



SUSTAINABILITY  
REPORT

2018

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The Sustainability Report of AUGA group is prepared in accordance with the Nasdaq ESG Reporting Guide for Nordic and Baltic listed companies.

## ABBREVIATIONS

<b>GHG</b>	(greenhouse gas) – a gas that absorbs and radiates energy within the thermal infrared range due to its molecular structure.
<b>CF</b>	(carbon footprint) – a measure which shows all the emitted greenhouse gases from direct and indirect activities of an organization.
<b>CO<sub>2</sub> eq.</b>	(CO <sub>2</sub> equivalent) is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential over 100 years. For example, the global warming potential for CO <sub>2</sub> is 1, for CH <sub>4</sub> is 28, for N <sub>2</sub> O is 265, and for SF <sub>6</sub> is 23500, etc.
<b>ECM</b>	(energy corrected milk) – a relative unit of measurement is 1 kg of corrected milk. The raw milk production is converted to 4.0% fat and 3.3% protein of corrected milk quantity.
<b>GJ</b>	(gigajoules) – a unit of energy.
<b>LPG</b>	liquefied petroleum gas.
<b>ESG</b>	(Environmental, Social and Governance) – the three central factors in measuring the sustainability and ethical impact of a company.

FRESH VEGETABLES



PRESERVED VEGETABLES AND MUSHROOMS



READY-TO-EAT SOUPS



RAPESEED OIL



FLOUR



FRESH MUSHROOMS



DAIRY PRODUCTS



CHICKEN AND EGGS





The first Sustainability Report of AUGA group last year focused on who we were, what were our goals and strategic objectives. Our second Sustainability Report is about our achievements in the pursuit of our goals for 2018.

Last year we started implementing our numerous environmental goals. Our Supervisory Council approved the Environmental Policy, we came up with a strategic environmental plan and we estimated cumulated CO<sub>2</sub> emissions of our group of companies for the first time. We also made a systemic assessment of our energy and water consumption as well as waste production. Thus, next year we will be able to monitor our performance indicators, to measure the change rates and set specific energy consumption targets as well.

We paid much attention to our social policy as we increased the number of skilled workers and improved their working conditions, revised our remuneration and incentive systems. Today we are proud to be one of the largest employers of agriculture sector not only in Lithuania but also throughout the whole region.

To improve our management, we ordered the AUGA group's governance assessment at the Baltic Institute of Corporate Governance in 2018. Upon its results, the newly elected board shall develop and approve an actual action plan in 2019. In our pursuit of continuous improvement, AUGA group joined the Baltic Institute of Corporate Governance and became a member of Responsible Business Association of Lithuania (LAVA), seeking to align the governance of our company with global best corporate governance practices and principles of sustainable business.

Sustainability is an integral part of the vision and business model of the AUGA group. We seek to develop a sustainable farming system and to produce organic products in a sustainable production chain. Herewith we strive to create value and to meet expectations of our key stakeholders like shareholders, consumers, employees, and communities.

**Kęstutis Juščius**

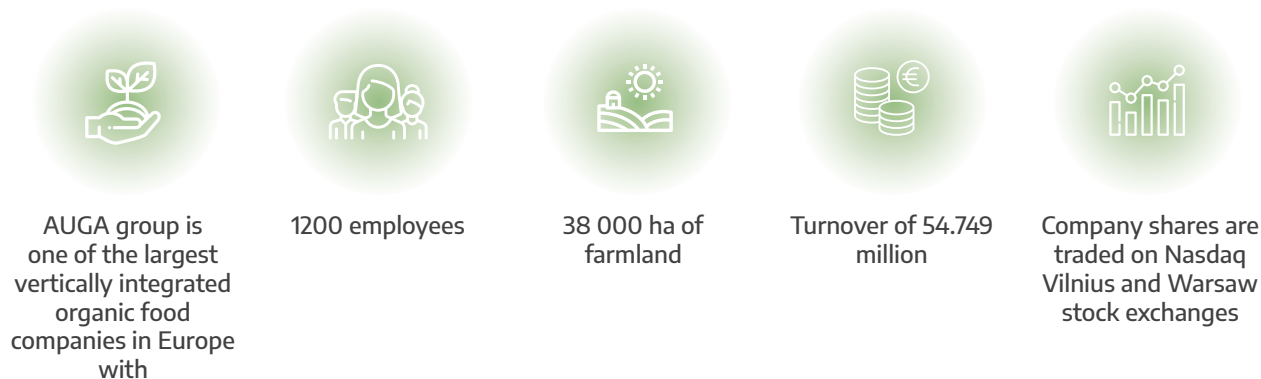
**AUGA group** Chairman of the Board



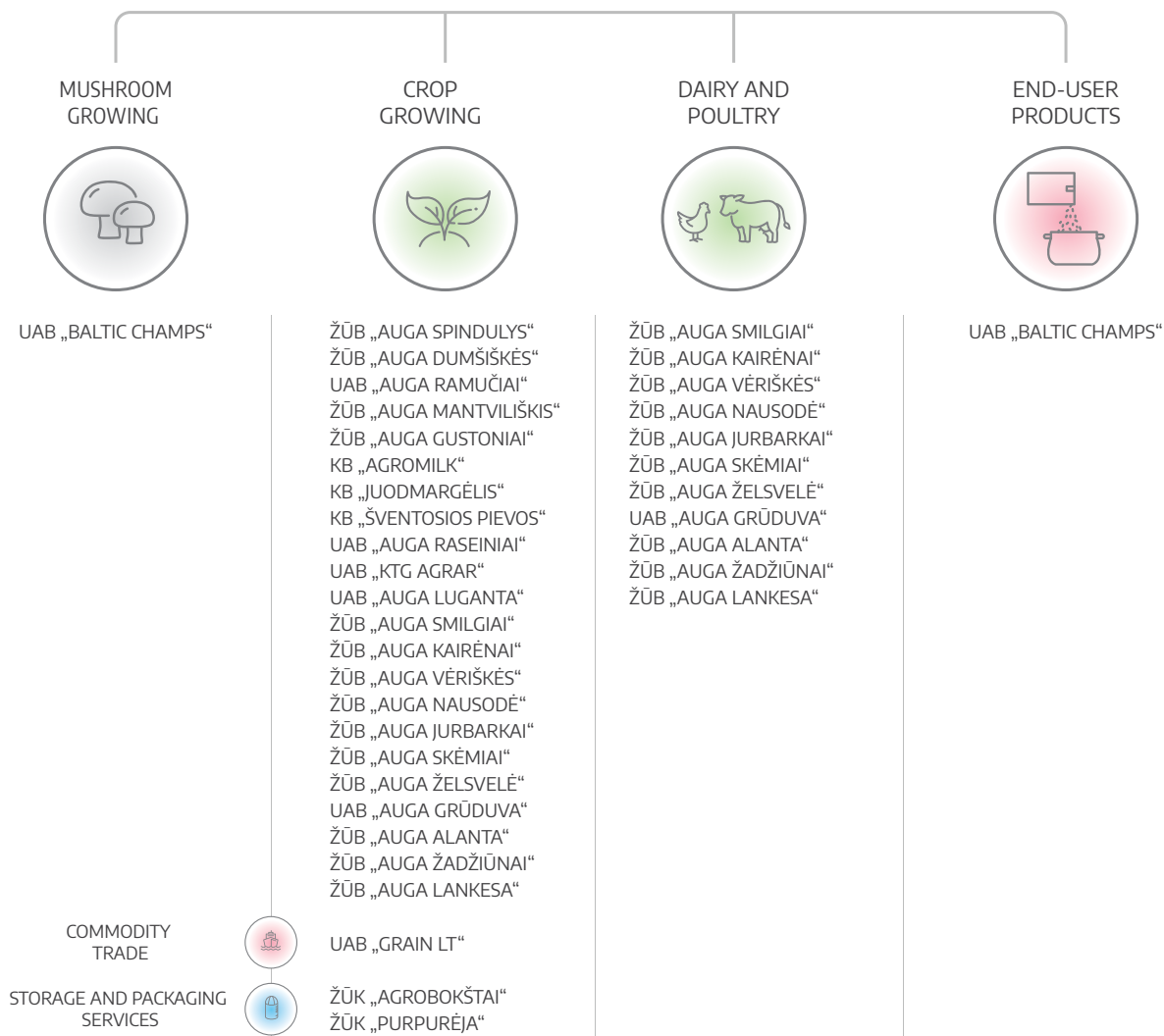
I. SUSTAINABILITY IS  
AN INTEGRAL PART  
OF THE VISION AND  
BUSINESS MODEL OF  
THE AUGA GROUP

## I.1 THE MAIN FACTS ABOUT THE AUGA GROUP

On 31 December 2018, the consolidated group of companies (hereinafter the Group) consists of AUGA group, AB (hereinafter the AUGA group or the Company)



ADMINISTRATION,  
PARENT COMPANY



## I.2 VALUES

Our daily activities are based on three core values – we strive to be reliable, innovative and sustainable.



We are experts in our field down to the smallest detail. The consumer has our best guarantees for quality, efficiency and open communication. We made up our mind to become a socially responsible group of companies – to engage only in organic and environmentally sustainable farming and food production business.

A new generation of machinery and innovative solutions help us nurture natural and organic farming methods. We know how to produce organic products at a fair price, using the latest technologies, economies of scale and synergies between different branches of agriculture.

We find it important to maintain the right balance between business and environmental responsibility, ecology and modern technology, production and consumption. Therefore, AUGA foods are produced with care about the environment – using the modern organic farming technologies.



### I.3 SUSTAINABLE BUSINESS PRINCIPLES

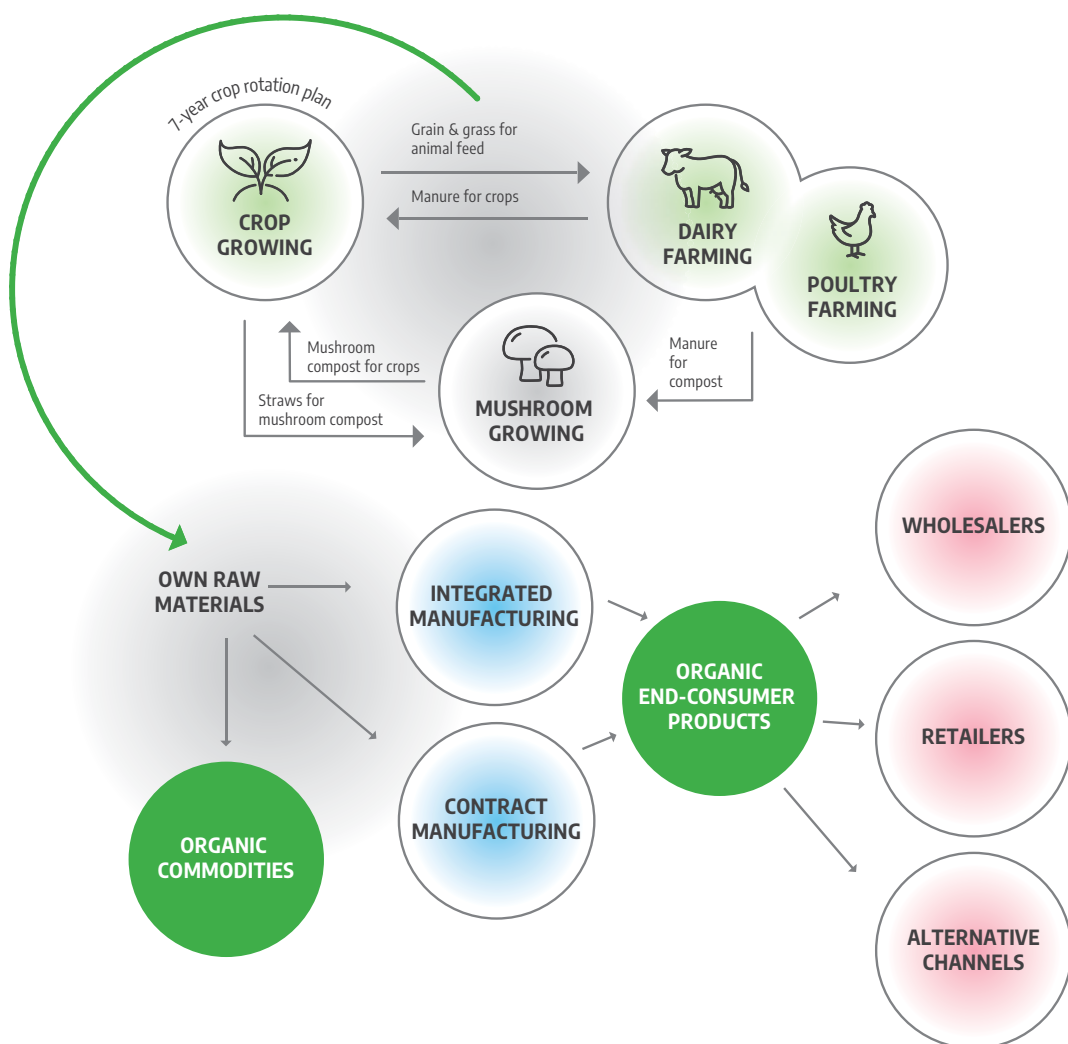
The Company follows these basic principles of sustainable business:





## I.4 SUSTAINABLE BUSINESS MODEL

The Group's business model is unique because it encompasses crop cultivation, processing and supply to end-users. Such system of business processes ensures high organic, qualitative and product safety standards of our production as well as a systematic sustainability of business processes within the Group.



## I.5 SUSTAINABLE FARMING METHODS

One of the core parts of the Group's business model is sustainable farming. Our model of sustainable organic farming relies on three key tools:

### Min-till Preserving Agriculture

- Reduction of soil erosion;
- Water retention in the soil;
- Preservation of biodiversity and ecosystem;
- Preservation of soil fertility;
- CO<sub>2</sub> return to the soil;
- CO<sub>2</sub> capturing.

### Closed-Loop Farming

- Synergy among different branches of agriculture: crop production, dairy farming and mushroom growing;
- Assurance of organic production standards;
- Secondary use of organic waste in our farms.

### Biogas Production (future)

- Secondary use of organic waste for biogas production;
- Investment in the development of biogas production and purification;
- Replacement of fossil fuels with biogas;
- Reduced GHG emissions.



### I.5.1 MIN-TILL AGRICULTURE

We seek to use the most environmentally friendly methods for our farming. One of the core techniques is min-till farming. Min-till farming is a type of farming which preserves the microflora of soil. The soil is prepared for crops without tilling, just the surface of the soil is minimally disturbed. Min-till farming enables us to reduce CO<sub>2</sub> emissions in comparison with the arable farming due to, reduced agricultural machinery fuel consumption, preservation of organic substances of the upper layer of the soil, as these do not emit into the air in the form of CO<sub>2</sub> and remain in the soil, improving its quality and reducing erosion.

We increased the area of land cultivated by min-till almost twice within 2018. Currently, min-till farming is applied in 85% of the whole cultivated land.

### I.5.2 CLOSED-LOOP FARMING

Closed-loop organic farming is a farming method in which the inputs for the growing process are found in secondary products or the waste of other processes in the loop. For example, the cattle manure produced in the livestock farming processes is used to fertilize the fields and grow grains to produce feed. This closed-loop production model can be fully self-sustainable when the quantities of livestock, birds, legumes and other crops are well balanced within the loop.

So far the Group has insufficient quantities of cattle and poultry to ensure the self-sustaining functioning of the closed-loop model, therefore it is forced to purchase a part of the organic fertilisers on the market.

For the closed-loop model to function properly, we invested in the third henery of laying hens, increasing the total number of our poultry by 15%. Poultry manure is one of the main fertilisers on farms, it is also used to produce mushroom compost.

More on min-till and closed-loop farming see our Sustainability Report of 2017.



### I.5.3 BIOGAS PRODUCTION AND BIOGAS TRACTOR PROTOTYPE

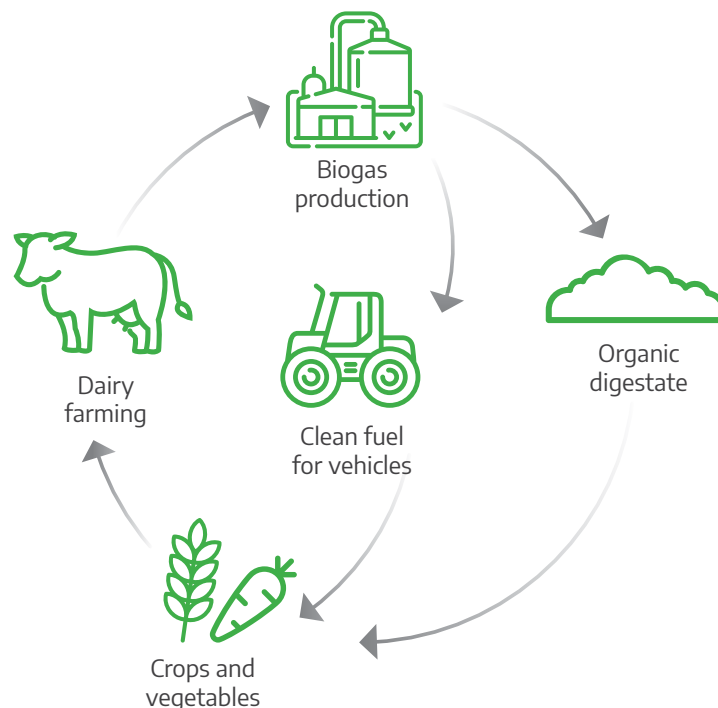
The long-term objective of AUGA group is neutral CO<sub>2</sub> balance. It can be achieved by replacing fossil fuels used in tractors and machinery in the farms by biogas produced from waste and by-products emerging in other stages of the Group's activities. Therefore, AUGA group invests in the extraction of biogas from the cattle manure produced in Group's farms as well as the development of a tractor powered by biogas.

Most agricultural tractors are powered by diesel engines.

Diesel (with some exceptions) is produced from non-renewable energy sources, therefore its use is not compatible with sustainability principles. Meanwhile, biogas may be considered as one of the cleanest fuels provided it is produced from agricultural waste.

Many global agricultural machinery companies are creating biogas-powered tractor prototypes by now, but the functional tractors are still absent on the agriculture market. To fill this gap, AUGA group has started the development of a tractor powered by an alternative fuel. We hope for a successful field test of the first prototype at the end of 2019 or at the beginning of 2020.

In 2017, the Company joined a Biopower development cluster working on innovative technology of biogas purification and methane enrichment with zero methane emission to the atmosphere. Currently, the Company focuses on the development of a biogas powered tractor's prototype, however in the future it will seek to produce the fuel for the tractor by itself or in partnership with companies investing in renewable energy.



## I.6 SUSTAINABLE DEVELOPMENT GOALS: OUR CONTRIBUTION

We understand all the sustainable development objectives of the United Nations and see them as integral goals aiming to create a sustainable and harmonious world.

After having estimated the Groups activity processes and their impact on the environment and society, we highlighted those with the greatest and most meaningful potential of our contribution.

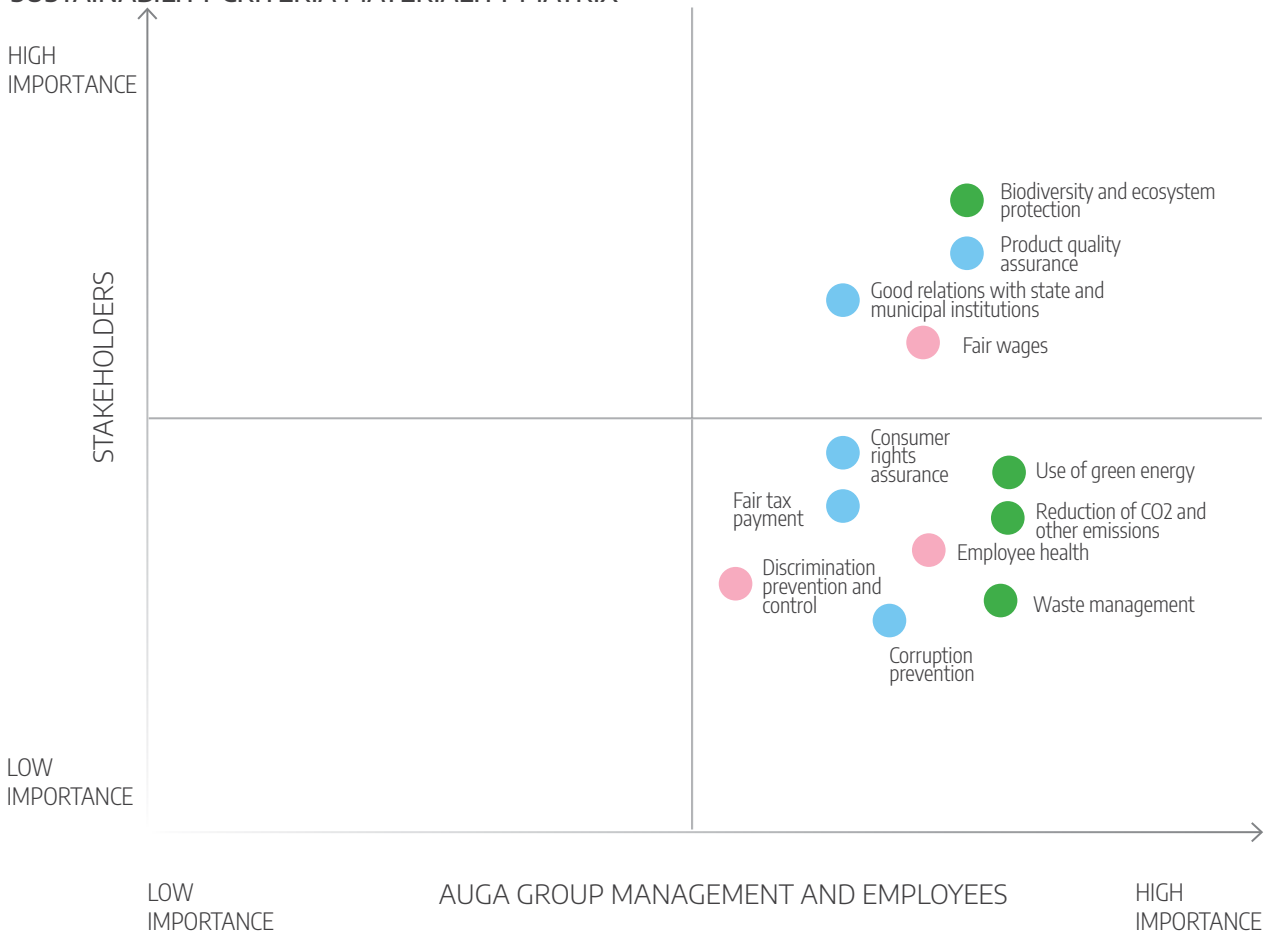


## I.7 IDENTIFICATION OF SIGNIFICANT SUSTAINABILITY CRITERIA

In our first Sustainability Report, we tried to identify the most relevant environmental, social and governance (ESG) risks in the AUGA group's priority areas. We did this in accordance with the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets (Nasdaq ESG guide)<sup>1</sup>. We have also considered criteria of the publicly available SASB Materiality Map for sustainability of agricultural products, meat, chicken, milk and processed foods<sup>2</sup>.

Further, we selected the most relevant criteria by surveying AUGA group managers and based on monitoring of stakeholder communication. The relevance of the sustainability criteria was assessed in two steps. Firstly, we surveyed managers of the main AUGA group companies. In the second step, we estimated stakeholders' opinions on AUGA group compliance with the sustainability criteria by media monitoring over the period of 2017.

SUSTAINABILITY CRITERIA MATERIALITY MATRIX



1 <https://business.nasdaq.com/esg-guide/>  
 2 <https://materiality.sasb.org/>

**AUGA GROUP'S LIST OF SUSTAINABILITY CRITERIA**

**Environmental protection criteria**

- Reduction of CO<sub>2</sub> and other emissions
- Energy saving
- Use of green energy
- Biodiversity and ecosystem protection
- Waste management
- Fuel management
- Water management
- Biogas production from waste

**Social responsibility criteria**

- Fair wages
- Employee health
- Discrimination prevention and control
- Good working conditions
- Employee trainings
- Employee safety
- Compensation for accidents and injuries at work
- Human rights protection
- Gender equality protection

**Governance criteria**

- Product quality assurance
- Consumer rights assurance
- Good relations with state and municipal institutions
- Corruption prevention
- Fair tax payment
- Good relationships with business partners
- Good relations with the media
- Good relationships with local business communities
- Good relationship with the academic community





## II. ENVIRONMENT



## II.1 OUR WORKS AND ACHIEVEMENTS IN 2018

### II.1.1 WE HAVE CALCULATED OUR CARBON FOOTPRINT

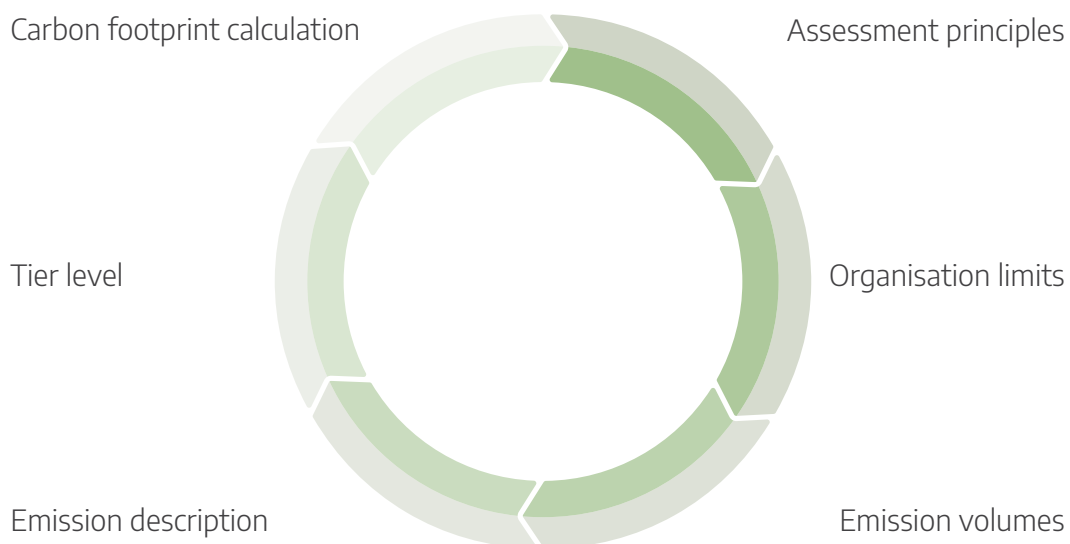
The Group’s businesses of agriculture and especially animal husbandry are industries with the major impact on the GHG emission. Despite our current contribution to the reduction of GHG emissions as we implement environment-friendly innovations in organic farming, we also seek to assess all possibilities to do even more in the future<sup>3</sup>. Today we are already using exclusively green energy, we are implementing electricity production from renewable energy sources in holdings of rearing laying hens, we are developing technologies to use biogas and we will strive to apply them widely in the future.

In our ESG Report for 2017, we set the goal to calculate the cumulated carbon footprint of the Group in 2018, and we did it. More on calculation results and applied methodologies see Report Chapter [II.2 A1 Direct and Indirect GHG Emissions](#).

To determine GHG emissions from the Company’s activities, we used the following methodologies and best practices:

- International standard ISO 14064, 2006 for GHG at the organisation level;
- Greenhouse Gas Protocol of World Resources Institute and World Business Council for Sustainable Development, 2004;
- Guidelines for National Greenhouse Gas Inventories, Intergovernmental Panel on Climate Change, 2006;
- Guidelines to GHG Conversion Factors of Department of Environment, Food and Rural Affairs of the United Kingdom, 2018;

#### CARBON FOOTPRINT CALCULATION SCHEME:



<sup>3</sup> Henceforth, the terms **GHG**, converted to CO<sub>2</sub> equivalents, and **CO<sub>2</sub> footprint** are used synonymously and interchangeably.

**The Objectives for 2019**

We will further seek to reduce our carbon footprint for 2019 and subsequent years, to recalculate the cumulated carbon footprint of the Group at least once a year, and to assess our progress in the carbon footprint reduction.

**II.1.2 WE HAVE CALCULATED OUR INDICATORS ON ENERGY, NATURAL RESOURCES, AND WASTE**

We have calculated for the first time cumulated Group indicators on energy, natural resources, and waste over 2018. For detailed information on these indicators see Report Chapter II.2.

**The Objectives for 2019**

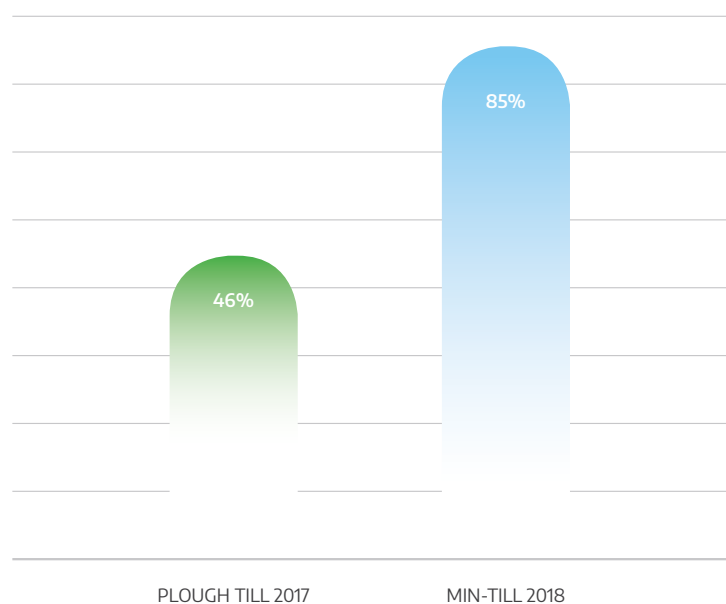
We aim to set targets for 2019 and the subsequent years to reduce energy and natural resources consumption as well as waste production, to revise the targets at least once a year and to monitor the achievement of objectives.

**II.1.3 WE INCREASED THE AREA OF MIN-TILL FARMING**

To reduce our GHG emissions, we increased the area of min-till farming almost twice over 2018. Currently, 85% of the whole land undergo min-till cultivation.

In 2018<sup>4</sup> we assessed the environmental impact of our min-till farming using international methodology.

Compared to a traditional arable farm of the same size, our GHG emission using the min-till approach is considerably smaller, as is our diesel consumption.



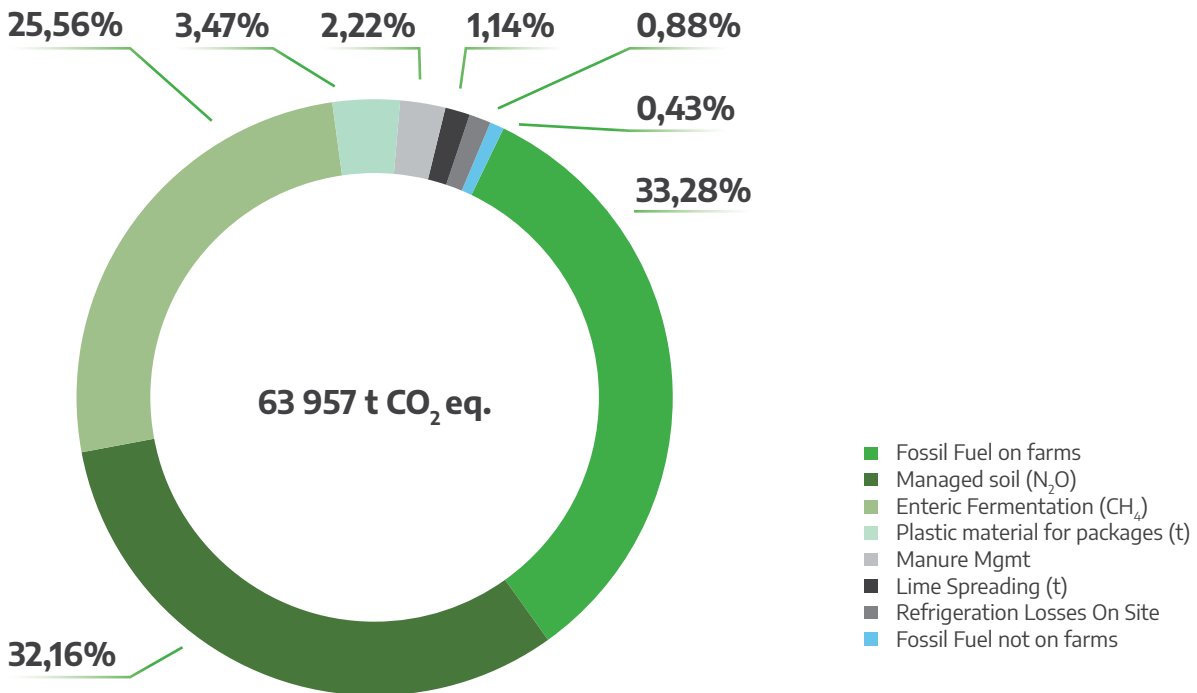
4 Kriščiukaitienė I, Srebutienienė I, Malūnavičienė V., 2018. Mechanizuotų žemės ūkio paslaugų įkainiai. Lithuanian Institute of Agrarian Economics.  
[https://www.laei.lt/x\\_file\\_download.php?pid=3064](https://www.laei.lt/x_file_download.php?pid=3064)  
 UK Government Conversion Factors for greenhouse gas (GHG) reporting, 2018 ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/715425/Conversion\\_Factors\\_2018\\_-\\_Condensed\\_set\\_for\\_most\\_users\\_v01-01.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/715425/Conversion_Factors_2018_-_Condensed_set_for_most_users_v01-01.xls))

## II.2 COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

### E1. Direct and Indirect GHG Emissions

The Carbon footprint of the Group amounted to 63 957 t CO<sub>2</sub> eq. in 2018.

The calculations were based on actual resource consumptions. Calculations were made in accordance with the approved Intergovernmental Panel on Climate Change methodology.



### E2. Carbon Intensity

Carbon intensity shows how much carbon the Group's companies emit per activity unit, e. g. per every Euro of revenue produced, per every ha of cultivated land etc. The cumulated carbon intensity indicators of the Group for 2018 are given below.

Performance indicators	Units of measurement	Value
Cattle farming	t CO <sub>2</sub> / 1 cattle	4.71
Milk production	Kg CO <sub>2</sub> / 1 kg of ECM	0.74
Growing of crops	t CO <sub>2</sub> / ha	1.12
Crop production	t CO <sub>2</sub> / t of crop production	0.38
Mushroom production	t CO <sub>2</sub> / t mushroom production	0.31
Employees	t CO <sub>2</sub> / 1 employee	55.52
Turnover	t CO <sub>2</sub> / 1 Eur of turnover	0.00117

While calculating the carbon intensity of different sectors, the allocation of emissions was aligned with the accounted costs in each sector. This method was chosen in order to reflect the impact of activities of each sector with more precision and to be able to estimate the investments into each sector according to cost centres in the future.

### E3. Direct & Indirect Energy Consumption

The cumulated energy consumption of the Group in 2018 was 372 878,20 gigajoules.

Energy type	Value	Energy (gigajoules)
Natural gas	3 932 000 kWh	14155.20 GJ
Liquefied petroleum gas (LPG)	276 993 l	6924.83 GJ
Petroleum	62 189 l	2 142.27 GJ
Diesel for farm machinery	7 343 250 l	280 300.23 GJ
Diesel for production drying	375 263 l	14 300.22 GJ
Electricity	15 246 773 kWh	54 888.38 GJ
Heat	46 408 kWh	167.07 GJ
		<b>TOTAL: 372 878.20 GJ</b>

### E4. Energy Intensity

Energy intensity expresses the energy required per unit of activity, output, or any other organization-specific metric. The cumulated Energy Intensity indicators of the Group for 2018 are given below.

Performance indicators	Units of measurement	Value
Cattle farming	GJ / 1 cattle	4.48
Milk production	GJ / 1 kg of ECM	0.71
Growing of crops	GJ / 1 ha	7.24
Crop production	GJ / t	2.43
Mushroom production	GJ / t	7.57
Employees	GJ / 1 employee	323,68
Turnover	GJ / 1 Eur	0.00681

While calculating the energy intensity of different sectors, the allocation of energy consumption was aligned with the accounted costs in each sector. This method was chosen in order to reflect the impact of activities of each sector with more precision and to be able to estimate the investments into each sector according to cost centres in the future.

### E5. Primary Energy Source

The primary energy source of the Group is electric power. All the Group companies producing crops, livestock, mushrooms, and the Company headquarters use only certified green electric power, partially produced by the Group's companies themselves from renewable energy sources. The subsidiaries produced 92 445.7 kWh electric power in 2018.

## E6. Renewable Energy Intensity

The renewable energy intensity metric is calculated by dividing annual energy sourced by renewables (in AUGA group's case it is almost all of the Group's consumed electricity) over non-renewables (total energy consumption minus electricity). In 2018, renewable energy intensity of the Group was 17.3%.

## E7. Water Management

This indicator measures the valuation and efficiency of water consumption. The cumulated water consumption of the Group was 205097.05 m<sup>3</sup> in 2018.

Almost all water comes from our own boreholes. Only small quantities of water are being purchased from other suppliers for agricultural purposes or as drinking water for administration. Vegetable irrigation uses a surface pond water with an average annual volume of 4 500 m<sup>3</sup>.

## E8. Waste Management

This metric measures the Group's performance and commitment as it relates to trash generation, recycling, and resource usage. The cumulated amount of waste produced by the Group in 2018 is given in the table below.

Waste materials, such as paper, plastic or metal are prepared (sorted) and transferred to the licensed waste managers. In 2018, 25,14 t of paper waste and 37,40 t of plastic waste handed over to the waste managers was used for recycling, and plastic for both recycling and secondary use as fuel in energy production.

The companies of the Group handle their waste according to the Unified Product, Packaging and Waste Record Keeping Information System (GPAIS). GPAIS is designed for collection, analysis, and control of the accounting data. This system is mandatory for manufacturers and importers, their organisations, waste processors, producers and other participants of the waste sector. This year GPAIS was applied by us for the first time, therefore some data inaccuracies are possible. More accurate calculations of waste and packaging materials will be presented in our Report next year.

Waste	Amount in t	CO2 eq., t
Office paper	3.67	0.08
Paper waste (reused for our own purposes)	25.14	21.93
Plastic waste	37.39	0.80
<b>Packaging</b>		
Packaging paper and paperboard	384.94	335.77
Packaging plastic	710.54	2 216.20
Packaging PET	7.64	30.97
Packaging glass	4.91	4.39
Packaging metal	0.04	0.12
Packaging wood	105.30	88.92

## E9. Environmental Policy

AUGA group's Environmental Policy was approved by the Company's supervisory council at the beginning of 2019. The policy is published on the Company's website<sup>5</sup>.

The aim of this policy is to provide strategic guidelines and principles for ensuring appropriate management of the environmental impact across the entire business cycle.

AUGA group seeks to reduce its negative environmental impact and develops environment-friendly organic farming technologies.

We aim to reduce its adverse effects on the environment by adopting the following measures:

- To operate in accordance with all environmental requirements and legislation;
- To collaborate on environmental issues with business partners, authorities and other stakeholders;
- To monitor the environmental impact of its business by tracking its carbon footprint and taking steps to reduce it;
  - To save energy and natural resources by using renewable energy sources as well as boosting the production of biogas and its use for organic farming;
  - To manage the operational waste by the Reduce, Reuse, and Recycle principle;
  - To foster employees' competencies and responsible attitude towards their work and environment;
  - Evaluate the processes in the food chain through the sustainability point of view, identify the flaws in the chain and find organizational forms and technologies to address them. In case there are no available technologies on the market, initiate their research and development programs involving both internal and external resources and partners.

To ensure that the Environmental Policy becomes more than just a declaratory document, the Company's management board is about to adopt the Strategic Plan for Environmental Accounting and Management. The Plan shall identify specific measures, their implementation deadlines and shall be communicated across the organization.

## E10. Environmental Impacts

The Company and its subsidiaries had no litigations on negative environmental impacts. The Group complies with environmental protection laws and seriously responds to any comments of regulatory authorities in its pursuit to comply with all the environmental rules.



### III. SOCIAL ISSUES

In 2018, the Group preserved its position as one of the biggest employers of the agricultural sector in Lithuania, especially in the regions of Šiauliai, Radviliškis, Joniškis, Širvintos, Raseiniai, and Kelmė. In 2018 the Group employed 1207 people in different regions of Lithuania and was joined by 55 new specialists. Our ambition is to be the most attractive employer in the Lithuanian agricultural sector.

To be able to attract, enhance and retain qualified and talented employees, the Group aims to be a socially responsible employer and to maintain close links with local communities.

**GOALS OF A SOCIAL EMPLOYER AUGA GROUP**

**Competitive wages and talent attraction**

- Fair and competitive wages;
- Attraction and retention of qualified employees;
- Attraction and retention of young talents.

**Fair and responsible labour conditions**

- Safe and healthy work environment;
- Assurance of employee rights and employee well-fare;
- Violation prevention and control.

**Human rights protection**

- Human rights protection;
- Assurance of gender equality;
- Discrimination prevention;
- Assurance of diversity;
- Violation prevention and control.





### III.1 OUR WORKS AND ACHIEVEMENTS IN 2018

#### III.1.1 IMPROVEMENT OF REMUNERATION SYSTEM AND WORKING CONDITIONS

In 2018 we continued to improve our remuneration system to make it more clear, transparent and to ensure consistent growth of pay and motivation of the employees. In 2018 our focus was the revision of the remuneration of farm workers.

Employee remuneration change in 2018:

17,4%	0,6%	- 2,4%*
Farm workers	Farm managers	Administration staff

\*The decrease of remuneration was caused by the shift in numbers of employees with different qualifications. The change resulted from the average salary of the administrative staff.

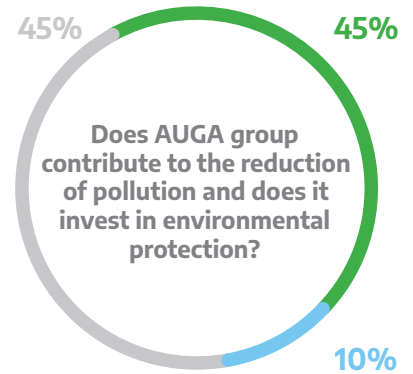
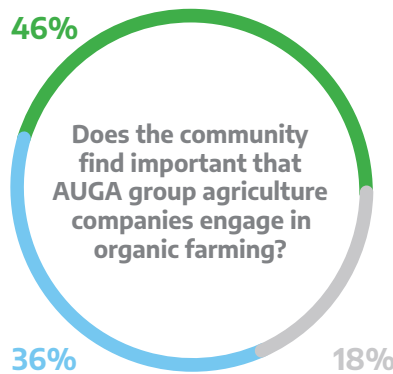
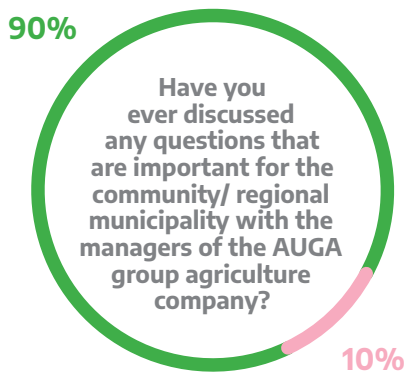
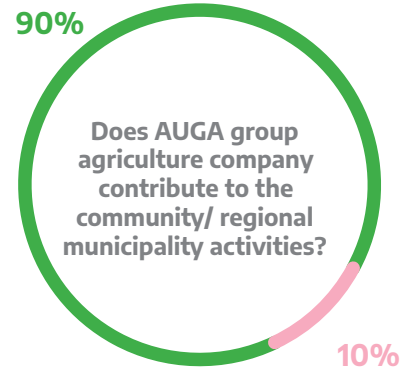
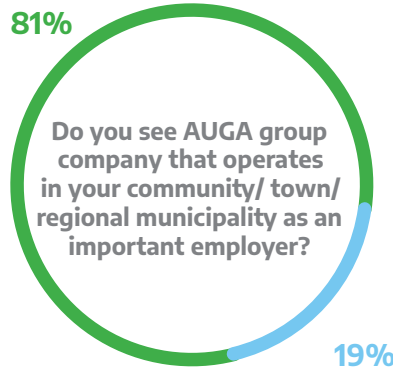
In 2018 the general meeting of shareholders made a reserve from the profit of 2017 for future stock options. The reserve will provide with the possibility for an additional incentive for the employees of the Group – they can be awarded with Company shares under the conditions and procedures drawn by the general meeting of the shareholders and the management of the Company.

#### III.1.2 DIALOGUE WITH LOCAL COMMUNITIES, SURVEY OF NEEDS AND OPINIONS

The Group's businesses have an impact not only on our employees and business partners; they also impact interests and the future of local communities therefore we pay close attention to their needs. We seek for a long-term dialogue and a common ground with each community hosting our subsidiaries. While actively expanding our businesses in the regions of Lithuania, we aim to strengthen the local businesses and maintain our reputation of an attractive employer.

To ensure a long-term sustainable dialogue with local communities, we have been heavily investing in meetings with representatives of communities and municipalities in 2018. To better understand the needs and expectations of local communities, we have surveyed their representatives. The survey was carried out among representatives of 15 communities and municipalities, which entail 70% of communities and municipalities hosting the subsidiaries of AUGA group.

The survey revealed that the Group's collaboration with most local communities is a success – companies of the Group and communities jointly discuss and solve arising issues and problems. Moreover, the communities see AUGA group as a positive employer and appreciate its social responsibility.



- Yes
- Rather yes than no
- I do not know
- Rather no than yes
- No



## III.2 COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

### S1. CEO Pay Ratio

The AUGA group CEO pay ratio versus the Group’s full-time employee median salary was 6.36 in 2018.

### S2. Gender Pay Ratio

The median salary of male employees in the Group was 1.2 times higher than the median salary of female employees. As in previous year, the difference arose due to the specific job positions and level of qualification, not the type of gender.

### S3. Employee Turnover Ratio

The average overall employee turnover ratio resembled that of the previous year and amounted to 20% in 2018.

### S4. Gender Diversity

Women accounted for 43.1% of the the Group’s employees in 2018. In the management positions women accounted for 22.4%, at the skilled employee level 48.4% were women, and among the unskilled workers women ratio was 43.2%.

### S5. Temporary Worker Ratio

In 2018, the Group temporarily employed 4,6% workers, which is two times less than the previous year, when fixed-term workers accounted for 10% of the Group’s employees.

### S6. Non-Discrimination Policy

The Company has no formal non-discrimination policy. However, the Group complies with domestic and international regulatory obligations of non-discrimination. The Group does not tolerate discrimination, humiliation, harassment or insulting behaviour on grounds of employee’s gender, nationality, race, religious and political beliefs or other personal traits.

We establish a level playing field for all workers irrespective of their age. Although most of the Group’s employees are older than 45 years of age – due to the historical circumstances of the Company subsidiaries and demographics in rural areas – we do our best to attract younger workers as well as to put them in favourable working conditions. This is our attempt to contribute to the policy of the EU to attract young people to work in smaller towns and rural areas.

In the second part of 2018, agricultural companies of the Group had 57 employees between 18 and 25 years of age. Quite a few such employees – 32 – were employed in 2018. There were 165 employees between 26 and 35 years of age. 44 of them were employed in 2018. Another 140 employees are 36–45 years of age.

Distribution of Young Workers

Age of employees	18-25 m.	26-35 m.
Number of employees	57	165

## S7. Injury Rate

Our goal is zero injury rate. To achieve it we train our employees, constantly assess and improve their working conditions to comply with the mandatory requirements.

Nevertheless, we had 7 occupational accidents in 2018 (in 2017 there was 1 accident at work). Absolute majority of them was a mild health injury, mostly caused by the negligence of the employees. In 2018 there was 0,0058 accident per 1 employee.

## S8. Global Health & Safety Policy

The Company has an internal policy on health and safety at work. Every new employee of the Group is instructed on work safety requirements before starting the job and is encouraged to regularly renew his or her knowledge on safety.

The Company will review its internal regulations on health and safety at work in 2019. It will update the regulations and adopt missing elements to ensure not only minimal legal requirements but also good practices.

## S9. Child & Forced Labour Policy

The Company has no formal policy governing child and prohibiting forced labour. However, the Company complies with prohibitions and restrictions on child and forced labour, set by national and international legislation.

## S10. Human Rights Policy

The Company has no separate formal human rights policy. The Company's Principles Ethics declare that respect for human rights is an integral part of the Company key values. The Company is guided by corporate practices and principles conforming to the principles of Universal Declaration of Human Rights and international labour conventions.

## S11. Human Rights Violations

The Company and the Group have no recorded cases of employees' rights infringement or conflicts at work in 2018.

We take seriously any reports of human rights violations, which the employees can report directly to their immediate superior, to Human Resources manager, Company manager or by e-mail [etika@auga.it](mailto:etika@auga.it).

## S12. Board Diversity

The Management Board of AUGA group includes one woman and one independent member. This accounts for 40% of all Board members. The Company's Supervisory Council consists of three members – they are all men and independent members.



#### IV. GOVERNANCE OF THE COMPANY

## IV.1 OUR WORKS AND ACHIEVEMENTS IN 2018

### IV.1.1 ASSESSMENT OF CORPORATIVE GOVERNANCE

To improve its corporate governance practices, the Company ordered an assessment at the Baltic Institute of Corporate Governance (BICG). After the assessment the Company was given a report, comparing the level of the Company's practices with the good international corporate governance practices, followed by recommendations.

This evaluation was intended to:

carry out a detailed analysis of the existing Company's corporate governance practices;

assess the compliance of the existing Company's practices with good international corporate governance practices and principles;

identify the good existing practices and areas of improvement, so the Company would match the international principles and good practices as closely as possible.

The assessment was based on analysis and evaluation of 58 indicators in 5 areas:

- shareholders' rights and their protection (10 indicators);
- the activities of supervisory bodies (20 indicators);
- transparency and reporting (15 indicators);
- control systems (7 indicators);
- interest groups (6 indicators).

#### The Objectives for 2019

One of the recommendations of BICG was to simplify the structure of management and supervisory bodies, to allocate and separate their functions and accountability to improve their efficiency and clarity. The recommendation resulted in the following proposal of the Company's Board to the general meeting of shareholders in 2019:

to have only one body instead of the existing two in the form of the Supervisory Council and the Management Board. It is advisable to keep just the Management Board, which also shall perform certain statutorily supervisory functions stipulated by the Law on Companies of the Republic of Lithuania;

to approve the Board members' independence criteria;

1/3 of the Board members shall be independent candidates;

the Company statute should establish a more precise separation of functions and accountability of the Board and the CEO;

One of the objectives for 2019 is the development and adoption of a plan aimed at the improvement of corporate governance practices, the establishment of implementation deadlines and reporting.

### IV.1.2 NEW MEMBERSHIPS AT NGOS

in 2018 the Company became a member of the following non-governmental organizations (NGOs) promoting knowledge and practices of corporate governance and sustainable businesses:

- Baltic Institute of Corporate Governance;
- Responsible Business Association of Lithuania.



### IV.1.3 INDEPENDENT THIRD-PARTY ASSESSMENTS OF ESG ACHIEVEMENTS

In 2018 the Company was awarded the Prime status and rated with B (good) by ISS-oekom. To do that ISS-oekom assessed the Company's corporate governance, social policy and environmental practices. ISS-oekom assessed the Company on its own and at its own expense.

The Company did not initiate the assessment; it neither paid for the study, nor influenced its results. The Company participated in the study just to answer the research questions and to provide its comments.

The Company was best scored for its responsible attitude towards production, product safety, towards consumers and preservation of biodiversity. The ratings of AUGA group significantly exceed the industry average in the most assessed areas.

The report of ISS-oekom emphasizes that Company's sustainable governance, environmental attitude and a wide portfolio of organic foods makes AUGA group less susceptible to different business risks in comparison to other companies of the same sector.

*Institutional Shareholder Services Inc. (ISS) is the world's leading provider of corporate governance and responsible investment (RI) solutions for asset owners, asset managers, hedge funds, and asset service providers. ISS' RI research covers more than 20,000 companies across the globe.*

*ISS-oekom is the division of ISS, giving the companies and states ESG assessment and ratings, allowing its clients to identify core social and environmental risks and opportunities, including advisory services.*

*ISS environmental, social and governance (ESG) assessment is based on analysis and evaluation of 100 criteria, most of which are adapted to the specific sector. The criteria are constantly reviewed and improved to meet the findings of the latest research, results of technological developments, regulatory changes and social debates. The assessment relies on information received from the media, other public sources, stakeholders' surveys, and the information about the company's policies and applicable practices collected by ISS. ISS argues that the detailed dialogue of the assessed companies and their stakeholders together with the verified information ensures objective and deep analysis and assessment.*

*Prime status is awarded to the companies that meet the minimal criteria of corporative rating and reach the highest ESG rating points among the assessed companies of the same sector.*

*(The above on the ISS was taken from the ISS website, the Company did not verify, nor did it assess the information and is not liable for its correctness and accuracy).*

### IV.1.4 SUSTAINABILITY POLICY

Although sustainable business principles are an integral part of the Company's long-term vision, the Company has no approved sustainability policy yet. This will be one of the tasks of the new Board of the Company.

## IV.2 COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

### G1. Board-Separation of Powers

The Company has separated functions of the CEO and his/her supervisory body.

The Company has two collegial bodies – the Supervisory Council and the Management Board. All members of the Supervisory Board are independent, having no other position in the Company. The CEO of the Company is also a member of the Management Board however, he is not the chairman. Considering that the Company has two collegial bodies and the board has no supervisory power over the Company's management, the separation of management and supervisory functions is ensured properly.

### G2. Board-Transparent Practices

Considering that the legislation does not impose an obligation to publish decisions of the Supervisory Council, and due to the confidential nature of the information, the Company does not publish decisions of its Supervisory Council. All the events and decisions considered as corporate actions and being subject to disclosure are published. The publications can be found in the websites of the Company and<sup>6</sup> Nasdaq Baltic<sup>7</sup>.

The new Board will consider the amount and nature of the Board's activities to be published as one of the corporate governance improvement factors; thus, the Company's practices will be reassessed and adjusted if necessary.

Nevertheless, the Company's corporate governance assessment by BICG found the Company's practices of openness and transparency as welcome. The management of the Company in line with the mandatory legislation requirements continuously provides the shareholders with the information by publishing the most important news, regularly informing about the interim and annual financial results. The management of the Company also organizes meetings with investors to present activities of the Company. In 2018 the CEO and the Finance Director held two webinars, presenting financial results of the Company. Since the Company launched a public secondary offering of shares in 2018, the Company published quite a lot of information in its presentations to investors<sup>8</sup> and meetings with them.

### G3. Incentivized Pay

The Company has no specific incentive system for employees, management and members of supervisory bodies for the implementation of long-term environmental, social and corporate strategy. However, these aspects and results of employees as well as their contribution in this respect are regarded during the overall employee performance assessment and are incentivized.

### G4. Fair Labour Practices

The Company has no collective agreement. The Company does not restrict the rights of employees to implement social partnership as provided by the law.

<sup>6</sup> <http://auga.lt/http://auga.lt/en/for-auga-investors>

<sup>7</sup> <https://www.nasdaqbaltic.com/market/?instrument=LT0000127466&list=3&currency=EUR&date=2018-08-24&pg=details&tab=news> 8 e.g.

<sup>8</sup> <https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=842968&messageId=1060107>,  
<https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=849202&messageId=1068117>



## G5. Supplier Code of Conduct

The Company has a non-approved draft of the supplier code of conduct. The new Board is expected to consider and to approve the draft (with amendments if necessary).

## G6. Ethics-Code of Conduct

The Company has a non-approved draft of ethics-code of conduct. The draft and the approval will be considered by the new Board of the Company as a part of the Company's corporative activities improvement plan.

Meanwhile, the draft is published on the Company's website as principles of ethics of the Company<sup>9</sup>.

## G7. Anti-Bribery / Anti-Corruption Policy

In 2018 the Company's Supervisory Council approved the Company's Policy on the Prevention of Corruption and Conflicts of Interest. The policy is published on the Company's website<sup>10</sup>.

## G8. Tax Transparency

The Company has no formal tax planning and payment policies. However, due to the fact that the Company's and the Group's principal activities are carried out in the Republic of Lithuania, that all its undertakings file tax declarations in their country of residency, and that the Company does not use complex tax planning instruments and benefits of off-shores, the Company finds a formal tax transparency policy unnecessary for now.

## G9. Sustainability Report

Legislation<sup>11</sup> requires all public-interest entities, including companies, publicly traded in the multilateral trading system, to draw and publish non-financial information reports starting from the financial year 2018.

Upon it, the Company started drawing and publishing its Sustainability Reports. The first Company's Sustainability Report was drawn for the year 2017 and published in 2018. The first Company's Sustainability Report is published on the Company's<sup>12</sup> and Nasdaq Baltic<sup>13</sup> websites.

The current Sustainability Report is the Company's second Sustainability Report.

Currently, the Company draws its Sustainability Reports in accordance with the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets<sup>14</sup>.

9 <http://auga.lt/en/for-auga-investors/management/principles-of-business-ethics>

10 <http://auga.lt/en/for-auga-investors>

11 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance; Law of the Republic of Lithuania on Financial Reporting by Undertakings IX-575

12 <http://auga.lt/en/for-auga-investors/management/sustainability-report/#tabs>

13 <https://cns.omxgroup.com/cdsPublic/viewdisclosure.action?disclosureid=832738&messageid=1047054> 14 esG reporting Guide for Nordic and baltic Markets;

14 <https://business.nasdaq.com/esg-guide>

## **G10. Sustainability Reports acc. to Different ESG Reporting Guidelines**

The Company draws and publishes its Sustainability Report following Nasdaq ESG Reporting Guidelines and draws no reports according to the GRI, SASB or other ESG disclosure guidelines.

## **G11. External Validation & Assurance**

So far, the Company's Sustainability Reports are not audited or assessed by third parties.



This metrics provides the consolidated information on the compliance of the Company's main activities to the indicators of environmental, sustainability and corporate governance (ESG) standards according to the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets.

**Nasdaq ESG Reporting Guide for Nordic & Baltic Markets**

ENVIRONMENTAL INDICATORS	COMPLIANCE	PAGES
E1. Direct and Indirect GHG Emissions	YES	19
E2. Carbon Intensity	YES	19
E3. Direct & Indirect Energy Consumption	YES	20
E4. Energy Intensity	YES	20
E5. Primary Energy Source	YES	20
E6. Renewable Energy Intensity	YES	21
E7. Water Management	YES	21
E8. Waste Management	YES	21
E9. Environmental Policy	PARTLY	22
E10. Environmental Impacts	YES	22

SOCIAL INDICATORS	COMPLIANCE	PAGES
S1. CEO Pay Ratio	YES	27
S2. Gender Pay Ratio	YES	27
S3. Employee Turnover Ratio	YES	27
S4. Gender Diversity	YES	27
S5. Temporary Worker Ratio	YES	27
S6. Non-Discrimination Policy	PARTLY	27
S7. Injury Rate	YES	28
S8. Global Health & Safety Policy	YES	28
S9. Child & Forced Labour Policy	PARTLY	28
S10. Human Rights Policy	PARTLY	28
S11. Human Rights Violations	YES	28
S12. Board—Diversity	YES	28

GOVERNANCE INDICATORS	COMPLIANCE	PAGES
G1. Board—Separation of Powers	YES	32
G2. Board—Transparent Practices	PARTLY	32
G3. Incentivized Pay	PARTLY	32
G4. Fair Labour Practices	YES	32
G5. Supplier Code of Conduct	NO	33
G6. Ethics-Code of Conduct	NO	33
G7. Anti-Bribery / Anti-Corruption Policy	YES	33
G8. Tax Transparency	PARTLY	33
G9. Sustainability Report	YES	33
G10. Sustainability Reports acc. to Different ESG Reporting Guidelines.	NO	34
G11. External Validation & Assurance	NO	34



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[www.auga.lt](http://www.auga.lt)