

CORPORATE  
GOVERNANCE STATEMENT  
**2013**



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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 two members. The company considers that two members is appropriate amount as there is only five members in the Board of Directors.

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 Group Executive Board, 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 20 February 2014, issued a separate Report on Operations.

## 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 2013**

The 2013 Annual General meeting was held on 15 April 2013. 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 2012.

### **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 2013**

The composition of the Board of Directors changed 18 November 2013, when the Chairman of the Board Olli Pohjanvirta was appointed as President and CEO of Nurminen Logistics. At the same time the member of the Board Tero Kivisaari was elected as the Chairman of the Board. The size of the Board of Directors decreased from six members to five.

### **Board of Directors since 18 November 2013**

#### **Tero Kivisaari**, b. 1972

Master Degrees in Science and Economics  
Chairman of the Board since 2013, Member of the Board since 2010  
Independent of the company and significant shareholders

Owned 24,778 Nurminen Logistics Plc shares at the end of 2013.

#### **Primary working experience**

President of business area Mobility Services of TeliaSonera AB in 2012–2013.  
President of business area Eurasia of TeliaSonera AB in 2007–2012.  
Chief Financial Officer and Vice President of business area Eurasia of TeliaSonera AB in 2003–2007. CFO of SmartTrust AB in 2000–2002.  
Vice President of International Operations of Sonera Oyj in 1998–2000.

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

Member of the Board: Turkcell Iletisim Hizmetleri A.S. (2007–2013),  
Fintur Holdings B.V. (2007–2013) and Megafon (2007–2012).

#### **Jan Lönnblad**, b. 1952

M.Sc. (Econ.)  
Member of the Board since 2011  
Independent of the company and dependent of the significant shareholders

Owned 12,793 Nurminen Logistics Plc shares at the end of 2013.

#### **Primary working experience**

Managing director of John Nurminen Oy in 2009–2012.  
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: John Nurminen Oy, John Nurminen Marine Oy and Cosfim Oy.  
Member of the Board: Scandinavian Biogas Ab.

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

Chairman of the Board: PAC Solution Oy (2010–2013)  
Member of the Board: Hoffmanco International Oy (2010–2013) and Cosfim Oy (2009–2013).

#### **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

\* 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.

Along with his controlling interest corporations owned 8,011,267 Nurminen Logistics Plc shares at the end of 2013.

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

**Former key positions of trust**

Chairman of the Board: John Nurminen Oy 1997–2007 and 2010–2012.

**Jukka Nurminen**, b. 1979

Managing Director of John Nurminen Events B.V.  
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 908,007 Nurminen Logistics Plc shares at the end of 2013.

**Primary working experience**

Managing director of John Nurminen Events B.V. since 2012.  
Managing director of Abyss Art Oy since 2006.

**Other current key positions of trust**

Member of the Board: John Nurminen Oy and its subsidiaries.

**Alexey Grom**, b. 1971

First Vice President of FESCO Transportation Group  
Executive MBA  
Member of the Board since 2013  
Independent of the company and significant shareholders

Owned 4,926 Nurminen Logistics Plc shares at the end of 2013.

**Primary working experience**

First Vice President of FESCO Transportation Group since 2012.  
General Director of OOO Firma Transgarant since 2007.

**Board of Directors 1 January – 18 November 2013**

Annual General Meeting of Nurminen Logistics Plc held on 15 April 2013 resolved that the Board of Directors shall consist of six (6) ordinary members. The Annual General Meeting of Shareholders re-elected the following ordinary members to the Board of Directors:

**Olli Pohjanvirta**, b. 1967

Managing director of Russian Capital Management Oy  
LL.M.  
Chairman of the Board 2010 – 18 November 2013,  
Board member since 2005\*  
Independent of the company and significant shareholders

Along with his controlling interest corporations owned 506,002 Nurminen Logistics Plc shares at the end of 2013.

**Primary working experience**

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

\* 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.

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

Chairman of the Board: Oplax Oy

Member of the Board: International Banking Institute, Russian Capital Management Oy, Tulikivi Oyj and Meka Pro Oy.

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

Member of the Board: Avelon Group Oy

in 2007–2010, PKC Group Oyj in 2007–2012.

**Tero Kivisaari**

**Jan Lönnblad**

**Juha Nurminen**

**Jukka Nurminen**

**Alexey Grom** was elected as a new member of the Board of Directors.

None of the Board members are employed by the company.

In 2013, the Board of Directors met 19 times at an average attendance rate of 90%.

The Annual General Meeting decides the remuneration for the Board of Directors. The Annual General Meeting of Shareholders (15 April 2013) decided to pay annual remuneration of EUR 80,000 to the Chairman of the Board and EUR 20,000 to the other members of the Board. Additionally a meeting fee of EUR 1,000 per meeting for the Board and Board Committee meetings shall be paid for each member of the Board living in Finland and EUR 1,500 per meeting for a member of the Board living outside Finland. 50 per cent of the annual remuneration will be paid in the form of Nurminen Logistics Plc's shares and the remainder in money. A member of the Board of Directors may not transfer shares received as annual remuneration before a period of three years has elapsed from receiving shares. 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 did not have an option scheme in 2013 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 2013, the Audit Committee consisted of two members: 1 January – 19 December Tero Kivisaari, Chairman and Jukka Nurminen. 19 December onwards Jukka Nurminen, Chairman, and Alexey Grom. 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 Group 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 Group Executive Board.

LL.M. Olli Pohjanvirta has served as the President and CEO of the company since 19 November 2013. 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.

M.Sc. (Tech.) Topi Saarenhovi served as the President and CEO of the company 1 May 2011 – 18 November 2013.

The Group Executive Board comprises of the senior management. It is the Group Executive Board's duty to prepare the strategy of the Group, to monitor its performance and to handle matters with significant financial or other bearing. The Group Executive Board members report to the President and CEO. In addition to the President and CEO the Group Executive Board has three members. 31 December 2013 the members of the Group Executive Board are:

**Olli Pohjanvirta**, b. 1967, since 19 November 2013

President and CEO

LL.M.

In the service of the company since 2013

Member of the Board in 2005\*–2010, Chairman of the Board in 2010–2013

Along with his controlling interest corporations owned 506,002 Nurminen Logistics Plc shares at the end of 2013.

#### **Primary working experience**

Managing Director of Russian Capital Management Oy since 2010.

Hannes Snellman LLC's Partner and head of operations in Russia in 2006–2010.

A shareholder of ETL Law Offices Ltd in 1993–2006.

**Topi Saarenhovi**, b. 1967, until 18 November 2013

President and CEO

M.Sc.(Tech.)

In the service of the company since 2011

Owned 37,504 Nurminen Logistics Plc shares at the end of 2013.

#### **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.

**Paula Kupiainen**, b. 1961

CFO

M.Sc. (Econ)

In the service of the company since 2012

Owned 5,000 Nurminen Logistics Plc shares at the end of 2013.

#### **Primary working experience**

Chief Financial Officer of Polttimo Oy 2007–2012.

Financial Director of Thomeko Oy 2002–2007.

Management Consultant at Cap Gemini Ernst & Young Finland Oy 2000–2002.

**Janne Lehtimäki**, b. 1970, until 11 November 2013

Senior Vice President

Area of responsibility: Forwarding and Value Added Services

B.Sc. Eng

In the service of the company since 2011

Owned 19,586 Nurminen Logistics Plc shares at the end of 2013.

#### **Primary working experience**

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

\* 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.

**Fedor Larionov**, b. 1971, since 29 July 2013

Senior Vice President

Area of responsibility: Railway logistics

Railway engineer, Economist

In the service of the company since 2013

Did not own Nurminen Logistics Plc shares at the end of 2013.

**Primary working experience**

Director of Daher CIS 2011–2013.

Commercial Director of Eurosib 1997–2011.

**Risto Miettinen** b. 1974, until 30 September 2013

Senior Vice President

Area of responsibility: IT and Quality

Bachelor of Business Administration, BBA

In the service of the company since 1994\*, in current position since 2012

Owned 9,584 Nurminen Logistics Plc shares at the end of 2013.

**Primary working experience**

Nurminen Logistics Plc's Vice President 2008–2012,

Director of John Nurminen Oy in 2005–2007 and IT

Manager of John Nurminen Oy in 2002–2005.

**Artur Poltavtsev**, b. 1970, until 30 June 2013

Senior Vice President, General Director at OOO Nurminen Logistics

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 2013.

**Primary working experience**

Traffic Director at Nurminen Logistics Plc in 2006–2011,

Deputy Director at OOO Nurminen Logistics in 2006–2011 and

General Director at OOO Nurminen Logistics 2011– 2013.

**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 76,909 Nurminen Logistics Plc shares at the end of 2013.

**Primary working experience**

Vice President of Nurminen Logistics Plc in 2008–2010, Director

of business operations at John Nurminen Oy in 2003–2007,

Managing Director of Nurminen Heavy Oy in 2000–2002.

The company's extended Executive Board include, in addition to the members of Executive Board, representatives from support functions and business units and employee representative.

**REMUNERATION**

The Board of Directors decides on the compensation of the President and CEO and the Group Executive Board. The Group Executive Board members 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 one earning period of two years, calendar years 2011 and 2012. After this no share-based incentive plan is in use.

The reward from the earning period 2011 and 2012 was paid partly as the company's shares and partly in cash in 2013. The proportion paid in cash covers 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

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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 from the 2-year period on the basis of the Plan correspond to the approximate value of a maximum total of 300,000 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.

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 the Groups' management and internal control is its values that are defined together with the personnel:

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

The Groups' values constitute ground rules aimed at guiding the operation of all employees. They are an important prerequisite for the materialisation of Group 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 the Group is carried out by using the Group's guidelines concerning the reporting. These guidelines are maintained by the Group'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 consolidated 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 Financial Department. 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 Group. Directions for accounting and other relevant directions are available in intranet for all and accounting function organizes on demand education related to these directions. 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, is 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 the Group 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. The Group applies its internal control in accordance with international COSO-model.

Nurminen Logistics Group consists of parent company Nurminen Logistics Plc, subsidiaries and associated companies. The company has corporatized its business operations in Finland into separate companies and operation under the new structure has been started from 1 January 2013. Functionally significant companies in addition to the parent company and the Finnish subsidiaries 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 and IT department 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 a separate internal audit function. Instead, the internal audit is part of the group's financial administration. If necessary the Group buys expert services. Contract risks are also managed locally with the assistance of the lawyers representing Business Units. Local auditors audit the procedures of internal control in accordance with the audit plan. Representatives of the financial administration perform certain controls when they visit subsidiaries. The financial management reports on the findings to the President and CEO and the Audit Committee, which in turn report to the Board of Directors. The main focus areas of risk management have been credit and liquidity risk as well as risks associated with railway logistics business operations.

### **Risk management**

The Group engages in continuous risk evaluation of its operative business, and aims to protect itself from known risk factors. The goal of the Group's 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.

The Group has established a general risk management policy, the principles of which are:

### **Strategic Risks**

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

### **Financial Risks**

The goal of the Group's 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 transaction risk position can be hedged if the counter value of currency exceeds EUR 500,000. Positions greater than EUR 2 million are hedged 50–110 %. Foreign currency risk of the net translation exposure can be hedged 25–75 %. Instruments used in hedging include forward contracts and plain vanilla options. Exotic options are forbidden. The hedge ratio is considered based on 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 bank 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 balance sheet

### **Interest Rate Risks**

Interest rate risks to the Group 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 Group 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 Group 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 Group pursues a balanced customer portfolio such that the proportion of the Group's business activities deriving from individual customers and industries does not become too large.

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

The Group strives to minimise the agreement risks by harmonising the agreements as well as the processes of drafting and approving the agreements. If necessary the Group buys expert services.

The Group 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 Group to continuously develop the possibilities for the Group 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 the Group. Information security and information security policy are the responsibility of President and CEO and Group Executive Board. They decide on the common information security policy of the Group. 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 Group. The policy is available for all employees and IT system users. The targets, responsibilities and methods of implementation of the Group'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 Group'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 Group also prepares for the threat situations that could interrupt the Group's operations and for the recovery from these situations. The Group'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 Group are those related to the Group's personnel, its assets, interruption of its operations and its liability risks.

The Group 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 9001:2008 and ISO 14001:2004 standards. In addition its occupational health and safety system is certified (OHSAS 18001:2008) as well.

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

The Group utilises deviation reporting.

In addition to statutory insurance coverage, the Group 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 Group analyses its insurance coverage yearly using external experts as necessary.

### **USE OF DERIVATIVES**

Management can use derivative contracts for protections of currency, interest and commodity 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 Group Executive Board and the Board of Directors continuously define and specify the strategic goals of the Group. The Board and the Executive Board have annually joint strategy meetings. Annually the Board also reviews risk assessment, in which the significant risks related to the achievement of the Group's strategic targets are quantified by the management of the Group. The analysis includes a plan to mitigate probability of realization of the risks and the negative impact of realized risks.

### **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 were paid a fee of EUR 46,262.58 in 2013 for auditing of the financial year. A total of EUR 44,735.97 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 ▶▶▶**

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