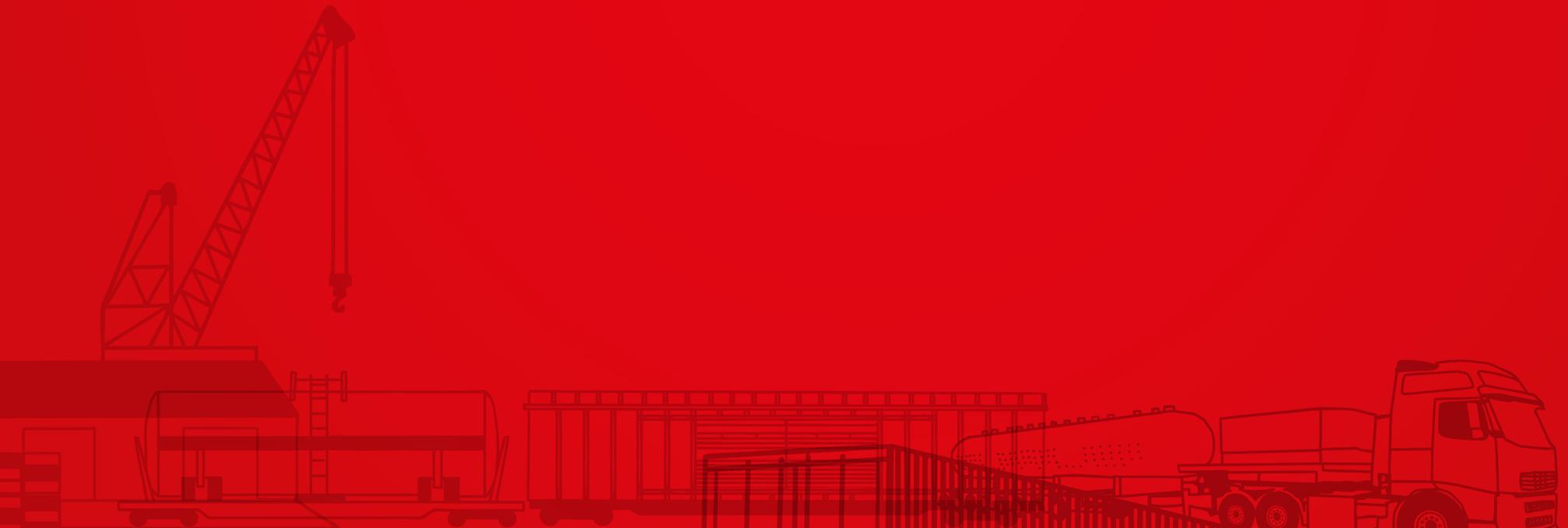


CORPORATE GOVERNANCE  
STATEMENT  
**2018**



## EXECUTIVE BODIES 2

General Meeting of Shareholders 2

*Annual General Meeting 2018* 3

*Shareholder Rights* 3

Board of Directors 3

*Principles concerning the diversity of Board of Directors* 4

*Independence of the Board of Directors' members* 4

*Board of Directors in 2018* 4

*The Board Committees* 6

*Audit Committee* 6

Boards of Directors of Subsidiaries 6

President and CEO and Group Management Team 7

## REMUNERATION 7

## INSIDER MANAGEMENT 8

## THE MAIN FEATURES OF THE FINANCIAL REPORTING, INTERNAL

## CONTROL AND RISK MANAGEMENT 8

Financial Reporting 8

Internal Control 9

Risk management 9

*Strategic Risks* 10

*Financial Risks* 10

Currency risks 10

Interest Rate Risks 10

Liquidity Risk 10

Credit Risks 10

*Operational Risks* 10

*Information Security Risks* 11

*Indemnity Risks* 11

## USE OF DERIVATIVES 11

## THE STRATEGY WORK OF THE COMPANY 11

## 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 Helsinki Ltd. Furthermore, Nurminen Logistics complies with the Finnish Corporate Governance Code 2015 entered in force on 1 January 2016 and approved by the Securities Market Association.

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 Management Team, 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 as a separate report. 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 15 March 2019, issued a separate Report on Operations.

## EXECUTIVE BODIES

The General Meeting of Shareholders, the Board of Directors and the President and CEO are responsible for Nurminen Logistics Plc's management. 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 2018**

The 2018 Annual General meeting was held on 11 April 2018. 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 2017.

### **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
- to decide on structure and organisation of the Group
- to review and to approve half year financial 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 Management Team. 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.

Last years the company's practice has been that the company's shareholders representing more than 50% of the shares and votes, prepare a proposal for the composition of the Board of Directors to the Annual General Meeting. The starting point of the proposal design is business needs and the body preparing a proposal is paying particular attention to the principles concerning the diversity of the Board of Directors defined by the company.

### **Principles concerning the diversity of Board of Directors**

Diverse and mutually complementary age, occupational and international background as well as education of the members of the Board of Directors contribute to the effective work the Board of Directors. The Board of Directors has defined in 2016 principles concerning the diversity of the Board of Directors. The body in charge of the proposals for the composition of the Board of Directors considers these principles in the proposal.

The company's aim is that the Board has representatives of both genders. Other objectives include international experience, a wide range of ages and different educational and professional backgrounds. In addition, the Board members are required to have sector expertise and the possibility to devote enough time to Board work. This last requirement is particularly important for the Chairman of the Board, as especially the Chairman must have the possibility to address the company's issues in a comprehensive manner and the Chairman's input is often needed outside of the meetings.

In the term of office that began in 2018, the age range of the members of the Board is 39–72 years. The Board members' professional and international background is varied, and their industry knowledge is extensive.

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

Most 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 2018**

From January 1, 2018 until April 14, 2018 the Board of Directors consisted of the following four members: Olli Pohjanvirta (chairman), Juha Nurminen, Jukka Nurminen and Alexey Grom

As of 14 April, 2018 the Board consisted of the following six members: Olli Pohjanvirta (chairman), Juha Nurminen, Jukka Nurminen, Irmeli Rytönen, Kari Savolainen and Alexey Grom.

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

- Chairman of the Board since 2015, President and CEO of the company in 2013–2015, Chairman of the Board in 2010–2013, Member of the Board in 2005\*–2010
- Dependent of the company and independent of the significant shareholders
- Along with his controlling interest corporations owned 3,124,052 Nurminen Logistics Plc shares at the end of 2018.

#### *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.

#### *Current key positions of trust*

- Chairman of the Board: Oplax Oy since 2011.
- Member of the Board: HTT BWH Holding Oy Ab since 2017, Fortrent Group Oy since 2013, International Banking Institute since 2009 and Meka Pro Oy since 2013.

#### *Former key positions of trust*

- Member of the Board: Avelon Group Oy in 2007–2010, PKC Group Oyj in 2007–2012 and Tulikivi Oyj in 2010–2014.

---

\* 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.

**Juha Nurminen**, b. 1946 M.Sc. (Econ.)

- 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 8,689,814 Nurminen Logistics Plc shares at the end of 2018.

*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.

*Current key positions of trust*

- Chairman of the Board: John Nurminen Foundation since 1992.
- Member of the Board: John Nurminen Oy since 2013.
- Member: The Finnish Naval Reserve Foundation delegation since 1996 and The Finnish Lifeboat Institution advisory committee since 1998.

*Former key positions of trust*

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

**Jukka Nurminen**, b. 1979, M.Sc. (Econ.)

- Member of the Board since 2009
- Independent of the company and significant shareholders
- Owned 1,014,554 Nurminen Logistics Plc shares at the end of 2018.

*Primary working experience*

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

*Current key positions of trust*

- Member of the Board: John Nurminen Oy and its subsidiaries since 2007.

**Alexey Grom**, b. 1971, Executive MBA

- Member of the Board since 2013
- Independent of the company and significant shareholders
- Owned 135,044 Nurminen Logistics Plc shares at the end of 2018.

*Primary working experience*

- President of United Transport and Logistics Company (UTLC) since 2016.
- First Deputy CEO of United Transport and Logistics Company (UTLC) in 2014–2015.
- First Vice President of FESCO Transportation Group in 2012–2014.
- General Director of OOO Firma Transgarant since 2007.

**Irmeli Rytönen**, b. 1959, LL.M.

- Member of the Board since 2018
- Independent of the company and significant shareholders
- Owned 20,238 Nurminen Logistics Plc shares at the end of 2018.

*Primary working experience*

- CEO of Gigantti Ltd since 1999

*Current key positions of trust*

- Member of the Board: XXL Sports & Outdoor Finland Ltd

**Kari Savolainen**, b. 1954, M.Sc.

- Member of the Board since 2018
- Independent of the company and significant shareholders
- Owned 20,238 Nurminen Logistics Plc shares at the end of 2018.

*Primary working experience*

- CEO of Finavia Plc in 2012–2017.
- CEO of Stevco Oy in 2005–2012.
- Senior Vice President of Finland Post Corporation, Logistic Services in 2001–2005
- Senior Vice President of Finnlines Plc, Business Development and IT in 1995–2001.

None of the Board members are employed by the company.

In 2018, the Board of Directors held 16 meetings, 9 of which were telephone meetings. The average attendance of the members at the Board meetings was 90%.

## Board members' attendance at the Board meetings in 2018

	Participation (%)	Attended meetings
Olli Pohjanvirta (pj)	100	16/16
Juha Nurminen	100	16/16
Jukka Nurminen	94	15/16
Alexey Grom	56	9/16
Irmeli Rytönen (as of April 11, 2018)	100	13/13
Kari Savolainen (as of April 11, 2018)	85	11/13

The Annual General Meeting decides the remuneration for the Board of Directors. The Annual General Meeting of Shareholders (11 April, 2018) resolved that for the members of the Board elected at the Annual General Meeting for the term ending at the close of the Annual General Meeting in 2018 remuneration level will be as follows: annual remuneration of EUR 40,000 for the Chairman and EUR 20,000 for the other members. In addition, 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. The Chairman of the Board will get, in addition, the remuneration of EUR 7,500 per month plus car benefit with the maximum value of EUR 1,600 per month and telephone benefit. 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.

In accordance with the company's practice, meeting fees are not paid for participation in the Board's telephone meetings.

## 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 half year financial 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 authorized auditor or auditing company and specially 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 2018, the Audit Committee consisted of two members 1 January – 14 April: Juha Nurminen, Chairman and Jukka Nurminen. In its constitutive meeting convening after the Annual General Meeting on 11 April 2018, the Board of Directors of Nurminen Logistics Plc appointed from among its members the following members to the Board's Audit Committee: Kari Savolainen, Chairman, Jukka Nurminen and Irmeli Rytönen.

The Audit Committee met two times at an average attendance rate of 90%.

## Members' attendance at the Audit Committee meetings in 2018

	Participation (%)	Attended meetings
Juha Nurminen (until April 11, 2018)	100	1/1
Jukka Nurminen	100	5/5
Irmeli Rytönen (as of April 11, 2018)	100	4/4
Kari Savolainen (as of April 11, 2018)	100	4/4

## BOARDS OF DIRECTORS OF SUBSIDIARIES

Most of the Chairmen and 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 MANAGEMENT TEAM**

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 Management Team.

M.Sc. (Econ) Marko Tuunainen served as the President and CEO of the company until November 15, 2018. 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, if 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 Group Management Team comprises of the senior management. It is the Group Management Team'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 Management Team members report to the President and CEO.

Markku Puolanne resigned from the position of CFO on August 31, 2018. Teppo Talvinko was appointed as CFO on 20 August 2018, and he started in this position 1 October, 2018.

In addition to the President and CEO, on 31 December 2018 the Group Management Team had three members. The members of the Group Management Team were:

### **Teppo Talvinko**, b. 1966, M.Sc. (Econ)

- Interim CEO and CFO
- Area of responsibility: Finance and Mergers, Acquisitions & IT
- In the service of the company since 2018

#### *Primary working experience*

- Country CFO, Maintpartner Ltd, Maintpartner Finland and Estonia 2014–2018.
- CFO, Ixonos Plc, 2013–201
- CFO, FCG Finnish Consulting Group, 2009–2013.
- CFO, SITA Suez Finland, SITA Finland Ltd 2005–2009.

### **Risto Holopainen**, b. 1963, B.Sc.

- Vice President
- Area of responsibility: Terminal and Value Added Services
- In the service of the company since 2002\*, in the current position since 2015
- Owned 71,835 Nurminen Logistics Plc shares at the end of 2018.

#### *Primary working experience*

- Director of Terminal and Value Added Services business line in 2013–2015.

### **Mike Karjagin**, b. 1968

- Vice President
- Area of responsibility: Forwarding
- In the service of the company since 2012, in the current position since 2015
- Owned 74,945 Nurminen Logistics Plc shares at the end of 2018.

#### *Primary working experience*

- Director of Forwarding business line in 2013–2015.

## **REMUNERATION**

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

The Board of Directors of Nurminen Logistics Plc has approved a new share-based incentive plan for the Group key employees. The aim of the new plan is to align the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to retain the key employees at the Company, and to offer them a competitive reward plan that is based on earning and accumulating the Company's shares. The new Performance Share Plan 2018–2021 includes two two-year performance periods, fiscal years 2018–2019 and 2020–2021.

## INSIDER MANAGEMENT

Nurminen Logistics Plc follows in the management of insider issues the Market Abuse Regulation (EU N:o 596/2014, “MAR”) and the Nasdaq Helsinki Ltd Guidelines for Insiders. The company also has its own guidelines for insiders.

Nurminen Logistics maintains project-specific insider lists which consist of those persons, who based on an employment or other contract work for the company and obtain insider information associated with a specific project.

Nurminen Logistics publishes company managers' and their closely associated persons' transactions on financial instruments of the company with stock exchange releases. Nurminen Logistics has determined that the managers (including their closely associated persons), whose transactions with Nurminen Logistics' financial instruments shall be notified and published based on MAR, consist of members of the Board of Directors, the President and CEO and the members of Management Team. All managers' transactions are available on the company's website at [www.nurminenlogistics.com/Investors/Stock-Exchange-Releases/](http://www.nurminenlogistics.com/Investors/Stock-Exchange-Releases/).

The managers are prohibited from trading in Nurminen Logistics Plc's securities for 30 days prior to the publication of Nurminen Logistics' interim reports or financial statements releases. Company has also defined the 30 days trading restriction (closed window) to be subject to those employees who regularly participate in preparing or disclosing interim reports or financial statements bulletins. 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 project-specific insider lists is done under supervision of the CFO. The company maintains its insider lists in the Euroclear Finland Oy's SIRE system.

## 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 materialization 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 organization 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 Control function.

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. Functionally significant companies in addition to the parent company and the Finnish subsidiary 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 Management Team 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 Management Team 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 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, information 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 minimize 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. Group Financial Department is 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 minimize the agreement risks by harmonizing 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 Management Team. 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 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 terminal workers have earned an occupational safety card. The Group utilizes deviation reporting.

In addition to statutory insurance coverage, the Group also has comprehensive property, business interruption and liability insurance coverage to minimize 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 Management Team and the Board of Directors continuously define and specify the strategic goals of the Group. The Board and the Management Team 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 authorized by the Central Chamber of Commerce. The auditor's term of office continues until the next Annual General Meeting after the Auditor's election.

The company's auditor is auditing firm Ernst & Young Oy, with APA Antti Suominen as principally responsible auditor.

The auditors were paid a fee of EUR 80,000 in 2018 for auditing of the financial year. A total of EUR 54,000 was paid in consulting fees unrelated to auditing.

## COMMUNICATIONS

Nurminen Logistics Plc is publishing a half year financial report, a financial statement release, a financial statement and the Board's report on operations in Finnish and English. Schedule for financial reporting for 2019 has been published in December 28, 2018. 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

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

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