

# WE ENGAGE

AS TALLINK GRUPP SUSTAINABILITY REPORT 2015

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## MESSAGE FROM CEO

## TO-DO OF 2015 - DID WE SUCCEED?

2015 ticked many boxes of our company's to-do list and I feel grateful to be able to tell the story that positive. It has certainly been a team effort and I would hereby like to thank our employees on shore and on board, our passengers, cooperation partners and investors for those great 12 months.

- Promote the maritime industry and most of all, ferry services on the Baltic Sea. Our increased passenger number is clear evidence, that there are more people not only in the nearby countries, but around the globe, who are interested in cruising on our beautiful sea-landscape.
- Inspire the ones around you. It does not only mean the people we work and live closely together. Our order for the new LNG-powered new building from Meyer Turku shipyard sets new standard for the fast ferry service, increases the awareness of environmentally responsible maritime business and gives people and businesses the opportunity to think along and work with us towards innovative solutions.
- Set an example. As the market leader in the region we also carry the responsible role of setting the example. May it be our everyday operations, new development plans or the way you handle problematic situations. We do take this responsibility very seriously and have gained several acknowledgements, which prove us being on a right track. Having being voted among the most valuable employers, the most trusted cruising brands or largest tax payers of the country - those titles are highly valued as signs of being a dignified enterprise.
- Listen and take valuable lessons from your stakeholders. In 2015 we carried out several renewal projects on board of our ferries slightly older than the ones originally ordered by the companies. The new concepts were the answer to what our passengers wished and expected from us and hopefully even a bit beyond it. We promise to continue with that process also during the next years.
- Love what you do and it will come back to you. The indicators from the passengers' feedback assure us, that our employees love their work. Our training programs working conditions aim to support them daily in their efforts and it reflects on how our passengers feel when returning from the trip. Mostly the feeling is great.



- Have always high goals, but aim even higher. We have maintained the position to be able to pay dividends. This year, our profit increased significantly and also the revenue has again risen for a couple of percentage points. Economical balance and health keeps us fit and enables us to better perform in all areas.

I hope, that I can revert to you with that positive list also the next year, we have certainly not completed it. The special feature of the list is, that all the bullet points stay there indefinitely, because we strongly believe in the last main message of the last one - to aim higher.

Yours sincerely,

Janek Stalmeister  
CEO AS Tallink Grupp



## ABOUT THE REPORT

The reporting period is from 1st of January 2015 to 31st of December 2015, which is the fiscal year of AS Tallink Grupp and also includes financial reporting.

The date disclosure of the previous CSR-related report is May 2015, when the Company disclosed the sustainability report about the fiscal year 2014. The company has been reporting continuously about sustainability matters since 2006.

The reporting cycle on sustainability matters is annual.

Questions related to this report or its content we kindly ask to address to the Company's Communication Director, Ms. Luulea Lääne: [luulea.laane@tallink.ee](mailto:luulea.laane@tallink.ee)

The report is presented in accordance with the core version of the GRI Standard.



**OVERVIEW OF THE COMPANY**

# OVERVIEW OF THE COMPANY

## WHO WE ARE?

According to the Articles of Association, (1.1.) the business name of the limited company shall be Aktsiaselts (Public Limited Company) Tallink Grupp (abbreviated: AS Tallink Grupp). (1.2.) The location of the company is Tallinn. (1.4.) The company has been founded for an unspecified term.

## WHAT ARE WE GOOD AT AND HOW TO RECOGNIZE US?

AS Tallink Grupp is the leading provider of high-quality mini-cruise and passenger transport services in the northern Baltic Sea region, as well as the leading provider of ro-ro cargo services on selected routes. Our fleet of 16 vessels allows us to offer a wide range of services and frequent departures. As a result of our recent investment and fleet renewal program, we currently deploy some of the most advanced cruise ferries on the Baltic Sea with state-of-the-art facilities, improved accommodation possibilities, larger onboard shopping areas and high quality onboard services, setting a new benchmark for travel standards on the Baltic Sea. In addition, the Group operates four hotels in Tallinn and one in Riga. The Group's vision is to be the market pioneer in Europe by offering excellence in leisure and business travel and sea transportation services. Our customer value proposal is to offer an enjoyable travel experience that exceeds customer expectations and makes them want to return.

Articles of Association of the Company defines the areas of activity (1.3) of the Group as following:

- 1) arrangement of maritime transport and acting as ships' agent;
- 2) transportation of passengers, vehicles and goods by sea and arrangement of related services;
- 3) arrangement of transit operations;
- 4) arrangement of storehouse services;
- 5) execution of representing and agent functions, as well as trading activities, including the retail sale of alcohol and tobacco products onboard the ships.

### **Our Brand Portfolio consists of two strategic brands Tallink and Silja Line.**

Strong brands are the building blocks for Tallink Grupp's growth in the Finnish, Estonian, Swedish and Latvian cruising routes. The cruising market is very competitive with rivalry between several major cruising companies as well as other leisure time activities.

Thorough understanding of the consumer and competitive market is crucial for Tallink Grupp's successful brand management and development - with a goal to aim growth.

Tallink Grupp has two substantial strategic brands - Tallink and Silja Line. Both brands have their strong home markets with loyal fans. Tallink has also several sub-brands (i.e. Tallink Shuttle and Tallink Hotels) that replenish the customer journey with additional offerings.

Each of our brands has a clear strategy and relevant objectives which have been attained with the help of deep consumer understanding.

## OVERVIEW OF THE COMPANY

We have defined the visions for our strategic brands:



- Tallink is the Industry Innovator, and provider of easy-going and memorable experiences. Tallink brand represents our Group on Tallinn-Helsinki, Tallinn-Stockholm, Tallinn-Vuosaari, Paldiski-Kappelskär and Riga-Stockholm shipping routes.



- Silja Line is the Nordic travel experience providing value in every detail. Silja Line branded ships operate on Helsinki-Stockholm and Turku-Stockholm shipping routes.



- On corporate level, and occasionally in front of the end customer, the combined mark 'Tallink Silja Line' is being used to reinforce the range of our brands. This combined brand is in use for the subsidiaries in Finland, Sweden and Germany.

Clear, beloved and differentiated brands are even more crucial as we are competing in the wider competitive field of leisure. We are going to continue to grow our industry-leading strategic brands in 2016, as they make their important contributions to the common value stream and form the foundation of our Group.

### TALLINK GROUP BRAND PORTFOLIO (EXCL. ONBOARD BRANDS)

Tallink	Tallink Hotels	Tallink Takso	Club One	Tallink Duty Free Sales	Tallink Travel Club	Tallink Silja Line
Tallink Shuttle	Tallink City Hotel	Tallink Taksobuss		Gastrolink	Hera Salongid	Tallink Silja Line Training Center
Silja Line	Tallink Spa & Conference Hotel	Takso 24		Sadama-market		Tallink Cup
Tallink Cargo	Tallink Express Hotel					Tallink Silja Awards
Tallink Logistic Center	Tallink Hotel Riga					Tallink Spordiklubi
	Pirita Spa Hotel					
Cruise / Transportation	Hotel	Taxi	Loyalty	Retail	Services	Corporate / Internal

## OVERVIEW OF THE COMPANY

## WHERE AND HOW DO WE OPERATE?

At the reporting date, the Group consisted of 44 companies. All of the subsidiaries are wholly-owned companies of AS Tallink Grupp.



## OVERVIEW OF THE COMPANY

### NATURE OF OUR OWNERSHIP AND LEGAL FORM

The shares of AS Tallink Grupp are traded on the NASDAQ OMX Tallinn Stock Exchange under the symbol TAL1T (REUTERS: TAL1T.TL, BLOOMBERG: TAL1T ET). As at 31st of December 2015 AS Tallink Grupp had a total of 673,817,040 shares issued and fully paid. There were no changes in the amount of shares during the 2015 financial year.

During the 2015 financial year, there were transactions with 64,169,830 AS Tallink Grupp shares on the Tallinn Stock Exchange. The highest daily average share price on the Tallinn

Stock Exchange was EUR 0.86 and the lowest daily average share price was EUR 0.68. The average daily turnover of AS Tallink Grupp shares on the Tallinn Stock Exchange was EUR 197 thousand.

The following charts give an overview of the performance of the share price and trading on the Tallinn Stock Exchange during the last three years, from 1st of January 2013 to 31st of December 2015. The market capitalization in the end of the 2015 financial year was EUR 577.5 million.

*The table below presents the distribution of share capital by size of share ownership as at 31st of December 2015:*

Ownership size	No. of shareholders	% of shareholders	No. of shares	% of share capital
1-99	953	8.66%	66,571	0.01%
100 - 999	6,425	58.38%	5,822,034	0.86%
1,000 - 9,999	2,993	27.20%	14,390,618	2.14%
10,000 - 99,999	524	4.76%	23,337,344	3.46%
100,000 - 999,999	74	0.67%	40,142,674	5.96%
1,000,000 - 9,999,999	31	0.28%	131,202,984	19.47%
10,000,000 +	5	0.05%	458,854,815	68.10%
<b>TOTAL</b>	<b>11 005</b>	<b>100.00%</b>	<b>673 817 040</b>	<b>100.00%</b>

As at 31<sup>st</sup> of December 2015, 6.75% of the Group's shares were held by individuals.



## OVERVIEW OF THE COMPANY

*The table below presents the investors of the Group by investor type at 31 December 2015:*

Investor type	No. of shareholders	No. of shares	% of share capital
Principal shareholder, Infortar AS	1	254,776,164	37.81%
Institutional investors	1,086	373,541,138	55.44%
Private individuals	9,918	45,499,738	6.75%

*The table below presents the 10 largest shareholders of the Group at 31 December 2015:*

Shareholder	No. of shares	%
Infortar AS	254,776,164	37.81%
Baltic Cruises Holding L.P.	117,362,149	17.42%
Nordea Bank Finland Plc. clients	42,624,436	6.33%
ING Luxembourg S.A. AIF Acc.	24,829,806	3.68%
ING Luxembourg Client Acc.	19,262,260	2.86%
State Street Bank Trust Omnibus Acc. A Fund OM01	14,944,376	2.22%
Clearstream Banking Luxembourg S.A. Clients	11,701,606	1.74%
Skandinaviska Enskilda Banken Finnish Clients	7,924,385	1.18%
Mellon Treaty Omnibus	7,416,559	1.10%
Firebird Republics Fund Ltd	6,712,956	1.00%

Major shareholders of the Group entered into a shareholders' agreement in August 2006. The agreement was amended in December 2012. The main terms of the agreement are published on the Group's website. The agreement sets forth among the other terms that the parties of the agreement and each shareholder of Tallink shall remain independent in their decisions and shall not be restricted by the agreement or otherwise, directly or indirectly, to exercise their voting right

or any other powers available to them, in the manner which, in its own opinion, best complies with its duties under Estonian laws, any Rules of Tallinn Stock Exchange or the Corporate Governance Recommendations.

The Group has not concluded any agreement with its management or employees that contain the provisions of compensation payment in case of takeover bid.

## OVERVIEW OF THE COMPANY

# 2015 IN NUMBERS - SCALE OF OUR GROUP

## OUR COLLEAGUES IN 2015

*On 31st of December 2015, the Group employed 6,966 employees (6,654 on 31st of December 2014).*

	As at 31 December	2015	2014	Change
<b>Onshore total</b>		<b>1,565</b>	<b>1,521</b>	<b>2.9%</b>
Estonia		835	770	8.4%
Finland		471	471	0.0%
Sweden		177	199	-11.1%
Latvia		66	67	-1.5%
Germany		6	4	50.0%
Russia		10	10	0.0%
<b>At sea</b>		<b>4,788</b>	<b>4,525</b>	<b>5.8%</b>
<b>Hotel*</b>		<b>613</b>	<b>608</b>	<b>0.8%</b>
<b>Total</b>		<b>6,966</b>	<b>6,654</b>	<b>4.7%</b>

\* The number of hotel personnel is not included in the total number of onshore personnel.

The Group's personnel expenses amounted to EUR 193.8 million (EUR 189.8 million in 2014). The average number of employees in the 2015 financial year was 6,835 (6,952 in 2014). In the 2015 financial year, staff costs in the cost of sales were EUR 142.4 million (EUR 138.7 million in 2014). Staff costs related to administrative staff and sales & marketing staff were EUR 21.3 million and EUR 30.1 million respectively (EUR 21.3 million and EUR 29.4 million respectively in 2014).

## OUR OPERATIONS IN 2015

On the Baltic Sea, we were operating the 6 main shipping routes: Tallinn-Helsinki, Tallinn-Stockholm, Paldiski-Kapellskar, Helsinki-Stockholm, Turku-Stockholm and Riga-Stockholm. In the hotel operations, our hotel chain Tallink Hotels welcomed the guests in 4 hotels in Tallinn, Estonia: Tallink Spa&Conference Hotel, Tallink Express Hotel, Pirita Spa Hotel and Tallink City Hotel; and 1 hotel in Riga, Latvia: Tallink Riga Hotel.

## OVERVIEW OF THE COMPANY

**Our fleet consisted of 16 vessels in 2015:**

Vessel name	Vessel type	Built/renovated	Route	Other information
<b>Baltic Queen</b>	Cruise ferry	2009	Finland-Estonia	overnight cruise
<b>Superstar</b>	High-speed ro-pax	2008	Finland-Estonia	shuttle service
<b>Star</b>	High-speed ro-pax	2007	Finland-Estonia	shuttle service
<b>Sea Wind</b>	Ro-ro cargo vessel	1972/1989	Finland-Estonia	cargo transportation
<b>Galaxy</b>	Cruise ferry	2006	Finland-Sweden	overnight cruise
<b>Baltic Princess</b>	Cruise ferry	2008	Finland-Sweden	overnight cruise
<b>Silja Symphony</b>	Cruise ferry	1991	Finland-Sweden	overnight cruise
<b>Silja Serenade</b>	Cruise ferry	1990	Finland-Sweden	overnight cruise
<b>Romantika</b>	Cruise ferry	2002	Sweden-Estonia	overnight cruise
<b>Victoria I</b>	Cruise ferry	2004	Sweden-Estonia	overnight cruise
<b>Regal Star</b>	Ro-ro cargo vessel	1999	Sweden-Estonia	cargo transportation
<b>Isabelle</b>	Cruise ferry	1989	Sweden-Latvia	overnight cruise
<b>Superfast VII</b>	High-speed ro-pax	2001	Chartered out	renamed "Stena Superfast VII"
<b>Superfast VIII</b>	High-speed ro-pax	2001	Chartered out	renamed "Stena Superfast VIII"
<b>Superfast IX</b>	High-speed ro-pax	2002	Chartered out	renamed "Atlantic Vision"
<b>Silja Europa</b>	Cruise ferry	1993	Chartered out*	

\* The cruise ferry *Silja Europa* started on Tallinn-Helsinki route day cruise service on 13 March 2016.

**HOW DID THE FINANCIAL RESULTS LOOK LIKE IN 2015?**

The Group's consolidated revenue amounted to EUR 945.2 million in 2015 (921.5 million in 2014). Restaurant and shop sales on-board and on mainland of EUR 500.6 million (487.6 million in 2014) contributed more than half of total revenue. Ticket sales amounted to EUR 228.0 million (230.5 million in 2014) and sales of cargo transport to EUR 104.4 million (103.1 million in 2014).

The revenue growth 2.6% was driven by higher restaurant and shop sales and charter revenues. The restaurant and shop sales increase 2.7% or EUR 13.1 million was supported by

higher passenger number and also higher on-board sales per passenger. The charter revenues increased by 13.6% or EUR 6.4 million and the cargo revenues by 1.3% compared to 2014. Marketing and sales activities led to an increase of passenger number and resulted in lower ticket revenue per passenger, the total ticket revenue declined by 1.1%.

Geographically, 35.8% or EUR 338.2 million of revenue came from the Estonia-Finland route and 35.3% or EUR 333.3 million from the Finland-Sweden route. Revenue from the Sweden-Estonia route was EUR 104.3 million or 11.0% and from the Sweden-Latvia route EUR 42.0 million or 4.4%. The share of revenue generated by other geographical segments increased to 13.5% (EUR 127.4 million).

## OVERVIEW OF THE COMPANY

*The following tables provide an overview of the distribution of revenue from operations between the Group's geographical and operational segments:*

Geographical segments	2015	2014
Finland - Sweden	35.3%	35.2%
Estonia - Finland	35.8%	34.9%
Estonia - Sweden	11.0%	11.1%
Latvia - Sweden	4.4%	6.5%
Other	13.5%	12.3%

Operational segments	2015	2014
Restaurant and shop sales on-board and on mainland	53.0%	52.9%
Ticket sales	24.1%	25.0%
Sales of cargo transportation	11.0%	11.2%
Accommodation sales	2.0%	2.1%
Income from charter of vessels	5.7%	5.1%
Other sales	4.2%	3.7%

Gross profit was EUR 223.4 million (EUR 181.7 million in 2014), EBITDA EUR 181.4 million (EUR 150.6 million in 2014). Net profit for 2015 was EUR 59.1 million (EUR 27.3 million in 2014). Basic and diluted earnings per share were EUR 0.088 (EUR 0.041 in 2014).

The Group finances its operations and investments with operating cash flows, debt and equity financing and potential proceeds from disposals of assets. At 31 December 2015, the Group's interest-bearing liabilities as a percentage of capitalization (interest-bearing liabilities and shareholders' equity) was 40.0% compared to 48.8% at 31 December 2014. The decrease results from a EUR 194.0 million decrease in interest-bearing liabilities and a EUR 46.2 million increase in equity.

## OUR LOANS AND BORROWINGS IN 2015

At the end of the 2015 financial year, interest-bearing liabilities totalled EUR 549.4 million, 26.1% down from the end of the previous financial year. The decrease is attributed to regular repayment of bank loans and premature repayment of bank loans related to the sale of vessels.

In June 2015 the Group signed with Nordea Bank Finland Plc the loan agreement in amount of EUR 184 million to finance the construction of the new LNG fast ferry Megastar in Meyer Turku shipyard. The loan will be paid out in early 2017 when the ship is delivered, the maturity of the loan is twelve years from drawdown. Finnish Export Credit Agency "Finnvera" guarantees 95% of this post-delivery buyer credit and the loan bears OECD Commercial Interest Reference Rate (CIRR) based fixed interest rate.

All interest-bearing liabilities have been incurred in euros or in Norwegian krone.

## SHAREHOLDERS' EQUITY

Consolidated equity increased by 5.9%, from EUR 778.3 million to EUR 824.5 million, mainly from net profit for the financial year. Shareholders' equity per share, excluding own shares, was EUR 1.25.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group has made significant investments in the recent past where strong shareholders' equity has been a major supporting factor for the investments. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

## HOW MANY PEOPLE TRAVELLED WITH US IN 2015?

The total number of passengers carried by the Group during the 2015 financial year was 9.0 million. The total number of cargo units carried by the Group's vessels was over 308 thousand.

## OVERVIEW OF THE COMPANY

*The following table provides an overview of transported passengers, cargo units and passenger vehicles in 2015 and the comparison with the financial year 2014:*

<b>Passengers</b>	<b>2015</b>	<b>2014</b>
Finland-Sweden	2,825,699	2,713,789
Estonia-Finland	4,744,708	4,518,013
Estonia-Sweden	946,832	973,254
Latvia-Sweden	458,987	676,676
<b>Total</b>	<b>8,976,226</b>	<b>8,881,732</b>

<b>Cargo units</b>		
Finland-Sweden	64,309	87,197
Estonia-Finland	197,324	167,411
Estonia-Sweden	39,155	42,347
Latvia-Sweden	7,241	13,537
<b>Total</b>	<b>308,029</b>	<b>310,492</b>

<b>Passenger vehicles</b>		
Finland-Sweden	161,772	161,197
Estonia-Finland	830,044	789,082
Estonia-Sweden	71,793	73,889
Latvia-Sweden	56,308	79,213
<b>Total</b>	<b>1,119,917</b>	<b>1,112,381</b>

The Group's market shares on routes operated during the 2015 financial year were as follows:

- The Group carried approximately 56% of passengers and 65% of ro-ro cargo on the route between Tallinn and Helsinki.
- The Group carried approximately 53% of passengers and 26% of ro-ro cargo on the routes between Finland and Sweden.
- The Group is the only provider of daily passenger transportation between Estonia and Sweden.
- The Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm.





## OVERVIEW OF THE COMPANY

## CHANGES DURING 2015

### SUCCESS IN THE OVERALL RESULTS:

- One of the most important decisions made in 2015, also from the sustainability point of view, was the order for a new, environmentally friendly ferry. The Group signed a contract with Meyer Turku Oy in February 2015 for the construction of its new EUR 230 million LNG powered fast ferry. The production of the new LNG fast ferry started on the 4th of August 2015 at Meyer Turku shipyard and the delivery of the vessel is planned in the beginning of 2017.
- In order to be ready for the delivery of the new generation LNG fast ferry to the Tallinn-Helsinki route Shuttle service early 2017, the Group decided to sell and charter back the fast ferry Superstar. The ownership of the vessel was transferred to the buyer in December 2015. The Group continues to operate the vessel under the charter agreement until the beginning of 2017, when the new LNG fast ferry will start to operate on Tallinn-Helsinki route Shuttle service.
- Another very important milestone, which was prepared years in advance, was the adoption to the more environmental friendly low sulphur fuel in 2015 financial year. The globally lower energy prices enabled smooth transition and the previously highlighted risk of increasing fuel cost did not materialise. Following the market prices the Group's average fuel price in 2015 was 5% lower compared to 2014.
- The total annual fuel consumption reduced by 13%, the saving is attributed to optimisations in vessel operations and changes in the fleet. Lower total fuel consumption and price resulted in EUR 20 million less fuel cost and significantly lowered emissions compared to previous year.
- Increased passenger numbers: In 2015 financial year the proactive marketing and sales activities led to an increase of the passenger number. In the 2015 financial year the Group carried a total of 9.0 million passengers which is 1.1% more compared to the year before. The number of passengers traveling with the Tallink and Silja Line branded ships grew steadily in most of the operated routes and the Group regained market share from the direct competition. On Tallinn-Helsinki route all time high number of 4.7 million passengers travelled with the Group's vessels during the year. Tallink and Enterprise Estonia joint campaign "Epic Estonia" targeting Swedish market was recognised as the „Best marketing campaign of the year“ in Estonia, it is biggest ever Estonian campaign made in collaboration of public and private sector organizations.
- Increased revenue: The Group's revenue increased by 2.6% to all-time high of EUR 945.2 million (EUR 921.5 million in 2014) and EBITDA increased by 20.5% to a record EUR 181.4 million (EUR 150.6 million in 2014). Net profit more than doubled compared to last year and amounted to EUR 59.1 million (EUR 27.3 million in 2014) or EUR 0.09 per share (EUR 0.04 in 2014). The cash flow from operating activities increased by EUR 41.2 million and totalled to EUR 191.9 million. The increase in the Group's results is mainly attributed to the growth in passenger number, higher on-board revenue per passenger, higher charter revenue and lower operating costs. The results improved in all geographical segments compared to the previous financial year.
- Sale of 3 vessels: During the financial year three vessels (Silja Festival, Regina Baltica and Superstar) were sold and at the end of the financial year the Group owned 15 vessels. Fast ferry Superstar is operated under a charter agreement until the delivery of new LNG fast ferry Megastar early 2017.
- Increased on-board sales: More passengers with higher average on-board sales per passenger resulted in increase of shop and restaurant sales. The on-board sales growth was achieved thanks to the Group's continuous focus on development of the product offering and expansion of the shops and restaurants in the vessels.
- Upgrades in the current fleet: The large scale investments to the vessels Silja Symphony and Silja Serenade shops, restaurants and cabins in the previous financial year showed positive impact on the earnings in 2015 by attracting more passengers and increasing on-board sales per passenger. In 2015 the Group continued with the updates of the public areas and introduced new concepts in number of vessels, also the existing successful shop and restaurant concepts are expanded to more vessels. The modernisation program is extended over several years and the Group will continue to update the shops, restaurants and cabins in selected vessels to develop and improve the product offering.

## OVERVIEW OF THE COMPANY

- New concepts on board: In 2015 the Group took the next step and entered into partnership with world known fast food brand BURGER KING®. The world's only floating BURGER KING® restaurant on Tallink Shuttle ferry Star opened in January 2016.
- Results in the chartering operations: The charter revenue increased compared to the previous period as more vessels were chartered out in 2015. Two of the chartered out vessels Silja Festival and Regina Baltica were sold in the first half of financial year 2015. Three Superfast ferries remained chartered out.
- Meanwhile on-shore activities were also upgraded: Following the Group's strategy to ensure cost efficient operations, the Tallink Logistics Centre project was started and one of the most modern logistics centres in the region was launched in January 2016. The Group operated logistics centre will consolidate the logistics of the goods and will be the single hub for distribution of majority of the goods for the fleet, hotels and offices. In addition, the Group is in final phase with the implementation of its new enterprise resource planning system. The system improves the Groups resource management capacity and enables further efficiencies in operations and support functions.



## OVERVIEW OF THE COMPANY

### COOPERATION MILESTONES

#### EU SUPPORTS THE INFRASTRUCTURE DEVELOPMENTS ON HELSINKI-TALLINN MARITIME LINK WITH EUR 30 MILLION

The Port of Helsinki together with the Port of Tallinn and AS Tallink Grupp obtained EUR 29.3 million EU funding within the 2014 CEF Transport Multi-Annual Calls for proposals for financing their infrastructure investments. The total cost of the planned investments is EUR 97.6 million.

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Helsinki-Tallinn line is one of the busiest international routes in the world – it serves about 8 million passengers per year while trucks and trailers carry over 3 million tons of cargo per year. The flows of traffic and passengers between the two ports have been constantly growing for a decade already. Therefore the project is crucial for both cargo and passenger flows to ensure the smooth traffic between Helsinki and Tallinn.

At this stage the support to develop Helsinki-Tallinn maritime link on the period 2015-2018 is allocated as follows:

- Port of Helsinki will receive EUR 19.2 million to develop traffic and port facilities related to Helsinki-Tallinn line traffic, this includes the new fast flow terminal, ramp constructions for the vessels, gate services and street connections. The total investment of the Port of Helsinki is EUR 64 million.
- Port of Tallinn will receive EUR 5.3 million support to develop several activities in the Old City Harbour: sewage system in the port to collect waste waters from ships, extension of terminal D, reconstruction of access to terminal A and connecting the terminals A and D. The total investment of Port of Tallinn is EUR 17.6 million.
- AS Tallink Grupp will receive EUR 4.8 million support from EU to be allocated in the new environmentally friendly LNG vessel, which will be serving the Helsinki-Tallinn line starting from 2017.

“The West terminal building itself receiving support investment has a significant impact to the life and well-being of the passengers and traffic “smoothness” on the whole Helsinki-Tallinn maritime link”, Kimmo Mäki, CEO of the Port of Helsinki notes.

“The new LNG powered fast ferry will bring swift environment friendly operations to the busy Tallinn-Helsinki route. We are happy to see a successful collaboration between public and private companies that is supported by the European Union”, Janek Stalmeister, Chairman of the Management Board, AS Tallink Grupp.

The TWIN-PORT II project will lead to maximum efficiency for this short sea line by optimizing port operations and infrastructure and will provide efficiency in a “door to door” approach, minimizing the costs and transit time, while increasing the cooperation and reliability of the transport service between Tallinn and Helsinki.

#### COOPERATION WITH WWF FINLAND

Our Finnish subsidiary Tallink Silja Oy has been cooperating with the major international environmental protection organization WWF Finland for 12 years in order to support the protection of the Baltic Sea, set an example for other maritime transportation companies and develop the services and operations in harmony with the nature, while having expert knowledge from the NGO. Our common aim is to protect the Baltic Sea and educate our passengers more about WWF, their goals and activities. Total value for co-operation has been about 400 000 € over the years.

For 2016, the cooperation with WWF Finland has been extended to the group-level, engaging AS Tallink Grupp, its other entities, operations and stakeholders into the activities related to the Baltic Sea protection.

#### COOPERATION WITH TRADE UNIONS

AS Tallink Grupp operates in 4 different countries with direct shipping routes and hotel management. The ships are sailing also under 4 different flags – Estonian, Finnish, Swedish and Latvian respectively. The company has solid and strong cooperation with the trade unions representing both on shore and on board personnel to organize the employment conditions and discuss different daily matters in the optimal way. All major changes in the company’s operations as well as annual employment condition negotiations are subjects to be discussed with those parties. All major trade unions have their representatives engaged and working in the larger on shore entities as well as on board of the ships.

## OVERVIEW OF THE COMPANY

### WHICH ORGANIZATIONS DO WE BELONG TO AS MEMBERS?

#### LONG TERM MEMBERSHIP IN SHIP OWNERS' ASSOCIATIONS

AS Tallink Grupp and/or its local subsidiaries are active members of Estonian, Finnish, Swedish and European Ship owners' Associations in order to promote the maritime industry as the wide-range employer, enhancer of economic and technical development and tourism and a responsible citizen in terms of environmental protection and sustainable operations.

In the European Shipowners' Association, AS Tallink Grupp is also participating in concrete committees of the organization (environmental, maritime employment etc.), to provide the regional insight to the governing bodies of European Union.

#### MEMBERSHIP IN LOCAL TRADE ASSOCIATIONS

In all home markets - Estonia, Finland, Sweden and Latvia our Group belongs to different Trade Associations to build and develop the business network and opportunities between those countries, businesses and NGO's. The Group also takes great value in sharing the experience we have gained throughout decades of being the market leader in our sector to support smaller or young enterprises in taking off.

- In Estonia, AS Tallink Grupp is the member of: Swedish Chamber of Commerce, German-Baltic Chamber of Commerce and Finnish-Estonian Chamber of Commerce.
- In Germany, Tallink Silja GmbH is the member of German-Finnish Chamber of Commerce, German Travel Agency Association, German-Finnish Association, Ferry Association, Chamber of Industry & Commerce Hamburg, International Bus Tourism Association.
- In Sweden, Tallink Silja Ab is the member of The Confederation of Swedish Enterprise, Finnish-Swedish Chamber of Commerce and Swedish Tourism.
- In Finland Tallink Silja Oy belongs to Mainostajien Liitto ry and IAB Finland ry.

#### MEMBERSHIPS RELATED TO EMPLOYMENT

As one of the largest employers of maritime industry in the region, the company also belongs to a number of local employers' associations in order to follow the trends, exchange the know-how and experience on how to further improve the working environment, following at the same time the interest of all stakeholders and maintaining the economical balance.

- In Germany, Tallink Silja GmbH is the member of the Employers' Association and the Employers Liability Insurance Association.

#### ESTONIAN MARITIME ACADEMY

AS Tallink Grupp has signed a cooperation contract with the Maritime Academy to enhance the maritime education and promote the positions in the industry. The inhouse experts of AS Tallink Grupp regularly participate in the training programs of the academy, sharing their experience and giving guidelines for future employees of the sector.

In addition to the cooperation, both in terms of Maritime Academy programs as well as in Tallink's own training center for employees, the company also supports the publishing of the academy's magazine, disclosing important topics from the maritime sector.

#### ESTONIAN TENNIS FEDERATION

The Group supports the national sports federation annually and contributes also by participating in governing the organization. Mr. Enn Pant, the Head of Supervisory Council of AS Tallink Grupp is also the President of Estonian Tennis Federation. Also the Head of Tallink Hotels, Mr. Peter Roose belongs to the Management Board of Estonian Tennis Federation.

## BUSINESS PHILOSOPHY

### OUR BUSINESS PHILOSOPHY

Our business philosophy is based on sustainable economic, environmental, labour and ethical performance. Those are put into practice by following the legislation, regulations, best practices and ethical norms. The Group targets to confirm a group-wide unified Code of Conduct for the company in 2016, in addition to the internal guidelines of the following policies:

#### 1. Health and safety policy

Company ships are operated in a manner that protects the health and safety of people on board – passengers, crew and contractors - and ashore with no accidents as our goal. This is achieved through continuous improvement, training of personnel and promotion of use of best practices available.

#### 2. Human and labour rights policy

As a responsible employer the Company ensures that all employees are treated in a fair and equal manner with due respect to international conventions and local legislation.

The Company does not allow for persons under 16 years of age to be employed or engaged in work on board our ships. Persons between 16 and 18 years of age are not allowed to do night work or any other work where their health and safety might be jeopardized.

#### 3. Environmental policy

The Company operates a zero spill policy. Through implementation of environmental management system every effort is made to minimize Company's footprint on environment through continuous improvement of operations, more effective and responsible use and disposal of resources and continual drive to reduce emissions.

#### 4. Security policy

The Company takes constant care to prevent breaches of security. This is done in close and open cooperation with relevant authorities.

#### 5. Alcohol and drug policy

It is prohibited for crew members and contractors to bring, preserve and consume alcohol or illegal drugs on board as well as to board a vessel under the influence of alcohol or illegal drugs.

SM authorized person(s) carries out testing/control of crew members concerning consumption and storage of alcohol and narcotic substances on board in case of:

- there is reasonable doubt that person is intoxicated
- after an accident has occurred all persons involved are tested
- deemed necessary by SM by any other circumstance

#### 6. Media policy

Owner company (AS Tallink Grupp) is a stock company, therefore, the SM and crewmembers are requested not to communicate with media in respect of operation of Company vessels, unless requested by Company.

Also the Company highlights need for one clearly defined communication channel with media especially during emergencies.

Media communication are executed by the person responsible for AS Tallink Grupp public relations or in special circumstances by the person appointed by Owners.

### SAFETY AND SECURITY AS THE FIRST PRIORITY

In the Group's operations the safety and security of people, environment and property are of the utmost importance. Tallink's Safety Management System adheres to the ISM (International Safety Management) and ISPS (International Ship Port Facility Security) Codes and the requirements according to the ISO 14001 environmental management standard to guarantee that the operations of the ships and onshore organization prevent accidents, loss of human lives and environmental damages caused to the marine environment. The Safety Management System is audited by Lloyds Register and the Estonian, Swedish, Latvian, and Finnish Maritime Administrations.

The Group's safety and security management operations are aimed at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. The crew's safety and security management skills are consistently developed, tested and practiced through drills and exercises in cooperation with the authorities. The skills are improved by identifying the known risk factors and areas, and practicing related procedures. In addition, the crew's environmental safety awareness is continuously improved.

The objective of the Group's Safety Management System is to ensure that valid rules and requirements set out by the IMO (International Maritime Organization), the EU (European



## BUSINESS PHILOSOPHY

Union), the maritime authorities, the certification bodies and other maritime organizations as well as their applicable regulations and standards are adhered to.

Ship masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security work.

All the Group's vessels carry lifesaving equipment which meets the highest safety standards and are always ready for immediate use. Nevertheless the Group's highest-level nautical and good-seamanship practices together with top-level safety and security organizations are designed to prevent situations where all this safety equipment should be put in use.

### ENVIRONMENTAL PROTECTION AND SUSTAINABLE OPERATIONS AS ANOTHER IMPORTANT PRIORITY

The Group recognises that environmental protection and management is one of its highest priorities. Every effort is to be made to preserve and protect the environment from marine and atmospheric pollution and any other form of pollution, including office-based waste.

The Group's vessels are maintained and operated in accordance with the MARPOL convention (the International Convention for the Prevention of Pollution from Ships). This ensures that air and sea pollution is kept at the lowest practicable level.

The Group operates a zero spill policy. The Group's objective is to eliminate the possibility of pollution at source by ensuring that high standards of safety and awareness are maintained and that all relevant legislation and conventions are followed for both its sea and shore activities. Additionally, the Group is committed to continuous improvement of the methods that are used to carry out and achieve this objective, including the use of equipment and practices that minimise waste generation.

As a major tax-payer in Estonia, Finland and Sweden, the Group believes that financial success can only be guaranteed through responsible and sustainable development. Therefore, each year, the Group gives a significant share of its success back to society and the environment in which the Company operates. Group entities are actively involved in supporting many public initiatives and events, especially youth and sports

organisations. Being one of the largest Estonian companies in terms of the number of employees, it has always been the Group's goal to encourage its employees to participate in social events for the sake of the environment and society.

### OUR VALUES ARE INSPIRING AND SUPPORTING

Our core values are there for the entire corporation and regardless of our position or role in the company, we should align our actions and behaviors according to these values.

#### Commitment:

- We are inspired by our common goals and work towards them with dedication and passion.
- We deliver on our promises to customers and colleagues.
- We do that little extra to positively surprise our customers and exceed their expectations.
- We strive for efficiency and economical gain in all our activities to secure sustainable profitability growth for the company.

#### Professionalism:

- We serve our customers with care, confidence and integrity in all circumstances.
- We have the courage to give and take responsibility and are accountable for our actions.
- We implement decisions with discipline, follow up on results and learn from the experience.
- We value learning and development and take initiative towards better performance.

#### Cooperation:

- We are always available for our customers; we listen to them actively and serve them with respect to their needs and requests.
- We are honest and loyal towards ourselves, our colleagues, clients, partners and shareholders.
- We build teamwork with colleagues; we help and encourage each other.
- We share our own knowledge and are open to ideas from others.

#### Joy:

- We believe that results are most important but process must be enjoyable as well.
- We keep good mood and positive atmosphere at workplace.
- We cherish good humour as our tool of communication.

## CORPORATE GOVERNANCE

### OUR CORPORATE GOVERNANCE

Pursuant to the Estonian Commercial Code and the articles of association of AS Tallink Grupp (the Company), the right of decision and the administration of the Company are divided between the shareholders represented by the shareholders' general meeting, the Supervisory Board and the Management Board.

#### SHAREHOLDERS' GENERAL MEETING

The Company's highest governing body is the shareholders' general meeting. The primary duties of the general meeting are to approve the annual report and the distribution of dividends, elect and remove members to the Supervisory Board, elect auditors, pass resolutions on any increase or decrease in share capital, change the articles of association and resolve other issues, which are the responsibility of the general meeting by law. According to the law, the articles of association can be amended only by the shareholders' general meeting. In such a case it is required that 2/3 of the participating votes are for it.

Every shareholder or his/her proxy with a relevant written power of attorney may attend the general meeting, discuss the items on the agenda, ask questions, make proposals and vote.

The Group publishes a notice of an annual general meeting and an extraordinary general meeting at least three weeks in advance in a national daily newspaper, in the stock exchange information system and on the Company's website at [www.tallink.com](http://www.tallink.com). The notice includes information on where the meeting will be held.

The agenda of the meeting, the Board's proposals, draft resolutions, comments and other relevant materials are made available to the shareholders before the general meeting on the Company's website and in the stock exchange information system. The shareholders may ask questions before the general meeting by sending an email to [info@tallink.ee](mailto:info@tallink.ee).

The Company has not made it possible to observe and attend general meetings through electronic channels as there has not been any interest for it (CGR 1.3.3).

In the reporting period AS Tallink Grupp held the annual general meeting on 9 June 2015. The meeting was attended by the Management Board members Janek Stalmeister, Andres Hunt, Lembit Kitter and Kadri Land. The Supervisory Board members present were Enn Pant, Toivo Ninnas, Kustaa Äimä, Ain Hanschmidt, Colin Douglas Clark, Eve Pant and Kalev Järvelill. The meeting was also attended by the Company's auditor. The chairman of the meeting was Raino Paron. The meeting was held in Estonian. The attending shareholders represented 459,172,054 votes, i.e. 68.55% of all votes. The resolutions adopted were: distribution of profits, nomination of an auditor, approval of the Share Option Program, amending the Articles of Association and authorizing the acquisition of own shares.

#### MEET OUR SUPERVISORY BOARD:

##### ENN PANT

(born 1965)

##### Chairman of the Supervisory Board since 2015

Chairman of the Management Board from 1996 to 2015, Chief Executive Officer

Member of the Supervisory Board of AS Infortar

Chancellor of the Ministry of Finance of Estonia from 1992 to 1996

Graduated from the Faculty of Economics, University of Tartu, Estonia, in 1990

Direct shareholding of 3,951,913 shares and 350,000 share options

##### TOIVO NINNAS

(born 1940)

##### Member of the Supervisory Board since 1997

Chairman of the Supervisory Board from 1997 to 2015

Served at ESCO (Estonian Shipping Company) 1973 to 1997 in various positions, Director General since 1987.

Graduated from the Far Eastern High Engineering Maritime College (FEHEMC), maritime navigation, in 1966.

Direct shareholding of 19,200 shares and 350,000 share options

##### EVE PANT

(born 1968)

##### Member of the Supervisory Board since 1997

Graduated from the Tallinn School of Economics, Estonia, in 1992

Direct shareholding of 603,500 shares and 350,000 share options

## CORPORATE GOVERNANCE



*Standing, from the left:  
Kalev Järvelill,  
Enn Pant,  
Ain Hanschmidt,  
Colin Douglas Clark*

*Sitting, from the left:  
Lauri Kustaa Äimä,  
Eve Pant,  
Toivo Ninnas*

**AIN HANSCHMIDT**

**(born 1961)**

**Member of the Supervisory Board since 2005, also from 1997 to 2000**

Chief Executive Officer of AS Infortar

For years he served as Chairman of the Management Board of AS SEB Eesti Ühispank

Graduated from the Tallinn Polytechnic Institute (Tallinn University of Technology), Estonia in 1984

Direct shareholding of 1,800,000 shares and 350,000 share options

**LAURI KUSTAA ÄIMÄ**

**(born 1971)**

**Member of the Supervisory Board since 2002**

Managing Director of KJK Capital Oy

Chairman of the Management Board, KJK Management SA, KJK Fund SICAV-SIF and Amber Trust II SCA

Chairman of the Board of directors, KJK Fund II SICAV-SIF

Vice-chairman of the Management Board, Amber Trust SCA

Supervisory Board member of several companies including AS Premia Foods, AS Toode, AS Baltika, AS Riga Dzirnavnieks and UAB Malsena Plius

Holds a Master's degree in Economics from the University of Helsinki, Finland, 1997

Direct shareholding of 237,000 shares and 350,000 share options

**COLIN DOUGLAS CLARK**

**(born 1974)**

**Member of the Supervisory Board since 2013**

Managing Director and Head of Central & Eastern Europe, Middle East and Africa for The Rohatyn Group

Formerly a Partner of CVCI Private Equity, from 2003 to 2013 until the merger of CVCI with The Rohatyn Group in December 2013

Director of the Supervisory Board of Prestige

Worked from year 2000 in Citigroup Inc.'s leading emerging markets projects financing team

Worked for Bank of Scotland in Edinburgh in various positions

Holds a Bachelor's degree in Accountancy and Management from University of Dundee (Scotland)

Member of the Institute of Chartered Accountants of Scotland

Direct shareholding of nil shares and nil share options

**KALEV JÄRVELILL**

**(born 1965)**

**Member of the Supervisory Board since 2007**

Member of the Supervisory Board of AS Infortar

He was a member of the Management Board of AS Tallink Grupp from 1998 to 2006

General Director of the Estonian Tax Board from 1995 to 1998

Vice Chancellor of the Ministry of Finance of Estonia from 1994 to 1995

Graduated from the Faculty of Economics, University of Tartu, Estonia, in 1993

Direct shareholding of 1,276,800 shares and 350,000 share options

## CORPORATE GOVERNANCE

The Supervisory Board engages in oversight and longer-term management activities such as supervising the Management Board and approving business plans, acting in the best interest of all shareholders. No residency requirements apply to the members of the Supervisory Board. The Supervisory Board reports to the general meeting of the shareholders.

The Supervisory Board consists of 5 to 7 members. Members of the Supervisory Board are elected for periods of three years at a time. The Supervisory Board elects one of its members as chairman. For electing a member to the Supervisory Board his or her written consent is needed. The general meeting of the shareholders may remove any member of the Supervisory Board without a reason. Such a decision requires 2/3 of the votes represented at the general meeting. A member of the Supervisory Board may resign without a reason by informing the general meeting of the shareholders about the resignation.

The Supervisory Board is responsible for supervising management of the Company and organisation of its operations. The Supervisory Board determines the principles for the Company's strategy, organisation, annual operating plans and budgets, financing and accounting. The Supervisory Board elects the members of the Management Board and determines their salaries and benefits.

At present, the Supervisory Board has seven members and they have the knowledge and experience necessary to fulfil their duties following the Corporate Governance Recommendations and legislation. The meetings of the Supervisory Board are held according to need, but at least once in every three months. The Supervisory Board convened six times during the 2015 financial year. The Company's operations, development, strategies, targets and budget were discussed. Twelve resolutions were adopted in writing without convening a meeting.

The members of the Supervisory Board avoid conflicts of interest and observe the prohibition on competition. The Supervisory Board and the Management Board work closely in the best interests of the Company and its shareholders, acting in accordance with the articles of association. Confidentiality rules are followed on exchanging information.

The remuneration of the Supervisory Board was decided at the shareholders' special general meeting on 17 September 2013. Accordingly, the remuneration of the chairman is EUR 2,500 per month and the remuneration of other members of the

Supervisory Board is EUR 2,000 per month. There are no other benefits for members of the Supervisory Board.

***The direct shareholdings and granted share options of the members of the Supervisory Board at the end of the 2015 financial year were the following:***

	Shares	Share options
Enn Pant	3,951,913	350,000
Toivo Ninnas	19,200	350,000
Eve Pant	603,500	350,000
Ain Hanschmidt	1,800,000	350,000
Lauri Kustaa Äimä	237,000	350,000
Colin Douglas Clark	0	0
Kalev Järvelill	1,276,800	350,000

### MEET OUR MANAGEMENT BOARD:

#### JANEK STALMEISTER (born 1974)

**Chairman of the Management Board since 2015**

Member of the Management Board since 2009, Chief Financial Officer

Has been with the Group since 1999 in the positions of Financial Advisor, Treasurer and Financial Director

Has worked as a stock broker, Deputy CEO and CEO at AS HT Finants Head of the External Debt Division at the Estonian Ministry of Finance from 1994 to 1997

Graduated from the Faculty of Economics, International University "LEX", Estonia, in 1999

Direct shareholding of 45,000 shares and 350,000 share options



#### ANDRES HUNT (born 1966)

**Member of the Management Board since 2002**

Has been with the Group since 1998 in the positions of Financial Director and Chief Financial Officer

Director of Tax Policy Department at the Ministry of Finance of Estonia from 1995 to 1998

Graduated from the Faculty of Economics, Academy of Agriculture, Estonia, in 1992

Direct shareholding of 860,000 shares and 350,000 share options



## CORPORATE GOVERNANCE

**LEMBIT KITTER****(born 1953)****Member of the Management Board  
since 2006**

Worked in the banking sector in Estonia since 1992 at leading positions, including in Eesti Maapank, Tartu Maapank, Põhja-Eesti Pank and in SEB Eesti Ühispank

Graduated the Faculty of Economics, University of Tartu, Estonia, in 1976

Direct shareholding of nil shares and 350,000 share options



At present, the Management Board has three members. Mr. Janek Stalmeister, Chairman, is responsible for leading the Board and general and strategic management of the Group, additionally he is responsible for IT, hotel operations, retail operations, cargo operations and regional offices. Mr. Andres Hunt, Vice Chairman, is responsible for fulfilling the chairman's duties in his absence, finance, technical management and internal control. Mr. Lembit Kitter is responsible for the Group's sales & marketing, daily operations, customer service, business development and human resources. The Supervisory Board has concluded service agreements with the members of the Management Board.

In 2015 the remuneration of the members of the Group's Management Board was in total EUR 1.4 million, including EUR 36,000 termination benefits.

The Management Board is an executive body charged with the day-to-day management of the Company, as well as with representing the Company in its relations with third parties, for example on entering into contracts on behalf of the Company. The Management Board is independent in their decisions and follows the best interests of the Company's shareholders.

The Management Board must adhere to the decisions of the general meeting of the shareholders and lawful orders of the Supervisory Board. The Management Board ensures, with its best efforts, that the Company complies with the law and that the Company's internal audit and risk management functions operate effectively.

The Management Board consists of 3 to 7 members. The members and the chairman of the Management Board are elected by the Supervisory Board for periods of three years at a time. For electing a member to the Management Board his or her written consent is needed. The chairman of the Management Board may propose that the Supervisory Board also appoint a vice chairman of the Management Board, who fulfills the chairman's duties in the absence of the chairman. Every member of the Management Board may represent the Company alone in any legal and business matter. According to the law the Supervisory Board may recall any member of the Management Board without a reason. A member of the Management Board may resign without a reason by informing the Supervisory Board about the resignation.

The remuneration of the Management Board is determined by the Supervisory Board according to the CGR. The Supervisory Board has adopted the principles of remuneration of the management of AS Tallink Grupp. According to the document, besides work benefits, termination benefits and a share option programme, the members of the Management Board are eligible to annual bonuses of up to six-months' remuneration that are paid when the Group's results are profitable. The pay and benefits of individual Board members are not disclosed as the Group believes that such detailed information is insignificant for investors and is outweighed by the possible harm and discomfort to the members of the Management Board from the disclosure of sensitive personal information. The Company does not want to disclose such information to its competitors (CGR 2.2.7).

Members of the Management Board avoid conflicts of interest and observe the prohibition on competition.

***The direct shareholdings and granted share options of the members of the Management Board at the end of the 2015 financial year were the following:***

	<b>Shares</b>	<b>Share options</b>
Janek Stalmeister	45,000	350,000
Andres Hunt	860,000	350,000
Lembit Kitter	0	350,000



## CORPORATE GOVERNANCE

### AUTHORITY OF THE MEMBERS OF THE MANAGEMENT BOARD TO ISSUE AND ACQUIRE SHARES

According to the resolution of the general meeting of 9 June 2015, the Company was granted the right to acquire its own shares subject to the following conditions:

- 1) The company is entitled to acquire own shares within five years as from the adoption of this resolution.
- 2) The total nominal values of the shares owned by the company shall not exceed 10 % of the share capital.
- 3) The price payable for one share shall not be more than is the highest price paid at Tallinn Stock Exchange for the share of AS Tallink Grupp at the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding the share capital, mandatory legal reserve and issue premium.

The Management Board has no right to issue the Company's shares.

### DISCLOSURE INFORMATION

The Company follows the CGR in its information disclosure procedures and treats all shareholders equally. All the released information is published in Estonian and in English on the websites of the Company and the Tallinn Stock Exchange as well as through the OAM system managed by the EFSA.

Meetings with investors have been arranged on an ad hoc basis as and when requested by the investors. The information shared at the meetings is limited to data already disclosed. The Company has published the times and locations of significant meetings with investors. The presentations made to investors are available on the Company's website. However, the Group does not meet the recommendation to publish the time and location of each individual meeting with investors and to allow all shareholders to participate in these events as it would be impractical and technically difficult to arrange (CGR 5.6).

### FINANCIAL REPORTING AND AUDITING

Preparation of financial reports and statements is the responsibility of the Company's Management Board. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and relevant Estonian regulations. The company issues quarterly unaudited interim financial reports and the annual audited report.

The Company's annual report is audited and then approved by the Supervisory Board. The annual report together with the written report of the Supervisory Board is sent for final approval to the shareholders' general meeting.

The notice of the shareholders' general meeting includes information on the auditor candidate. The Company observes the auditors' rotation requirement. The audit fee and the auditors' responsibilities are set out in an agreement concluded between the Company and the auditor.

To the knowledge of the Company, the auditors have fulfilled their contractual obligations and have audited the Company in accordance with International Standards on Auditing.

For better risk management and control, the Company has established an Audit Committee and an Internal Audit Department.

The Internal Audit Department took part in the process of preparing the annual report. Internal audits are conducted to check that information presented in the annual report is reliable. The consolidated financial statements for the 2015 financial year were audited by KPMG Baltics OÜ.

### AUDIT COMMITTEE

The Supervisory Board has elected two persons to the Audit Committee: Mr Ain Hanschmidt and Ms Mare Puusaag. The Audit Committee is responsible for monitoring and analysing the processing of financial information, the effectiveness of risk management and internal control, the process of auditing annual and consolidated accounts, and the independence of the audit firm and the auditor representing the audit firm on the basis of the law. The Audit Committee is responsible for making recommendations and proposals to the Supervisory Board.

## CORPORATE GOVERNANCE

### EXECUTIVE COMMITTEE

The Executive Committee of the Group is formed by the Management Board members and the top management of the Group to actively discuss and decide upon the projects, processes and results of the company from the point of view of all internal and external stakeholders. Sustainability is a major factor in all business decisions met by the Executive Committee, which summons monthly.

### OCCUPATIONAL HEALTH AND SAFETY COMMITTEES

These committees are formed to secure, that the Operational Health and Safety principles based on Group's Occupational Health and Safety Policy and local legislation are followed. The respective committees are formed in all larger units and entities of the Group on shore and on sea.

### IT COMMITTEE

The IT Committee is a working group consisting of the members of the Management Board and the management of the IT department and Sales and Marketing department. This committee is in charge for determining the needs for future IT development projects observe the processes of on-going IT projects and evaluate the outcome of IT projects carried out. All substantial focus areas are taken into consideration to make decisions in terms of securing the sustainability of the projects from external and internal stakeholders' point of view. The IT Committee meets at least once in a quarter, but in case of demand, also up to once every month.

### SALES AND MARKETING COMMITTEE

This committee works with developing and leading the sales and marketing strategy of the Group. It consists of the members of the Management Board and the sales and marketing executives from the different entities of the Group. The committee summons every month.



## MATERIALITY ASPECTS

# MATERIALITY AND BOUNDARIES OF THE REPORT

## DEFINING MATERIALITY

All aspects are mostly material to all active entities, except for maritime-specific features, which do not apply for on-shore organizations.

*List of Group`s entities included in the Annual Audited Report disclosed on April 27th 2016.*

Group entities	Interest as at 31 December 2015	Interest as at 31 December 2014	Country of incorporation	Parent company
OÜ Hansaliin	100%	100%	Estonia	AS Tallink Grupp
OÜ Hansatee Kinnisvara	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Duty Free	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Laevateenindus	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Meelelahutus	100%	100%	Estonia	AS Tallink Grupp
AS Tallink	100%	100%	Estonia	AS Tallink Grupp
AS Hansatee Cargo	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Hotell	100%	100%	Estonia	AS Tallink Grupp
OÜ Tallink Travel Club	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Baltic	100%	100%	Estonia	AS Tallink Grupp
OÜ Mare Catering	100%	100%	Estonia	AS Tallink Grupp
AS HTG Invest	100%	100%	Estonia	AS Tallink Grupp
Tallink Finland OY	100%	100%	Finland	AS Tallink Grupp
Tallink Latvija AS	100%	100%	Latvia	AS Tallink Grupp
Tallink Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn-Helsinki Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Vana Tallinn Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Fast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Swedish Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Stockholm Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Victory Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Hansalink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Autoexpress Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink High Speed Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Sea Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Superfast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VIII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF IX Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Hansaway Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink-Ru OOO	100%	100%	Russia	AS Tallink Grupp
HTG Stevedoring Oy	100%	100%	Finland	AS Tallink Grupp
Ingleby (1699) Ltd.	100%	100%	UK	AS Tallink Grupp
OÜ HT Hulgi Tolliladu	100%	100%	Estonia	AS Tallink Duty Free
AS Tallink Scandinavian	100%	100%	Estonia	AS Tallink Grupp
Tallink Silja Oy	100%	100%	Finland	AS Tallink Scandinavian
Sally AB	100%	100%	Finland	Tallink Silja Oy
Tallink Silja AB	100%	100%	Sweden	AS Tallink Grupp
Silja Line GmbH	100%	100%	Germany	Tallink Silja Oy Ab
OÜ Hera Salongid	100%	100%	Estonia	OÜ TLG Hotell
SIA HT Shipmanagement	100%	100%	Latvia	OÜ HT Laevateenindus
SIA TLG Hotel Latvija	100%	100%	Latvia	OÜ TLG Hotell

## MATERIALITY ASPECTS

### WHY AND HOW DID WE CHOOSE THE NEW GRI CONCEPT FOR DEFINING THE SUSTAINABILITY REPORT'S CONTENT?

AS Tallink Grupp has been reporting on the sustainability matters already for 10 years. The activities and philosophy behind this have been an inseparable part of the organization for much longer. Listening to our stakeholders has been crucial by shaping our strategy and activities aside of the understanding we have gathered while working within the leisure and transportation sector. We have been a curious organization, which at the same time has a strong agenda and set of values. We understand, that we have to create value in every sense, whereas being a industry leader gives us many opportunities as well as serious responsibilities.

Although we have been regularly gathering feedback from various stakeholders, the GRI index reporting motivated to carry out an even more systematic approach to analyze our current position and agenda, comparing it once more with the expectations towards the organization. The results will help us to be even more focused on the fields important for people around us and seek for additional opportunities within our everyday operations to enhance the relevant sustainability aspects. We hereby thank all, who took the time to write to us, answer our questions and meet with us in order to support us in gathering this information. The outcome of these processes will be nothing but positive.

- For this specific report, the process was once again taken down to the basics and we started everything from scratch. Interviews with the management and top management in the company to determine the most important areas to be covered when reporting over sustainability of our Group. The additional and refreshed internal insight from Management Board and top management of the subsidiaries was aligned to a list of specific topics, which are the most relevant ones in our Group as well as maritime/tourism industry. This process was supported by our auditing company KPMG in Estonia.
- The Group organized an online-questionnaire to become feedback from 2 largest stakeholder groups - loyal/frequent customers and employees. Altogether, up to 500 answers were supporting the proposed materiality aspect list and additionally aligned their importance for our customers and employees. The customers were sent the link by e-mails within the newsletter and the employees were engaged through the

company's intranet post. The practical online tool, created to receive feedback from different stakeholders was used successfully.

- After defining the internal list, a symposium for stakeholders was arranged to discuss the proposed list of materiality aspects and in case necessary, amend it according to the opinions of different stakeholder group representatives. The symposium took place on 2nd of December 2015 in Tallink Spa & Conference Hotel and had very active participation from all stakeholder groups. No new materiality aspects were added to the already existing list, which was a very good sign for the Group being attentive and correct about the analyzes of potential materiality aspects. All stakeholder groups (both internal and external), evaluated different materiality aspects from their point of view, contributing to the list and weights of different materiality aspects. A more thorough discussion after the workshops with mixed stakeholder groups gave valuable information and ideas for further improving communication about the ongoing sustainability activities as well as creating new angles.
- The outcome of the Symposium gave additional material for the internal Management Symposium, held on 30th of December. The Management Board, several Supervisory Board members and top management of the company participated there. The agenda consisted of listening to the presentation of the KPMG consultant over the sustainability matters, GRI standard and outcome of the previous steps of defining the final materiality aspects' diagram and therefore also the topics to be reported about in this Report. All participants had the individual task to evaluate the materiality aspects once again on the scale from 1-5.
- KPMG consultants helped to analyze the charts from the stakeholders' Symposium and Managements' Symposium to draw the final chart of materiality aspects for the GRI standardized report as well as advised on the specific content production of the report.
- The content for the report was put together as a team effort of AS Tallink Grupp employees and external partners. The data has been put together and analyzed according to the reporting principles in cooperation of many departments and units, which are responsible for the covered areas. We hope, that the first GRI standardized report meets the expectations of the readers, but are at the same time very open for proposals how to further improve it.

## STAKEHOLDER ASPECTS

### MATERIALITY ASPECTS ALIGNED

■ Enviromental aspects
 ■ Employment aspects, Social aspects
 ■ Economical aspects



All identified material aspects are relevant to all entities, except for marine-specific ones for shore-based entities.

What is Aspect Boundary outside the organization?  
The aspects noted here are material both inside and outside the organization, just the relevance can differ slightly depending on the specific topic and details.

There are no restatements in comparison to the ones in the Group’s previous sustainability reports, as the company follows long term policies and strategy.

There are no significant changes from previous reporting periods in the Scope and Aspect Boundaries, but the focus has been increased in certain areas through the assessment and GRI-standardized reporting.



## STAKEHOLDER ASPECTS

## OUR STAKEHOLDERS

As a large enterprise listed on the stock exchange, we have a wide range of stakeholders, whom we engage in the dialogue as often as we can. In the recent years, we have put much effort into making the communications even more effective and giving feedback as easy as possible. Information, feedback, ideas and proposals are valued highly. Whereas meeting face to face is of course the best way to exchange information, the digital tools and online communication are also high on the list.

In order to have a through and wide insight from all our stakeholders, we involved the representatives of all major target groups to define the material aspects and their weight in regards to our Group. We are most grateful for their time and opinion and hope that this report reflects our respect to all our stakeholders and their expectations towards our company.

The stakeholder selection for the engagement was a symbiosis of the Group's stakeholder survey as well as external consultants analyzes from KPMG Estonia. It was also based on the experience from earlier sustainability reports as well as feedback from the stakeholder groups throughout the year 2015.



With most of the stakeholders we work closely on daily bases, therefore it was not really complicated to identify them or seek for further assistance. The question of sustainable operations is something we have addressed with most of those stakeholders.

To provide different stakeholder group's with relevant information and receive feedback on a regular bases, the Group's different units and departments have appointed to work together with the stakeholder groups related to their functions and responsibilities.

## STAKEHOLDER ASPECTS

- 1) Human Resources department is the cooperation partner for Employees. There are regular meetings taking place between the employees, their representatives (including Trade Unions) and the department has established additional feedback channels to enhance the communication.
  - Employee Satisfaction Survey – carried out every 2 years (last one in 2014, next to follow in 2016) – cover all topics in regards to the working conditions, requirements, teamwork, service standards. The results are analyzed and plans are formed to improve the areas having lower indicators. At the same time the action plans formed on bases of the previous survey are evaluated.
  - Tallink Summer Days – take place twice every year – networking events for the employees.
  - Tallink Silja Awards – takes place annually in the beginning of year – the nominations are done by the employees in the online survey.
- 2) Financial department is responsible for the cooperation with shareholders of the group. The Group has both private and institutional investors. There are regular meetings with the shareholders as well as roadshows for meeting up the potential new investors arranged by the department. The representatives are actively involved in the events organized for the shareholders by Nasdaq OMX Tallinn Stock Exchange and other organizations involved in investor relations in Estonia.
  - Every year after the financial results have been audited and published, the Annual Shareholders' Meeting is organized by the Group following the regulations for listed companies in Estonia. There the annual results are discussed and the plans for the future are put to the vote including the question about potential dividends.
- 3) The dialogue with non-governmental organizations has been divided in the Group following the functions and expertise. Though, the majority of the cooperation is done with the lead or participation of the Communication department of the Group. There are regular meetings with the organizations.
- 4) The cooperation with the suppliers is divided according to supply chain responsibilities in the Group. The subsidiary Tallink Duty Free is responsible for the provision suppliers (both ships and hotels) communication, the Administrative Department is cooperating with the office suppliers and the subsidiary HT Shipmanagement with the technical suppliers of the fleet. There are regular communication plans with the supplier groups.
  - Tallink Duty Free Fair is organized annually bringing together all major suppliers around the world.
- 5) Educational organizations are the cooperation partners for the HR department and HT Shipmanagement. There are regular meetings to discuss the cooperation in regards to the training programs, exchange of know-how and organizing of internships in the company's various positions.
- 6) Marketing and sales department, customer service department and cargo department are in charge of developing the cooperation with the customers from BtoB and BtoC areas. There are well-established communication channels to enable effective communications between the parties.
  - Participation in fairs on all major markets;
  - Open-door days for customers on board of our ships;
  - Customer satisfaction surveys are carried out every month.
- 7) Cooperation with media is organized by the Communication department and Marketing and Sales department of the Group. In addition to press conferences, press trips and meetings, there are also everyday contacts to answer the press requests and deliver information about the Group's activities.

Key topics from our stakeholders' perspective are all included to the material aspects of this report. Fortunately, according to all stakeholders they were having no concerns related to those topics, but they have stressed the importance of those areas to be further developed and communicated about.

## ECONOMIC PERFORMANCE AND INDICATORS

# ECONOMIC PERFORMANCE AND INDICATORS\*

## OPERATIONS, MARKET AND SUPPLY CHAIN

### OUR SALES IN 2015

The Group's consolidated revenue amounted to EUR 945.2 million in 2015 (921.5 million in 2014). Restaurant and shop sales on-board and on mainland of EUR 500.6 million (487.6 million in 2014) contributed more than half of total revenue. Ticket sales amounted to EUR 228.0 million (230.5 million in 2014) and sales of cargo transport to EUR 104.4 million (103.1 million in 2014).

The revenue growth 2.6% was driven by higher restaurant and shop sales and charter revenues. The restaurant and shop sales increase 2.7% or EUR 13.1 million was supported by higher passenger number and also higher on-board sales per passenger. The charter revenues increased by 13.6% or EUR 6.4 million and the cargo revenues by 1.3% compared to 2014. Marketing and sales activities led to an increase of passenger number and resulted in lower ticket revenue per passenger, the total ticket revenue declined by 1.1%.

Geographically, 35.8% or EUR 338.2 million of revenue came from the Estonia-Finland route and 35.3% or EUR 333.3 million from the Finland-Sweden route. Revenue from the Sweden-Estonia route was EUR 104.3 million or 11.0% and from the Sweden-Latvia route EUR 42.0 million or 4.4%. The share of revenue generated by other geographical segments increased to 13.5% (EUR 127.4 million).

*The following tables provide an overview of the distribution of revenue from operations between the Group's geographical and operational segments:*

Geographical segments	2015	2014
Finland - Sweden	35.3%	35.2%
Estonia - Finland	35.8%	34.9%
Estonia - Sweden	11.0%	11.1%
Latvia - Sweden	4.4%	6.5%
Other	13.5%	12.3%

Operational segments	2015	2014
Restaurant and shop sales on-board and on mainland	53.0%	52.9%
Ticket sales	24.1%	25.0%
Sales of cargo transportation	11.0%	11.2%
Accommodation sales	2.0%	2.1%
Income from charter of vessels	5.7%	5.1%
Other sales	4.2%	3.7%

\* This section of the report is in accordance with the reporting policies and laws applied to the companies listed in the Nasdaq OMX Tallinn Stock Exchange.

## ECONOMIC PERFORMANCE AND INDICATORS

*The following table provides an overview of transported passengers, cargo units and passenger vehicles in the 2015 and 2014 financial years:*

<b>Passengers</b>	<b>2015</b>	<b>2014</b>
Finland-Sweden	2,825,699	2,713,789
Estonia-Finland	4,744,708	4,518,013
Estonia-Sweden	946,832	973,254
Latvia-Sweden	458,987	676,676
<b>Total</b>	<b>8,976,226</b>	<b>8,881,732</b>
<b>Cargo units</b>		
Finland-Sweden	64,309	87,197
Estonia-Finland	197,324	167,411
Estonia-Sweden	39,155	42,347
Latvia-Sweden	7,241	13,537
<b>Total</b>	<b>308,029</b>	<b>310,492</b>
<b>Passenger vehicles</b>		
Finland-Sweden	161,772	161,197
Estonia-Finland	830,044	789,082
Estonia-Sweden	71,793	73,889
Latvia-Sweden	56,308	79,213
<b>Total</b>	<b>1,119,917</b>	<b>1,112,381</b>

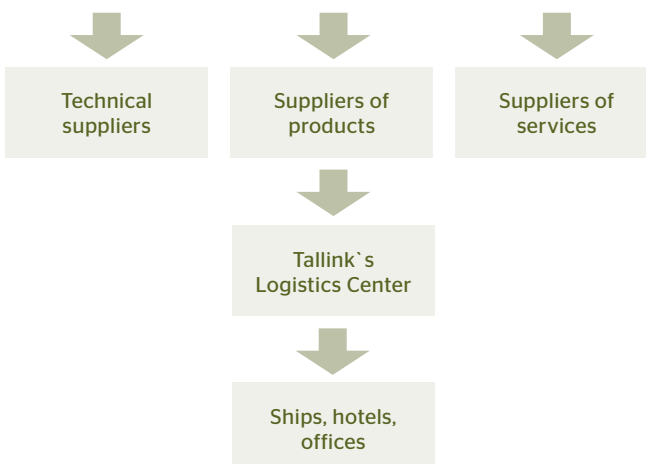
## OUR SUPPLY CHAIN

The supply chain has been centralized for the Group to the Headquarters and mother company AS Tallink Grupp in order to optimize the costs, environmental impact and enable a unified approach supporting the equally high quality of products and services consumed by the Group and its` customers.

### MANAGEMENT AND EXPERTS OF THE DEPARTMENTS IN THE GROUP

We prefer internationally certified and approved suppliers. AS Tallink Grupp prefers local services and products, which are also certified. The spare parts should be always ordered from the certified producers and there should be a good recycling system for old materials in place. Tallink`s Supplier Code of Conduct ("Supplier Code") reflects the values of our Group and sets out the minimum requirements which AS Tallink Grupp or any of its subsidiaries, associated companies or affiliates ("Tallink Group") expects its suppliers and their sub-suppliers to adhere to when doing business with Tallink Group.

Tallink will assess the compliance with this Supplier Code by its suppliers, and any violations may jeopardize the supplier's business relationship with the Group. The Supplier Code applies to suppliers and their subsidiaries, affiliates, and subcontractors that provide goods or services to Tallink Group. This Code of Conduct forms an integral part of all agreements between Tallink and the Supplier.



## ECONOMIC PERFORMANCE AND INDICATORS

### WHAT DO WE EXPECT FROM OUR PARTNERS?

The Suppliers Code, currently active for Tallink Duty Free suppliers is subject to be enclosed to the contracts of all other suppliers (i.e. technical and service providers) in the next coming years. The assessment of following the adhering to the Code will be the responsibility of the departments withholding the contracts and cooperation as well as to the Auditing department.

#### 1. Legal Compliance

Suppliers and their entire supply chain shall diligently observe and comply with all applicable national laws and regulations, directives and relevant industry standards.

#### 2. Business Ethics and Anti-Corruption

We comply with high ethical business conduct in all of our business, and expect our Suppliers to commit to same standards when conducting business and when dealing with its employees, suppliers and customers.

Suppliers are expected to:

- (a)** prohibit and not to engage in any form of corruption or extortion by its employees, directors or agents;
- (b)** not offer or accept bribes to maintain or obtain business or an unfair or improper advantage. Supplier shall have adequate procedures in place to prevent bribery and corruption;
- (c)** to fully comply with all applicable antitrust laws and standards of fair business;
- (d)** avoid situations involving a conflict of interest between the Supplier and Tallink Group and conflict between duty to the company and any personal interest;
- (e)** accurately record and disclose information on its business activities, corporate structure, financial situation and performance in accordance with applicable laws and regulations.

#### 3. Human and Labor Rights

Suppliers are required to:

- (a)** respect the human rights;
- (b)** employ only workers who meet the applicable minimum legal age requirement, and no any case shall Supplier employ any person under the age of 16, even if local law permits otherwise. Supplier shall also ensure that employing juveniles under 18 years does not jeopardise their education, health and safety (ILO Minimum Age Convention No 138) and that juveniles are not allowed to do night work;
- (c)** ensure that all work is voluntary. Supplier shall not use any form of slave, forced or indentured labor;
- (d)** pay employees at least the minimum legal wage and applicable overtime wages defined in national laws and collective agreements. Supplier shall pay accurate wages in a timely manner;
- (e)** apply normal working hours and rest days in compliance with national laws and collective agreements;
- (f)** treat employees with dignity and respect and commit to a workplace free of harassment and abuse. Supplier will not threaten or permit any threats of violence or any other form harassment or inhumane treatment;
- (g)** not to discriminate against any employee on the basis of their personal characteristics or beliefs (e.g. age, gender, race, nationality, religion, maternity or sexual orientation);
- (h)** respect employees right to freely join or not to join any lawful organization, including e.g. trade unions for employees, without interference or discrimination.

#### 4. Health and Safety

Health and Safety is one of the greatest priorities of Tallink Group, and in the operations of Tallink Group, securing safety of people, environment and property comes first.

The Suppliers are required to:

- (a)** ensure safe and healthy work environment in compliance with all applicable legal requirements and minimize physical and chemical hazards through proper controls, preventative maintenance, safe work procedures and ongoing safety training;
- (b)** have written occupational health and safety policy and assign the responsibility of occupational health and safety issues within is organization;
- (c)** to increase awareness on health and safety issues through open communication and ongoing training on health and safety issues;



## ECONOMIC PERFORMANCE AND INDICATORS

### 5. Environmental protection

AS Tallink Grupp is committed to protection of environment and maintaining environmentally responsible business. Pursuing to minimize the impact that our operations have on the environment is very important to us.

Suppliers shall:

- (a) fulfill all environmental requirements set out in relevant laws, regulations and environmental permits and strive to proactively reduce negative environmental impact of its operations and continuously improve the environmental performance;
- (b) comply with applicable environmental laws and regulations regarding handling and disposal of chemicals and other dangerous materials, waste disposal and management;
- (c) ensure that its employees involved have appropriate awareness, knowledge and experience in relation to environmental issues;
- (d) have instructions covering processes with potential environmental impact, such as storage and handling of hazardous materials, and communicate such instructions to all employees involved;
- (e) obtain and maintain all required environmental permits and registrations and adhere to the operational and reporting requirements of such permits and regulations;
- (f) handle environmental violations and complaints systematically.

### 6. Management and Monitoring

Suppliers shall adopt or establish an appropriate and relevant management system ensuring compliance with applicable laws and regulations with the standards and rules set out in this Code of Conduct. Suppliers shall actively monitor and improve their management processes and business operations to ensure they align with the standards and rules set out in this Code of Conduct.

Any suspected or actual breach of the standards and requirements in the Code of Conduct shall be reported to Tallink.

Suppliers shall upon request provide Tallink all relevant information and documents required to verify Supplier's compliance with this Code of Conduct. In case Tallink finds or has a reason to believe that Supplier is not meeting the standards and requirements set out in this Code of Conduct, Tallink shall have a right to carry out either itself or through a third party auditor, an audit on the Supplier's premises to

validate the compliance with the Code of Conduct. If Tallink reasonably considers that the Supplier has violated this Code of Conduct, Tallink reserves the right to cancel any outstanding order and suspend future orders, and any clear and material violation shall entitle Tallink to terminate any and all contracts with the Supplier with immediate effect.

In 2015, the suppliers and the Group's internal entities did not encounter any significant negative impacts for labour practices in the supply chain. In fact, by opening the new Tallink Logistic Center, the Group was able to establish 20 new positions in the facility only.

In order to prevent any potentially negative impacts for labour practices in the supply chain, the above mentioned Supply Code is engaged and this engagement is to be extended in the coming years.

## OUR ACTIVITIES

The supply chain of AS Tallink Grupp has to meet the demand of the fleet of 16 vessels, 5 hotels and 6 main offices of the Group. The fleet transports over 9 million passengers annually and the revenue of onboard services and product sales is more than 50 percent of the Group's total revenue. That means that the demand for swift and flexible delivery is very high. Until 2016, the Group's supply chain's logistical aspect was complicated and had a negative aspect on the costs and environmental impact as the deliveries to different units were carried out in non-unified way. In 2014, the Group started to develop and design the new logistical approach for the supply chain to be quick, flexible, well-monitored and more environmentally friendly. The solution for upgrading the logistical approach was found in unifying the delivery process and centralizing this to the one Tallink Logistics Center in Estonia.

The center is 14 500 square meters and has over 12 kilometers of shelves. Annually, it is able to release 1 million product lines and the plan is to send out 2500 trailers of goods to ships only per year. The center will receive 5000 trucks and 100 000 pallets per year. The investment to the new Tallink Logistic Center was around 10 million Euros.

The technical solutions are the most modern ones in the market today. The information exchange is all electronically handled, there are new type of vehicles used for transporting the goods inside the warehouse and for providing the ships

## ECONOMIC PERFORMANCE AND INDICATORS

the trailers with telematics functionality are used, which can be programmed from screens and are observed by GPS.

The cost as well as environmental impact is assessed to drop up to 25 percent, as the supply chain will be more effective and safe.

For the upcoming years, the Group is in final phase with the implementation of its new enterprise resource planning system. The system improves the Groups resource management capacity and enables further efficiencies in operations and support functions.

### FUELLING LOCAL ECONOMIES

1) In section of suppliers for products for all entities, the proportion of local suppliers ranges from 5%-97%, dependant on the category, whereas the largest product sections have higher proportion of local suppliers. Among the largest suppliers in beverage segment, there are Värskä Vesi from Estonia, Dunker AS from Estonia, Hartwall Oy from Finland, Social Wines Oy from Finland and Nigab

Ab from Sweden. Among the confeterie section the largest local suppliers include Fazer Travel Trade from Finland, Cloetta Ab from Sweden and Kalev AS from Estonia. In perfume products segment the largest local suppliers are Lumene Oy and Boreamed Oy from Finland, Madara from Latvia and AS Puhas Loodus from Estonia. In segment of food products, including the ones used for our restaurant, the largest suppliers are Valio Eesti from Estonia, Lunden Oy from Finland and Servera Ab from Sweden – almost 97 percent of food products are supplied by the local producers or suppliers.

- 2) In terms of technical suppliers, 90 percent are of local origin, from which 40% are from Estonia alone. Among the largest suppliers we would like to note the following ones: Wärtsilä BLRT Estonia OÜ, Diesel Service OÜ, SRC Group AS, ABB AS Electrical motors and Generators EE, ABB AS Turbocharging EE LV, Kone AS, Tuukritööde OÜ, Green Marine AS.
- 3) From the suppliers of services, 97 % are local service providers, out of which 80% are Estonian organizations. The largest cooperation partners in that field are: Saarmas AS, FEB AS, Gustaf Tallinn OÜ, Ecolab OY.



## ECONOMIC PERFORMANCE AND INDICATORS

# FINANCIAL REVIEW

## OUR ECONOMIC PERFORMANCE IN 2015

The economical sustainability is as important as any other of the material aspects, while supporting the main frame of all aspects providing the resources for that. Integrating sustainability within the material Aspects of the companies all main functions and responsibilities, including the economical, has been the core of the Group's sustainability strategy.

AS Tallink Grupp is the market leader in the passenger ferry operations in the Northern region of the Baltic Sea. This position holds an increased responsibility within to represent the ferry operators in the most responsible way and show a good example to be followed. The company recognizes the responsibility and has applied the good practices of sustainable and responsible operations in all units and functions for everyday work.

When the Northern Baltic passenger market for the ferry industry is approximately 19 million people, then AS Tallink Grupp with the 9.0 million passengers per year has the overall market share of 47 %.

This results in an overall great impact on the region's economical landscape, as the Group is a large employer, a large tax payer, an important part of the region's infrastructure and logistical chain, a significant provider of goods and services, a driver for technological development.

The Group belongs among the largest tax payers in the region and especially in Estonia, where it employs the largest part of the employees. Also due to the Group's headquarter being situated in Estonia, the most significant decisions are made here to influence the overall economic landscape, labor market and tourism industry.

According to the business daily Äripäev, in Estonia alone, AS Tallink Grupp and its local subsidiaries paid 12.1 million Euros of

taxes in the first quarter of 2015, putting it to the 9th position among all organizations in the country.

Procurement Practices are considered carefully. The Group prefers the local companies and products to contribute to the local economies, while making sure through contract details and additional information inquiries, that these have been led and produced by following the laws and good practices of environmental protection, labor market and fair competition.



*The Group gained the Letter of Appreciation from the Prime Minister's Office in Estonia for the large role as a significant tax payer of the country.*

## ECONOMIC PERFORMANCE AND INDICATORS

## HOW MUCH DID WE CONTRIBUTE IN 2015?

### Direct value generated by the Group in 2015:

Million EUR	2015	2014	Change %
Revenue	945.2	921.5	2.6%
Gross profit	223.4	181.7	23.0%
Net profit for the period	59.1	27.3	116.7%
EBITDA	181.4	150.6	20.5%
Depreciation and amortisation (million)	78.1	79.9	-2.3%
Investments (million)	43.6	49.1	-11.2%
Weighted average number of ordinary shares outstanding <sup>1</sup>	669,882,040	669,882,040	0%
Earnings per share	0.088	0.041	116.7%
Number of passengers	8,976,226	8,881,732	1.1%
Number of cargo units	308,029	310,492	-0.8%
Average number of employees	6,835	6,952	-1.7%
	<b>31.12.2015</b>	<b>31.12.2014</b>	
Total assets (million)	1,538.8	1,685.6	-8.8%
Total liabilities (million)	714.3	907.3	-21.3%
Interest-bearing liabilities (million)	549.3	743.4	-26.1%
Net debt (million)	467.3	678.1	-31.1%
Total equity (million)	824.4	778.3	5.9%
Equity ratio (%)	53.6%	46.2%	
Number of ordinary shares outstanding <sup>1</sup>	669,882,040	669,882,040	0%
Shareholders' equity per share	1.23	1.16	6.0%
Ratios			
Gross margin (%)	23.6%	19.7%	
EBITDA margin (%)	19.2%	16.3%	
Net profit margin (%)	6.3%	3.0%	
Return on assets (ROA)	6.3%	4.1%	
Return on equity (ROE)	7.4%	3.6%	
Return on capital employed (ROCE)	7.7%	5.0%	
Net debt to EBITDA	2.6	4.5	-42.2%

<sup>1</sup> Share numbers exclude own shares.

EBITDA: Earnings before net financial items, share of profit of equity accounted investees, taxes, depreciation and amortisation

Earnings per share: net profit / weighted average number of shares outstanding

Equity ratio: total equity / total assets

Shareholder's equity per share: shareholder's equity / number of shares outstanding

Gross margin: gross profit / net sales

EBITDA margin: EBITDA / net sales

Net profit margin: net profit / net sales

ROA: Earnings before net financial items, taxes / Average total assets

ROE: Net profit / Average shareholders' equity

ROCE: Earnings before net financial items, taxes / (Total assets - Current liabilities (average for the period))

Net debt: Interest-bearing liabilities less cash and cash equivalents

Net debt to EBITDA: Net debt / 12-months trailing EBITDA

## ECONOMIC PERFORMANCE AND INDICATORS

### ECONOMIC VALUE GENERATED IN 2015:

Gross profit was EUR 223.4 million (EUR 181.7 million in 2014), EBITDA EUR 181.4 million (EUR 150.6 million in 2014). Net profit for 2015 was EUR 59.1 million (EUR 27.3 million in 2014). Basic and diluted earnings per share were EUR 0.088 (EUR 0.041 in 2014).

The cost of goods related to sales at shops and restaurants, which is the largest operating cost item, amounted to EUR 215.4 million (EUR 211.2 million in 2014).

Fuel cost for 2015 was EUR 94.2 million (EUR 114.0 million in 2014). Fuel cost was impacted by lower fuel price levels throughout the year. Measured in euros, in 2015 the Group's average fuel price was approximately 5% lower than in the 2014 calendar year. Combined with one vessel less in Riga-Stockholm route and savings from more efficient vessel operations, the total annual fuel cost reduced by 17%.

The Group's personnel expenses amounted to EUR 193.8 million (EUR 189.8 million in 2014). The average number of employees in the 2015 financial year was 6,835 (6,952 in 2014).

Administrative expenses for 2015 amounted to EUR 47.3 million, and sales and marketing expenses to EUR 63.6 million (EUR 49.2 million and 62.7 million respectively in 2014).

Depreciation and amortisation of the Group's assets was EUR 78.1 million (EUR 79.9 million in 2014). There were no impairment losses related to the Group's property, plant, equipment and intangible assets.

The Group's net finance costs for 2015 amounted to EUR 34.2 million (EUR 40.7 million in 2014).

### LIQUIDITY AND CASH FLOW IN 2015

The Group's net operating cash flow for 2015 was EUR 191.9 million (EUR 150.7 million in 2014).

Net cash flow from investing activities was EUR 72.0 million (EUR -48.8 million in 2014) of which EUR -43.6 million (EUR -49.13 million in 2014) resulted from purchases of property, plant, equipment and intangible assets. The proceeds from sale of vessels and other assets were EUR 115.6 million (EUR 0.3 million in 2014). The expenditures were: down payment for new LNG vessel (EUR 23.0 million), investments related to improvements to ships, scheduled maintenance expenses resulting from dockings and investments in various IT systems.

In the 2015 financial year, the Group's net repayments of existing loans totalled EUR 192.3 million (EUR 45.8 million in 2014). Interest payments were EUR 33.2 million (EUR 33.3 million in 2014).

In order to strengthen the Group's liquidity position the overdraft limit was increased by EUR 10 million to EUR 75 million in February 2015.

As at 31 December 2015, the Group's cash and cash equivalents totalled EUR 82.0 million (EUR 65.3 million as at 31 December 2014). In addition, available unused overdraft credit lines amounted to EUR 71.6 million (EUR 2.6 million in 2014).

In management's opinion, the Group has sufficient liquidity to support its operations.

### FINANCING IN 2015

The Group finances its operations and investments with operating cash flows, debt and equity financing and potential proceeds from disposals of assets. At 31 December 2015, the Group's interest-bearing liabilities as a percentage of capitalization (interest-bearing liabilities and shareholders' equity) was 40.0% compared to 48.8% at 31 December 2014. The decrease results from a EUR 194.0 million decrease in interest-bearing liabilities and a EUR 46.2 million increase in equity.

### LOANS AND BORROWINGS

At the end of the 2015 financial year, interest-bearing liabilities totalled EUR 549.4 million, 26.1% down from the end of the previous financial year. The decrease is attributed to regular repayment of bank loans and premature repayment of bank loans related to the sale of vessels.

In June 2015 the Group signed with Nordea Bank Finland Plc the loan agreement in amount of EUR 184 million to finance the construction of the new LNG fast ferry Megastar in Meyer Turku shipyard. The loan will be paid out in early 2017 when the ship is delivered, the maturity of the loan is twelve years from drawdown. Finnish Export Credit Agency "Finnvera" guarantees 95% of this post-delivery buyer credit and the loan bears OECD Commercial Interest Reference Rate (CIIRR) based fixed interest rate.

All interest-bearing liabilities have been incurred in euros or in Norwegian krone.



## ECONOMIC PERFORMANCE AND INDICATORS

### SHAREHOLDERS' EQUITY

Consolidated equity increased by 5.9%, from EUR 778.3 million to EUR 824.5 million, mainly from net profit for the financial year. Shareholders' equity per share, excluding own shares, was EUR 1.25. At the end of the 2015 financial year, the Group's share capital amounted to EUR 404,290,224. For further information about shares, please see the "Shares and Shareholders" section of this report.

### PAYMENTS TO GOVERNMENTS:

- Total income tax paid in 2015 was 10.1 mln Euros
- Income tax on dividends paid was 2.8 mln Euros
- Salary related taxes were in total 12.9 million Euros
- Tax prepayments were in total 807 000 Euros

### INCOME TAX EXPENSE

**Major components of the Group's income tax expense for the years ended 31 December:**

In thousands of EUR

Current period tax expense	2015	2014
Latvian subsidiaries	-26	-17
Finnish subsidiary	-27	0
German subsidiary	-7	0
Estonian parent company	-2,818	-5,342
Permanent establishments <sup>1</sup>	-5,295	-1,300
<b>Total current tax expense</b>	<b>-8,173</b>	<b>-6,659</b>
<b>Change in deferred tax</b>		
Swedish subsidiaries	-123	-599
Finnish subsidiaries	-1,820	4,538
Latvian subsidiaries	15	-14
<b>Total deferred tax income/expense</b>	<b>-1,928</b>	<b>3,925</b>
<b>Total tax income/ expense</b>	<b>-10,101</b>	<b>-2,734</b>

<sup>1</sup> AS Tallink Grupp had chartered out two ships providing accommodation services in Canada and Australia that gave rise to permanent establishments for taxation purposes. Therefore AS Tallink Grupp is subject to Canadian and Australian corporate income tax on the activity in these countries. The fiscal year in Australia is from 1 July to 30 June and therefore estimated income tax expense EUR 2,500,000 for the Australian permanent establishment is calculated and recognised in the Group's financial statements (2014: EUR 1,500,000). In April 2015 in Canada and in December 2015 in Australia the permanent establishments were ceased.

### COMMUNITY INVESTMENTS

The areas of additional investments to the communities of the home market countries include maritime safety and security, healthcare for children, sports and naturally environmental protection.

- AS Tallink Grupp signed the support contract with the Estonian Voluntary Rescue Organization in 2015, supporting the organization in 3 years with altogether 90 000 euros. Estonian Volunteer Rescue Association is a non-profit organisation established in order to unite different voluntary rescue organisations and represent, execute and protect their interests. Today the Association has 107 member organisations, which represent 93 voluntary fire squads and 31 sea rescue teams.
- Tallink Silja Oy is also one of the honorary donors to the new Children's Hospital being built in Helsinki. Tallink Silja donates a total of €100,000 to the new Children's Hospital 2017 project. About €35 million of the hospital's funding was raised from Finnish companies and people. The construction work has begun and the hospital will be completed in 2017. It will serve patients from all over Finland, and Estonia.
- AS Tallink Grupp is the sponsor for Estonian Tennis Federation and one of the establishing members and sponsors for SEB Tallink Tennis Team, supporting the young talents of Estonian tennis world.
- Tallink Silja Oy supports the international environmental protection organization WWF Finland and from 2016 the cooperation has been expanded to a Group-level one with AS Tallink Grupp.

## ECONOMIC PERFORMANCE AND INDICATORS

### OUR RISKS AND OPPORTUNITIES

The Group's business, financial position and operating results could be materially affected by various risks. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business. The order of presentation of the risk factors below is not intended to be an indication of the probability of their occurrence or of their potential effect on our business.

- Accidents, disasters
- Macroeconomic developments
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market and customer behaviour

From the identified risks, the one in correlation with the climate change is tied to the changes in laws and regulations. As the regulators have been looking for the opportunities to cut the harmful emissions from different industries, also the maritime sector has been included for decades into the process of improving the environmental performance. From recent years, the so-called Sulphur Directive has been the most significant regulatory change for the operators in the Sulphur Emission Control Areas, also including the Baltic Sea. The Directive was fully implemented for the Baltic Sea area from 1st of January 2015 and required the operators to either switch over to the low Sulphur (0.1% Sulphur content) fuel or install equipment on board of ships to decrease the sulphur content in the emissions to the required level. After careful considerations and thorough research and analyzes, the Group decided to start using the 0.1% fuel instead of scrubbers or other solutions, as those were not very well applicable to the current fleet. This does not mean, that in case the technology advances, the Group won't apply them in the future. The fact, that the low Sulphur fuel has been always at least 40 percent more expensive, was putting a lot of pressure to the industry to prepare for the change not only technically, but also financially. In January 2015, the fuel prices in the world market had dropped significantly, helping a smoother changeover for the operators. Still, the operators have to be ready to deal with the potential raise of the fuel prices in the future.

- The regulation for decreasing the NOx in the emissions in Nitrogen Emission Control Areas (including the Baltic Sea) is still not yet confirmed, but would generate additional costs for the operators in this region by having to adapt technologically to the new potential restrictions. Although the investments are not expected to be as high as by the Sulphur Directive, still additional maintenance and operational costs and one-time application costs would have to be considered. The ratification of the regulation in IMO is currently not carried out yet, therefore the potential date and form of the final regulation can not be concluded now.
- Most of the Group's fleet though already meets the potential restrictions for NOx in emissions by using either catalytic converters or direct injection systems. The Group takes the potential new restrictions into consideration while agreeing with the idea to generally support the fight against climate change, by designing the future strategy on the newbuildings with LNG. LNG does not generate any SOx, NOx or particles and has a reduced CO2 level of ca 25 percent.

## ECONOMIC PERFORMANCE AND INDICATORS

## CUSTOMER SERVICE AND SATISFACTION

We value highly the trust put in us by our passengers. The trust they have put into the hard work of our employees, who are proud to represent the company on board of our vessels, in our offices and hotels all over the Baltic Sea. Customer care and the care for our employees are of same, high importance for the company. There is not one without the other.

### CUSTOMER CARE IN 2015

Booking engines : 13.9 million (11.7 million in 2013)

Purchases : 1 278 381 bookings (1 057 000 in total in 2013)

### HOW DID WE MEET THE EXPECTATIONS OF OUR CUSTOMERS?

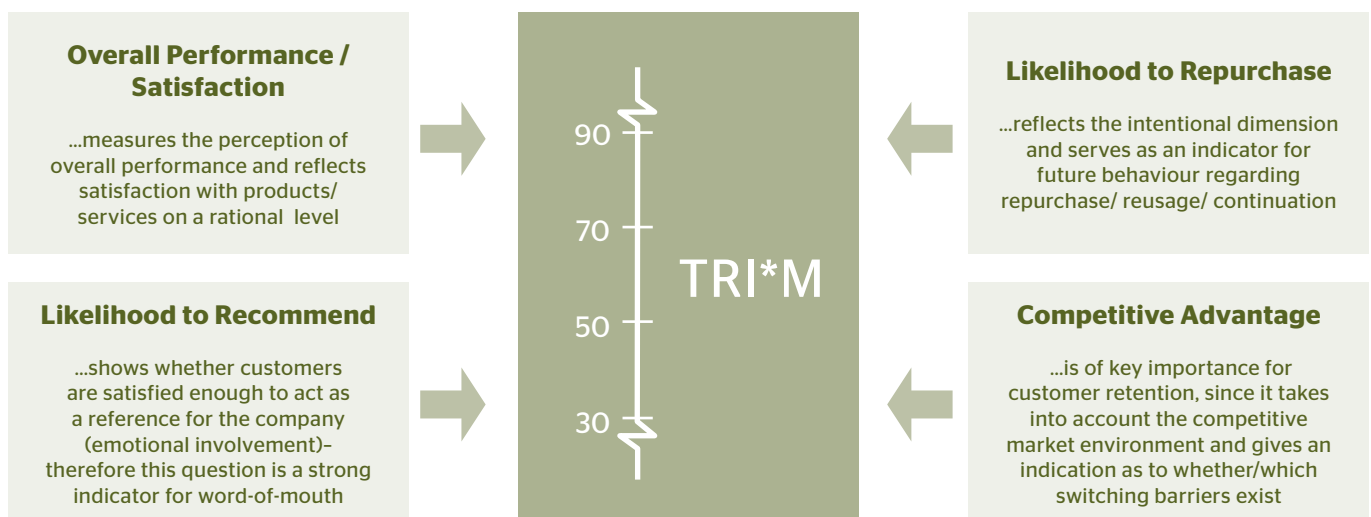
By consistent monitoring of customer satisfaction we can find out which part of our offerings is more important for our customers and what the issues we should pay more attention

to. Data analysis provides the input for investment and marketing decisions, but also for managing the daily operation of our ships.

Ships monitor customer satisfaction surveys for their daily operations to make prompt decisions on eliminating shortcomings and improving service quality. The marketing department uses the data for monitoring consumer preferences, analyzing marketing performance and as a basis for developing action plans. This also applies to other departments of our company. The management uses the data for setting long-term strategic guidelines.

In cooperation with various units we are able to offer our customers the features they value most when taking a trip by the sea: safety, the appearance and cleanliness of the ship, a pleasant atmosphere on board and the professional expertise of customer service staff.

***The model of the TRI\*M index, used in 2015 to measure the customer satisfaction:***



- TRI\*M Index is an overall index which measures the level of customer retention to the company, calculated from the 4 key questions above and is used for the internal and external comparison and monitoring.
- Mostly (80% of conducted surveys) the values of index are between 40-80 points, however the negative and over 100 points values are possible as well. Significant difference and/or change could be regarded at the  $\pm 3$  point change.

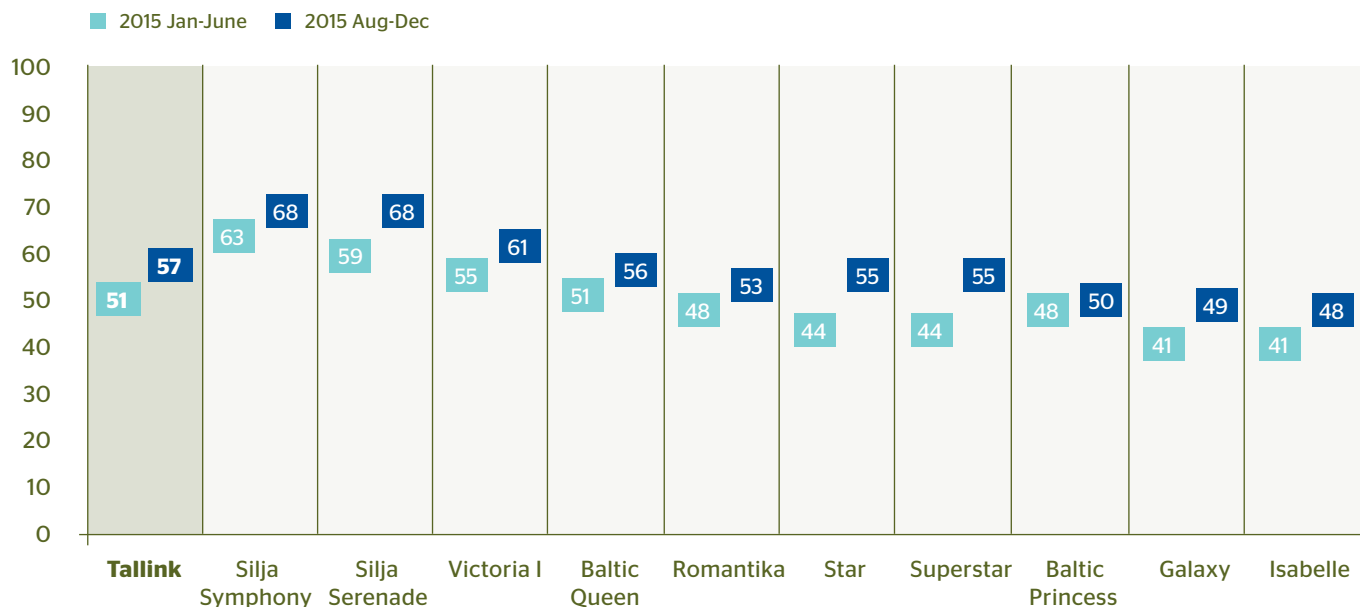
## ECONOMIC PERFORMANCE AND INDICATORS

The TNS Emor Customer Satisfaction Survey 2015 results showed that on all the Group's ships, the results improved. The positive changes are the biggest for the Silja Serenade, Isabelle Superstar.

The improvement in ratings was visible for most of mapped

aspects compared to previous year; the positive changes have been the biggest in general services and shopping aspects. Remarkable improvements were marked in service quality provided by staff- in addition to the skills of onboard staff; ratings have also improved compared to 2014 in case of service and pro-activeness in restaurants, entertainment places and in the shops.

### TRI\*M INDEX



Tallink Customer Satisfaction Survey

Most appreciated aspects of our ships were pleasant welcome on board, cleanliness and tidiness of public facilities, taking care of passenger safety, well organized info desk service; also the professionalism of our onboard staff, the cheerfulness and outgoingness of our onboard staff, pleasant service in restaurant and entertainment places; additionally the selection of dishes in buffet restaurants and taste and quality of dishes in buffet restaurants, a la carte and fine dining restaurants.

- In the Reader's Digest Trusted Brands competition in Finland, our subsidiary operating both main brands Tallink and Silja Line, Tallink Silja Oy was once again selected as the most trusted shipping company in Finland.



## ECONOMIC PERFORMANCE AND INDICATORS

### OUR DIALOGUE WITH THE MARKET

The tourism and transportation sector is very thoroughly regulated in order to ensure fair and good quality services to the customers. We take those regulations seriously and do even more to make our passengers feel safe and at home in our hotels and on board our ships.

For ensuring the ethical and fair marketing communications, the structure of the organization and clear roles and responsibilities are utmost important. We have strong presence in the market through marketing and PR activities – well-visible, active, innovative. Innovativeness and quality in both, product offering and marketing, and also in marketing communication channels. In the marketing guidelines, we underline the importance of: „using appropriate advertising language and tone-of-voice – confident, trustworthy, friendly, intelligent, exciting. In marketing messages talking about own virtues, not confronting competitors“.

The same rule applies to all other employees, especially working with advising the customers and/or selling the products and services.

- In the service standard for Call Center employees the following is noted: „When taking a message check the information you are noting“.

Here is a selection of most important EU directives with guidelines to the member states about taking care of customers:

- Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive')
- Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees
- Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts
- Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours



- Regulation No 117/2010 of the European Parliament and of the Council concerning the rights of passengers in waterborne transport.
- Other IMO regulations on the carriage of passengers include the FAL Convention (Convention on Facilitation of International Maritime Traffic) and the PAL Convention (Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974) with amendments.

At national level the legislation on consumer rights includes the following:

- Consumer protection act regulates the offering and sale, or marketing in any other manner, of goods or services to consumers by traders, determines the rights of consumers as the purchasers or users of goods or services, and provides for the organization and supervision of consumer protection and liability for violations of this Act.
- Law of Obligations Act providing the framework applied to all contracts, focusing on certain specific types of contracts, including contracts of sale and carriage of passengers.



## ECONOMIC PERFORMANCE AND INDICATORS

- Commercial Code (requirements concerning goods and services and the sale and provision of those.)
- Alcohol Act provides special requirements for the handling of alcohol, restrictions on the consumption of alcohol, the organization of supervision over compliance with the special requirements and restrictions, and liability for violations of this Act.
- The Tobacco Act provides among others the requirements for handling tobacco products, limitations on sponsorship and restriction of sales promotion for tobacco products, and the restrictions and limitations of the consumption of tobacco products.
- Personal Data Protection Act provides the conditions and procedure for the processing of personal data ensuring the protection of personal data.
- Tourism Act (about package travel.)
- The Advertising Act establishes general requirements for advertising, restrictions on advertising and their extent, and special conditions for advertising, regulates supervision over advertising and establishes liability for violation of this Act.
- Food Act provides the basis for the handling of food, presentation of information to consumers, consumer health protection.

The Supplier Code, cooperation with Consumer Protection Boards and the thorough work of Group's departments responsible for the supply chain, have ensured, that during 2015, no sale of banned or disputed products was detected on board of the Group operated vessels or in the Group's hotels.

## POLICY OF PROTECTING AND PROCESSING OF PERSONAL DATA

Customer satisfaction is the highest priority for AS Tallink Grupp and its subsidiaries ('Tallink'). For better customer service and the correct performance of all contractual relationships, Tallink retains customer information subject to the following principles. The availability of correct data for Tallink ensures accurate and swift customer service.

Tallink keeps all personal data revealed to it strictly confidential and protects customers' personal data from illegitimately falling into the hands of third parties by applying effective IT security measures.

Tallink keeps the personal data trusted to it safe from any illegitimate use. In processing personal data, Tallink observes the law and collects data to the extent that this is necessary for performing its contracts and for better customer service.

Tallink does not disclose personal data to third parties unless such disclosure arises from law or has been permitted by the person to whom the data pertains.

Tallink may forward personal data to authorised Tallink processors in order to efficiently use the collected personal data for the highest standard of customer service. Tallink is responsible for the activity of its authorised processors and the latter are fully subject to the Tallink principles for processing personal data. The controller is AS Tallink Grupp (address Sadama 5/7, Tallinn, Estonia, telephone +372 640 9810, e-mail info@tallink.ee).

Tallink may send advertisements to its customers regarding its own services or those of its subsidiaries, or customer satisfaction questionnaires for the purpose of improving service quality, or the offers of other business partners. Customers may refuse to receive such advertisements, questionnaires and offers at any time by informing Tallink.

Customers may withdraw their consent at any time, and demand the deletion of their data from the Tallink customer database by calling or writing to the Booking Center.

Employees of Tallink are aware of the principles of the protection of personal data and their obligation in regard to such data as confidential, and they are responsible for any breach of these duties.

Tallink maintains personal data in its databases and a person may access his or her personal data and information on the activities performed by him or her at any time. A person may also, at any time, demand the correction of his or her personal data if such data has changed or is inaccurate for any other reason.

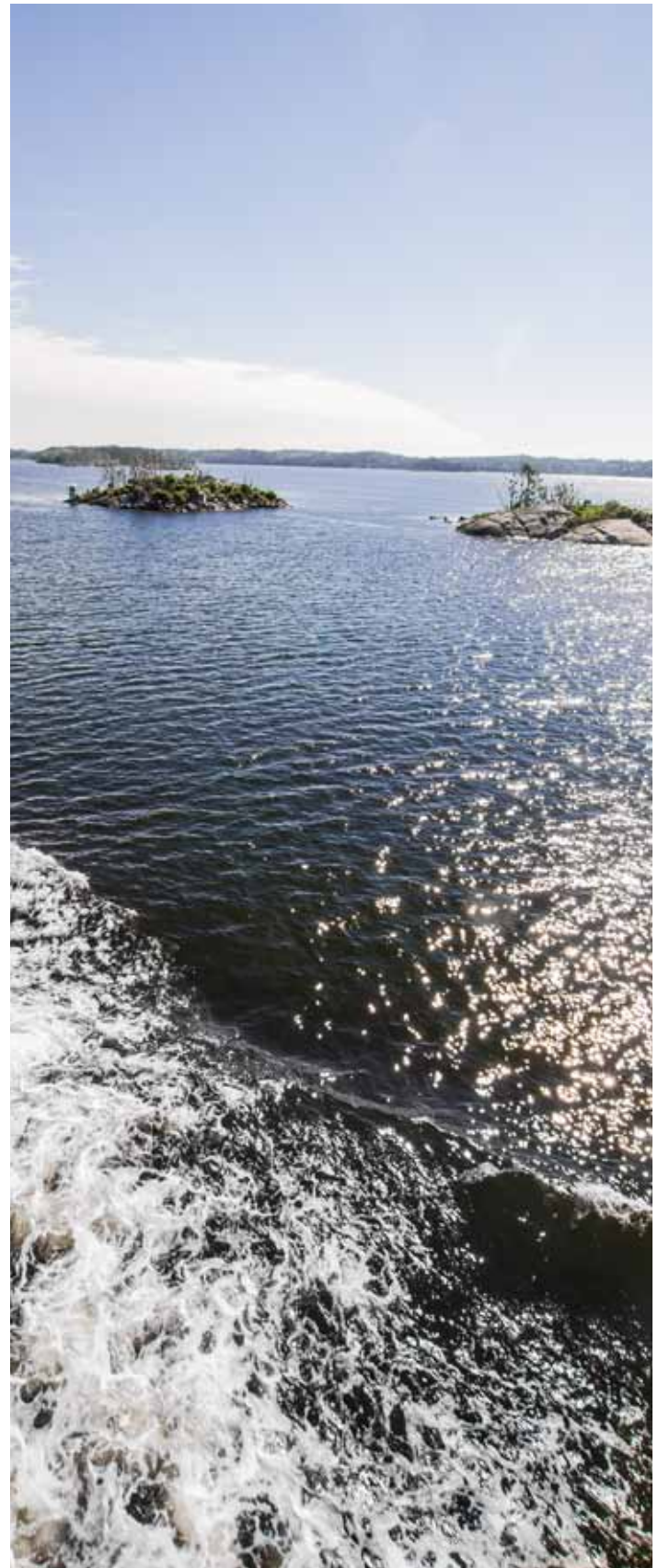
The personal data processed by Tallink include the first name and surname, date of birth, nationality, sex, telephone number and e-mail address of customers, their use of services and purchases made at points of sale.

**ECONOMIC PERFORMANCE AND INDICATORS**

## **COMPLIANCE, ETHICS AND TRANSPARENCY**

The compliance to the laws as well as ethical business management are the cornerstones of the Group's everyday operations and long term perspectives to maintain the trust of all stakeholders and be sustainable in the business in general. The Group has a professional team of inhouse lawyers and cooperates with several respected law firms to secure the compliance to the laws. The internal audit and internal control divisions are responsible to carry out regular audits and report the results to the Management Board. Additionally external bodies, governmental institutions and authorities audit and monitor the Group's activities on regular bases. Being a stock exchange listed company since 2005, also the financial management of the Group is monitored and inspected carefully by the financial authorities.

In 2015, no significant fines were addressed towards AS Tallink Grupp due to noncompliance with laws and regulations. There were also no non-monetary sanctions, as the Group has been able to solve all noncompliances in time with the given deadlines by the authorities.



## ECONOMIC PERFORMANCE AND INDICATORS

- The Company follows the CGR in its information disclosure procedures and treats all shareholders equally. All the released information is published in Estonian and in English on the websites of the Company and the Tallinn Stock Exchange as well as through the OAM system managed by the EFSA.

The auditors have fulfilled their contractual obligations and have audited the Group in accordance with International Standards on Auditing. The consolidated financial statements for the 2015 financial year were audited by KPMG Baltics OÜ. For better risk management and control, the Company has established an Audit Committee and an Internal Audit Department. The Internal Audit Department took part in the process of preparing the annual report. Internal audits are conducted to check that information presented in the annual report is reliable.

- Major shareholders of the Group entered into a shareholders' agreement in August 2006. The agreement was amended in December 2012. The main terms of the agreement are published on the Group's website. The agreement sets forth among the other terms that the parties of the agreement and each shareholder of Tallink shall remain independent in their decisions and shall not be restricted by the agreement or otherwise, directly or indirectly, to exercise their voting right or any other powers available to them, in the manner which, in its own opinion, best complies with its duties under Estonian laws, any Rules of Tallinn Stock Exchange or the Corporate Governance Recommendations.

- The Management Board of AS Tallink Grupp confirms that the company is not associated with the corruption charges of Tallinn Port management members Ain Kaljurand and Allan Kiil disclosed in August 2015. The authorities turned to the head of our subsidiary HTG Invest Mr. Eno Saar, which organizes mooring, stividor and parking services in Tallinn Port. Since the authorities have an ongoing investigation towards Mr. Saar, he has been called back from the Management Board of HTG Invest. The Group has also started an internal investigation lead by the Internal Control department.

The interest related to Mr. Saar is not tied to the Group's main passenger operations and cooperation with Tallinn Port from that perspective. This does not have any effect on the operations of the company or the services for our ships in Tallinn Port.

- The Group did not financially support any politician or political party in 2015.

## ECONOMIC PERFORMANCE AND INDICATORS

# GRIEVANCES

## HOW DO WE WORK WITH GRIEVANCES?

The strategy, which is framed with policies and supported by corporate standards, is to avoid and prevent potential grievances or handle the claims on place to find a solution as quickly as possible.

There is the central grievance mechanisms in place for all material Aspects.

The grievance procedures are in direct correlation with the stakeholder's communication. The departments, who are responsible for the overall communication with the stakeholders, are also taking in the grievances in that field.

There are feedback lines opened for grievances related to all fields in all home markets and they also work with the grievances from other markets. In the customer service line, the grievances are solved in case those are related to marketing, sales and customer service. The grievances related to environment are forwarded to the shipmanagement or hotel management. The claims, which question the following of human rights and impacts on society, are assessed very thoroughly in the headquarters by the management.

All our frontdesk employees have had a thorough training as a part of the service standard Travel Experience to receive and process the grievances according to the best practices, analyzes and knowledge for the laws and regulations. The list of internal experts is available for forwarding the communication and potential further activities in case the claim needs knowledge, investigation and further activities beyond the responsibilities and expertise of the employee.

For the labour practice related grievances, there are several options. For external stakeholders, the same central line is in place, from where the information flow will continue to Human Resources department for further assessment. For employees of the Group, there are advisors, trade union representatives and Group's contact persons and/or mentors in place, both in smaller units and departments as well as in the HR departments in the offices in Estonia, Latvia, Sweden and Finland.









## MARINE SAFETY MANAGEMENT AND INDICATORS

# MARINE SAFETY MANAGEMENT AND INDICATORS

## ONBOARD SAFETY AND EMERGENCY PLANNING

### CUSTOMER HEALTH AND SAFETY

The greatest priority for Tallink both on land and at sea is the safety of its passengers, and we shall not hesitate to invest money and time in increasing safety. The safety of the ships is also securing the low risk of hazards to the environment such as oil pollution.

Security is an important part of overall safety. The competence and experience in the Company in regards to security is very high and it is continuously being further updated partly also with the help of national and international security organizations.

Ships' masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security work.

**1) Compliance with safety and security related laws and regulations.**

Tallink complies with international safety regulations and with the requirements of the ISO 14000 environmental management standard in order to prevent accidents and the presence of danger to people and the environment. Tallink aims to comply with the regulations of the International Maritime Organization (IMO) and to guarantee that our operations are safe for passengers as well as crew members. There are a number of very important international regulations to ensure safe and secure passenger shipping. Tallink follows these regulations with the utmost punctuality. The risk assessment is done very carefully and the cooperation with security organizations is at highest level.

The regulations on the international level:

- The safety of passenger vessels is regulated by the international convention SOLAS (International Convention for the Safety of Life at Sea, 1974, as modified by the protocol of 1988 relating thereto):
- (b) The Contracting Governments undertake to promulgate all laws, decrees, orders and regulations and to take all other steps which may be necessary to give the present Convention full and complete effect, so as to ensure that, from the point of view of safety of life, a ship is fit for the service for which it is intended.
- The convention points out several codes that specify the regulatory areas in regards to the safety of passenger shipping, such as for instance the LSA Code, FTP Code, FSS Code and ISPS Code.
- The safety of passenger ships is the topic of the international ISPS Code (International Ship and Port Facility Security Code), with an overview of its contents provided in section A p. 1.2. (Objectives): To ensure confidence that adequate and proportionate maritime security measures are in place.

On the European level there are a number of additional instruments securing the safety of passenger ships, such as:

- COUNCIL DIRECTIVE 96/98/EC on marine equipment, amended EC 2002/75/EC, with an overview of its contents provided in Article I of the directive: The purpose of this Directive shall be to enhance safety at sea and the prevention of marine pollution through the uniform application of the relevant international instruments relating to equipment listed in Annex A to be placed on board ships for which safety certificates are issued by or on behalf of Member States pursuant to international conventions and to ensure the free movement of such equipment within the Community.

## MARINE SAFETY MANAGEMENT AND INDICATORS

- COUNCIL DIRECTIVE 99/35/EC on a system of mandatory surveys for the safe operation of regular ro-ro ferry and high speed passenger craft services, with an overview of its contents provided in Article I of the directive: The purpose of this Directive is to lay down a system of mandatory surveys which will provide a greater assurance of safe operation of regular ro-ro ferries and high-speed passenger craft services to or from ports in the Member States of the Community and to provide for the right of Member States to conduct, participate in or cooperate with any investigation of maritime casualties or incidents on these services.

On the country level safe passenger shipping is regulated by law. In Estonia it is regulated with the Maritime Safety Act, with an overview of its contents provided in Article I of the law:

- This Act regulates the seaworthiness of ships, recreational craft and other water craft and their navigability in navigable inland waters, the safety of ships and ensuring the safety of vessel traffic on waterways.

**2)** Our safety management system is audited every year by the experts of the independent risk assessment organization Lloyds Register, and Estonian, Swedish and Finnish maritime administrations.

**3)** All our vessels are equipped with life-saving and survival equipment which meets all requirements and is ready for use all day, every day, and all year round. Even so, the crews of Tallink and Silja Line vessels use their great expertise and long-term work experience, combined with an efficient safety system, in order to prevent the need to ever use the life-saving equipment.

**4)** Since our employees are the key to guaranteeing safety, we are constantly developing their skills by training them. The proper procedure for crew members in emergency situations is practiced in drills and tests which are carefully monitored by inspection authorities.

Tallink carries out joint training exercises with the authorities of all flag states and the Russian Federation, including maritime rescue organizations. Every year numerous training exercises of sea- and air rescue, helicopter and other training exercises are carried out on our vessels.

Exercises on board of our vessels: AS Tallink Grupp follows strictly the SOLAS convention, which acquires the crew members on board passenger ferries to undertake and participate in various drills and exercises. Once a week on all our vessels fire drills, testing of operations of the watertight doors and lifeboat drills are carried out. Once every three months emergency steering drills, emergency flooding drills SOPEP drills and MOB drills are carried out. Additionally every 6 months company's joint exercises take place. The accordance with the convention is additionally controlled by the designated company, maritime authorities relevant to the ship's flag and host state.

- Shipboard trainings with lifeboats and life rafts, simulating abandonment of the ship, played to be as lifelike as possible, including lowering of lifeboats to the water and operating lifeboats in water;
- Shipboard trainings in actions to be carried out in case of fire. Training scenarios include smoke diving, using artificial smoke from smoke generators, search and rescue from confined spaces, medical first aid and passenger evacuation;
- Trainings of search and rescue of persons overboard, using ship rescue boats;
- Trainings with helicopter, simulating both helicopter landing and with real helicopters in the trading area. Training scenarios include helipad preparation, preparation of firefighting means to be ready for helicopter landing and personal safety measures during helicopter landing;
- Trainings in oil spill prevention and cleanup, using shipboard equipment, placed on board to comply with international legislation;
- Trainings with different parts of shipboard equipment, including operation of watertight doors, operation of ship's fire alarm etc;
- Security trainings, including search and handling of potentially dangerous objects;
- Trainings with numerous shore-based services, including law enforcement, paramedics, EOD, military, rescue, customs and Company. Trainings with shore-based agencies can be divided to major exercises, which take months of preparation and planning, to make all sides, participating, work together smoothly and routine trainings, to practice either co-operation of ship's crew and agency staff in some particular activity or training of shore-based specific activity execution on board a vessel. Major exercises often involve on board Group's fleet vessels co-operation of agencies of different nations, giving ship crews unique experience in hosting international events.

## MARINE SAFETY MANAGEMENT AND INDICATORS

**5)** Medical assistance on board of Group`s vessels is exceeding the requirements set by the respective regulations. Although the regulation requires the operator to employ medical personnel on international trips lasting at least 72 hours, most of the Group`s vessels (excluding the cargo transportation vessels and fast ferries having just a 2-hours crossing) have professional medical personnel on board both for passengers as well as crew members. The medical personnel performs first aid and advises the captain on the necessity to take additional measures like calling for external aid (medical helicopter evacuation, ambulance in the destination port etc).

The passenger ships have the ambulatorium on board with first aid equipment and drugs to perform first aid as well as provide support for passengers with severe health problems and/or handicap.

All the deck officers and department heads have received medical training to provide people with first aid. All crew members have passed a first aid course.

**6)** Our aim is that a disabled or handicap person can travel on board our ships as independently, smoothly and easily as possible. The assistance provided by the terminals and/or cruise line, is meant for passengers, whose mobility is reduced due to a physical injury or disability, for visually - and hearing impaired, for temporarily disabled and for all passengers who need special assistance. The service is free of charge. To make sure that everything goes smoothly and the voyage is as pleasant as possible, the passengers are kindly asked to notify the travel agency or cruise line of the need of assistance. The assistance provided by the terminals and/or cruise line is so called general assistance.

In addition to the ambulatorium, there are also cabins for handicapped people and people with allergies, offering more comfortable and safe journey for passengers who need special attention and/or travelling conditions. The cabin specifics include wider doors (necessary for wheelchairs), wider bathrooms (for wheelchairs and assisting people), carpet-free space and proximity to the ambulatorium for swift help in case needed.

**7)** Our security plans approved by the flag administrations are tied to the overall security levels in the destination countries (Estonia, Finland, Sweden, Latvia) and the authorities will inform us immediately in case the level is changed.

In 2015 the general security level concerning also the maritime operations in all destination countries of our vessels remained on the normal one. This means the security procedures are carried out in accordance with the security plan of that level in cooperation with the police, border guard and customs.

There is a strict document control and our employees have instructions and training carried out on how to proceed in case of any inconsistencies. The same applies to the security controls, which are carried out by our security officers and police, border guard and customs.

The security checks of luggage and cars/trucks are carried out by the police, border guard and customs. We kindly ask our customers to cooperate with the security personnel and police and border guard representatives.

We have very good cooperation with the local police and border guard and other security related authorities. The information flow is good and all parties have detailed activity plans. Due to security reasons we can not disclose more information about the security plans, which also include a set of preventative measures.

Both the Group`s fleet as well as hotel management monitors the health and safety related impacts fully in all product and service categories.

There are no incidents to report related to the non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services in 2015.



**ENVIRONMENTAL MANAGEMENT AND INDICATORS**

# ENVIRONMENTAL MANAGEMENT AND INDICATORS

## ENVIRONMENTAL LEADERSHIP AND INVESTMENTS

The precautionary approach is applied in the Group to avoid incidents or accidents of the existing fleet and invest to the advanced technologies for the current and future fleet. The Group is cooperating closely with scientific organizations, universities and companies, who work towards more environmentally friendly solutions suitable for decreasing the environmental footprint of the Group. As the market leader, the company understands its additional responsibility of setting the example for the whole market and raise the awareness of the customers to choose the more environmentally sound service providers.

### ENVIRONMENTALLY SOUND AND AWARE OPERATIONS OF THE GROUP

The Baltic Sea and its numerous picturesque sceneries with archipelagos and rich life above and below the water level are among the most important reasons why people choose to travel by sea in this region. The countries around the Baltic Sea as well as most of the organizations working here have recognized the importance of the environmental protection in regards to this very specific and fragile sea environment. The public awareness overall about the responsible travelling and environmental aspects have increased significantly throughout the recent decade. Those are crucial for carrying out activities and investing additionally into minimizing the impact of the Group's operations have on the environment.

The Company recognizes environmental protection and management as one of its highest priorities and that every effort is to be made to conserve and protect the environment from marine, atmospheric and other forms of pollution, including office based waste.

By adopting the Company procedures, the Company does:

- Comply with mandatory rules and regulations, takes into account codes, guidelines and standards from maritime organizations.
- Actively promote environmental awareness by training and education of its employees.
- Operate its office and ships taking into consideration the efficient use of energy and materials.
- Wherever practicable, adopt the principles of re-use and recycling.
- Require that suppliers and contractors working under its direct control and affiliated companies apply environmental standards consistent with its own.
- Participate in discussion with relevant authorities with a view to being aware of current environmental issues and topics and to develop measures to minimize risk to the environment.
- Ensure compliance by undertaking regular inspections and audits along with the rectification of any non-conformity.

## ENVIRONMENTAL MANAGEMENT AND INDICATORS

Selection of international certificates held by Group companies and ships:

- ISO 14001:2004 Environmental Certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- IAFS International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Document of Compliance by Estonian Maritime Administration
- Document of Compliance by Finnish Maritime Administration
- Document of Compliance by Swedish Maritime Administration
- Document of Compliance by Latvian Maritime Administration

The Company operates on zero spills to the sea policy and the Company's objective is to eliminate the possibility of pollution at source by ensuring high standards of latest technology, safety and awareness are maintained and that all relevant legislation and conventions are followed for both its sea and shore based activities. The Company is also committed to the continual improvement of methods used to carry out and achieve this objective, including the use of equipment and practices that minimize emission and waste generation.

## TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS

**The direct investments related to environmental protection are made on following areas:**

- Onboard waste handling;
- Onboard sewage handling and shore discharge
- Implementing of onboard Fuel Consumption Monitoring systems
- Regular cleaning of ships' hulls
- Maintenance of ships Selective Catalytic Reduction systems (SCR is an advanced active emissions control technology system for NOx reduction)
- DWI systems' maintenance of Silja Symphony and Silja Serenade (NOx reduction in emissions)
- Supporting the NGO-s dealing with environmental protection.

Due to the confidentiality of the agreements signed with the service providers, it is not possible to disclose detailed financial data on the investments.



## ENVIRONMENTAL MANAGEMENT AND INDICATORS

## EMISSIONS IN 2015

Tallink is hunting down opportunities which will allow it to do more for the sake of the air environment, which has a great influence on the overall welfare of the environment.

- The most important task from the environmental point of view in 2015 was the implementation of the MARPOL Annex VI Convention requirements for 0.1 % Sulphur content fuel usage in Sulphur Emission Control Areas (SECA), including also the Baltic Sea. After careful consideration and thorough analyzing it was decided the currently the Group`s fleet starts to use the 0.1% Sulphur content fuel over the alternative of installing scrubber systems on board. It required investments reaching millions of Euros to prepare the vessels for this specific fuel. Additionally the cooperation with universities and other scientific organization is carried out to research the additional measures applicable for decreasing CO2 as well as other harmful emissions from the ships` operations by using additional technologies and chemicals.

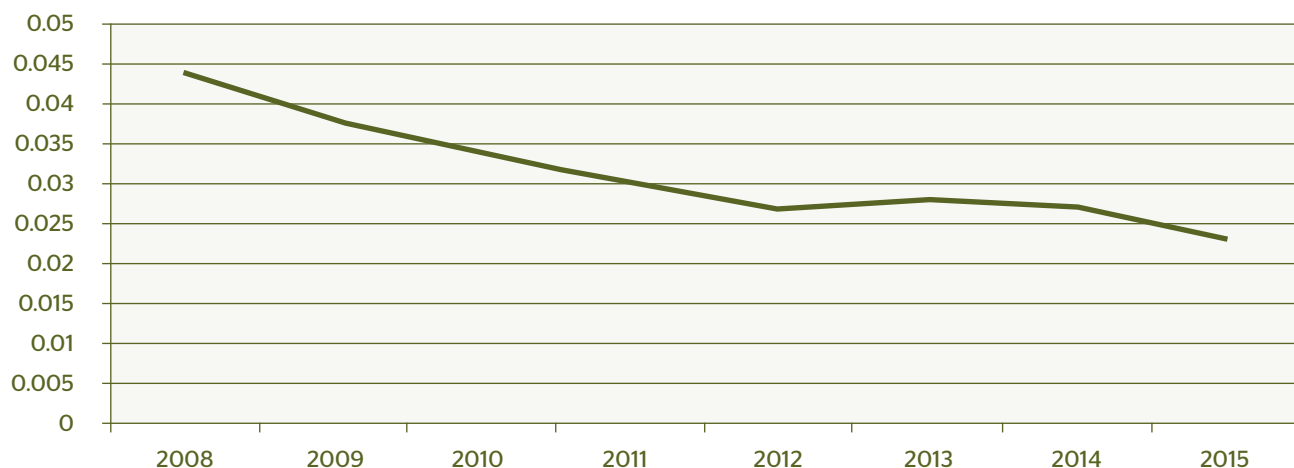
CO2 reduction plan- it is clear that although the potential usage of LNG is now a wider topic, today the passenger ships run on the fossil fuels like heavy fuel oil and diesel like the rest of the transportation sector. The investments made by shipping companies also during last past years into renewal of the fleet have been significant and it would be irresponsible and impossible to forget about this and leave it aside for entirely new solutions. It is crucial to keep the research and new technological solutions in mind to make the fleets of today more efficient and environmentally friendly. Keeping that in mind, the Group has followed monitoring and goals set for ISO 14001:2004 as well as an additional CO2 reduction plan. The base of all plans is a good and structured monitoring system, which observes the environmental performance of the whole fleet.

- The company is also testing luboil and fuel supplements to decrease the Sulphur and Nitrogen oxides` percentage in exhaust fumes in order to make them less harmful to the environment where air quality levels are concerned.
- Ship Energy Efficiency Management Plan: The fleet of AS Tallink Grupp started designing and implementing the new Ship Energy Efficiency Management Plan in 2012. The SEEMP is an inseparable part of the MSM and is required by MARPOL Annex VI. As from 1st of January 2013 by renewal of the Air Pollution Prevention Certificate, every ship had to present a SEEMP. It is a totally new and even more detailed way of gathering information on fuel consumption. Energy Efficiency Operational Index (EEOI) is calculated taking into consideration the number of passengers, gross tonnage and different fuels used. The priorities of SEEMP are:
  - Decrease of fuel consumption;
  - Decrease of air emissions.

Based on the information gathered through SEEMP, thorough analyses follows, which supports setting new goals to diminish the environmental and especially air related pollution prevention and decrease among ship operators. The SEEMPs of the ships in Group`s fleet are certified by Bureau Veritas. The SEEMPs will be controlled either by the classification societies or the flag state maritime authorities (dependent on the jurisdiction of the country).

## ENVIRONMENTAL MANAGEMENT AND INDICATORS

### FUEL TON PER PAX



### FUEL (T) PER PAX - ROUTES



- The catalytic converters (and other exhaust gas treatment equipment) in ships are also important tools in contributing to environmental care. Catalytic converters are at times still the most effective means of reducing NOx levels in exhaust fumes, with an achievable reduction level of up to 90%.
- Different cooperation projects with various scientific organizations are carried out to find new technical and chemical solutions for reducing the environmental impact of the fuel consumption.
- Fuel consumption monitoring systems have already been implemented on many vessels and this project is continued in 2016 to help the crew to better observe the fuel consumption and optimize this in correlation with the conditions. It diminishes vessels' average fuel consumption 4-9 per cent and therefore also the negative impact of the air environment decreases.
- To minimize our carbon dioxide emissions our captains pay very close attention to route planning according to the current,

wind and wave conditions at any given time. Ships crews take into consideration the prevailing conditions wherever possible a significant difference to the amount of fuel used is made.

- It is important that routes are planned efficiently, ensuring that the ships sail fully-loaded, and by planning the speed to ensure that the vessels maintain a constant speed from departure to arrival.
- By optimizing ballast and trim conditions it is also possible to reduce resistance and therefore decrease the energy consumption of a vessel.
- Optimizing the overall propulsion efficiency is an important task when it comes to fuel reduction - the propeller; rudder and the interaction between the two have a big role. The medium speed engines in our fleet of conventional ferries are extremely efficient. Even excess heat they produce is put to good use, for hot water, pre-heating fuel for better combustion, and heating crew and passenger accommodation.

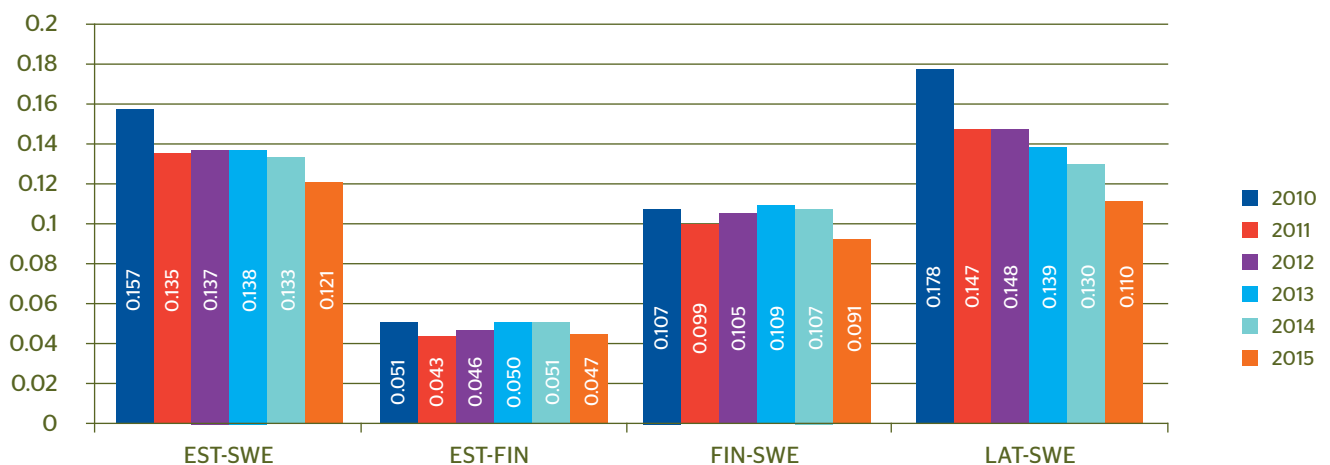
## ENVIRONMENTAL MANAGEMENT AND INDICATORS

- Shore side power supply – if all vessels staying in port for more than two hours are connected to shore side power supply, there would be decrease of CO<sub>2</sub> emissions by 15%. Continuous efforts are made in cooperation with other ship-owners and organizations to influence more ports to provide the on shore power supply.
- Tallink uses only certified spare parts in order to guarantee the best working results in combination with environmental safety.
- Constant monitoring of the fuel quality is carried out by taking test probes from every bunkering made – testing is carried out according to the plan. Only certified sellers are used for providing the Group with fuel.
- The fleet is being optimized to select the most suitable ferries for different routes and stop operating the older ferries to

minimize the negative impact on the environment. The Group sold 2 older vessels in 2015 to continue operating with even younger fleet. Additionally the fast ferry Superstar was sold due to the LNG fast ferry being built for the same route – Tallinn-Helsinki. Currently, the Group is chartering Superstar until the delivery of the new ship Megastar, which will be significantly more environmentally friendly than the previous vessel.

- The schedules of routes, rerouting of vessels taking into consideration the route's specifics were successfully adapted to additionally decrease the fuel consumption and therefore also the impact to the environment.
- The technical crews were having additional training to make the most of the new technical solutions to help them decrease the fuel and optimize overall energy consumption on board.

### CO<sub>2</sub> EMISSION (T) PER PASSENGER



### THE MEGA-PROJECT FOR DECREASING THE AIR-EMISSIONS: LNG DRIVEN FAST FERRY MEGASTAR

The new generation fast ferry Megastar will be 212 meters long, can accommodate altogether 2800 passengers and will start operating on Tallinn-Helsinki route in 2017. Megastar will use LNG as fuel, but will also be able to run on diesel. She will be a 49 000 GT ship with a service speed of 27 knots. Megastar will comply with the new and stricter emission regulations for the ECA areas including the Baltic Sea.

When running on LNG, the ship will create:

- No SO<sub>x</sub> emissions
- Less NO<sub>x</sub> emissions
- No small particles (soot)
- 25% less CO<sub>2</sub> emissions

### STRATEGY FOR FUTURE INVESTMENTS TO DECREASE THE AIR EMISSIONS

AS Tallink Grupp has had a long cooperation with peers in technology and science to determine LNG as the environmentally responsible choice for future fleet development. Unfortunately, at the moment the reconstruction of the vessels running on fuel is not implicable, but as the industry develops, we do not exclude this possibility in the near future. As for the newbuildings, the Group strongly believes in usage of LNG as the fuel for the future due to significantly lower environmental impact as well as strong safety aspect related to LNG.

## ENVIRONMENTAL MANAGEMENT AND INDICATORS

# ENERGY

## ENERGY EFFICIENCY IN THE GROUP

The energy efficiency is the important part of the environmental strategy, involving both ships and on shore facilities like hotels and ships.

For the fleet, the consumption of fuel is the most significant energy efficiency indicator. The approach towards fuel consumption decrease mechanisms as well as statistical data has been displayed in the chapter of air-emissions as it in direct association with decreasing the emissions.

In the onshore facilities, the focus is in following activities:

- Optimizing energy consumption in office buildings and hotels
- Offices in harbor areas decrease the necessity for driving
- Electronic documentation system helps to diminish paper usage as well as well administrated and aware marketing methods. By integrating Club One and Duty Free catalogues, thousands of units of paper is spared alone. Also the focus on disclosing more information online both in extranet and intranet has significantly decreased the paper usage within all units
- Usage of recycled paper
- Sorting domestic waste on board and cooperation with waste disposal companies, which apply recycling of the materials, also for energy production purposes
- Cooperation with certified and approved manufacturers
- Usage of spare parts produced by certified manufacturers

- The offices as well as hotels are situated near the harbors, so that there is hardly any transportation needed for the employees or the customers. That decreases the energy consumption and air emissions as the car/bus transportation is not necessary or then for only a short distance. The same principle goes for our new Tallink Logistic Center - supply chain management on shore.
- The environmental policy of Tallink Hotels is based on the criteria of the Green Key program. For an accommodation facility, the more significant areas of environmental impact are definitely electricity consumption, thermal energy consumption, water consumption and waste.
- The utility systems installed in the hotels are state-of-the-art and the systems are controlled by an automated computer. This ensures that the hotel technicians always have an overview of the ventilation, the lighting, the heating and the energy consumption. For example, the constant monitoring and adjusting of the systems' performance has helped to significantly decrease the hotel's energy consumption.
- Our numerous cooperation partners also invest into environmentally sound working methods. In cooperation our efforts for sustainable operations have a much larger effect and that way we hope to influence also other potential cooperation partners to follow those criteria in the future.

## ENVIRONMENTAL MANAGEMENT AND INDICATORS

## WATER

The respect our Group has towards the water environment, whether fresh or seawater, is enormous. The policy to protect the water resources and pay attention on the water management, including waste water management in our fleet is considered to be among the most important ones.

- High safety standards - In Tallink's operations, securing the safety of people, the environment and property comes first. The objective of Tallink's Safety Management System is to ensure that the valid rules and requirements set out by the IMO maritime authorities (the International Maritime Organization), flag states, various certification bodies, and other maritime organizations, as well as their applicable regulations and standards, are adhered to.
- The modern technical systems on board new ships are built in a way which allows them to contribute in providing the very safest of voyages and maintain a clean sea and air environment.
- All fresh water supplies are taken in from the official on shore facilities in destination ports.
- The ballast waters are taken and discharged as much as possible in the same area, although there are no restrictions in place at the moment to protect the biodiversity.
- Waste water is definitely also a problem for the Baltic Sea, as discharging waste water into the sea is still officially permitted. Tallink is cooperates with ports to leave grey, black and oily waters from the ships at the harbor. The waste water is also cleaned on board with modern equipment.
- To prove our point in protecting the sea's environment in this way, Tallink has joined the WWF's (the World Wildlife Fund) initiative about the wastewater.
- Increasing the awareness of our customers is also an important part of decreasing the amount of waste and waste waters on board of the ships. The showers in cabins are using equipment to decrease the water pressure and amount to save water and minimize waste water production.
- The chemicals used on board ships to keep them tidy and clean are mostly biochemical and therefore also environmentally friendly.
- Ships built before 2003 have been re-painted with environmentally-friendly paints; and in the case of all newer ships, the principle of environmental friendliness has already been adhered to in their construction.
- The hulls of Tallink's vessels are regularly cleaned by divers who, when conducting this process, do not use chemicals that are harmful to the environment.



## ENVIRONMENTAL MANAGEMENT AND INDICATORS

# WASTE MANAGEMENT IN THE GROUP

Tallink has emphasized the importance of decreasing the generation of waste and recycling. The handling of the domestic waste, which is produced on board of the ships by passengers and crew is also a responsibility we take very seriously. We sort domestic waste on board our ships as much as is practicable, and in port the waste is transferred into the care of certified waste handlers.

That which is used also gets old and broken – that's a given fact. As much as is possible, used spare parts are handed over to certified manufacturers and most of the material is recycled and is largely used all over again in a new format. Therefore the cooperation partners which handle the waste from the ships are chosen very carefully.

100% of all waste is given on shore to the certified waste handling companies with the objective to use as much as possible ways to recycling purposes.

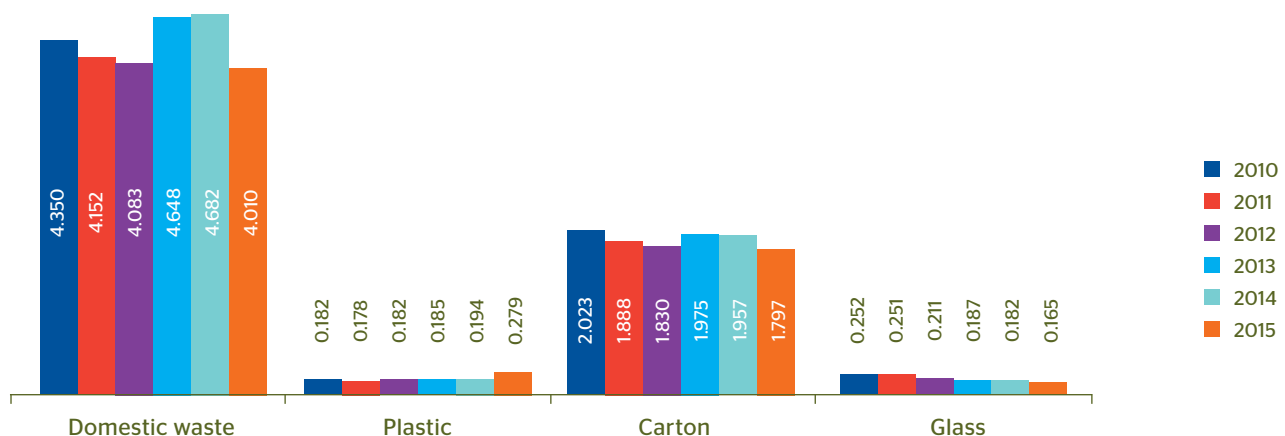
The cooperation partners of waste handling in our destination ports:

- Green Marine in Tallinn and Paldiski, Estonia
- RagnSells in Riga, Latvia
- Sita Finland in Helsinki and Turku, Finland

Waste handling objectives in 2015:

- Sorting of waste on board for recycling: carton, plastic, glass, domestic waste
- Careful handling of chemical waste (from engine-rooms etc)
- Using only reliable waste handling companies to secure lawful disposal and maximum recycling of the waste materials
- Effective waste handling system on shore, in hotels and offices: the waste is sorted in accordance with the requirements of the law. The following are collected separately: glass, tin cans, plastic bottles, packaging, hazardous waste and organic waste.

## WASTE PER PASSENGER (LITERS)





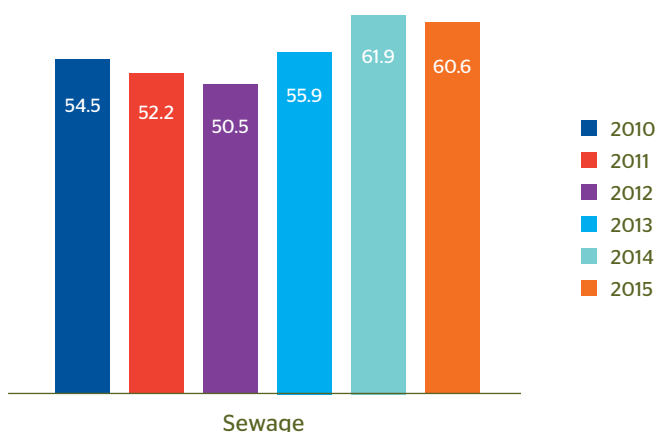
## ENVIRONMENTAL MANAGEMENT AND INDICATORS

In order to protect the biodiversity and overall health of the Baltic Sea, the Group uses only onshore facilities in the destination ports to discharge the waste waters from the ships. There the waste water is treated/recycled by the organization, which handles the city's general sewage system.

Sewage receiving facilities in linked ports are:

- Helsinki - 5 ships discharging into shore pipeline, FREE of charge, average 700m<sup>3</sup>/day
- Stockholm - 7 ships discharging into shore pipeline, MONTHLY FEE + 40% in case H2S\* limit is exceeded, average 1500 m<sup>3</sup>/day
- Riga - 1 ship discharge is limited to max 200 m<sup>3</sup> per visit, FIXED FEE calculated per GT of the ship, average 100 m<sup>3</sup> per day
- Tallinn - 2 ships discharging to shore pipeline, max discharging rate limited to 80 m<sup>3</sup>/hour, receiving of the sewage may be refused if limits set by local waste water company is exceeded, 7 m<sup>3</sup> free per visit, average 200 m<sup>3</sup> per day
- 7m<sup>3</sup> free and rest is charged per m<sup>3</sup>, most costly one due to the transportation cost, average 20 m<sup>3</sup> per day (Ro-Ro ship)

### SEWAGE PER PASSENGER (LITERS)



Waste water treatment plants on our ships include grey water (GW) collecting tanks with capacity to store up to 400 m<sup>3</sup> treated sewage water. Increased capacity of GW discharge pumps up to 300 m<sup>3</sup>/hour.

NB! In 2015, there were no significant spills from Group's operated vessels.



## ENVIRONMENTAL MANAGEMENT AND INDICATORS

# BIODIVERSITY

By extracting this term to assess the Group's operations potential impact towards the biodiversity of the Baltic Sea, we found the quote from HELCOM's assessment about the Biodiversity in the Baltic Sea to be the best one to emphasize, why this topic is especially important to us: „Sixty different benthic landscapes, 150 biotopes, and a richness of about 100 species of fish, 450 macroalgae species, 1000 zoobenthos species, 3000 plankton species, and many thousands of unknown species of bacteria and viruses—that is a rough estimate of the biodiversity hidden under the Baltic Sea surface. These organisms and their ambient environment form the building blocks of the ecosystem and the interactions among all components determine the characteristic features of the Baltic Sea“.

The assessment addresses all potential fields, which might have larger or smaller impact on the biodiversity of the Baltic Sea. Under maritime activities there are following topics:

- Nutrient inputs (waste water discharges and NOx emissions by a smaller extent). „The major share of nutrients to the Baltic enters as waterborne input from the catchment area and shipping contributes only about 2% of the total nitrogen inputs to the Baltic Sea“.
- Oil spills
- Physical impacts

As the Group discharges all waste waters to the port reception facilities, there have been no spills and the ballast waters are discharged to the same area, where originally taken and measures are taken to decrease the NOx emissions, we consider the impact to the biodiversity of the inhabitat of the Baltic Sea due to our operations, minimal.

The ships are cleaned manually by divers, only approved anti-fouling paints are used.

The ships follow the speed limits to avoid the minimize the impact to the sea environment.

The Group cooperates with Scientific Organizations, which investigate the status of the biodiversity in the Baltic Sea, by implementic scientific equipment on board of our ships to carry out the investigation by taking samples from different regions in the Baltic Sea.







## WORKPLACE MANAGEMENT AND INDICATORS

# WORKPLACE MANAGEMENT AND INDICATORS

## EMPLOYMENT

Tallink Grupp had 9.0 million passengers in 2015 and the number of our employees was close to 7000. The Group works with and for people and the responsibility to offer safety, security and excellent conditions both from service as well as employment point of view are among our top priorities.

According to the employers' reputation study carried out by the research company TNS Emor, the Group ranked as one of the most preferable employers in Estonia raising from the fifth position in 2014 to the 3rd position in 2015.

The same company also conducted the Employee Satisfaction Survey for the Group in 2014. Overall employee commitment level has not changed significantly between 2012 and 2014. For next survey commitment level is expected to increase at least by 5 points and concrete action plans have been developed to achieve this goal. For keeping the advantages in the labour market, the concrete action plans are not disclosed, including further improvement of overall working conditions, training and benefits.

- Our core values commitment, professionalism, cooperation and joy, are there for the entire corporation and regardless of our position or role in the company; we align our actions and behaviors according to our values.
- Setting aside the strict requirements to the status of health of the potential employees, everybody has equal possibilities for working in Tallink.
- Safety and Security Policy - in the operations of Company, securing the safety of people, environment and property comes first.
- Company SMS adheres to the ISM and ISPS Codes in order to guarantee the operations of their ships and onshore organization, prevent accidents, loss of human lives and environmental damages caused to marine environment.
- The safety management operations of the Company objective at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. Crew's safety management skills are continuously developed, tested, practiced and improved by identifying the known risk factors and areas, and practicing related procedures. In addition, crew environmental safety awareness is continuously improved.
- The Company does not allow for persons less than 16 years of age to be employed or engaged in work onboard ships. Persons between the age of 16 and 18 are not allowed to do night work or any other work where their health and safety may be jeopardized.
- The objective of the Company SMS is to ensure that the valid rules and requirements set out by IMO maritime authorities, certification bodies and other maritime organizations as well as their applicable regulations and standards are adhered to.
- Every year the risk assessment analyses are carried out for the working environment.
- Tallink cooperates closely with the trade unions for the employees of the maritime sector in Estonia, Finland, Sweden and Latvia - all the countries where the company employs crew members for the ships. The company also cooperates with the trade unions for onshore personnel in the countries where there are such organizations. This however does not mean that the Company always agrees with the opinion or actions of the unions, but tries to find solutions best for both parties and what is most important, for our employees.
- In addition to annual training related to ensuring professional skills and safety and professional qualifications, great emphasis was placed throughout the year on developing the skills of all the personnel, particularly in improving employee-customer encounters. A new training concept about travel experience management has been successfully launched. Our long term employees were trained to be the support persons for new employees. Additionally, numerous language courses took place for our employees.

## WORKPLACE MANAGEMENT AND INDICATORS

- We pay special attention to the physical fitness of our employees by providing medical services and check-ups for the crew members as well as ensuring the availability of gyms on board our vessels and in our hotels.

The employment in maritime sector has been mapped thoroughly and following the respective laws and regulations is on top of our list of responsibilities as an employer.

The ILO conventions especially important in our business area are:

- C147 - Merchant Shipping (Minimum Standards) Convention, 1976 (No. 147) Convention concerning Minimum Standards in Merchant Ships (Entry into force: 28 Nov 1981)
- C108 - Seafarers' Identity Documents Convention, 1958 (No. 108)
- Convention concerning Seafarers' National Identity Documents (Entry into force: 19 Feb 1961)

- C053 - Officers' Competency Certificates Convention, 1936 (No. 53)
- Convention concerning the Minimum Requirement of Professional Capacity for Masters and Officers on Board Merchant Ships (Entry into force: 29 Mar 1939)
- C023 - Repatriation of Seamen Convention, 1926 (No. 23)
- Convention concerning the Repatriation of Seamen (Entry into force: 16 Apr 1928)

IMO conventions

- 1978 STCW Convention (amended 1995) (Standards of Training, Certification and Watch keeping) concerning the basic requirements on training, certification and watch keeping for seafarers. The convention also sets standards in regards to securing equal conditions for employees of both genders etc.

## OUR COLLEAGUES IN 2015

	2013	2014	2015
Average age of personnel on board	41	39,5	40,6
Average age of personnel ashore	37,5	37,05	41

	% ashore	% onboard	% ashore	% onboard	% ashore	% onboard
20 or younger	3,4	3,3	3,6	4,7	4,5	3,5
21-30	28,5	29,7	29,6	30,8	29,0	29,3
31-40	28,9	17,4	17,1	29,7	17,2	28,5
41-50	17,8	21,6	20,7	19,7	18,9	19,8
51-60	11,9	20,5	21,2	13,3	21,8	13,2
61 or older	3,6	7,4	8,2	5,2	8,5	5,8

male % ashore	29,2	28,8	28,6
male % onboard	43,8	43,1	41,6
female % ashore	70,8	74,7	71,4
female % onboard	56,2	57,3	58,4



## WORKPLACE MANAGEMENT AND INDICATORS

### BENEFITS OF OUR EMPLOYEES

The Group offers its employees a wide range special offers for products and services both on board of ships as well as in our hotels - related to travelling, accommodation, shopping and catering. There are many cooperation partners, who make special offers for our employees.

Taking into consideration the specialty of maritime jobs, the time ressource management for onboard employees is beneficial in comparison to a common job on shore. The

working time is shorter throughout a year-long period and vacation conditions are especially good by providing a longer vacation time per year compared to the usual work conditions on land.

The Group also secure the employees also with the healthcare services to monitor the health conditions and provide medical assistance. The healthcare services for the Group's employees are provided by professional labour medical companies such as Qvalitas AS.

### TRAINING AND EDUCATION

The Group launched a totally new entity for training only, Tallink Silja Line Training Center in July 2015. The operations are based on Quality Manual guidelines that has been approved by Bureau Veritas issuing the ISO 9001:2008 certificate on July 16, 2015 confirming the quality system's accordance to high standards. The main focus area of training center is to provide and deliver occupational maritime trainings governed by international regulations (STCW - International Convention on Standards of Training, Certification and Watchkeeping for Seafarers). The STCW Convention requires that training leading to certification is 'approved'. Approval was given by the Estonian Maritime Administration in accordance with the Convention requirements. Estonian Maritime Administration has accredited Tallink Silja Line Training center and approved the following maritime training programmes in 2015:

- 1) Security Awareness training;
- 2) Crowd and Crisis Management;
- 3) Security training for seafarers with designated security duties;
- 4) Ship Security Officer (SSO);
- 5) Dangerous, hazardous and harmful cargoes.

The Convention also requires that those responsible for training and assessment of competence of seafarers are appropriately qualified in accordance with the provisions of the Code. In order to comply with that requirement all Tallink training center instructors delivering the training programmes are passed appropriate training programme and are certified instructors. 14 instructors were qualified during 2015.

The training center delivered 24 Security Awareness training during second half of 2015 issuing 230 certificates. In 2015 the preparations were started to deliver Crowd and Crisis Management training. The training material was created by team of officers led by Romantika master Roland Lemendik to secure the accordance to quality standards as well as Tallink Silja Line specific content to be included.

In addition to inClass trainings the first steps were made to create Tallink Silja Line e-study environment giving opportunity to offer combined and flexible learning solution in the future. Tallink also cooperates with other Maritime training providers to offer Tallink employees onboard the required training and certification. From October 2015 all the registrations were handled by Tallink Training Center sending 369 employees to 67 different courses offering maritime certification during the remaining 3 months in 2015.

## WORKPLACE MANAGEMENT AND INDICATORS

In addition to STCW trainings, training center has started the New Employee Welcome programme in October 2015. The training programme is 1-3 days long depending on position of new employee. Program aims to give new employees a good understanding of the organisation they have joined, introduce common values and service standards, and provide them with basic knowledge and skills that would help them to be successful in their job. In the time-frame of October - December 142 new employees were trained in 5 training programmes.

## TRAINING PROGRAMS

The training calendar for 2015 was very full and included a variety of different trainings for a significant part of the employees on board and on shore. The skills the employees either enhanced or learned as completely new ones, will be with them for the rest of their lives, enriching their professional portfolio so valuable for competing in the labour market.

- Over 1200 sessions of Travel Experience training, TX1-4 (the inhouse service standard training with the wider focus on service skills) were carried out for the crews.
- 160 sessions of Leading Travel Experience for management level employees to become better leaders and supporters for staff. This was the first year, where also the technical management of the crews were also participating. The feedback on the program has been very positive, as people really feel they have gained from the training very valuable knowledge about leadership and additional tools to implement this.

- Trainings about Coaching People to inhouse trainers' development were carried out in 2015.
- Special trainings to cleaning staff were arranged, to further develop the skills of the cleaning staff on board and in hotels - the cleanliness is among the most expected and highly valued features during the cruises.
- In 2015, only in Estonia, altogether 35 groups learning Finnish and Swedish language graduated from inhouse language courses.

Among the crew members of our fleet, over 85 percent have participated in the regular trainings. Developing their professional skills and enhancing their competence. The management and middle management level employees receive the performance reviews every 2 years after the employee satisfaction survey as well as monthly in regards to the overall performance of their department/unit.

In the onshore personnel, more than 70 percent have received regular training enhancing the career development. The management and middle management level employees receive the performance reviews every 2 years after the employee satisfaction survey as well as monthly in regards to the overall performance of their department/unit.

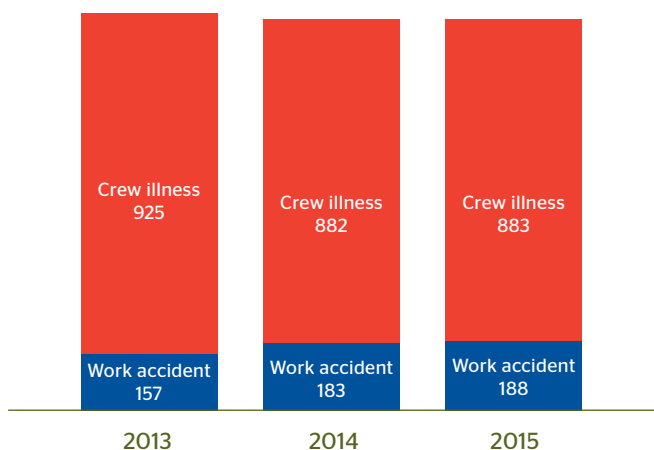
## WORKPLACE MANAGEMENT AND INDICATORS

# OCCUPATIONAL HEALTH AND SAFETY

Our Group is a responsible employer in all countries, by managing the occupational health and safety as well as developing great work conditions. During 2015, the company refreshed all risk assessments of occupational health and work conditions in all units and entities of the group - on ships, hotels and land based units. The risk assessment is one of the bases for the health monitoring of the employees and developing of the supporting activities related to it (glasses, orthosis) and preventative measures (massage treatments, recreative health activities). This helps the Group to better design the main frames of the work environment ergonomics.

Every crew on board of our ships have their own work health and safety committee, which members are the captain, chief engineer, chief officer, intendant and occupational health representatives of the crew. The committees meet every month under Estonian and Latvian flagged ships and every three months on Finnish and Swedish flagged ships. Also there are respective committees in AS Tallink Grupp, HT Shipmanagement, Hansaliin, Duty Free and TLG Hotels, who work continuously on the analyze of the work environmental and occupational health. As all employees are represented in the committees by the elected members, we can say that close to 100 percent of the employees are represented in those entities.

***In 2015, there were no work-related fatalities among the employees of the Group:***



## WORKPLACE MANAGEMENT AND INDICATORS

# HUMAN RIGHTS AND WORKPLACE DIVERSITY



## LABOUR AND MANAGEMENT RELATIONS

The management often reaches out to the employees to have a good dialogue between the employees and the management as well as to secure the good information flow necessary for sustainable operations. There are regular meetings and larger events organized, whereas the management also participates in the free time activities organized for the Group's employees several times per year.

All of our employees have the right to belong to trade unions.

The percentage of total employees covered by collective bargaining agreements is close to 80% due to the high percentage of employees covered by collective bargaining agreements, there is no Evidence of the right to exercise the freedom of association and collective bargaining of being violated or at significant risk.

The minimum notice periods regarding the operational changes are determined by the Group's responsibilities towards the current and potential shareholders, as significant operational changes must be reported via stock exchange to all stakeholders at the same time (excluding the registered insiders, who then have additional confidentiality responsibilities) to diminish the risk of illegal transactions in the stock exchange. Still, the conditions of any significant changes in the employees workplace and/or conditions are handled according to the local and international legislation and trade union agreements.

In 2015, there were no reports on discrimination by gender, age, race, etc.

## WORKPLACE MANAGEMENT AND INDICATORS

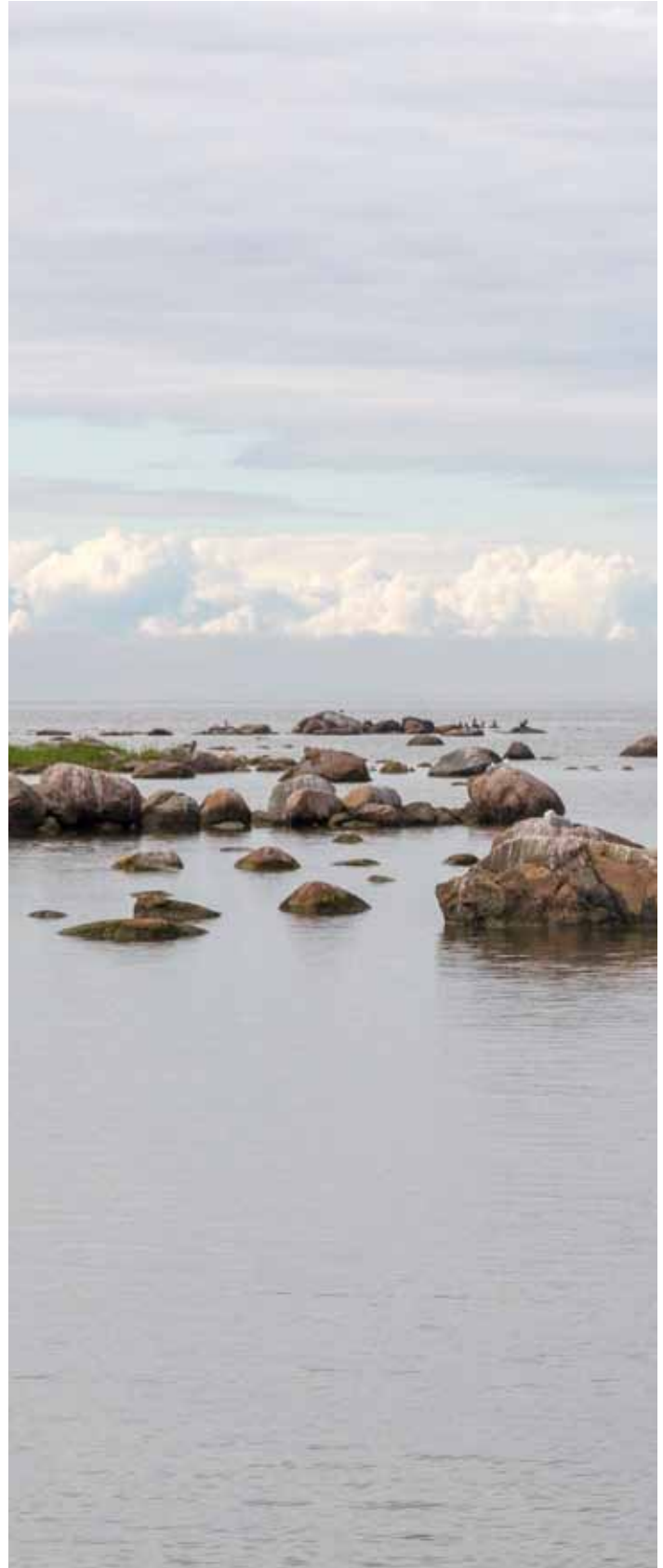
### DIVERSITY AND EQUAL OPPORTUNITIES

Our Group is the Equal Opportunity Employer. All people can apply for a job or a promotion in our company, set aside the regulatory specifics related to the safety matters (language barriers and special needs – see STCW convention).

The salaries are determined by the local labour market developments and the Group follows the equal and leading market position dependant to the availability and skills of the vacant employees. The salaries of crews and hotel employees are subject to collective agreements with the trade unions and there are no differences between the salaries of different genders – the salary rates are connected to the concrete position and responsibilities.

### TRAININGS ON HUMAN RIGHTS

Our regular, annual training for all security personnel also includes by default the training on human rights topic. Without passing it, it is not possible to be employed on board of our ships. Every year, the security personnel has to carry out the training renewed.







## COMMUNITY RELATIONS MANAGEMENT AND INDICATORS

# COMMUNITY RELATIONS MANAGEMENT AND INDICATORS

## COMMUNITY IMPACT AND CONTRIBUTION

All of us are the members of the community. Additionally to our everyday work, which has the purpose to give joy and relaxation to people, the Group gladly seeks for and acts on extra opportunities for the sake of the community on top of engaging the community stakeholders to the company's everyday work. This means that the Group daily supports the children, education and health awareness in frames of sports.

The aim of engagement in initiatives as well as just supportive sponsorship is to back good ideas or plans and help them develop and blossom in a sustainable and responsible way. The projects also represent strongly the values of the company.

### LOCAL COMMUNITIES

All larger and active entities of the Group are engaged to supporting the community either with monetary means, products or services as well as time and human resources in cooperation with the employees. The engagements activeness in correlation with the size of the entity in that particular country, as it is both tied to the financial as well as human resources. But, even in countries, where the representation is smaller, the Group seeks for the possibilities to help and engage to projects, which also represent the corporate values.

#### COOPERATION TOWARDS SAFER OPERATIONS AND WATER SAFETY

AS Tallink Grupp and Estonian Volunteer Rescue Association, which gathers all volunteers in land and sea rescue activities, signed a cooperation contract whereas the company will support the nonprofit organization with 90 000 euros within next three years.

According to the Chairman of the Management Board of AS Tallink Grupp Mr. Janek Stalmeister is the company very dedicated to securing the safety and security of the fleet.



„Therefore we appreciate very highly when others have a similar goal, especially when talking about volunteers. Together we can further improve the readiness when it comes to whatever goes on at sea“, said Stalmeister.

The Chairman of the Supervisory Board of the EVRA, Mr. Rait Killandi said: „Cooperation with Tallink gives us the opportunity to make longer plans than just for a year, to prepare trainings and purchase equipment. During our existence we have been working with limited resources as the support from state sector especially to the voluntary sea rescue, has not been that strong. Additionally we would like to find many new volunteers among Tallink employees, to join the forces to improve the overall safety of our community and decrease the number of accidents. That is what matters.“

Cooperation contract will be signed initially for next three years and AS Tallink Grupp will support the EVRA with altogether 90 000 euros from 2015-2017. Also the organizations wish to cooperate on the joint trainings and raise the overall awareness related to water safety.

## COMMUNITY RELATIONS MANAGEMENT AND INDICATORS

### EFFORTS FOR THE SAKE OF THE ENVIRONMENT

Tallink Silja Oy and WWF Finland have been partners in protecting the Baltic Sea since the year 2001. With the new extended partnership with AS Tallink Grupp from 2016 this work will be continued.

„WWF is happy to have one of the biggest brands operating in the Baltic Sea working with us to save the Baltic ringed seal and the Baltic Sea. The Baltic Sea is one of the most vulnerable and polluted sea areas in the world, and we need frontrunners to show how we can help conserve it. Together we also aim to raise awareness of the importance to protect the Baltic Sea“, said Liisa Rohweder, the CEO of WWF Finland.

WWF protects the habitat of the seal, the Baltic Sea e.g. against eutrophication and oil spills. The ringed seals are Arctic species, and their survival depends on the presence of ice and snow. That is why climate change poses the biggest threat to the Baltic ringed seal today. For example the Archipelago Sea may only freeze for a few weeks in the future, which is not sufficient to carry the ringed seals through the breeding season.

### SEB TALLINK TENNIS TEAM & ESTONIAN TENNIS FEDERATION

In addition to supporting individual professional tennis players in Estonia, such as Kaia Kanepi, Anett Kontaveit, Jürgen Zopp and Vladimir Ivanov, the Group has established a tennis club for young tennis players in cooperation with SEB, named SEB Tallink Tennis Team. Several top management employees like the Chairman of the Supervisory Board, Mr. Enn Pant and the CEO of Tallink Hotels, Mr. Peter Roose engaged closely to the work in the Estonian Tennis Federation, respectively as the President and Board Member of the organization.

### CHILDREN ARE THE FUTURE

In all our home markets, projects involving educating children or helping those in need, especially concerning health matters, are very close to our heart.

In Estonia, the Group participates annually in the SEB Charity Foundation's projects for children from orphanages to organize them memorable trips and useful swimming lessons. Also, for the second year, AS Tallink Group is the supporter of NGO Minu Unistuste Päev, which is an Estonian charity foundation fulfilling the dreams of severely and chronically ill children.

In Finland, the subsidiary Tallink Silja Oy supports the Association of Friends of the University Children's Hospitals, Kummit.

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