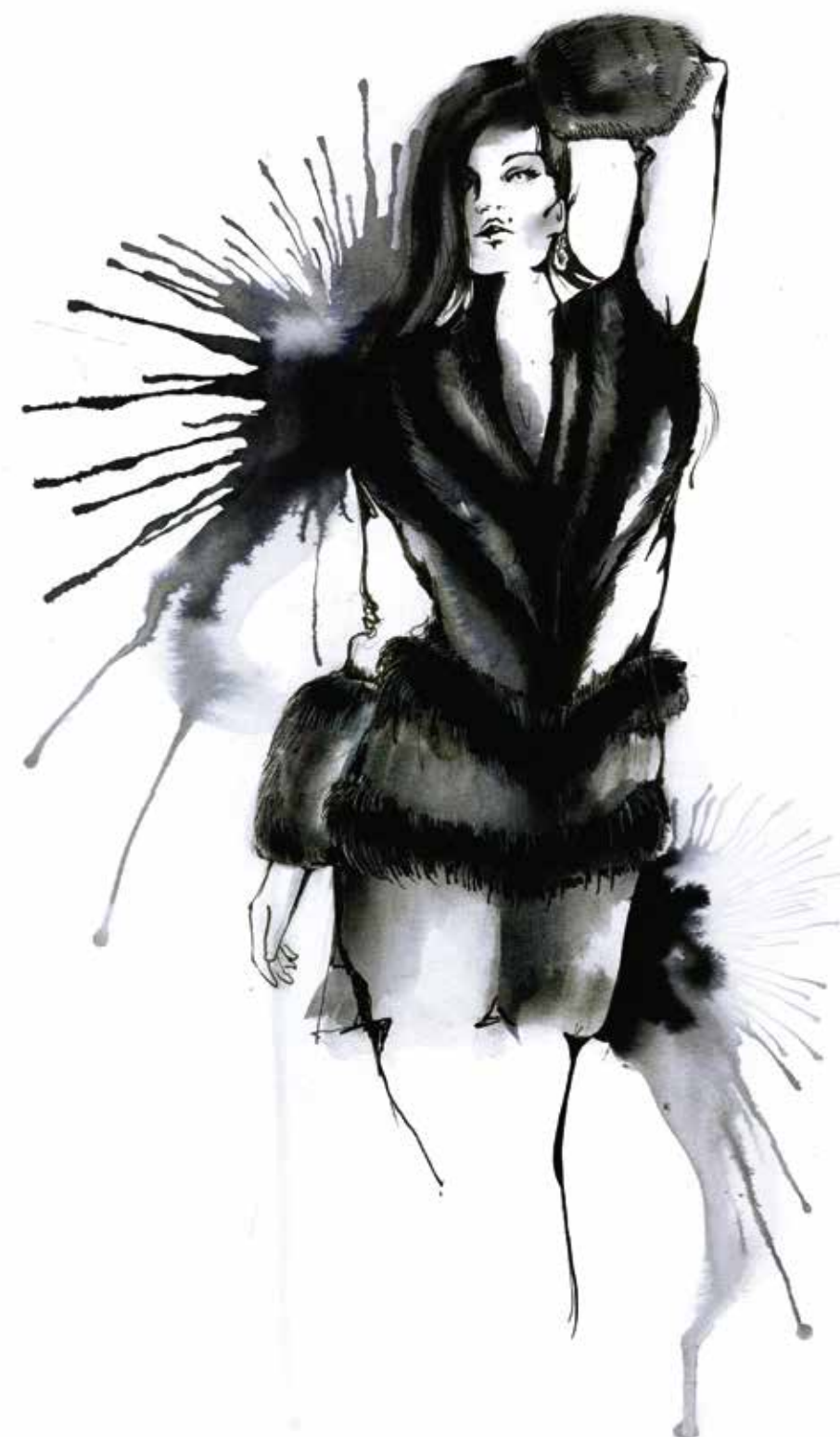


REDEFINING FUR

Saga Furs Oyj Corporate Social Responsibility Report 2013

sagafurs®



sagafurs®

VANTAA

COPENHAGEN

MILAN

NEW YORK

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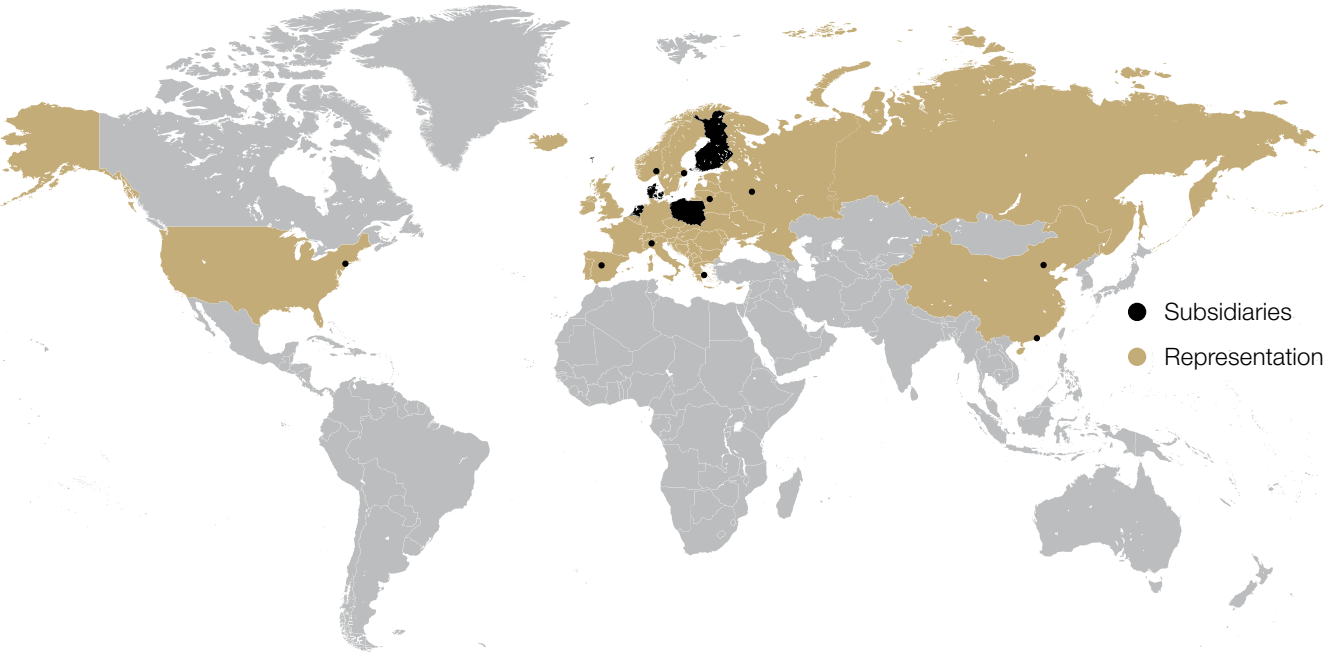
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SAGA FURS IN BRIEF



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. In addition to Finland, Saga operates through its subsidiaries in Poland, Denmark and the Netherlands, and through its representatives in Spain, Italy, China, Greece, Sweden, Norway, the U.S., Russia, and the Baltic countries.

PERSONNEL

During the financial period, the Group employed an average of 315 people, of whom 141 were employed permanently and 174 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

Saga Furs' main objective is to generate a profit for its shareholders. We want to be part of the value chain of European fur breeding in accordance with the principles of sustainability, and to market fox, Finnraccoon and mink pelts under the Saga Furs® brand at auctions held 4–5 times a year. Our operations also include fur-material product development at the Saga Design Centre.

Saga Furs is known as a pioneer in ethical fur breeding and as the company that reintroduced fur as a material used by fashion designers. The Saga Furs brand is a guarantee of the product quality and the openness and sustainability that today's consumers demand.

The table shows the company's key figures for the financial period.

PERSONNEL BY GENDER	Men	Women
Saga Furs, regular in Finland:	63	48
Group executive team:	5	2
Saga Furs, fixed-term:	118	90
Ab Finnish Fur Center Oy, regular:	2	5
Furfix Oy, regular:	4	1
Furfix Oy, fixed-term:	53	48
Saga Furs, rest of the world:	14	17
Group total:	421	345

WORKFORCE SEASONAL VARIATION (SAGA FURS)

Total of fixed-term employees: 303, of which new contracts 36.
Variation percentage 11.9

EMPLOYEES WITHIN THE SCOPE OF COLLECTIVE LABOUR AGREEMENTS:

Saga Furs: total of 622 employees, of which 572 are within the scope
Ab Finnish Fur Center Oy: six (6) regular employees, which four (4) are within the scope
Furfix Oy: total of 106 employees, of which 105 within the scope

Group (in Finland) total: 735 employees, of which 681 within the scope

CONSOLIDATED KEY FIGURES	2012/2013	2011/2012
Total sales, MEUR	981	695.2
Consolidated net turnover, MEUR	78.5	60.1
Operating profit, MEUR	24.9	17.2
Profit before tax, MEUR	29.7	22.5
Earnings per share, EUR	6.2	4.69
Return on equity, (ROE)%	25.6	23.1
Return of investment, (ROI)%	22.6	21.7
Board's proposal for distribution of dividend , EUR	2.05	2.10

MANAGING DIRECTOR'S REVIEW

In 2013, Saga Furs celebrated 75 years of operations, and its product development unit, Saga Furs Design Centre, 25 years of operation. Our theme for the year was 100+, with the plus sign symbolising going forward, our faith in the future, and the company's position as a pioneer in its field. Responsibility is a key element of the company's business strategy, and its significance among our stakeholders is growing.

In CSR reporting, the stakeholder perspective is essential. Reporting is not just about marketing communication, but about responding to the demands of the outside world. As a significant material supplier to the international fashion industry, the company must adapt its operations to the code of ethics of this important customer group. The company's position as a pioneer in sustainability is also reflected in the fact that this CSR report complies with the Global Reporting Initiative's (GRI) latest G4 framework, which was completed in May of 2013. The GRI offers the most prominent sustainability reporting guidelines in the world. The biggest change is that the company has assessed in even greater detail the factors that are most essential in terms of defining its sustainability.

The company has been a member and supporter of the United Nations Global Compact Initiative for responsible business for four years now. This report reflects a commitment to the GCI's principles, as required by the G4 sustainability guidelines, and the principles are available in their entirety on page 14.

Financial responsibility – i.e. profitability, income flow, and tax footprint – is the cornerstone of the company's social responsibility. In 2013, the company once again broke records both in total sales and in the resulting income flow channelled to Finland. Of the nearly EUR one billion in total sales recorded at the end of the financial period on October 31st, roughly EUR 500 million is essentially export revenue that directly supports Finland's welfare society and its many services. This cash flow exceeds the export revenue generated by, among other things, the sawn timber trade and electronics industry sales.

In the sector's exceptionally long value chain, animal welfare is especially important to Saga Furs (p. 19). Saga Furs has consistently guided its operations in a direction where the high quality of the pelts being auctioned is combined with the quality of the entire production process. Animal welfare occupies a central place in internal quality. Saga Furs has more than 2,000 supplier-customers, which are independent companies that determine their own operating methods. The fur Farm Certification System, introduced and continuously developed by the Finnish Fur Breeders' Association (ProFur), is an excellent tool for the company to instil comprehensive quality thinking amongst our supplier-customers.

In line with its decision of a year ago, the company is also offering a selection of 100% certified fox pelts in the 2013–2014 sales period. The goal of integrating certification and the Saga Furs' brand-quality promise is going forward according to the previously confirmed schedule.

Open communication on non-conformities and problems is also imperative in an industry that divides opinions. Saga Furs wants to engage in dialogue with the surrounding society and use the feedback and suggestions that result from the dialogue to develop the company's operations. Balanced dialogue can only be achieved if both parties, despite their differences in opinion, are committed to showing mutual respect. Saga Furs will not take part in discussions where the goal is to abolish the industry. The citizens' initiative to ban fur farms in Finland, which was addressed by Parliament last summer, reinforced the industry's political backing. It consequently also highlighted the need for constructive dialogue with willing NGOs, i.e. with discussion partners who, on the one hand, challenge us, but on the other, want to work together with us to develop the industry.

In Saga Furs' operations, local and global go hand in hand. Our employees represent more than 20 nationalities. Most work at our main premises in Vantaa, but we have opera-

tions and personnel in a total of 13 countries. This spring, the company's operations will become even more globalised as a result of the sales co-operation agreement it has signed with American Legend Cooperative and Fur Harvesters Auction Inc. The more global the operating environment becomes, the more important it is to build a strong brand and firmly instil the company's values among both its personnel and its expanding group of stakeholders.

Pertti Fallenius
Managing Director

OF THE NEARLY EUR
ONE BILLION
IN TOTAL SALES RECORDED
AT THE FINANCIAL PERIOD ENDED
OCTOBER 31ST, ROUGHLY EUR

500
MILLION
IS ESSENTIALLY
**EXPORT
REVENUE.**



SAGA FURS AND SUSTAINABLE DEVELOPMENT

1. THE COMPANY'S IMPACT ON SUSTAINABLE DEVELOPMENT

Saga Furs' business operations link actors together in the overall fur industry value chain. Its customers include fur breeders representing primary production, the international fur trade, and the fashion industry. From the point of view of sustainable development, Saga Furs' financial responsibility to Finnish society is considerable and, according to the stakeholder analysis, it is also the company's most important area of sustainability.

The cash flow channelled via the company's operations is treated in this report from two different perspectives. Cash flow from the sale of pelts is directed to the Finnish countryside, but also to other rural areas in the EU, where alternative job opportunities are scarce and where, without subsidies that distort competition, the export revenue that is generated helps to maintain a welfare society and its services. On page 36 of this report is an interview with the Mayor of Nykarleby, which represents the heart of the fur farming community in Finland.

Financial responsibility is also highlighted in the capital city area, which is where the company's head office is located. The Pellervo Economic Research (PTT) determined in November 2013 that the company's auctions, with their increasing international customer flows, bring roughly EUR 18 million in revenue to the capital city area's service sector.

Pages 34-35 of this report contains a summary of PTT's report, with graphics explaining the contents of the report.

2. PROBING FUTURE TRENDS

Consumers basing their choices on ethical values is a rising trend. Ethical consumption cannot be unequivocally and exhaustively defined, as a number of variables affect the out-

come. In Saga Furs' view, the core of the ethical nature of fur is its significance as part of sustainable development. It is essential that animals are well taken care of. Fur, in turn, is a recyclable and sustainable natural material with a long cultural history and which may become increasingly appreciated as a counter to the "throw-away" culture. On the other hand, the company must also be watchful of social inequality fuelling a resistance to furs – not out of concern for animal welfare, but because of the label of luxury associated with fur.

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 a quality auction house. The traceability of the entire production chain, the fact that important stakeholders can assess it as objectively as possible, and the gradual inclusion of fur farm certification in the Saga® quality criteria are the company's most important tools for increasing its control over the products it sells.

The first citizens' initiative, based on a new legal act, in Finland's political history was rejected in a majority vote by Parliament in its spring session. The initiative called for a ban on fur farming in Finland. In addition to bringing the arguments of those behind the initiative into the spotlight, the media attention it raised also gave the industry the opportunity to make its voice heard; and, while the initiative was being discussed in Parliament, perspectives that otherwise might not have been brought to the forefront were raised. Parliament gave the matter worthy consideration, which is a testament to the effectiveness of civic society and democracy in Finland.

Parliament's decision gave the industry the peace it requires to carry on its activities. Strong political support does not, however, mean an end to the dialogue on the legitimacy of the fur industry. The dialogue continues. The industry needs

co-operation partners with whom to engage in dialogue on the future of the industry. In co-operation with the Finnish Fur Breeders' Association (ProFur), Saga Furs Plc. decided it will launch a "Future Forum" project in winter 2014. Under the direction of the University of Turku's Finland Futures Research Centre, the forum will be based on multi-sector workshops.

In its extensive report "Finland's 100 new possibilities: Radical technological solutions", the Finnish Parliament's Committee for the Future named the fur trade as an industry of the future. (The Parliament of Finland's Committee for the Future's publication 6/2013 [In Finnish]).

With Saga Furs' operations becoming increasingly international, both pan-European and global trends have had a growing impact on the company's operations.

Political threats concerning the legitimacy of fur breeding have intensified in several European supplier countries, and the growing role of social media increases the unpredictability of political decision-making. All of this requires that Saga Furs follows the social debate and reinforces its role as a participant in it. The company's risks and risk management are comprehensively addressed of 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.



CORPORATE SOCIAL RESPONSIBILITY REPORTING

Saga Furs prepares a corporate social responsibility report for every financial period. The previous report was published in January 2013.

SAGA FURS SUSTAINABILITY PRINCIPLES

Saga Furs is the only publicly quoted fur auction company in the world and a pioneer in its industry with regard to sustainability. In accordance with its renewed strategy of 2011–2012, the company aims to redefine fur as a beautiful and sustainable natural material.

One of the key dimensions of the company's operations is that, in addition to the technical quality of the product, internal quality – how the animals are kept, the production environment, and the operations of suppliers – plays an increasingly important role in the big picture. Saga Furs is the only auction company to publish a corporate social responsibility report annually. We want to encourage all partners within the scope of our operations 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.

OUR BASIC VALUES

RELIABILITY:

We operate openly and do what we promise

PROFITABILITY:

We continuously develop 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



REPORTING SYSTEM



Saga Furs is committed to following through with its corporate social responsibility principles in all its operations. Monitoring and reporting corporate social 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 her in the coordination of the activities. The company's Board of Directors assesses corporate responsibility and approves the content of the report annually.

Saga Furs CSR Report for the recently ended financial period complies with the GRI G4*) "Core" reporting requirements. Unlike the G3.1 guidelines, the G4 model no longer includes categorisation into A, B and C application levels; instead, three adjectives are used to describe the levels: Comprehensive (includes additional disclosures), Core (includes essential elements) and Guideline (includes standard disclosures from the guidelines). A GRI G4 table of comparison, including instructions on how to read it, is attached to the report.

Saga Furs complies with the Finnish Corporate Governance Code (October 2010) published by the Securities Market Association for listed companies. Potential deviations are presented with justification in the relevant sections. Corporate governance is described in detail on the company's website at www.sagafurs.com at investors' section.

*) GRI is generally the most used international model for corporate social responsibility reporting and is based on the continuous development of operations.



MATERIAL ASPECTS OF RESPONSIBILITY (TOPICS)

A key element of the new reporting model is that the company identifies the material aspects of responsibility in its operations. The Topics are selected, and an explanation of where they are situated in Saga Furs' value chain (Aspects) is provided. 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 openly disclose how its corporate responsibility is managed. The Disclosure Management Approach is presented in the report for every Topic dealt with, such that a few topics are combined under the same DMA.

The company has been a member of the UN Global Compact Initiative's network since 2008. GCI is the most internationally recognised 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 actively communicate 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 G4 guidelines require that the company’s realisation of the GCI principles be shown in a GRI G4 comparison table, which is included at the end of the report. The GCI principles are:

GLOBAL COMPACT

TEN PRINCIPLES

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

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

The Global Compact Initiative calls for companies to adopt, support and realise within their sphere of influence these basic values related to human rights, labour principles, and environmental and anti-corruption activities.

HUMAN RIGHTS

- Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.
- Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4:** Businesses should support the elimination of all forms of forced and compulsory labour.
- Principle 5:** Businesses should support the effective abolition of child labour.
- Principle 6:** Businesses should support the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7:** Businesses should support a precautionary approach to environmental challenges.
- Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



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WITH INTERNATIONAL
FUR FEDERATION,
SAGA FURS
DEFENDED
POLITICAL OPERATING CONDITIONS
OF **FUR INDUSTRY** AND
FREEDOM
OF TRADE WITH
4,4
MEUR.

OTHER MEMBERSHIPS AND PARTNERSHIPS

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

FUR EUROPE:

An organisation being set up in Brussels that represents the interests of the fur industry throughout Europe, and who will take on the political work of the International Fur Federation (IFF) and the European Fur Breeders' Association (EFBA); member, key financier, member of the Board of Directors.



INTERNATIONAL FUR FEDERATION (IFF):

Organisation responsible for global industry standards, co-ordinator of political campaigning outside of Europe; member, key financier, member of the Board of Directors.

www.wearefur.com

EUROPEAN FUR BREEDERS' ASSOCIATION (EFBA):

Interest Organization of European fur farmers; supporter

www.efba.europa.eu



FUR FINLAND:

Promoting the legitimacy and visibility of fur in Finland; member; member of 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 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 for the Baltic Sea

www.bsag.fi



SAGA® IS
THE MOST
RECOGNISED
FUR
TRADEMARK
IN THE WORLD.

SAGA FURS' VALUE CHAIN

In the new G4 reporting guidelines, the scope of corporate responsibility is defined differently than in the previous G3.1 guidelines, which adhered to the company's legal framework in terms of what the company owns and the areas where it has significant influence, even if it does not have direct control over the matter. The new reporting model requires that the company evaluate its responsibility footprint regardless of whether its connection to the matter at hand is based on ownership or whether it has significant influence over the matter. In order to ensure even broader evaluation, the company must identify its value chain.

Saga Furs, an international auction company whose customers are found at the beginning and end of the value chain, can directly or indirectly influence various parts of the value chain in many ways through its operations.

The Finnish Fur Breeders' Association (ProFur), the company's biggest shareholder, is the "owner" of the beginning of the value chain, either directly or indirectly. Fur farms, which number roughly 1,000 in Finland, are independent companies and members of the association through local associations. Nearly all the fur farms that operate in Finland are customers of Saga Furs, either through their production or part thereof.

As a rule, the majority of the companies that produce fur animal feed are owned by fur breeders. The association represents fur breeders in Finland. Because of its significant financial responsibility, and because its task is to sell and market products to an increasingly demanding international clientele, Saga Furs is a key co-operation partner in this work. In crisis communication situations and 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 as a responsible corporate citizen.

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 soft-

ware program that targets continuous improvement in breeding stocks, the Lumi Mink quarantine farm, and continuously growing breeding stocks for supplier-customers in Finland and elsewhere in Europe.

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-customers 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 the task.

The fur farm certification programme created and maintained by ProFur serves as a means for the company responsible for sales to encourage suppliers to focus on improving the overall quality of their products and on the traceability of their production. In developing and expanding the system, the company has encouraged certification in an economical manner and such that it has gradually switched to selling 100% certified pelts.

Saga Furs sells pelts originating from several European supplier countries. In Norway and Poland, an appointed association, corresponding to Finland's ProFur, grants the certificates for applying the company's certification system. In countries where there are no co-operation partners comparable to such an association, Saga Furs can carry out audits of individual facilities. When a facility fulfils the criteria of the certification system, its production can be sold as part of the range of certified products.

In the event of non-conformities, Saga Furs and ProFur have a joint action plan for situations where deficiencies emerge at fur farms. In the action plan, responsibilities are divided according to each organisation's areas of operation. In countries where a clear legal co-operation partner does not exist, Saga Furs applies its action plan with the help of its broad representative network.

Compared to other international fur auction companies, Saga Furs is also in a unique position to influence the opposite end of the value chain through the product development expertise of the Saga Furs Design Centre. For international clients that demand traceability throughout the chain, the company can identify auction buyers and dressers that have committed to upholding traceability throughout the entire process (Saga Traceability System®).

Saga® is the most recognised fur trademark in the world, which, in certain markets, brings end consumers into the B2B company's value chain and responsibility sphere of influence, even if the company does not engage in business with them directly. 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.

A part of the value chain that is challenging to manage is the dressing of furs. As part of a traceability programme being realised together with certain international fashion houses, Saga Furs helps fashion houses to find dressing company partners that enable traceability (Saga Furs Resource Guide). Saga Furs' product development unit has launched, in co-operation with a German dressing company, the Green Dressing project to develop new techniques for dressing furs in a way that generates even less of a load on the environment. An article on the topic can be found on page 45 of this report.



VALUE CHAIN

Value chain

Impact boundary of Saga's topics

Primary production (cultivation, fishing) Fodder production	Greenhouse gases and emissions into soil
Fur farmers	Animal welfare, greenhouse gases and emissions into soil, product development and certified products
Saga Furs	Financial profitability, good human resources management, value chain management, product development, open communication
Auction customers	Saga® trademarks, traceability, certified products, open communication
Dressers	Product development
Fashion houses	Saga® trademarks, traceability, product development, certified products, open communication
Retailers	Saga® trademarks, open communication
Consumers	Saga® trademarks, open communication



SAGA FURS' SUSTAINABILITY PRINCIPLES FROM THE POINT OF VIEW OF STAKEHOLDERS

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 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

As it switched to using the GRI G4 reporting guidelines, Saga Furs' corporate social responsibility monitoring group re-evaluated in autumn 2013 the significance of the company's different functions and requirements coming from the external operating environment from the point of view of the company's responsibility. The new GRI G4 model uses the term Topic to describe the different areas of sustainability.

The definition of materiality helps Saga Furs to develop its responsible business practices, as well as to select the focus areas for its CSR report and develop its communication to its stakeholders. The company's GRI G4 Topics are presented in the chart. The horizontal axis describes the interests of stakeholders and the vertical axis the importance of the matter to Saga Furs. The figure illustrates that different stakeholders view the company's sustainability in different ways, and thus their expectations also differ.

1. Financial profitability

The most important Topic of the company's sustainability is its financial success. Saga Furs' business activity is almost entirely made up of foreign trade, and the cash flow it generates is a significant source of income for Finland's rural areas (See Case: Nykarleby lives off furs, p. 36) Indirectly, the company's fur auctions additionally bring millions of euros in net sales to the service sector in the capital city area (See: The impacts of fur auctions on the capital city area's economy, p. 34).

In a tense economic situation that has shaken all of Europe, the fur trade has proved to be a profitable and sustainable business that can help maintain a welfare society and all the services it offers. During the reporting period, Saga Furs' corporate tax contribution to Finnish society was EUR 7,4 million.

2. Animal welfare

High levels of animal health and welfare are conditions for the entire future of the fur industry. Saga Furs promotes, through its operations, an improvement in animal welfare and, within the limits of its authority, intervenes if any deficiencies emerge. As a leading fur auction company, Saga Furs has both the

obligation and the opportunity to act as a defender of animal welfare. 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.

3. 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 de-



tailed 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 at least according to the conditions stated in the revised recommendations of the Council of Europe or other national regulations.

4. 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 accept (in the first phase the 2011–2012 sales season) only Finnraccoon pelts from certified fur farms, and in the second phase (the 2013–2014 sales season), to separately offer certified and uncertified fox pelts, are tools to steer more and more farms towards certification. In terms of responsibility, certification increases the transparency of fur production, in addition to supporting the sustainability of the industry as a whole.

5. Good human resources management

Human capital is a significant factor for Saga Furs’ 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 company’s management principles have been defined. 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.

6. Greenhouse gases and emissions into soil

The majority of the environmental impacts from fur production occur in connection with fur farming. Although the to-

tal 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.

7. Open communication

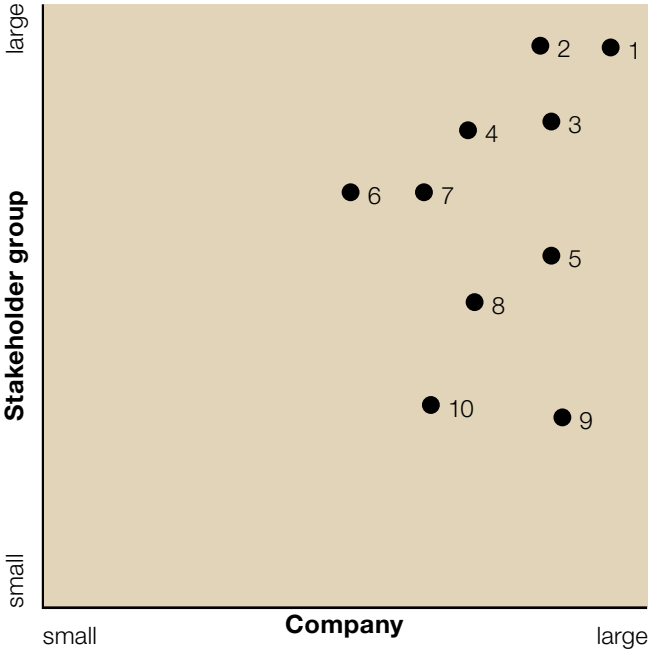
Saga Furs’ position as a listed company in the middle of the fur industry’s long value chain sets special requirements for its communication. To ensure that stakeholders receive accurate, verifiable and reliable information on the industry’s development and the impacts of its activities, the company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

8. 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.

9. Product development

Product development carried out at the Saga Furs Design Centre enhances the sustainability of the value chain after the fur auction process. As fur is a valuable natural material, it is important to find methods that are compatible with the 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, and the Design Centre is, in fact, part of a project that aims to find dressing methods that are more environmentally sustainable (See Case: Green Dressing, p. 45).



- 1. Financial profitability
- 2. Animal welfare
- 3. Traceability
- 4. Certified products
- 5. Good human resources management
- 6. Greenhouse gases and emissions into soil
- 7. Open communication
- 8. Saga® trademarks
- 9. Product development
- 10. Value chain management

10. 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.

TOPIC-ASPECT-DMA-INDICATOR -CHART

TOPIC	ASPECT	DMA	INDICATOR	LEGEND
Financial profitability	Economic performance		G4-EC1	Produced and distributed direct financial added value
	Indirect economic impacts		G4-EC8	Key indirect financial impacts and their scope
Animal welfare				
Greenhouse gases and emissions into soil	Emissions		G4-EN16	Indirect greenhouse gas emissions
Product development	Products & Services		G4-EN21	Nitrogen and sulphur dioxide emissions and other significant emissions
		G4-EN19	Measures to reduce greenhouse gas emissions	
Certified products	Supplier environmental Assessment		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 value chain
Good humanresources management	Employment		G4-LA1	Total number of new employee hired
			G4-LA2	Employee benefits
			G4-LA6	Number of accidents and occupational diseases, lost working days and absences
	Occupational health & safety		G4-LA10	Personnel expertise development programmes and learning action programmes
	Training & education		G4-LA11	Development discussions
Saga trademarks	Procuct & Service Labelling		G4-PR5	Practices related to customer satisfaction
Traceability	Procuct & Service Labelling			
Open communication	Marketing communications		G4-PR6	Compliance with acts, norms and voluntary rules related to marketing communications
Value chain management	Marketing communications			

STAKEHOLDER ACTIVITIES

1. FUR BREEDERS

More than 90 per cent of Saga Furs supplier-customers come from the EU area and Norway. Through the sales co-operation with the fur auction houses American Legend Cooperative and Fur Harvesters Auction Inc. in spring 2014, an even broader selection of furs will be sold on Saga Furs' premises and in connection with its auctions, under two other strong and independent brands. The selection of Saga Furs as a co-operation partner at auctions to be held in March and June will indirectly expand the company's group of supplier-customer stakeholders.

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 pro-

gramme, whereas Saga Furs encourages and also obligates its customer-suppliers to adopt it by integrating it gradually 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 and, as an expression thereof, the tag that reflects three different quality levels: Saga® Lumi Royal, Saga® Royal and Saga® Superior. 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, and the company delivers to customers, based on the purchase orders made, the tags to be used in the 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.



Saga Furs' operations also extend to fur material product development, the aim of which is not only to find new ways of using fur, but also to ensure that the valuable material is used as comprehensively as possible so that it is not necessary to dispose of anything.

The sales co-operation scheduled to begin in spring 2014 with two North American fur auction houses has been very positively received among a customer base with a high rate of travel. The "one-stop-shopping" concept enables an even broader client base to gather in the same place and at the same time, which additionally reduces the carbon footprint caused by air travel.



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 is 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. A key objective of the company's human resources policy in recent years has been to instil an understanding of the consistent management principles and brand identity among the entire personnel. New tools have been introduced in order to ensure internal communication that is as straightforward as possible.





The importance of the entire body of employees to the company’s success is underscored by the fact that all employees, including temporary staff after a certain period of employment, are entitled to participate in the incentive scheme confirmed annually by the Board of Directors. The scheme is partly based on the company’s profits and partly on cost efficiency. The company’s occupational health care services and annual holiday rights exceed the requirements set by legislation. Our long-term human resources policy is illustrated by the fact that, despite the cyclical nature of the business and organisational changes, our aim has been to secure our personnel’s jobs and resources.

4. INVESTORS

Saga Furs’ largest shareholder is the Finnish Fur Breeders’ Association (ProFur), which owns the company’s unlisted A shares, in addition to 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 internationalisation, 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>.

Saga Furs was chosen as “The Best Small-Cap Company” by private investors, on the basis of a survey they filled out, at an investors’ event held in November 2013. The company was sin-

gled out for the award because of its consistent communication and the respect the company shows to its investors.

5. POLITICIANS, OTHER OPINION MAKERS AND THE 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. As a publicly listed company that has included corporate social responsibility in its business strategy, Saga Furs guarantees that the information it disseminates is fact based and traceable. In discussions that took place in spring 2013 concerning a citizens’ initiative to ban fur farms in Finland, Saga Furs and ProFur acted in accordance with their clear division of labour, such that ProFur underscored the importance of fur breeding as a responsible form of keeping animals for production purposes, while Saga Furs highlighted the global and economic significance of the operations.

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 required that the politicians agree to have their names and the amount of funding received published on the company’s and the association’s websites.

Because Saga Furs is a pioneer in its field, it has consistently aimed to respond to the challenges introduced 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.

STAKEHOLDER WORK

Saga Furs’ stakeholders have different, sometimes even conflicting, expectations of the company’s responsibilities. The table describes stakeholder-specific expectations and the activities employed to respond to them. In addition, the table introduces development projects through which we aim to further improve our operations.

STAKEHOLDER GROUP	EXPECTATIONS	ACTIONS	IMPROVEMENT SCHEMES
Fur producers	Marketing support, - information Continuous communication Support e.g. for improving animal stock Added value from certification	Communication with efficient tools Training events Quarantine farm, research activities Comprehensive certification	Customer segmentation Continuous improvement of product quality Co-operation on breeding Farm based certification in countries, where certification partner is not present
Buyers/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
Political decision-makers and media	Open, transparent communications Reliability of information Animal welfare	Visits to company and fur farms facilities, ongoing communication	Social media, other new communication channels Corporate sustainability reporting Finding a NGO-partner
Personnel	Unambiguous management systems Open communications	Development of management systems 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 enquires IR communications with efficient tools Responsible financial management Corporate sustainability reporting	IR meetings; organizing, participating Social media Continuous improvement of the sustainability reporting



SAGA FURS'
MARKET POSITION
STRENGTHENED
DURING THE FINANCIAL YEAR,
A FACT WHICH FURTHER
EMPHASISES
THE COMPANY'S ROLE AS
A PIONEER
IN SUSTAINABILITY.

FINANCIAL RESPONSIBILITY



THE COMPANY'S FINANCIAL PROFITABILITY

The company's financial responsibility is the most essential element of its entire social responsibility. In a cyclical industry, safeguarding its profitability and productive operations has allowed Saga Furs to pay its shareholders a reasonable dividend, even during economic cycles that are weaker than the current one. 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 result and future expectations are communicated in line with the company's disclosure policy. Through the company's interim reports, financial statements, Report by the Board of Directors and the company's website, stakeholders can monitor and evaluate the realisation of the targets and goals of Saga Furs' financial responsibility.

Disclosure Policy:

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

Financial Reports and Interim reports:

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

During the financial period that ended on 31 October 2013, which was an exceptional 14 months long due to a change in the company's financial calendar, the value of its sales had reached close to EUR 1 billion. During the "old" financial period that ended on 31 August 2013, sales had reached EUR 876 mil-

lion, which is nearly EUR 200 million more than the year before. Thanks to the good market situation, furs sold were delivered at a brisk rate. During its 14-month financial period, the company held five auctions, and in its period ended 31 August 2013, four. According to the interim report published on 31 October 2013 for the "old" financial period, the company sold a total of 9.6 million pelts, 94% of which belonging to 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.

Saga Furs market position strengthened during the financial year, a fact which further emphasises the company's role as a pioneer in sustainability.

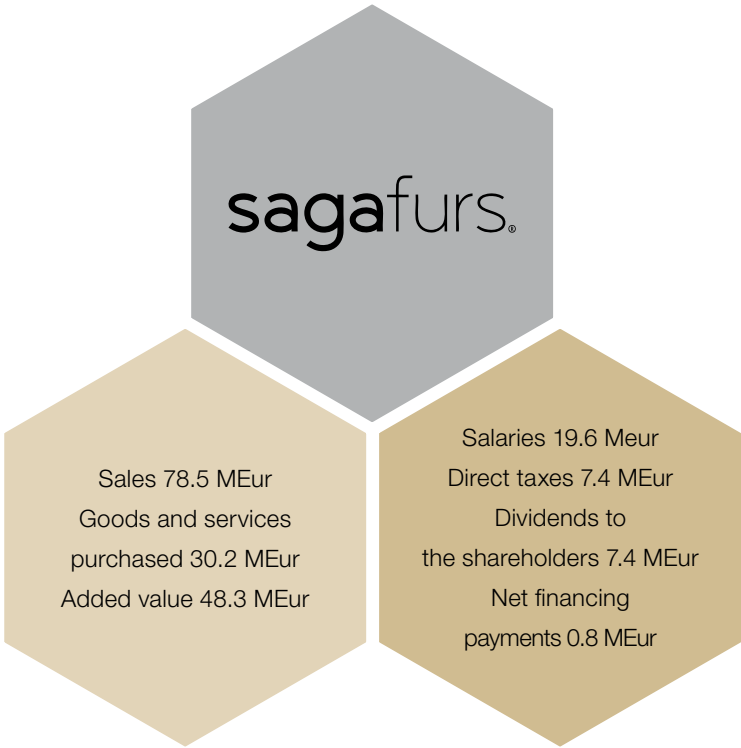
The importance of cost effectiveness has been cascaded throughout the organisation. This is illustrated by the fact that it is the second indicator in the bonus system for personnel, after the company's result. The Board of Directors annually sets the target levels for cost efficiency, and these form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

INDIRECT IMPACTS OF FINANCIAL RESPONSIBILITY

The impact of pelt sales on rural economies

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. Of the nearly EUR 1 billion in sales generated during the exceptional 14-month financial period ended 31 October, some EUR 500 million is distributed directly to areas where the cash flow contributes to upholding Finland's welfare society and its numerous services. Nykarleby, a municipality in South Ostrobothnia with a population of more than 7,000, is an example of how fur trade stimulates

ADDED VALUE TO THE STAKEHOLDERS



all other sectors of industry and trade, and where municipal decision-makers actively participate in developing the sector. The amount of annual cash flow is naturally influenced by economic cycles, which are beyond the company’s sphere of decision-making. A long-standing part of Saga Furs’ business strategy has, however, been to bring about a change in the distribution channels for fur, and in that, the strategy has been successful. If the fashion and textile industry’s interest in the product as a valuable natural material among other products holds strong, economic fluctuations resulting from economic disturbances can be offset.

There is a direct connection between the interest of top Western brands in the material and demand in East Asian markets. For that reason, it is not possible to build a responsible marketing strategy for the material based solely on growing markets; instead, realising responsibility requires several pillars of support.

The influence of auctions on the capital city area’s economy

Saga Furs’ four annual auctions, with their influx of international customers, are a shot in the arm also for the service sector in the capital city area: hotels, restaurants, taxi companies, and shops. The biggest auctions, held in March, May and June, attract 800 to 900 customers and their staff over a period of more than a week, and the smaller auctions held in September and December attract 300 to 400 customers. The Pellervo Economic Research (PTT), commissioned by Saga Furs, assessed the significance of international fur auctions and, according to its report, visitors to the company’s fur auctions bring EUR 18 million in revenue to the capital city area. They bring nearly EUR 10 million to Finland in air travel revenue and spend more than EUR 2.0 million on hotel, restaurant and other services, and on shopping. Nearly EUR 6.0 million is generated from the export transportation of the furs purchased at auction.

THE FUR INDUSTRY’S AND THE COMPANY’S TAX FOOTPRINT

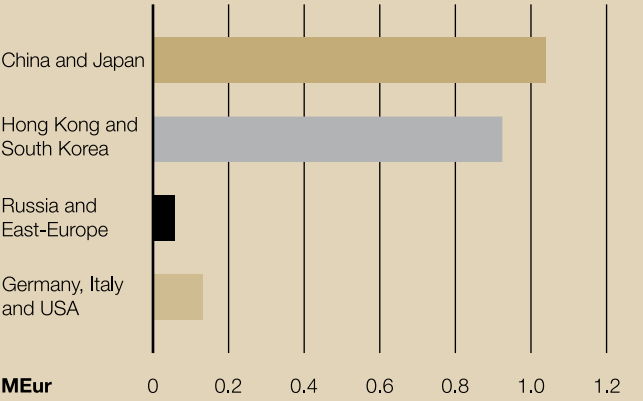
In 2012, in a study commissioned by the Finnish Fur Breeders’ Association (ProFur), the Pellervo Economic Research (PTT), looked into the tax footprint of the entire fur industry. According to Dr Perttu Pyykkönen, PTT’s Research Director, it is easier to study the importance of the fur industry to local economies than

it is with many other branches of industry, because the cumulative impacts are considerable, and because the state subsidies received by the fur industry are smaller than those received by other primary production. According to the report, the tax revenue brought in by the fur industry in 2011 amounted to some EUR 57 million, and in 2012 to EUR 62 million.

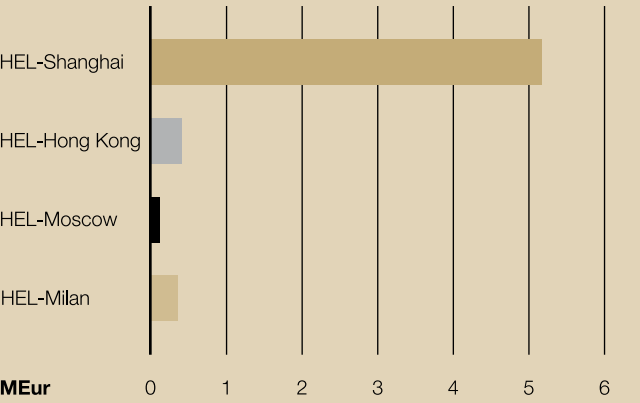
THE INFLUENCE OF AUCTIONS ON THE CAPITAL CITY AREA’S ECONOMY

Fur auctions	4 times 5 days/year 600 guests/each Million Euros
International guests	
- expenditure in Finland	2.2
- air travel tickets	9.9
Export freight revenues	5.9
Income to Finland total	18.0

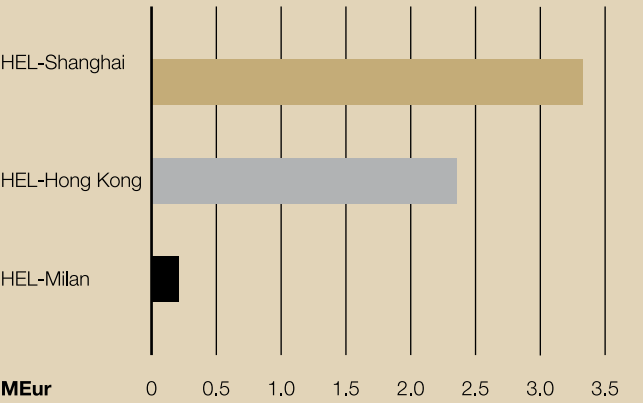
FUR AUCTION CUSTOMERS EXPENDITURE IN THE CAPITAL AREA PER YEAR



ANNUAL AIR TRAVEL EXPENDITURE



ANNUAL AIR TRANSPORTATION REVENUE



CASE: NYKARLEBY LIVES OFF FUR

Fur trade is the most important tax source for the Town of Nykarleby. Around one-fifth of the town's tax revenues comes from its roughly 250 fur farms. That means that the taxes paid by fur breeders already amounted to EUR 4.2 million in 2011, the year for which confirmed data are available. Now, that sum is even higher.

"When it comes to the importance of furs to a municipal economy, Nykarleby is in a class of its own," says Mayor Gösta Willman. Evjärv and Korsnäs are next on the list: fur trade accounts for 10 per cent of their tax revenues.

"This year, Nykarleby is expected to receive roughly 100 million euros from fur sales," says Willman.

In contrast to many other municipalities, the municipal budget has a surplus thanks to the fur trade.

Willman says that the cash flow generated from furs boosts business and trade for the entire town. For example, companies that sell equipment and technology to fur farms flourish. As another example, Willman cites lorry entrepreneurs who sell sand: with full order books, they are busy filling the needs of fur farms.

The mayor says the municipality bears its responsibility and strives to answer to the needs of fur breeders as fully as possible.

"In order to respond to the strongly growing investment needs, we have hired new employees for the city's environment department. Now, in addition to an environmental protection inspector, we have two environment secretaries. There was a great need for these additions, as this year, permits have been granted for the construction of 30 kilometres of new sheds," he explains.

Willman believes it is the town's duty to take care of environmental and construction permit applications as quickly and flexibly as possible.

"Setting up municipal, shared areas for fur farming is no longer on the agenda. Instead, Nykarleby supports fur breeders in finding suitable land areas for their new buildings and for expanding their old farms. The town has also acted as an intermediary in projects involving land owners and fur breeders," he points out.

Besides the fact that the industry needs enough space that meets certain permit conditions, the areas must also have access to municipal utilities, i.e. electricity and water. So far, the town has also succeeded in meeting this target.

Willman can't single out one specific reason why Nykarleby in particular has become the fur industry hub that it is today.

According to him, it has been influenced by the successful transition from one generation to the next, the stable financial situation of fur breeders, the human capital, and naturally the excellent future prospects of the business. Throughout the years, Nykarleby has had an entrepreneurial spirit and a willingness to invest. The town's long tradition of fur trade flows in the blood of its civil servants and municipal decision makers.

And the citizens of the town also embrace it as a form of livelihood. For the most part, no one questions it.

"As an example of this, each of the town's 750 employees received a wool hat with a fur pompom on it as a Christmas gift, and we have never heard a negative comment about it. On the contrary: the hat was the most popular gift we have given out in ten years," says Willman.

Willman is convinced that without its dynamic fur economy, there would have been a much greater migration of inhabitants from Nykarleby, both to Sweden and other parts of Finland, than what has been seen.

"Traditional forms of agriculture would not be able to support all fur breeders. We have also been lucky in that our livelihood rests on many pillars of support," he says.

Of course, there are risks in putting all the eggs in one basket. Willman nevertheless sees it as a great competitive advantage that the area has excellent infrastructure in terms of feed transport and other required logistics.

Willman is unequivocal in his opinion of Saga Furs:

"It is important that producers have a reliable sales channel to get their products onto the global markets.

"Despite the growth and increasing popularity of online trade, auctions are still the most sensible way to sell pelts. Auctions

gather the world's fur traders to compete for products all at the same time, and Saga Furs is able to forecast the direction of the market," says Willman.

CASE: SAGA FURS AWARDED WITH THE VANTAA- MEDAL.

On November 15th, 2013 Saga Furs was awarded with the highest accolade the company's hometown Vantaa can offer which is the Vantaa-medal. The medal has been awarded to both businesses and non-profits since 1974, when Vantaa became a city.

"Saga Furs work has been long-term and successful. The company has over the years been part of creating Vantaa's prosperity and supporting functionality of the city", said Kari Nenonen, Mayor of Vantaa, motivating the award.





THE INTERNATIONAL
FASHION INDUSTRY IS
VERY
INTERESTED IN
THE CONDITIONS
IN WHICH FUR ANIMALS ARE
BRED.

ANIMAL WELFARE



Of the Topics of 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.

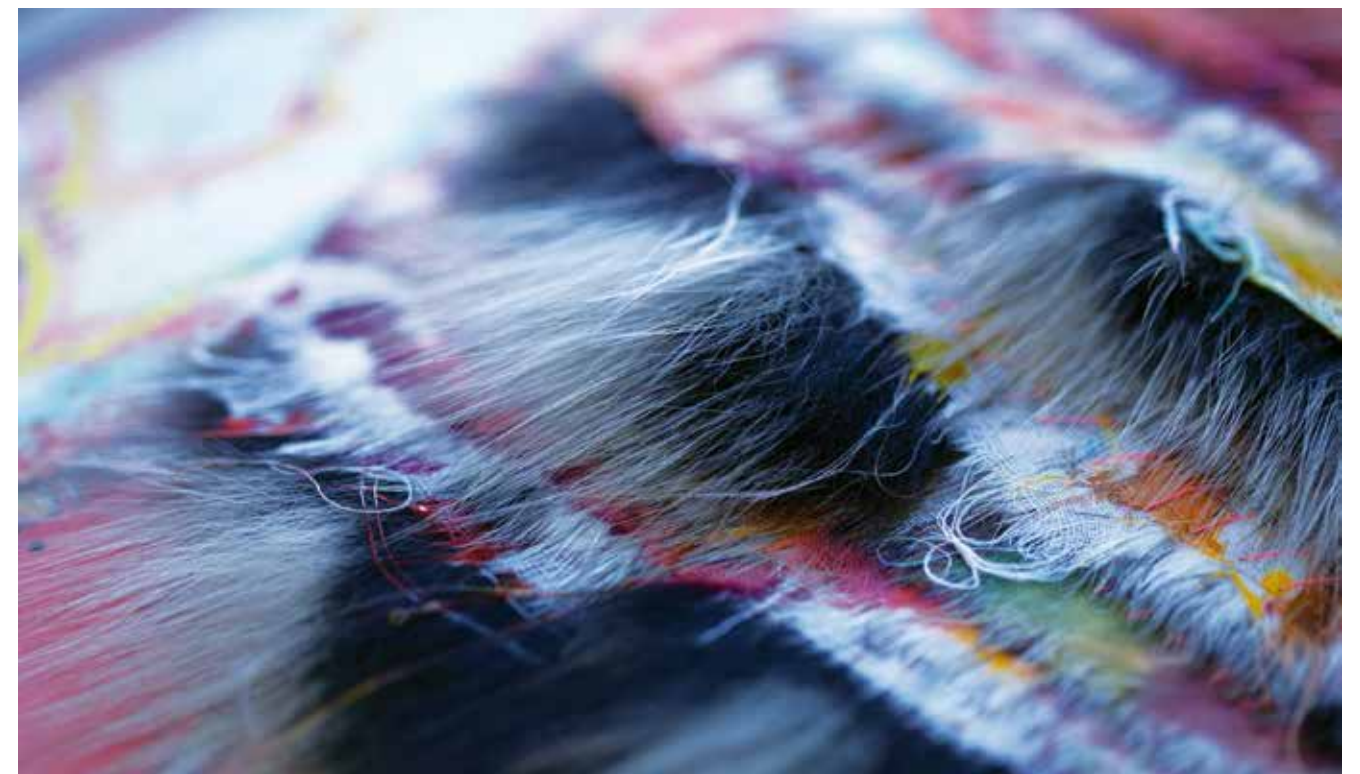
Although Saga Furs cannot directly influence animal welfare on fur farms, the matter has such great significance to the company's reputation as a seller of high-quality furs that it cannot be overlooked in assessing the company's social responsibility.

The company's growing new customer group, the international fashion industry, is, because of its own code of ethics, very interested in the conditions in which fur animals are bred. The fashion industry also communicates directly with consumers. Saga Furs must therefore 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. The representative and advisory association the Finnish Fur

Breeders' Association (ProFur) offers fur breeders advice and participates in the development of national legislation.

Saga Furs and the association have a joint action plan in place, with tasks distributed between each organisation, thus allowing them to react quickly in the event of deficiencies. Saga Furs' Terms and Conditions state that the company reserves the right to refuse pelts that come from fur farms that do not comply at least with the recommendations set by the Council of Europe on the welfare of animals kept for production purposes.

In the management systems related to animal welfare, the company's co-operation partnerships with associations that represent national fur breeders are in a central position. In countries where a clear partnership does not exist, Saga Furs' subsidiary or representative(s) bear the responsibility of monitoring and reporting back to the company.



CASE: PASSIONATE ABOUT ANIMALS

Hannu Sillanpää, who received Saga Furs' special recognition for several Lumi Royal pelts at a pelt exhibition in October 2013, considers the job of breeding and improving pelt quality as an on-going process. He says there are no short cuts to positive results.

"I am passionate about my animals. I work among them all the time and know their habits inside and out," says Sillanpää, a second-generation fur breeder and a member of Saga Furs' Board of Directors.

Sillanpää stresses how breeders who want to produce top quality animals must have a knack for the profession, and must continuously train and educate themselves. Breeders can gain perspective and insight by networking with their peers. Going

out and buying a good breeding animal is just the start of the process, and if you get caught up at that point, you might not get very far. The next phase involves careful analysis of the animals' traits, followed by consideration of which combination of characteristics would create better offspring.

"It is mind work, and vision. It is also important to get outside help from others in the process of determining breeding solutions. If you work alone, you often become blind to your own operations," he says.

Sillanpää praises the pelt and animal specialists connected to Saga Furs, who he meets several times each year.



"We're not always in agreement; we squabble once in a while, but that's the way it is."

For a number of years, Finnish fur breeders have systematically worked towards expanded production of short-haired minks. The results of this long-term work are beginning to show, and at the pelt exhibition, in addition to the traditional awards for quality, Saga Furs Lumi Royal certificates were also granted to a number of breeders.

Sillanpää recounts how he began to breed his own short-haired mink on his farm in Veteli. The starting point was the classic short-haired American species, which Sillanpää crossed with Danish mink having a slightly coarser type of hair. Sillanpää's pelts had short, silky guard hairs and he received special mention for their exceptionally high quality. Without individually analysing breeding solutions, it is unlikely he would have reached such an optimal end result. Sillanpää's best pelts have been sold at auction as "Top Lots", i.e. furs that fetch sky-high prices and which buyers use primarily for special products.

All routine tasks on a farm influence the quality of the pelts. Sillanpää notes proper feeding as one of the cornerstones of animal welfare. For a long time now, he has been feeding his animals individually; each animal gets the most precise mixture of nutrients and portion size. Machines that serve individual portions are used on a daily basis at Sillanpää's farm in Veteli.

The two employees at Sillanpää's farm share his quality philosophy. This allows him to attend festive occasions like the pelt exhibition.

"Everything at the farm runs as though I were there myself," he says with a smile.





A FIVE-
FOLD
AMOUNT OF NUTRIENTS
IS REMOVED
WITH THE FISH
USED IN MINK FEED IN RELATION TO
THE NUTRIENT
EMISSIONS
OVER THE LIFE CYCLE OF
A MINK PELT.

ENVIRONMENT



As specified on pages 23-25 Saga Furs “Sustainability principles from the point of view of stakeholders”, the most significant environmental impacts in the fur production value chain are generated in connection with fur farms. 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 responsibility footprint, the company strives to indirectly support projects and technologies that reduce the environmental load. In Finland, ProFur bears primary responsibility for such endeavours, and in other breeder countries, the task is handled by co-operation partners.

A summary of MTT’s life cycle assessment of fox and mink pelts produced in Finland, commissioned by the Finnish Fur Breeders’ Association (ProFur) and Saga Furs (then Finnish Fur Sales), is contained after the section that describes the environmental impact management system. (Case: Life cycle assessment of furs).

Saga Furs strongly encourages its customer-suppliers to join ProFur’s certification system, which is one of the indirect management systems in place, as certified farms have strict requirements also in terms of environmental protection. The system is presented in the next section. As part of the long-term work aimed at improving the quality of pelts, Saga Furs has also 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, which improves the animals’ well-being, in addition to 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, when they so wish, 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.

In collaboration with a German dressing company, Saga Furs’ product development unit Saga Furs Design Centre is engaged in a Green Dressing project to test out natural dressing methods that generate a minimal load on the environment.

CASE: THE CARBON FOOTPRINT OF A MINK PELT CORRESPONDS TO A FINN'S CARBON FOOTPRINT FOR ONE DAY

According to a study carried out by MTT in 2011 on the life cycle assessment of pelts*, the carbon footprint of a mink or fox pelt used for fur clothing is rather minor when compared with the carbon footprint of other habitual consumption. The carbon footprint of a mink pelt corresponds to the carbon footprint of one day of an average Finnish consumer and that of a fox pelt to a three-day carbon footprint.

However, the fur production chain clearly reduces nutrient emissions that make water systems eutrophic. A five-fold amount of nutrients is removed with the fish used in mink feed in relation to the nutrient emissions over the life cycle of a mink pelt. In the case of a fox pelt, the corresponding removal of nutrients is more than four-fold in relation to the nutrient emissions over the life cycle of a fox pelt. The negative values of eutrophic emissions are due to the utilisation of Baltic herring and fish caught specifically for feeding fur animals and the impact of fishing on reducing eutrophication. In the fishing of feed fish, the amount of phosphorus and nitrogen removed from the Baltic Sea is significant: 155 tonnes P/year

and 1,080 tonnes N/year. Thus, 3.6% of the total phosphorus load and 1.4% of the total nitrogen load are removed with fished Baltic herring in Finland.

The impact of a mink fur on reducing the load on water systems corresponds to the daily load of 17 consumers and the load of approximately 55 lunches. Fox fur has a slightly higher impact, i.e. the daily load of approximately 22 consumers and the load of 78 lunches.

As alternative products for mink and fox fur coats, garments manufactured from polyester and cotton were chosen. Their compositions were: 65% polyester and 35% cotton; acrylic and cotton (65% acrylic, 7% modacrylic and 28% cotton); and an artificial fur coat made of 100% acrylic.

The carbon footprint values presented for comparative products are indicative. The difficulty was in assessing the different useful life of the products and their different thermal insulation capacity. A rough calculation scenario was conducted

COMPARISON OF FOX AND MINK PELT EMISSIONS

	Greenhouse gas emissions	Eutrophying emissions	Acidifying emissions
	kg CO ₂ equiv./product unit	g PO ₄ ³⁻ equiv./product unit	kg AE equiv./product unit
Mink pelt	28	-170	0.23
Fox pelt	83	-220	0.55
Emissions of average Finnish consumer, per inhabitant per day	27	9.7	0.05
100 km travel by car	18	-	-
Average lunch portion	1.7	3.0	0.001

in the study, where the useful life of furs is ten times longer than that of an alternative product.

The carbon footprint of alternative products is smaller than that of fur products; at its smallest, only approximately one-fifth of that of a mink coat. Taking the thermal insulation capacity into account would, however, change the results. It was impossible to compare the thermal insulation capacity of the comparative products in the study. The determination of thermal value is not currently appropriate in all respects, as furs are used in many product combinations attached to other materials. In addition, the final processing of the products was

not taken into account in the study. The difference between the products is that fur products are manufactured from renewable raw material. The study furthermore did not take the impact of the different end uses of the products into account.

*) Report for the Finnish Fur Breeders' Association (ProFur) and Finnish Fur Sales: "Life cycle assessment of mink and fox pelts produced in Finland". A commissioned study carried out by MTT Agrifood Research
Authors: Frans Silvenius1, Nita Koskinen2, Sirpa Kurppa1, Teppo Rekilä2, Juhani Sepponen2, Helena Hyvärinen1
1. MTT Biotechnology and Food Research/Sustainable bioeconomy
2. MTT Animal Production Research/Fur economy 29 March 2011

CASE: GREEN DRESSING – A NEW, NATURAL DRESSING METHOD

Saga Furs Design Centre is, for the second year now, part of a project that aims to find new dressing methods for fur that have an even lower environment load. "Green" dressing also has environmental impacts, but processes that can help dressing companies to reduce this load are being developed as part of the project, which is being carried out with a German company. Saga Furs has had a long-standing policy of recommending to its buyer-customers dressing partners that comply with strict national/international regulations with regard to emissions.

Without dressing, pelts dry out and harden, and cannot be processed. The dressing methods are used to transform the pelt so that it can be sewn and made into garments. After dressing, the pelts can be dyed according to the wishes of fashion houses.

Organic compounds have been used in fur dressing for centuries. Later, they were completely replaced by chemicals, in addition to which, dying requires its own chemicals. Due to the environmental impacts of the chemicals, many of those used previously have been developed further or they have been entirely discontinued pursuant to legislation.

Saga Furs and its German partner have taken advantage of the opportunity. If it was possible to dress and dye furs naturally for hundreds of years, why can't we also do it in this day and age! Our co-operation partners have successfully carried out dye tests using, for example, tree bark, fruits, seeds and their shells – everything that represents by-products of another branch of production.

The tests have shown that some methods work, and others don't. After a few years of trial and error, advancements have also been made – possibly even ones containing the seed of success. Although the tests are on-going and their results might be used, the condition is that the final result must be in line with Saga Furs®' general quality standards.

The results of the most recent tests have been encouraging. They show that "green" dressing methods can make pelts soft and pliable. In the next phase, prototypes employing the sample techniques will be made and tested in production processes. Dying is performed using colours from plants, and dye professionals are seeking possibilities to expand the range of available colours.



FUR FARM CERTIFICATION



The fur farm certification system, which is still being developed, was launched by the Finnish Fur Breeders' Association (ProFur) in 2005 together with its stakeholders. ProFur is responsible for taking the project forward.

Certification is a special topic for Saga Furs, as it serves as a tool for ensuring the transparency of fur farm operations, and a means of monitoring the welfare of fur animals and to acquire information about possible non-conformities. Saga Furs' role in fur farm certification is to gradually increase the share of certified pelts. Of the roughly 1,000 fur farms in Finland, 846 were certified as of 18 November 2013 (652 on 31 Aug. 2012); 97 per cent of the total fox production and 87 per cent of mink production were certified.

In the previous financial period, the company received Finn-raccoon only from certified farms. In its new financial period beginning 1 November 2013, the company will realise the goal it set for itself in the previous period: to switch to 100% certified fox pelts. Blue, Shadow, Silver and Blue Frost fox pelts are also offered as part of the non-certified range, but other fox species are only procured from certified farms.

Even though certification is ProFur's project, Saga Furs has its own management system for it. Saga Furs Plc. has a project manager who is responsible for administering the system in the company, as well as a development manager who looks after, e.g., required farm visits and co-operation in the field. As a member of the association's certification committee, the company's representative, together with veterinarian and auditor members, follows up on whether the criteria are up to date, whether there is a need to change the criteria, and whether non-conformities have emerged on farms that have been certified, among other activities. Final decisions on these matters are made by the Board of the Finnish Fur Breeders' Association (ProFur). Saga Furs has a system in place for the daily monitoring of certified farms.

CERTIFIED PELT SUPPLIERS/ NUMBER OF FARMS

	2013	2012	2011	2010
Certified				
suppliers	846	652	503	462

The company has appointed co-operation partners in both Norway and Poland: In Norway, Norges Pelsdyrsalslag and in Poland, Polski Związek Hodowców Zwierząt Futerkowych, both of which grant certification to their own members. In Norway, certification is a prerequisite of membership in the association. The certification criteria used in both of the above-mentioned countries were built on the basis of Finland's model, but they do contain minor deviations related to national legislation. The certification percentage of Norwegian farms is close to 100, and in Poland almost 50 per cent.

Because the continuous improvement of the quality of pelts is part of Saga Furs business strategy, and because animal welfare and the technical quality of pelts cannot be isolated from one another, Saga Furs' adequately trained representative can audit individual farms in countries where a co-operation partner such as those mentioned above does not exist. Saga Furs only grants certificates outside of Finland. There are 13 such farms in total, in different countries. In Finland, Saga Furs has conducted its own audits, according to which the inclusion of fox pelts in the certified range was approved at four fur farm, where fox production fulfilled all the conditions for certification, but the certification of mink production is on-going.



OUR EMPLOYEES REPRESENT
**MORE
THAN 20**
NATIONALITIES.

GOOD MANAGEMENT METHODS AND MANAGING DIVERSITY



Human resources management in an international and multi-cultural company is more challenging than in a company with a homogeneous personnel structure. Saga Furs employs tools to regularly monitor the success of its management. Development discussions are carried out in September–November with the company's permanent staff and in December–January with temporary staff. The company also requires that development discussions be carried out at its foreign locations.

Employees in a supervisory position are offered coaching opportunities and, as a new option, group coaching, which was just recently introduced. Successes and areas in need of development are monitored regularly using 360-degree feedback and more extensive personnel satisfaction and work atmosphere surveys. In terms of the Management Group, feedback is openly discussed both in the group and with the employees who are supervised by the members of the group.

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 (3.98 -> max. 5). They also want to be working at the company in the near future (4.30). Areas considered in clear need of development are giving feedback and internal communications. Key areas of the company's operational plan during the financial period were improving internal communications to ensure that modern, simple communication tools are in use, and encouraging senior management, supervisors and management to more fully embrace their key role in communicating with employees.

Managing diversity is natural for Saga Furs due to the global nature of its operations and its multicultural personnel. In that respect, the company truly is a pioneer. The work carried out at the company is production-related, physical labour that is impossible to perform outside of the work location. At the same time, with the increase in technological developments

and in the number of people whose work involves a lot of travel and specialised work, physical presence at an office desk is not essential, nor is it even always possible. Changes in work life also require management practices to be updated.

A major, multi-phase renovation project on office premises and other spaces is being launched at the Fur Centre property. As part of the project, the work environment will change in response to the changing nature of the work. The company will determine as comprehensively as possible the need for various work environment solutions in order to find a concept that best serves its operations.

Looking after occupational safety is a key area in a company where hundreds of employees every year work in physically demanding and at times monotonous jobs. The line organisation 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

THE COMPANY HAS DEFINED ITS MANAGEMENT PRINCIPLES AS FOLLOWS:

- Targets must be clear and their results measurable
- Sufficient time must be reserved for supervisory work – time management is key
- People must be coached in bearing their responsibility
- Interaction must function well
- Attitudes must be positive
- We must challenge ourselves to develop

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.

A new method of reporting safety observations is the mobile application for safety observations. Safety observations can be submitted via smart phones by reading the QR code, which opens up an electronic safety observation form. The system speeds up the processing of and reaction to observations, and it improves the analysis thereof.

The number of accidents (incl. workplace accidents and commuting accidents) that occurred during the period under review remained at the same level as the previous period. Costs arising from workplace accidents declined, however, whereas costs from commuting accidents increased on the previous period. There were no cases of occupational diseases during the reporting period, and there was one case of a suspected occupational disease.

EMPLOYEE BENEFITS

In all its operating countries, Saga Furs provides its permanent and temporary staff with the employee benefits required by local legislation.

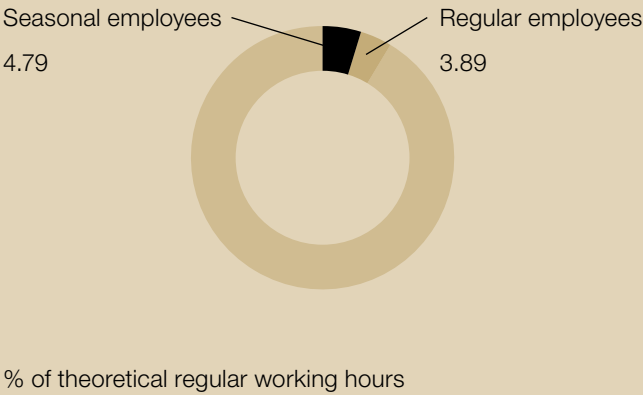
The grading and auctioneering that are central to the company’s business could not be carried out without temporary employees. The strategic importance of temporary staff is highlighted by the fact that the fairly extensive employee benefits provided by the company are similar for permanent and temporary staff after a certain period of employment.

One of the benefits exceeding the statutory level is an additional week of paid holiday. This results from the fact 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 is 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.

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 of are revised by the Board of Directors annually. It is based on the company’s profits and the realisation of cost-efficiency.



SICKNESS ABSENCES



ACCIDENTS

	2013	2012
Accidents, excluding commuting accidents	9	9
Commuting accidents	3	3

ACCIDENT FREQUENCY

	2013	2012
Accident frequency	34	34
Average loss	1,973	1,973
Sickness day frequency	509	509
Sickness days per accident	15	15

sagafurs®

VANTAA COPENHAGEN MILAN NEW YORK

THE NEED FOR EXTENSIVE
DOCUMENTATION
THROUGHOUT THE ENTIRE
VALUE CHAIN HAS LED TO
MORE AND MORE
INTERNATIONAL FASHION COMPANIES
REQUIRING
THAT THEIR SUPPLIERS
USE
SAGA® PELTS.

PRODUCT LIABILITY



The traceability of the production chain is growing in importance. Saga Furs develops, monitors and encourages the entire industry and, also through its own activities, strives towards even more sustainable fur production. The company's 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 (Saga® Lumi Royal, Saga® Royal and Saga® Superior) are given to customers on the basis of the products they purchase. By linking the customer's own origin system to the chain in the steps that follow, traceability can be extended all the way to the end consumer.

As early as in the 2009/2010 financial year, the company created a traceability management system in co-operation with the international fashion company Burberry. It is possible to trace 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 to a number of international fashion companies.

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. At farm visits, representatives of international fashion houses have been shown, for instance, the section containing sick animals. In co-operation with Pro-Fur'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, as a seller of pelts, Saga Furs forwards the information to its customers if something out of the ordinary occurs.

Responsible marketing also means that the company monitors discussions that take place in the scientific community about the Latin names of the pelts it markets. The names may change on the basis of new scientific discoveries, as new names are introduced in literature as new research results become available. In terms of traceability, it is important that the same names are used at all levels of trade.

The need for extensive documentation throughout the entire value chain has led to more and more international fashion companies requiring that their suppliers use Saga® pelts. As a result, interest in the trademark has increased further among Chinese clothing manufacturers working as subcontractors for Western companies.





CASE: SEMINARS TARGETED AT FASHION HOUSES AND DEPARTMENT STORES GOES MORE THAN SKIN-DEEP

In order to assist retailers in addressing consumers' questions about fur, Saga Furs regularly organises seminars for the staff of department stores and fashion houses in all market areas – in the Far East, Russia, North America and Europe. Those who attend the seminars are buyers, design teams and sales staff working at the consumer interface.

Consumer choices do not affect sales alone; they also affect society in general. Informed consumers demand their money's worth. When it comes to fur, through their responsible choices, consumers indirectly promote good animal care, proper working conditions in fur industry companies, environmental considerations, and many other aspects along fur's long value chain.

More and more buyers of fur garments are making increasingly detailed inquiries before making a purchasing decision.

In many cases, the decision is not based solely on the beauty, quality and chicness of the product, but on internal quality, i.e. how, where, and in what conditions the animals were bred.

Answers to these questions are offered at Saga Furs' training seminars. In recent years at these seminars, we have had to increasingly rectify misinformation spread through social media. The participants at these seminars are briefed on Pan-European legislation as well as on Finnish fur farm certification.

Training in pelts is also offered at the seminars. The participants are given the opportunity to see how even a small fur feature, carried out using the proper techniques, can add value to a product. The training always includes a segment dedicated to how to take care of the garment, because good care will keep the valuable product in good condition for decades.



GRI G4 COMPARISON CHART

According to its own assessment, Saga has applied the GRI G4 reporting guidelines according to “Core” principle. The report has not been validated by an external auditor, and GRI calculation criteria have not been followed with regard to all key figures.

G4	EXPLANATION	CORE	UNGC	CORE +	PAGE	ADDITIONAL INFORMATION
G4-3	Name of the organisation	X			4	No significant changes during the reporting period.
G4-4	Most important trademarks, products and services	X			4	
G4-5	Location of the organisation’s head offi ce	X			60	
G4-6	Area of operations	X			4	
G4-7	Operational structure of the organisation	X			5	
G4-17	Ownership structure and form of company	X			5	
G4-8	Market areas	X			4	
G4-9	Size of the reporting organisation	X			5	
G4-13	Significant changes to the size, structure, or ownership structure of the organisation	X			57	
G4-10	Total number of employees by employment contract and gender	X	X		5	
G4-LA1	Total number of new employee hired				5	
G4-11	Percentage of total employees covered by collective bargaining agreement	X	X		5	
G4-1	Managing director’s review	X			6-7	
G4-2	Key impacts of the organisation, risks and possibilities			X	8-9	
G4-28	Reporting period	X			11	
G4-29	Time of publication of the previous report	X			11	
G4-30	Report publication frequency	X			11	
G4-48	Highest governance body approving organization’s sustaibility report	X			12	
G4-56	Organization's values, principles and standards	X			10-12	
G4-20	Aspect boundary within the organization	X			19-21	
G4-21	Aspect boundary outside the organization	X			19-21	
G4-22	Causes for and impact of information deviating from previous reports	X			19	
G4-23	Most important changes to the scope of the report, its delimitations or measurement methods	X			12-13	
G4-18	Defining the report content and aspect boundaries	X			12-13, 19-21	
G4-34	Governance structure of the organisation	X			12	
G4-15	Commitment to external corporate social responsibility initiatives	X			14	

G4	EXPLANATION	CORE	UNGC	CORE +	PAGE	ADDITIONAL INFORMATION
G4-16	Memberships in organisations	X			17	
G4-12	Organization's value chain	X			19-21	
G4-25	Definition and selection criteria for stakeholders	X			23-24	
G4-26	Principles of stakeholder activities	X			23	
G4-19	Material aspects	X			23-27	
G4-27	Topics brought up by stakeholders	X			31	
G4-24	Stakeholders of the organisation	X			28-30	
G4-DMA	Disclousure of the Management approach (Finance)	X			33	
G4-EC1	Produced and distributed direct financial added value	X			34	
G4-EC8	Key indirect financial impacts and their scope			X	34-37	Significance of fur production, the influence of auctions on the capital city area
G4-DMA	Disclousure of the Management approach (Animal welfare)			X	39	Included as a material aspect: GRI G4 guidelines does not contain DMA for animal welfare
G4-DMA	Disclousure of the Management approach (Environmental)	X			43	
G4-EN16	Indirect greenhouse gas emissions	X	X		44	
G4-EN19	Measures to reduce greenhouse gas emissions		X	X	44-45	Fodder development
G4-EN21	Nitrogen and sulphur dioxide emissions and other significant emissions		X	X	44	Fur farms emissions to ground and water sources
G4-DMA	Disclousure of the Management approach (Certified products)	X			47	
G4-EN27	Measures to reduce the environmental impact of products and services	X	X		45	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria			X	47	Number of certified fur farms and changes to the previous report
G4-EN33	Significant actual and potential negative environmental impacts in value chain			X	45	Dressing of furs (Case Green Dressing)
G4-DMA	Disclousure of the Management approach (Human resources)	X			49	
G4-LA2	Employee benefits		X		50	
G4-LA6	Number of accidents and occupational diseases, lost working days and absences	x			50	
G4-LA10	Personnel expertise development programmes and learning action programmes		X		50	
G4-LA11	Development discussions		X		50	
G4-DMA	Disclousure of the Management approach (Product responsibility)	X			53	
G4-PR5	Practices related to customer satisfaction	X			55	
G4-PR6	Compliance with acts, norms and voluntary rules related to marketing communications			X	53	
	GRI G4 content comparison	X			56-59	
	Contact information	X			60	

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