

CORPORATE  
GOVERNANCE STATEMENT  
**2011**

## EXECUTIVE BODIES 2

General Meeting of Shareholders 2

*Annual General Meeting 2011* 3

*Shareholder Rights* 3

Board of Directors 3

*Independence of the Board of Directors' members* 4

*Board of Directors in 2011* 4

*The Board Committees* 6

*Audit Committee* 6

Boards of Directors of Subsidiaries 6

President and CEO and Executive Board 6

## REMUNERATION 8

## INSIDER MANAGEMENT 8

## THE MAIN FEATURES OF THE FINANCIAL REPORTING,

## INTERNAL CONTROL AND RISK MANAGEMENT 9

Financial Reporting 9

Internal Control 10

Risk management 10

*Strategic Risks* 10

*Financial Risks* 10

Currency risks 10

Interest Rate Risks 11

Liquidity Risk 11

Credit Risks 11

*Operational Risks* 11

*Information Security Risks* 11

*Indemnity Risks* 12

## USE OF DERIVATIVES 12

## THE STRATEGY WORK OF THE COMPANY 12

## AUDITING 12

## COMMUNICATIONS 12

Nurminen Logistics Plc applies the guidelines and provisions of its Articles of Association, the Finnish Limited Liability Companies Act and the rules and regulations of NASDAQ OMX Helsinki Ltd. Furthermore, Nurminen Logistics complies with the Finnish Corporate Governance Code 2010 entered in force on 1 October 2010 and approved by the Securities Market Association, with the following exceptions:

- Deviating from recommendation 9, Number, composition and competence of the directors, both genders are not represented on the Board of Directors. This is due to the fact that despite its efforts the company has not been able to propose female candidates to the Annual General Meeting. However, the company's long-term target is to have both genders represented in the Board composition.
- Deviating from recommendation 22, Appointment of members to the committees, as of 25 November 2010 the Audit Committee consists of only two members. This is due to the fact that the former Chairman of the committee Olli Pohjanvirta was elected as the Chairman of the Board of Directors on the above-mentioned date.

The Code is publicly available on [www.cgfinland.fi](http://www.cgfinland.fi).

The company's corporate governance comprises of General Meeting of Shareholders, the Board of Directors and committees founded by it, the President and CEO and the Executive Group, laws and regulations applicable in the company's operations as well as the company's internal policies, guidelines and practices.

This Corporate Governance statement has been issued separately according to recommendation 54 of the Corporate Governance Code, Corporate Governance Statement. It has been reviewed by the audit committee and approved by the Board of Directors and it is audited by Company Auditor.

The company has, on 21 March 2012, issued Annual Report 2011.

## EXECUTIVE BODIES

Management of Nurminen Logistics Plc is the responsibility of the General meeting of Shareholders, the Board of Directors, and the President and CEO. Their duties are defined mainly in the Finnish Companies Act.

### General Meeting of Shareholders

The General Meeting of Shareholders is the company's highest decision-making body. Its tasks and procedures are defined in the Finnish Companies Act and in company's Articles of Association.

The Annual General Meeting shall be held annually by the end of June. Notices to General Meeting of Shareholders must be delivered to shareholders no earlier than three months before the record date for the Annual General Meeting meant in the Finnish Companies Act and not later than three weeks before the General Meeting, however, no later than nine days before the record date for the Annual General Meeting meant in the Finnish Companies Act, by publishing the notice in a nation-wide newspaper chosen by the Board of Directors or on the company's website. Nurminen Logistics Plc also publishes its invitations to General Meetings as stock exchange releases.

Decisions made by the Annual General Meeting include i.e. approving of the financial statements and the consolidated financial statements of the company, use of the profit and discharging the Board of Directors and the President and CEO from liability. Furthermore, the Annual General Meeting elects the members of the Board of Directors and the auditor and decides on their remuneration and compensation of their costs.

### **Annual General Meeting 2011**

The 2011 Annual General meeting was held on 6 April 2011. The meeting approved the financial statements and discharged the members of the Board of Directors and the company's President and CEO from liability for the financial year 2010.

### **Shareholder Rights**

A shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt in the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice of the meeting in question. The demand shall always be deemed to be on time, if the Board of Directors has been notified of the demand no later than four weeks before the notice is issued.

Shareholders who have been entered into the shareholder register eight working days before a General Meeting (General Meeting Record Date) have the right to attend that meeting. In addition, the holder of a nominee registered share may be notified for a temporary entry into the shareholder register so that the shareholder can attend that meeting, if the shareholder has the right, on basis of the shares, to be entered into the shareholder register on the General Meeting Record Date. The notification for a temporary entry shall be filed no later than on the date mentioned in the notice of the General Meeting, said date to be subsequent to the General Meeting Record Date. Changes in shareholdings occurring after the General Meeting Record Date shall not affect the right to attend the General Meeting or the voting rights of the shareholder.

A shareholder may participate in a General Meeting of Shareholders either in person or by proxy. A shareholder or his/her proxy may also employ the services of an assistant in a General Meeting of Shareholders. A shareholder may have several proxies, who represent the shareholder on the basis of shares held on different book-entry accounts.

A shareholder may participate in the General Meeting on condition of giving advance notice of participation to the company no later than on a date given in the notice of the meeting, not to be earlier than ten days before the meeting. A shareholder of nominee-registered shares is deemed to have given his/her advance notice of participation in case, if he/she has been temporarily entered in to the shareholder register in accordance with the Finnish Companies Act. If a shareholder participates in a General Meeting by means of several proxies, the advance notice of participation shall indicate the shares on the basis of which each of the proxies represents the shareholder.

### **Board of Directors**

The Board of Directors is responsible for the management and the proper arrangement of the operations of the company. The Board has a general authority regarding matters not specifically designated by law or Articles of Association to any other governing body of the company.

The Board of Directors comprises four to eight members and of no more than three deputy members as decided and elected by an Annual General Meeting. The Annual General Meeting elects the Board of Directors for a term ending at the closing of the Annual General Meeting of the shareholders following the appointment. The board elects a chairman from its membership.

The Board of Directors has written Rules of Procedure.

Duties of the Board of Directors are among others:

- to decide on Group strategy and business segments' strategies
- to decide on structure and organisation of the Group
- to review and to approve interim reports, financial statements including Group financial statement and the Board of Directors' report and the stock exchange releases concerning the outlook of the company
- to approve Group's business plan, budget and investment plan
- to decide on strategically or financially significant individual investments, acquisitions, divestments, reorganisations and liabilities
- to decide on reward and incentive scheme for Group management
- to approve Group's risk management and reporting procedures
- to prepare dividend policy and to look after the development of shareholder value
- to be responsible for other duties prescribed in the Companies Act and other legislation

The Board of Directors appoints a President and CEO and evaluates annually the activities of the President and CEO and the rest of the Executive Board. The Board of Directors also evaluates its activities annually in an internal self-evaluation.

The Board of Directors convenes 8-10 times a year following a predetermined schedule and at the invitation of the chairman as often as required by the company's activities or when proposed by the President and CEO. The company's President and CEO and Chief Financial Officer attend Board of Directors' meetings. Chief Financial Officer acts as a secretary of the Board of Directors.

### **Independence of the Board of Directors' members**

The majority of the members of a Board of Directors must be independent from the company and two of these individuals belonging to said majority must be independent of significant shareholders.

### **Board of Directors in 2011**

In the Annual General Meeting of Nurminen Logistics Plc held on 6 April 2011, the following six Board members were selected:

#### **Olli Pohjanvirta**, b. 1967

Managing director of Russian Capital Management Oy  
LL.M.

Chairman of the Board since 2010, Board member since 2005\*  
Independent of the company and significant shareholders

Along with his controlling interest corporations owned 464 677  
Nurminen Logistics Plc shares at the end of 2011.

#### **Primary working experience**

Managing director of Russian Capital Management Oy since 2010.  
Head of Hannes Snellman LLC's operations in Russia in 2006 –2010.  
A shareholder of ETL Law Offices Ltd in 1993–2006.

#### **Other current key positions of trust**

Chairman of the Board: Oplax Oy  
Member of the Board: International Banking Institute,  
Matkayhtymä Oy, PKC Group Oyj, Russian Capital  
Management Oy, Tulikivi Oyj and Meka Pro Oy.  
Of Counsel, Hannes Snellman.

#### **Former key positions of trust**

Member of the Board: Avelon Group Oy in 2007–2010.

#### **Eero Hautaniemi**, b. 1965

President and CEO of Oriola-KD Corporation  
M.Sc. (Econ.)

Member of the Board since 2009

Independent of the company and significant shareholders

Owned 21 298 Nurminen Logistics Plc shares at the end of 2011.

#### **Primary working experience**

President and CEO of Oriola-KD Corporation since 2006. Managing  
director of GE Healthcare Finland in 2004–2005  
Vice President and General Manager of GE Healthcare IT in 2003–2004  
and CFO of Instrumentarium Group in 2001–2003.

#### **Other current key positions of trust**

Member of the Board: Lassila & Tikanoja Corporation, L&T Recoil Oy  
and GIRP (Groupement International de la Répartition Pharmaceutique,  
The European Association of Pharmaceutical Full-line Wholesalers).

\*Nurminen Logistics Plc was established on 1 January 2008 after the demerging of John Nurminen Oy. The year with an asterisk indicates when the person in question started on the Board of Directors at John Nurminen Oy and, subsequently, Nurminen Logistics Plc.

**Tero Kivisaari**, b. 1972

President of business area Eurasia of TeliaSonera AB  
Master Degrees in Science and Economics  
Member of the Board since 2010  
Independent of the company and significant shareholders

Owned 15 798 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

President of business area Eurasia of TeliaSonera AB since 2007.  
Chief Financial Officer and Vice President of business area Eurasia of TeliaSonera AB in 2003–2007, CFO of SmartTrust AB in 2000–2002 and Vice President of International Operations of Sonera Oyj in 1998–2000.

**Other current key positions of trust**

Member of the Board: Turkcell and Megafon.

**Jan Lönnblad**, b. 1952

Managing director of John Nurminen Oy  
M.Sc. (Econ.)  
Member of the Board since 2011  
Independent of the company and dependent of the significant shareholders

Owned 3 813 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Managing director of John Nurminen Oy since 2009.  
Managing director of Avelon Group Oy 2007-2009.  
Managing director of John Nurminen Oy 1997-2007.

**Other current key positions of trust**

Chairman of the Board: PAC Solution Oy and Cosfim Oy.  
Member of the Board: Hoffmanco International Oy.

**Juha Nurminen**, b. 1946

M.Sc. (Econ. & Bus. Adm.)  
Member of the Board since 1971\*, Chairman of the Board in 1997\*–2010  
Independent of the company and dependent of the significant shareholders

Along with his controlling interest corporations owned 8 030 124 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Managing Director of John Nurminen in 1979–1990, 1993–1997 and 2007, served on the boards of various companies of the John Nurminen Group from 1974.

**Other current key positions of trust**

Chairman of the Board: John Nurminen Foundation and John Nurminen Oy.  
Member of the Board: John Nurminen Marine Oy.  
Member: Sininen Reservi advisory board and The Finnish Lifeboat Institution advisory committee.

**Former key positions of trust**

Member of the Board: The Finnish Medical Foundation in 1996–2001.

**Jukka Nurminen**, b. 1979

Managing Director of Abyss Art Oy  
M.Sc. (Econ. & Bus. Adm.)  
Member of the Board since 2009 (deputy member of the Board in 2008)  
Independent of the company and dependent of the significant shareholders

Owned 899 027 Nurminen Logistics Plc shares at the end of 2011.

\*Nurminen Logistics Plc was established on 1 January 2008 after the demerging of John Nurminen Oy. The year with an asterisk indicates when the person in question started on the Board of Directors at John Nurminen Oy and, subsequently, Nurminen Logistics Plc.

### **Primary working experience**

Managing director of Abyss Art Oy since 2006.

### **Other current key positions of trust**

Member of the Board: John Nurminen Oy and John Nurminen Marine Oy.

None of the Board members are employed by the company.

In 2011, the Board of Directors met 17 times at an average attendance rate of 86,46%.

The Annual General Meeting decides the remuneration for the Board of Directors. The Annual General Meeting of Shareholders (6 April 2011) decided to pay annual remuneration of EUR 27,000 to the Chairman of the Board, EUR 18,000 to the Vice Chairman of the Board, and EUR 13,500 to the other members of the Board and in addition a fee of EUR 700 per meeting to each member of the Board. It was decided to compensate the travel and other expenses of the members of the Board in accordance with customary practice. The members of the Board do not receive from the company compensations that are not related to their position as Board members. The company does not have an option scheme and the Board members are not entitled to pension benefits from the company.

### **The Board Committees**

At its organizing meeting the Board of Directors appoints an Audit Committee and if deemed appropriate, other committees, as well as nominates the members and chairmen of each committee. The purpose of committees is to prepare matters for the Board of Directors. The committees do not have independent decision-making authority.

### **Audit Committee**

Duties of the Audit Committee include but are not limited to:

- to review interim reports, financial statements including Group financial statement and the stock exchange releases concerning the outlook of the company
- to follow the financial statement reporting process, the efficiency of internal control and the internal auditing and the statutory auditing of the Group financial statement
- to oversee the financial reporting process
- to discuss the Corporate Governance statement given by the company
- to assess the independence of the authorised auditor or auditing company and especially to assess the additional services the auditor offers to the company
- to prepare a draft resolution concerning the election of the auditor

The Audit Committee convenes at the invitation of the Chairman on regularly basis. The Audit Committee regularly reports of its work to the Board of Directors. In 2011, the Audit Committee consisted of two members: Eero Hautaniemi, Chairman and Jukka Nurminen. The Audit Committee met four times at an average attendance rate of 100 %.

### **Boards of Directors of Subsidiaries**

The Chairmen and the majority of the members of the Boards of Directors of Nurminen Logistics Plc's subsidiaries belong to the management of the Group.

### **President and CEO and Executive Board**

Nurminen Logistics' President and CEO is appointed by the Board. The President and CEO is responsible for the daily management of the company in accordance with Finnish Company Act and the instructions and directions of the Board of Directors. The President and CEO acts as a Chairman of the Executive Board of Directors.

The company's current CFO Antti Sallila was between 25 November 2010 and 30 April 2011 appointed as the acting CEO of Nurminen Logistics.

According to the Agreement between the company and acting CEO Antti Sallila, either party was entitled to terminate the Agreement by six months' prior notice during which time full salary and benefits were agreed to be paid. The acting CEO had statutory pension coverage and age of retirement.

M.Sc. (Tech.) Topi Saarenhovi has served as the President and CEO of the company since 1 May 2011.

According to the Service Agreement between the company and the President and CEO, either party may terminate the Service Agreement by six months' prior notice, during which time full salary and benefits are paid. In addition to this, in the event that the company terminates the contract for reasons other than material breach of the President and CEO, the President and CEO shall be paid compensation equivalent to six month's salary. The President and CEO has statutory pension coverage and age of retirement.

The Executive Board of the company comprises of the senior management. It is the Executive Board's duty to prepare the strategy of the company, to monitor its performance and to handle matters with significant financial or other bearing. The Executive Board members report to the President and CEO. In addition to the President and CEO the Executive Board has five members. The members of the Executive Board are:

**Topi Saarenhovi**, b. 1967, since 1 May 2011 President and CEO

M.Sc.(Tech.)

In the service of the company since 2011

Owned 10 000 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Senior Vice President of Glaston Plc 2007–2011,

President of Amomatic Ltd 2004–2007, Factory Director

of Wärtsilä Plc 2002–2003 and General Manager 1996–2002.

**Antti Sallila**, b. 1972

CFO, acting CEO until 30 April 2011

LL.M.

In the service of the company since 2007\*

Owned 46 446 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Chief Financial Officer of ADR Haanpää Oy in 2005–2007,

director of ADR Haanpää Oy in 2004 and private equity

professional at EQT Partners Finland Oy in 2000–2003.

**Jorma Kervinen**, b. 1963, until 3 October 2011

Senior Vice President

Area of responsibility: Rail, Forwarding and Terminals

Secondary school graduate

In the service of the company in 2002\* – 4 April 2012

Owned 3 750 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Director and director of business operations at John Nurminen Oy

2002–2007, Vice President of Nurminen Logistics Plc 2008–2010,

General Director of OOO Huolintakeskus in 2006–2010.

**Janne Lehtimäki**, b. 1970, since 1 November 2011

Senior Vice President

Area of responsibility: Forwarding and Value Added Services

BSc Eng

In the service of the company since 2011

Owned 10 280 Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Director of business unit at Oy Kuehne + Nagel Ltd in 2008-2011 and several other positions in 2000-2008.

**Artur Poltavtsev**, b. 1970, since 4 October 2011

Senior Vice President, General Director at OOO Huolintakeskus

Area of responsibility: Railway Logistics

Master's Degree

In the service of the company since 1997\*, in current position since 2011

Did not own Nurminen Logistics Plc shares at the end of 2011.

**Primary working experience**

Traffic Director at Nurminen Logistics Plc 2006–2011,

Deputy Director at OOO Huolintakeskus 2006-2011

and General Director at OOO Huolintakeskus 2011–.

**Harri Vainikka**, b. 1961

Senior Vice President

Area of responsibility: Transit Logistics and Partnerships

Secondary school graduate

In the service of the company since 2001\*,

in the current position since 2008

Owned 57 894 Nurminen Logistics Plc shares at the end of 2011.

\* Nurminen Logistics Plc entered business on 1 January 2008 after the demerging of John Nurminen Oy. The year with an asterisk indicates when the person in question started working at John Nurminen Oy which subsequently became Nurminen Logistics Plc.

### **Primary working experience**

Director of business operations at John Nurminen Oy in 2001–2007.  
Held posts at Huolintakeskus Oy and BTL East Oy in 1980–2001.

### **Hannu Vuorinen**, b. 1956

Senior Vice President

Area of responsibility: Special Transports and Projects

Undergraduate in Philosophy

In the service of the company since 1989\*,  
in the current position since 2010

Owned 63 157 Nurminen Logistics Plc shares at the end of 2011.

### **Primary working experience**

Managing Director of Nurminen Heavy Oy in 2000–2002,  
Director of business operations at John Nurminen Oy in 2003–2007,  
Vice President of Nurminen Logistics Plc in 2008–2010.

### **Ville Kujansuu**, b. 1979

Group Controller, Secretary of the Executive Board  
since 2010 until 6 May 2011

M.Sc. (Economics)

In the service of the company in 2002\* – 6 May 2011

The company's expanded Executive Board has included, in addition to those mentioned above, Communications Manager Niina Haasola, the employee representative, driver Reijo Järviö, Vice President Risto Miettinen, HR Manager Jaana Tekoniemi and Vice President Olli Väätäinen (until 30 November 2011).

## **REMUNERATION**

The Board of Directors decides on the compensation of the President and CEO and the Executive Board. The Executive Board members of Nurminen Logistics are covered by an annual bonus system, which is based on business performance.

Nurminen Logistics Plc has had a share-based incentive plan for the Group key personnel. The Plan has included three earning periods which have been calendar years 2008, 2009 and 2010.

The reward from the earning period 2010 was paid partly as the company's shares and partly in cash in 2011. The proportion paid in cash covered taxes and tax-related costs arising from the reward. It is prohibited to transfer the shares during the two year restriction period. After this period, the key personnel must, however, own half of the shares earned from the Plan as long as their service or employment in the Group continues. If a key person's employment or service ends during the restriction period, he/she must return the shares paid as reward to the company without compensation.

The Plan was directed to start with to 10–15 people. The rewards to be paid during the 3-year period on the basis of the Plan correspond to the approximate value of a maximum total of 510,000 Nurminen Logistics Plc shares (including also the proportion to be paid in cash).

## **INSIDER MANAGEMENT**

Nurminen Logistics Plc follows the NASDAQ OMX Helsinki Guidelines for Insiders, and the company also has its own insider directives.

According to the Finnish securities market act Nurminen Logistics' permanent insiders include the statutory insiders, i.e. the Board of Directors, the President and CEO, the Executive Board and the Principal Auditor. In addition to the public insider register, the company maintains a permanent company-specific insider register and a project-specific insider register. Persons employed by the company that due to their position or tasks regularly have access to insider information, form the permanent company-specific insider register.

Those persons, who on the basis of an employment or other contract work for the company and obtain insider information associated with a specific project are considered the company's project-specific insiders.

Permanent insiders are prohibited from trading in Nurminen Logistics Plc's securities for 28 days prior to the publication of Nurminen Logistics' interim reports or financial statements releases. Project-specific insiders are prohibited from trading in the company's securities until the project concerned has been cancelled or disclosed.

\* Nurminen Logistics Plc entered business on 1 January 2008 after the demerging of John Nurminen Oy. The year with an asterisk indicates when the person in question started working at John Nurminen Oy which subsequently became Nurminen Logistics Plc.



The adherence to insider guidelines and for monitoring the duty to declare as well as the maintenance of insider registers is done under supervision of the CFO. The company maintains its insider registers in the Euroclear Finland Oy's SIRE system. Information on Nurminen Logistics Plc public insiders is available on the company's website at [www.nurminenlogistics.com](http://www.nurminenlogistics.com).

## **THE MAIN FEATURES OF THE FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT**

The foundation of Nurminen Logistics' management and internal control is its values that are defined together with the company's personnel:

- Develop and improve – for the benefit of the customer
- Trust and be trustworthy
- Operate profitably
- Entrepreneurship means responsibility

Nurminen Logistics' values constitute ground rules aimed at guiding the operation of all employees. They are an important prerequisite for the materialisation of company strategy. The values are reflected in all day-to-day operations, guide the personnel in achieving set targets and help to achieve the goal of the internal control. Together determined values support the participation of the entire organisation and clarify and facilitate both our internal and external communication.

The company's Board of Directors is responsible for the arrangement and the functionality of the internal control. Internal control, risk management and financial reporting are overseen by the Audit Committee nominated by the Board of Directors. Financial reporting in Nurminen Logistics is carried out by using the company's guidelines concerning the reporting. These guidelines are maintained by the company's Financial Administration. Financial Administration also oversees that these guidelines are applied and that the internal communication concerning the guidelines is arranged properly.

### **Financial Reporting**

Board of Directors has approved principles how to prepare consolidated financial statements. Preparing process and controlling operations for consolidated financial statements are specified, as well as are the job descriptions and responsibilities for preparing consolidated financial statements. Adjustments in consolidated financial statements are made before the balances and profit and loss statements of Group companies are booked to Group reporting system to be sure that all company accounts correspond to principles of consoli-

dated financial statements (IFRS). Validity of consolidation is synchronized. Turnover and profit of group and business units are analyzed and compared to views of management and to information from operational systems in the Business Control function, in which each business unit as well as company's Russian operations have a specific business controller resource allocated to them.

Other processes that are significant for financial statements are fixed assets process and sales process. Sales revenues of Group are booked based on information from operational systems. This process is supervised by Group Accounting Manager. Significant information from sales systems are synchronized monthly with the information in bookkeeping. In Group there are limits for accepting the purchase of fixed assets and the accounting function of Group is also supervising purchases that are activated as assets. Group has an accepted depreciation policy which specifies economic lifetime for goods and components. Group accounting supervises that the depreciation periods that business units have defined are done according to group policy. Economic lifetimes are supervised by group accounting and inventory of fixed assets is done regularly. Depreciation periods are specified by law and by economic lifetime according to prudence principle.

Effective internal control system requires adequate, well-timed and reliable information so that the management can follow the achievement of goals and functionality of controls. This covers both economic and other information, data from information systems as well as other internally and externally gathered information. Management in different levels of Group is continuously supervising and estimating information from financial and operational systems as well as information from internal and external sources, and evaluates the significance of the information for the company. Directions for accounting and other relevant directions are available in intranet for all and accounting function organizes regularly education related to these directions. In year 2011 education was organized once or twice in each relevant business location. Communication between operational units and accounting function is regular. Profit of Group is supervised internally by monthly reporting and it is completed by rolling forecasts. Group financial results are informed to the personnel immediately after the official stock exchange release is published.

Instructions for insiders are available in intranet for all. President and CEO, Chief Financial Officer and Communications Manager are responsible for Investor Communications.

The auditors control the validity of Group accounting and financial statements and that the management of the Group is organized properly. Control findings and recommendations related to them made by auditors are reported to the Board of Directors and to the Internal Audit Committee.

## **Internal Control**

In Nurminen Logistics internal control means all actions and processes, principles, instructions and organizational structures that aim to increase the probability that all targets can be reached. Purpose of internal control is to ensure the profitability of operations, observance of legislation and contracts, proper administration of assets and validity of financial reporting. Nurminen Logistics applies its internal control in accordance with international COSO-model.

Nurminen Logistics Group consists of parent company Nurminen Logistics Plc, subsidiaries and associated companies. Functionally significant companies in addition to the parent company are Russian and Baltic business units which are managed in own companies.

The Board of Directors is responsible for organizing and functionality of internal control. Internal control is managed by Group Executive Board and it is executed by the whole organization. Internal control is not a separate function but elementary part of all functions and it is working in all levels of organization. Operational management has the main responsibility of control. Each manager is responsible for organizing the control of the functions, which he/she is responsible for, and to follow that the controls are continuously functional. Support functions such as financial administration, IT department and risk management are supporting Group Executive Board and have responsibility to organize the internal control in support functions. Chief Financial Officer is responsible for processes in financial administration and in reporting and shall organize the internal control for these functions.

Internal audit of the company is organized by President and CEO and the Audit Committee. Together they annually decide the focus, resourcing and actions of internal audit. Goal of internal audit is to evaluate and develop the risk management, control, management and administration processes. Internal audit is carried out as broadened external audit. The company does not have own internal audit organization.

## **Risk management**

Nurminen Logistics engages in continuous risk evaluation of its operative business, and aims to protect itself from known risk factors. The goal of Nurminen Logistics risk management is to secure the performance of the group, and to ensure the undisturbed continuation of business. The Board's Audit Committee evaluates the sufficiency and the appropriateness of the risk control and the processes related to it. The Audit Committee reports to the Board of Directors.

Business risks are divided in strategic risks, financial risks, operational risks, data security risks and indemnity risks.

Nurminen Logistics has established a general risk management policy, the principles of which are:

### **Strategic Risks**

The company systematically analyzes risks that are significant in relation to achieving company's strategic targets. Risk analysis of strategic risks and the measures caused by it are reviewed in the Board of Directors at least twice a year.

### **Financial Risks**

The goal of Nurminen Logistics risk management is to minimise the harmful effects by the changes in financial markets on the group's profit and equity. The policy for managing financial risks is based on the main principles of finance approved by the board of directors. Finance operations are responsible for daily risk management within the limits set by the board.

### **Currency risks**

Currency risks are caused by foreign currency imports and exports, by the financing of foreign subsidiaries and by equity in foreign currency.

The Group manages the currency risk inherent in cash flows by keeping foreign currency income and expense cash flows in the same currency, and by matching them simultaneously to the extent possible. If matching is not possible, a portion of the open position may be hedged.

Foreign currency balance sheet items are hedged if the sum of currency exceeds EUR 500,000. Instruments used in hedging include forward contracts, currency options, NDF contracts, and their combinations. The protection level of currency positions should be between 30–70 percent, considering the current economic trends and the predicted currency prospects as well as the functionality of each currency's hedge market. In extraordinary hedging market circumstances the company may deviate from the guidelines above.

Currency amounts in cheque accounts should be kept as small as possible without disturbing payment transactions. The amount of currency assets may not exceed one percent of the total of the profit and loss statement.

### **Interest Rate Risks**

Interest rate risks to Nurminen Logistics derive mainly through interest bearing debt. The purpose of interest rate risk management is to diminish the effect of market interest rate movements on finance cash flows. Usable protection instruments include forward rate agreements and interest rate futures, interest rate swaps and interest collar agreements.

### **Liquidity Risk**

The purpose of liquidity risk management is to ensure sufficient financing in all situations. Assets required for two weeks' payment transactions will be reserved as a buffer for liquidity of payment transactions.

The company aims to guarantee the availability and the flexibility of financing in all circumstances by various financing agreements including sufficient credit limits and by co-operating with a number of financing institutions.

### **Credit Risks**

The goal of managing credit risk is to minimise losses which are caused by the other party neglecting their obligations. The group will manage the counterparty risk based on the customer credit rating and engages in active debt-collection, when necessary.

### **Operational Risks**

The operational risks consist of sales, business, personnel, IT, safety and agreement risks, risks related to the internal processes and systems as well as of legal risks.

The company strives to minimise the operational risks of its activities by seeking as balanced a business revenue and expenditure structure as possible and by continually developing its own operations and systems.

In terms of revenue structure, the company pursues a balanced customer portfolio such that the proportion of the company's business activities deriving from individual customers and industries does not become too large.

In terms of expenditure structure, the company strives for a flexible expenditure structure such that outlays conform to seasonal variations in business activities.

The company strives to minimise the agreement risks by harmonising the agreements as well as the processes of drafting and approving the agreements.

The company continuously develops its core processes and information systems in order to be able to serve its customers competitively now and in the future.

It is the goal of the company to continuously develop the possibilities for the company and the personnel to improve their own operating environment and to predict changes

by developing procedures, systems, tools and personnel through many different means. Regular personnel satisfaction surveys, supervisor evaluations along with evaluations of key personnel, allow the prediction and minimization of possible human risks.

### **Information Security Risks**

Information security is a constant part of the securing and developing of all operations of Nurminen Logistics Plc. Information security and information security policy are the responsibility of President and CEO and Executive Board. They decide on the common information security policy of the company. IT department is responsible for the development, supervision of the implementation and the maintenance of information security knowledge. In the end every administrator and user of the information systems and information networks is responsible for the implementation of information security. IT department is responsible for the protection of the information systems and for the information that they include.

The foundation of the implementation of the information security is the information security policy established by the company. The policy is available for all employees and IT system users. The targets, responsibilities and methods of implementation of the company's and its subsidiaries' information security are defined in the information security policy.

The goal of the information security work is to secure the continuity of the company's operations and the uninterrupted functioning of the manual and automatic information systems that are important to the operations, to prevent the unauthorised use of the information and information systems, to prevent unintended or intended destruction or distortion of information and to minimise the possible damages. In addition to the protection of the information processing of normal times the company also prepares for the threat situations that could interrupt the company's operations and for the recovery from these situations. The company's information, information systems and information system services are kept properly protected through administrative, technical and other measurements both during normal and unusual conditions. Every person handling company information is responsible for his/her part to take care of information security.

The achievement of information security goals is an ongoing process, which includes administrative, physical and technical resolutions. The information security risks are being investigated on regularly basis with a goal to identify the threats that endanger the operations, to recognise the vulnerable spots of the information systems and to estimate the losses in case some kind of threat materialises and to estimate the costs of reconstructing the information security in order to reduce the risks.

### **Indemnity Risks**

Significant indemnity risks to the company are those related to the company's personnel, its assets, interruption of its operations and its liability risks.

The company continuously pays attention to the security of its operations and to maintenance of proper working conditions. The company's quality and environmental systems are deemed to fulfil the requirements established for the ISO 9001:2000 and ISO 14001:2004 standards. In addition the company's occupational health and safety system is certified (OHSAS 18001) as well.

All drivers and terminal workers have earned an occupational safety card.

The company utilises deviation reporting.

In addition to statutory insurance coverage, the company also has comprehensive property, business interruption and liability insurance coverage to minimise indemnity risks. In order to ensure that insurance policies offer comprehensive coverage and are priced competitively, the company analyses its insurance coverage yearly using external experts as necessary.

### **USE OF DERIVATIVES**

Management can use derivative contracts only for protections of currency and interest risks as defined in "Financial Risks." Any other use of derivatives needs to be approved by the Board of Directors.

### **THE STRATEGY WORK OF THE COMPANY**

The Executive Board and the Board of Directors continuously define and specify the strategic goals of the company. The Board and the Executive Board have annually two strategy meetings, one of which is held in spring and the other in autumn. These meetings are dedicated to company strategy. At the first strategy meeting of the year the Board also reviews the annual risk assessment, in which the significant risks related to the achievement of the company's strategic targets are quantified by the management of the company. The analysis includes a plan to mitigate probability of realization of the risks and the negative impact of realized risks. The risk analysis reviewed in spring is updated at the strategy meeting held in the autumn of the year in question.

### **AUDITING**

The company has one auditing company authorised by the Central Chamber Of Commerce. The auditor's term comprises the financial year that is current and the term ends at the end of the first Annual General Meeting following the election. The company's auditor is Authorized Public Accountants Oy KPMG Ab, with APA Lasse Holopainen as principally responsible auditor.

The auditors of Nurminen Logistics Plc were paid a fee of EUR 36 166,48 in 2011 for auditing of the financial year. A total of EUR 24 006,75 was paid in consulting fees unrelated to auditing.

### **COMMUNICATIONS**

Each year Nurminen Logistics Plc publishes three interim reports, a financial statement release, a financial statement and an annual report in Finnish and English. All of these and the company's other releases, as well as key information regarding the company are available on the company's website at [www.nurminenlogistics.com](http://www.nurminenlogistics.com).

**Nurminen Logistics ▶▶▶**

Head Office

Satamakaari 24

FI-00980 Helsinki, Finland

Tel. +358 10 545 00

Fax +358 10 545 2000

[info@nurminenlogistics.com](mailto:info@nurminenlogistics.com)

[www.nurminenlogistics.com](http://www.nurminenlogistics.com)