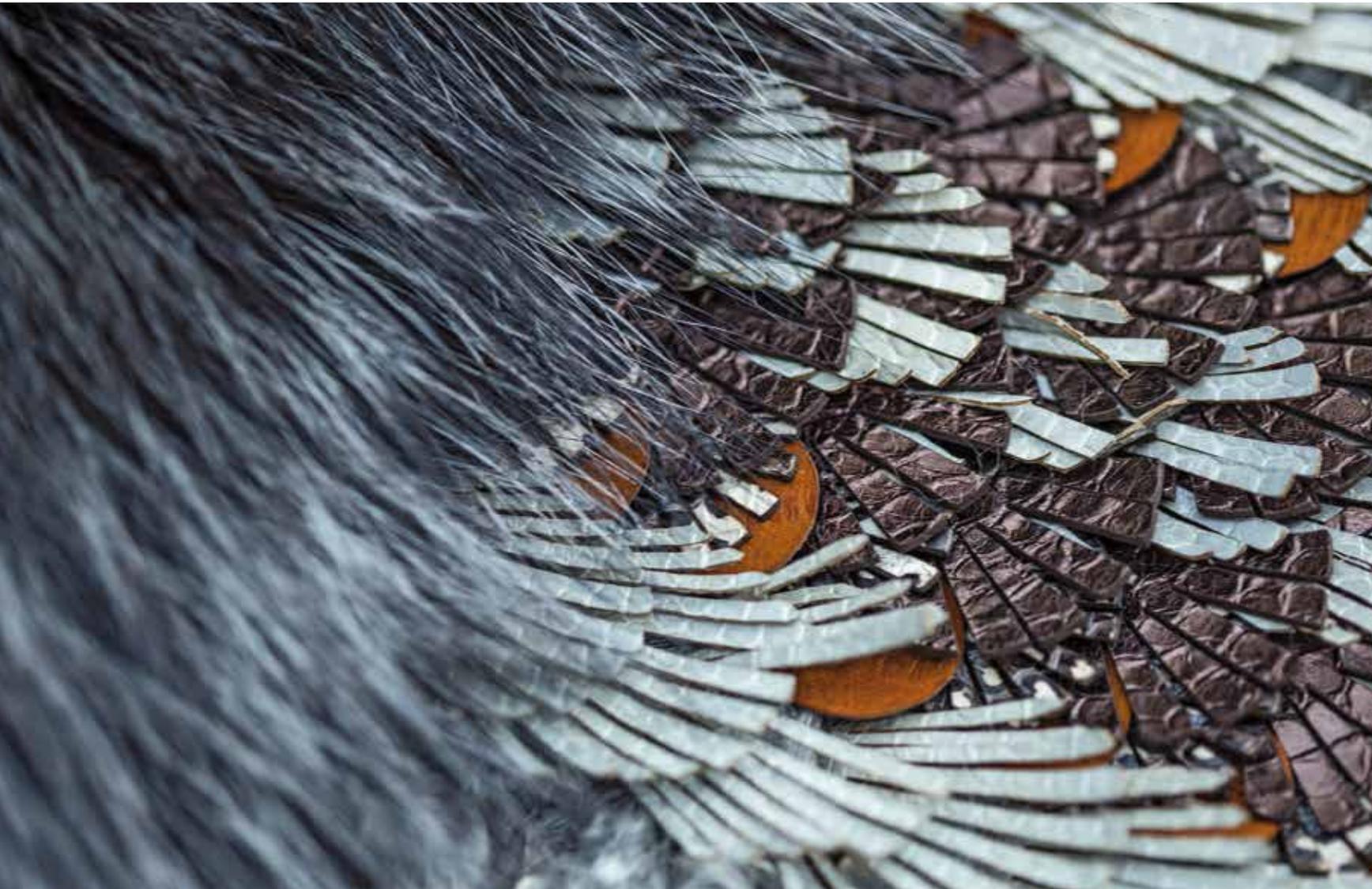


SAGA FURS OYJ
CORPORATE SOCIAL RESPONSIBILITY
REPORT 2014



sagafurs.



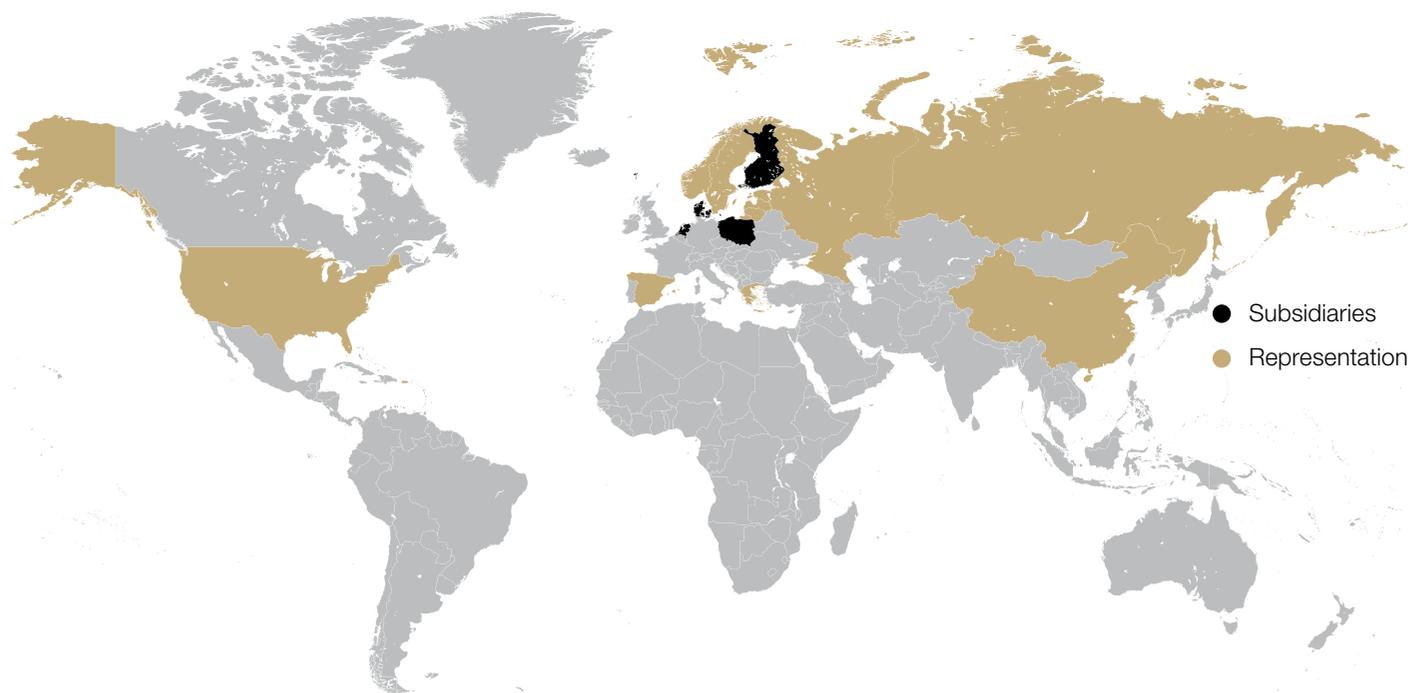
sagafurs®

VANTAA COPENHAGEN MILAN NEW YORK

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SAGA FURS OYJ IN BRIEF



Saga Furs Group is an international fur auction company whose core strengths are a strictly monitored fur production chain, the most extensive supply of top-quality furs in the industry, and high operational quality. Saga Furs Oyj is the only publicly listed fur auction company in the world. The company's head office is located in Vantaa, Finland. In addition to Finland, Saga Furs operates through its subsidiaries in the Netherlands, Poland and Denmark, and through its representatives in the Baltics, Spain, China, Greece, Norway, Sweden, the United States and Russia. The company's largest shareholder is the Finnish Fur Breeders' Association, ProFur. The Board of Directors has described the ownership structure in detail in Saga Furs' Report. The ten largest shareholders of the company are found here: http://www.sagafurs.com/en/company/investors/shares_shareholders

PERSONNEL

During the financial period, the Group employed an average of 353 people, of whom 158 were employed permanently and 195 for a fixed term. The number of personnel is averaged over a 12-month period. As the Group also has a lot of short-term work

assignments - for example, auction assistants, these have all been taken into account in the gender distribution figures - which are therefore considerably higher than those mentioned above.

MAIN OBJECTIVES OF THE COMPANY

Under the Saga® trademark owned by the company, Saga Furs sells European mink, fox and Finn raccoon pelts to the international fashion and fur industries during the quarterly-held auctions. The company's largest market areas are the Far East (China, Korea and Japan), Russia, the Western European fashion industry and the United States. The operations of the company also include product development of fur material in the units located in Finland and Denmark, and adapting these ideas to fit customers' own production processes.

Saga Furs is known as a pioneer in ethical fur breeding and as the innovative company that has reintroduced fur in the fashion industry. The Saga® trademark is a guarantee of high product quality and open and sustainable operations.

GENDER STRUCTURE AT THE END OF THE REPORTING PERIOD

| 31 OCTOBER 2014 | Men | Women |
|------------------------------------|------------|------------|
| Saga Furs Oyj, regular in Finland: | 66 | 54 |
| Saga Furs Oyj, fixed-term: | 6 | 7 |
| Ab Finnish Fur Center Oy, regular: | 2 | 4 |
| Furfix Oy, regular: | 4 | 2 |
| Furfix Oy, fixed-term: | 19 | 22 |
| Saga Furs Oyj, rest of the world: | 15 | 14 |
| Group total: | 112 | 103 |

WORKFORCE SEASONAL VARIATION DURING THE FINANCIAL YEAR (SAGA FURS OYJ)

Total of fixed-term employees: 320, of which new contracts 70*.

Variation percentage 21.87

* Some of the new employees have worked in the company earlier,
but not during the previous period.

EMPLOYEES WITHIN THE SCOPE OF COLLECTIVE LABOUR AGREEMENTS AT THE END OF THE REPORTING PERIOD 31 OCTOBER 2014:

Saga Furs Oyj: total of 133 employees, of which 91 are within the scope

Ab Finnish Fur Center Oy: six (6) regular employees, of which three (3) are within the scope

Furfix Oy: total of 47 employees, of which 41 are within the scope

Group (in Finland) total: 186 employees, of which 135 are within the scope

| CONSOLIDATED KEY FIGURES | 2013/2014 (12 months) | 2012/2013 (14 months) |
|---|--------------------------|--------------------------|
| Total sales, MEUR | 505 | 981 |
| Consolidated net turnover, MEUR | 49,8 | 78.5 |
| Operating profit, MEUR | -1.1 | 24.9 |
| Profit before tax, MEUR | 2.1 | 29.7 |
| Earnings per share, EUR | 0.41 | 6.2 |
| Return on equity, (ROE)% | 1.6 | 25.6 |
| Return on investment, (ROI)% | 0.8 | 22.6 |
| Board's proposal for distribution of dividend, EUR | 0.7 | 2.05 |

CASE: COOPERATION WITH AMERICAN COMPANIES BROUGHT THE WORLD'S LARGEST AUCTIONS TO VANTAA, FINLAND

In the previous financial period, Saga Furs signed a sales co-operation agreement with two companies, American Legend Cooperative and Fur Harvesters Auction Inc, and drew the attention of the whole international fur trade to Saga Furs. The first auction of these three strong and independent brands was held in March 2014 and brought the most diverse selection of pelts along with nearly 1,000 buyers to Vantaa, Finland. The second joint auction was held in June and the co-operation shall continue in the coming periods.

The selection offered under the same roof included Saga® mink, fox and Finn raccoon pelts from Europe, Karakul lamb pelts from Afghanistan, American Legend® and Blackglama® mink pelts, and wild fur pelts from America and Canada. The various pelt selections supported each other. Vantaa auctions gathered customers from, for example, Korea, whose main purpose was to purchase American mink pelts, but who also ended up purchasing Saga® Finn raccoon pelts.

The sales co-operation does not involve any ownership arrangements, but each company organizes sales under its own brand with its own trademarks. This co-operation benefits everyone, and as adjusting the schedules suitable for all becomes easier, it will save time and money. In the future, the companies will have more possibilities to concentrate on their own brand activities and on highlighting their own strengths, as the sales co-operation brings various synergy benefits and cost savings.





MANAGING DIRECTOR'S REVIEW

Responsibility is an integral part of Saga Furs' set of values and business strategy. The company has always been a pioneer in sustainability issues in its field. In the financial year 2012–2013, Saga Furs was one of the first companies to produce a corporate social responsibility report based on Global Reporting Initiative's (GRI) latest G4 framework that helped to illustrate and concretize the topic for both internal and external stakeholders of the company. This new reporting model enables the company to concentrate on the essential aspects of its own operations. This makes responsibility a more concrete part of the company's daily operations.

The aforementioned responsibilities have been continued in this report of the financial period, which started on the 1st of November 2013 and ended on the 31st of October 2014. Changes and modifications have, however, been made by utilizing the feedback received from the stakeholders.

Saga Furs is a global player that operates on an international level regardless of its Finnish roots and Northern values. Therefore, we must explain and give reasons for our sustainability on an international scale. On the basis of the materiality assessment, the traceability of the company's entire value and production chain is an increasingly important element of sustainability. Our co-operation partners do not expect us to be perfect. What they do expect is transparency, immediate reaction and action as deficiencies appear, and commitment to on-going developments.

In addition to traceability of the production and value chain, certified pelt collections have become more and more important for the international fashion industry. Regardless of the challenging market situation of the financial period, top prices were paid, for example, for certified Finn raccoon pelts in our auctions. The largest shareholder of the company – the Finnish Fur Breeders' Association, ProFur – is responsible for the certification system

of fur farms in Finland. During the final interim period, the development emphasis was on integrating the system to the framework provided by the professional external audit company DNVLG-Norske Veritas.

Saga Furs' view on sustainability is a part of the management system used in certification. The company's own experts work in close co-operation with the organization responsible for certification and with our supplier-clients within the scope of certification. During the financial period that started on 1 November 2014, the company started to use 100% certified collections of fox pelts

in accordance with decisions made by the company's Board of Directors two years ago. As in practice, most of the fox pelts come from Finland and Norway, commensurability of the certification systems of both countries has facilitated achieving this goal. For mink pelts this is still under development, because the company receives these pelts from several countries in Europe. The goal is to enable the provision of separate certified mink pelt selections by renewing the sorting process during the financial and sales period 2015–2016.

OUR CO-OPERATION PARTNERS
DO NOT EXPECT US TO BE
PERFECT.
WHAT THEY DO EXPECT IS
TRANSPARENCY,
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AND ACTION
AS DEFICIENCIES
APPEAR, AND
COMMITMENT
TO ONGOING
DEVELOPMENTS.

During this financial period, the company's operations became even more globalized as a result of the sales co-operation agreement the company signed with American Legend Cooperative and Fur Harvesters Auction Inc. This will be continued in the following years. As a result of the agreement, the world's largest auctions – in respect to the number of customers and selection – were held in the company premises in the months of March and June.

The joining of three independent and strong brands and their business co-operations is a great example of sustainable development. As the varied selections of the three auction companies, which are complementary to each other, are offered under the same roof, the need for customers to move quickly from one time zone and continent to another is reduced. The carbon footprint caused by travelling becomes smaller and the synergy benefits of the co-operation reduce overlapping in operations and create cost savings.

As the fur trade is one of the trades most sensitive to economic fluctuations, steady financial management is an integral part of Saga Furs' sustainability. In our latest report we discuss the implementation of financial and social responsibility together with personnel issues, because personnel's role as a facilitator is crucial for success. One of the company's great challenges in the near future is securing the transfer of tacit knowledge from the key personnel approaching retirement to the next generations.

I hope you enjoy reading our sustainability report.

Pertti Fallenius
Managing Director



KEY IMPACTS OF THE ORGANIZATION, RISKS, AND POSSIBILITIES

Saga Furs is an international company that links players in the fur industry's value chain. With the company's operations becoming increasingly international, most of the challenges faced are global. Traceability of products has become a more and more important part of responsibility.

The cash flow and tax footprint of the company – the financial responsibility – is implemented mainly in Finland. Also in financially weak times, the tax footprint of the whole industry is fairly significant in the Finnish society. The Pellervo Economic Research (PTT) implemented a study which revealed that the taxes paid by the whole industry in 2013 amounted to approximately EUR 90 million. Of the EUR 505.4 million in sales generated during the financial period, some EUR 255 million is distributed directly to areas where the cash flow contributes to upholding Finland's welfare society and its numerous services. Due to the industry's sensitivity to economic fluctuations, the prices of pelts can vary strongly even during one sales period and, thus, the company needs strong buffers in order to ensure the continuity of its operations and to facilitate the necessary investments. Thus, financial responsibility is one of the central areas of responsibility of the company: without financial carrying capacity it would not be able to implement any other elements important for its responsibility.

PROBING FUTURE TRENDS

The material sold by the company ends up in top fashion collections and more and more companies operating in the consumer interface are requiring – due to the increasing demands of their customers – sustainable development concerning the materials and the manufacturing processes used. In Saga Furs' view, the core of the ethical nature of fur is its significance as part of sustainable development. Fur, in turn, is a recyclable and sustainable natural material that has a long cultural history. It reflects the "slow fashion" ideology that is gaining strength, especially in the West. "Slow fashion" is a trend where the design emphasizes

high quality natural materials, manual skills and the product's end-user's personality is utilized in creating an end product that manages to challenge the seasonal products to last even from one generation to the next.

It is essential for Saga Furs that animals used in fur production are well taken care of. It is problematic for the company and the whole industry, however, that animal welfare based on scientific evidence, its monitoring and authentication, are not enough for those who oppose fur. Campaigning based on feelings and visual communication that is supported by the view that fur is not necessary directs the ethical discussion to areas where factual arguments are not enough and that are difficult to manage.

The company cannot directly influence animal welfare and the environmental impacts of primary production. However, the operations of individual fur breeders have a material impact on the company's credibility and its reputation as an auction house. The emphasis placed on the traceability of the whole production chain and the fact that fur farm certification has been taken as a more integral part of the Saga® brand and its quality criteria are the company's most important management systems in increasing its own control over the products sold.

ProFur – the largest shareholder of the company – is taking part in the process of renewing the Finnish Animal Welfare Act via its representative. Similar renewal pressures and projects are in progress in other supplier-client countries such as in Norway. The company monitors the progress of the projects, as their implementation in a form that would essentially harm the prerequisites for fur production affects the operations of Saga Furs Oyj as well. The first citizens' initiative, which was addressed by Parliament in summer 2013, to ban fur farms in Finland was rejected and this reinforced the industry's political backing. The significance of good production conditions and impeccable operations was further increased.

In co-operation with ProFur, Saga Furs Oyj launched a “Future Forum” project during the winter of 2014. The project was based on multi-sector workshops and it brought along innovative ideas concerning winning the green challenges of primary production. The possibilities provided by biotechnology, robotics and 3-D, smart technology for documentation and some other ideas will probably be utilized on the project level and in practical experiments. The Future Forum also strengthened the view that in order to develop, the industry needs new external co-operation partners from the natural resource industry and other business operations.

The company's need to sharpen its own Saga® brand has increased. Sustainability is crucial to the company. The more fragmented the external operating environment becomes, the more

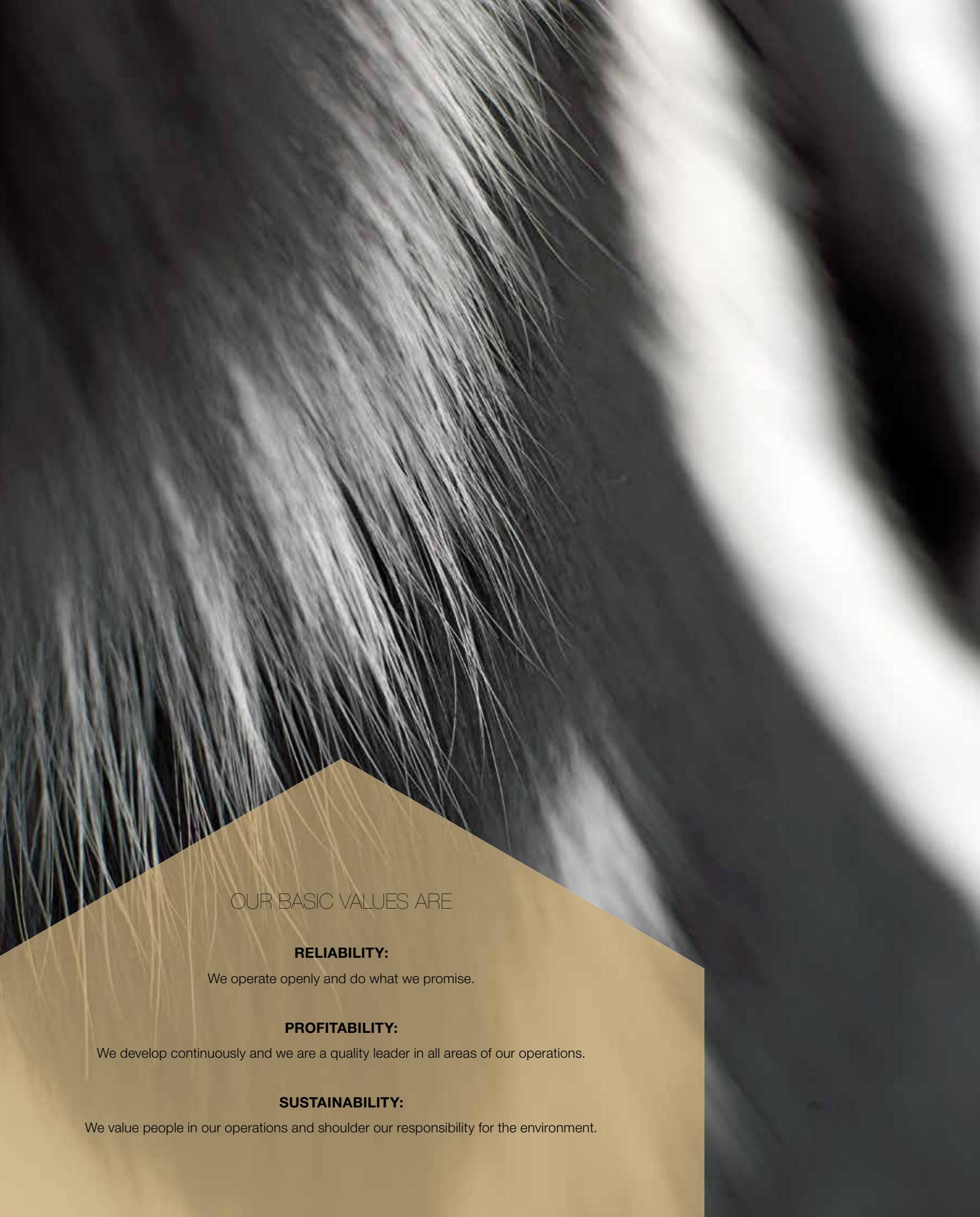
important brand management will become. An on-going process is, instilling the company's values and the key messages of the brand among company personnel in different parts of the world as comprehensively as possible. Its success is important to the future of the whole company.

At a central place in one of the world's most political industries, Saga Furs cannot isolate itself from the social and political discussion, but it must follow it with a watchful and proactive attitude.

The company's risks and risk management are comprehensively addressed in the Report by the Board of Directors. The Report by the Board of Directors is available in its entirety on the company's website at www.sagafurs.com



FUR, IN TURN, IS A
RECYCLABLE
AND SUSTAINABLE
NATURAL MATERIAL
THAT HAS A LONG CULTURAL HISTORY.
IT REFLECTS THE
“SLOW FASHION”
IDEOLOGY THAT IS STRENGTHENING
ESPECIALLY IN THE WEST.



OUR BASIC VALUES ARE

RELIABILITY:

We operate openly and do what we promise.

PROFITABILITY:

We develop continuously and we are a quality leader in all areas of our operations.

SUSTAINABILITY:

We value people in our operations and shoulder our responsibility for the environment.

VALUES AND OPERATING PRINCIPLES

Saga Furs is the only publicly quoted fur auction company in the world and a pioneer in its industry with regard to sustainability. Saga Furs is the only auction company to publish a corporate social responsibility report annually. The previous report was published in January 2014. We want to encourage all of our co-operation partners – and require them – to comply with the principles of sustainability.

We want to engage in an open dialogue with the surrounding society. Continuous development, quick intervention in the event of errors and deficiencies, and transparent operations enable our responsible business conduct. Saga Furs always aims at operating with high ethical values and operating principles and legislation. This includes anti-corruption activities.

COMMITMENT TO EXTERNAL CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

A key element of the GRI G4 reporting model is that the company identifies the material aspects of responsibility in its operations. Material elements of responsibility (Topics) are selected and situated in Saga Furs' value chain (Aspects). This gives the reader a greater understanding of the company's operational value chain and how the company can influence its various parts.

The G4 guidelines also require that the company disclose how its corporate responsibility is managed. The Disclosure Management Approach (DMA) is presented in the report for every topic dealt with, such that a few topics are combined under the same DMA.

The company joined the United Nations Global Compact Initiative network in 2008. GCI is the most internationally recognized framework for responsible corporate practices. More than 8,000 companies worldwide have committed to the UN GCI principles. Companies that have signed the GCI principles commit to supporting human rights, labour standards, environmental responsibility and anti-corruption in their business activities. In addition, it is important that the company communicates actively with its

stakeholders about how it implements the principles in practice. At the heart of the ten principles for companies is anti-discrimination, and promoting and developing technology that respects the environment. The company's Director of Corporate Social Responsibility has attended the meetings held by other companies committed to the GCI principles, where the themes discussed have been the realization of various principles in the everyday work of the companies.



The G4 model requires that the realization of the GCI principles in the operations of the company must be shown in the GRI 4 comparison chart presented at the end of the report. The GCI principles are the following:

GLOBAL COMPACT

TEN PRINCIPLES

The principles of the Global Compact Initiative are based on and are, thus, in unison with the following universal principles:

- The United Nations Universal Declaration of Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The United Nations Rio Declaration on Environment and Development
- The United Nations Convention against Corruption

The Global Compact Initiative requests the companies to adopt, support and implement these basic values connected to human rights, working life principles, environment and anti-corruption operations in their own sphere of responsibility.

HUMAN RIGHTS

Principle 1: Companies must support and respect universal human rights in their own sphere of responsibility.

Principle 2: Companies must ensure that they do not take part in violations of human rights.

WORK LIFE

Principle 3: Companies must cultivate freedom of association and efficient recognition of the right to negotiate.

Principle 4: Companies must support the abolition of all forced labour.

Principle 5: Companies must support the efficient abolition of child labour.

Principle 6: Companies must support the abolition of discrimination on the labour market and at work.

ENVIRONMENT

Principle 7: Companies must support the prudence principle in environmental matters.

Principle 8: Companies must make initiatives that promote sustainability in environmental matters.

Principle 9: Companies must promote the development and distribution of environmentally friendly technologies.

ANTI-CORRUPTION ACTIVITIES

Principle 10: Companies must fight all forms of corruption, including extortion and bribery.

CASE: FIGHTING POVERTY AND PROMOTING STABILITY IN AFGHANISTAN

Saga Furs Oyj participated in setting up the Business Council in Afghanistan, founded last spring. The Council aims to promote trade between the participating countries and the establishment of Western business practices in the country. The Karakul lamb pelts auctioned by the company are the third most important export product of Afghanistan after dried fruit and rugs. Saga Furs is the most important Northern European company engaging in trade with Afghanistan. For several years, the country has been and continues to be a target for development co-operation for the State of Finland.

The company has auctioned Karakul lamb pelts that are produced by Afghan nomads, and end up on the market through local agents, for over 20 years.

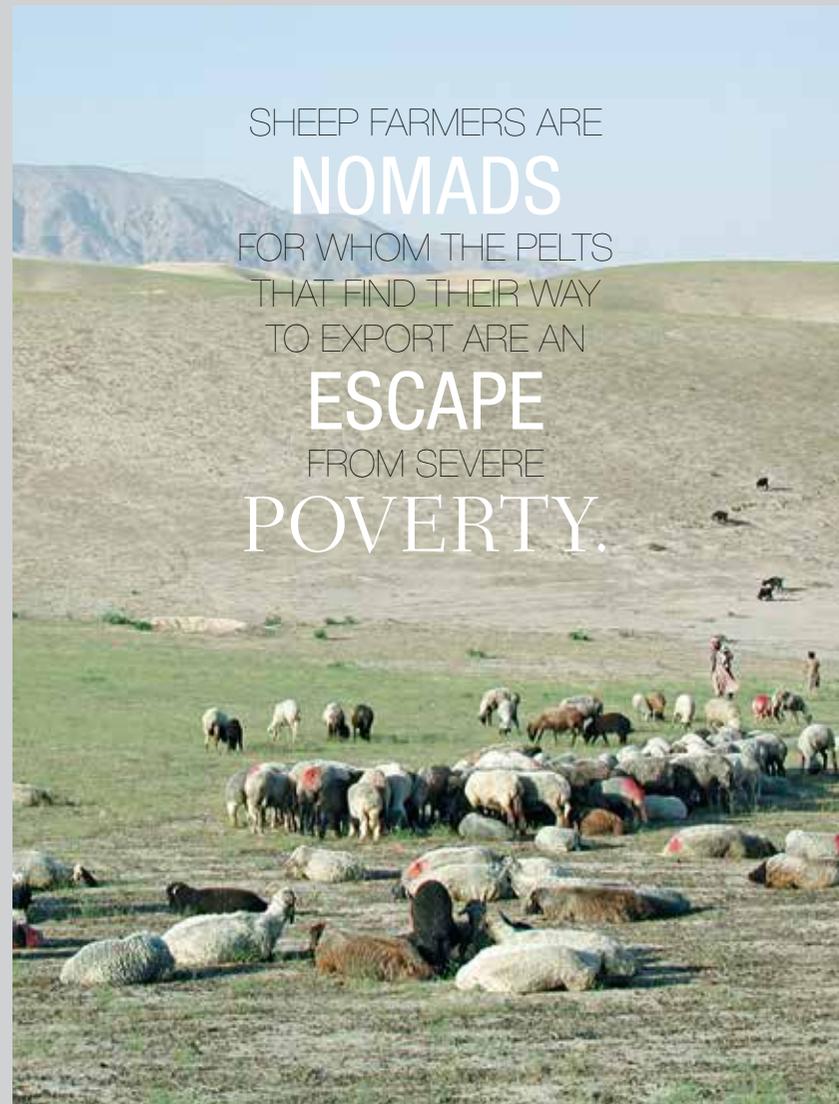
The agents buy the pelts directly from the producers and, after grading, deliver them to be sold at the Saga Furs Oyj auctions. The way of doing business is very traditional: agents are present at the auctions, where pelts are offered for sale, and they actively take part in the pricing process.

Saga Furs Oyj's objective has been that, in co-operation with the new Business Council, the processes for producing pelts could be precisely documented, and the pelt grading system developed so that it would better correspond with the Saga® grading system.

Over the years, trade has never come to a halt, even though Afghanistan has continuously been troubled by instability. In the concluded financial period, the company auctioned a total of about 400,000 Karakul lamb pelts.

Sheep farmers are nomads for whom the pelts that find their way to export are a means to escape from severe poverty. In the rugged mountain terrain where sheep farming is practiced and the winters are cold and the summers are hot and dry, there are practically no other ways to earn a living. The sheep are the

farmers' only asset; their meat is also a source of nutrition since farming the land is not possible in the harsh conditions. Sheep farming provides work and a living for tens of thousands of people in Afghanistan.





SAGA FURS' VALUE CHAIN

Fur is a completely global product and, as a publicly quoted company that auctions raw material, Saga Furs' responsibility footprint is affected by issues and actors that the company does not have a direct ownership relation to nor a significant opportunity to influence. In order to be able to provide as accurate an overall assessment as possible, the company must be able to identify its own value chain. In this report, the company implements the definition of 'aspect boundary' required in the G4 reporting model.

Direct measuring of the effects is challenging in the new model, but the model also provides a more accurate idea of the effects of the business of an internationally operating company from the sustainability point of view.

1. PRIMARY PRODUCTION OF FODDER (FARMING, FISHING, ETC.), PRODUCERS OF FODDER

As a rule, the companies that produce fur animal feed are mainly owned by fur breeders. A significant challenge in the future is the sufficiency of feed materials due to the new usage possibilities of the surplus from the food industry (bioenergy) and the price of the materials. The quality of the feed can also affect the environmental burden and the quality of pelts as well. So-called precision feeding enables reducing the amount of manure from fur animals and promoting their welfare, because it enables matching the energy intake of the animals with their actual consumption.

2. FUR FARMERS

There are just under 1,000 fur farms in Finland. They are independent companies and members of ProFur, which is the largest owner of Saga Furs. Nearly all the fur farms that operate in Finland are customers of Saga Furs. The association represents fur breeders in Finland. Saga Furs sells and markets pelts to an international clientele. In terms of reputation management, the actions of even a single supplier can have a major impact on the image other stakeholders have of the company. The role of ProFur's certification system as the sustainability management

system of the company is discussed separately in the section of the report discussing the certification of fur farms.

Saga Furs has supplier-customers in all key European supplier countries, where it also has either a subsidiary (Netherlands, Denmark or Poland) or representative(s) in pelt procurement. The company has more than 1,000 supplier-clients outside of Finland. In these countries, a local fur breeder association acts as the company's partner in quality monitoring, and where none exists, the company's subsidiary or individuals in the company's representative network handle this task.

Because of its strategy targeting comprehensive quality, Saga Furs has created tools to influence, for example, the quality of the pelts it sells. Among these tools are the WebSampo software program that targets continuous improvement in breeding stocks, the Lumi Mink quarantine farm, and continuously growing breeding stocks for supplier-clients in Finland and elsewhere in Europe.

3. AUCTION CUSTOMERS

Saga Furs' auction customers are at the centre of the value chain as the buyers of pelts and will increasingly be the users of the company's product development services in the future. The work has been started to expand product development services in a way that new ideas concerning the use of materials could be transferred as cost-efficiently as possible to the production processes of garment makers.

The largest buyers have a large number of clients, many of whom represent the international fashion industry that is directly linked to consumers. The value of the Saga® trademark is growing, especially because the clients of professional buyers expect traceability of products (Saga® Traceability System), which is a part of the Saga Furs' brand-quality promise. In addition, the requirement of certified pelt selections is increasing for mink pelt collections as well.



4. DRESSING COMPANIES

The part of the value chain that is most challenging to manage is the dressing of furs. As part of a traceability programme being realized together with certain international fashion houses, Saga Furs helps fashion houses to find partners that enable traceability (Saga Furs Resource Guide).

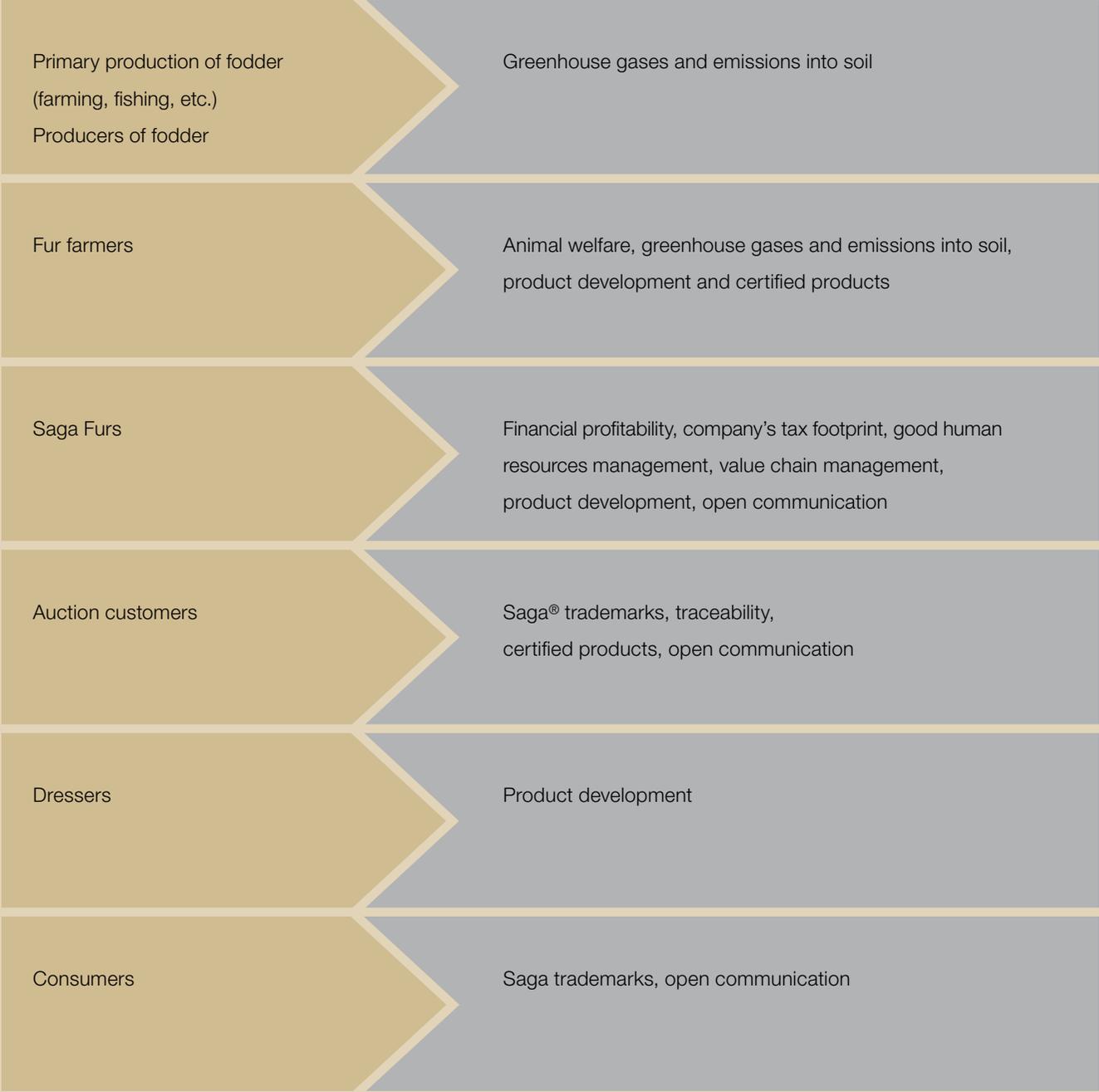
5. CONSUMERS

Although Saga Furs is a B2B company and it does not have direct contact to consumers, Saga® is an internationally known fur trademark and the increasing co-operation with the international

fashion industry is bringing the company and trademark closer to the consumer interface. The company's representatives train, for example, the staff of various department store chains, buyers, design teams, those who handle CSR issues, and sellers of the final product, about pelts and how to detect differences in quality, and in explaining the brand quality promises to consumers.

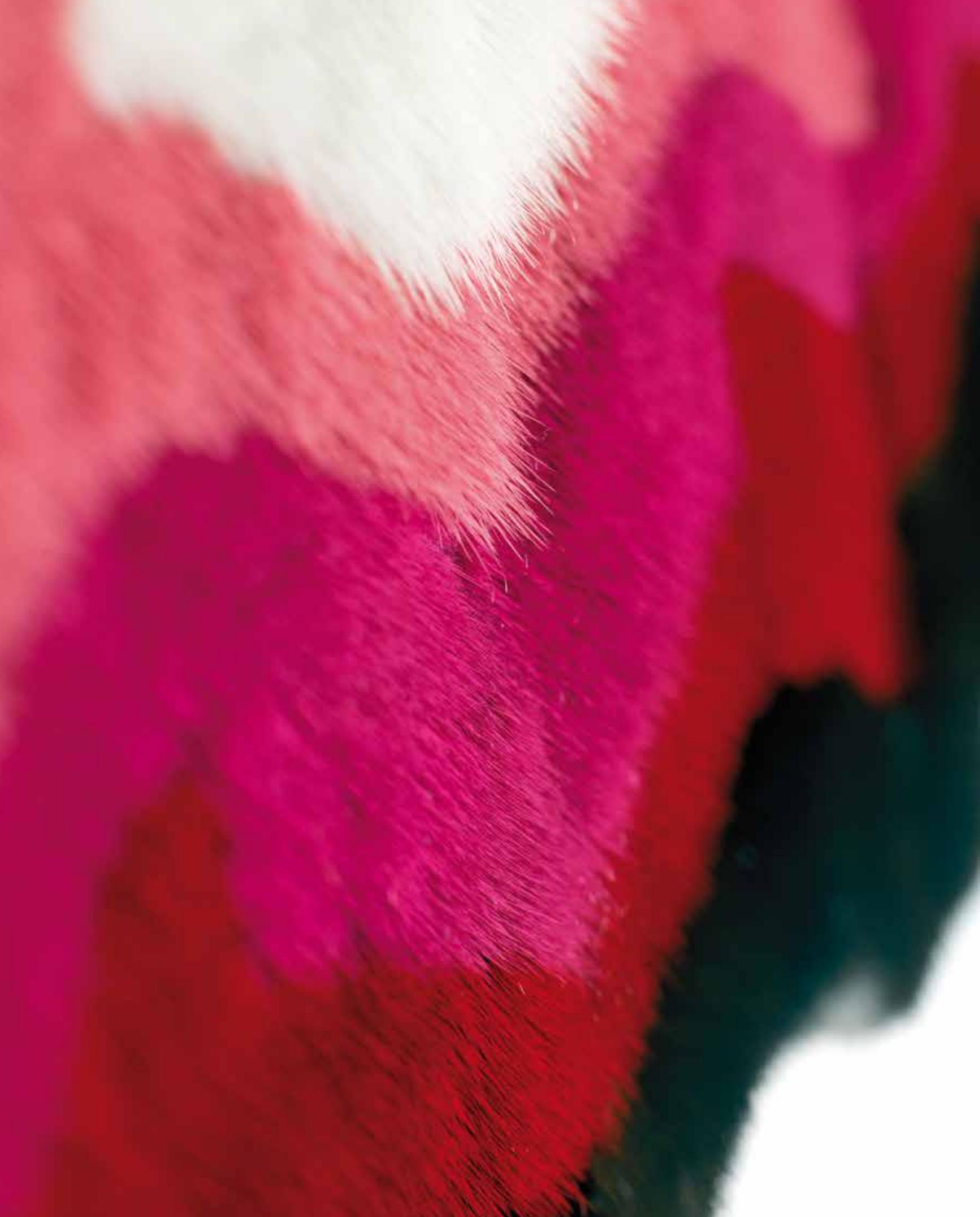
The Saga® trademark strategy is discussed in the section discussing the management system of product integrity (DMA) on page 41 of the report.

VALUE CHAIN AND THE IMPACT AND EMERGENCE OF KEY TOPICS



Combining the topics essential for Saga Furs' sustainability to the company's value chain provides the possibility to assess the locations where the topics emerge and affect: for example, the environmental effects of fur are mainly created in those parts of

the company's value chain, which the company cannot directly influence. However, environmental impacts are among the essential areas of sustainability of Saga and describing their emergence is an important part of discussing sustainability.



SAGA FURS' SUSTAINABILITY PRINCIPLES FROM THE STAKEHOLDERS POINT OF VIEW

To ensure impartial interaction with its stakeholders, Saga Furs complies with the principles laid down in the GRI guidelines. According to the guidelines, interaction must be based on the consideration of stakeholders' reasonable expectations. The starting point for Saga Furs is that demands aimed at abolishing the entire fur industry are not reasonable from the company's point of view. For this reason, Saga Furs does not actively seek interaction with parties whose public aim is to abolish the fur industry.

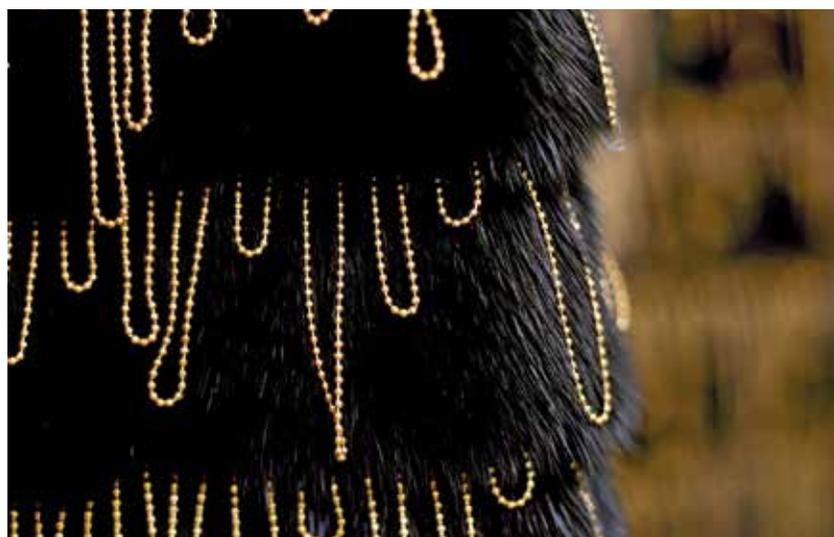
STAKEHOLDERS

The company's most important stakeholders are its clients and customers (fur breeders, pelt buyers and their customers), shareholders, personnel, political decision-makers and the media. The company mapped out its stakeholders in 2012 in its renewed strategy. The responsibility for stakeholder work is divided among the Management Group according to the areas of responsibility of its members, and the main responsibility rests with the managing director. Stakeholder work requires the dissemination of up-to-date information on the company and its operations as part of the international fur industry.

ASSESSMENT OF THE MATERIALITY OF SAGA FURS' SUSTAINABILITY

After the pioneer work conducted last year the company assessed in the past financial period, the significance of the company's different functions and requirements coming from the external operating environment for the company's sustainability. Area of sustainability is called "Topic" in the GRI G4 model.

The main target of sustainability communication is the company's stakeholders who have varying expectations of the operations of the company; the feedback received from them has been utilized



in the assessment of the materiality in the present report. Animal welfare, traceability and certified products have become more and more important. The report has attracted interest especially outside Finland and especially among the representatives of the international fashion industry.

The effects of the special topics of the company have been discussed in the table on page 23. The horizontal axis describes the effect of Saga Furs' operations: the more right the special topic is on the chart, the more essential its effect is for the stakeholders of the company. The vertical axis describes the effect of the special topics of the company on the decisions of its stakeholders and on the assessments of the state of the company. The higher the individual topic is, the more essential it is for the decision making of the stakeholders and for the assessments. The chart is only a guide, as the needs and expectations of the stakeholders concerning sustainability of the company may differ: this means that assessing materiality is not as straightforward as in, for example, the financial statement reporting.

A. ANIMAL WELFARE

A high level of animal health and welfare is a prerequisite for the entire future of the fur industry. Saga Furs promotes, through its operations, improvement in animal welfare and, within the limits of its authority, intervenes if any deficiencies emerge. Long-term co-operation with both Finnish and international fur breeder associations to develop animal welfare is a topic where success will have an impact well into the future.

B. TRACEABILITY

When an international fashion house wants to tell its customers the origins of the fur it uses and about the responsibility of its production methods, the only way to prove it is through precise documentation. Traceability stands for the reliability of the product's origins; at the same time, the requirement for detailed documentation steers fur breeders towards even better and more sustainable production methods. Through its sales policy, Saga Furs can steer the development by refraining from buying and selling pelts that have not been produced according to the conditions stated in the revised recommendations of the Council of Europe or other national regulations.

C. CERTIFIED PRODUCTS

The certification programme for fur farms, devised and launched by the Finnish Fur Breeders' Association (ProFur) in 2005, helps to improve animal welfare and ecological production methods, and helps develop the traceability of fur. Saga Furs' decision to expand its certified collections in the selling season 2014–2015 to include, in addition to Finn raccoon pelts, only certified collections of fox pelts has resulted in the majority of Finnish farms becoming certified farms. In terms of responsibility, certification increases the transparency of fur production, in addition to supporting the sustainability of the industry as a whole.

D. FINANCIAL PROFITABILITY AND THE COMPANY'S TAX FOOTPRINT

A central topic of the company's sustainability is the financial profitability that means predictability for the main owners and other investors, and protective buffers in this highly cyclical industry. Saga Furs' operations are almost entirely made up of foreign trade, and the cash flow it generates is a significant source of income for Finland's rural areas.

The tax footprint of the company and the industry is significant. In the financial year 2013, Saga Furs' tax contribution to Finnish society was EUR 7.2 million which ranked the company as 55th in the TOP100 list of companies. The tax revenue of the whole industry was, according to The Pellervo Economic Research (PTT), approximately EUR 90 million.

E. GOOD HUMAN RESOURCES MANAGEMENT

Human capital is a significant factor for Saga Furs Oyj's competitiveness. For that reason, the level of management is monitored regularly using a number of different methods, which allow us to pinpoint the areas where both individuals and the company are successful, as well as to tackle areas that are in need of development. The management principles defined by middle management and senior management provide good guidelines for supervision. Part of an international company's basis of values with regard to responsibility is that people are treated according to the same principles, regardless of their religion, culture, sex, skin colour, sexual orientation, age or disability.

F. GREENHOUSE GASES AND EMISSIONS INTO SOIL

The majority of the environmental impacts from fur production occur in connection with fur farming. The total carbon dioxide emissions stemming from fur production represent only 0.4% of all emissions from agriculture in Finland. The corresponding greenhouse gas emissions of Finland totalled 66.8 million tonnes (CDE) in 2011. Fur farms also generate local phosphorous and

nitrogen point source load; however, catching Baltic herring as feed for fur animals considerably cleans the Baltic Sea.

G. OPEN COMMUNICATION

Saga Furs' position as a listed company in the middle of the fur industry's long value chain sets special requirements for its communications. To ensure that stakeholders receive accurate, verifiable and reliable information on the industry's development and the impacts of its activities, the company must have open and responsible communications. The company's communications have a significant impact on the future of the entire industry throughout Europe.

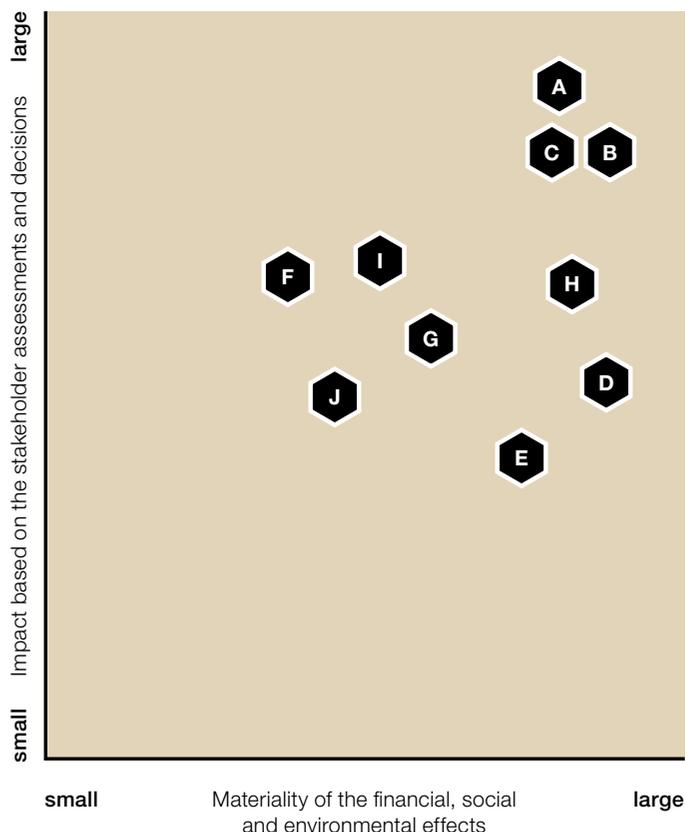
H. SAGA® TRADEMARKS

Saga® trademark brands and the information they carry are a tool for communicating responsibility to the company's customers. At the same time, they give fur manufacturers and retailers the opportunity to inform end consumers about the quality of the pelts they use and about the sustainability of the value chain. In the past financial period, the company decided to renew its trademark strategy by setting certification as the main message. (This topic is discussed in detail in the section discussing product integrity, DMA, on page 41 of the report.)

I. PRODUCT DEVELOPMENT

The company's product development - concerning finding new ways of using fur material and manufacturing techniques, and transferring ideas to the production processes of manufacturers,- increases the sustainability of the value chain after the auctions. As fur is a valuable natural material, it is important to find methods that are compatible with manufacturers' production processes and which do not result in material losses. The dressing of furs is the most challenging part of the value chain to manage. Product development is, in fact, part of a project that aims to find dressing methods that are more environmentally sustainable.

IMPORTANCE OF KEY TOPICS



- | | |
|---|--|
| A. Animal welfare | F. Greenhouse gases and emissions into soil |
| B. Traceability | G. Open communication |
| C. Certified products | H. Saga trademarks |
| D. Financial profitability and the company's tax footprint | I. Product development |
| E. Good human resources management | J. Value chain management |

J. VALUE CHAIN MANAGEMENT

Saga Furs' sales conditions, training seminars for suppliers and buyers, development of materials, and the continuous development of customers' and the company's operations constitute management of the total fur industry value chain. The company's special role in the middle of the value chain gives it the opportunity to influence the sustainable development of manufacturers in both primary production and in finished fur products.

| SPECIAL TOPICS | ASPECTS | DMA |
|---|--|-----|
| Certified products | Supplier environmental assessment | X |
| Animal welfare | | X |
| Greenhouse gases and emissions into soil | Emissions | X |
| Product development | Products and services | |
| Saga trademarks | Product and service information | X |
| Traceability | Product and service information | |
| Open communications | Marketing communications | |
| Value chain management | Marketing communications | |
| Financial profitability and tax footprint | Economic performance Indirect financial impacts | X |
| Good human resources management | Employment Occupational health & safety Training & education | X |

| INDICATOR | LEGEND |
|--|--|
| G4-EN27 G4-EN33 | Measures to reduce the environmental impact of products and services Significant actual and potential negative environmental impacts in the supply chain |
| G4-PR5 | Practices related to customer satisfaction |
| G4-EC1 G4-EC8 | Produced and distributed direct financial added value Key indirect financial impacts and their scope |
| G4-LA2 G4-LA6 G4-LA10 G4-LA11 | Employee benefits Number of accidents and occupational diseases, lost working days and absences Personnel expertise development programmes and learning action programmes Development discussions |

STAKEHOLDER ACTIVITIES

1. FUR BREEDERS

More than 90% of Saga Furs' supplier-clients come from the EU and Norway.

The most important partner for the company in terms of breeders is the Finnish Fur Breeders' Association (ProFur), which is also the company's largest shareholder. At the Europe-wide level, Saga Furs has both direct contacts and contacts through local breeders' associations with breeders in all countries from which Saga Furs collects pelts to be sold at its international auctions.

The Farm Certification Programme launched by ProFur is a practical tool for supervising, maintaining and developing animal welfare. The association is responsible for the programme, whereas Saga Furs supports and also obligates its client-suppliers to adopt it by gradually integrating it into the Saga Furs brand.

2. AUCTION CUSTOMERS AND THEIR CUSTOMERS

Saga Furs' most important tool for communicating responsibility to auction buyers and their customers is the Saga® trademark that will be renewed in the sales period so that the significance of certification will become more and more visible in communications. The trademark also spreads visibility of the brand among the end consumers of a finished product.

One of the Saga® brand promises is that every pelt sold at an auction can be traced back to the fur farm it came from. The identification is kept on the pelts during the entire sorting and auctioning process. The company then delivers to customers, based on the purchase orders made, the tags to be used in fur garments. By linking the customer's own origin system to the chain in the steps that follow, traceability can in principle be extended all the way to the end consumer.

3. EMPLOYEES

Saga Furs is growing strongly as an international company and has operations in 13 countries; its employees represent more than 20 nationalities. Due to the diversity of its personnel, openness, tolerance of differences, and interest in other cultures are extremely important to the company. Through its human resources policy, the company attempts to ensure that every employee is proud of the company, his or her work there and the entire industry. In the recent years, a key objective of the company's human resources policy has been to instil an understanding of the consistent management principles and brand identity among all. Progress has been made.







4. INVESTORS

Saga Furs' largest shareholder is the Finnish Fur Breeders' Association (ProFur), which owns the company's unlisted A shares, followed by local associations and a few private individuals. The company's C share is listed on the NASDAQ OMX Small Cap companies list in the personal & household goods sector. Interest in the company has grown substantially as a result of its strong internationalization, renewed brand and the financial success of the industry. The company also illustrates its financial responsibility and the equal treatment of its shareholders through its dividend policy. The company's dividend policy is published on its website at http://www.sagafurs.com/en/company/investors/shares_shareholders/dividend_policy.

5. POLITICAL DECISION-MAKERS, OPINION LEADERS AND MEDIA

Saga Furs provides politicians, other opinion leaders and the media with open and objective information on both the company and the industry as a whole. The company communicates directly with its customers and own stakeholders. ProFur brings together the information, concerning e.g. animal health and welfare, which people are often interested in.

Saga Furs has consistently aimed to respond to the challenges created by the growing influence of social media. The company has a social media strategy and it employs several new tools that are important for the company's operations. It is also important that the company refers feedback, messages and questions that do not fall within its sphere of operations to the appropriate party.

The company and the association decided in 2011 that they can support politicians who are neutral or have a positive attitude towards the industry in their election campaigns, taking into consideration the principles of transparency. The company and the association require that the politicians agree to have their names and the amount of funding received published on the company's and the association's websites.

| STAKEHOLDER GROUP | EXPECTATIONS | ACTIONS | IMPROVEMENT SCHEMES |
|--|---|--|--|
| Fur producers | Marketing support, information Continuous communication Support e.g. for improving animal stock Added value from certification Reliable grading | Communication with efficient tools Training events Quarantine farm, research activities Comprehensive certification Automation | Continuous improvement of product quality Co-operation in breeding Farm based certification in countries, where certification partner is not present |
| Auction customers and their customers | Reliable grading Traceability Continuous communication Animal welfare | Automation Traceability tools Communication with efficient tools Corporate sustainability reporting together with breeding associations | Brand enhancement (China, Russia) Co-branding Corporate sustainability as a competitive advantage |
| Employees | Unambiguous management systems Open communications | Development of processes, e.g. group coaching Development of new communication channels | One company – one voice in global working environment Cohesive brand identity |
| Investors | Availability, presence Open communications Revenue based, regular distribution of dividend Corporate sustainability | Swift response to enquiries IR communications with efficient tools Responsible financial management Corporate sustainability reporting | IR meetings; organising, participating Social media Continuous improvement on sustainability reporting |
| Political decision-makers, opinion leaders and media | Open, transparent communications Reliability of information Animal welfare | Visits to company and fur farm facilities, ongoing communication | Social media, other new communication channels Corporate sustainability reporting Finding a NGO partner |

A close-up, slightly blurred photograph of a dog's fur, showing a mix of brown, grey, and white strands. The text is overlaid on the left side of the image.

CERTIFICATION ENHANCED
TRANSPARENCY
AND OFFERS AN OPPORTUNITY
TO MONITOR
FUR ANIMAL
WELLBEING.

FUR FARM CERTIFICATION

Certification is a special topic for Saga Furs. Since it is a question of a system that covers the operations of the fur farm as a whole, it is a tool for the company for ensuring the transparency of the operations as a whole. It provides a means of monitoring the welfare of fur animals and of acquiring information quickly about possible deviations.

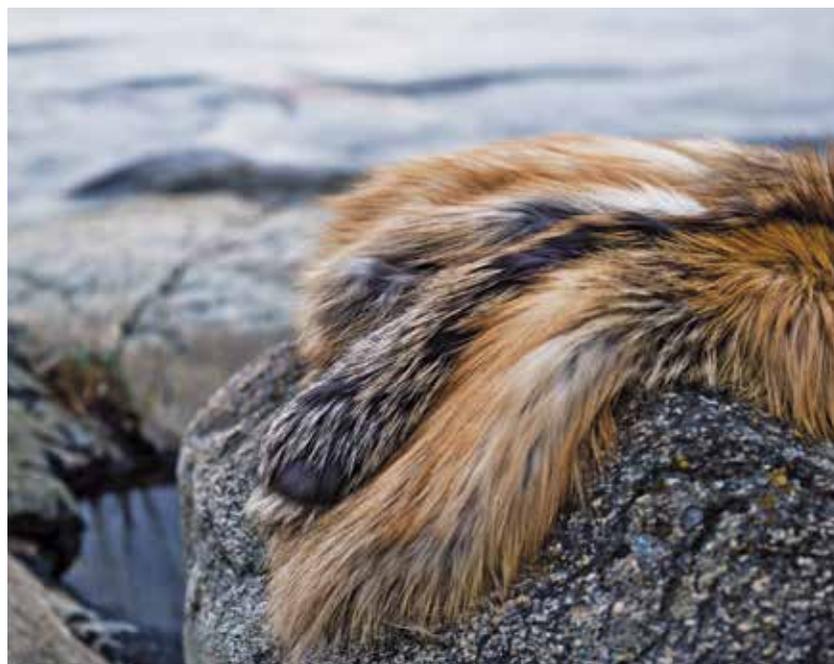
The certification system of Finnish fur farms is a project launched by ProFur and its stakeholders in 2005. The project is being developed further and ProFur is responsible for the decision-making and development. ProFur's co-operation partner is the external audit company DNVGL-Norske Veritas that in the course of the past year certified the Association's organizational activities according to the ISO 9001 standard. The task of the external audit company is to verify that the system meets the set criteria.

In the financial period that started in November 2014, the company receives fox and Finnraccoon strictly from certified farms. As only about 20% of the company's mink pelt selection comes from Finland and other mink pelts come from various countries in Europe, offering 100% certified mink pelt selections requires more time for sorting and logistics. The company aims to implement changes in the sorting of mink pelts in the 2015-16 financial and sales period to enable the introduction of the first certified mink pelt selections.

ProFur is responsible for the certification and its management on Finnish fur farms. Because certified pelts also come to Saga Furs' certified selection from outside Finland, the company has its own monitoring system in use in certification. Saga Furs Oyj has a project manager who is responsible for administering the pelt certification system in the company, as well as a development manager who looks after co-operation in the field. Decision-making concerning Finnish certification criteria is the responsibility of ProFur's Board of Directors. The company has a system in place for the daily monitoring of certified farms. In November 2014, 867 farms of the 965 farms in Finland were certified. In November 2013, there were 846 certified farms. 99% of all fox production and of mink production approx. 90%.

In Norway, Saga Furs' co-operation partner is Norges Pelsdyrsalslag representing Norwegian fur farmers. Since 2012, the association has required its members to participate in the certification system. In spring 2014, the association in Norway concluded a co-operation contract with an external audit company in order to conduct an impartial verification of the certification system.

In Poland, Saga Furs' co-operation partner is Polski Związek Hodowców Zwierząt Futerkowych (PZHZF), which grants certificates to its members. Saga Furs checks the audit material supplied by this association and uses it in making a decision regarding approval of a farm's production in its selections. After the 2014-2015 season, Saga Furs is intending to use the company's own Saga certificate in Poland and its audits are to be conducted by the quality manager of the company. The final decision for granting the certificate is made by a team of management representatives.





TOGETHER WITH
INTERNATIONAL
FASHION HOUSES
SAGA FURS
REQUIRES
ANIMAL
WELLBEING.

ANIMAL WELFARE

Although Saga Furs cannot directly influence animal welfare on all fur farms – having more than 2,000 suppliers – the matter holds such great significance for the company’s reputation as a seller of high-quality furs that it cannot be overlooked in assessing the company’s social responsibility. Animal welfare does not fit into the G4 framework, because the framework only offers well-being indicators that apply to people and the environment.

The company’s growing customer group, the international fashion industry, is very interested in the conditions in which fur animals are bred, due to its own corporate responsibility policies. The fashion industry also communicates directly with consumers. In order to support its co-operation partners, Saga Furs must have a means of guidance in the matter, even though - within the value chain - animal welfare is ultimately the responsibility of the individual fur farm entrepreneurs who operate at the beginning of the value chain.

ProFur’s certification system discussed in the previous section – one that Saga Furs encourages its supplier-clients to join – is the company’s most important management system connected to animal welfare in Finland. The certification system is a comprehensive quality system that places great emphasis on animal welfare and health. By gradually increasing the proportion of 100% certified pelt selections, the company commits, in co-operation with ProFur, to the ongoing improvement of animal welfare.



CASE: SECRET FILMING IN FUR FARMS – HIGHLIGHTING THE NEED FOR EFFICIENT BRAND MANAGEMENT

Animal rights organizations have for years, been secretly filming on fur farms and often the targets of filming have been animals in patient units. The films are usually released, at the start of international fashion fairs in February and at the start of the retail sales in the autumn. During the past year, the campaigning has concentrated on the brand houses selling the end product and their co-operation partner Saga Furs. Saga Furs and its main owner ProFur support their partners who have been the target of these campaigns by reacting to the material that spreads quickly in social media.

Since the lobbying and advising of Finnish fur farms is conducted by ProFur, it is important that a veterinarian specialized in fur animals inspects the material. Considering the quality of the material, ProFur determines when possible which farms the photos may be from. If deficiencies are found in the animal welfare or farm conditions, these deficiencies are dealt with at once. Saga

Furs aims in its communications at being preventative and transparent: if any deficiencies are detected, they are corrected. It is also important to protect producers that have been the targets of secret filming: for example, unauthorized visits during the birthing season and the bright lights of the filming equipment cause stress reactions in the animals and makes them behave unusually.

The challenge connected to the footage spread over the Internet is that it will live forever. Saga Furs and ProFur examine each filming case with tasks distributed between each organization and draw detailed reports about them. Operations of animal rights organizations are not about to end and attacks, especially against brands operating in the consumer interface – as opposed to of general anti-fur campaigns - are expected to increase. In brand management, realism – preparing for a rainy day – is an important part of Saga Furs' sustainability.





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TECHNOLOGICAL
DEVELOPMENT
AND RESEARCH
REDUCES
ENVIRONMENTAL IMPACT.

ENVIRONMENT

As specified on page 21, Saga Furs “Sustainability principles from the stakeholders point of view”, the most significant environmental impacts in the fur production value chain are generated in connection with fur production. Saga Furs is not in a position, nor does it have a management system in place, to directly influence these emissions. However, because environmental impacts are generally an important part of the footprint, and because Saga Furs’ fashion house co-operation partners are presenting questions about the matter, the company strives to support indirectly projects and technologies that reduce the environmental load. In Finland, ProFur bears primary responsibility for such endeavours. In other breeder countries, the task is handled by co-operation partners.

A summary of Kaarle Kaistila’s article published in the “Turkistalous” magazine (6/2014) reports on a producer survey that was arranged in the early summer of 2014 by ProFur’s “Protection of the Environment” committee. The summary can be found later in this report.

Finnish farms certified by ProFur have strict requirements concerning environmental protection and environmental protection issues have been taken into consideration in the farm certification system. As part of the long-term work aimed at improving the quality of pelts, Saga Furs has participated in research projects on the individual feeding of animals. The purpose of so-called precision feeding, which is used on several farms, is to ensure that the animals receive just the right amount of nutrition they need to improve the animals’ well-being, in addition to decreasing feed costs and lowering the farm’s environmental emissions.

The dressing of furs at the end of the fur trade value chain is a stage that may have, depending on the dressing company and dressing method used, substantial environmental impacts. Saga Furs has no direct influence here, but refers upon request, its customers who represent demanding international fashion houses to dressing companies capable of guaranteeing the continuity of the product’s traceability chain and whose processes are transparent.



CASE: PROFUR'S SURVEY ON ENVIRONMENTAL FACTORS ON FARMS

(The text is a summary of Kaarle Kaistila's article published in the "Turkistalous" magazine 6/2014.)

ProFur's "Protection of the Environment" committee conducted an extensive producer survey in the early summer of 2014 with the purpose of collecting information on the production structures of the industry and on the investments made in environmental protection. This information is needed in assessing the effects of the large investments recently made on animal welfare and the state of the environment. It is also needed in connection with communication with the stakeholders, including negotiating environmental targets of the industry.

The survey was sent to approx. 1,000 farms of which 308 responded. The respondents represented an even cross-section of all production areas and the municipality-specific numbers of farms were taken into consideration as well. The volumes of the

farms responding to the survey was slightly under 139,000 fox and Finnracon female breeders and over 174,000 mink female breeders. From all the 5,000+ shelter buildings, the percentage of buildings with densely insulated floors was 38.3 % and for the ground-supported floors was 61.7 %. The number of animal halls reported was 33. On the basis of the results of the survey, the use of climbing cages in mink farming has increased strongly in the 2010s. In comparison to shelter buildings, the share of climbing cages of the cages located in them was 53 %, whereas in animal halls the share of climbing cages was 62 %.

The water protection solutions on the farms were inspected as well. The number of seep-water collection wells was 582 per the total length of the shelter buildings with densely isolated floors; 199 (65 %) farms reported using a sand filtration system in handling drained water; 23 farms (8 %) reported using a chemical filtration system.





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THE INTERNATIONAL
FASHION INDUSTRY

- SAGA FURS' IMPORTANT PARTNER -

INTEREST

IN AUTHENTICATING
THE CERTIFICATIONS HAS

GROWN.

PRODUCT INTEGRITY

The traceability of the production chain is increasingly important for the customers of the company. When the chain can be documented, reports concerning its parts can be implemented more easily. Saga Furs' auction logistics guarantee that information about the origin of the product and the farm it came from remains in the product throughout the entire process (Saga® Traceability System).

Garment tags or decorative tags for pelts that are entitled to use the Saga® trademarks are given to customers on the basis of the products they purchase. This is why a label has been introduced with a text "certified farmed fur". Due to this new practice, certification is also a more integral part of the Saga Furs brand. For the mink pelts auctioned by the company, offering certified pelt selections is not yet possible.

A great challenge in this phase of implementing selections of certified pelts with their own trademarks is to supervise that the delivery system of labels does not enable using the "certified farmed fur" text on products that are not yet certified. Management and supervision of the delivery chain is increasingly important.

The interest of the company's most important area of co-operation – the international fashion industry – in authentication of certification has grown. This should open more and more doors towards co-branding operation. The requirements come directly from consumers who, in addition to the information and image connected to a top brand, want to be certain that the production chain is monitored and responsible.

In the 2010-11 financial year of, the company implemented a traceability management system in co-operation with the international fashion company Burberry. During the latest fiscal period, co-operation was agreed to be started with several other international top brands. It is possible to trace back to the farms that produced the pelts on the basis of pelt purchases. The company has been active in designating dressers and manufacturers among its partners that enable the same traceability.

Communication related to the Saga® trademark begins with the company's values: reliability, profitability and responsibility. The company does not claim to be perfect, but it does do more to promote responsibility than other operators in the industry. Saga Furs communicates openly about possible deficiencies and problems. During farm visits, representatives of international fashion houses have been shown, for instance, the section containing sick animals. In co-operation with ProFur's veterinarian, the type of illness, how to treat it and how to proceed if treatment does not help is determined. Although issues concerning animal welfare fall under the responsibility of the company's co-operation associations, Saga Furs, as a seller of pelts, forwards the information to its customers if something out of the ordinary occurs.

In addition to customer acquisition and co-operation, the company wishes to develop the reputation of its Saga® trademark in its most important market area, Asia, and to work as a pioneer in sustainability communication.



CASE: ADDED VALUE FOR PRODUCTS WITH BRAND CO-OPERATION

VER de TERRE is a Danish company that manufactures children's clothing and exclusively uses Saga® furs in its selections. In order to communicate to its highly demanding clientele about the responsible production chain of the materials used, Ver de Terre uses the Saga® label in combination with its own labels.

"This way we can show how we find it essential that the animals providing the fur are well taken care of and that the production conditions around the animals are built on a sustainable foundation," says Karin Brandt, the founder of the company.

"We do not make everything for everyone, but for a few."

VER de TERRE started to produce outdoor clothing for children in 1993. The principles of their operations have always been great design and the use of high-quality materials. VER de TERRE uses real fur and the feedback they receive has not always been positive.

Certain Danish animal rights organizations have attacked Ver de Terre by claiming that it uses fur materials from China in its clothing. In order to stop spreading this false rumour and to communicate clearly about the significance of animal welfare in selecting the materials, VER de TERRE decided to launch a brand co-operation with Saga.

VER de TERRE uses certified Saga® Finn raccoon fur in the trimmings of its quilted jackets.

"WE CAN DEMONSTRATE, THAT
ANIMAL WELFARE
HAS TAKEN
ACCOUNTED FOR."







ON THE BASIS OF ITS NET TURNOVER
AND NUMBER OF STAFF EMPLOYED,
SAGA FURS IS A

MEDIUM-SIZED

COMPANY, BUT ON THE GROUNDS OF
ITS TAX FOOTPRINT IT IS AMONG

**THE LARGEST
COMPANIES**

IN FINLAND.

FINANCIAL RESPONSIBILITY

THE COMPANY'S FINANCIAL PROFITABILITY

The company's financial responsibility is one of the essential elements of its entire social responsibility. In the cyclical industry, safeguarding its profitability and productive operations has allowed Saga Furs to pay its shareholders a reasonable dividend, even during uncertain economic cycles. Doing so also enables the company to best respond to the expectations of its most important stakeholders, and to be consistent and predictable in implementing its strategy, even as the economic cycle changes.

The company's financial results and future expectations are communicated in line with the company's disclosure policy. Through the company's interim reports, financial statements, reports by the Board of Directors and the company's website, stakeholders can monitor and evaluate the realization of the targets and goals of Saga Furs' financial responsibility.

In the financial period that ended on 31 October 2014, the value of sales was EUR 505 million. Despite the uncertainty in the global economy and the mild early winter in the main markets, resulting in a fairly weak retail sales season, the results of the four auctions of the period were satisfactory. In the past financial period, the company sold 9.8 million fur pelts, 92 per cent of which were included in the Saga® collection. Additional information on the company's financial performance is available at: <http://www.sagafurs.com>. The company's key figures are contained in the section "Saga Furs in brief".

The importance of cost effectiveness has been cascaded throughout the organization. This is illustrated by the fact that it is the second indicator in the bonus system for personnel, after the company's result. The Board of Directors annually sets the target levels for cost efficiency, and these form the basis of part of the bonuses.

INFORMATION POLICY:

http://www.sagafurs.com/en/company/investors/disclosure_policy

ANNUAL REPORTS AND

INTERIM REPORTS:

http://www.sagafurs.com/en/company/investors/financial_reports

STOCK EXCHANGE RELEASES:

http://www.sagafurs.com/en/company/investors/financial_reports

THE TAX FOOTPRINT OF THE COMPANY AND THE INDUSTRY

The taxes paid by the company – the tax footprint – is becoming an increasingly important indicator of sustainability and, for example, OECD (Organization for Economic Cooperation and Development) has emphasized in its reports the need of international companies to provide more transparent documentation of the country-specific taxes they have paid. On the basis of its net turnover and number of staff employed, Saga Furs is a medium-sized company, but on the grounds of its tax footprint it is among the largest companies in Finland. Proportioned to its size and calculated market value, the taxes paid to the state of Finland and its home municipality by Saga Furs in 2013 amounted to more than EUR 7.2 million, which ranked the company as 55th in the TOP100 list of companies. According to PTT, the tax footprint of the whole industry was approximately EUR 90 million in 2013 (62 million in 2012).



INDIRECT IMPACTS OF FINANCIAL RESPONSIBILITY

The company's operations as a logistically clear and traceable sales channel in the middle of the fur industry's value chain generate considerable cash flow that is channelled through the company's operations especially to small rural communities in Finland. Due to the cyclical nature of the industry, the cash flow varies significantly each year. Of the EUR 505.4 million in sales generated during the financial period that ended on 31 October 2014, some EUR 255 million was distributed directly to areas where the cash flow contributes to upholding Finland's welfare society and its numerous services. In municipalities, where pelt production is an important part of the business life, there is also a long-term strategy for developing the sector and maintaining its operational preconditions.

Since Saga Furs can influence only to a small extent the cash flow each year, influencing the fur distribution channels has been part of the company's business strategy. The fashion and textile industry's interest in the product as a valuable natural material among other products holds strong, and new players have joined in as well. In the fashion reviews predicting the autumn-winter season 2014–2015, more than 70% of the international top fashion brands used fur in their collections, and Saga Furs was given an important role.

The company also demonstrates its financial responsibility by implementing responsible marketing communication. The company has increased its investments in the growing East Asian markets where the demand potential is the greatest. Demand in the East Asian markets and the interest of Western top brands, however, go hand in hand, and should the product become politically incorrect in the eyes of the international fashion brands, it would not soon be wanted in the East Asian markets either.

CASH FLOW



A close-up photograph of a yellow fabric and white fur. The yellow fabric is on the left, and the white fur is on the right. A zipper is visible, connecting the two materials. The text is overlaid on the yellow fabric.

COMMITMENT

TO THE COMPANY IS AT A
HIGH LEVEL,
AND THE EMPLOYEES

TRUST

THE COMPANY'S MANAGEMENT.

PEOPLE

Human resources management in an international and multicultural company is more challenging than in a company with a homogeneous personnel structure. Long employments are typical of Saga Furs. The turnover of seasonal staff is small. Passing on tacit information is, however, crucial in order to prevent losing valuable equity, for example, as people retire. This topic is discussed in detail in the article at the end of this section (Case: Passing on tacit knowledge starts from management methods, p. 53).

In addition to the established practice of holding development discussions, Saga Furs uses other tools that ensure regular monitoring of the management's success. In the past financial period, employees in a supervisory position were offered group-coaching. The purpose was to support and strengthen expertise beyond the organization. Although no great interest was seen in group-coaching in the pilot phase, the results gained were positive.

Successes and areas in need of development are monitored regularly using 360-degree feedback, and more extensive personnel satisfaction and work atmosphere surveys. The results of the personnel surveys have been rather encouraging. Commitment to the company is at a high level, and the employees trust the company's management (4.29/ out of 5; previous year 3.98). They also want to be working at the company in the near future (4.43, previous year 4.30).

Areas considered in clear need of development are: giving feedback, internal communications and goal setting. In the financial year, the development of Sharepoint – the group-wide intranet – was continued in order for employee's needs to be served better, and this includes the foreign subsidiaries along with the representative network. Defining the employee roles and creating the connected competence classification was started for production employees and will progress from them to others.

During the financial year, a project plan connected to the renovation of the head office premises was implemented. The current offices with rooms are to be replaced in the near future by multi-

facility offices. This is a significant change for clerical employees and they have been informed on a regular basis about the progress. Their views and wishes concerning the premises have been charted with surveys.

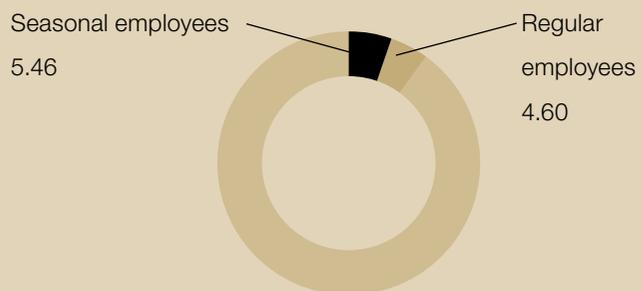
OCCUPATIONAL HEALTH AND SAFETY AND IMPROVEMENT OF PHYSICAL FITNESS

Looking after occupational health and safety (OHS) is important in a company where hundreds of employees every year work in physically demanding, and at times monotonous, jobs. The line organization oversees occupational health and safety, with support provided by the OHS Committee. Indicators used for OHS monitoring are: number of accidents, absences due to illness, safety observations and various personnel surveys. A culture of universal responsibility for occupational safety has been systematically built within the company. Among the means of instilling this approach is having employees bear responsibility for making safety observations. Safety observations consist of so-called "near miss" situations and of encouraging employees to make constructive suggestions for improving occupational safety.

The importance of taking responsibility for one's own actions among the staff has been emphasized. Work capacity coaching has been started as a pilot project. The participants determine an issue that affects their work capacity and that should be improved. In the project, the participants commit to improving the selected issue, but naturally it is also hoped that they will implement the improved practices in the future as well. For example, the following groups have been started in the project; sleep, healthy diet, and physical fitness.

Sick leave, accidents, and frequency of accidents during the financial period are presented in the tables on the next page.

SICKNESS ABSENCES



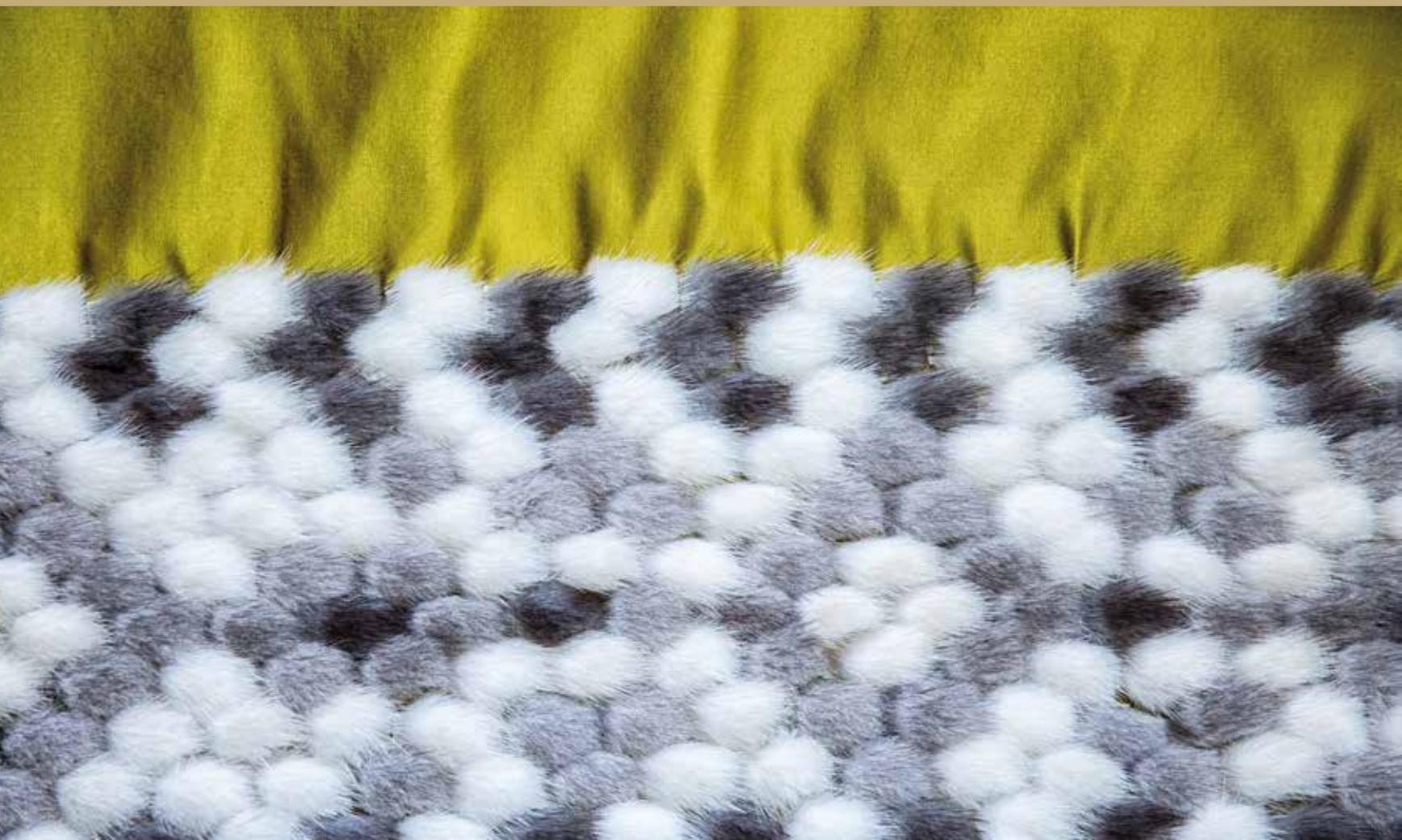
% of theoretical regular working hours

ACCIDENTS

| | 2013/2014 (12 months) | 2012/2013 (14 months) |
|--|--------------------------|--------------------------|
| Accidents, excluding commuting accidents | 7 | 17 |
| Commuting accidents | 2 | 4 |

ACCIDENT FREQUENCY

| | 2014 | 2013 |
|------------------------|---------|---------|
| Accident frequency | 14 | 34 |
| Average loss | 1,279 € | 2,339 € |
| Sickness day frequency | 184 | 465 |
| Sick days per accident | 13 | 11 |



EMPLOYEE BENEFITS

In the past financial period, the occupational health care services provided by the company were expanded as Suomen Terveystalo bought Vantaan Lääkärikeskus, which had been the provider of occupational health services for a long time. Suomen Terveystalo provides services for the entire Group's staff, located in Finland.

One of the benefits exceeding the statutory level is that at Saga Furs, Saturdays are not included in annual holidays, even though Saturdays are included under the Finnish Annual Holidays Act. Employees in production duties have a ten-minute break per working hour. Temporary staff employed for under a year are paid 2.5 days per month in holiday compensation if separate temporary employment relationships have lasted at least 18 months in aggregate. The collective labour agreement and the Finnish Annual Holidays Act do not require this.

In the concluded financial period, the company continued tailored language training (in English, Swedish, Russian and Finnish), which is available during work hours for all employees – seasonal staff included – who need these language skills in their work.

After 18 months' work history, all employees, both permanent and temporary staff, fall within the scope of the company's annual bonus scheme. Its objectives are revised by the Board of Directors annually, and it is based on both the company's profits and the realization of cost-efficiency.

TRADITIONAL SKILLS FOR FUTURE GENERATIONS

The company also realizes its social responsibility by often offering training in its product development unit in Denmark. Training is given to the new generation in the traditional and old family companies to continue the work of their previous generation. This enables maintaining the existing knowledge and expertise that would otherwise be lost, and updating older knowledge to match today's needs. In addition, Saga Furs has co-operation contracts with e.g. the following educational design institutes:

THE COMPANY HAS DEFINED THE PRINCIPLES OF THEIR LEADERSHIP:

- Targets must be clear and the results must be easy to measure
- Enough time must be arranged for supervisory work – time management plays a key role
- Employees must be coached for taking responsibility
- Interaction must be good
- Attitudes must be positive
- People must be challenged to develop

Parson's (United States), Central Saint Martin's (Great Britain), BIFT (China) and Aalto University (Finland). Briton Matthew Glyn presents on page 55 of the report an example of passing on knowledge and learning new things. (Case: New arrival of furs saved the family business.)

FOR EXPERTISE
AND SILENT INFORMATION,
**THE MOST
IMPORTANT
COMMUNICATION**
TAKES PLACE WHERE PEOPLE
THEMSELVES PRODUCE
**AND EXCHANGE
INFORMATION
AND EXPERIENCES.**



CASE: PASSING ON TACIT KNOWLEDGE STARTS FROM MANAGEMENT METHODS

Human Resources Director Marjatta Paunonen emphasizes that tacit knowledge – that is often invaluable capital of the company – can be transferred only if management is committed to the issue. Although good practices may exist on paper, it is attitudes that count: information flows forward or gets stuck in bottlenecks. Being able to coach people to take responsibility often requires updating one's own operating methods and the courage to take risks.

Saga Furs can present encouraging examples of how it is possible to succeed in this challenge. Long employments also provide the possibility to start training successors in good time.

SUCCESSSES AND CHALLENGES

Most of the employees work in production: in receiving the pelts to be auctioned, in sorting them according to strict criteria, and in sending them to the customers after each auction. Nearly all of the work is done in groups and tasks are circulated to ensure that expertise does not lie with one person.

Auctioneers, whose role is crucial for the success of the auction, are trained in their task by the master-apprentice model. The master goes side by side with the apprentice and is available to provide support in all phases of the learning process. When a good chain is formed, it also grows itself.

Difficult situations will emerge, if employees with long work experience are not able to pass on their expertise to their successors. Human reasons in the background should be taken into consideration. In most cases problems can be solved by discussing them.

INTERNATIONALIZATION SETS ITS OWN CHALLENGES

According to HR Director Marjatta Paunonen, ever increasing internationalization sets its own challenges for passing on tacit knowledge. As the personnel around the world work in closer co-operation within the same organization, but physically apart, the structures of the organization must be able to support learning together.

Mentoring will be implemented as a new method in the currently financial period. The goal is to implement mentoring in co-operation with a few companies with a similar personnel structure. In mentoring, the ones with more experience pass on their expertise – often informal information and social capital – to those with less experience. A key element of a successful mentoring process is trust.

This brings us back to square one, to management methods. “Knowledge must be managed systematically. We need uniform supervisory practices and competence development processes. With uniform processes such as development discussions, competence profiles, task descriptions, setting targets and providing feedback, it is possible to ensure consistent-quality supervisory work and the continuous development of the personnel's expertise.” says Marjatta Paunonen.

In the concluded financial period, a lot of attention was paid to improving communication at work, and the work still continues. The organization wants to promote sharing information and expertise, and to create a culture of open communication. For expertise and tacit knowledge, the most important communication takes place where people themselves produce and exchange information and experiences.



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VANTAA

COPENHAGEN

MILAN

NEW YORK

CASE: NEW ARRIVAL OF FURS SAVED THE FAMILY BUSINESS

Matthew Glyn could not even imagine that he would continue his grandfather's career as a furrier that had started in 1921. The new popularity of furs, however, opened up new possibilities for "Glyn's Collection" in Manchester, England. The firm is the only furrier company operating in Northern England.

"I have always liked doing things with my hands," says Glyn. "However, there have not been open possibilities for continuing the work."

Glyn's father did not see any future for the fur industry and he advised his son to seek another kind of career.

However, last spring Glyn started to work as a trainee at Saga Furs' product development unit in Denmark. The two-week course included the basic training for the furrier's profession. He later gained the possibility to study production techniques he could use in his work.

When furs started to be rejected in fashion in the 1980s and the look of garments remained traditional, Glyn's Collection closed down all its 10 shops operating at the time. Only a showroom and an office remained. The owners had already prepared for closing down the business, until customers' interest in fur started to increase again.

"I am working at Saga Furs in order to learn and I wish to train myself in designing garments and producing designs."

NEW GARMENTS AND UPDATING TRADITIONS

Glyn explains that customers often have ideas and visions for their new garments and furriers try to apply these in practice as best as they can. In addition to the production of new garments, refashioning is an important branch of business for the company: daughters and granddaughters wish to refashion the furs they have inherited from their mother or grandmother.



"I am using new techniques and improving my skills by using Saga Furs' instructions," he says. "The mainstream in our company's design has been traditional, but I have gained new ideas here. I am intending to combine these new ideas with my own."



REPORTING SYSTEM

Saga Furs is committed to following through with its corporate social responsibility principles in all its operations, although incorporating the principles of corporate sustainability as part of everyday work is an on-going process. A corporate social responsibility report is published annually for each financial year ending on 31 October. The company's Board of Directors accepts the report annually at beginning of December.

Monitoring and reporting corporate responsibility falls under the responsibility of the Director of Communications and CSR in the Management Group; the company has established a monitoring group to support this person in the coordination of the activities. The company's so-called expanded communication team includes, in addition to employees from the communication department, employees responsible for communication from all business departments. The team discusses the practical implementation of corporate sustainability in its meetings. The team consists of eight members, and they met three times in the past financial period.

In the concluded financial period, Saga Furs has continued reporting based on the GRI G4 model that started last year. Similarly to the previous financial period, the report meets the "Core" reporting requirement which means that it includes the basic information required in the model. Mainly for the purposes of large companies, the adjective used for describing the level is "Comprehensive" and the lowest requirement level is "Guideline" in which the G4 model has been used mainly as a guideline. A GRI G4 comparison chart, including instructions on how to read it, is attached to the report.

Saga Furs complies with the Finnish Corporate Governance Code for listed companies published by the Securities Market Association that entered into force in October 2010, and potential deviations are presented with justification in the appropriate sections. Corporate governance is described in detail on the company's website at www.sagafurs.com in the investors' section.





MEMBERSHIPS OF ORGANISATIONS AND OTHER PARTNERSHIPS

The company is also a member, supporter or partner of the following organisations and associations:

FUR EUROPE:

An organization operating in Brussels that represents the interests of the fur industry throughout Europe. Saga Furs is a member of the organization, central financier and a member of the Board of Directors.

www.furinformationcenter.eu

INTERNATIONAL FUR FEDERATION (IFF):

Saga Furs is the coordinator of political campaigning outside of Europe and a member, central financier and holds a seat on the Board of Directors.

www.wearefur.com

FUR FINLAND:

Promoting the legitimacy and visibility of fur in Finland, Saga Furs is a member and it has a representative on the Board of Directors.

www.turkiskaupanliitto.fi

CONFEDERATION OF FINNISH INDUSTRIES (EK)/FINNISH COMMERCE FEDERATION

The Finnish Commerce Federation is the second-largest of EK's 35 member associations. It has the highest number of employees and the largest collective labour agreement in terms of number of employees covered by it. Commerce is clearly the largest of Finland's service sectors.

www.kauppa.fi

BALTIC SEA ACTION GROUP:

Supporter; work to improve conditions in and around the Baltic Sea.

www.bsag.fi



GRI G4 COMPARISON CHART

According to its own assessment, Saga Furs Oyj has applied the GRI G4 reporting guidelines according to “Core” principle in drawing this CSR Report. The report has not been validated by an external auditor.

| G4 | EXPLANATION |
|-------|--|
| G4-3 | Name of the organisation |
| G4-4 | Most important trademarks, products and services |
| G4-5 | Location of the organisation’s head office |
| G4-6 | Area of operations |
| G4-7 | Ownership structure and form of company |
| G4-17 | Operational structure of the organisation (aspect boundary) |
| G4-8 | Market areas |
| G4-9 | Size of the reporting organisation |
| G4-13 | Significant changes to the size, structure, supply chain, or ownership structure of the organisation |
| G4-10 | Total number of employees by employment and employment contracts |
| G4-11 | Percentage of total employees covered by collective bargaining agreement |
| G4-1 | Managing Director’s review |
| G4-2 | Key impacts of the organisation, risks and possibilities |
| G4-28 | Reporting period |
| G4-29 | Time of publication of the previous report |
| G4-30 | Report publication frequency |
| G4-48 | Highest governance body approving organisation’s sustainability report |
| G4-56 | Organisation’s values, principles and standards |
| G4-20 | Aspect boundary within the organisation |
| G4-21 | Aspect boundary outside the organisation |
| G4-22 | Causes for and impact of information deviating from previous reports |
| G4-23 | Most important changes to the scope of the report, its delimitations or measurement methods |
| G4-18 | Defining the report content and aspect boundaries |
| G4-34 | Governance structure of the organisation |

| CORE | UNGC | PAGE | ADDITIONAL INFORMATION |
|------|------|--------------|---|
| X | | 4 | |
| X | | 4 | |
| X | | 4 | |
| X | | 4 | |
| X | | 4 | |
| X | | 5 | |
| X | | 4 | |
| X | | 5 | |
| X | | 6 | |
| X | X | 5 | |
| X | X | 5 | |
| X | | 8-9 10-11 | |
| X | | 57 | |
| X | | 12-13 | |
| X | | 57 | |
| X | | 57 | change in the length of the financial period http://www.sagafurs.com/en/company/investors/financial_reports |
| X | | 57 | accounting period change http://www.sagafurs.com/en/company/investors/financial_reports |
| X | | 13 | http://www.sagafurs.com/en/company/investors/corporate_governance |
| X | | 57 | |

| G4 | EXPLANATION |
|---------|---|
| G4-15 | Commitment to external corporate social responsibility initiatives |
| G4-16 | Memberships of organisations |
| G4-12 | Organisation's value chain |
| G4-25 | Definition and selection criteria for stakeholders |
| G4-26 | Principles of stakeholder activities |
| G4-19 | Material aspects |
| G4-27 | Topics brought up by stakeholders |
| G4-24 | Stakeholders |
| G4-DMA | Disclosure of the Management approach (Certified products) |
| G4-EN27 | Measures to reduce the environmental impact of products and services |
| G4-EN32 | Percentage of new suppliers that were screened using environmental criteria |
| G4-EN33 | Significant actual and potential negative environmental impacts in the supply chain |
| G4-DMA | Disclosure of the Management approach (Animal welfare) |
| G4-DMA | Disclosure of the Management approach (Environmental) |
| G4-DMA | Disclosure of the Management approach (Product responsibility) |
| G4-PR5 | Practices related to customer satisfaction |
| G4-DMA | Disclosure of the Management approach (Finance) |
| G4-EC1 | Produced and distributed direct financial added value |
| G4-EC8 | Key indirect financial impacts and their scope |
| G4-DMA | Disclosure of the Management approach (Human resources) |
| G4-LA2 | Employee benefits |
| G4-LA6 | Number of accidents and occupational diseases, lost working days and absences |
| G4-LA10 | Personnel expertise development programmes and learning action programmes |
| G4-LA11 | Development discussions |
| | GRI G4 comparison chart |
| | Contact information |

| CORE | UNGC | PAGE | ADDITIONAL INFORMATION |
|------|------|-------|--|
| X | | 14 | |
| X | | 59 | |
| X | | 17-19 | |
| X | | 21 | |
| X | | 26-29 | |
| X | | 21-23 | |
| X | | 29 | |
| X | | 29 | |
| X | | 31 | Included as a material aspect: certification affects both the environment and customer satisfaction |
| X | X | 38 | |
| | X | 31 | Number of certified fur farms and changes to the previous report |
| | | 38 | Case: environmental challenges of fur farms |
| | | 33 | Included as a material aspect: GRI G4 guidelines do not contain DMA for animal welfare |
| X | | 37 | |
| X | | 41 | |
| X | | 41-42 | |
| X | | 45 | |
| X | | 47 | |
| X | | 46 | Significance of fur production, the influence of auctions on the area |
| X | | 49 | |
| | X | 51 | |
| x | | 50 | |
| | X | 53 | |
| | X | 49 | |
| X | | 60-63 | |
| X | | 64 | |



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