

A close-up, slightly blurred photograph of light-colored fur, possibly a mink or fox, with a distinct dark patch or shadow on the left side. The fur has a fine, directional texture.

Sustainability at Saga Furs 2017

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Frontrunner in Sustainable Fur

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Materiality of Sustainability

Sustainability at Saga Furs Oyj (plc) is driven by company strategy as well as a focused approach, based on assessment of those sustainability issues most relevant to our operations and core stakeholders. In 2016, the reassessment and re-prioritising of the material aspects of the company's operations was done. The content of this publication is based on the findings of that reassessment.

You can find more information on Saga Furs' sustainability work at www.sagafurs.com/CSR and from the Financial Statements for season 2016/2017 and Corporate Governance Statement.

CEO Review

Our sustainability is about our people and their stories. It's about the work they do and the choices they make. We've come a long way in our journey to become the industry leader in ethical and sustainable business, and we owe our success largely to the integrity of our people.

This year, the launch of our Code of Conduct has been a landmark project across the company. We have our values of Reliability, Profitability, and Sustainability to help keep us on track; and it's from these values, as well as from international law and legally recognised principles, that we've created our own distinct Code of Conduct.

The new Code forms the framework for all company operations and sets out standards of behavior for all employees including our Board of Directors and Management team, who have all signed up to the code. Internal roll out of the code is ongoing and so far more than half of our personnel have been trained and signed up.

CERTIFICATION PART OF OUR DNA

Late in 2017 a disturbing issue arose, which could be seen as a defining moment for our industry. It involved an enquiry into the unacceptable practice in isolated cases of producers raising oversized Blue foxes. Saga Furs has strong processes and tools promoting sustainable and transparent fur farming, which we've been building up and taking actions on for many years. These include our Farm Certification Programme, which works like the DNA of the company, as well as product traceability as an assurance to our fashion customers. Since Saga Furs only sources foxes from certified farms, we were able to react immediately and decisively.

We issued a new company directive that oversized fox skins will not be accepted, and would be sent back to the producers involved. ProFur, our parent association, added a new vet to their team, dedicated to monitoring farms and fox weight. We are also redoubling our efforts in producer education to create a clear understanding that there are no benefits from raising oversized foxes and that in doing so their farms will not be eligible for Saga Certification by Finnish Standards.

A NEW MILESTONE IN CERTIFIED MINK

On a higher note, earlier this year, we led the industry with our new offering of 100% certified mink lots at our auction. Responding to demand from global brands and the next generation of consumers on sustainability and animal welfare, we're continually developing our Certification Programme to meet the highest standards that go well beyond what the law requires. Saga Furs sales of Fox and Finnraccoon have already been 100% certified for over five years, however, this new mink offering is the first of this kind for Saga Furs and the industry and I see it as moving the producer community towards even higher standards.

WELFUR IMPLEMENTATION

From this year, certification now incorporates a new industry-level protocol called WelFur, a science-based animal welfare assessment, which

was developed by independent scientists at seven European universities. We were pleased to work with the fur and fashion industry on the development of WelFur as one of the lead sponsors of the programme. For us it has become a very valuable tool that provides additional validity to our existing Certification Farm Management System.

DIGITALISATION TECHNOLOGY AND GREEN POWER

We are moving forward proactively on digitalisation with big programmes in place, rolling out electronic channels across the business. In addition to the environmental benefits, digitalisation helps us provide better, faster and more transparent services to our supplier farmers, trade customers and buyers, as well as among our own employees. We're also experimenting with online auctions for selling small quantities of warehouse products in between our larger on-site auctions, held four times a year. We also continue to source all electricity for heat from renewable waste to energy.

”Our success is measured not only on results but on how we achieve them.”



A new company wide Code of Conduct launched in 2017 further positions Saga Furs as the industry benchmark for ethical and sustainable business.

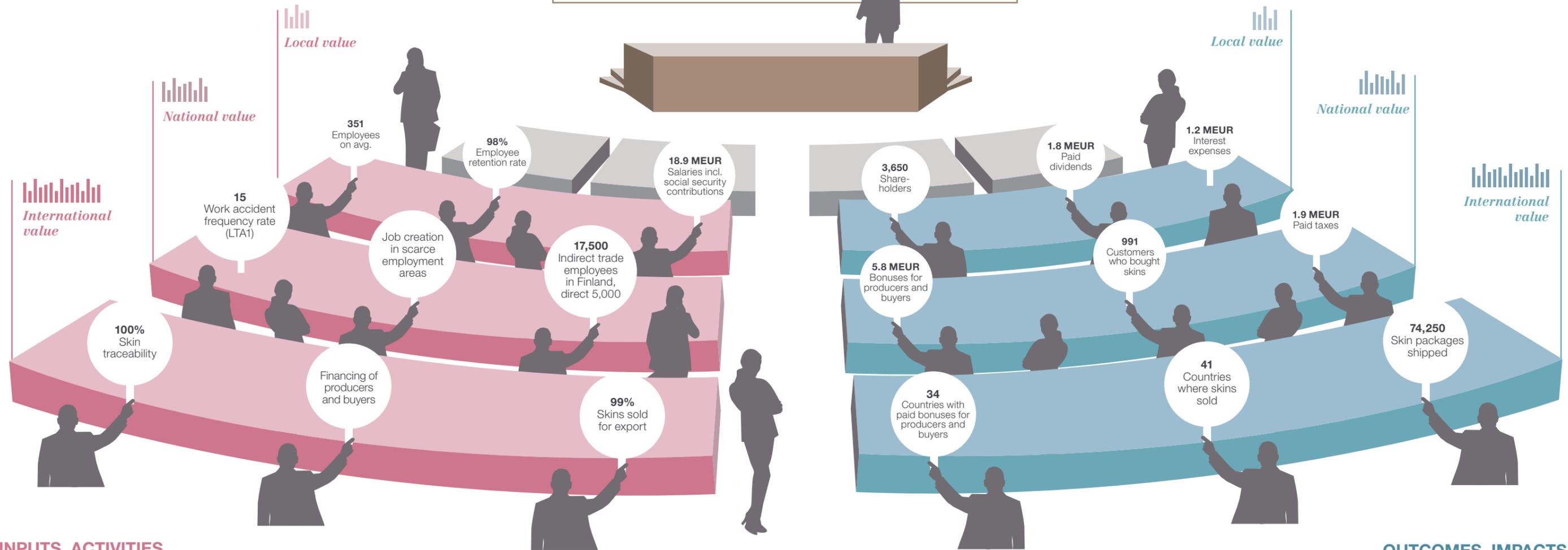
Value Creation

Key figures

Net turnover 52.7 MEUR
 Value of sales 437.1 MEUR
 Operating result 5.8 MEUR
 Result before taxes 9.2 MEUR

Four auctions per year

7.3 million Mink skins
 2.4 million Fox skins
 150,000 Finn raccoon skins
 320,000 Karakul sheep skins



INPUTS, ACTIVITIES

Code of conduct taken into use and personnel trained. Continuous reduction of energy use and CO₂ emissions. Producers see the link between business and sustainability.

As an auction house, Saga Furs is well positioned in the fur industry to bring significant economic, social and environmental value that goes beyond financial returns to its shareholders to include a wider group of participants with a 'stake' in our ongoing success.

VALUE THROUGH DOING BUSINESS

Saga Furs value network partners all contribute to, and benefit from, the value we create through our core auction consignment business; whether through providing income to rural producer communities; bringing

sustainable employment to our workforce; or providing tax income and shareholder value to society.

VALUE THROUGH BEST PRACTICES AND PROCESSES

Saga Furs' farm certification, implemented through its parent association ProFur, guarantees that products sourced from Saga farms have high environmental management standards and animal wellbeing. Saga Furs provides its producer suppliers and big brand customers with a high degree of added value, which can increasingly be described as their license to operate.

OUTCOMES, IMPACTS

Investments in digitalisation of business, product development and green dressing. Transparent value chain for fashion customers.

Further along the supply chain, the company's industry-leading sustainable production practices, which range from sophisticated tools for developing fur pelt quality to design solutions for zero material waste in manufacturing, also bring value for upstream designers, fashion manufacturers and consumers.

VALUE THROUGH INTELLIGENCE SHARING

Saga Furs also promotes continuous and open communication networks throughout the fur industry. Examples include providing real-time business

intelligence to local lawmakers, producers, and brokers; offering fashion customers traceability information on farm origin and certification of our products; as well as educating designers, fashion brand customers, and consumers on sustainable fur dressing standards.

By taking into account the interests of employees, suppliers, customers, partners and communities, we maximise our ability to create and capture value in a partnership network that extends locally, nationally and globally.

Certification and Animal Welfare

“Certification is really what gives us our license to operate,” says **Charlie Ross**, Saga Furs’ Head of Sustainability. “It’s an important part of our strategy and requires a huge upfront investment.” Based in New York, Ross works a lot with the company’s big brand fashion customers, who increasingly see certification as their own license to operate. Repeatedly he has seen that the fashion industry is willing to pay a certain premium for certified fur lots.

One of the reasons Saga Furs has been investing so heavily in certification has been in response to ongoing discussions with the fashion industry.

“The big brands consider fur to be an important part of their collections but they want a transparent and risk-free supply chain.” Ross explains. Fur sourced from our certified farm suppliers is inspected by independent inspectors then audited by third-party auditing companies, making the whole process completely transparent.

” *Many of our customers and increasingly more brokers want only Saga certified furs from farms.* ”

Charles Ross, Head of Sustainability

THE GOOD OF THE INDUSTRY

Industry competitors are talking a lot about certification, but Ross insists that Saga Furs is still the only auction house with a real boots on the ground project. “We want the whole industry to come along with us, while at the same time keeping our competitive advantage.”

This year the industry has jointly launched a new scientific animal assessment process called WelFur, with Saga Furs as one of the lead sponsors.

“Saga Furs welcomes this industry level initiative,” says Ross. “It’s not a substitute for our certification, but a strong scientific support to validate our overall farm management programme.”

READ FULL REPORT
www.sagafurs.com/CSR



Meeting the Fur Producers

” *We hold our suppliers up to the same level of integrity we expect from ourselves.* ”



Quality Manager **Björn Eriksson** manages quality issues in the company’s farmer-supply chain in Nordic countries and carries out farm certification audits in Europe. Eriksson

was himself a fur farmer and understands well how producers feel and what their main challenges are.”

Eriksson and his team are aware that any violations of common ethical principles by producer suppliers still represents a threat to the reputation of his company. “This is why we have such a strict certification and auditing programme.” In most cases the farmers are very responsible and have excellent health and safety procedures on farms or other supplier premises. Some are also pushing to close the loop on energy use and other high-tech farming practices.

Eriksson visits farms to ensure that the

rouines the producers have fulfil the criteria Saga has set out for them. “And that they’re doing what we’re telling our customers they’re doing.”

When in the field, Eriksson says he doesn’t like to follow the farmer around, and go where they want me to be taken. He prefers to go off on his own and really look closely at the animals and their living conditions and get his own feeling for the whole operation.

Developing Practices

” *It’s unfortunate that the behaviour of some producers has affected the vast majority, who act responsibly.* ”



During 2017, an industry level inquiry arose into the practice in some cases of producers raising oversized foxes. The inquiry carried

over at multi-stakeholder levels. Commenting on the practice, **Marja Tiura**, Managing Director of ProFur says, “the consensus at industry level is that it’s absolutely unacceptable.”

In response to the investigation and multi-stakeholder discussion, Saga Furs announced its decision not to accept oversized fox skins, thereby ensuring that there would be no value proposition for farmers to raise such larger foxes.

“Producers need to ensure that animals under their care reach an optimum size suitable to their frame and body weight which

ensures them a state of balanced health.”

ProFur plans to redouble its efforts, together with Saga Furs, to provide additional targeted education, counselling and supervision for Finland’s certified Blue Fox skin suppliers to ensure that cases like this do not happen in the future. “

Farms raising Blue fox for sale in Finland to Saga Furs are audited regularly as well as subject to third-party inspection. According to Tiura, if a certified fox producer is found to be breeding oversized foxes, they will lose their certification license and no longer be able to sell via Saga Furs.

Interview with a Vet

” *In my work, if I want to know something about animal welfare, I don’t make assumptions, I use evidence-based research.* ”



Johanna Korpela is an expert veterinarian working with ProFur. She takes part in a number of different types of farm visits, from

treating animal sickness and preventative health to co-hosting open farm days, where communities are welcomed in to observe and ask questions.

Korpela recently joined an international farm audit from a big global fashion brand as an onsite animal expert. In addition to providing language interpretation of the information and opinions of the Finnish fur producer, Korpela’s role was to answer questions arising from the animal welfare and farm management perspective as well as just generally help the delegation interpret what they were seeing.

Korpela is also active in the scientific research side, including applying the new WelFur protocol to her work. An investigation into nesting boxes for female foxes is an example of a recent project with the Luova Research Farm. “We wanted to see how nesting boxes could be made differently to support better birthing conditions for female foxes,” Korpela explains. The team are now assessing the results.

FARM CERTIFICATION AT SAGA FURS

As the only fur seller in the industry with its own supplier farmer certification and auditing programmes on farm management, including the environment and animal health and welfare, Saga Furs has been working for ten years to bring certification to the fur farming community. They began in Finland and are now exporting to other European and North American supplier farms seeking to qualify their fur products to be sold by Saga.

In Finland, the law sets requirements on fur farming, but with its certification programme Saga Furs goes beyond these. In Finland the responsible implementing partner is ProFur and abroad Saga Furs. Saga Furs sources skins only from certified Fox and Finn raccoon suppliers. As an additional guarantee, an independent auditor DNV GL conducts random audits of Saga Furs certification processes in countries where the company has suppliers.

Key Farm Certification Criteria

1. Animal wellbeing and health
2. Conditions for rearing animals
3. Farm hygiene
4. Breeding
5. Environmental management
6. Feed management
7. Training and preparing for exceptional situations



Production Director Sameli Mäkelä (left) and Development Manager Juha-Pekka Jaakkonen present RFID: a sticker attached to the product's tag that can be read via a smartphone application.

Traceability

Fur fashion consumers are increasingly asking for more transparency on the fur supply chain including information about the Saga supplier farms. For several years now, Saga Furs has been the only one in the industry with its own traceability system, STS (Saga Traceability System). Now Saga Furs is getting ready to take traceability to the next level with RFID tagging technology, which follows the skin all the way to the ready garment.

OPEN SUPPLY CHAIN

Saga Furs Head of Sustainability, **Charlie Ross**, describes RFID for a retail store as the simplest way of tracing a garment, or the skins in a garment, from the store back to their origin.

"The big brands want to address the question that consumers increasingly ask: where did this product come from?"

RFID technology would provide interested designers or retailers on the selling floor, whether they're in New York, Madrid or London, with real time information on country of origin.

"It is possible that, just holding a mobile phone up to the RFID tag and scanning it will open up complete transparency on the supply chain," Ross affirms.

"RFID technology would provide interested designers or retailers on the selling floor, whether they're in New York, Madrid or London, with real time information on country of origin."

Sameli Mäkelä, Production Director

Farmers support RFID development. They've come to understand that product traceability across the value chain is important for their own business continuation. "Many of them are excited when they hear that their products are being carried by the leading fashion brands too," says Ross.

RFID: BALANCING TECHNOLOGY WITH COST

At Saga Furs head office in Vantaa, Finland, a team of Saga Furs engineers, led by Production Director **Sameli Mäkelä**, has been working to

create the right kind of software and hardware system that would be up to the job. The team already has a system for tagging each skin with a specific or unique ID to be carried on through the manufacturing process. However, the main sticking point is the fur dressing and dyeing phase. This involves high temperatures and a lot of twisting and pressing to soften the leather.

"We have to find a solution for the tag that is smaller and cheaper but resilient enough to withstand the rigours of the fur dressing but still sufficiently cost-effective for our customers to be able to take it into use."

Juha-Pekka Jaakkonen, Development Manager of the project, is spreading samples across the table. One low-cost solution is a sticker

with a 1 mm by 1 mm chip, which would contain all the product data. These would be embedded directly into hang tags. Mäkelä shows us how the thin copper wire inside acts as an antenna. Radio signals from a mobile phone induce electrical responses that activate the chip and send the information back to the receiver.

"We've been experimenting with certain tags that could stay through the whole production process," he says, "but we're not there yet." "We know what we're looking for now in terms of materials," adds Jaakkonen. "Now all we have to do is figure out with our partners how to tailor our specifications into an affordable solution."

What Does Traceability Mean?

1. Traceability stands for the reliability of the product's origins and chain of custody documentation.
2. Through a precise documentation and traceability programme international fashion houses can tell to their customers the origins of the furs they use, all the way back to the farms.
3. The requirement for detailed documentation steers fur breeders towards even better and more sustainable production methods.
4. Saga Furs steers development through its operating policy, for example, by refraining from selling skins that have not been produced, at a minimum, according to the conditions stated in the revised recommendations of the Council of Europe or other national regulations.



Environment and Climate

As part of the company's new Code of Conduct, Saga Furs employees are pledging to personally take every opportunity to decrease the environmental impact of their own work and of their teams by reducing waste, increasing energy efficiency, or preventing pollution. One of them is Maintenance Manager **Mika Mustonen**.

Over the nearly ten years since Mustonen joined Saga Furs, he's been committed to reducing energy and water use in the company's overall operations. General electricity use has been cut by 25%; electricity for heating is down by close to 14%; and water use by nearly 37%.

The biggest reason for the fall in that water consumption has come from the retrofit of the head office ventilation system from 2009 to 2012, replacing so-called cell humidifiers with significantly more effective steam humidifiers.

With regards energy use, in spring 2009, Mustonen began renewing office automation and this is ongoing, ensuring that machines and equipment operate reliably and economically. Consumption of district heat has been reduced by the renewal of building technology and the upgrading of heat recovery equipment. Under Mustonen's watchful eye, the company is also actively monitoring machine running times and making optimisation adjustments.

But there are challenges due to the nature of the business, which directly affects consumption levels. For example, if skins are left out of stock for a long time, they must be stored in conditions as cool and moist as possible. "This adds to our energy consumption in summer time in direct

correlation to the volume of skins being stored in house and to the length of time they are there," Mustonen explains.

During the period between 2009 and 2012, Mustonen embarked on a project to replace hall lighting and lighting controls, including halving the number of fluorescent tube lights in the company. This has had a pronounced effect on electricity use. Mustonen has also been looking into the future possibility of converting the company's warehouse lighting into long-life LED lights. The plan would potentially involve the installation of 6,400 LED lights.

"However, it's not a clear cut as you would think," says Mustonen. "While the plan would reduce costs and energy use, Finland's cold climate must also be factored into the decision." It turns out that a lighting retrofit will bring down the amount of heat generated by lights, which would then have to be offset by the heating spend. So that discussion is still on the table.

But for Mustonen cutting energy and water use at operational level is only part of the story, "I'm working every day to motivate our employees to reduce their individual environmental footprint. And we're seeing some good effects thanks to the whole team."

CUTTING CARBON IN TRANSPORTATION

Jyri Somersalo, Responsible for Transportation, oversees the transportation of skins from Saga Furs main warehouse to external storage facilities. Somersalo says he's committed to finding logistical savings wherever he can.



Jyri Somersalo (left), Responsible for Transportation, and Mika Mustonen, Service Manager, try to reduce Saga Furs' environmental burden through their own work.

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"In my job, I'm always looking for ways to lower environmental impacts," Somersalo affirms, "which usually also means saving time and of course cost."

In a space optimising measure, in packaging, a system of compressing the skins to half their original size has already been developed.

"This approach increases the load capacity per truck and lowers carbon emissions and energy spend."

Up until recently, Somersalo has overseen a small fleet of trucks traveling back and forth to three external warehouses, located at various distances from the main warehouse. However, when space opened up on a site next door to the Saga Furs Head Office, it was possible to end the

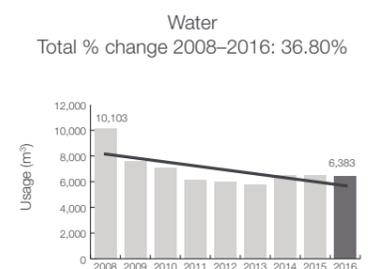
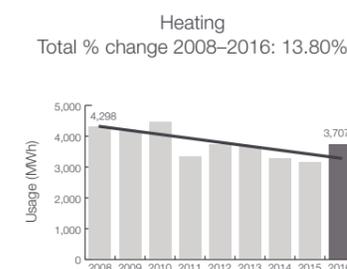
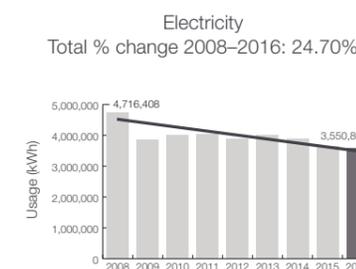
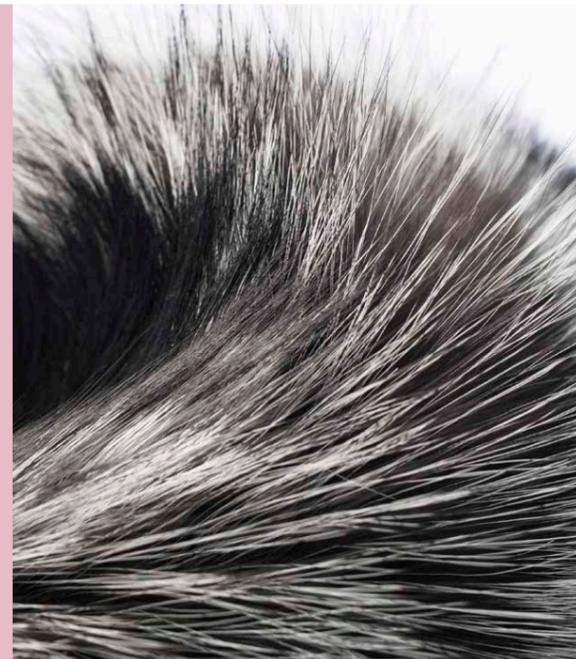
lease on a warehouse furthest away and begin renting new space close to home. With the new warehouse taking effect in 2018, Somersalo has been busy calculating the reduced number of truck journeys and estimates a 20% year-on-year reduction in transport costs and emissions.

Somersalo's colleagues are also recycling 98% of the packaging cartons in which the delivered skins are received – an estimated 80 tonnes per year. The rest of the material is reused internally.

Even though in the overall picture of the company's energy spend, these savings are not overly large, Somersalo is motivated by the results, saying: "It's not a lot in the big picture view, but it's all worth the effort."

What is Saga Furs Doing for the Environment?

1. At the fur producer level, sustainability criteria within the Saga Furs certification process is pushing Finnish producers towards closed loop energy and low-carbon practices.
2. In Finland and abroad, the company continues to conduct inspections directly or through partner organisations on supplier farms and where possible only source from Saga Furs certified producers.
3. As part of the company's internal efforts to reduce its carbon footprint, Saga Furs has launched an initiative to go paperless, with focus on big digitalisation projects across the business.
4. Company-wide Skype technology gives the opportunity to organize online meetings. This reduces unnecessary travelling.
5. Company headquarters as of 2016 sources 100% renewable energy for heating from its electricity supplier in Vantaa, Finland.



Faster Data

” We continuously aspire towards better services and shared data that all our stakeholders can take advantage of for the betterment of their business.”



As part of Saga Furs commitment to transparency throughout the value chain, Chief Digital Officer, **Anne Markku** with her IT-team together with business units is opening the way for faster and more effective information sharing with stakeholders across the board.

In describing the company processes, Markku says “Digitalisation is changing our processes and way of working faster than ever.” At the time of this interview she’s in the middle of renewing manual processes and systems.

“We are aiming to have services to the level that 100% of fur producers and customers are eager to use digital services by 2021.” According to Markku, currently most producers fluently use extranet and only a few have paper management. Many producers are keen to enter the digital world and be seen as technology savvy, but they just need a bit more help to get there.

Anne’s team is therefore focusing on enhanced usability and must-have services: “We

want to make our online services so reliable, quick and easy and compelling for every partner and customer that they won’t ever think of going back to pen and paper!”

With our production functions, Markku says, software and solutions are being developed to open up faster, better data for producer suppliers and auction preparations. Digital technology with our high automated skin sorting means the company can have product data available earlier and earlier. This makes good business sense: “The earlier we have the product data and the possibility to share it, the sooner we can get together with our suppliers to ensure we’re developing the right product for the right market.”

More Open Data

” Customers using our digital system get easy and quick access to price valuations and comparisons from previous Saga Furs auctions.”



Saga Furs is also actively promoting digitalisation with its brokers and customers. Everything that can be digitalised in our customer

purchasing is being digitalised,” says Business Manager **Jyrki Sura**. He’s just returned from Hong Kong, where he trained brokerage firms on how they can best maximise the use of Saga Furs’ online services. Sura carries out trainings regularly around the world to help customers with digitalisation challenges and to encourage the uptake of the company’s online My Catalogue service. One of Sura’s favourite stories is of the British broker who came to him the first year with a pencil, proclaiming it the only tool he needed. But the next year he returned with an iPad.

“It’s all about speed and transparency,” says Sura, “customers using our digital system get easy and quick access to price valuations and comparisons from previous

Saga Furs auctions.” The company service is available in all time zones.

“But as well as getting information, the advantage comes in being able share it!” Using the Saga Furs tool, customers, for example, sitting in China can share information sourced through the Saga Furs system directly with their brokers, who might be sitting at the auction in Finland.

“This can be business critical for us,” Sura explains, “because brokers in our auction room, can then focus on making purchases, instead of doing their research on the phone, which means less errors and better momentum in the auction room.”

Cleaner Baltic Sea

” Saga Furs works with its supplier farms and ProFur to reduce environmental impact. This has a direct positive impact on the state of the Baltic Sea.”

This year, Saga Furs, through its parent association ProFur, has made a formal commitment with the Baltic Sea Action Group (BSAG) to focus joint efforts on reducing the impacts of fur farm manure on waterways. Working together with industry, the commitment will involve conducting research projects to deal with waste more efficiently as well as finding alternative commercial solutions, particularly related to reusing the phosphorus found in animal manure.

“Phosphorus is a finite resource,” says **Jussi Peura**, Research Director at ProFur. Phosphorus is currently mined and sold to industry with global supplies expected to be depleted in the next couple of decades. However, Peura explains that at current prices there is still no business value proposition for producers to extract phosphorus from waste for sale. Instead, the association in partnership with the BSAG is looking at other short- and longer-term solutions.

Many people are not aware that, in practice, by sourcing nutritious high phosphorus raw fish feed, the fur industry contributes to a cleaner sea. “Fishing by-products that go into healthy feed for fur animals are rich in phosphorus,” Peura explains. ProFur is working in partnership with BSAG and the industry to maximise future opportunities that make good business and environmental sense.

People and Code of Conduct



Human Resources Director Marjatta Paunonen encourages every Saga Furs employee to respect each other regardless of their background.

Saga Furs encourages a safe and healthy workplace, driven by a culture of respect for everyone regardless of their background. It’s a place where personal achievement and professional growth are nurtured and our business can thrive as a result.

“Saga Furs’ greatest asset is its people,” affirms HR Director **Marjatta Paunonen**, “and we earn the respect of each other and our stakeholders by providing ourselves with a safe, healthy and fair working environment.”

” We’re all partners in promoting a safe, open and inclusive workplace that inspires personal growth and professional results.”

Marjatta Paunonen, HR Director

NEW MULTIPURPOSE OFFICE BUILDS TEAM WORK

In December 2016, all of the company’s office workers based at the Head Office in Vantaa were offered the opportunity to move into a newly developed joint multipurpose office space. According to Paunonen, the project attracted a lot of interest, with 18 employees electing to move.

Prior to implementing the new common workspace, employees involved were able to influence the selection of materials, as well as the desk layout and many other details related to office ambience. They have also

been creating common rules for open office working. “Feedback from the experiences, taken in regular joint discussions, has been solely positive, with staff noting that interaction among the team has been enhanced and strengthened following the move.”

Work Capacity Coaching

In the last two years, Saga Furs has invested in employees with coaching related to personal wellbeing. During the 2016–2017 period the coaching was offered for salaried and senior salaried employees. The programme begins with an assessment of each participant’s work load and current state of health. This includes an employee’s daily rhythms such as whether they are getting sufficient exercise, nutritious and regular meals, and above all, recovery and sleep. Participants select areas they would like to develop and decide on personal goals often linked to special features influencing their respective work. Within small coaching groups employees can find new ways to develop their jobs while setting their own personal goals for coaching. Small groups met with their coaches six times a year. Workers have also had a break-away programme that guides and reminds about the importance of breaks and increases the variety of mobility for a business trip.

CODE OF CONDUCT

The capstone for this year has been Saga Furs' new Code of Conduct, launched in the second half of 2017. The Code forms the framework for all company operations and sets out standards of behaviour for all our employees, including our Board of Directors and Management Team members, who were the first to sign up to the Code.

According to Paunonen, the Code of Conduct rollout is ongoing. It began with an internal communications briefing for managers followed by a companywide internal launch and open forum, lead by CEO **Perti Fallenius**.

"However, the Code has no value unless our people understand it and act accordingly," Paunonen explains. To this end, the company has also developed a Code of Conduct online training package, which gives numerous examples and scenarios of the Code's seven principles. In addition to training, Saga Furs employees have a written prospectus available, to help them understand and comply with the Code. The prospectus links the main ethical risks in their respective jobs as well as sets out clearly why the Code is important for them and the success of the company. It also provides a quick reference to help employees know what to look for and who to turn to if they have concerns or are uncertain of the best course of behaviour in a situation.

CODE OF CONDUCT: DOCUMENTING WHAT WE ALREADY DO

"With the code, we're not building a new way of working but rather confirming and documenting what we already do."

Juha Huttunen, Deputy Managing Director and CFO

In response to changing regulations, our international expansion, and increased stakeholder expectations, Saga Furs has resolved to increase focus on transparency. In this context, Saga Furs has created a written Code of Conduct to which every employee will be asked to sign up. During the first-quarter 2017, the Code was approved by the company's Board of Directors and has just been launched internally.

"Saga Furs has always been committed to operating in compliance with the rule of law as well as the highest ethical standards in all markets, cultures, and geographical regions where we do business," says **Juha Huttunen**, Deputy Managing Director and CFO. Not only is Saga Furs



highly committed to following all laws and rules of behaviour related to the company's business, but wherever possible we want to go beyond them. "This is in keeping with our goal to lead the industry in ethical and sustainable behaviour," Huttunen affirms.

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SICKNESS ABSENCES

% of theoretical regular working hours

	Total	Seasonal	Permanent
Season 15/16	4.49	6.13	2.50
Season 16/17	4.05	5.44	2.33

PERMANENT STAFF EMPLOYEE TURNOVER: 2.3%

EMPLOYEES WITHIN THE SCOPE OF COLLECTIVE LABOUR AGREEMENTS, 31 OCTOBER 2017

Saga Furs Oyj:
total 123 employees, of which 79 are within the scope

Saga Congress Center:
7 permanent staff, of which 4 are within the scope

Furfix Oy:
16 permanent staff, of which 15 are within the scope

Group (in Finland) total:
146 permanent staff, of which 98 are within the scope

GENDER BREAKDOWN, 31 OCTOBER 2017

	Men	Women
Saga Furs Oyj, permanent staff in Finland	66	53
Saga Furs Oyj, seasonal staff	0	4
Saga Congress Center, permanent staff	2	4
Saga Congress Center, seasonal staff	1	0
Furfix Oy, permanent staff	5	7
Furfix Oy, seasonal staff	2	2
Saga Furs Oyj, abroad	19	18
Group total	95	88

SEASONAL WORKFORCE DURING SEASON

Total seasonal employees 315, of which 76 were new contracts*. Seasonal employee turnover: 24.1%
* Some of the new employees have worked in the company earlier, but not during the previous period.

Product Development

"Saga Furs has set the benchmark for the rest of the industry on animal welfare, ethical sourcing and sustainable production practices."

Tia Matthews, Fashion Business Director

"Manufacturing customers are under increasing pressure from consumers to communicate on how fur products are being made and whether the practice is sustainable," says Fashion Business Director **Tia Matthews**. "And they're looking to people like me to help them."

"As an auction house, you could say that our corporate responsibility starts at the warehouse door," says Matthews, "when the products arrive from our fur producer customers and ends just after they've been shipped." However, the goal of Saga Furs is not just to be legally compliant, but through its corporate responsibility programmes, to position the company as an industry leader in ethical and sustainable business.

CIRCULAR ECONOMY

While the supply chain in the fur trade is long and complex, often involving local suppliers, dressers, and producers in a number of countries, Saga Furs is committed to promoting ethical business principles with its partners ~~where possible~~ chain, as an example of circular economy, has a

good environmental story to tell," Matthews affirms. "It has everything from environmental waste reduction through animal by-products to the sustainability and reusability of our end products."

When it comes to production, Saga Furs annual Fur Vision event is a gold mine of inspiration for designers looking for new techniques, including the sustainable use of fur from the point of view of zero raw material waste.

SUSTAINABLE DESIGN

Artisans at the Saga Furs Design Centre in Denmark have developed a highly skilled approach called Intarsia, which involves scraps of fur being laid out together. "The result not only looks stunning but it promotes zero waste." Another technique called Air Gallon Hole Punching, expands the fur in the garment and makes it lighter with less material used.

Saga Furs design experts also demonstrate innovative ways to layout patterns onto fur skins to optimise material use. For example, manufacturers can even receive skins, prior to cutting, with printed patterns on the back that ensure the least amount of waste product.

VINTAGE FUR

Matthews says high quality and personalised clothing with longevity are trending in fashion at the moment. She cites a recent campaign called *Vintage Fur* carried out in social media, print and the blogosphere. Unlike oil-based artificial fur, vintage fur is a natural, warm and versatile material



Charles Ross (left), Head of Sustainability, and Fashion Business Director Tia Matthews say Saga Furs wants to be the industry leader in ethical and responsible business in the whole value chain.

with a low ecological burden; and it can stay in use for decades – with the option to revamp along the way.

Generally, Matthews sees a growing interest in fur in the fashion forward social media, with people wanting to know how fur is being used on

the runways. She sees demand for fur in the textile industry also growing but not just demand for any kind of fur. Matthews stresses that: "Today's consumers want ethical fur. They want to know that the animals were raised responsibly and that the environment has been taken care of."

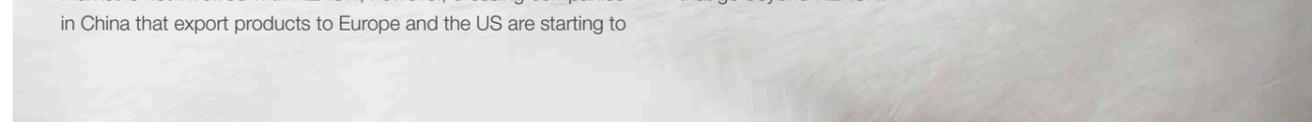
Green Dressing

"The fashion brands and multi-brand retailers are definitely asking for greener dressing from their suppliers!" says **Charlie Ross**, Head of Sustainability. "Fur dressing is a chemically intense process," Ross explains, "first tanning the skin side then softening and cleaning the fur side to turn it into a skin to be shipped to the customer."

At industry level, the existing standard for chemical use in dressing is called REACH. Ross notes that although most REACH-compliant dressing companies are still in Europe and North America, he's starting to see progress in Asia. The domestic Chinese market is not involved with REACH, however, dressing companies in China that export products to Europe and the US are starting to

understand and comply with the REACH guidelines. A new standard called Fur Mark is also gaining weight in China, and will involve overseeing and eventually certifying the dressing processes within Chinese factories.

While China's wide-ranging compliance levels gradually evolve, in Europe Ross is encouraged to see that leading companies in Europe are already investing in product testing to new high levels that go beyond REACH. This is to pre-empt future protocol coming on stream in 2020. "That's got to be where the future direction lies," says Ross, "because the big brands and retailers are going to demand safe and environmentally-friendly chemicals and processes that go beyond REACH."



Open Communication and Value Chain

“From the farming community hall to the auction lunchroom; and from our fashion Design Centre to our annual Fur Vision we're engaged in one continuous stakeholder dialogue.”

Tytti Hämäläinen, Senior Communications Manager

The company's auctions, held four times a year, make for an optimal cross-sector gathering point for Saga Furs core stakeholders. Auction guests include Saga Furs executives and sales reps, Fur Association members, buyers, and fur producers, together with the media, government and local community members.

"We come together for multiple days, working and eating meals together in the same shared space," says Hämäläinen.

SHARING SESSIONS WITH PRODUCERS

The company also engages producers at home in their own communities. The CEO and other management members, as well as industry experts,

regularly travel to local fur producing areas for direct information sharing and pre-season training sessions with farmers. And when they can't be in the same room, Hämäläinen says: "In addition to newsletters and extranet, we also send SMSs and WhatsApps to producers for quick information exchanges."

FUR VISIONS AT FASHION CAPITALS

In September 2017, Saga Furs hosted its 17th annual event, drawing together leading fashion designers, fur trade partners, design schools, media and retailers from around the world – the events are organised in Milan, Paris, New York, London, Beijing, Seoul and Shanghai. "We try to make it a very open and friendly event, with everyone sharing together," says Hämäläinen.

Despite the elevated haute couture of the designs on show, the conversations are very down to earth. More and more, the company's fashion partners want to use the occasion to learn about Saga Furs as an ethical and responsible partner.

OPEN FORUM IN THE LUNCHROOM

We are sitting in Saga Furs' cafeteria where the entire personnel, from



Tytti Hämäläinen (left), Peter Busi and Rainer Busi talking in the Saga Furs canteen. "You never know who you eat your lunch or drink their coffee with," they say.

warehouse workers, graders and experts to top management, share information among themselves. You never know who you are going to have lunch with. "There are approximately 350 of us, so it's easy to get to know the entire personnel," says Hämäläinen. "I got to know my wife here," says a man from across the table.

Hämäläinen starts up a conversation with Peter Busi who works in fox grading. Busi has worked for Saga Furs for 26 years, and other members of his family are also and have been employed by the company. Busi says that when he applied for a job at Saga Furs and was at the interview, he didn't talk about his brother who was already with the company, so as to avoid any possible conflict of interest. That is also what his and his brother's children did when they joined Saga Furs. "I gave the name of the contact person, but otherwise I didn't want to meddle with the application process," says Peter Busi. The job seems to be a good one, as up to six Busis from two generations have earned their paychecks at Saga Furs. "I

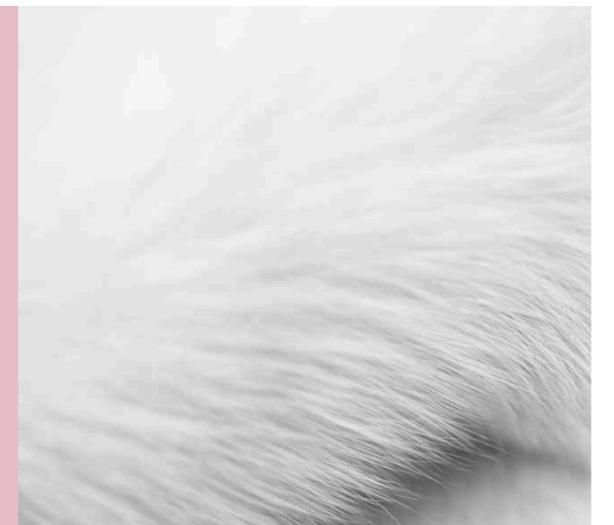
like the diversity of my duties. When the busy season in grading is over, I get to do renovations or shovel snow on-call." Peter's brother Rainer Busi agrees about the diversity. He has worked for Saga Furs for 38 years. He is the fox grading supervisor, but he's also the trusted person in charge of the high-tech coffee machine, among other important tasks.

LOOKING FORWARD TO 2018

Next year, Saga Furs is committed to communicating more widely and regularly with individual consumers. The company is already very active on Facebook, Instagram, and YouTube, sharing Fur Vision clips and up-to-date design information and fashion postings. According to Hämäläinen, social media campaigns are planned for the year to open up a more high-quality dialogue among the growing number of ethically minded millennials. "They care about ecology and many see real fur as the ecological choice, compared with the plastic-generated fake fur that goes

Saga Furs Communicates Openly

1. Financial Reporting: Saga Furs is the only industry member with a stock exchange listing requiring financial disclosure. The company also voluntarily engages in regular sustainability reporting.
2. Yammer: Saga Furs has re-launched Yammer, the company-internal social media where open dialogue on a range of topics invites frank and open exchanges across the company.
3. Corporate Social Responsibility: During 2016, Saga Furs launched a Corporate Social Responsibility function with the goal of creating a uniform approach to information sharing, target setting, reporting on progress, training, and responding to challenges and opportunities related to sustainability across the value chain.





Samantha Vesala (2nd from left) and her team are responsible for the Asian market. Members of the team in the photo are Spark Fang, Kelvin Ding, and Kate Sori Mok. In Asia, environmental consciousness is increasing fast.

Saga Furs' know-how in fur craftsmanship draws from the company's successful Denmark-based Design Centre, which since 1988 has been visited by over 30,000 guests from all over the world, including Chinese designers and design students.

"The Chinese market is very important to Saga Furs, which was the first international auction house to establish an office in China already 30 years ago. And this new venture will be an important new platform for continuous engagement."



18 into landfill. Consumers also want to know more about animal welfare standards. They want to know that the farm animals are raised humanely and that the environment is being taken care of."

16/17 **EXPANDING STAKEHOLDER ENGAGEMENT IN ASIA**

Business Director **Samantha Vesala** works a lot in Asia with customers, fur dressers, manufacturers, retailers and local consumers. "More and more the people I meet are embracing sustainability," Vesala affirms. "They care where the fur product comes from, where it can be traced back to, how the product has been made, and the way the animal has been treated."

Vesala recently officiated at the launch of a new multi-stakeholder initiative in China called BIFTPARK-HN, which she says looks set to become Asia's leading fur training and education academy. The new partnership is among a leading Chinese design school, Beijing Institute of Fashion Technology BIFT; Haining China Leather City (HCLC); and Saga Furs. The cross-sector model will work closely with the industrial fur cluster of the surrounding area.

Main Memberships in Organisations:

1. Fur Europe
2. International Fur Federation (IFF)
3. Finnish Fur Trade Association
4. Confederation of Finnish Industries (EK)
5. Baltic Sea Action Group (BSAG)



Short GRI Index

This table specifies the most relevant links among Saga Furs' material themes and GRI aspects. The aspects are based on Saga Furs' materiality analysis and focus on the most significant impacts in the Group's value

network. For the full GRI Content Index, please go to www.sagafurs.com/CSR

SAGA FURS' SUSTAINABILITY THEMES	MATERIAL DISCLOSURE TOPICS	GRI-DISCLOSURES
Certification and animal welfare	Certification and animal welfare p. 6	<ul style="list-style-type: none"> GRI 103-2 Management approach for certification GRI 308-2 Supplier environmental assessment GRI 414-2 Supplier social assessment
Traceability	Traceability p. 9	<ul style="list-style-type: none"> GRI 103-2 Management approach for traceability
People and Code of Conduct	Fair employment p. 13	<ul style="list-style-type: none"> GRI 102-8 Information on employees GRI 401-1 New employee hires and employee turnover GRI 403-2 Injuries and absences GRI 404-2 Skills development programs GRI 405-1 Diversity of governance bodies and employees
	Code of Conduct p. 13	<ul style="list-style-type: none"> GRI 102-16 Values, principles, standards, and norms of behavior GRI 102-17 Mechanisms for advice and concerns about ethics
Environment and climate	Water, electricity and heating p. 10	<ul style="list-style-type: none"> GRI 302-1 Energy consumption GRI 303-1 Water consumption
	Cutting carbon in transportation p. 10	<ul style="list-style-type: none"> GRI 305-5 Reduction of GHG emissions
	Commitment to cleaner seas p. 12	<ul style="list-style-type: none"> GRI 308-2 Supplier environmental assessment
Open communication and value-chain management	One continuous stakeholder dialogue p. 17	<ul style="list-style-type: none"> GRI 102-43 Approach to stakeholder engagement GRI 102-44 Key topics and concerns raised
Product development	Sustainable production p. 16	<ul style="list-style-type: none"> GRI 103-2 Management approach for sustainable production

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