



Responsible practices

at Finnish Fur Sales

Report for the financial period that began on 1 September 2009 and ended on 31 August 2010



General principles

Finnish Fur Sales wants to be a pioneer in its own field. Responsibility is the leading principle in its operations on all levels of the organization. Responsibility forms part of the foundation of the company's values. Our values are customer confidence, honesty, profitability, continuous development and respect for people.

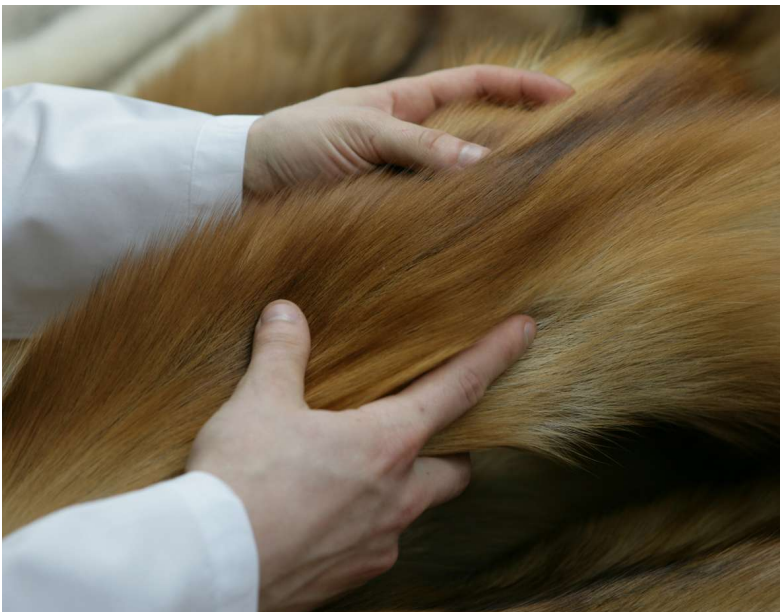
The products, raw fur skins, offered by the company are a genuine, natural material that is used to manufacture enjoyable products that promote sustainable development. The Saga® trademark used by Finnish Fur Sales gives a new definition to the concept of luxury. In addition to the high technical quality of the Saga mink, fox, and finnraccoon pelts, the brand enables extensive traceability throughout the production chain. This makes the Saga skins and Finnish Fur Sales pioneers of sustainable production in the field.

Finnish Fur Sales is also a pioneer in the development of fur skins. Inside the Saga Design Center new methods and usage of renew material according to the fashion and trend cycles. Fur is also an ecologically sustainable raw material. According to the Finnish Environment Institute's survey from 2009 (assessment of the environmental effects of raw material flows in the Finnish economy), the eco index of fur skins and fur products was one of the best ones in the textile and clothing industry.*

Fur production and products are part of the Finnish society and the fur industry is a remarkable provider of export income, employment, education and regional welfare. Securing the conditions for the fur industry supports the state of Finnish welfare. The company's aim is to ensure that responsibly produced high-quality fur is part of Finnish image.

Responsible management of finances is the key in a political industry that is sensitive to economic fluctuations. Responsible management of finances will help the company ensure competitiveness and profitability in the long run. All stakeholders will benefit from responsible management of finances because the company is able to fulfill its obligations as a responsible employer and operator in Finnish society. It also helps the company to promote its development programs related to the environment and social responsibility.

** Assessment of the environmental effects of raw material flows in the Finnish economy with the ENVIMAT model, Suomen Ympäristö 10/2009*



Framework and stakeholders

Finnish Fur Sales began reporting on corporate responsibility three years ago. The general framework for reporting is GRI (Global Reporting Initiative) that consists of three pillars of responsibility: environmental, social and financial. It is essential for the company to follow how the general norms are obeyed, how the main stakeholders' expectations are met and in what state is the progress of the set goals. The company's main stakeholders are the customers (fur breeders as well as international fur buyers and their customers), shareholders, personnel, political decision-makers and the media.

Monitoring and reporting

The management of Finnish Fur Sales is committed to corporate responsibility throughout the entire organization as part of its operations. The company's Board of Directors accepts the content of the report annually.

In October 2008, Finnish Fur Sales joined the United Nations Global Compact Initiative network, along with the other companies within the Saga group. GCI is the most internationally recognized framework for responsible corporate practices. The GCI principles are available at www.unglobalcompact.org.



Environmental responsibility

The core of the company's environmental responsibility is the traceability of the production chain. The different sections of the production chain are, the origin assured program, fur farm certification and policy on farm failings and ability to fulfill their obligations. Additionally, environmental responsibility includes the operations within the Fur Center premises as well as the company's support for the protection of the Baltic Sea.

Traceability of the production chain

The extensive traceability of products and the documentation have contributed to the fact that an increasing number of international fashion companies now require that their suppliers use skins that are entitled to carry the Saga® trademark. Finnish Fur Sales is the only auction house selling Saga fox, mink and finnraccoon skins. The interest in the trademark has also increased among the Chinese clothing manufacturers working as subcontractors for western companies.

The company regularly takes employees in charge of their partners' corporate responsibility to see their fur farms that produce the skins they use. During the past financial period, Finnish Fur Sales and an international fashion company carried out a pilot project that enables the traceability of the chain of a fur skin – from the farm to the final product.

In December 2009, the company auctioned the first completely certified selection of skins. The selection consisted of finnraccoon skins from certified farms. From now on, only the finnraccoon skins that come from certified farms are entitled to the Saga® trademark. The auction organized in March 2010 gave a price quotation for finnraccoon skins from non-certified farms. The certified skins cost 5-10 euros more than the skins from non-certified farms.

The Saga® trademark and certification had a major role in the rejection of a bill put forward to the US Congress aiming to hinder the trade of finnraccoon skins and products in autumn 2010.

Origin Assured program

In December 2006, the company launched the OA™ (Origin Assured) program together with IFTF and three other auction houses. The OA label is integrated into the Saga® trademark and it guarantees that the Saga fox, mink and finnraccoon pelts sold at auctions have been produced in countries enforcing fur animal welfare legislation. The OA pelts in the company's selection originate from EU countries and Norway. The company's procedures ensure that even the farm can be traced (Saga Traceability System).



Fur farm certification

The Finnish Fur Breeders' Association (STKL) and its stakeholders established the farm certification system in 2005. As of 30 November 2010, the system covered 462 fur farms (446 in 2009) out of over one thousand Finnish farms, which equates to over 60 percent of Finnish production (86 % of finnraccoon, 63 % of fox and 53 % of mink production). STKL is in charge of promoting the certification in Finland. In order to adjust the system to the ISO 9001 and ISO 14001 standards, STKL cooperates with Inspecta Sertifointi Oy. As a sales company, Finnish Fur Sales encourages its customer producers to commit themselves to the system and develops the certification as an integral part of the Saga® brand.

The long-term aim of Finnish Fur Sales is to introduce a Saga certification system, based on STKL's farm certification system, throughout the main customer producer countries. The new certification system was introduced in Norway at the end of 2010 and the aim is to certify the entire production by the end of 2011.

The aim is that during the 2011-2012 Sales season, Finnish Fur Sales will be able to offer an entirely certified selection of Saga fox skins.

Policy on farms failing to fulfill their obligations

Finnish Fur Sales requires that the producers in the OA countries at least follow the recommendations of the Council of Europe in regard to the welfare of fur animals. In 2009, the company agreed with STKL on the failure to fulfill obligations policy. The policy was clarified in December 2010. The base of the policy was formed by the association and Finnish Fur Sales and guided by inspections that were documented.

According to the policy, a producer is given a deadline for fixing the flaws and if the flaws haven't been fixed by the deadline, Finnish Fur Sales will no longer offer or provide financing for the producer or accept skins for sale from the farm.

Operations on the Fur Center premises

Last year, the company achieved the set energy saving aim of five percent in all energy types. The aim is to achieve the same savings this year as well. The renovation of ventilation systems, light controls and building automation systems will continue.

The company will also continue to develop electronic systems in order to reduce the consumption of paper. A majority of the material that was previously sent to customers on paper is now delivered electronically.

The company minimizes the amount of mixed waste by sorting all waste. The company's aim is to produce as little non-recyclable waste as possible.

Support for the protection of the Baltic Sea

The protection of the Baltic Sea is a mutual challenge for Finland, Poland and the Baltic countries, which are all important areas to the company. The connection between the Baltic Sea and the fur industry lies in the fact that according to studies, fishing Baltic herring to feed fur animals reduces the phosphorus and nitrogen load in the sea.

The company supports the John Nurminen Foundation which promotes the protection of the Baltic Sea.



Social responsibility

Reliability as an employer, indirect effect on the employment and vitality in rural areas of Finland and the entire EU, measures to secure the future of the industry and operations in local communities are all sections under social responsibility for Finnish Fur Sales.

Personnel

The company's personnel structure is explained in detail on page 8 of the Board's report.

The operations of Finnish Fur Sales are very international. The company's personnel as well as the producers and buyers represent various nationalities, religions and cultures. The Fur Center in Vantaa is one of the largest employers of immigrants in the Helsinki metropolitan area. During the period, the company's employees represented 20 different nationalities.

The company has an annual bonus system that applies to the entire permanent personnel and also those on a fixed-term contract after a certain time. The Board of Directors reviews the aims of the system annually. The bonus rewards the employees on the basis of the company's profits and cost-effectiveness indicators for each financial period.

Promoting employment in rural areas

Even though Finnish Fur Sales operates internationally and a large part of its net sales comes from outside Finland, a significant part of the company's social responsibility affects Finland. It is essential for the company's future to maintain the current extent of fur farming in Finland. Therefore, Finnish Fur Sales has an open dialog with political decision-makers and other stakeholders in order to have correct and up-to-date information about the importance of the company and industry.

The company also contributes to the employment and vitality of the European rural areas, not only as far as the actual fur production, but also the supporting industries (feed manufacturing, fishing, infrastructure services and indirectly logistics and auctioneers). The industry, including those involved indirectly, employed 17,800 people in Finland during 2009 (MTT Agrifood Research Finland). According to an EFBA (European Fur Breeders' Association) survey from 2008, fur farming employs 60,000 people in Europe.



Outlook for the industry

Finnish Fur Sales cooperates closely with the Kannus unit of the Central Ostrobothnia Rural Institute as well as Svenska Yrkesinstitutet in Mustasaari, both of which provide further education for fur breeders. The aim of the cooperation is to ensure that new skilled breeders enter the industry. The company has programs to improve the quality of skins and this gives those already working as breeders an opportunity to update their expertise.

The development of fur skins carried out by Saga Furs marketing organization creates a base for maintaining the international designers' interest in fur. During the period, this was especially visible in the incredible popularity of the Saga® fox skins among top designers' collections.

The development projects have also inspired many of those designers not familiar with the material to use it. Saga Furs has made a cooperation agreement with 20 international fashion institutes. One of the institutes is the Aalto University. During the period, Finnish Fur Sales

supported two Master's degree students from the clothing and textile design department as well as three students finishing a lower degree. In addition, student groups from all over the world participate regularly in courses at Saga Design Center, learning about ways to work with and use fur.

The company supports the fur unit of the Central Ostrobothnia University of Applied Sciences in Pietarsaari, e.g. by donating materials.

Support for local communities

The company annually sponsors sports teams. The company also sponsors youth-related training in Vantaa as well as in both the Finnish and Swedish speaking areas of Ostrobothnia which are the main fur breeding areas of Finland. During the period, the company supported, for example, the Icehearts team from Vantaa, which gives an opportunity for children from poorer families to play ice hockey.

Financial responsibility

The cornerstone of financial responsibility for Finnish Fur Sales lies in the fact that the company keeps its' finances on solid ground, pays good dividends to the shareholders and fulfills its obligations as a responsible employer. During the period, the company began a strategic renewal project and also a long-term development program in order to make the operations more efficient and to control costs. Good financial results also contribute to the other areas of responsibility.

The company's dividend policy is explained in the Board's report on page 10, under Shares and shareholders. The risks and uncertainties are also discussed as part of the Board's report on page 9. The financial risks are discussed in the notes of the consolidated financial statements on page 26.

The importance of responsible management of finances increases as the fur market becomes more unpredictable. The demand and price for fur may vary greatly – even between the auctioneer houses during one financial period. The management of risks and uncertainties is therefore an important part of financial responsibility in an industry that is exceptionally sensitive to economic fluctuations.

In January 2011, Balance Consulting Oy, specializing in business analysis, selected Finnish Fur Sales as the star company of 2010 based on the growth of net sales, improved profitability and earnings per share.



Indicators of corporate responsibility

Meters of environmental responsibility	2010	2009
Consumption of electrical energy (kWh)	4 579 487	4 446 354
Consumption of heat energy (district heat), MWh	4 831,4	4 442,8
Water consumption, m3	7 767	8 371
Certified pelt suppliers	462	446
Meters of economical responsibility	2009/2010	2008/2009
Sales value, EUR million	441,8	248,4
Turnover, EUR million	45	31,2
Profit before taxes, % of turnover	23,5	-7,2
Solvency ratio, %	53,2	46,8
Return on equity, %	14,4	-3,1
Return on investment (ROI), %	12,6	0,5
Devidends paid, EUR million	3,24	2,16
Gross investments, EUR million	1,5	2
Average number of group employers	307	309
Permanent employees	135	134
Fixed-term employees	172	175

