

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 depository receipts of the Company’s shares and its bonds are traded. The Company endeavours to apply the Code in full or, where applicable, explain deviations from it. Establishment of this Corporate Governance 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..

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, 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, 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 2016, Black Earth Farming held the Annual General Meeting on Wednesday 20 May 2016 at 09.00 CET at Näringslivets Hus, Storgatan 19 in 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 2015, as well as balance sheet and the consolidated balance sheet as of 31 December 2015. The AGM resolved upon the election of the Board of Directors and Auditors. The AGM resolved upon principles for compensation to Board, Auditors, senior management. A new long-term incentive program for senior management was approved. It was resolved not to pay any dividends for 2015.

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 2016 Annual General Meeting, a Nomination Committee consisting of members representing the three largest shareholders in the Company per the last business day in August 2016 was appointed. The Nomination Committee for the 2017 AGM is comprised of Joakim Andersson, on behalf of Investment AB Kinnevik, Per Åhlgren, on behalf of Gomobile Nu AB, and Ramsay Brufer, on behalf of Alecta Pension. 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. Joakim Andersson, of Investment AB Kinnevik, is the current Chairman of the Nomination Committee. At the time of its formation, the Nomination Committee represented approximately 47% of the shares in Black Earth Farming.

The Board of Directors

The 2016 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 2016 it was resolved that the Board, until next AGM, shall consist of 5 members.

At the 2016 AGM, it was resolved to re-elect of Camilla Öberg, Dmitry Zavgorodniy, Franco Danesi, Per Åhlgren, and Poul Schroeder as Directors of the Company. It was resolved to appoint Per Åhlgren as Chairman of the Board of Directors.

For a more detailed profile of the current Board, until the AGM 2017, see section "Board, Management and Auditors" of this 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. Table on the next page 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.

Board meetings

The Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it sees fit. The Board of Directors considers it suitable to meet at least twice a year in person and more frequently when appropriate. At least four more meetings are to be held by telephone. Additional meetings, in person or by telephone, can be called as and when needed. The CEO has regular contact with the Chairman and 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 that ended 31 December 2016, ten Board meetings were held, whereof four 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 items on the agenda as well as protocol from last meeting for follow up discussions.

As and when deemed suitable by the Board, certain members of senior management, have been invited to attend

meetings for in depth reviews and discussions of their respective business areas or current 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 business strategy 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 approved internal limits and in compliance with local and international laws, regulations, stock exchange rules, and customary practice on the securities market;
- Keeping of minutes for written Board resolutions;
- Determining of the appropriate minimum number of Board meetings as well as when and where they are to be held;
- Appointment of Audit-, Operations- and Remuneration Committee Chairs and members as well as identification of their major tasks;
- Determining what issues always require a Board decision or an application to the Board, such as quarterly reports, major investments, changes of legal structure, certain management appointments and financial guarantees/pledges.

During 2016, the Board has continuously reviewed the strategic direction, the financial performance, and the initiatives 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, for which more supporting documentation or a 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 proposes a Chairman of the Board to be elected by the AGM. The Chairman shall not be employed by the Company. Per Åhlgren was elected Chairman of the Board at the AGM held on 20 May 2016. The Chairman shall lead the 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 in the Audit Committee and the Investment Committee. As the Company has evolved from being focused on putting an asset platform in place to efficiently exploiting and operating that platform, the Investment Committee was replaced by an Operations Committee in 2010. As the Company has continued to mature, the focus of the Operations Committee has moved from operational decisions and optimization to sales and marketing and the Company's grain hedging program. Each committee keep minutes of their meetings, which are made available to the full 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 controls, 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 meeting for planning before the audit and a meeting on reporting after the audit. Other Directors may also be invited to attend. At least once a year, the Audit Committee should 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, certain press-releases 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 2016

The Audit Committee consists of two of the board members, namely Camilla Öberg, as Chairman, and Franco Danesi. 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. Auditor and Company Secretary Christopher Leck is a specially invited observer on the Committee. In 2016, six meetings, of which two 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 senior management.

Operations Committee

The Operations Committee has been tasked by the Board of Directors with screening and evaluating key decisions on the Company's operational matters. Initially, the responsibilities of the Operations Committee were directed towards decisions regarding capital allocation, 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 grain hedging program.

Operations committee in 2016

The Operations Committee consists of three board members, namely Poul Schroeder as Chairman, Per Åhlgren and Dmitry Zavgorodniy. In 2016, monthly (or sometimes more frequent) telephone conference calls were held to discuss the Company's operational progress, its sales and marketing plan and, in that context, its grain hedging activities.

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 tasks of the Remuneration Committee, albeit without any Board member who is also part of the executive management. The Remuneration Committee consists of two Board Members, namely Per Ahkgren and Franco Danesi, who prepare proposals on remunerations for adoption by the whole board. The guiding philosophy of the Board in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, that will attract and retain qualified executives, and that encourages and motivates performance.

Name	Title	Born	Nationality	Elected	Connection to the company	Audit committee	Board meeting attendance	SDR holdings	Warrant holdings	Board fee, TEUR
Per Åhlgren	Chairman of the board	1960	Swedish	2015	Main owner		9	25,942,162*	-	60
Franco Danesi	Non-executive Director	1972	Italian	2015	Independent	Member	8	-	-	50
Poul Schroder	Non-executive Director	1944	Danish	2010	Independent		9	350,000	-	60
Dmitry Zavgorodniy	Non-executive Director	1970	Russian	2014	Independent		9	-	-	40
Camilla Öberg	Non-executive Director	1964	Swedish	2013	Independent	Chairman	9	1,500	-	60
Number of meetings in 2016						5	9			

* SDRs held via an insurance policy

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 as and when necessary. The CEO is responsible for the operational management of the Company, including the recruitment of 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 its obligations regarding disclosure of information and observes other regulations with which the Company is required to comply. The CEO is responsible for ensuring that obligations, agreements or other legal contracts that the Company enters into are correctly documented and do not conflict with any of the Company's applicable binding statutes.

The Company has put 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 and power of attorney to represent the Board and the Company.

The persons listed and presented below (as well as in the section "Board, Management and Auditors" of the annual report) constitute the Company's current senior Group management team. As individuals with important managerial roles and responsibility for certain key functions, they are identified for disclosure with certain details of their professional duties as recommended by the Code and for the benefits the Company's shareholders. For a detailed presentation of the senior management, see section "Board, Management and Auditors" in this annual report.

Compensation to the Board and management

Principles

The Chairman of the Board, the Operations Committee and the Audit Committee each receive EUR 60,000 per annum in compensation. Other Directors on the Board, who do not Chair any committee, receives an annual Board fee of EUR 30,000 per annum. An additional EUR 10,000 per annum is paid for work on the committees of the Board.

Remuneration for the senior executives consists of fixed salaries, certain other benefits and an annual bonus. The annual bonus depends on both Company and individual performance over the year. The bonus is individual but is capped at up to 50% of an employee's annual income. In addition, certain Company 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, that will attract and retain qualified executives, and encourage and motivate performance. As stated in Note 30 to the Consolidated Financial Statements, in 2016 total fixed salaries and bonuses to senior executives amounted to USD 2,380 thousand (excluding pensions and termination payments), of which USD 1,001 thousand to the Company's CEO.

Incentive programme

As part of the Company's efforts to attract and retain qualified personnel, Black Earth Farming created a warrant incentive program. The warrant program was regulated by an agreement dated 11 August 2005, but was subsequently amended by addendums dated 15 November 2007 and 25 May 2012. The original program was open to up to 30 employees and comprised of 2,059,000 warrants to subscribe for shares. Each warrant entitles the holder to exchange one warrant for one share. The number of warrants within the program was thereafter increased from 2,059,000 to 10,000,000 warrants at the AGM held on 5 July 2007. 15 May 2013, the AGM approved to increase the maximum number of participants from 30 to 50. As of 31 December 2016, 5,366,667 of these warrants had been issued for nil consideration to Directors, senior executives and other key personnel.

All qualifying participants are allotted a certain number of warrants, of which a proportionate part is vested annually over the number of years set out in each participant's warrant certificate. Warrants with a lower subscription price shall vest prior to warrants with a higher subscription price. Decision on 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 where a warrant holder is no longer employed by the Company by the vesting date, warrants that are due to vest are cancelled. 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 three-year performance based incentive plan for senior executives was approved. In order to participate in the 2012-2014 plan, the participants should purchase shares (in the form of SDRs) in the Group. For each share purchased and held under the plan, the Group will grant up to five rights to the participant, one for each of five performance criteria to be met under the program. The criteria's relate to the three-year development of certain performance indicators for Black Earth Farming, and

Name	Born	Nationality	Employed	Function	SDR holdings	Warrant holdings	Average strike price
Richard Warburton	1966	British	2011	Chief Executive Officer	3,390,333	750,000	SEK 3.65
Fraser Scott	1961	British	2011	Chief Operating Officer	960,780	500,000	SEK 5.43
Rostislav Samotsvetov	1979	Russian	2015	Chief Financial Officer	-	200,000	SEK 3.65
Richard Willows	1953	British	2011	Commercial Director	258,738	500,000	SEK 5.43
Victoria Fletcher	1981	British	2012	Business Development Director	351,000	550,000	SEK 5.73

specifically its return on capital, profitability, revenue growth and average crop yields. The 2012 plan originally comprised of up to 1,050,000 shares (depending on employee share purchases and participation) held by the employees, entitling to allotment of up to 5,250,000 shares. The initial program was subsequently adjusted 2:3 to account for the rights issue in December 2012. In deciding on whether performance criteria were met and any program adjustments, the Board has discretion. At the end of May 2015, the first three year period of the program ended. As a result of the program, 2,756,796 shares, or 1.33% of the Company's total outstanding shares at the time, were granted to three 2012 participants in the program. Following the share issue, the Company's outstanding number of shares increased to 210,426,241, with one vote for each share. At the 2015 AGM, following the completion of participation in the 2012-2014 program, a new three-year program was approved. This 2015-2017 program is structurally the same as the previous program, although the performance criteria have been revised to reflect the results achieved by the Company over the period of the previous program. The 2015-2017 plan will comprise of up to 2,100,000 shares held by the employees, entitling to allotment of up to 10,500,000 rights. For further details on the Executives share option plan, please refer to note 23 c) in the Consolidated Financial Statements of the 2016 Annual Report. As at 31 December 2016, 1,562,226 shares have been purchased by participants within the two programs, which may result in an expected 9,518,551 shares being issued in case of fulfilment of the all the five aforementioned criteria. 1,050,000 shares remains to be taken up by participants in 2017. In case all remaining 1,050,000 rights of the 2015-2017 program will be taken up by eligible participants, it may result in an maximum additional 5,250,000 shares being issued in case of fulfilment of all the five 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. 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 that, on mutual agreement, reflects the notice period and other relevant considerations. The Company has not set aside or accrued any amount to provide additional funds for pension, retirement or similar benefits to any Directors or senior executives. In addition, 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 in 2016 employed services from TerraVost Ltd and KCM. KCM is a 50:50 Joint Venture between TerraVost Ltd and a company called CMI Ltd. Black Earth Farming's CEO, Richard Warburton, has a majority interest in TerraVost and therefore, indirectly, an interest in KCM, both of which therefore constitute related parties. Transactions with related parties are scrutinized for arm's length and approved by members of the Board of Directors of the Company.

Up until December 2014, Investment AB Kinnevik was also a major shareholder of TerraVost Ltd, which at that point was called KinnAgri Ltd. In December 2014, KinnAgri Ltd completed a buyback of the shares held by Investment AB Kinnevik. As Investment AB Kinnevik fully exited the shareholder structure of KinnAgri Ltd, the Company was 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.

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. At the AGM on 20 May 2016, PriceWaterhouseCoopers, with Bo Lagerström as auditor in charge, was reappointed as Auditors of the Company.

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 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.