

## Corporate Governance Statement 2017

### I INTRODUCTION

This statement on the Corporate Governance of Saga Furs Oyj has been given as a separate report and was published on 29 January 2018 simultaneously with the Report by the Board of Directors on the company website.

During the financial year, Saga Furs Oyj complied with the Finnish Securities Market Association's Corporate Governance Code, which came into force in January 2016. The Corporate Governance Code is available on the Finnish Securities Market Association's website at [www.cgfinland.fi](http://www.cgfinland.fi). Saga Furs Oyj is a supporting member of the Finnish Securities Market Association.

### Departures from the recommendations

The Company departs from the Code in respect of the following recommendations:

RECOMMENDATION 1: Proposal concerning the composition of the Board of Directors. The Board of Directors has not made a proposal concerning the composition of the Board of Directors. Due to the decision-making system of the Company's largest shareholders, the Board of Directors has not been able to make a proposal for the composition of the Board of Directors, for which it could have obtained the largest shareholders' approval. In the future, the Company's Board of Directors will present a proposal for the composition of the Board of Directors, if it manages to obtain the approval of the largest shareholders in good time before the General Meeting.

RECOMMENDATION 10: Only one out of the eight Board members is independent. The Company considers that the nature of its business requires that the majority of the Board members be profoundly familiar with, and committed to, the fur trade. The composition of the Board of Directors is decided annually by the General Meeting.

RECOMMENDATION 15: The Remuneration Committee includes, in addition to members of the Board, representatives of the key shareholders of the Company. The Company's Board of Directors has considered it to be in the interests of the Company and all its shareholders to have representatives from both the Board and shareholders take part in the preparation of proposals.

RECOMMENDATION 16: The Board of Directors has not established an Audit Committee, as referred to in the Corporate Governance Code, because it is expedient that the Board of Directors in its entirety deals with matters relating to

financial reporting and control, considering the extent of the Company's business and the fact that the auditors report on their activities and findings to the Board at least twice a year.

RECOMMENDATION 18A: The Board of Directors has not established a Nomination Committee, as referred to in the Corporate Governance Code, because the Board of Directors in its entirety is responsible for the preparation of the proposal to the General Meeting relating to the composition of the Board of Directors. The Board of Directors will discuss with the largest shareholders about a possible Shareholders' Nomination Board.

The Corporate Governance Code of Saga Furs Oyj is available on the Company's website (see <http://www.sagafurs.com/our-company/corporate-governance/> and Corporate governance statement 29 January 2018).

## II GOVERNANCE

### Composition of the Board of Directors

The General Meeting elects a minimum of five and a maximum of eight members to the Board of Directors. The directors are elected for a term of one year that commences at the end of the General Meeting at which they are elected and ends upon the adjournment of the next General Meeting.

In the notice of the General Meeting, the Company communicates any proposals regarding the composition of the Board of Directors that the Board of Directors or shareholders with a minimum of 10% of votes yielded by the Company's shares have made prior to the notice. The Company reports the biographical details of the director candidates on its website and in the notice of the General Meeting.

According to the prevailing practice, a person who is 65 or older cannot be elected as a director. Personal deputies are elected for the directors.

Board of Directors of Saga Furs Oyj as of 27 April 2017

Kenneth Ingman (b. 1970)

Board member since 2014. Engineer, industrial engineering and management. Fur breeder since 2003. No shareholdings in the Company.

Lasse Joensuu (b. 1971)

Board member since 2014. Degree in fur farming. Fur breeder since 1989. Owns 110 Series C shares.

Jorma Kauppila (b. 1961)

Board member and Chairman since 2003. Comprehensive school. Fur breeder since 1976. Owns 610 Series C shares.

Anders Kulp (b. 1973)

Board member since 2016. M.Sc. (Econ), master fur breeder. Fur breeder since 2013. No shareholdings in the Company.

Virve Kuusela (b. 1965)

M.Sc. (Econ). Board member since 2016. A career of more than 20 years in management positions in international business, most recently as Managing Director of DHL Kuwait. No shareholdings in the Company.

Isto Kärkäinen, (b. 1960)

Board member since 2017. Vocational school, rural entrepreneur. Fur breeder since 1985. No shareholdings in the Company.

Hannu Sillanpää (b. 1961)

Board member since 2011. Middle school, master fur breeder. Fur breeder since 1979. Owns 192 Series C shares.

Rainer Sjöholm (b. 1970)

Board member since 2008. M.Sc. (Econ). Fur breeder since 1995. Owns 72 Series C shares.

## Board members independent of the Company or its significant shareholders:

Virve Kuusela is independent of the Company and its significant shareholders in the sense referred to in the Corporate Governance Code. Being fur breeders, the other directors have a customer relationship with the Company.

## Duties of the Board:

In accordance with the legislation and the Articles of Association, the Board of Directors is responsible for the Company's administration and for the due arrangement of its operations. The Board of Directors appoints the Managing Director and, as necessary, his or her deputy. The other duties of the Board of Directors include:

- deciding on the Company's strategy
- deciding on significant investments, acquisitions, and sales of assets
- reviewing the financial statements and the Report by the Board of Directors
- Reviewing the budget
- specifying the Company's dividend policy and submitting a proposal on the annual dividend to the General Meeting
- reviewing the Company's sales policy applied to its auctions
- monitoring the Company's financial risks
- monitoring the Company's risks
- deciding on the basic pricing of the pelt brokerage services the Company offers to its customers
- approving the composition of the Company's Management Group based on the proposal of the Managing Director
- evaluating the operations of the executives
- deciding on the Company's personnel incentive schemes
- deliberating on other matters, if the Company's Managing Director considers it prudent.

In accordance with its charter, over and above the aforementioned duties, the Board of Directors gains information on the international market situation for raw pelts, becomes familiar with the issues regarding interest safeguarding in different market areas, and monitors the flows of pelts into and out of the Company.

The Board of Directors evaluates its operations and working methods annually.

According to its charter, the Board of Directors convenes a minimum of 14 times per financial year. During the 2016–2017 financial year, the Board met 26 times. The Board members' average attendance rate at the meetings was 97 per cent.

Individual attendance rates at Board meetings:

Kenneth Ingman	26 times
Lasse Joensuu	25 times
Jorma Kauppila	26 times
Anders Kulp	25 times
Virve Kuusela	25 times
Isto Kärkäinen	14 times
Pentti Lipsanen	11 times
Hannu Sillanpää	25 times
Rainer Sjöholm	24 times

## Diversity of the Board of Directors

At Saga Furs, diversity is seen as an integral part of corporate responsibility, as well as a success factor that enables the achievement of strategic objectives and continuous improvement.

Saga Furs' Board of Directors or Nomination Committee, if appointed, will take into account, in its proposal for the composition of the Board of Directors, the results of the annual evaluation of the Board, the needs and stages of development of the Company's operations, as well as the areas of expertise required for any Committees of the Board. When considering the composition of the Board of Directors, the Board or Nomination Committee, if appointed, will consider, among other things, whether the Board is sufficiently diverse in terms of professional and educational background as well as gender and age, and whether it presents a suitable proportion of decision-making skills, complementary expertise and experience in order to be able to meet the requirements of the Company's business operations and strategic objectives, and to support and challenge the Company's executive management proactively and constructively. Both the national languages of Finland shall be represented on the Board. In addition, Saga Furs considers that the nature of its business requires that the majority of the Board members be profoundly familiar with, and committed to, the fur trade.

A member of the Board of Directors of Saga Furs must have the possibility to devote sufficient time to his or her duties. When considering the composition of the Board of Directors, the long-term needs and succession planning shall also be taken into account.

The Company's aim is that both genders are represented on the Board of Directors. To achieve this, the Board aims to actively communicate this goal to the shareholders, as well as ensure that the search and evaluation process for new members of the Board includes representatives of both genders.

During the financial year, one member of the Board of Directors was a woman and the other members as well as the personal deputies were men. The Company's aim to have both genders represented on the Board has thus been met.

## Composition and activities of the committees established by the Board of Directors

Matters related to the appointment, evaluation, salaries, remuneration, or benefits of senior executives are prepared by the Chairman of the Board of Directors, Jorma Kauppila, and Vice Chairman, Kenneth Ingman, after which they are deliberated on by the Board of Directors.

The Board has established a Remuneration Committee (Recommendation 17). The members are:

- Ulf Eriksson, (b. 1962), vocational school, fur breeder since 1979, no shareholdings.
- Kenneth Ingman
- Lasse Joensuu
- Jorma Kauppila
- Isto Kärkäinen
- Esa Rantakangas, (b. 1972), M.Sc. (Agriculture and Forestry), fur breeder since 1997, no shareholdings.
- Rainer Sjöholm.

The Committee prepares a proposal for the General Meeting on the remuneration of the members of the Board of Directors. Departing from Recommendation 15, the Remuneration Committee includes, in addition to members of the Board, representatives of the key shareholders of the Company. The Company's Board of Directors has considered it to be in the interests of the Company and all its shareholders to have representatives from both the Board and shareholders take part in the preparation of proposals. No member of the Remuneration Committee is independent of the Company in the sense referred to in the Corporate Governance Code. As fur breeders, all members of the Remuneration Committee are in a customer relationship with the Company. The Remuneration Committee convened once during the financial year 2016–2017.

The Board of Directors has not established an Audit Committee, as referred to in the Corporate Governance Code (Recommendation 16), because the Board of Directors in its entirety deals with matters relating to financial reporting and control. This has been deemed expedient, considering the extent of the Company's business and the fact that the auditors report on their activities and findings to the Board at least twice a year. Neither has the Board of Directors established a Nomination Committee, as referred to in the Corporate Governance Code (Recommendation 18A), because the Board of Directors in its entirety is responsible for the preparation of the proposal to the General Meeting relating to the composition of the Board of Directors.

The Company does not have an Administrative Board.

### **Managing Director**

Pertti Fallenius (1962; university studies in technology) is the Managing Director of Saga Furs Oyj. No shareholdings in the Company.

In accordance with the Finnish Companies Act, the Board of Directors appoints a Managing Director for the Company. The Managing Director attends to the day-to-day administration of the Company in accordance with the instructions and regulations laid down by the Board. The Managing Director sees to the legality of the Company's accounts and to the reliable organisation of treasury management. Only with the consent of the Board of Directors may the Managing Director take measures deviating from the Company's normal business activities, except in the case that the time needed for getting the Board's approval would land the Company in a situation in which it would suffer considerable damage. In the latter case, the Board of Directors shall be informed about any measures taken as soon as possible. A written Managing Director Contract has been prepared for the Managing Director.

### **Other executives**

The Company's Management Group assists the Managing Director. It prepares the Company's strategies, budgets, policies and major investments, acquisitions and divestments for the Board of Directors. In addition, the Management Group deals with issues relating to reporting, corporate image, personnel remuneration and investor relations.

Apart from the Managing Director, the Management Group includes:

Mikko Hovén (b. 1974)

Commercial college graduate with upper secondary school diploma. With the Company since 2000, Sales Director since 2015. No shareholdings in the Company.

Juha Huttunen (b. 1964)

M.Sc. (Tech). With the Company since 1987, Deputy Managing Director (finances) and substitute for the Managing Director since 2009, secretary to the Board of Directors. No shareholdings in the Company.

Tia Rantanen formerly Tia Matthews (b. 1974)

BA (Honours), Marketing and PR, University of Westminster. With the Company since 2016, Fashion Business Director. No shareholdings in the Company.

Sameli Mäkelä (b. 1976)

M.Sc. (Tech). With the Company since 2009, Production Director since 2014. No shareholdings in the Company.

Marjatta Paunonen (b. 1968)

MBA. With the Company since 2008, HR Director since 2009. No shareholdings in the Company.

Stefan Saaristo (b. 1974), *with the Company until 31 December 2017*

Agrologist. With the Company since 2015, Business Director, producer services in Finland, Sweden and Norway. Owns 347 Series C shares.

Julio Suarez Christiansen (b. 1966)

B.Sc. (Tech). With the Company since 1987, Business Director since 2015, producer and trade services, Europe. No shareholdings in the Company.

Samantha Vesala (b. 1969)

With the Company since 2014, Business Director, Asia. No shareholdings in the Company.

### III INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT SYSTEMS

The risks associated with Saga Furs Oyj's business include business risks, property and damage risks, financial risks and operational risks. The most significant risks and uncertainty factors are all considered business risks: risks related to supply and demand, image risks and political risks, exchange rate fluctuations and financial risks.

The Company seeks to manage and limit the risks by applying a consistent policy, which aims to ensure appropriate risk identification, assessment, management, and supervision throughout the Group. It is an integral part of the Group's planning and management process, decision-making, day-to-day management and operations as well as supervision and reporting procedures. The Risk Management Process produces information about risks and about the progress in the measures to manage them. Based on the Risk Management Process, rectifying measures are taken or strategic changes are considered. The Company's most important business risks are related to producer and buyer financing. The Board of Directors will require that the executive management monitor the receivables in a documented manner. The Board will also monitor and supervise the development of the receivable portfolio and major financial risks on a regular basis. The Board will take said development into account when deciding on guidelines related to producer and buyer financing, such as the amount of financing and the security required. The Board will also require that the Company's executive management report in writing on other factors substantially affecting the business risks, such as changes in market conditions or pelt production, political developments in the Company's main market areas or activities of rival companies, in order to be able to insist on measures or consider a change in strategy.

If, however, these risks were realised, they could considerably impair the business, financial position and financial performance of Saga Furs Oyj.

Due to its small size, the Company does not have a specific organisation for internal control. The Board of Directors familiarises itself with the auditors' Control Audit Plan and may possibly give an additional report in regard thereto. In connection with the Control Audit, the auditors analyse the Company's financial statements and consolidated financial statements, Group-level semiannual reports and the Company's receivables. The auditors will report their findings to the Board of Directors with the objective of ensuring that the reports published by the Company provide correct information about the Company's finances. In addition, in connection with the Control Audit, the auditors suggest (and have suggested) ways to develop and improve the Company's internal controls. Based on this, the Board has required and requires the management of the Company to develop operational processes and controls.

### IV OTHER INFORMATION

#### Key procedures of insider administration

The insider guidelines of Saga Furs Oyj are based on applicable EU legislation, in particular the market abuse regulation (596/2014, MAR) and MAR-based regulation and guidelines issued by the European

Securities and Markets Authority (ESMA) and other authorities, as well as on Finnish legislation, in particular the Securities Markets Act (746/2012, with amendments)

and the Criminal Code of Finland (39/1889, with amendments), and on insider and other guidelines of Nasdaq Helsinki Oy and the Financial Supervisory Authority (FIN-FSA). If there is any discrepancy between the insider guidelines and the applicable laws and regulations, the applicable laws and related regulations prevail. The Company's employees, management and Board members are reminded that they are always personally responsible for being in compliance with the applicable legislation and related guidelines.

### **Insiders**

The market abuse regulation (EU) No 596/2014 (MAR) entered into force on 3 July 2016. As a result of the MAR, the Company no longer keeps a public register of insiders. The public insider information maintained by Investis Flife Oy on the Company's website (page Risk Management and Internal Control) will not be updated after 3 July 2016, and the information will be removed altogether on 2 July 2017. In the future, Saga Furs Oyj will not maintain a permanent company-specific insider register, but only project-specific and transaction-specific insider lists.

### **Closed period**

According to MAR, a person discharging managerial responsibilities in the Company shall not conduct any transactions on his/her own account or for the account of a third party, directly or indirectly, relating to the financial instruments of the Company during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report. The Company applies the closed period from the end of the review period to the day following the announcement of the Company's interim report or year-end report ("closed window"). However, the closed window will always include at least 30 calendar days before the announcement of the interim report or year-end report, as well as the announcement day. Furthermore, trading will not be allowed on presentation and sales days of auctions held by the Company.

### **Managers' transactions**

Persons discharging managerial responsibilities, as well as persons closely associated with them, shall notify FIN-FSA of every transaction conducted on their own account relating to the financial instruments of the Company. The company, in turn, shall publish this information in a stock exchange release. At Saga Furs Oyj, the managers who are under obligation to report their transactions include the members of the Board of Directors, their deputies, as well as the Company's Managing Director and Deputy Managing Director.

### **Auditor**

At the General Meeting of April 2017, Ernst & Young Oy was elected as the Company's auditor, with Authorised Public Accountant Johanna Winqvist-Ilkka as the main auditor.

The total amount of fees paid for audits of the accounts for the financial year 2016–2017 was EUR 141,293. In addition, EUR 95,473 was paid for non-audit services.