.3 SWOT analysis

According to Humphreys (2007), a SWOT analysis defines a company's strengths, weaknesses, opportunities, and threats. The tool is helpful when identifying critical internal and external factors in connection with strategic planning and decision-making to achieve success in a project (Unicef, 2015). The SWOT framework enables companies to identify and take advantage of strengths and opportunities while addressing weaknesses and overcoming threats (Humphreys, 2007). Compared to PESTEL, SWOT classifies central factors as opportunities or threats, while PESTEL represents a deeper continuation of the SWOT analysis (Unicef, 2015). According to Unicef, the PESTEL framework analyzes external factors in more detail (Unicef, 2015).

The origin of the SWOT analysis is not fully defined (Vlados & Chatzinikolaou, 2019). According to Puyt et al. (2020), the SWOT analysis was first called SOFT and included securing satisfactory, enabling opportunities, and handling faults and threats. The concept was founded in 1965 by Robert Franklin Stewart at Stanford Research Institute (Puyt et al., 2020). Stewart was the pioneer who worked within a team at the Research Institute and was inspired by earlier ideas regarding strategy and corporate planning (Puyt et al., 2020). The concept was created to identify issues with corporate planning and create a management framework regarding these issues (Gürel & TAT, 2017). The framework was later developed into the SWOT analysis, which nowadays is a well-known framework continuously developing internally by e.g. consulting firms (Puyt et al., 2020).

2.3.1 Criticism against SWOT

Vlados and Chatzinikolaou (2019) argue that the SWOT analysis initially did not include an analysis framework and that the mentioned factors were static. The framework did not correspond to the company's actual position, why complementary frameworks were required for full usefulness and efficiency (Vlados & Chatzinikolaou, 2019). Gürel and TAT (2017) argue that SWOT needs to focus on the future, and not the current or the past, to enable accurate conclusions. The SWOT analysis includes a biased risk since it is being analyzed within or in connection with the company (Gürel & TAT, 2017). Furthermore, the SWOT analysis is conducted solely from the company's point of view, resulting in the conclusions not taking the customer's view into account (Pereira et.al., 2021). Finally, Pereira et al. highlight the importance of sustainability in today's evolving society. The general SWOT does not include sustainability as a focus. However, along with increasing awareness, sustainability is becoming vital to remain competitive and should thus be included in the SWOT analysis (Pereira et.al., 2021).

3. Method

This report is based on a case study divided into three parts. Firstly, an analysis of how ESG can be applied to companies based on the UN's SDGs has been performed. Secondly, it has been studied how ESG creates value for companies in China. Thirdly, based on ESG, an analysis of what major sustainability aspects Oatly should focus on in China has been conducted. This chapter presents the methods used to satisfy the purpose of the report and further describes the three different parts of the case study. According to Wallén (1996), a case study is defined by analyzing the changes regarding a specific case. This case study has been analyzed based on a normative research method and aimed to result in conclusions and recommendations for Oatly (Wallén, 1996). The case study includes an evaluation of Oatly's current strategies in China and impacts related to ESG, with the aim to identify opportunities for Oatly related to growth in China.

3.1 Identifying how ESG can be applied based on SDGs

In order to answer the first research question of this report, a literature review has been conducted. Quantitative data has been gathered through a deductive method, which signifies that data and information were firstly collected, following general conclusions made subsequently (Wallén, 1996). Data was gathered through secondary sources, such as Google Scholar and Chalmers Library. The data included significant literature regarding the concept of ESG, its connection to the SDGs, and its application to companies and China. To define ESG for the report, relevant ESG metrics for Oatly have been selected as well as connected to the SDGs and GRI Standards. Specific keywords such as ESG, UN's sustainability goals, and ESG framework have been used during the gathering of literature to find relevant data. A critical and objective perspective was combined during the process to collect valid literature.

3.2 Identifying how ESG creates value for companies in China

After identifying how ESG can be applied to companies, the value of applying the ESG framework for companies in China was analyzed. The method used is for this part was equal to the previously listed combination of collecting quantitative data and deductive methods. To understand and define the actual value that was created for companies in China through the application of ESG, it was relevant to analyze how sustainability measures affect a company's business valuation and investment opportunities. Secondary sources have been used to find relevant data regarding this purpose as well as for understanding the connection between ESG and CSR. The used keywords are ESG and value-creation, ESG advantages in China, ESG in

China, and CSR. The literature has been validated through an equally critical and objective perspective as presented in chapter 3.1.

3.3 Identifying sustainability aspects for Oatly in China

The third part of the case study was based on an analysis of what major sustainability aspects Oatly should focus on in China, based on ESG. This part of the study aimed to formulate strategic recommendations for Oatly related to ESG and growth in China. These areas have been evaluated based on Oatly's current strategies and goals, along with the application of selected ESG metrics to Oatly in China. Previous data regarding the application of ESG and its created value through application have further been analyzed. Finally, a PESTEL and SWOT analysis have been conducted to summarize Oatly's strategies and goals in connection with ESG. To answer this question, both qualitative and quantitative data collected through inductive and deductive methods have been analyzed. According to Blomqvist and Hallin (2015), an inductive method indicates that the question to be analyzed is specific and the question or theory is identified by collected data.

3.3.1 Data collection through interviews

The qualitative data has been collected based on an inductive method through interviews with Oatly representatives. Collected data from interviews is of high importance for the results presented about Oatly's strategies in China. The initial plan was to interview the Asia President at Oatly, David Zhang, and Head of Sustainability, Yifan Yang, over a digital video platform. However, due to the interviewees' tight schedules, interviews were carried out via email instead. The interview with Zhang held on March 30, 2021, focused on strategies and goals in China in connection with growth and sustainability. The interview with Yang held on April 7, 2021, focused more specifically on sustainability and Oatly's relation to ESG. The interview method was a structured questionnaire, with follow up questions sent via a second answering email depending on the data received over the first interview questions. The interview questions are presented in appendix A. Although this collected data is of high relevance for the report, it is critical to bear in mind that information collected through interviews could be biased due to the interviewees' personal interests or lack of a holistic perspective. Therefore, to further analyze the interview data collected, public secondary sources, such as annual and sustainability reports, have been studied.

3.3.2 Data collection through literature review

To further understand what sustainability aspects Oatly should focus on, quantitative data have been gathered through a similar deductive method as previously mentioned. Keywords such as Oatly, Oatly in China, and Blackstone have been used. The majority of gathered literature has been publicly presented by Oatly. Therefore, it has been of importance to analyze the obtained information from a critical and objective perspective.

3.4 Method discussion

In the collection of quantitative data, various reliable sources have been used. Studying a wide variety of sources strengthens the method and is significant to obtain accurate understanding and enable reasonable conclusions. During the collection of sources, an objective selection has been made. The data has been studied critically to promote the gathering of accurate and unbiased information. However, despite the use of different sources, the data selection is not fully comprehensive. Although a critical approach has been used, there is a risk of sources presenting biased information. Except for the results presented in this report, it is critical to keep in mind that there may be other perspectives.

Due to the far travel distance between Sweden and China, the intention was to hold semi-structured interviews through a digital video platform. This interview format would allow the interviewees to discuss the questions openly. However, as the interviews were carried out over email instead, structured interviews were conducted. Although further communication was made in cases where follow-up questions occurred, the interviews are categorized as structured rather than semi-structured. Digital video meetings would have allowed a combination of the two interview methods, hence improved the data collection. As the interviews instead were carried out via email, several questions were avoided by the interviewees while others were answered very briefly. Consequently, the interviews did not present as much valuable information as expected. Therefore, more extensive use of public secondary sources was necessary. Through combining interviews with these public sources, a larger amount of information could be collected. Meanwhile, a less biased perspective was provided, enabling relevant conclusions. Although the people interviewed were key people within Oatly, the report would benefit from interviewing a larger focus group to receive more information.

As a conclusion, the used method has been beneficial in order to achieve the purpose of the report. However, interviewing a larger focus group as well as holding the interview over a digital video platform would have improved the quality of the report.

4. Results

This chapter aims to present relevant gathered data collected through the selected method and theoretical frameworks. ESG can be used as a method for evaluation divided into several metrics. By applying ESG as a management framework, companies can achieve value through cost reduction and improved stakeholder relations. Research on China's relation to ESG is presented to understand possible benefits and hindrances on the Chinese market. Additionally, Oatly's expansion in China is explored in connection with the different frameworks.

4.1 Application of ESG metrics

According to the theory in chapter 2.1, ESG focuses on the environmental, social, and corporate governance sustainability of a company. The three different sustainability aspects have various metrics to enable easy and explicit evaluation. These metrics include several criteria for assessment and are related to the UN's SDGs and GRI standards.

4.1.1 Environmental metrics

Environmental ESG metrics in this report will be analyzed in connection with the 13th UN's SDG, *To combat climate change* (UN, n.d.b). Mainly sub-target 13.3, *Increased education and awareness of climate threats and environmental changes*, aims to be studied (UN, 2019). According to the UN, *GHG emissions* (E1) are one of the main causes of climate change and a threat to global environmental health. In order to evaluate this metric, the total amount of CO2 emitted will be considered (Nasdaq, 2019).

Water usage (E6) implies the amount of water consumed, recycled, and reclaimed each year (Nasdaq, 2019). This metric will be studied in connection with the 6th SDG, *Ensure availability and sustainable management of water and sanitation for all* (UN, n.d.b). Water is a natural resource crucial for living organisms and involved in many factory processes, thus critical for companies' operational abilities (UN, n.d.b). According to Nasdaq, keeping track of water usage and recycling water in different production processes is of importance.

Following the 12th SDG, *Ensure sustainable consumption and production*, *Environmental operations* (E7) will be analyzed (UN, n.d.b). The analysis will specifically focus on sub-target 12.2, *Achieve the sustainable management and efficient use of natural resources* (UN, n.d.b). Environmental operations refer to different environmental policies that a firm should follow (Nasdaq, 2019). In most countries, several environmental policies are mandatory according to national law (Rodrigues-Gomez et al., 2020). The policies for this metric consist of a formal environmental policy, specific policies covering e.g. waste, water, energy and recycling, and energy management policies (Nasdaq, 2019).

Climate risk mitigation (E10) is covered by many of the SDGs, depending on what type of climate risks a company is managing (UN, n.d.b). Climate risk mitigation includes how companies work to prevent possible environmental hazards from happening (Nasdaq, 2019). The E10 metric is therefore foremost in alignment with sub-target 8.4, *To break the link between economic growth and environmental degradation*. Climate risk mitigation is measured by the amount of money annually invested in climate-related issues, including internal research and development (R&D) activities (Nasdaq, 2019). According to Nasdaq, long-term investments in the environment and climate signify an understanding of risks while enabling actors to seize opportunities of reducing climate change that might otherwise impact the company in the future.

4.1.2 Social metrics

Gender diversity (S4) follows the 5th SDG, *Achieve gender equality and empower all women and girls* (UN, n.d.b). Additionally, this metric aligns with sub-target 8.5, *Increase equality between men and women* (UN, n.d.c). Increased diversity has proved to promote enhanced creativity and greater team production while alleviating systemic inequity (Nasdaq, 2019). Due to gender discrimination in different work sectors and cultures, inequality is currently a major issue (UN, n.d.c). According to the UN, the global employment share for women is lower than for men, as well as the pay wages for the same work performed. In this report, gender diversity will be measured by the share of female and male employees on different levels within the company (Nasdaq, 2019).

Following the 8th SDG, *Decent working conditions and economic growth*, specifically sub-target 8.7, *Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms,* the monitoring of no child and forced labour (S9) will be analyzed (UN, n.d.b). In most countries, child and forced labor are illegal (International Labour Organization [ILO], 2020). However, due to cheap labor advantages, these requirements are not always followed by companies (ILO, 2020).

Human rights (S10) will be measured in alignment with the SDG's for human rights, mainly the 16th SDG, *Promote peaceful and sustainable societies for sustainable development, provide justice for all and build effective, accountable and inclusive institutions for all*, and the 10th SDG, *Reduce inequality within and among countries* (UN, n.d.b). The metric is evaluated by the company's human rights policy and if the policy is separate or part of the sustainability or any other report (Nasdaq, 2019).

4.1.3 Governance metrics

The metric ethics and anti-corruption (G6) aligns with the 16th SDG, *Promote peaceful and sustainable societies for sustainable development, provide justice for all and build effective, accountable, and inclusive institutions for all,* and 8th SDG, *Decent working conditions and economic growth* (UN, n.d.b). Ethics and anti-corruption are estimated by the establishment of ethics and/or anti-corruption policies and if these are being enforced (Nasdaq, 2019). By following a code of ethics, Nasdaq claims that companies indicate a commitment to ethical conduct while preventing the financial risk of illegal activities.

ESG reporting (G8) is following the 13th SDG, *To combat climate change*, while covering other sustainability aspects mentioned above (UN, n.d.b). The metric is considering whether a company publishes any sustainability reports and the quality of data included (Nasdaq, 2019). According to Nasdaq, the reporting signifies a commitment to the ESG framework and the company's ESG performance. Relevant to consider is an annual sustainability report, the relevance of published information, and the data disclosures (Nasdaq, 2019).

Disclosure practices (G9) further enhance the importance of data to support the sustainability reporting framework (Nasdaq, 2019). Disclosure practices include how well a company focuses on specific SDGs and the suitability of applying specific targets (Nasdaq, 2019). The GRI Standards can be used to enable clear and transparent reporting of environmental and social aspects, covering most ESG metrics (GRI, 2020). For example, the GRI standards 305-1 to 305-7 require organizations to report on the amount of CO2 and how the emissions were calculated (GRI, 2020). Meanwhile, the requirements for water usage in GRI Standards 303-1 to 303-5 include reporting on the management approach for water and effluents, descriptions on how the organization interacts with water, and the approach used to identify water-related impacts (GRI, 2020). Other GRI standards require e.g. analyzing and prevention of child labor, the number of reported cases and actions taken regarding human rights, and reporting on the risk of corruption and discrimination (GRI, 2020).

4.2 How ESG creates value for companies

There are several critical aspects of how ESG creates value for companies (Henisz et al., 2019). The five first aspects presented below are based on the study *Five ways that ESG creates value* by Henisz et al. (2019), while the sixth aspect is based on other external sources. These topics are general approaches for understanding, and should therefore not be generally applied to the same extent to all types of businesses and companies (Henisz et al., 2019).

4.2.1 Top-line growth

According to Henisz et al. (2019), a strong ESG proposition can help companies to enter and expand in new dynamics as well as existing markets. In addition, Henisz et al. argue that a strong ESG proposition helps actors on the financial market to gain trust from governing authorities. For example, companies performing ESG activities could increase their chances of getting approvals and licenses required to grow in different markets (Henisz et al., 2019). Social engagement activities perceived as beneficial by social and public stakeholders could increase a company's valuation compared to its competitors (Dorobantu et al., 2014). Additionally, these activities could result in fewer operational delays and less extensive planning (Dorobantu et al., 2014).

It has been shown that a majority of consumers' willingness to pay increases for green products (Miremadi et al., 2012). Up to 70% of consumers questioned in a survey on purchases in multiple industries, such as automotive, building, and packaging, were willing to pay an additional 5% fee for a green product if it managed to meet the same performance as the standard alternative (Miremadi et al., 2012).

4.2.2 Cost reductions

PwC (2016) claims that optimizing cost efficiency as well as reducing operational costs are important aspects to consider for future success. ESG can contribute to these processes, thus increasing the opportunities of reducing costs (Henisz et al., 2019). Henisz et al. found that ESG can affect operating profits up to 60%. In an analysis comparing the amount of water, energy, and waste used within companies in correlation with their revenues, a significant correlation between financial performance and resource efficiency was found (Henisz et al., 2019). It was also shown that companies who managed to perform higher resource efficiency, hence achieved the best financial performance, had established a clear, long-term sustainability strategy (Henisz et al., 2019). As an example, since introducing its *Pollution Prevention Pays* (3Ps) program, the company 3M managed to save 2.2 billion USD (Henisz, 2016). The 3Ps program included reformulation of products, redesigning of equipment, and innovative technology in manufacturing processes to prevent air pollution (Henisz, 2016).

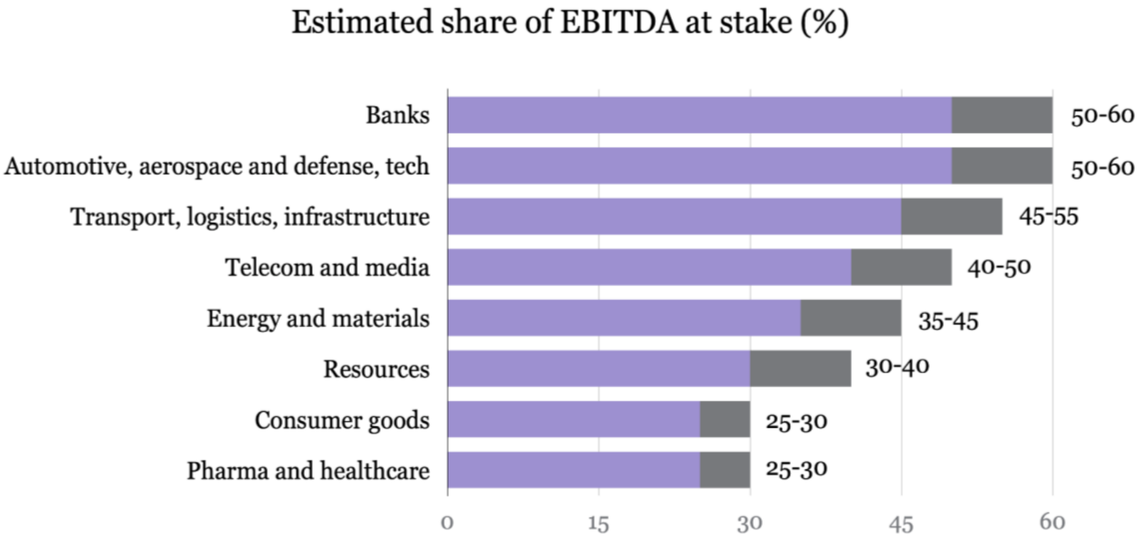
4.2.3 Reduced regulatory and legal interventions

A stronger external-value proposition can enable companies to succeed in strategic freedom, to such an extent that it helps ease regulatory pressure (Henisz et al., 2019). Henisz et al. claim that ESG helps reduce the risk of adverse government actions within companies in different geographies and sectors. Additionally, ESG can generate government support (Henisz et al., 2019).

Henisz et al. (2019) further describe how the value at stake from government regulation differs within various industry sectors. Companies with a lower percentage of net earnings before interest, taxes, depreciation, and amortization (EBITDA), conducting business in fields associated with risk, are more dependent on government support through regulatory purposes (Henisz et al., 2019). As presented in figure 4.1, the banking sector is for example considered safer regarding investments than consumer goods (Henisz et al., 2019).

Figure 4.1

EBITDA within different industries



Note: Figure 4.1 shows how the estimated percentage share of EBITDA differs between different industries (Henisz et al., 2019). According to Henisz et al. the consumer goods and pharma and healthcare industries are associated with higher risk and could therefore particularly benefit from regulatory purposes.

4.2.4 Employee productivity uplift

In the research by Henisz et al. (2019), it is clear that a strong ESG proposition helps companies attract and retain employees. Furthermore, employees' motivation is enhanced through a sense of purpose, which increases performance and overall productivity (Henisz et al., 2019). A strong ESG proposition thus promotes employee satisfaction, which correlates positively with shareholder returns (Edmans, 2011).

Since an increased perception of positive social impact of work promotes a significant feeling of value-creation, employees are motivated to act in a prosocial way (Grant, 2008). Recent studies have shown that positive work impact correlates with higher job satisfaction (De Neve et al., 2018). Furthermore, experiments show that when companies compensate their employees through e.g. charitable actions, they will react with enthusiasm (De Neve et al., 2018). For instance, randomly selected employees at an Australian bank who received bonuses in the form of company payments to local charities, reported greater and more immediate job satisfaction than their colleagues who were not selected for the donation program (De Neve et al., 2018).

4.2.5 Investment and asset optimization

A strong ESG proposition can enhance the rate of return (RoR) on investment by optimally allocating capital towards more promising and sustainable opportunities (Henisz et al., 2019). Moreover, it can help companies avoid investments that may be inefficient or stranded (Henisz et al., 2019). Low pay-offs due to longer-term environmental issues and small profits due to short-term investments, where long-term investments instead could lead to larger profits, can be avoided (Nguyen et al., 2020). By increasing resource efficiency, companies can optimize their operational performance (Henisz et al., 2019). According to Henisz et al., it is thus important to note that an investment that may cost more now will often be more beneficial in the long term for the company.

Apart from a change in the financial markets' climate, new business regulations are evolving (Henisz et al., 2019). Regulatory responses to emissions will likely affect energy costs (EU Commission, 2020). These responses could particularly affect balance sheets in carbon-intensive industries, thus encouraging actors to adopt new sustainability measures (EU Commission, 2020).

Sustainability measures are increasing fast, especially in China (Ping An, 2020). By 2030, the country's imperative to combat air pollution is forecasted to create more than 3 trillion USD in investment opportunities (Henisz et al., 2019). In connection with China's carbon-neutral goal, many businesses are expected to accelerate this process and further promote ESG when investing (Henisz et al., 2019).

4.2.6 Stronger company reputation

In connection with the growing digital age, where a considerable amount of information is available due to computers, companies' reputations are constantly being held at stake (Cambridge Dictionary, 2021; Ma & Osiyevskyy, 2017). Consumers can stay updated, share company information, and integrate with anyone at any time (Ma & Osiyevskyy, 2017). Consequently, any mistake a company performs could be shared fast globally (Ma & Osiyevskyy, 2017). Therefore, it is essential to maintain a positive reputation to enable future company growth (Ma & Osiyevskyy, 2017). Through performing ESG disclosure practices, Levine (2021) argues that companies easily can present how they create value and therefore result in an increase of the company's attractiveness.

Furthermore, Levine (2021) argues that ESG strengthens the brand's perception towards customers and potential employees, which is essential for further growth. Younger generations have become increasingly aware of sustainability issues, thus ESG factors (Levine, 2021). Through integrating ESG into corporate operations, sustainable actions can easily be presented to the public, resulting in increased transparency and attractiveness (Levine, 2021).

The impact of ESG reporting depends on whether the company's operations are positive or negative concerning the ESG metrics (Fatemi et al., 2018). Operations in conflict with the

ESG framework or greenwashing activities, i.e., a company's intention to appear more environmentally conscious than it is, could harm the company (Fatemi et al., 2018; Cambridge Dictionary, 2021). Established sustainable operations and value-related actions in line with ESG will instead contribute to increased transparency, consequently enhancing the value for the company (Fatemi et al., 2018).

4.3 China

Along with rapid growth and development, China has been facing as well as handling several challenges in connection with emissions, human rights, and corruption (Myers, 2020; Chen, 2019; Ren & Pattern, 2019). The following section investigates the impact of these challenges and how China has been working to improve them. It is of importance to study the emergence of ESG in China, and the increasing amount of ESG reports.

4.3.1 Emissions in China

In 2018, China accounted for 28% of global CO2 emissions contributing to pollution and climate change (Blokhin, 2020). The Chinese government long argued that as a developing country, China should not be obliged to share the same burden of reducing CO2 emissions as developed countries whose pollution went uncontrolled for decades (Myers, 2020). However, in 2020, President Xi Jinping announced China's goal to become carbon-neutral by 2060 (Ping An, 2020). The major impact of this goal will fuel the transition to a low-carbon economy transition (Masahiro Kawai, 2015). The commitment would mean that China's net carbon emissions will reach net zero during this period (Chen et al., 2020). Furthermore, the goal aligns with the Paris Agreement and the global target of limiting global warming to 1.5 degrees celsius (Chen et al., 2020).

Financial regulators in China have started to notice the relationship between climate change and economic stability (Tan, 2020). The 2060 carbon-neutral target will demand new regulatory requirements for financial institutions in China concerning climate risks (Tan, 2020). The new target could result in significant opportunities for China's financial institutions (Peiyuan & Guojun, 2020). Financial instruments and products that align with the 2060 carbon-neutral target and contribute to the Paris Agreement, such as ESG investment funds, are expected to be well received by markets and regulators (Peiyuan & Guojun, 2020).

In 2015, China's environmental investment per GDP ratio was 1.5% (Zhu et al., 2015). Compared to major developed countries, such as Japan, Germany, and the US, this ratio was considered low (Zhu et al., 2015). Given China's pollution problems, Zhu et al. argued that China needed to invest 2.0% of its annual GDP during five years in pollution control to clean up its pollution. Since then, China has been investing massively in renewable energy (Bughin et al., 2019). In 2017, China invested approximately 127 billion USD, 45% of the total global investment, in renewable energy (Bughin et al., 2019). This amount was three times larger than the European and US investment together (Bughin et al., 2019).

Team Sweden, a network of companies and authorities collaborating to promote Swedish export and investments globally, annually launches the *Business Climate Survey for Swedish Companies in China 2020* (Business Sweden, 2021.; Yuan et al., 2020). The purpose of the survey is to understand the Chinese business environment in general for Swedish companies operating in China (Yuan et al., 2020). The survey is based exclusively on personal interpretations and subjective experiences from Swedish businesses in China (Yuan et al., 2020). The companies were asked to which extent customers in China consider the environmental aspects of a product or service in connection with purchasing decisions (Yuan et al., 2020). On a scale of 1 to 5 (1 being very little, and 5 being very much) the resulting index was 2.5 (Yuan et al., 2020). The corresponding index when Swedish businesses in the Asian-Pacific region (APAC) were asked the same question resulted in 2.7, indicating that Chinese consumers might consider environmental aspects to a slightly smaller extent than in the rest of Asia (Yuan et al., 2020).

4.3.2 Human rights in China

The UN Human Rights Council (HRC) was founded in 2006 to protect and promote human rights (HRC, n.d.). Although HRC is of high importance for a variety of social constellations, it has been criticized for being political (Chen, 2019). Chen argues that China has been working to reduce the influence of regulations that are not in line with the country's operations. In 2018, China refused to approve 62 of 346 recommendations regarding human rights from the HRC, including the right to information and abolishment of the death penalty (Chen, 2019).

In 2018, China Labor Watch (CLW), an organization dedicated to fair Chinese workers' rights during economic development under globalization, dispatched an undercover investigation into nine toy factories in China (CLW, 2018). The purpose of the investigation was to reveal working conditions and call out multinational companies on claiming responsibility for their production facilities in China (China Labor Watch, 2018). In the inspection, CLW revealed 23 violated workers' rights based on Chinese law. Violations included overtime, insufficient protective equipment, lack of pre-job physical examination, poor living conditions, and failure in providing social insurance following the Chinese law (CLW, 2018).

CLW (2018) revealed three reasons why the rights of Chinese workers were not being followed. The first reason was price pressure by international brands (CLW, 2018). Employees are affected through e.g. short-term contracts to reduce the manufacturing cost for price pressured international brands (CLW, 2018). Price reductions are thus achievable at the employees' expenses (CLW, 2018). The second reason was the competitive advantage of repression against workers (CLW, 2018). CLW argues that Chinese workers do not have the right to strike, resulting in a decreased possibility of decent working conditions. Thirdly, violation of applicable law due to the cost associated with breaking working conditions laws is low (CLW, 2018). For example, CLW claims that there are no legal consequences for overtime work.

In Business Sweden's *Business Climate Survey for Swedish Companies in China 2020*, the perceived risk for Swedish companies of encountering human rights violations and/or labour rights abuse when conducting business in China resulted in an index of 2.3 (1 meaning very small risk, and 5 very high risk) (Yuan et al., 2020). The corresponding index for the APAC region resulted in 2.0, indicating a higher perceived risk in China than the rest of Asia (Yuan et al., 2020). Although larger firms tend to have thorough sustainability policies and the power to avoid a violation, responders believed that the risk of human right violation in China increased with the size of the firm (Yuan et al., 2020).

4.3.3 Corruption in China

According to Ren and Patten (2019), China has faced corruption concerns for decades. Brown (2018) argues that China's rising economic opportunities since 1978 opened up for Party officials to monetize their positions for private gain. According to Vyas and Wu (2020), corruption has never been denied as a serious problem by the Chinese leadership. In 2012, president Xi Jinping mentioned the severe challenges that the party was facing regarding corruption and the need for these problems to be resolved (Brown, 2019). Brown claims that fighting corruption turned out to become one of Xi Jinping's signature themes as president. As a measure, a new anti-corruption campaign was instituted in 2012 (Ren & Patten, 2019). The campaign is considered one of the largest anti-corruption efforts in China's history (Vyas & Wu, 2020). Between 2012 and 2016, over 100 000 officials were investigated and charged in the campaign for corruption (Brown, 2019).

Taplin (2019) claims that corruption is hard to measure. However, two different metrics are widely cited (Taplin, 2019). The Transparency International's Corruption Perceptions Index (CPI) and the World Bank's Control of corruption governance indicator have both improved since Xi Jinping's establishment of the anti-corruption campaign (Taplin, 2019). From 2014 to 2020, China has increased its CPI score by six steps, from 36 to 42, which Transparency International considers a significant improvement compared to other countries in the APAC region (Transparency International, 2021).

In Business Sweden's *Business Climate Survey for Swedish Companies in China 2020*, it is stated that China's active work with anti-corruption has in several cases resulted in visible improvements for Swedish businesses in China (Yuan et al., 2020). Swedish companies participating in the survey indicated that the corruption issues have improved (Yuan et al., 2020). However, 16% of Swedish companies still assess corruption as a top challenge, climbing two steps in the ranking of challenges compared to 2019 (Yuan et al., 2020). The perceived impact of corruption on business resulted in an index of 2.3 (1 meaning very little, and 5 very much). The corresponding index in the APAC region was 2.1, indicating that Swedish companies in China perceived the impact of corruption on business slightly higher in China than the rest of the APAC region (Yuan et al., 2020). The impact of corruption was ranked differently between various industries (Yuan et al., 2020). Industrial firms ranked higher compared to consumer companies, which could be explained by the large transactions that occur within the industrial segments (Yuan et al., 2020).

4.3.4 ESG in China

In Europe and the US, ESG has quickly evolved during the past years, capturing more than 80% of the global market share (PwC China, 2019). Compared to these developed Western countries, China still lags in responsible investments and ESG (PwC China, 2019). However, in 2018, Chinese regulators announced plans to require publicly listed companies to include ESG disclosure by 2020, now expected to be 2021 due to the coronavirus pandemic (Tan, 2020). Additionally, total assets under management for ESG-themed funds in China grew by 50% in 2020 compared to the year before (Tan, 2020).

As China lags in responsible investments, while the interest in ESG is recognized as fast-growing in the literature, Socially Responsible Investing (SRI) is another relevant concept in China (BSR, 2009). In December 2006, as the Peoples Bank of China announced its collaboration with the State Environmental Protection Administration, SRI was emerging in China (Peiyuan, 2008). The idea was to set up a database to document companies' pollution records (Peiyuan, 2008). The increased interest and awareness in responsible investment products in China was a contributing factor for funds investing in securities with positive ESG performance (BSR, 2009).

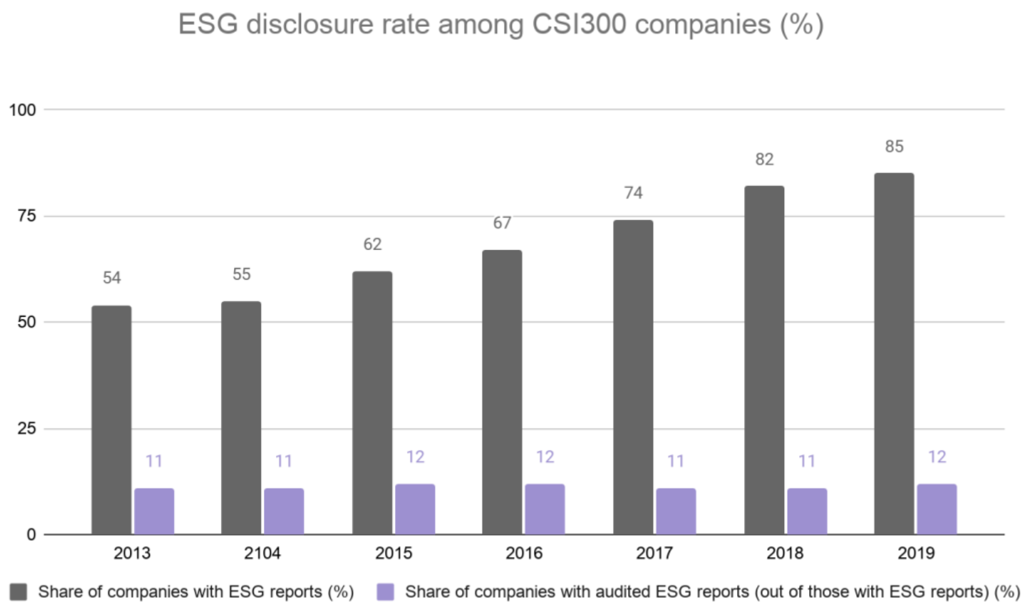
Increasing demand for ESG has implied new ways of financial investment in China (J.P Morgan Asset Management, n.d.). According to Sherwood (2018), these new ways of investment have created a climate change in the financial markets. Like companies worldwide, Chinese companies have encountered challenges regarding how to perform ESG reporting. These challenges include how well the reporting is done concerning governance metrics and how the ESG metrics are executed (Nishimura, 2020). According to Nishimura, not all ESG reports officially presented by firms in China are audited, while there is a risk of biased reports. Investors and financial regulators in China have started to demand unbiased, audited ESG reporting and more comprehensive and stricter regulations (Ping An, 2020). According to Ping An, there is a clear trend towards this path. However, Chinese companies are still facing several challenges that are slowing the process significantly (Ping An, 2020).

Although improved reports from Chinese companies concerning ESG metrics promote unbiased ESG reporting, a critical aspect is whether these reports are audited by a third-party or independent viewer (Fidelity International, 2020). Another important aspect is who the data point providers are or the releases that the ESG reports are based on (Ping An, 2020). To perform more unbiased calculations and conclusions leading to a public ESG report, Chinese companies have started to consult independent third-party viewers such as asset managers and academic, non-profit institutions (Ping An, 2020). The diversity from independent data providers could enrich the market with an increased number of unbiased data sources and more viewpoints (Chinaesg, 2020). Thus, the optimal way for obtaining and developing ESG-themed financial products is to ensure that the ESG data contains all necessary ingredients (Chinaesg, 2020).

As presented in Figure 4.2, a large proportion of ESG reports are not audited. Furthermore, the matter of incompleteness and criticism of the increased number of unaudited ESG reports in China is visualized, which remarks the importance of an increased amount of audited ESG reports. Figure 4.2 is based on the CSI 300 index, hence represents the weighted average of the 300 largest and most valuable assets tradeable in the Shanghai and Shenzhen Stock Exchange markets (Ping An, 2020).

Figure 4.2

ESG disclosure (CSI300 companies)



Note: ESG reporting and the number of audited reports in China 2019 (Ping An, 2020).

Figure 4.2 shows a significant increase in the proportion of ESG reports in the CSI300 exchange between 2013 and 2019. However, the proportion of audited ESG reports within the same time interval does not follow the same trend. Hence, this observation enlightens the importance of audited and unbiased ESG reports that the market overall requires (Center for audit quality [CAQ], 2020).

The significance of governance metrics has been enhanced lately by the Chinese regulators' plans to require publicly listed companies to include ESG disclosure (Ping An, 2020). Ping An argues that these mandatory goals foster both listed and unlisted companies aiming for an Initial Public Offering (IPO) to satisfy disclosures for ESG reporting (Ping An, 2020).

4.4 Oatly's expansion in China

Oatly proposes a plant-based diet, enabling consumers to replace cow milk and other dairy products with vegan alternatives from oats (Oatly, 2021). As a result, Oatly's products are claimed to result in a lower climate footprint (Oatly, 2021). For production, Oatly uses a patented, unique enzyme technology (Oatly, 2021). Due to its sustainability focus and marketing campaigns supporting these visions, Oatly has become well-known for its sustainability measures (GMA, 2020).

Since 2018, Oatly has been operating in China (Oatly, 2020). At the beginning of 2020, Oatly's products were available in over 3000 coffee shops, cafes, and restaurants in China (Zheng, 2020). According to Zhang (personal communication, March 30, 2021), current partnerships include local boutique coffee shops and major multinational coffee chains, such as Starbucks.

4.4.1 Current strategies and goals

In 2019, on average 24 employees worked at Oatly in China (Oatly, 2020a). D. Zhang (personal communication, March 30, 2021) mentions that in 2020, the number of employees had increased around seven times compared to the year before. Oatly's current sales in China are derived mainly from business-to-business (B2B) sales, while a minority comes from business-to-customer (B2C) sales (D. Zhang, personal communication, March 30, 2021). To increase the proportion of B2C sales, Zhang explains that Oatly plans to grow its e-commerce business and recently launched the strategy of Oatly Inside. This strategy will distinguish stores that have adopted or proactively participate with Oatly products/activities, ranging from branding campaigns to product testing, focusing on consumer experience. Starting from coffee communities, Oatly Inside will eventually expand to other Food and Beverage (F&B) and retail channels, such as quick-service restaurants, lifestyle retail, bakery-, teahouse-, and ice-cream shops (D. Zhang, personal communication, March 30, 2021). Through Oatly Inside, Zhang explains that certified stores will achieve numerous benefits, including prioritized inventory, collaborative campaigns, and product debut. Apart from being a business strategy, Zhang considers this a realization of brand value that helps lead a lifestyle in top-tier cities and major markets in China.

Through its continuous expansion, Oatly plans to become the concept of +Oatly, a comprehensive milk alternative solution within every category where milk appears (D. Zhang, personal communication, March 30, 2021). According to Zhang, Oatly intends to encourage consumers to choose plant-based alternatives over dairy products, and as a result, reduce the climate impact. Oatly's Swedish CEO, Toni Petersson, claims that the idea is not to increase the overall consumption of products in society, yet instead replace dairy products with higher environmental impact (Bocken et al., 2020).

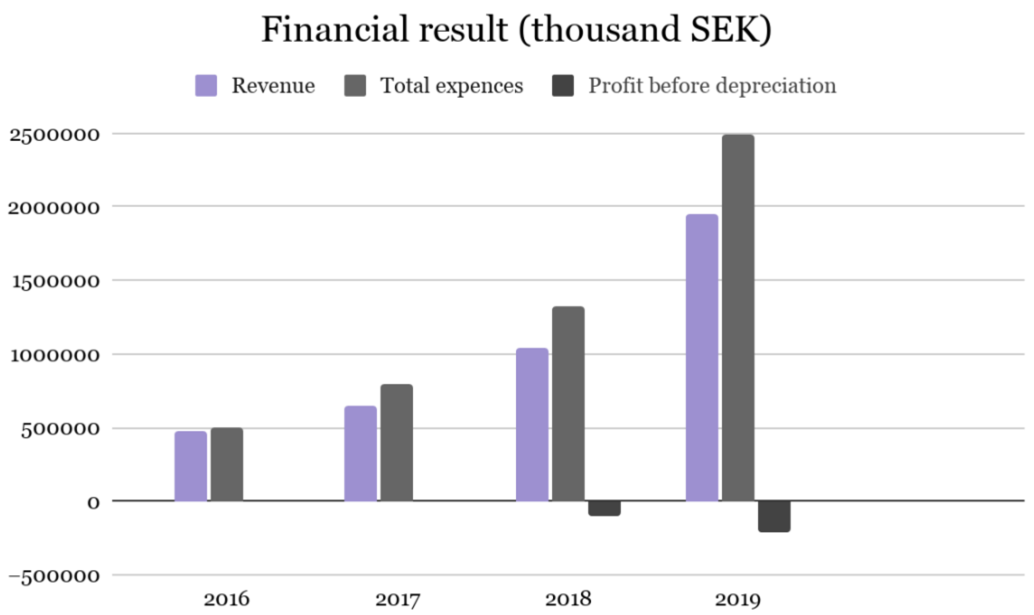
4.4.2 Opportunities in China

Since Oatly entered China in 2018, Y. Yang (personal communication, April 7, 2021) claims that Chinese consumers have started to pay increased attention to ESG issues and their daily impact. According to Yang, growing awareness regarding sustainability is expected to contribute to an increased understanding of the advantages of Oatly's plant-based alternatives. When asking about Oatly's role in China's transition towards sustainability, Yang mentioned that Oatly is encouraging a plant-based instead of the animal-based food system, which aligns with China's carbon neutrality goal. This statement is following what was claimed in Oatly's *Sustainability Report 2019* regarding the company's role in creating a change in society, where it was stated that "the best way for us (Oatly) to contribute is to introduce more people to the advantages of a plant-based diet" (Oatly, 2020b). Yang believes that the carbon-neutrality goal is expected to encourage more people to become aware of sustainability issues and how carbon reductions reduce the negative climate impact, which matches Oatly's values.

In 2019, Oatly increased its global volume of produced products by 93% compared to 2018 (Oatly, 2020b). Furthermore, D. Zhang (personal communication, March 30, 2021) describes Oatly as the current leader of a new industry in China, with few competitors. To meet the demand in China while reducing transport distance, Oatly is planning to build new factories and production sites in Asia, including China (D. Zhang, personal communication, March 30, 2021).

Figure 4.3

Financial results

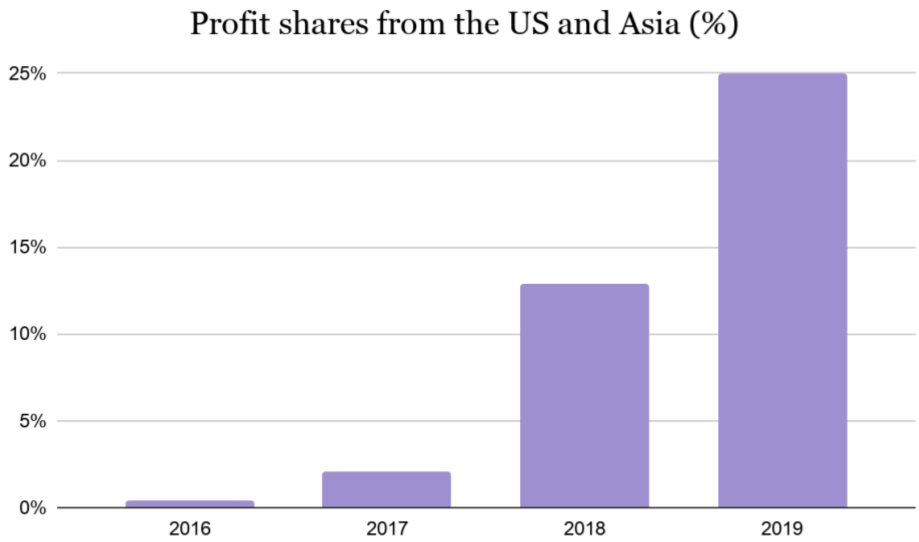


Note: Financial results based on Oatly's annual reports from 2016 through 2019 (Oatly, 2017; Oatly, 2018; Oatly, 2019; Oatly, 2020a).

As presented in figure 4.3, Oatly increased its global revenue by 87.8% during 2019 (Oatly, 2020a). Due to high investments in new markets such as China and the US, Oatly doubled its expenses during 2019 from 1 328 208 to 2 496 030 thousand SEK (Oatly, 2020a). These expenses resulted in a negative profit of -206 677 thousand SEK before depreciation, compared to -101 720 thousand SEK the year before (Oatly, 2020a).

Figure 4.4

Profit shares (outside of Europe, mainly from the US and Asia)



Note: Profit shares outside of Europe, mainly from the US and Asia, calculated based on Oatly's annual reports (Oatly, 2017; Oatly, 2018; Oatly, 2019; Oatly, 2020a). Along with increased global revenue, the revenue share from sales mainly in Asia and the US grew from 12.9% to 25.0%.

4.4.3 Challenges in China

Oatly aims to promote further awareness of environmental sustainability among Chinese consumers (D. Zhang, personal communication, March 30, 2021). In connection to this, Zhang describes that Oatly is facing a challenge in China regarding consumer education. Another challenge lies in helping legal authorities establish regulating industry standards in China (D. Zhang, personal communication, March 30, 2021). According to Zhang, Oatly is proactively working with relevant bodies to help explore the best solutions for both the overall F&B market and the market for plant-based alternatives regarding the development of new industry standards. Oatly claimed that it is critical to impact the governance system and policy settings and encourage systematic changes within society, including norms, behaviors, and regulations (Oatly, 2020b).

Oatly has struggled to meet demand in China, along with insufficient production capacity (D. Zhang, personal communication, March 30, 2021). The products distributed to China are currently produced at production sites in Europe, mainly Sweden and Holland (D. Zhang, personal communication, March 30, 2021). According to Zhang, long production lead times have resulted in a shortage of products and delivery delays. Additionally, Zhang mentions that different shipment ways have been necessary to explore to speed up the delivery time. According to Bocken et al. (2020), another challenge for Oatly in connection with rapid global growth lies in the potential loss of employees' engagement in the company's core values regarding sustainability.

4.5 Environmental metrics applied to Oatly

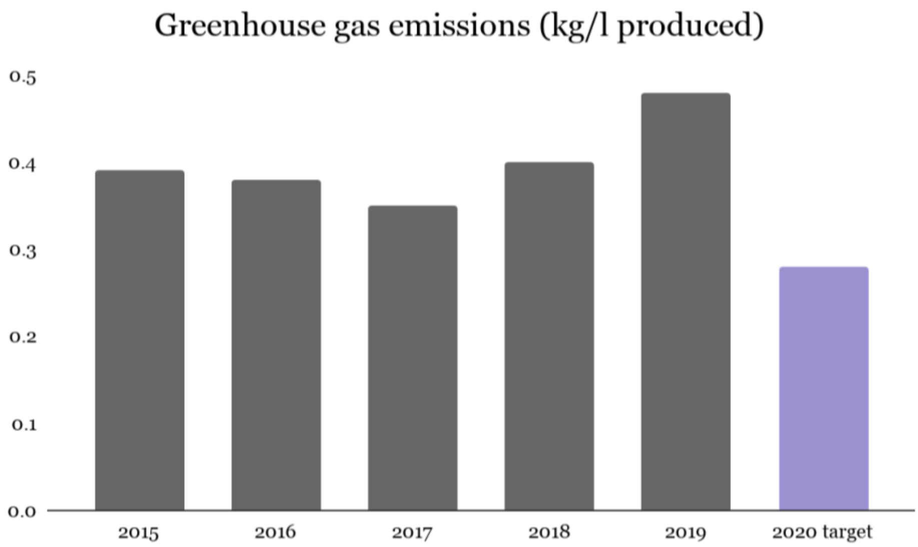
In 2019, Oatly had set a target to decrease its total climate impact through CO2 emission per liter of products by 25% by 2020 (Oatly, 2020b). However, the company's overall corporate climate footprint increased during 2019 by 20% per liter of product produced (Oatly, 2020b). According to Oatly, the increased climate footprint was mainly due to using oats with a higher climate impact and massive market growth. The expansion in China and the increased distribution to Asia, in several cases air distribution, constitute critical parameters (Oatly, 2020b). The major part of emitted GHG emissions caused by transportation during 2019 was due to the distribution of products to Asia (Oatly, 2020b).

During 2019, 64% of the energy used at Oatly's external production sites in Europe was from renewable sources (Oatly, 2020b). The corresponding share of renewable sources used for production outside Europe was 20% (Oatly, 2020b).

Oatly's GHG emissions between the years 2015 and 2019 are presented below in figure 4.5.

Figure 4.5

GHG emissions (2015-2019)

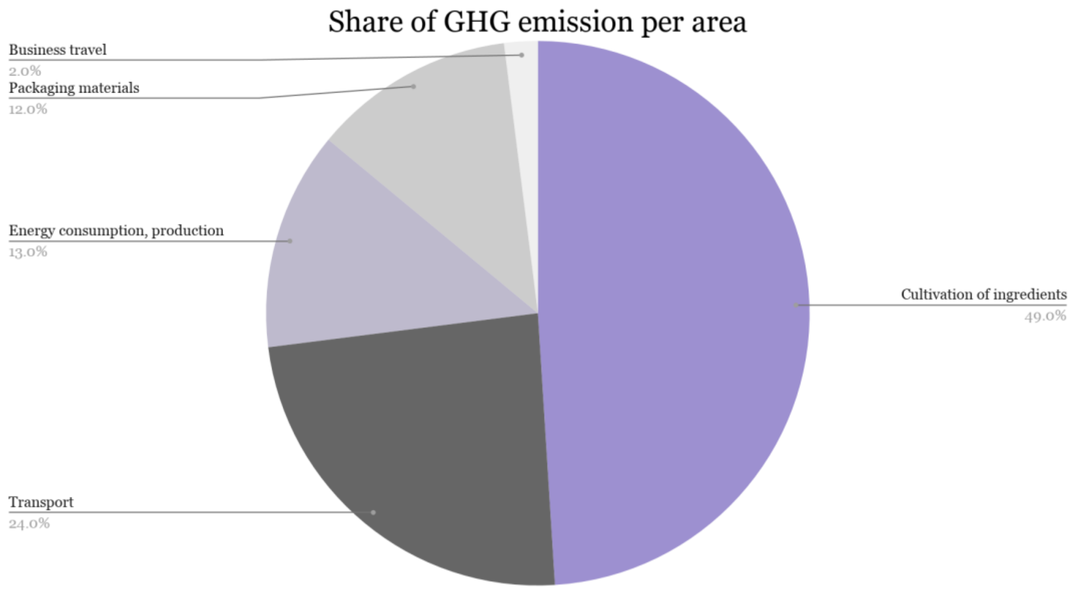


Note: Oatly's GHG emissions between 2015 and 2019, including the 2020 target (Oatly, 2020b).

As seen in figure 4.5, Oatly has increased its amount of emitted GHG emissions between 2015 and 2019. Despite the increase, Oatly has set a comparably low target for 2020. Moreover, figure 4.5 below shows the share of emitted GHG regarding the most critical areas in Oatly's operations.

Figure 4.6

GHG emission per area



Note: The most critical areas for Oatly's GHG emissions during 2019. (Oatly, 2020b).

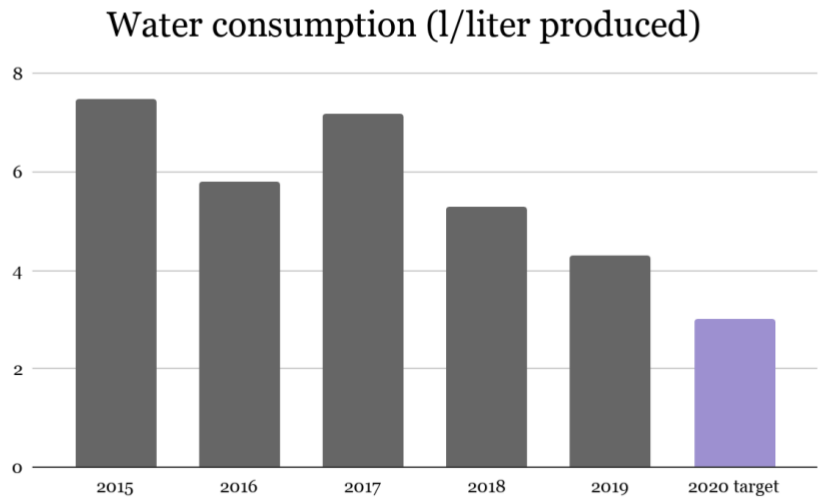
In figure. 4.6, it is noticed that Oatly's major contribution to GHG emissions is due to the cultivation of ingredients, distribution, and energy consumption during production.

Oatly has decreased the average water consumption per product at its production sites since 2017, from 7.2 to 4.3 liters per product produced (Oatly, 2020b). According to Oatly, the decrease is a result of more effective production planning and increased utilization, mainly at the company's production site in Landskrona, Sweden. However, the water usage decrease does not include external production partners, which account for 60% of the production (Oatly, 2020b). In addition, Oatly described that the water consumption for external partners is unknown (Oatly, 2020b).

In figure 4.7, Oatly's water consumption between 2015 and 2019 is presented. The company's lower target for 2020 is observed.

Figure 4.7

Water consumption



Note: Oatly's water consumption at its production sites from 2015 to 2019, including the target for 2020 (Oatly, 2020b).

As can be remarked in figure 4.7, Oatly has reduced the water consumption at its internal production sites successively between 2015 and 2019, with an exception in 2017.

Oatly does not follow any formal environmental policy. The company has an official *Code of Conduct* representing the company's ethics, including the overall environmental sustainability aspect (Oatly, 2021). Oatly states to work widely with innovation, including R&D and advanced process technology (Oatly, 2020a). For example, Oatly has claimed to take action towards 100% renewable energy at all production sites (Oatly, 2020b). To achieve this goal, investments supporting this purpose on markets with a lack of enough renewable capacity are being explored (Oatly, 2020b). In the *Sustainability Report 2019*, Oatly (2020b) states that a decrease in emitted CO2 from its production site in Landskrona was a direct result due to increased resource efficiency. Furthermore, Oatly claims to focus on resource efficiency, renewable sources, and sustainable options within different areas such as packaging, distribution, recycling, and ingredients (Oatly, 2020b). However, specific numbers or investments regarding this area are not to be found in public sources.

4.6 Social metrics applied to Oatly

Oatly has an established goal of an equal and balanced representation between male and female genders in the company's leading positions (Oatly, 2020b). In 2019, there were 506 employees globally at Oatly, where 51% constituted men and 49% were women (Oatly, 2020b). The number of global employees increased by 74% compared to 2018 (Oatly, 2020b). The average number of employed men in China was 24 compared to 9 women (Oatly, 2020a). These numbers equal an increase of both genders by 1.8% (Oatly, 2020a). Oatly claims to demand recruiters to present female and male candidates to roles where a specific gender is overrepresented (Oatly, 2020b). The gender distribution among senior executives in 2018 was 100% male compared to 0% female, and 83% male compared to 17% female in 2019 (Oatly, 2020a).

Oatly has coworkers in several parts of the world (Oatly, 2020a). Regulations on working conditions fluctuate depending on region and nation (Oatly, 2020b). The different conditions for countries in which Oatly operates have been mapped out, following the *Code of Conduct*, the UN' SDGs, and ISO45000, an international standard for health and safety (Oatly, 2020b). The minimum age of recruitment of child laborers is not to be any less than 15 years old (Oatly, 2020b). The minimum age needs to be in line with the national minimum age of employment or the completion of compulsory schooling, depending on which is highest (Oatly, 2020b). In order to control the age, date of birth documentation is required (Oatly, 2020b). Action plans to prevent child labor need to be established, communicated, and documented to stakeholders (Oatly, 2020b). If child labor was to be detected, the supplier must report to Oatly, have a dialogue with the family, offer programs that enable the child to attend, and complete compulsory schooling (Oatly, 2020b). In Oatly's value of Health and Trust, it is stated that no forms of forced labor shall take place and each employee is free to terminate their employment (Oatly, 2021). Employees have the right to exit the workplace at the end of their working hours, and employers do not demand employees to hand in identity documents or pay deposits (Oatly, 2021).

Oatly has based the *Code of Conduct* on the Universal Declaration of Human Rights along with seven other rights principles (Oatly, 2021). All employees, suppliers, and partners are expected to act in accordance with the *Code of Conduct* (Oatly, 2021). If non-compliance is identified, measures should be taken to prevent similar recurring events in the future, and the deficiency should be corrected within a set period (Oatly, 2021). In 2019, it was found through a survey that 85% of employees perceived Oatly as a working place free from discrimination (Oatly, 2020b). There were no reported cases of discrimination related to equality and diversity (Oatly, 2020b). In order to further improve within this area, Oatly has formed a project group collaborating with external partners (Oatly, 2020b). Measures shall be taken to protect employees from being insulted, discriminated against, or terminated of employment on unjustified grounds (Oatly, 2020b). There should be no discrimination in recruitment, salary, training, promotion, termination, or retirement based on age, disability, gender, marital status, sexual orientation, union membership, or political affiliation (Oatly, 2020b).

4.7 Governance metrics applied to Oatly

According to Oatly, all employees and external partners have the responsibility to follow the *Code of Conduct* (Oatly, 2020b). The *Code of Conduct* covers values regarding Sustainability, Health, and Trust, and is based on e.g. HRC, ILO's conventions, and the SDGs (Oatly, 2021). In the Sustainability section, efforts to reach the long-term goal of contributing to the closing of cycles of the resources used in the value chain are stated (Oatly, 2021). In the Health section, responsibilities regarding employees' health, well-being, and safety through training managers in workplace safety and health are stated (Oatly, 2020b). In the Trust area, it is e.g. explained that an open dialogue with external partners, suppliers, and consumers is of importance in order to communicate values as well as creating good relationships (Oatly, 2021). Standards regarding requirements are presented and include broad areas such as No forced labour, No discrimination, and Working hours (Oatly, 2021).

In July 2020, Oatly received a 200 million USD investment from the investment group Blackstone (Helmore, 2020). Oatly claimed that the investment was necessary to continue building a sustainable supply chain in existing markets, such as new factories, and distribute oat-based products more widely (Oatly, 2020). Blackstone's investment resulted in a 10% ownership of Oatly (Southey, 2020). After accepting the investment, Oatly has received substantial criticism due to Blackstone's alleged links to deforestation and the Trump administration (Harrison, 2020).

In 2019, Blackstone invested in the Brazilian logistics company Hidrovias (Helmore, 2020). Hidrovias has been accused of deforestation in the Amazon, due to the building of a controversial highway intending to export food to the Amazon shipping terminal Miritituba (Helmore, 2020; Harrison, 2020). For the 2016 election campaign, Stephen A. Schwarzman, CEO and chairman of Blackstone, donated millions of dollars to the Trump administration, with various concerning environmental and ethical stances (Harrison, 2020).

Oatly defines its goals as, "Our goal is to always deliver products that have maximum nutritional value and minimal environmental impact. We promise to be a good company which means that our drive to help people upgrade their lives always comes before the reckless pursuit of profit." (Oatly, n.d.a.). This statement has left supporters confused, seeing Oatly approaching Blackstone for an investment as moving further away from the oat milk brand's ethos (Harrison, 2020). Oatly responded to the public in a letter stating that "We thought that if we could convince Blackstone that it is profitable to invest in a sustainability company like Oatly, then all the other PE firms of the world would look, listen and start to steer their collective worth of 4 trillion US dollars into green investment" (Oatly, n.d.b.). The purity of Oatly's intention of Blackstone has been questioned, in terms of whether the oat brand has been built on greenwashing, or if its intentions are genuine (Reid, 2020).

Although Oatly assesses the current risk of corruption within the organization as very low, an increased risk given rapid expansion is identified due to a growing organization and global network of contacts (Oatly, 2020b). Anti-corruption responsibilities are included in the *Code of Conduct* to prevent these risks (Oatly, 2020b). Oatly has a whistle-blower system and states to assess the risks of new suppliers (Oatly, 2020b). During 2019, there were no reported cases of corruption within Oatly (Oatly, 2020b).

Oatly's annual sustainability reports cover data on environmental, social, and governance aspects (Oatly, 2020b). The reports include company news, statistics in connection with sustainability and company growth, and the reporting cycle (Oatly, 2020b). Additionally, they focus on future strategies and goals related to environmental and social sustainability, which Oatly (2021) states are critical to achieving transparency towards consumers. In 2019, Oatly started to calculate the environmental footprint for each of its products to further increase transparency and action (Oatly, 2020b). The aim is to inspire other companies to do the same to increase transparency for consumers (Oatly, 2020b).

Figure 4.8

Oatly’s main chosen SDGs

Note: Oatly’s main chosen SDGs to focus on are mentioned in the *Sustainability Report 2019* (Oatly, 2020b).

As presented in figure 4.8, Oatly has set internal goals concerning several SDGs. The specific goals have been selected based on where Oatly claims to have the highest impact (Oatly, 2020b). In the Sustainability Report 2019, Oatly provides information on how the company can make an impact. Additionally, key impacts during the past year for each selected goal are presented (Oatly, 2020b).

4.8 Summarized PESTEL

Table 4.1 presents the identified main external forces that affect Oatly's future growth in China. The table is based on the PESTEL framework, presented in chapter 2.2, and divided into the different factors.

Table 4.1

PESTEL framework

Political • Increasing risk of corruption due to vulnerability along with rapid expansion.	**Economical** • Low market competition • Global market growth	**Social** • Increasing consumer environmental awareness.
Technological • Patent on enzyme technology.	**Environmental** • China's goal to become carbon neutral by 2060.	**Legal** • Regulating industry standards for sustainable initiatives.

Note: Summarized PESTEL analysis for Oatly in the Chinese market.

4.9 Summarized SWOT

Table 4.2 presents the identified key internal and external factors for Oatly in China. The matrix is based on the SWOT analysis, presented in chapter 2.3, and covers strengths, weaknesses, opportunities, and threats.

Table 4.2

SWOT framework

Strengths	**Weaknesses**
• Strong brand with clear visions. • Effective production planning. • Extensive sustainability focus. • Transparency regarding environmental footprint. • Valued Code of Conduct.	• Increased environmental footprint. • Difficulties in meeting demand. • No formal environmental policy. • Gender imbalance in leading positions. • Only 85% of employees perceive Oatly as free from discrimination.
Opportunities	**Threats**
• Few competitors. • Oatly Inside. • +Oatly. • Growing environmental awareness among Chinese consumers. • Global market growth • China: carbon neutral by 2060. • New factories and production sites closer to China.	• Increased climate impact due to continuous growth. • Difficulties helping legal authority set up regulating industry standards. • Unknown climate impact from external suppliers. • Potential loss of employees' engagement in core values. • Increasing risk regarding working conditions and corruption due to rapid growth.

Note: Summarized SWOT analysis for Oatly in China.

The SWOT analysis presented above in table 4.2 will form the base for a discussion regarding Oatly's strategies in China in chapter 5.3.

5. Discussion

The main purpose of this report was to understand how ESG can be applied to companies in China based on the UN's SDGs to achieve sustainable expansion and growth, how companies can evaluate business strategies in China, and to formulate related strategic recommendations for Oatly in China. This chapter presents a discussion about the purpose of the report, based on the theoretical framework in chapter 2 and the results in chapter 4.

5.1 ESG based on the UN's SDGs

Throughout this report, several chapters have discussed the connection between ESG and the UN's SDGs. It is clear that ESG correlates with the SDGs and that ESG would not be as profound without the support of the UN's guidelines. Furthermore, since the SDGs are formed by the UN, these goals are globally acceptable and adapted by many countries. When applying ESG based on the SDGs, their global acceptance can thus be assessed as the most critical and obvious advantage.

As earlier mentioned, the consumer demand for sustainable products and management is growing. To be leading in sustainability means that a company has a cutting edge on the market, applying top-line growth and staying ahead of national regulations by following the SDGs. Additionally, it includes enabling saving money due to avoided fines and forced company or supply chain restructuring. A company can easily advertise its commitment to sustainable growth by including applicable SDGs in a sustainability report. The SDGs provide a profound and defined reference system, clarifying the company's actions towards ESG management.

The lack of strategy connected to the goals is a weakness when only applying the SDGs. There is no clear strategy mentioning how to reach the goals or when sustainability has been achieved. Consequently, a company needs to interpret the SDGs for its particular industry sector. When applied based on the SDGs, ESG becomes a continuation providing a framework for which areas to focus on and how to measure the performance. The GRI Standards can be used for the same purpose, as these further serve as a distinct instructive third party for reporting. The GRI Standards constitute a significant part of data disclosure, helping companies sustain high sustainability performance. Therefore, the SDGs help companies identify central areas, while ESG measures how well the company manages these.

As ESG becomes a more established framework, companies that present their ESG performance will attract investment companies merely by using the term ESG. To communicate development and success and not lose investors, it becomes increasingly necessary for companies to apply ESG metrics and report according to GRI. Moreover, if the SDGs were excluded from the ESG framework, ESG would not be as powerful or valuable a tool as it is growing to be. In the Nasdaq reporting guide, all ESG metrics relate to either the SDGs, GRI, or other already established frameworks to connect the ESG framework further and make it more applicable.

Connecting the SDGs with ESG implies many advantages for companies, such as a clear sustainability report or an explicit and inclusive Code of Conduct with additional company policies. By relating the SDGs to ESG, companies can avoid human rights violations, corruption, or other social and environmental risks which may hinder sustainable growth. In turn, companies can ensure competitive growth strategies with decreased hindrance from stakeholders, such as the government, non-governmental organizations, and consumers.

The different ESG metrics enable structuring and evaluation of a company's sustainability work. By evaluating each metric, the scope for existing sustainability problems is specified, making it easier to grade. An ESG value can be high or low depending on the company's performance in the different metrics. If the current ESG trend continues, investment companies will increasingly seek to invest in high-valued firms. With the additional contribution of GRI reporting, the evaluation of ESG performance based on the defined environmental, social, and governance sustainability will be critical for future sustainable development investments.

5.2 How ESG creates value in China

This section will discuss and analyze the aspects that companies in China might need to consider to be attractive in current dynamic financial markets. The results are problematized and enlightened to create contrasts and grasp how ESG affects investment companies through value creation in China. The purpose is to present an analysis applicable to companies in China in general and enable a profound discussion regarding Oatly's expansion in China in chapter 5.3.

5.2.1 Value for companies

In chapter 4.2, a clear correlation between the application of ESG and the added value for companies was found. It was presented how the company 3M managed to save large amounts of capital through its 3Ps program. The program was implemented within the company and with respect to ESG, especially focusing on environmental aspects. Except for a large amount of money saved, the added value for 3M in terms of increased attractivity in connection with ESG investing should be noted. The example shows the importance of being able to successfully implement ESG metrics, in such a way that it enlightens and creates a contrast of the company's approach regarding ESG aspects.

The sections *ESG in China* and *How ESG creates value for companies* in chapter 4, presented important aspects that companies should keep in mind when considering a change in their businesses. By applying ESG metrics, companies can adapt their businesses to more dynamic markets, thus gaining overall market attractiveness. It was found that ESG investing often leads to increased positiveness among consumers, as well as enhanced interests from e.g. investment companies.

Moreover, the report aimed to take a closer look at the research *Five ways that ESG creates value*, with contributions from many authors. The research explained how ESG can create and add value for companies in five straightforward ways. The first one, Top-line growth, presented clearly how a strong ESG proposition can help companies to enter and expand in new dynamics as well as existing markets. It was shown that a majority of consumers are willing to pay more for green products. This industry standard can hence implicate beneficial outcomes for all companies applying and communicating environmental sustainability to their strategies, in terms of increased revenue and RoR. Additionally, this type of customer behavior is in alignment with SDG 13, *To combat climate change,* as well as 8.4, *To break the link between economic growth and environmental degradation.*

The next topic presented in the report, Cost reductions, showed that companies who manage to perform higher resource efficiency and thereby achieve a higher financial performance, often have established clear, long-term sustainability strategies. The third topic, Reduced regulatory and legal interventions, enlightened how a stronger external value proposition can enable companies to achieve strategic freedom, to such an extent that it helps to ease regulatory pressure. In the fourth topic, Employee productivity uplift, it was remarked how a strong proposition in terms of ESG can help companies to attract as well as retain employees that provide the company skills. When considering the fifth topic, Investment and asset optimization, it was clear that a strong ESG proposition can enhance the RoR by optimally allocating capital towards more promising and sustainable opportunities.

Apart from the above five ways that ESG creates value, corporate value can be created in connection with Brand reputation if achieving a positive ESG performance. Corporate operations in line with ESG metrics and transparency towards customers will benefit the brand’s reputation, which could result in a positive profit. However, if the operations occur as positive but the company is not fully transparent, e.g. through greenwashing, the impact on the brand’s reputation will be negative.

As a result of the presented ways that ESG creates value, it is believed that a cooperative use and implementation of these measures by companies will promote a business uplift. However, a company and its investors are always depending on one another in order to be successful. Therefore, it is crucial to view the overall situation when analyzing sustainable operations. Due to its increase in popularity lately, ESG might in some cases be treated as a trend expected to eventually pass by. In addition, criticism of ESG was presented in chapter 2.1.3. However, it is clear that in order to remain attractive in existing dynamic markets, companies must be able to adapt their businesses according to ESG measures, as well as understand when there is a need for implementation of the framework within the organization. In other words, companies must be able to make accurate predictions and forecasts in good time before the market reacts. Since ESG measures often require time for implementation, a company could risk losses in attractiveness from investors and consumers and, as a consequence, e.g. lose its reputation and market shares if considering adopting too late.

The fact that China offers significant opportunities for financial institutions, in combination with China's goal to become carbon neutral by 2060, supports the belief that Chinese companies, in general, are expected to gain increased attention from all interests in the financial market. As companies in China continue to grow as investment opportunities, it is of further importance to adopt ESG investing sooner rather than later.

Although ESG investing is increasing in China, it is critical to remark that China is not commonly considered a government trusted for its audited reports. Together with larger investment companies in the mainland, it hence becomes important for companies in China to be able to conduct unbiased and trustful ESG reports. By providing transparent ESG reports to the public, companies will gain increased overall value, e.g in the form of market attractiveness. It is believed that independent providing of data and transparency are critical for companies in China to promote successful ESG reporting. These factors will provide a rational and constructive path for companies to begin their journey towards being attractive in the financial market, which eventually will generate good forecasts about the future and thus create value.

5.2.2 Value for investment companies

There are many synergies between how ESG creates value for companies and investment companies. Investment companies continuously seek for assets and companies to invest in, which given the forecasts will add the highest value to the portfolios. As a result, investors are dependent on the companies that they invest in. The impact of ESG on investment companies is a result of how well the companies they invest in, perform in terms of ESG. This includes e.g. to which extent the portfolio companies manage to implement ESG into their business strategies as well as report on ESG.

As presented, it is clear that ESG can create value for companies if rationally implemented into business strategies and operations. If China were able to provide a large sequence of unbiased and audited ESG reports, to such an extent that the public could be offered reliable reports, companies in China could be seen as reference stakes. The fact that companies in China were able to implement ESG metrics despite the lack of audited reports, would probably promote the implementation of ESG towards other companies on the global market while increasing the attractiveness of Chinese companies towards investors. As companies are bought and added to the investment companies' portfolios, attention from individuals for these assets is expected to increase due to expectations on profit gains. Large funds providing portfolios consisting of ESG marked assets would hence be preferable for private investors seeking these kinds of investments to make an entry.

Overall, it can be seen that a circular momentum is created, as both private and corporate investors attempt to increase their chances to make profitable trades and investments.

Moreover, the obtained companies that can ensure and deliver satisfying ESG metrics when requested by the market, and their corresponding assets, are seen as optimized in terms of ESG.

Although ESG creates value for companies and investors, it should be noted that ESG investing begins with respect to nature, employees, and connected stakeholders. It is therefore of importance to understand that ESG can not only be related to monetary benefits, but also to other metrics making the concept even more powerful for the value chain.

It should be remarked that the article *5 ways that ESG creates value* is the main source for the discussion and conclusion within this area, resulting in potentially biased content. However, the article is written by several authors from a well-known company while based on a variety of sources. Despite contributions from many authors, it is critical to highlight the potential lack of a complete overview of how ESG creates value. Other aspects not covered in this report might be necessary to examine for further analysis.

5.3 Focus areas for Oatly in China

For a company that claims to have sustainability as core values, it is critical to analyze strategies in connection with Chinese expansion and growth, along with sustainability.

5.3.1 ESG applied to Oatly's strategies in China

Interviewees at Oatly and Oatly's annual report stated that the expansion in China is following Oatly's vision of enabling more people to choose plant-based products. These statements indicate that Oatly's primary focus is to scale up its business, rather than prioritizing performance in terms of other sustainability strategies and operations, such as reusable packaging, conscious sales, and making demands on suppliers' sustainability work through the strategy Oatly Inside.

Since its expansion to China in 2018, Oatly has been growing fast in the country. As noticed in figure 4.4, Oatly's profit share between 2016 and 2019 from Asia and the US has significantly increased. Furthermore, between 2019 and 2020, Oatly's number of employees in China increased remarkably by around 700%. It can thus be concluded that the Chinese market and demand for plant-based products are fast-growing. Despite overall negative profits since 2017, it can be argued that Oatly has achieved a successful Chinese expansion in terms of revenue and growth. Oatly's current strategies and plans in China, such as new production sites to meet demand, indicate that Oatly is still at the beginning of its Chinese growth journey. However, it is significant to analyze this data together with ESG metrics to gain a broader perspective.

To provide an example of how ESG can be applied to companies, specific ESG metrics were applied to Oatly in China. Firstly, the selected environmental metrics, *GHG Emissions* (E1), *Water usage* (E6), *Environmental operations* (E7), and *Climate Risk Mitigation* (E10), were applied. As presented in figure 4.5, Oatly has decreased its global performance regarding GHG emissions between 2017 and 2019. The decrease was partly a direct consequence of the expansion and distribution of products to China. In 2019, only 20% of the energy consumed at external production sites in Asia and the US was renewable, a significantly lower share than in Europe. As Oatly is establishing new production sites in Asia, the emitted amount of CO2 due to distribution to China from Europe is expected to decrease. To lower the direct climate impact in China further, it is central to simultaneously increase the amount of renewable energy used as well as handling resources efficiently at these production sites.

As seen in figure 4.7, Oatly has decreased its water consumption at internal production sites during the past five years, except in 2017. If Oatly continues to increase its resource efficiency at the same rate, the lower target for 2020 could be achieved. However, a majority of Oatly's production is located at external production sites where access to this data is claimed to be missing. Oatly's new production sites in China imply an opportunity to gain internal access to an increased amount of data and enable control while improving efficiency regarding water usage during production. To enhance the performance and increase transparency regarding this metric, Oatly should consider these aspects during the construction of new production sites in China.

Oatly lacking a formal environmental policy decreases the company's performance regarding *Environmental operations* (E7). The implementation of specific policies regarding water usage, waste, and energy and recycling, would align with the 6th SDG, *Water use,* and the 12th SDG, *Ensure sustainable consumption and production,* which Oatly claims to be two focus areas. The ESG framework raises the importance of investments to prevent environmental degradation and combat climate change through *climate risk mitigation* (E10). In the annual reports, it is described how Oatly puts a lot of resources into R&D, and it is clear that the company will establish its new production sites in China partly as a measure to decrease its environmental footprint. However, no actual numbers regarding these investments and their specific purposes are presented, which indicates a lack of evidence supporting these statements.

Secondly, the social ESG metrics, *Gender diversity* (S4), *Child & Forced Labour* (S9) and *Human Rights* (S10), were applied to Oatly. The overall gender diversity among employees is relatively balanced, while there is a significant gender imbalance among senior executives and other leading positions. Although Oatly has improved its equality in terms of gender balance during 2019, it is not sufficient for Oatly to be considered an equal company. Despite Oatly claiming to focus on the 5th SDG, *Achieve gender equality and empower all women and girls*, a clear plan on diversity improvement, except through open-mindedness during recruitment processes, is not communicated. By increasing equality, it is believed that Oatly could improve its team productivity. Therefore, it is necessary to secure action plans such as a global recruitment plan and increased equality work among senior executives. These measures become especially important in connection with future expansion in China, where the equality level is below Oatly's average.

Oatly's work with preventing child and forced labor is mentioned to include action plans and a clear dialog with suppliers. Oatly states to have the 8th SDG, *Decent working conditions and economic growth*, as a focus. However, there are no public statistics from external suppliers which confirm these statements. To be fully transparent and secure that no child and forced labor occurs among external partners, Oatly would benefit from presenting these numbers publicly. This recommendation can be applied to the third social metric, *Human rights*, as well. Despite zero reported cases, all employees do not perceive Oatly as a working place free from discrimination. Furthermore, although all employees should follow the *Code of Conduct*, Oatly does not offer any employee training regarding human rights. The company has not reported on other human rights. However, as seen in the undercover investigation by China Labour Watch, China has been questioned for its actions regarding this area. Therefore, the construction of new production sites in China may implicate a risk regarding this metric. To improve the performance, Oatly needs to present and secure its own as well as suppliers' working conditions for employees and human rights at the new production sites.

Thirdly, the governance metrics *Ethics & Anti-corruption* (G6), *ESG Reporting* (G8), and *Disclosure Practices* (G9) were applied to Oatly. After accepting the investment from Blackstone, Oatly faced criticism. Although an investment, in general, might be necessary to raise capital, it can be critical to carefully examine the investment company before accepting it to identify possible consequences of the partnership. Oatly strives for as sustainable products as possible and has many customers and fans because of these values. In situations similar to the criticism that arose when accepting the Blackstone investment, companies may risk that customers refuse to put their money into companies connected to the destruction of the planet or putting lives and land at risk. As a consequence, Oatly needs to be fully transparent and present value-based actions publicly. Additionally, the risk of loss of employees' engagement due to its rapid growth enhances this area of importance.

Oatly stated that the purpose of the Blackstone investment was to continue to grow as sustainably as possible. Despite the above consequences, Oatly has increased sales and expanded its business since accepting the investment. In addition, Oatly states to focus on R&D and has set clear targets to decrease the company's environmental impact. If using the investment for these purposes, promoting sustainable operations and resource efficiency, Oatly will be able to increase its ESG performance. Although it is not confirmed that Oatly's development and increased sales was a consequence of the investment, beneficial outcomes for Oatly have been identified despite criticism from customers. Furthermore, it should be noticed that Oatly was able to receive the investment due to its strong sustainability performance, according to what was discussed earlier in section 5.2.2 *How ESG creates value for investment companies*.

In the *Sustainability Report 2019*, Oatly describes the current risk of corruption within the organization as low, while no cases of corruption have been reported. However, the increased risk of corruption due to rapid company growth is mentioned. Although large anti-corruption efforts have decreased the risk of corruption during recent years, the *Business Climate Survey for Swedish Companies in China 2020* showed that Swedish companies still assess corruption as a challenge in China. However, compared to industrial firms, the risk was ranked lower for consumer companies. The lower risk for consumer companies argues that these challenges do not specifically apply to Oatly. Despite Oatly's current low risk of corruption, it is recommended to continuously investigate this area for prevention as the company continues to grow. By sustaining its work according to the 8th SDG, *Decent working conditions and economic growth*, and the 16th SDG, *Peace*, *justice and strong institutions*, Oatly could influence the Chinese market towards a higher degree of anti-corruption. In the *Code of Conduct* and through the whistleblower system, Oatly states to work with these areas. However, no clear anti-corruption plan is presented, which implies that the *Code of Conduct* is ambiguous. Therefore, Oatly could benefit from a more specific action plan.

Moreover, Oatly focuses on specific SDGs and has applied specific targets regarding these areas, following *Disclosure practices* (G9). The sustainability report is of importance to present data, strategies, and measures regarding sustainability. As previously discussed, the focused SDGs and individual climate footprints for products enable efficient communication of the environmental focus. To a certain extent, Oatly's reporting includes transparent data aligning with the GRI Standards, such as the amount of CO2 emitted, risks and action plans regarding child and forced labor, and the number of corruption and human rights cases within the company. However, reporting according to the GRI Standards is not fully satisfied. For example, Oatly does not include all areas in the reporting required by GRI regarding water usage, such as the approach used to identify water-related impacts and the different sources used. The method used for calculating the emitted amount of CO2 is unclear, and the percentage of individuals informed of and trained in the risk of corruption is not presented. Furthermore, the GRI highlights the importance of including relevant data in order to enhance the quality of the report. This could have been improved by e.g. including statistics within areas such as child and forced labour and amount of health-related issues. By following the GRI Standards to a greater extent, Oatly could achieve increased clarity and quality as well as more transparent reporting of metrics included in the ESG framework.

It is critical to underline that the discussion regarding Oatly's ESG performance is based entirely on the selected metrics. The report has narrowed down the metrics and SDGs, focusing on the ones most achievable and applicable to Oatly in China. If other metrics were chosen, the results might have implicated a different analysis. For example, it was found that Oatly is working to help the Chinese government set up regulating industry standards. If this metric were included in the application of ESG, the performance regarding Oatly's environmental metrics could have been perceived stronger. By narrowing down the metrics, the assessment of a company's ESG management becomes limited. Additionally, each metric has been selected based on relevance for Oatly, which could result in a biased outcome. Therefore, this method is generally not recommended. However, the report managed in a simplified and straightforward way to show how ESG can be evaluated for a company while supporting qualitative results and analysis, thus being motivated. Further studies are recommended to include more metrics when evaluating a company's ESG performance to achieve more accurate and comprehensive conclusions.

5.3.2 Evaluation of Oatly's future expansion in China

Although the ESG framework creates value for companies, ESG alone is not sufficient for decision-making in connection with expansion and market growth. The SWOT and PESTEL frameworks have been applied to identify critical internal and external factors affecting Oatly's market expansion in China. Additionally, these frameworks are directly linked to future growth and success and will thus be used to evaluate strategies for Oatly in China. The collection of extensive external information and data for each framework requires patience, effort, and capital, which has not been possible for this report. Although a potential subjective outcome when applying SWOT and PESTEL must be remarked, it is clear that several of the included factors identified for Oatly in China also appear when analyzing ESG metrics. The fact that critical metrics from these frameworks also appeared when analyzing ESG, highlights the importance for Oatly to consider ESG for a successful expansion in China.

In the PESTEL analysis, increased environmental awareness and China's goal to become carbon neutral were identified as critical external forces. Both these forces align with Oatly's brand and values regarding sustainability. Meanwhile, the market competition for Oatly in China is low while the market for plant-based products is growing. Together with the fact that the company has a patent on enzyme technology for the production of products, these factors create beneficial prospects for Oatly regarding future growth in China.

As the leader of a new, emerging market in China and with a sustainability vision that aligns with China's carbon-neutrality goal, Oatly has the opportunity to help the Chinese government set up new regulating industry standards. The process of setting up these new standards could be complex and time-consuming, thereby constituting a challenge for Oatly. However, the new standards could promote sustainable operations and competitive advantages by lowering the risk of competitors entering the market. As seen in figure 4.1, the EBITDA at stake for companies in the consumer goods industry is low compared to other sectors. Following how ESG creates value, as described in chapter 4.2.3 *Reduced regulatory and legal interventions*, Oatly could particularly benefit from these types of government support through regulatory purposes. As one of few suppliers of plant-based products in China, along with the possibility to gain governmental support through new industry standards, Oatly can use its position to set beneficial market standards.

External threats identified include the increased risk regarding working conditions and corruption along with Oatly's rapid growth in China. As discussed when analyzing the social ESG metrics applied to Oatly in the previous section, it is recommended that the company continues to actively work to prevent these risks.

Furthermore, the results from the SWOT analysis enhance Oatly's internal strengths such as a strong brand with clear visions, extensive sustainability focus, transparency, and effective production planning. As a result of extensive communication of these sustainability values, Oatly can enable higher prices for products, thus increasing its revenue in accordance with Top-line growth. However, as seen when applying social ESG metrics to Oatly, the gender balance in leading positions is low while there is a risk of loss of employees' engagement along with increased company growth. As previously discussed, it is hence critical to secure action plans within these areas. Since Oatly currently is struggling in meeting an increased demand for products in China, another weakness is encountered in insufficient production capacity. Despite not being able to meet current demand in China, Oatly is rolling out new strategies such as Oatly Inside and +Oatly, which will further increase demand for a wider variety of products. However, due to the establishment of new production sites in China, these strategies are considered opportunities.

Due to the large investment and high cost for construction, the establishment of new production sites in China could generate profit for Oatly only in the long run. However, as there is a stated deficit on Oatly's products, investment costs of new factories in China are expected to be covered relatively fast by increased sales. Apart from strengthening Oatly's ESG proposition through reduced GHG emissions, increased transparency, and production efficiency, the new production sites in China are expected to enhance the RoR as production capacity grows.

To fully take advantage of its strengths and opportunities, it is of importance for Oatly to improve in areas where the performance is weaker. Since expanding to China, Oatly has increased its environmental footprint for products while lacking a formal environmental policy. However, Oatly has set targets towards a lower climate impact. The new production sites in China will enable reaching these targets by reducing the distribution from Europe to Asia. Additionally, internal production sites will empower Oatly to overcome the identified threat due to production at external factories, where the climate impact is unknown. Higher transparency regarding the environmental footprint can hence be reached by internalizing the production process. Furthermore, these production sites will enable increased production of products, promoting further market growth in China.

It is proposed that Oatly uses the opportunity to impact external partners through Oatly Inside. As the leader of an emerging market in China, Oatly has the chance to set clear standards for partners to follow, which aligns with Oatly's goal to create a change in society.

It should be remarked that the analysis of Oatly in this report has been based exclusively on Oatly's strategies and goals in China. Specific numbers regarding ESG metrics have been evaluated based on Oatly's internal development during the past years and strategic goals regarding growth and sustainability in China. In order to gain a broader perspective on performance in terms of ESG and expansion, specific data could be analyzed more broadly. It is proposed that future studies compare the performance between different companies, different regions, and the corresponding impact of this data.

6. Conclusion

As sustainability is a growing part of society and investments, it becomes critical for companies to consider ESG metrics when analyzing strategies in connection with growth. The UN's SDGs are globally accepted while enabling companies to, clearly and strategically, communicate their commitment to sustainability. The application of ESG based on the SDGs thus provides companies with the possibility to identify important aspects related to sustainability, while sustaining transparency towards stakeholders and consumers.

As an effect of China's goal to become climate-neutral by 2060, while currently being the world's largest emitter of CO2, sustainability has become a significant trend that companies in China must adapt to. Simultaneously, the reported risks associated with human rights in China from organizations, such as China Labor Watch, increase the need for socially conscious corporate actions. By applying ESG metrics, companies in China can benefit from enhanced value creation, including increased customer attractiveness and willingness to invest in the company's assets from stakeholders. Companies that strive to reach a satisfactory ESG performance can become attractive investments, thus enabling further growth such as expansion to new markets.

Although rapid market growth since the expansion to China, Oatly is still at the beginning of its Chinese growth journey. When applying certain ESG metrics, it is clear that Oatly's expansion to China has resulted in challenges regarding sustainability performance. In order to maintain its sustainability focus, it is therefore critical for Oatly to evaluate ESG performance along with continued growth in China and apply the metrics that could be improved to its strategies. A summary of the recommendations for Oatly in China, based on previous results and discussions, is presented below.

6.1 Strategic recommendations for Oatly in China

- **Apply ESG metrics based on the UN's SDGs:**
  Oatly is recommended to consider ESG when analyzing strategies along with further growth in China. Applied ESG metrics should be based on Oatly's focused SDGs to increase transparency and improve performance regarding these goals. As a result, Oatly will be able to continuously evaluate, improve, and communicate its sustainability performance to stakeholders, while gaining increased attractiveness and company value.

- **Increase internal production:**
  Increased internal production enables access to data regarding ESG performance, while ensuring production in accordance with Oatly's standards. In order to increase control

and transparency, Oatly is recommended to continue increasing its internal production in China rather than outsourcing to external actors and suppliers.

- **Establish ESG aspects at internal production sites:**
  The construction of new production sites in China is a significant opportunity for Oatly to reduce its environmental footprint and achieve control of social aspects. It is of importance that Oatly ensures resource efficiency, as well as human rights, along with the construction, in order to maintain its sustainability values.

- **Use Oatly Inside to set clear market standards:**
  Oatly is recommended to use the strategy Oatly Inside as an opportunity to influence partners, create a societal change, and spread awareness and knowledge in China regarding sustainability. As leader of the market for plant-based products, Oatly has the opportunity to set clear market standards in China.

- **Promote regulating industry standards:**
  Oatly is recommended to continue helping the government in China set up regulating industry standards. Apart from encouraging sustainable operations, Oatly will gain competitive advantages through the establishment of these new industry standards.

- **Present detailed action plans:**
  It is recommended that Oatly further develops the plan in the *Code of Conduct* to prevent child and forced labour in greater detail, as well as create additional plans in various potential problematic areas. Apart from increased transparency, detailed action plans will prevent any risks that may occur due to vulnerability along with further expansion.

- **Use investments in accordance with ESG and company values:**
  Investments from external actors should be used according to Oatly's values and with ESG in mind. By using received investments for the claimed purposes, such as sustainable development, Oatly can further develop its brand reputation and achieve value in connection with increased ESG performance.

- **Apply GRI Standards:**
  Although transparency is evaluated as a current strength for Oatly, the GRI standards are an opportunity to further improve the quality of data disclosure when reporting on sustainability.

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Appendix A. Interview Guide

Interview guide 1

Below are the questions asked over the e-mail interview with David Zhang on March 30, 2021.

Interviewee

David Zhang, Asia President, Oatly.

Questions

1. What are Oatly’s current strategies and goals in China?
2. What are the main opportunities for Oatly in China?
3. What are the main challenges for Oatly in China?
4. What is Oatly’s relation to ESG?

Interview guide 2

Below are the questions asked over the e-mail interview with Yifan Yang on April 7, 2021.

Interviewee

Yifan Yang, Head of Sustainability, Oatly.

Questions

1. What is Oatly’s relation to ESG?
2. What are Oatly’s goals connected to sustainability in China?
3. How do you work to increase environmental awareness and knowledge among customers in China?
4. How do you find balance regarding economic growth in China and sustainability?
5. China has recently pledged to become climate neutral by 2060. Do you believe that this will have an effect on Oatly in China?
6. What do you consider Oatly’s role to be in this transition as a sustainable company?
7. What challenges are you currently facing in China and how do you handle these?

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