

# Corporate Governance Report

## Introduction

Black Earth Farming is a limited liability company registered in Jersey. The Board of Directors (the “Board”) takes great emphasis on sound corporate governance. In the absence of a Jersey Code of Corporate Governance Black Earth Farming applies the Swedish Code of Corporate Governance (“the Code”), as is also required by Nasdaq OMX Stockholm, the regulated stock exchange where the Company’s shares are traded. The Company endeavours to apply the Code in full or, where applicable, explain deviations from it. Establishment of this report is part of the Code’s requirements. The principles of corporate governance in Black Earth Farming are described below and governed by its Articles of Association, applicable laws, exchange requirements and praxis including the Swedish Code of Corporate Governance. This report has not been subject for review by the Company’s auditors.

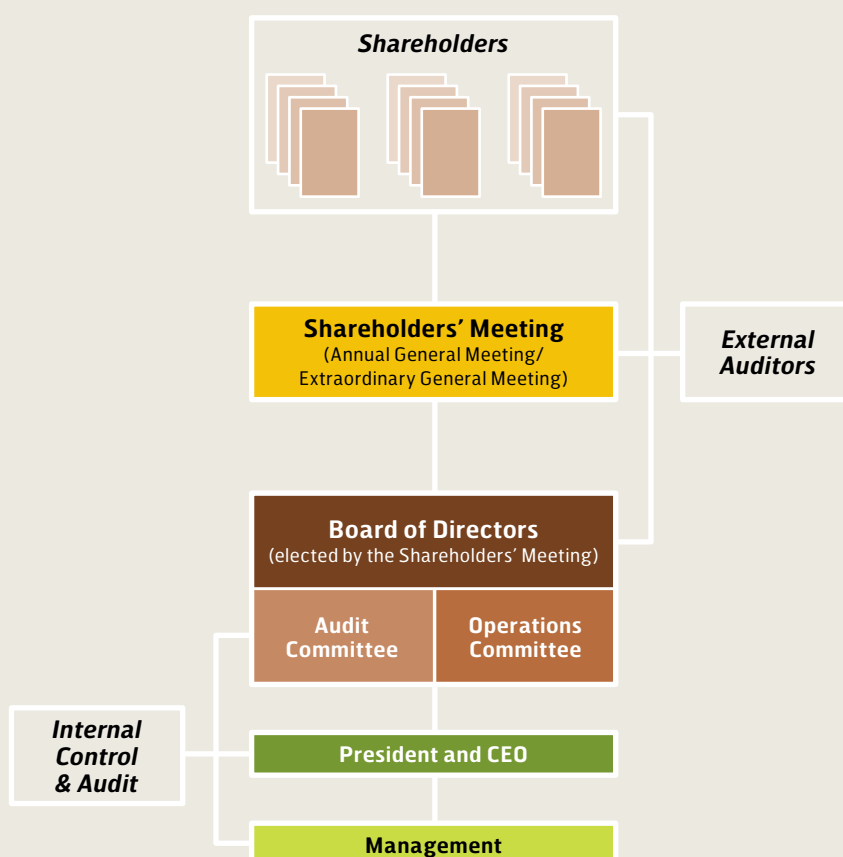
Black Earth Farming’s articles of association as well as a reproduction of this report and additional Corporate Governance information, such as outtakes of important corporate policies are available on the Group’s website [www.blackearthfarming.com](http://www.blackearthfarming.com).

## Shareholders meetings

The Annual General Meeting (“AGM”) is the highest decision-making body of Black Earth Farming, in which all shareholders are entitled to attend in person or by proxy to cast their votes on important company matters. Subject to the provisions of the Companies (Jersey) Law 1991 as amended (“Law”), an Annual General Meeting shall be held in Sweden or in such other place as may be determined by the Board and at such time and place as the Board may determine, in the Swedish and English language, once per year, no later than six months after the end of the financial year.

The regular business that is to be transacted at an Annual General Meeting is the receipt and consideration of the annual accounts and the reports of the Directors and the Auditors and any other document required to be annexed to the annual accounts, the declaration of dividends, the election or re-election of Directors and the appointment or re-appointment of the Auditors and the fixing of the remuneration of the Auditors or the determination of the manner in which such remuneration is to be fixed.

In 2014, Black Earth Farming held the Annual General Meeting at 12.00 CET on 14 May 2014 at Grev Turegatan 30,



Stockholm, Sweden. As per the published agenda and minutes, the AGM adopted the consolidated profit and loss statement for the period 1 January to and including 31 December 2013, as well as balance sheet and the consolidated balance sheet as of 31 December 2013, it was resolved upon the election of Board of Directors and auditors, with Company after six years with Deloitte changing auditors to PriceWaterhouseCoopers. It was furthermore resolved not to pay any dividends for 2013.

### Appointment and remuneration of the Board and Auditors

Shareholders in the Company have the right to nominate members of the Board of Directors, and auditors, to the Annual General Meeting. The AGM elects members of the Board of Directors for a term of one year and auditors for a period of one year. The shareholders also propose remuneration for the Board of Directors and auditors, which is to be resolved by the AGM. In accordance with the Code, the Company has a nomination committee which prepares proposals for the election and remuneration of members of the Board of Directors and auditors for the AGM.

In accordance with the resolution of the 2014 Annual General Meeting, a Nomination Committee consisting of members representing the three largest shareholders in the Company per the last business day in August 2014 was appointed. The Nomination Committee for the 2015 AGM is comprised of Cristina Stenbeck, on behalf of Investment AB Kinnevik, Ramsay Brufer, on behalf of Alecta Pension, and Per Åhlgren, on behalf of Gomobile Nu AB. The Company considers it appropriate for the major shareholders to propose the board composition and items related to the Nomination Committee's mandate for the Annual General Meeting. Cristina Stenbeck, of Investment AB Kinnevik,

is the current Chairman of the Nomination Committee. At the time of its formation, the Nomination Committee represented approximately 46% of the shares in Black Earth Farming.

### The Board of Directors

#### The 2014 Board of Directors

The Articles of Association stipulate that there shall be no maximum number of Directors unless and until otherwise determined by the Company in a general meeting by ordinary resolution. However, the minimum number of Directors (other than any alternate Directors) shall be two. At the AGM 2014 it was resolved that the Board until next AGM shall consist of 5 members.

At the 2014 AGM, Vigo Carlund, Anders Kronborg, Poul Schroder and Camilla Öberg were re-elected to the Board. Richard Warburton, Per Brilioth and Magnus Unger stepped down from the board. Dmitry Zavgorodny was elected as a new member of the board. For a detailed presentation of the current Board, until the AGM 2015, see section "Board, Management and Auditors" in the annual report. The Code states that it is possible for major shareholders of Swedish companies to appoint a majority of members with whom they have close ties. Black Earth Farming views positively active and responsible ownership, which is also expressed in the preparatory documents to the Swedish Companies Act. Given Black Earth Farming's line of business, stage of development and general environment, the elected Board represents a suitable composition with versatility and breadth in terms of the Directors' qualifications, experience and background. The table above contains summary information on the current Directors' name, position, year of election to the Board, year of birth, citizenship and respective holding of SDRs/shares and warrants in the Company.

Name	Title	Born	Nationality	Elected	Connection to the company	Audit committee	Board meeting attendance	SDR holdings	Warrant holdings	Board fee, TEUR
Vigo Carlund	Chairman of the board	1946	Swedish	2012	Independent		13	1,006,335*	0	60
Per Brilioth**	Non-executive Director	1969	Swedish	2006	Main owner		4	321,656*	0	40
Camilla Öberg	Non-executive Director	1964	Swedish	2013	Independent	Chair	9	1,500	0	60
Anders Kronborg	Non-executive Director	1964	Danish	2013	Main owner	member	10	7,833	0	50
Poul Schroder	Non-executive Director	1944	Danish	2010	Independent		12	350,000	0	60
Magnus Unger**	Non-executive Director	1942	Swedish	2010	Independent	member	5	350,000	0	40
Richard Warburton**	President and CEO	1966	British	2010	Management		13	530,000	876,863	0
Dmitry Zavgorodny	Non-executive Director	1970	Russian	2014	Independent		7	–	–	40
<b>Number of meetings in 2014</b>						<b>6</b>	<b>13</b>			

\* SDRs held via an insurance policy

\*\* Per Brilioth, Magnus Unger and Richard Warburton stepped down from the Board in May 2014. Since 14 May 2014, the Board has five members. The total Board fee is accordingly lower in 2014.

### Board meetings

The Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. The Board of Directors however thinks it suitable to meet at least twice a year in person and more frequently when necessary. Thereto, additional meetings are to be conducted by telephone if considered necessary. The CEO has regular contact with the Chairman of the Board and several other members of the Board. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the Chairman of that meeting shall have a second or casting vote.

During the financial year ended 31 December 2014, thirteen Board meetings were held, whereof 4 were held with personal attendance, the rest were held by means of telephone conferencing.

Each Board meeting was governed by an approved agenda, supporting documentation for the agenda items as well as protocol from last meeting for follow up discussions.

At one time or another when deemed suitable by the Board, certain members of senior management, but not members of the Board, have been invited to attend meetings for in depth reviews and/or discussions of their respective business areas and/or projects. In connection with the Annual Audit of the Company's accounts, the Auditors are always requested to attend a meeting to report their observations from the annual audit.

### Work and Responsibilities

The Board of Directors adopts decisions on overall issues affecting the Black Earth Farming Group. However, the Board of Directors' primary duties shall be the organization of the Company and the establishment of overall goals and strategy relating to the Company's operations including:

- Decisions regarding focus of the business and adoption of Company policies;
- Supply of capital;
- Appointment and regular evaluation of the work of the CEO and Company management;
- Approval of the reporting instructions for the Company management;
- Ensuring that the Company's external communications are open, objective and appropriate for target audiences;
- Ensuring that there is an effective system for follow-up and control of the Company's operations and financial position vis-à-vis the established goals;
- Follow-up and monitoring that the operations are carried out within established limits in compliance with laws, regulations, stock exchange rules, and customary practice on the securities market;
- Keeping of minutes for written Board resolutions;
- Determination of the appropriate minimum number of Board meetings as well as when and where they are to be held;
- Appointment of Audit- and Operations Committee Chair and members as well as identification of their major tasks;

- Establishing issues that always require a Board decision or an application to the Board, such as quarterly reports, major investments, changes of the legal structure, certain management appointments and financial guarantees/pledges.

During 2014 the Board has continuously reviewed the strategic direction, the financial performance, and the methods to reach profitability as well as sustain growth longer term. No dissenting opinions in relation to decisions have been reported in the minutes during the year. However, the Board has at times tabled an issue until a later meeting when more supporting documentation or more in depth review of an issue should be produced. An annual evaluation of the board's work was performed in order to develop the board's working methods and efficiency.

### Chairman of the Board of Directors

The Nomination committee suggests a chairman of the board to be elected by the AGM. The chairman shall not be employed by the Company. Vigo Carlund was elected chairman of the Board at the AGM held on 14 May 2014. The Chairman shall lead the otherwise open Board discussion at each Board meeting. In the case of an equality of votes the Chairman shall have a second or casting vote.

### Sub Committees of the Board

Pursuant to the Articles of Association, the Board may delegate any of its powers, authorities and discretions to any committee consisting of one or more Directors. In pursuit of an efficient and reliable corporate governance structure, the Board in 2007 established two subcommittees, those being: the audit committee and the investment committee. As the Company has evolved into a more operationally focused stage of development, the operations committee was established in 2010 replacing the investment committee. Each committee keep minutes of their meetings which are made available to the board. Described below is also the Board's discharge of remuneration committee tasks.

### Audit committee

The audit committee is charged with the responsibility of reviewing the system of internal control, management and reporting of financial risks and the audit process. When relevant and appropriate, the Chief Financial Officer and the Company's auditors are invited to attend the meetings, including a yearly planning stage meeting before the audit and after the audit at the reporting stage. Other Directors may also be invited to attend, although at least once a year the audit committee must meet the Company's external auditors without any management being present.

The tasks of the audit committee include consideration of matters relating to the appointment of external auditors for Black Earth Farming and its main subsidiaries, the independence of the Company's auditors as well as review of the audit fees. The audit committee shall also review the integrity of the Company's annual and interim reports,

preliminary results' announcements and any other formal announcements relating to the Company's financial performance and situation.

The Chairman of the committee must have significant knowledge and experience in accounting in general, and the accounting principles applicable to the Company in particular.

The audit committee shall meet as regularly as deemed necessary by the Board, but it should be at least four times a year, in connection with the release of the Company's interim and full year financial statements.

#### Audit committee in 2014

The audit committee consists of two of the board members, namely Camilla Öberg, as Chairman, and Anders Kronborg. This is a deviation from the Swedish Code of Corporate Governance, which requires at least three Board members on the audit committee. The Board however decided that, given the close work between the audit committee and the overall Board, two members would be appropriate. Former board member Paul Wojciechowski is a fourth specially invited observer on the committee in his capacity of Company secretary. In 2014, six meetings, of which one in person, were held by the audit committee addressing the Company's financial reporting and progress. There were also several update conference calls between the committee Chairman and members of the Company's management. In 2014, the Committee supervised an internal audit, managed by an independent third party, with special focus on the Company's IT systems and infrastructure

#### Operations committee

The operations committee has been delegated by the Board of Directors to screen and evaluate key decisions regarding operational matters relating to the Company. Initially, the responsibilities of the Operational Committee were directed towards decisions regarding capital and operational expenditures and key operational activities. Currently, a significant share of the Committee's work is focused on strategic sales and marketing decisions, as well as the Company's hedging position.

#### Operations committee in 2014

The operations committee consists of three board members, namely Poul Schroder as Chairman, Anders Kronborg and Dmitry Zavgorodniy. In 2014, one formal meeting was held by the operations committee together with senior management, in addition to several telephone conference calls addressing the Company's operational progress.

#### Remuneration committee

The function of a specific remuneration committee, as per the Code's guidelines, is to prepare proposals on remuneration and other terms of employment for the executive management. The Board of Directors of Black Earth Farming has generally considered it more appropriate, that the entire Board performs the remuneration committee's tasks, albeit without the Board member(s) who are also part of the executive management, if any. The guiding philosophy of the Board in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, will attract and retain qualified executives, and encourage and motivate performance.

#### Group management

The CEO of Black Earth Farming is elected by, and works on behalf of the Board of Directors and shall implement the decisions made by the Board and prepare for decisions to be considered by the Board. The CEO shall also oversee compliance with the objectives, policies and strategic plans for the Company that the Board has established and ensure that these objectives, policies and strategic plans are submitted to the Board for updating or revision when necessary. The CEO is responsible for the operational management of the Company including establishing a qualified senior management team, usually in discussion with the Board of Directors for the most senior positions. The CEO shall ensure that the Company fulfils the obligations regarding disclosure of information, etc., or other regulations with which the Company is required to comply. The CEO is responsible for ensuring that obligations, agreements or other acts in law that the Company enters into or effects are correctly documented and do not conflict with any applicable binding statutes.

Name	Born	Nationality	Employed	Function	SDR holdings	Warrant holdings	Average strike price
Richard Warburton	1966	British	2011	Chief Executive Officer	530,000	876,863	SEK 15.9
Fraser Scott	1961	British	2011	Chief Operating Officer	241,669	438,941	SEK 16.2
Erik Danemar	1976	Swedish	2013	Chief Financial Officer	25,000*	350,000	SEK 8.2
Richard Willows	1953	British	2011	Director of Sales & Marketing	46,333	319,469	SEK 13.7
Per Nisser	1979	Swedish	2013	Director of Procurement	40,000	150,000	SEK 8.5
Victoria Fletcher	1981	British	2012	Business Development Director	136,000	250,000	SEK 8.2

\* SDRs held via an insurance policy

The Company has in place an instruction that outlines the key responsibilities and obligations of the CEO, details the reporting process of the CEO and defines the limits of the CEO's authority to represent the company.

The individuals identified and presented below (and in the section "Board, Management and Auditors" in the formal annual report), as forming current senior Group management are individuals having important managerial roles and/or responsibility for certain important functions to the extent that their disclosure is required and it benefits the Company's shareholders to know of them and their merits in some detail.

For a detailed presentation of the senior management, see section "Board, Management and Auditors" in the formal annual report.

## Compensation to the Board and management

### Principles

Each Director currently receives an annual Board fee of EUR 30,000, other than the Chairman of the board, the operations committee and the audit committee, who each receive EUR 60,000. EUR 10,000 is paid for work within the committees of the Board. Remuneration for the senior executives consists of fixed salaries plus other benefits. In addition, certain Directors, senior executives and other key personnel within the Group are holders of warrants as part of the established incentive program. The guiding philosophy of the Board in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, will attract and retain qualified executives, and encourage and motivate performance. As stated in Note 33 to the Consolidated Financial Statements, in 2014 total fixed salaries and bonuses to senior executives amounted to USD 2,353 thousand (excluding pensions and termination payments), of which USD 747 thousand to the Company's CEO.

### Incentive programme

As part of the Company's efforts to attract and retain qualified personnel, Black Earth Farming has created a warrant incentive program originally comprising of 2,059,000 warrants to subscribe for Shares. The number of warrants within the warrant instrument was thereafter increased from 2,059,000 to 10,000,000 warrants at the AGM of the Company held on 5 July 2007. Of these warrants, 5,128,670 have as of 31 December 2014 been issued for nil consideration to Directors and senior executives and other key personnel. Each warrant entitles the holder to exchange one warrant for one Share. The warrants are regulated by an agreement dated 11 August 2005, as amended. The Company has undertaken to keep Shares available in order to facilitate the future exercise of such warrants.

All warrant holders have been allotted warrants of which proportionate part is vested annually during a number of years set out in each warrant holders' warrant certificate. Warrants with a lower subscription price shall vest prior to

warrants with a higher subscription price. Allocation of warrants is at the discretion of the Board. The subscription price will be affected by the time of allocation of the warrants. In the event that the warrant holders are no longer connected to the Company before the vesting date, warrants that are due to vest will be cancelled. The warrants are transferable to a maximum of 50 warrant holders. Following the Rights Issue completed in December 2012, warrants issued prior were adjusted according to the Swedish standard so that warrant holders maintain their pro rata holding. According to the standard and prepared by a third party, warrants issued prior to the rights issue were adjusted giving the holder the right to acquire 1.195 SDRs and the strike price multiplied by 0.837. At full exercise of all approved 10,000,000 warrants, the Company's share capital will be increased by USD 100,000.

### Executives share option plan (ESOP)

At the AGM on 25 May 2012, a performance based incentive plan for senior executives was approved. In order to participate in the plan, the participants must purchase shares (in form of SDRs) in the Group. For each share held under the plan, the Group will grant rights to the participant based upon if performance criteria relating to the development of Black Earth Farming's return on capital, profitability, revenue growth and average crop yields during a three year period. For full details please refer to note 26 d) in the Consolidated Financials of the 2014 Annual Report. As at 31 December 2014, 4,432,930 rights had been granted which may result in an expected 1,946,420 shares being issued depending on fulfilment of the aforementioned criteria.

### Termination of employment

In general, there is a mutual six months' notice period between the senior executives and the Company during which period the senior executives shall remain in their position and thereafter the senior executives are entitled to receive monthly salary during two additional months. However, the Company can in some cases agree with a senior executive that he or she should immediately leave his or her position with a compensation corresponding to three months' salary. The Company has not set aside or accrued any amount to provide pension, retirement or similar benefits to any Directors or senior executives. Furthermore, in addition to the above, none of the Directors or senior executives has any service contracts with the Company providing for benefits upon termination of his or her respective appointment.

### Conflict of interests

The Group has employed services from KinnAgri Ltd, KCM, Audit Value International and non-profit Reach for Change in 2014, in which the Group's major shareholder Investment AB Kinnevik had interest and which therefore represent related parties that are not members of the Group. The Company's CEO, Richard Warburton, also had interest in KinnAgri Ltd and KCM. Such transactions are scrutinized for

arm's length and have been approved by the members of the Board of Directors independent from Investment AB Kinnevik. In December 2014, KinnAgri Ltd completed a buy-back of the shares of Investment AB Kinnevik in KinnAgri Ltd. As Investment AB Kinnevik fully exited the shareholder structure of KinnAgri Ltd, the Company was subsequently renamed TerraVost Ltd. As a result of the transaction, Richard Warburton, the CEO of Black Earth Farming, reverted back to being the majority shareholder of TerraVost Ltd. The Group has continued to employ services of TerraVost Ltd. Poul Schroeder is Chairman, but not a shareholder, of Dan Store, a Company involved in grain storage and a supplier to the Company. Outside these transactions, to the best of the Company's knowledge, none of the members of the Board of Directors or the Management of the Company has a private interest that may be in conflict with the interest of the Company.

## Auditors

At the AGM on 14 May 2014, the Company changed Auditor from Deloitte to PriceWaterhouseCoopers, with Bo Lagerström as auditor in charge.

### PriceWaterhouseCoopers

Principal auditors:

#### Bo Lagerström

*Group Audit Partner*

Mr. Lagerström is a Swedish citizen, born in 1966.

PriceWaterhouseCoopers are the appointed auditors since 2014. Bo currently audits listed clients Scandinavian Standard, Intellecta and Swedol. Bo as has audited several mid-sized and large listed as well as large privately owned clients including Niscayah, Rottneros, SCA, Celsius, Thomas Cook, Aurubis, and Pomonagruppen. Mr. Lagerström is an Authorized Public Accountant and member of the Institute for the Accounting Profession in Sweden (FAR). He has no engagements in entities related to the main owners of Black Earth Farming Ltd. or the CEO of Black Earth Farming Ltd.

#### Alexei Ivanov

Mr. Ivanov is a citizen of Russia, born in 1969.

Alexei has audited a significant list of clients including Yug Rusi, Russkaya Zemlya, Agro-Belogorie, Sodruzhestvo, Ilim Group, SCA, Smurfit Kappa, Protek, Euroset, Ford, Philip Morris, and others. Alexei is a UK qualified Chartered Accountant (ACA, 1997), registered also as a recognised auditor in Jersey, and Russian Certified Auditor (1998). He has no engagements in entities related to the main owners of Black Earth Farming Ltd. or the CEO of Black Earth Farming Ltd.