

OWNER POLICY

Document number 003
Valid from 2009-09-11



Public

POLICY
Category Company Governance
Edition 2
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Approved by The Board
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Introduction

Describes the relation between the company and the owners

Target Group

- All staff in Hector Rail
- All stakeholders in Hector Rail

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Owner policy

The owners have invested their capital in the company. This policy describes the relations between the company and its owners at an overall level.

Information

The owners appoint the Board of Hector Rail at the annual shareholders meeting, and entrust the Board to oversee the management of the company on their behalf. The company shall have an open attitude towards its owners. The management of the company keeps the Board informed and the Board periodically informs the owners as it deems appropriate. The company will give the owners full information about positive and negative developments in the company at the annual shareholders meeting.

The company shall have effective accounting and controlling systems and routines. Every month (except for one month during summer), a monthly report shall be made and presented to the Board. Every four months, a financial report shall be made available to the owners.

Return on investment

Hector Rail's owners are justified in expecting and demanding a return on the money they invest. At the same time, growth of company-value is more important than short term return. In practice this requires the owners to be willing to let some of the short term profits finance the development of the company, such as organizational development, investment in rolling stock, IT and other activities that make sustainable growth possible.

Risks

Hector Rail divides the risk exposure of its operations as follows:

Strategic risks; risk related to Hector Rail's business concept, market and competitive development, profile of long term assets (rolling stock), geographic presence, etc... Strategic risks should be evaluated by the board at least once per calendar year. Responsibility for this rests with the Chairman of the Board.

Market risks; risks related to changes in transport volumes and market prices for transport. It is Hector Rail's aim to minimize and eliminate such risks, once a contract has been signed.

Credit risks; risks related to Hector Rail's customers' ability to make payments in full and on time. These risks must be well defined for each customer and contract conditions must take account of potential risks in each case.

Financial risks; risk related to changes in interest rates, share of external financing, currency rates and other economic factors. Hector Rail's aim is to minimize these risks. Attention shall be paid to the residual value of resources with an expected lifetime that exceeds the contract time.

Operational risks; all other risk related to Hector Rail's operations, such as accidents, fire, resource shortage, operational failures, etc. These risks shall be identified and evaluated.

Value creation

Hector Rail's services are expected to create value, so that the company can be both attractive for customers and give the required returns to the owners. This shall be possible by focusing on the following areas:

- Creativity in concept design
- Quality of performance
- Attractive composition of locomotive fleet with efficient financing
- Lean cost structure
- Low costs for operational risks can be realised through
 - Avoiding unexpected and unwanted events
 - Efficient handling of such events if they occur
 - Insurance

Asset value

Hector Rail has a considerable value invested in its locomotive fleet. One very important task for the company is to secure and develop this asset value. This is mainly done by well performed maintenance and intelligent re-investments in the existing fleet considering future market demands and/or cost reductions for operation, such as reduced maintenance costs, reduced energy consumption and increased availability.

Validity

This policy is valid until further notice, but shall be reviewed by the Board every calendar year. The Managing Director is responsible for this.