



AUGA STRATEGY 2025:
TOWARDS A SUSTAINABLE
FOOD VALUE CHAIN

APRIL, 2020

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Certain statements regarding future development plans are forward-looking in this document, therefore, they are subject to risks and uncertainties. The latter statements are based on management's current expectations and may be revised in the mid-term in case the global business conditions changed dramatically.



VISION AND MISSION OF AUGA

AUGA group is creating a sustainable organic food architecture (SOFA).





Vision: A Synonym for Sustainable Food and Lifestyle

AUGA's vision is to operate in a world where the AUGA Community avoids compromising nature through either its daily habits of consumption or its lifestyle. Together with the Community, AUGA will sow the seeds of sustainability in our everyday practices and set new standards for the food industry. AUGA will become a synonym for sustainable food and lifestyle.

Mission: Deliver Organic Food with no Cost to Nature

In its everyday effort to fulfil its ultimate mission, AUGA group is creating a sustainable organic food architecture (SOFA) that will enable the Company to deliver organic food with no cost to nature i.e. climate (carbon and equivalent) neutral food. Sustainable organic food architecture is the key driver that will enable the Company to fully realise its brand promise of producing "Organic food in the most sustainable way." The impact-driven meaning of sustainability will become an integral component to everyday practices of all the Community members at AUGA.

VISION ————— A Synonym for Sustainable Food and Lifestyle
MISSION ————— Deliver Organic Food with no Cost to Nature

CONSUMERS	FARMERS	PRIVATE AND INSTITUTIONAL LENDERS	SHAREHOLDERS
a more sustainable way to eat	a more sustainable way to work	a more sustainable way to invest	a more sustainable way to receive financial returns
			

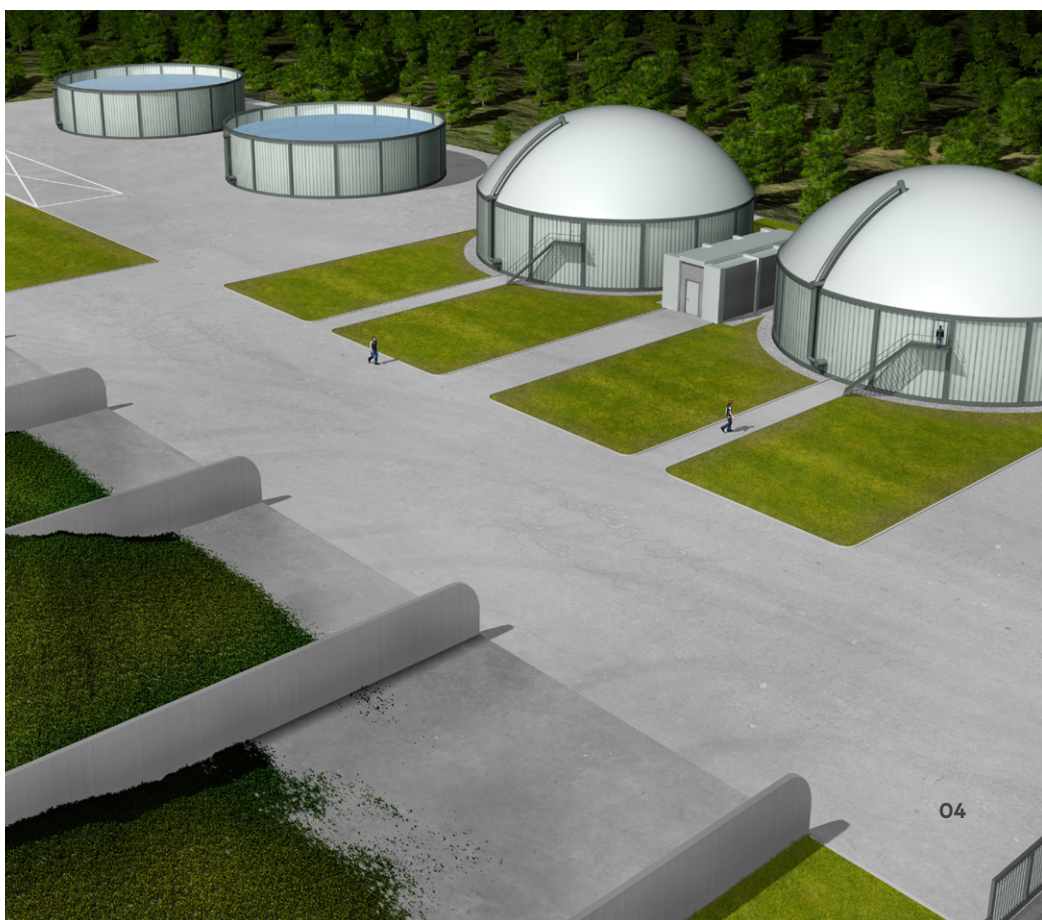
EXECUTIVE SUMMARY

AUGA group is the largest organic food producer in Europe from field to shelf, delivering clean food throughout the vertically integrated value chain.

Having identified greenhouse gas (GHG) emissions as number one issue in agriculture and food production, the Group recognises the urgent need to bring about change. Therefore, the Company has chosen to lead by example of building a new operational model, called sustainable organic food architecture (SOFA). The Company's wide-ranging experience in agriculture and R&D enables AUGA to address the most pressing bottlenecks in the food value chain.

Through SOFA, the Group will be able to gather around itself a Community of consumers, farmers, lenders and shareholders that will express their preferences for a more sustainable life and planet via their consumption and active engagement in the food value chain. By doing so, the Company will meet the rising demand for new standards in the food industry which are being driven by consumer needs. Technology will also allow the Company to create a new category for high quality healthy food, with no cost to nature.

The new face of AUGA group will be an asset-light, agtech-driven company, based on a self-sufficient circular model, that presents the world with an opportunity to live more sustainably and demonstrates resilience to fracturing in the global supply chain upon such global challenges, as pandemics.



AUGA IN 2020

1200
employees

38 000 ha
of farmland operations

Revenue of EUR
71 million
(2019), > 70% from export

Shares of the Company
are traded on the
Nasdaq
Vilnius and Warsaw
stock exchanges

Today, AUGA group (AUGA, the Company, the Group), headquartered in Vilnius, Lithuania, is Europe's largest organic food producer from field to shelf, engaged in four business areas: crop growing, mushroom growing, dairy and fast moving consumer goods (FMCG).

Team AUGA of 1200 employees has been crucial to the operational excellence in Company's development and will remain in the central role as long as AUGA delivers sustainable organic food. AUGA takes pride in its ambitious professionals, striving to make the world of food production environmentally friendly with their passion and hard work.

Lithuania is a natural location for such a company: the country is a member of the European Union (EU), eurozone, the North Atlantic Treaty Organisation (NATO), the Organisation for Economic Cooperation and Development (OECD) and holds a strong historical connection with its land and agriculture traditions throughout its existence.

On the global level, AUGA operates in a sector that is shaped by environmental degradation and a scarcity of natural resources. Therefore, the trajectory of the Company's growth must be executed in a manner that is lean and sustainable and does not compromise the environment or nature. In other words, AUGA's growth dynamics are unimaginable without the integration of responsible technology that:

- ✓ increases animal welfare and productivity,
- ✓ minimises effects on the environment,
- ✓ proves such a track record valid for every unit of organic produce throughout the value chain.



AUGA IN 2020

Agriculture accounts for around 23% of total human activity caused GHG emissions¹.

The sheer scale of the Company means that team AUGA carries a huge responsibility to bring about change in the industry. After all, this is an industry that is sometimes referred to as one of the biggest polluters of the environment. Globally, agriculture, along with the emissions from deforestation due to land conversion, accounts for around 23% of total human activity caused greenhouse gas (GHG) emissions¹.

Today in 2020, AUGA group has come a long way when it comes to the adoption of a set of practices that make farming operations more sustainable. The Company has implemented circular economy principles throughout the various business lines, applied min-till technology in almost 100% of the fields, and now operates the sites on certified green energy.

The Company has also integrated Good Governance practices in its everyday operations and within the management of the Company, which also allow it to ensure transparency to its shareholders and the society at large. Its modern management techniques might be best illustrated by the structure of the Board, the system used for reporting to investors, the annual monitoring and reporting of its CO₂eq footprint, and the integration of Environmental, Social and Governance (ESG) standards into AUGA's culture.

Standing on the doorstep of the Decade to Deliver,² AUGA is inspired to greet the 2020s with an innovation agenda whose key goal is turning the Company into a CO₂eq neutral player in organic food by 2030. The key aims of the Company include:

- ✓ to **improve efficiency in existing business units** in order to be able to align yields and costs structures between conventional and organic;
- ✓ to **design a sustainable organic food architecture (SOFA)** that would create a multi-level innovation scheme to address the most pressing technological bottlenecks in the world of food production whilst retaining scale, quality and yield productivity as it grows;
- ✓ to **reduce CO₂eq emissions** to a minimum point through the value chain and neutralize the balance.

Team AUGA also believes that the new generation of consumers will not only demand new standards of food delivery throughout the value chain but will also become active agents of change in the food industry. The new generation will become vocal in their rejection of the previously engrained logic that the path of produce has to bear a cost to nature (i.e. a considerable CO₂eq footprint on the environment).

It is, therefore, part of the strategy of AUGA group to deliver a standard for sustainable organic food production, namely one which delivers the least negative environmental effects through the help of technology. With this in mind, it should come as no surprise that AUGA's mission is to embark on a new stage in its journey to become a synonym for sustainable food and lifestyle.

THE ONSET OF ORGANIC (2015-2017)

2015

strategic decision to
convert to organic

2016

launch of AUGA branded
FMCG products

2017

completed transition
to organic

The Company's strategic decision of 2015 to transition from conventional to organic production was related to concerns about the industry's environmental impact, as well as the aim to find more environmentally sustainable ways of farming and production. It came about when the visionary minded majority shareholder Kęstutis Juščius successfully undertook the reverse takeover of a previously conventional agriculture-focused entity.

The introduction of an innovative umbrella brand, alongside the first appearance of the fast-moving consumer goods category in 2016, brought the Group closer to the consumer. This relationship has become particularly important to the Company since it has served as a radar on the consumer front, helping AUGA to identify the needs and expectations associated with food that are formulated by conscious and responsible sustainability promoters and consumers.

The Company's map of new competences that have come about as a result of the expansion of its business - from the launch of its consumer assortment to the formulation of messages to organic consumers - has shaped AUGA in a way that the Company is now ready to embrace continuous change. Team AUGA today understands that building an architecture of sustainability is a journey, not an endpoint.



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STRATEGY 2025

THE CURRENT STATE OF FOOD (2017-2020)

In the current state of food awareness, it is commonplace to associate organic agriculture with positive effects on human health, the ecosystem and the soil,³ and to relate this kind of food to cleaner production⁴. Nevertheless, there is a strong demand for technological solutions that can bridge the gap between levels of productivity and efficiency in organic vs. conventional types of agriculture. The demand for such technology arises from the efficiency concerns faced by organic farms when they seek to generate more comparable yields of organic produce on larger farmlands vs. conventional agriculture. Therefore, technology that addresses the productivity bottleneck in organic farming will be a key factor when it comes to solving the issue of sustainability within the current mode of food production.

What is more, there is a lack of motivation in the industry to bind key players to sustainability requirements. Such a situation allows production practices to become of secondary importance and provides little benchmark when occasional queries on the consumer side arise over the cost of production to nature (for example, the rate of CO₂eq emission per unit of produce at the production level).

It is AUGA's strong conviction that the new generation of consumers will no longer tolerate such a loose understanding of sustainability in their everyday consumption. Not only will such a group of responsible consumers openly refuse to buy foods with a high cost to nature, they will also drive change in the food industry.

In that respect, AUGA's solid organic track record allows the Group to determine the most problematic bottlenecks in the organic food chain immediately and focus on delivering technology solutions to establish the Company's operational architecture (SOFA) as climate neutral by 2030. Moreover, AUGA will do so in a way that will satisfy the demands of the new generation and other responsible consumers via unprecedented call for sustainability. Team AUGA will be equipped to meet the demands of the new generation of consumers and drive them to the forefront of the industry.

Therefore, the Company strongly believes that a twofold undertaking of increasing the efficiency of existing business units in the short-term (2020-2023) and constructing a sustainable organic food architecture in the medium-term (2020-2025) is the only way to drive responsible growth in the Company and increase value to its key stakeholders (namely, consumers, partners and shareholders).



AGENDA FOR EFFICIENCY IN THE EXISTING BUSINESS SEGMENTS (2020-2023)

Efficiency agenda sets KPIs to evaluate the possibilities of aligning organic yields and cost structures to the level of conventional produce in the domestic market.

From AUGA's perspective, sustainability must also have an integral financial component. To put it in other words, the entire food architecture should be based on a set of operations that demonstrate such capacities in the field of organic farming; namely, becoming an economically feasible business model and delivering affordable offerings to the AUGA Community.

It is for this reason that AUGA will dedicate focus to the efficiency agenda of its key business segments (crop growing, dairy, mushroom growing and fast-moving consumer goods) in order to evaluate the possibilities of aligning organic yields and cost structures to the level of conventional produce in the domestic market in the short-term.

The efficiency agenda also sets forth an entire line of KPIs. These include bringing the cost structure of milk in line with national conventional price and ensuring wheat and pulse yield levels converge with the corresponding geographic conventional line. Reaching the targets will serve as the basis for a future consumer basket with no cost to nature.

The key strategic initiatives for efficiency include the following:

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|----|---|
| 1. | Crop growing foresees the introduction of regenerative crop rotation plans with more expedient seed mechanisms and a higher level of grass cultivation and processing efficiency, drawing from the best practices generated at AUGA academy. |
| 2. | Dairy embarks on an initiative to increase animal welfare via a customised animal care programme, defining the key components of everyday well-being from milking to feeding. |
| 3. | Mushroom growing seeks to revisit the entire cycle of the mushroom cultivation blueprint with the introduction of technology in key labour-intensive areas, such as picking and packaging. |
| 4. | Fast moving consumer goods (FMCG) undertakes a mission to consolidate its market positions with own and private label brands, not only in established, but also new markets - taking the customer along on a journey to sustainability. |

THE ROAD
TO THE NEW
SUSTAINABLE
(2020-2025)

The final question left to answer is what constitutes a sustainable organic food architecture (SOFA), and how it will take the Company to a NEW level of sustainability. AUGA foresees it as a multi-level innovation scheme that addresses the most pressing technological bottlenecks in the world of farming. These bottlenecks are all related to solving the cost to nature of the produce; namely, the ability to deliver climate neutral food under the key conditions of an incremental increase in quality, efficiency and yield productivity by 2030.

The mid-point of the decade (2025) will mark the establishment of SOFA blueprint and the evaluation of the progress achieved with no cost to nature.

Therefore, in line with AUGA's innovation agenda, the Company is looking to adapt three levels of technology into its sustainable organic food architecture blueprint. This would create a new standard of farming upon the existing base of AUGA farms:

1.	Biogas cycle infrastructure and vehicles to enable farm operations to run without fossil fuels, and a tighter integration of the circular business model, whereby the secondary role of manure in the cycle will be utilised both for fertilisation, as well as for powering farm operations as biofuel.
2.	Specialised feed technology to reduce methane emissions from ruminants per animal unit and decrease the CO ₂ eq emission rate per corresponding group of products.
3.	Regenerative crop-rotation to substitute the share of cereal cultures with leguminous grasses that demonstrate carbon sequestration and nitrogen fixation capabilities. Not only will these cultures reduce the absolute rate of emissions, they will also become an integral part of livestock operations.

It should be noted, however, that previously cultivated synergies in the closed-loop sustainable farming model, especially those between crop growing and livestock, as well as mushroom growing with crop growing and livestock remain integral to the new blueprint. The three levels of technology are meant to expand the operational field and incorporate the use of existing inputs into secondary cycles.

Additionally, the Company will be able to implement a practical set of standards for the consumer basket, drawing from its sustainable farming experience. Animal-based proteins will lie at the core of this basket. The reason why animal proteins are to assume such a central role in the architecture is this: they bear the highest rate of CO₂eq emissions per gram of produce. AUGA will be ready to address this issue.

THE ROAD TO THE NEW SUSTAINABLE (2020-2025)

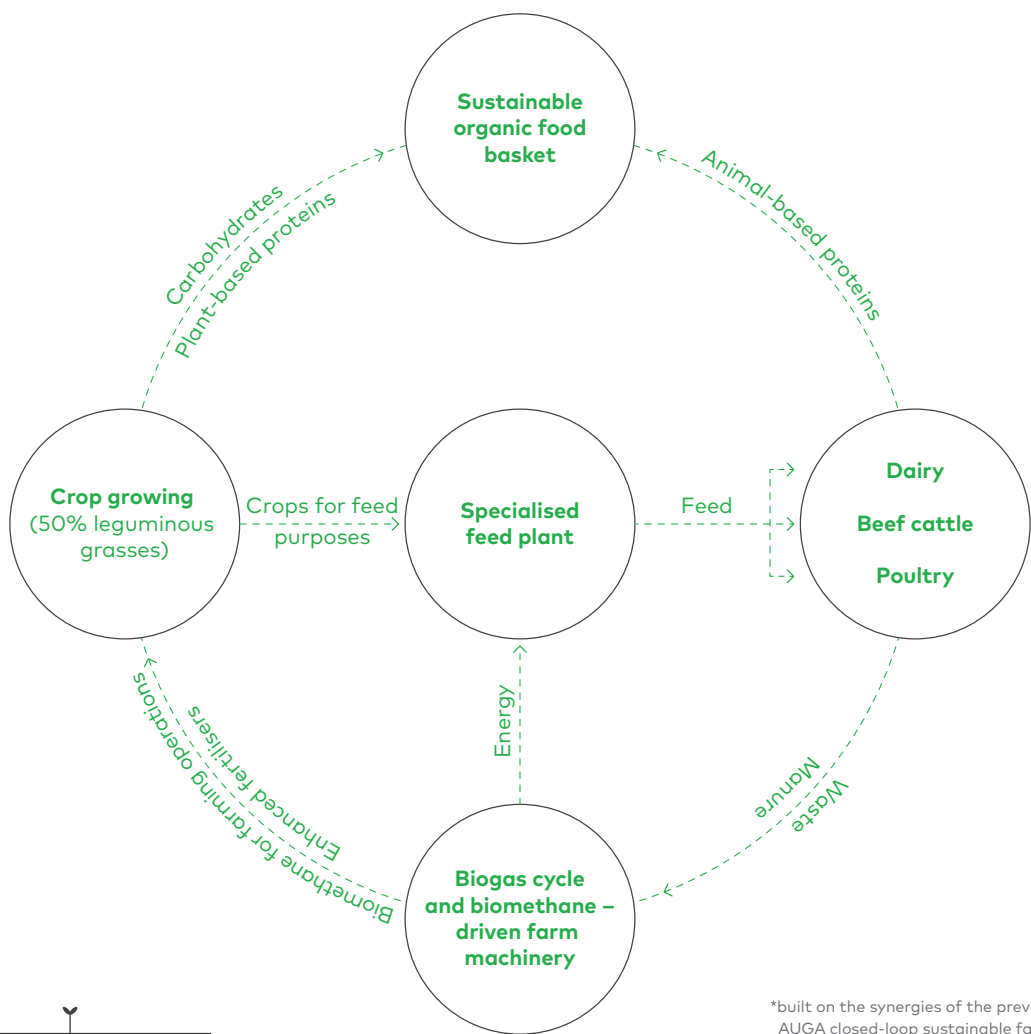
CO₂EQ EMISSION REDUCTION TARGETS BY 2025:

- **50%** from use of fossil fuels in farming operations;
- **50%** per tonne of cow's milk produced;
- **30%** per tonne of agricultural dry matter yield.

These standards will be accompanied by a list of CO₂eq emission reduction goals. By 2025, the Company is aiming to cut emissions from the use of fossil fuels on its farms **by 40%** (and by 50% in the consumption of fuels in its farming operations), methane emissions from enteric fermentation in livestock by at least **by 33%** (and by 50% per tonne of cow's milk produced) and emissions from managed soil **by 20%** (and by 30% per cent per tonne of agricultural dry matter yield).

There may be risks with regard to efficiency of the technology in question not converting all of the CO₂eq reduction indicators to reality. Nevertheless, the Company must persevere with the implementation of its goals, as this range of solutions will set the systemic foundation for a more sustainable food value chain blueprint. Such a strategic effort is critical to AUGA becoming a synonym for sustainable food and lifestyle. It will also build up know-how and experience, helping the Company to identify the most expedient way to set its food architecture by 2030, enabling AUGA to go CO₂eq neutral.

Sustainable organic food architecture (SOFA)*



*built on the synergies of the previously known AUGA closed-loop sustainable farming model.

THE ROAD TO THE NEW SUSTAINABLE (2020-2025)

Team AUGA will power the delivery of Company's very ambitious strategy.

Success for AUGA in 2025 will also mean to multiply Company value x3 and retain forward-looking growth dynamics on the same level throughout strategy and beyond.

The new face of AUGA group will be an asset-light, agtech-driven company, based on a self-sufficient circular model, that presents the world with an opportunity to live more sustainably and demonstrates resilience to fracturing in the global supply chain upon such global challenges, as pandemics. Certainly, the meaning of what is sustainable is different for every single group within the wide and diverse AUGA Community and the KPIs of success are also aligned for 2025 individually:

Sustainable for AUGA community

TO CONSUMERS	TO FARMERS	TO PRIVATE AND INSTITUTIONAL LENDERS	TO SHAREHOLDERS
Means eating, whilst remaining aware that the most basic need is not inflicting damage on the planet but is in fact helping to save it.	Means presenting them with an alternative standard of sustainability in agriculture.	Means empowering them to have the highest impact on the greening of the food value chain.	Means endowing them with a threefold opportunity to multiply their investment, empower the future of the food value chain, and help save the planet.

Success for AUGA in 2025

Ability to deliver consumer basket with least cost to nature.	Functionality of sustainable organic food architecture.	Resilience in business structure through long-term financing and impact-driven lenders.	Unique asset-light business model, able to demonstrate ROE ≥15%, multiply Company value x3 and retain growth dynamics in the periods to follow*.
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*As a direct reflection of success in the other three pillars to the left.

As the 2020s is the Decade to Deliver², AUGA group has five years to go with a very ambitious set of goals. However, the Company is not claiming that AUGA knows everything there is to know in the industry. That is why, if you have technological know-how, finances to be employed, or a sense of personal commitment to promote sustainability, you can be certain that you will always find a place in the AUGA Community. Team AUGA will power the delivery of Company's very ambitious strategy and create the kind of Community that in five years will be driven by agtech. Every Community member will be proud to be part of it since sustainability is the way of the future.

SOURCES

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² United Nations Global Compact – Accenture Strategy CEO STUDY ON SUSTAINABILITY 2019, The Decade to Deliver: A Call to Business Action, <https://www.unglobalcompact.org/docs/publications/2019-UNGC-Accenture-CEO-Study.pdf>, last accessed 13th April, 2020

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⁴ Vega-Zamora, M., Torres-Ruiz, F. J., Parras-Rosa, M., 2018. Towards sustainable consumption: Keys to communication for improving trust in organic foods. University of Jaen, Campus Las Lagunillas, s/n, 23071., <https://www.sciencedirect.com/science/article/pii/S0959652618338393>, last accessed 13th April, 2020 via Science Direct



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