

Saga Furs Oyj

Corporate Governance Statement 28.1.2014

This statement on the Management and Control System of Saga Furs Oyj was given as a separate report at the same time with the Report by the Board of Directors on 28 January 2014 on the Company's Internet site.

Saga Furs Oyj complies with the Corporate Governance Code approved by the Finnish Securities Market Association that came into force in October 2010.

Non-compliances with the recommendation

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

RECOMMENDATION 11: The Board of Directors did not make a proposal to the Annual General Meeting regarding the composition of the Board of Directors.

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 be profoundly familiar with, and committed to, the fur trade.

The Corporate Governance code of Saga Furs Oyj is available on the company's web site www.sagafurs.com /Suomi / Yhtiö / Sijoittajille /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 in the end of the Annual General Meeting at which they are elected and ends upon the adjournment of the next Annual General Meeting.

In the notice of the Annual 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 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 directors.

Board of Directors of Saga Furs Oyj as of 24 January 2013

Jorma Kauppila (1961)

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

Markku Koski (1948)

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

Mirja-Leena (Mirkku) Kullberg (1962)

Board member since 2012. Commercial college graduate with upper secondary school diploma. Managing Director of Artek Oy Ab.

Pentti Lipsanen (1963)

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

Hannu Sillanpää (1961)

Board member since 2011. Middle school, master fur breeder. Fur farmer since 1979.

Rainer Sjöholm (1970)

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

Board members independent of the Company or its significant shareholders:

Mirja-Leena Kullberg 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 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 Annual General Meeting
- Reviewing the Company's sales policy in its auctions
- Deciding on the basic pricing of the pelt brokerage services the Company offers to its customers
- Supervising the Company's risks
- 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.

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 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 14 times per financial year. During the 2012-2013 financial year, the Board met 22 times. The Board members' average attendance rate at the meetings was 94 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 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, as soon as possible

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

Pertti Fallenius (1962; university studies in technology) is the Managing Director of Saga Furs Oyj.

Internal Control and Risk Management

The risks associated with the business of Saga Furs Oyj 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.

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 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. Based on this, the Board has required and requires the management of the company to develop operational processes and controls.