

Sustainability Report 2024

BZK Grain Alliance AB



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About the Sustainability Report

The 2024 Sustainability Report is Grain Alliance's first report and covers the period from January 1, 2024, to December 31, 2024, following the same reporting period as the financial statements. The Sustainability Report is prepared in accordance with the Swedish Annual Accounts Act (ÅRL). For 2024, the report will also be reviewed in accordance with the ÅRL.

The Sustainability Report is primarily intended for the company's stakeholders, such as customers, employees, suppliers, investors, and creditors. The aim is, together with the Annual Report, to meet stakeholders' informational needs regarding the company's sustainability efforts. The report is intended to provide a transparent view of how we work with sustainability in the company's material areas - environmental, social, and corporate governance.

The Sustainability Report covers Grain Alliance's operations and includes this document, which should be seen as a complement to the Annual Report. It does not include financial follow-up or targets. The Sustainability Report has been reviewed in accordance with established regulations, approved by a third party, and is published on the website: www.grainalliance.com.

Contact

Eje Wictorsson, CFO
eje.wictorsson@cafastigheter.se

Mica Hofverhagen, Sustainability Manager
mica.hofverhagen@cafastigheter.se



This is Grain Alliance

Grain Alliance is a progressive farm operator in Ukraine. By implementing modern technology, financial management and production methods we aim to restore Ukraine as the breadbasket of the world. Grain Alliance has experience from more than 20 years of successful farming, achieving yields well above the average. Currently we control around 57 000 hectares of which 54,000 hectares are cultivated, and we are continuously expanding our territory.

The foundation for Grain Alliance was laid on February 26, 1998, when the company The Harvest Moon East Ltd. (HME) was founded by the American entrepreneur Alex Oronov. Initially, the company was a provider of tillage services for agricultural producers, but already in summer 1998 the company started cultivating two thousand hectares of leased land. The area was gradually increased and in 2008 the total cultivated area reached more than 27 000 hectares. In May 2008 the founder of HME joined forces with a Swedish-Ukrainian team of entrepreneurs and founded a new entity – Grain Alliance, which acquired several farms in the Poltava region and during summer 2008 HME was bought out the remaining partner. After the acquisition the companies were gradually merged into one organizational entity, under the brand name Grain Alliance. The merger was formally finalized in December 2009. By merging the companies, a solid platform for further growth, expansion and development of the company was created.

The head quarter is situated in Stockholm, but all operational activity is situated in Ukraine in the town of Bezrezan approximately 80 km from Kiev. All ownership is divided in Sweden in the holding company BZK Grain Alliance, which in turn is the 100% owner of the Ukrainian subsidiaries. There are no intermediaries, management companies, etcetera, instead the company is managed in a proven traditional form with an elected board and an executive management team. The goal is to have as transparent and simple structure as possible.

Operations

Grain Alliance's land is located in the heart of the Ukrainian black soil belt. The company operates in four regions: the Kyiv, Poltava, Cherkasy, and Chernihiv districts. The operations are divided into three regions, with each region cultivating between 17,000 and 24,000 hectares. To enable efficient handling and storage of the produced grain, the company has five drying facilities, four of which are directly connected to the railway.



Core Values

Sustainability and responsibility in combination with the knowledge and passions of the company's employees.

Business Concept

Grain Alliance's business concept is to generate sustainable returns by increasing productivity and efficiency in the Ukrainian agriculture by implementing best agricultural practices, modern equipment and strict financial control.

Since launch Grain Alliance has created a solid organization, which can efficiently and sustainable run a large-scale agriculture operation. The long-term goal is to grow up to more than 100 000 hectares of cultivated land and outreach western producers in terms of productivity.

The strategy to reach these goals is based on focus on the following:

- Maintain long term profitability
- A limited geographical area
- A limited set of crops
- Financial management and internal control
- Expansion, but not on the expense of productivity, efficiency and control

Trading

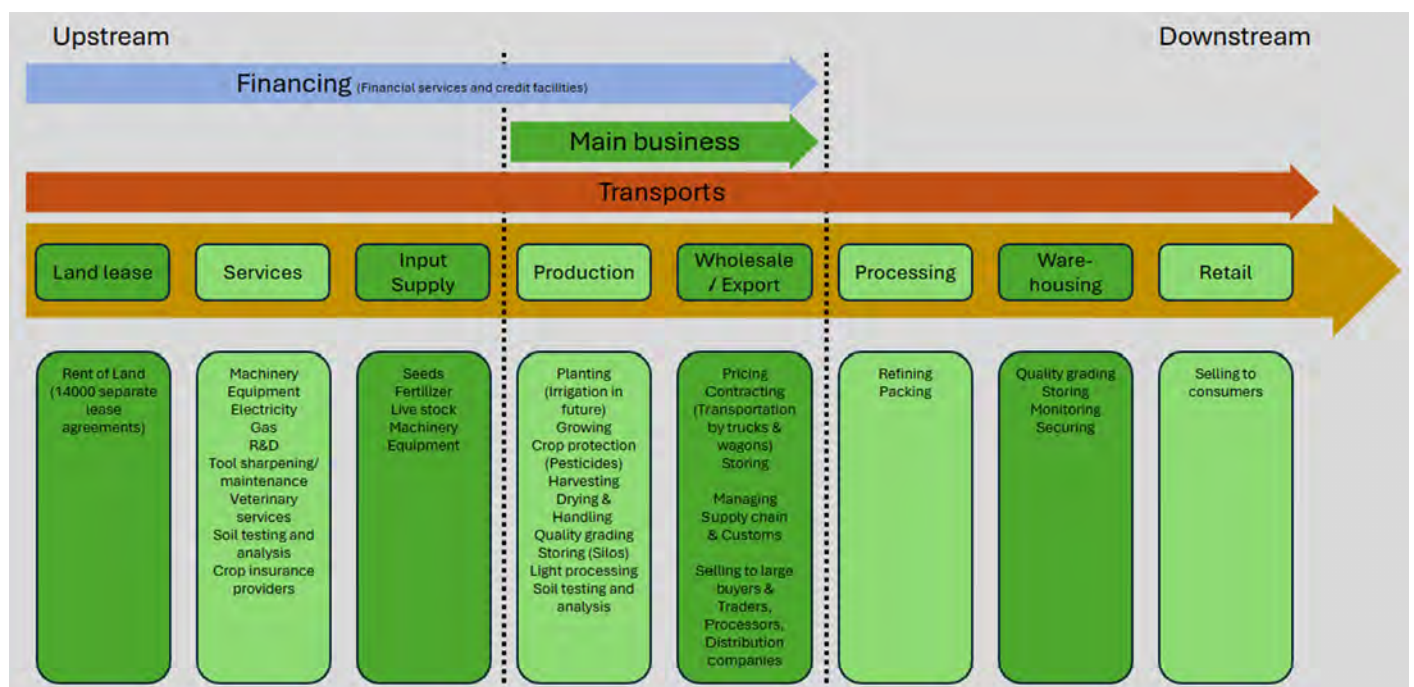
In 2015 Grain Alliance established its trading unit Khmelnitskaya Zernovaya Kompaniya. In 2018 It was renamed to Baryshevka GrainTrading Company BGTC. With securing qualitative and timely logistics of the goods, effecting just-in-time deliveries to our buyers, we have managed to gain a profound confidence of our clients and partners. Indeed, our major task is to meet the needs of a most demanding customer, and also to create most optimal conditions of business operations.

Policies

- Procurement policy
- Articles of association of the limited liability company Baryshevska Grain Company
- Sales policy
- Personnel policy

Grain Alliance's value chain

The company's value chain describes the activities that occur both upstream and downstream. By mapping our key stakeholders and understanding their needs and expectations, we can better meet their demands.



Stakeholders

Stakeholders of the company are all those who, in various ways, can influence or be influenced by the business. Stakeholders play a significant role in our development and profitability, and maintaining a good dialogue with them is essential for developing business, identifying risks and opportunities, and supporting continuous change and improvement efforts. The company has ensured strict framework agreements for environmental and EHS conditions (environmental, health, and safety). This has become an integral part of the selection of contractors in the tender processes. To improve the management of the EHS system, efforts are being made to establish a unified approach to identifying, controlling, analyzing, and mitigating EHS assessments and risks. This includes working to reduce climate impact, improve working conditions, and enhance collaboration with relevant parties.

Stakeholders' dialog

| STAKEHOLDER | STAKEHOLDER NEEDS AND DEMANDS | MANAGEMENT AND OVERSIGHT | MANDATORY REQUIREMENTS AND OBLIGATIONS | FORM OF DIALOG | KEY QUESTIONS |
|--|---|---|--|---|--|
| Suppliers | Good relations Comply with agreements | Agreements Code of Conduct for suppliers Specifications and demands | Evaluation of agreements Vendor assessments | Meetings Dialog Procurement | Appropriate compensation Work environment |
| Owners | Solid financing Attractive workplace Long term stable growth | Agreements | | Board meetings Quarterly & Annual Report | Long term stable growth |
| Banks | Agreements | Laws and Regulations Agreements | Evaluation of agreements | Meetings and dialog Investor relations | Correct reporting in line with Laws and regulations |
| Government/ Professional bodies | Follow laws and regulations | Regulatory oversight and supervision | Laws and regulations | Guidelines and frameworks | Follow laws and regulations |
| NGO (USAID & FAO) | Aid programmes and deliveries Contributions | Agreements Specification and demands | Evaluation of agreements | Meetings and dialog Procurement | Deliverable product Uphold business functions |
| Customers | Deliverable, fairly priced product | Agreements Specifications and demands | Evaluation of agreements Credit checks | Meetings and dialog Procurement | Deliverable product Reliable transport |
| Municipalities | Charity and contributions Social welfare Employments / workforce | Agreements Land lease | Evaluation of agreements | Meetings and dialog Townhall meetings | Appropriate compensation Working conditions |
| Own workforce | Working conditions Employments Responsible employer | Code of Conduct Employment contracts Policys | Agreements Guidelines and Regulations | Meetings Working conditions / audits | Appropriate compensation Working conditions |
| Environment | Follow laws and regulations Precautionary approach to environmental challenges | Laws and regulations | Regulatory compliance | Information from authorities Dialog with NGO's | Promote environmental responsibility in daily business |

Risks

The Group's agricultural operations are conducted entirely in Ukraine whose economy is run in accordance with martial law. The operations as such are associated with risks in the form of war-related risks (missile attacks on production facilities, blockade of grain export by sea, disruptions in the supply chains) and other risks such as volatile world prices, climate change, and other external influences on the soil and crops. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure the sustainability of the Group's operations.

Macroeconomic risk

The completely dominant risks are the risks resulting from the Russian invasion of Ukraine. The Ukrainian economy has been forced to transition to a war economy. It follows that there is a risk of a shortage of labor as the defense of Ukraine requires increased human resources. A shortage of labor risks affecting the business's ability to produce and deliver grain to a normal extent. As Ukraine is continuously exposed to Russian attacks, there is a risk that the company's facilities and warehouses will be attacked with significant financial losses as a result. Russian attacks also risk affecting the business's logistical capacity and energy supply, which can lead to problems with both deliveries to customers and access to input goods. Access to energy supply is important and interruptions can be partly compensated for with backup power, but longterm disruptions can have serious consequences.

Climate risk

It is in the nature of the business that changing climate conditions pose a significant risk. Extreme weather in the form of high temperatures, prolonged drought and heavy rainfall pose risks that can have a major impact on the company's ability to produce grain of good quality. To reduce climate risks, the company is taking a variety of measures:

- Use of crop rotation, which allows for crops turnover in clusters. We do not use mono-crop technology (one crop on fields for 3-5 years or even longer) in the company.
- Clusters set individual sowing start dates, which depend on the occurrence of optimal sowing conditions on their territory. Therefore, the sowing in clusters differs by several days. This distinction allows crops to pass through periods of possible hot or dry conditions more confidently.
- The selection of varieties and hybrids is carried out individually for each cluster, depending on the climatic characteristics of the region.

Government and regulatory risk

The Group's businesses may be affected by regulatory developments such as changes in fiscal, tax or other restrictive mechanisms. The Company constantly conducts monitoring of the regulatory environment. Business operations are executed in accordance with the current legislation.

Raw material and resources risk

The volatility of the raw material prices could affect the operating results and profitability. Operating costs could increase and adversely affect the financial performance and the cost of production. The risk is basically connected to possible price growth for fuel, energy, seeds, fertilizers, and crop protection materials. To reduce the above risks, the Group continues:

- to successfully implement the fuel consumption and machinery usage controlling systems using GPS trackers and fuel level sensors;
- to focus on a limited number of crops that allows using and purchase of seeds, fertilizers, and crop protection materials more efficiently by the wholesale prices;



Environment



Sustainability and environment

To maintain long term profitability Grain Alliance has an emphasis on sustainable agriculture. Our production is oriented towards a long-term perspective. A balanced mix of crops is grown, with an emphasis on crop alteration and soil recovery, thus promoting environmental sustainability.

Sustainability and environmental care are central issues for us. Currently, there is no documented environmental policy, but we are working in accordance with applicable environmental requirements. However, it is our goal to establish an environmental policy. The company follows a crop rotation plan aimed at preventing soil depletion and minimizing negative environmental impacts. Since 2008, annual soil analyses have been conducted on the cultivated fields, and our laboratory enables us to provide qualitative analyses of plant development in the field and disease diagnostics. The information from the analysis forms the basis of the overall environmental strategy, which aims to avoid depletion, harmful soil compaction, and other negative environmental effects. New methods have been introduced to balance the nutrient supply to plants with micro and macro fertilizers during the growing season to avoid soil depletion.

Old, outdated equipment has been replaced with modern equipment. Our long-term goal is to increase the share of renewable fuels in production as well as in the heating of the villages and towns in our vicinity. Investment in thermogenerators has enabled a significant reduction in natural gas usage.

The company meets the requirements and conditions of the International Sustainability and Carbon Certification system; the requirements of the second Renewable Energy Directive. GMP+B3 Trade, collection, storage, and transshipment, as well as Europe's guidelines for the soybean and feed industry in the EU.

We have also made large investments into energy efficient drying equipment. These investments have increased speed and quality of drying, reduced costs and greenhouse gas emission. During the peak of the season Grain Alliance can dry more than 5000 tons of grains per day. Of course, we are extremely sensitive to changes in growing and weather conditions, which can affect crop production, production costs, and harvest yields.

Agricultural Operations

Producing crops usually involves regular plowing, tilling, which stirs up the soil in various ways. Plowing, tilling, is used to remove weeds, mix in soil amendments like fertilizers, shape the soil into rows and prepare the soil for seeding. Yet, it has been proven that this can lead to adverse effects, like making the soil too compact, loss of organic substances, loss or disruption of soil microbes, arthropods, and earthworms, and increased erosion where topsoil is blown or washed away. To avoid these unfavorable effects Grain Alliance uses a modified “no-till” method, the so called “mini-till.”

Evidence shows that repeated tillage destroys the soil and could potentially be damaging to the environment in the long run. Regular tilling degrades the fertility of soils, causes air and water pollution, intensifies drought stress, leads to an increased fuel consumption and even contributes to global warming. With the no-till and mini-till method crop residues or other organic substances are kept on the soil surface and sowing/fertilizing is done with minimal soil disturbance.

In mini-till and no-till farming the soil is left almost intact and crop residue is left on the field. Therefore, soil layers, and in turn the biological structure of the soil are conserved in their natural state. Other benefits of no-till include increasing soil quality and less erosion, evaporation of water, and structural breakdown. Crop residues left intact help natural precipitation to infiltrate the soil where it can be used. The crop residue left on the soil surface also limits evaporation, conserving water for plant growth. A reduction in tillage passes helps prevent the compaction of soil. Less plowing, tilling, reduces labor and related fuel and machinery costs. Less soil plowing means less airborne dust. No-till fields often have more beneficial insects, a higher microbial content, and a greater amount of soil organic material.

The Company's production is oriented towards a long-term perspective, therefore a balanced mix of crops are grown with an emphasis on crop alteration and soil recovery. By continuously analyzing the soil the agronomists scientifically know what kind of fertilizer to use and in which quantities. Grain Alliance can also in time react to problems such as increased acidity of the soil. Moreover, this information is used in the long-term production planning process and thus securing a long-term sound usage of the soil and avoids exhaustion.

In addition to the soil analysis Grain Alliance management information system provide full traceability of all crops grown. We can follow exactly from seed to plant, which operations has been conducted, which quantities of fertilizer and pesticides have been used, at what time, by whom, with which piece of equipment, precipitation levels during the growth period, etcetera. By monitoring in detail all inputs and all field activities we ensure that we follow all environmental regulations and recommendations.

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Social Sustainability



Social Sustainability

The employees are regarded as the company's most valuable asset and we continue to implement its social action plan, which aims to improve environmental, health, and safety programs, as well as enhance the relationship between employees and management. To ensure awareness of these issues, there is a Personnel policy. It addresses safety, personal development, and education, and the company has taken all appropriate measures to meet the policy's requirements. The personnel policy meets the highest standards and operates in accordance with current practices. The policy is continuously updated.

The war is causing, among other things, a shortage of personnel. To respond to these changes brought about by the war, the company is taking the following actions:

- Training of personnel to improve their skills
- Internal recruitment for the re-profiling of personnel
- Maintaining competitive salaries
- Raising awareness of the importance of employees' work through the value of the product and service

Since the outbreak of the war, the safety of employees has been prioritized, all the necessary permits for employees to perform high-risk jobs are in place and up to date.

The average number of employees in 2024 was 1,165, consisting of 234 women and 931 men. The number of employees in Ukraine was 1,144 and in Slovakia 21. The group continues to implement its regular plan for personnel optimization as part of the program to increase operational efficiency.

Corporate Responsibility

Grain Alliance, being one of the largest employers in the regions where Grain Alliance is active, the company has taken the responsibility of being a good corporate citizen to heart. The company is committed to dedicating its business expertise and resources to help deliver innovating and sustainable solutions to address some of the Ukraine's most pressing challenges. The main objectives of these activities are to promote of the development of local communities and improvement of their welfare.

Human rights

Human rights are universal rights that apply to all people, regardless of country, culture, or context. They establish that all people are born free and equal in dignity and rights. Human rights include, among other things, the right to life, freedom, education, and protection against slavery and torture. For us, it is self-evident that the UN's principles on human rights should be followed.

No incidents, reports, or serious consequences related to human rights came to our attention during 2024.

Village development

The best way to give back to the people in the villages is to draw upon Grain Alliance's core values: sustainability and responsibility in combination with the knowledge and passions of the company's employees.

As a result of this Grain Alliance took the initiative to start the foundation "Village development," the goals of which are to improve the standard of living in rural areas of Ukraine.

After the fall of the Soviet Union rural communities in Ukraine have faced a demanding situation and witness a drastically change for the worse when it comes to social welfare and environment. Throughout Grain Alliance's history, the company has strived to meet the changing needs of communities in Ukraine. By living and working in the villages where the company operates, employees are in touch with the needs and issues in their communities.

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The Village Development Fund centers around four pillars, every project is based on European principles and the four pillars:

- Sustainability – environmental and social
- Responsibility
- Education – access and improvement
- Social welfare – well being and social support for the rural population.

The main tasks of the Village Development Fund in this area are to provide schools and pre-schools with civilized premises, equipment, internet connection, scholarship program and support for the teachers.

Article 25 in the Universal Declaration of Human rights states that "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family..."

Also, the World Health Organization (WHO) declares that it is one of the fundamental rights of every human being to enjoy "the highest attainable standard of health." Unfortunately, the recent years of economical recess and political turmoil has created a difficult health situation for rural communities in Ukraine. Medical stations around the country are in disrepair and not have the necessary medicines to provide first aid therefore, the villagers must travel so far and pay big money for adequate medical assistance and medicines.

The Village Development Fund has set to one of its tasks to assist villagers in getting the health care that they need and deserve. The fund sponsors medical centers in villages. Throughout Grain Alliance's history, the company has strived to meet the changing needs of communities in Ukraine. The investment strategy centers around four pillars aligned with Grain Alliance's corporate values and business expertise: sustainability, responsibility, education and social welfare. By living and working in the villages where the company operates, employees are in touch with the needs and issues in their communities.



Corporate Governance

The Ukrainian economy is classified as a market economy but still exhibits several characteristics consistent with a transition economy, such as low liquidity in the capital market, high inflation, strained public finances, and the presence of currency controls, which means that the national currency has limited liquidity outside Ukraine. The ongoing Russian military invasion has a significant impact on the country's economy.

Grain Alliance is continuously improving its Corporate Governance systems to secure the interests of all stakeholders and to mitigate risk. Our principles for corporate governance are based on accountability, transparency, fairness and simplicity with the goal of maximizing shareholder value while simultaneously adding value for all stakeholders. These principles are declared to ensure that laws, regulations and ethical values are following internationally adopted principles and standards.

The Group has a centralized procurement department locating in the central office in Ukraine. It is responsible for acquisition of goods, works and services. The procurement department is subordinated to the Local Management Board represented by five members (CAO, CCO, CFO, COO, CSO). Each of the members is eligible to undertake procurement of goods, works and services in amount not exceeding UAH 1.0 mln at one deal. For procurement up to USD 1.0 mln should be voted by the majority of the local board members. For procurement higher USD 1.0 mln, the decision must be taken by the Supervisory Board represented by three members or by the Decision of the sole participant.

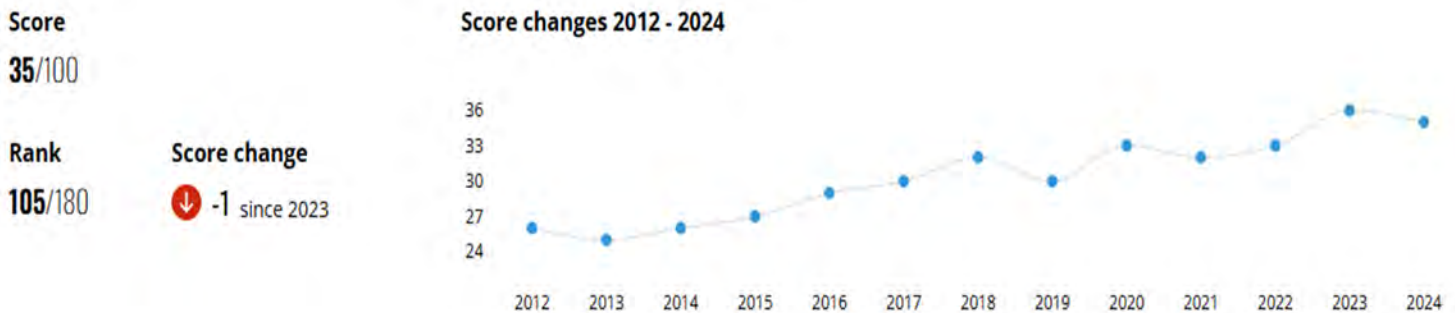
To maintain long term profitability Grain Alliance has an emphasis on sustainable agriculture. Our production is oriented towards a long-term perspective. A balanced mix of crops is grown, with an emphasis on crop alteration and soil recovery, thus promoting environmental sustainability. A core component in our approach is IT. Our in-house developed ERP system makes it possible to plan and control all parts of our operations in one integrated system. Our approach has proven itself to be highly efficient by generating returns above 25% per annum.



Corruption

In Ukraine, corruption has been a long-standing problem, and it is only with the current regime that the issue has been seriously addressed. This is especially true since, for example, the EU has stated that the problems must be tackled at all levels. The 2024 Corruption Perceptions Index (CPI) shows that corruption is a dangerous problem in every part of the world but change for the better is happening in many countries.

Research also reveals that corruption is a major threat to climate action. It hinders progress in reducing emissions and adapting to the unavoidable effects of global heating. The CPI ranks 180 countries and territories worldwide by their perceived levels of public sector corruption. The results are given on a scale of 0 (highly corrupt) to 100 (very clean). (www.Transparency.org)



The operations within Grain Alliance are exposed to risks of corruption both within and outside the organization. Within the organization, there are risks that individuals may attempt to appropriate money or other assets for personal gain or obtain other benefits. This risk can occur in both purchasing and sales, as well as in the handling of the company's funds and assets.

To counteract this type of corruption, the following measures are taken:

- Development of policies regarding purchasing. These regulate, among other things, who has the right to make purchases, within what limits purchases can be made, who should approve purchases, and which suppliers should be used.
- Development of policies regarding sales. These regulate, among other things, who has the right to enter into sales agreements, what prices should be applied, who should approve sales, and which customers are eligible for sales.
- Approval procedures for handling liquid assets.
- GPS tracking of vehicles.
- External review of internal controls by independent auditors.

Corruption can also occur in the form of external pressures, such as threats from both private individuals and authorities. To counteract this form of corruption, the following measures are taken:

- The company's policy stipulates that such pressures should always be reported to the management.
- The company's management maintains close connections with trusted individuals in high positions within both the national and regional/local administrations to prevent undue influence.
- The company's management maintains good relations with the Swedish embassy to influence the Ukrainian administration in case of suspected corruption.
- The company's management maintains good relations with other agricultural companies in Ukraine to jointly counteract undue pressures.

No cases of corruption came to our attention during 2024.



ЗЕРНОВИЙ
АЛЛЯНС-БЗК

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders of BZK Grain Alliance AB, corporate identity number 556227-5700

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2024 and that it has been prepared in accordance with the Annual Accounts Act according to the prior wording that was in effect before 1 July 2024.

The scope of the audit

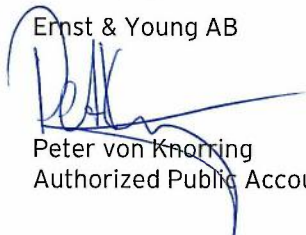
Our examination has been conducted in accordance with FAR's standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Norrköping 26 June 2025

Ernst & Young AB



Peter von Knorring
Authorized Public Accountant