

Saga Furs Oyj

Corporate Governance statement

Financial period

1 November 2021–31 October 2022

## I Introduction

This statement on the Corporate Governance of Saga Furs Oyj was issued as a separate report and published on the Company's website on 17 February 2023 at the same time as the Company's annual report and financial statements for the financial period 2021/2022.

During the financial period, Saga Furs Oyj complied with the Finnish Securities Market Association's Corporate Governance Code, which came into force in January 2020. 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 10:* Departing from the recommendation, only one of the members of the Board of Directors is independent of the Company or its significant shareholders. 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:* Departing from the recommendation, the Remuneration and Nomination Committees include, 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 committees' work.

*Recommendation 17:* Departing from the recommendation, the majority of the members of the Remuneration Committee are not independent of the company, since the Board members constitute the majority of the Committee.

## 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.

During the financial period 2021/2022, the following individuals acted as members of the Board of Directors of Saga Furs Oyj as of the General Meeting on 29 April 2022:

- Jari Isosaari (b. 1972). Board member and Chairman since 2019. Bachelor of Business Administration. Fur breeder since 1998. Owns 400 C shares directly, and 580 C shares indirectly through Isosaaren Turkis Oy.
- Lasse Joensuu (b. 1971). Board member since 2014. Degree in fur farming. Fur breeder since 1989. Owns 110 Series C shares.
- Anders Kulp (b. 1973). Board member since 2016, Vice Chair of the Board. M.Sc. (Econ), master fur breeder. Fur breeder since 2013. No shareholdings in the Company.
- Virve Kuusela (b. 1965). Board member since 2016. M.Sc. (Econ). DSV, Director, Global Sales. 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.
- Kennet Myllykoski (b. 1970). Board member since 2020. M.Sc. (Econ), fur breeder since 1997. No shareholdings in the Company.

- Markus Sjöholm (b. 1984). Board member since 2022. Agrologist. Fur breeder since 2014. No shareholdings in the Company.
- Rainer Sjöholm (b. 1970). Board member 2007–2020 and 2021–. M.Sc. (Econ.), fur breeder since 1995. Owns 72 Series C shares.

During the financial period until the Annual General Meeting of 29 April 2022, in addition to the above, the members of the Board of Directors included:

- Kenneth Ingman (b. 1970). Member of the Board 2014–2022. Engineer, industrial engineering and management. Fur breeder since 2003. No shareholdings in the Company.

Secretary to the Board of Directors is Juha Huttunen, Deputy Managing Director of the Company.

### **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 (Recommendation 10). Seven members of the Board of Directors have a customer relationship with the Company as fur breeders.

### **Charter 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 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 (Recommendation 13). The evaluation carried out during the financial period did not lead to any significant measures.

According to its charter, the Board of Directors convenes a minimum of 14 times per financial period. During the financial period 2021/2022, the Board met 22 times. The Board members' average attendance rate at the meetings was 99 per cent:

- Kenneth Ingman 10 times
- Jari Isosaari 22 times
- Lasse Joensuu 22 times
- Anders Kulp 22 times
- Virve Kuusela 22 times
- Isto Kärkäinen 22 times
- Kennet Myllykoski 22 times
- Markus Sjöholm 11 times
- Rainer Sjöholm 22 times.

## Diversity of the Board of Directors

At Saga Furs, diversity (Recommendation 9) 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 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 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 and their personal deputy were women 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

The Board established a **Remuneration Committee** (Recommendation 17) to prepare proposals for the General Meeting concerning remuneration paid to members of the Board of Directors. The Board of Directors overall prepares the remuneration policy and report of the Company's bodies. Matters related to the appointment, evaluation, salaries, remuneration or benefits of senior executives are prepared by the Chairman of the Board of Directors, Jari Isosaari, and Vice Chairman, Anders Kulp, after which they are deliberated on by the Board of Directors.

In the financial period 2021/2022, the Remuneration Committee consisted of the following members as of 31 May 2022:

- Mikael Häggdahl (b. 1972), forestry technician, fur breeder since 1993. No shareholdings in the Company.
- Jari Isosaari
- Juha Kärkäinen (b. 1985), basic agricultural qualification, fur breeder since 2006. No shareholdings in the Company.
- Esa Rantakangas (b. 1972), M.Sc. (Agriculture and Forestry), fur breeder since 1997. No shareholdings in the Company.
- Markus Sjöholm.

Departing from Recommendation 15 of the Corporate Governance Code, the Remuneration Committee included, in addition to members of the Board, representatives of key shareholders of the Company. The Company's Board of Directors has considered it to be in the interests of the Company and all of its shareholders to have representatives from both the Board and shareholders take part in the preparation of proposals. No member of the Remuneration Committee was independent of the Company in the sense referred to in the Corporate Governance Code. As fur producers, all members of the Remuneration Committee were in a customer relationship with the Company.

The Remuneration Committee met twice during the financial period 2021/2022.

The Board of Directors established a **Nomination Committee** (Recommendation 18a) to prepare proposals to the General Meeting on the appointment of Board members. As of 31 May 2022, the Nomination Committee for the financial period 2021/2022 consisted of the following members:

- Mikael Häggdahl
- Jari Isosaari
- Juha Kärkäinen
- Esa Rantakangas
- Markus Sjöholm

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

The Nomination Committee convened once in the financial period 2021/22.

The Board of Directors has not established an **Audit Committee**, as referred to in the Corporate Governance Code (Recommendation 16). Instead, 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.

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, 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.

From the beginning of the financial period until 11 March 2022, the Managing Director of the Company was Magnus Ljung, M.Sc. (Tech.).

Since 16 May 2022, the Managing Director of Saga Furs Oyj has been Markus Gotthardt, M.Sc. (Econ.) (b. 1963). He has no shareholdings in the Company.

Juha Huttunen (M.Sc., b. 1964) is the company's Deputy Managing Director and the Managing Director's substitute. He has no shareholdings in the Company.

### Management group

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 and Deputy Managing Director, in the financial period 2021/2022 the Management Group included:

- 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.
- Sameli Mäkelä (b. 1976). M.Sc., with the Company since 2009, Director of Operations since 2014. No shareholdings in the Company.
- Julio Suarez Christiansen (b. 1966). B.Sc. (Tech)., with the Company since 1987, Business Director since 2015. No shareholdings in the Company.
- Samantha Vesala (b. 1969). EMBA, with the Company since 2014, Business Director since 2014. No shareholdings in the Company.

### III Internal control procedures and risk management systems

Due to its small size, Saga Furs Oyj does not have a specific organisation for internal audit (Recommendation 26). 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.

The risks associated with Saga Furs Oyj's business are divided into business and strategy risks, financial risks and other 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.

### IV Other information

#### Principles concerning activities with related parties

The Company has specified members of the Company's Board of Directors, their personal deputies, the management group of the Company and the Finnish Fur Breeders' Association as the related parties. According to the principles followed by the Company, any transactions included in the Company's business and carried out under the usual commercial terms and conditions between the Company and the related parties are acceptable without the Board's decision. The Board will review and discuss the agreements or other legal action between the Company and its related parties twice a year. The Company's Board of Directors always decides on unusual business transactions between the Company and the related parties. Incompetence regulations are complied with in the decision-making process.

Any activities with related parties are identified, monitored and reported by the Company's Group Controller. Should the Group Controller detect any deviation from usual business transactions, terms of contract or other principles concerning related parties as followed by the Company when monitoring activities with related parties, they will report them to the Board of Directors via the Secretary to the Board.

#### 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) as well as 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.

The Deputy Managing Director of Saga Furs is in charge of insider issues in the company.

### **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. 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 their 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 (hereinafter referred to as the "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 the Financial Supervisory Authority of every transaction conducted on their own account relating to the financial instruments of

the Company. The Company, in turn, must disclose this information in an inside information bulletin in accordance with the market abuse regulation. 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**

The General Meeting held on 29 April 2022 re-elected KPMG Oy Ab as the company's auditor, with Jukka Rajala, Authorised Public Accountant, as the auditor with principal responsibility.

The total amount of fees paid for audits of the accounts for the financial period 2021/2022 was EUR 106,000. In addition, EUR 11,000 was paid for non-audit services.

Vantaa, 26 January 2023

Saga Furs Oyj  
Board of Directors