

## **Saga Furs Oyj**

### **Corporate Governance Statement 29.11.2011**

This statement on Saga Furs Oyj's (Finnish Fur Sales until September 30, 2011) Management and Control System was given as a separate report and, concurrently with the Report by the Board of Directors, issued on 30 November 2010 on the Company's Internet site.

Saga Furs Oyj (Finnish Fur Sales until September 30, 2011) complies with the Corporate Governance Code that was approved by the Finnish Securities Market Association in June 2010 and came into force in October 2010.

#### ***Non-compliances with the recommendation***

The Company has deviated from the Code in respect of the following recommendation:

RECOMMENDATION 14: Only one out of the six Board members is independent. The Company considers that the nature of its business requires that the majority of the Board members are profoundly familiar with, and committed to, the fur trade.

The Code is available to the public at the Company's website [www.ffs.fi](http://www.ffs.fi) -> English -> Company -> Corporate Governance

#### ***Board of Directors***

The Annual General Meeting elects a minimum of 5 and a maximum of 8 members to the Board of Directors. The directors are elected for a term of one year that commences at the end of the Annual General Meeting at which they are elected and ends upon the adjournment of the next Annual General Meeting.

After hearing the largest shareholders, the Board of Directors makes a proposal for the composition of the Board of Directors. The Company reports the biographical details of the director candidates on its website and in the notice of the Annual 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, as of 21 January 2010***

Jorma Kauppila (1961)

Board member and Chairman as of 2003. Comprehensive school. Fur farmer since 1976.

Markku Koski (1948)

Board member as of 1994 and Vice Chairman as of 2001. Comprehensive school. Fur farmer since 1969.

Pentti Lipsanen (1963)

Board member as of 2007. Comprehensive school. Fur farmer since 1980.

Esa Rantakangas (1972)

Board member as of 2005. M.Sc. (Agr. & For.). Fur farmer since 1997.

Rainer Sjöholm (1970)

Board member as of 2008. M.Sc. (Econ). Fur farmer since 1995.

Helena Walldén (1953)

Board member as of 2004. M.Sc. (Eng.). Professional Board Member.

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

Director Helena Walldén is independent of the Company and its significant shareholders as referred to in the Corporate Governance Code. Being fur breeders, the other directors have a customer relationship with the Company

### ***Duties of the Board of Directors***

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 strategy.
- Deciding on strategically 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 Annual General Meeting.
- Reviewing the Company's sales policy in its auctions.
- Deciding on the basic pricing of the skin brokerage services the Company offers to its customers.
- Supervising the Company's risks.
- Approving the composition of the Company's Management Group 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 skins, becomes familiar with the issues regarding interest safeguarding in different market areas, and monitors the skin flows into and out of the Company.

Matters related to the appointment, evaluation, salaries, remuneration, or benefits of senior executives are prepared by the Chairman and Vice Chairman of the Board of Directors, after which they are deliberated on by the Board of Directors. The Board of Directors may establish any committees it deems necessary.

The Board of Directors has not established any committees. The Board of Directors manages the duties of the Review Committee.

According to its working order, the Board of Directors convenes a minimum of 10 times per financial year. During the 2009-2010 financial year, the Board met 21 times. The Board members' average attendance rate at the meetings was 97 per cent.

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

The Company does not have an Administrative Board.

### ***Managing Director***

In accordance with the 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, the Managing Director may take measures deviating from the Company's normal business activities, except in case the time needed for getting the Board's approval would land the Company in a situation to suffer considerable damage. In the latter case, as soon as possible

in practice, the Board of Directors shall be informed about the measures possibly taken. A written Managing Director Contract has been prepared for the Managing Director.

Since September 1, 2009, Pertti Fallenius (1962; university studies in technology) is the Managing Director of Saga Furs Oyj (Finnish Fur Sales until September 30, 2011).

### ***Internal Control and Risk Management***

Risks related to Saga Furs Oyj's (Finnish Fur Sales until September 30, 2011) operations are divided into four categories: 1) business risks, 2) hazard and property risks, 3) financial risks and 4) operational risks. Within these risk categories, the Company has specified new market areas, violation of the SAGA trademark, image risks and political risks, changes in clientele, financial risks, economic and exchange rate fluctuations and personnel availability and structure as the major risks and uncertainties at the moment.

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 and 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. During the financial year, the Company's Board of Directors adopted a new financial policy and political risk and reputation risk management policy for the Company.

However, should any risks materialise, they could have a significant adverse effect on Saga Furs Oyj's (Finnish Fur Sales until September 30, 2011) business, financial position, and results.

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 possibly gives an additional report in regard thereto. In connection with the Control Audit, the auditors analyse the company's and the Group's accounts, Group-level interim reports and the company's receivables with the objective of ensuring that the reports published by the company provide correct information about the company's finance to a sufficient degree. In addition, in connection with the Control Audit, the auditors suggest (and have suggested) ways to develop and improve the company's internal controls. As a result from the changes in the clientele, in the Board operation and in the control audit, special attention has been paid to the valuation of the receivables.