

SAGA FURS PLC. CSR* REPORT: CONTENTS

Saga Furs Plc. in brief	3	Corporate social responsibility report	14	 Occupational health care, employee training 	
Managing director's review	4	Financial responsibility	15	and advising employees on disease prevention	2
Saga Furs and sustainable development	6	 Financial profitability of operations 	15	Personnel training and development programmes	2
1. The company's impact on		CASE: An industry that pays its taxes to Finland	18	 Development discussions and 	
sustainable development	6	 Influencing the future of the industry 	18	performance appraisals	2
• 2. Probing future trends	6	BSAG cooperation	18	Personnel survey	2
Reporting on corporate social responsibility	7	Social responsibility	19	Environmental responsibility	2
Redefining luxury	8	Product liability	20	Environmental impact of fur production	3
 Saga Furs Plc. sustainability principles 	8	Origin of the product	20	Life cycle assessment of furs	3
 Ensuring the transparency of operations 	8	Traceability of the production chain	21	• Results	3
 Limits of sustainability 	9	Fur farm certification	21	Treatment of manure	3
Reliability of the report	9	 Policy concerning farms neglecting 		 Development programmes 	3
		their obligations	22	Operations at the Fur Center	3.
Saga Furs' sustainability principles from		CASE: Saga Furs Design Centre	23	CASE: Saga Furs and Green Office	3
the point of view of stakeholders	10				
Stakeholders	10	Saga Furs' role as an employer	24	GRI comparison table	3
 Assessment of the materiality of 		Personnel structure	24		
Saga Furs' sustainability	10	Employee benefits	24	Contact details for corporate social responsibility	4
		Employees within the scope of collective labour			
Stakeholder activities	11	agreements and compliance with minimum notice of	f		
• 1. Fur breeders	11	termination requirements in restructuring situations	25		
• 2. Auction customers and their customers	11	Employees within the scope of occupational			
• 3. Employees	12	health and safety committees	26		
• 4. Politicians, other opinion makers and the media	12	 Frequency of accidents, occupational 			
Stakeholder work	13	diseases and absence due to illness	26	* Corporate social responsibility	

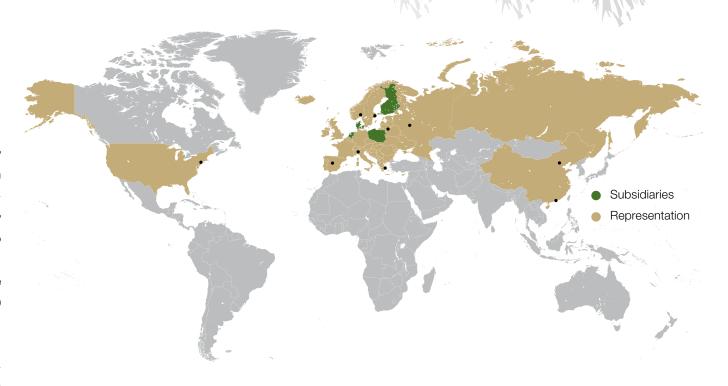
SAGA FURS PLC. IN BRIEF

The Saga Furs Group is an international fur auction company whose core strengths are a strictly monitored fur production chain, the most extensive supply of top-quality furs in the industry and high operational quality. Saga Furs Plc. is the only publicly listed fur auction company in the world. In addition to Finland, Saga operates through its subsidiaries in Denmark, Poland and the Netherlands. During the financial period, the Group employed an average of 315 people, of whom 249 worked at the parent company.

Our main objective is to support European fur breeding in accordance with the principles of sustainability, and to market fox, Finnraccoon and mink pelts under the Saga Furs® brand at international auctions held 4–5 times a year.

Saga Furs is known around the world as a pioneer in ethical fur breeding and as the company that reintroduced fur as a material used by fashion designers. The Saga Furs® brand guarantees the quality of products, and openness and sustainability of operations consumers demand.

The table shows the company's key figures for the financial period.



CONSOLIDATED KEY FIGURES

	2011/2012	2010/2011
Total sales, MEUR	695.2	594.7
Consolidated net turnover, MEUR	60.1	54.1
Operating profit, MEUR	17.2	15.1
Profit before tax, MEUR	22.5	18.7
Earnings per share, EUR	4.69	3.84
Return on equity, (ROE) %	23.1	22.2
Return on investment, (ROI) %	21.7	20.6
Board's proposal for		
distribution of dividend, EUR	2.10	1.45

4

MANAGING DIRECTOR'S REVIEW

Saga Furs Plc. sailed against the economic current in the 2011-2012 financial year and achieved the best profit ever in its 74-year history. At the beginning of the period, the name change to Saga Furs Plc. supported the company's renewed strategy and strengthened the image of a quality auction house emphasising responsibility among the company's stakeholders. Saga Furs also underscores its role as a pioneer by openly reporting on its responsibilities. The present corporate social responsibility report, the company's fifth, is our first report that complies with the GRI framework, and its content is prepared according to the self-evaluation model presented in the framework. (3.11)

Saga Furs' operations are international and local at the same time. Our employees represent more than 20 nationalities, the majority of whom work at our main premises in Vantaa, but we have operations and personnel in a total of 13 countries. The company, which has a fully global market area, realises its financial and social responsibility most concretely in Finland. Of the nearly EUR 700 million in total sales that were the best in the company's history, about EUR 400 million from export income was channelled to rural areas of Finland during the financial year. The dimension of responsibility deepens further

when we take into account that the flow of income in question arose almost entirely through domestic operations and recycling. The most important component of fur animal feed is surplus of the food industry, which would otherwise increase the load on the environment.

The industry also makes a contribution by paying its taxes to Finland. Saga Furs' contribution was EUR 5.4 million in the past financial period. The tax accrual of the entire Finnish fur industry was EUR 57 million according to a report published by Pellervo Economic Research (PTT) in August 2012. These funds help maintain Finnish social welfare, from caring for the elderly to road maintenance.

A significant observation in PTT's study was that even during bad times, which were included in the comparison data of the study, more income flows arose than what was expected on the basis of world market prices of pelts. This was influenced by the fact that the fur industry has been able to offer jobs even during slumps, which has meant that tax revenue has accrued to municipalities and the state.

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IN TOTAL SALES THAT WERE
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EXPORT INCOME WAS CHANNELLED
TO RURAL AREAS OF FINLAND
DURING THE FINANCIAL YEAR.



CERTIFICATION IS A QUALITY SYSTEM BASED ON TRANSPARENCY AND CONTINUOUS DOCUMENTATION, AND 80 PER CENT OF FINNISH PRODUCTION CURRENTLY FALLS WITHIN ITS SCOPE.

Saga Furs has constantly guided its operations in a direction where the high quality of pelts auctioned is combined with the quality of the entire production process. The well-being of animals occupies a central place in internal quality. Saga Furs has approximately 2,000 customer suppliers, which are independent companies and decide on their own operating methods. The fur farm certification system launched by the Finnish Fur Breeders' Association (ProFur) has been an excellent practical tool for the company to instil comprehensive quality thinking in suppliers. Certification is a quality system based on transparency and continuous documentation, and 80 per cent of Finnish production currently falls within its scope. In the sales season 2012–2013, the company will only receive Finnraccoon skins from certified farms, and the intention is to extend the requirement to fox skins in the following season. Certification is becoming an integral part of the Saga Furs brand.

Saga Furs is the only international auction company that has contact with consumers through its product development expertise, well-known brand, and cooperation with fashion houses. Fashion house partners often challenge the company

in sustainability issues,, as they communicate directly with consumers. By reporting on our sustainability in a professional and determined manner, we are involved in the public debate as a company. Open dialogue based on mutual trust and respect is important. For this reason, the company organises regular visits to its customer farms for its partners, so that the impeccability of our value chain can be assessed.

This year, Saga Furs celebrates its 75th anniversary and its Design Centre specialising in fur material product development its 25th. Our theme is 100+, as our work as a pioneer in the industry continues. We are not perfect, but we develop our operations in a long-term manner and actively listen to the surrounding world and our customers.

Pertti Fallenius Managing Director



SAGA FURS AND SUSTAINABLE DEVELOPMENT

1. THE COMPANY'S IMPACT ON SUSTAINABLE DEVELOPMENT

Saga Furs Plc. business operations link actors together in the overall value chain of the fur industry. Its customers include fur breeders representing primary production, international fur trade and the fashion industry. From the point of view of sustainable development, Saga Furs Plc. financial responsibility to Finnish society is considerable and, according to the stakeholder analysis, the company's most important area of sustainability.

Through the company's business, significant cash flows are channelled primarily to Finnish rural areas, but also rural areas in other EU countries. Export income mainly arises through domestic operations and without subsidies distorting competition. It benefits areas where alternative employment is scarcely available. In 2011, 20 per cent of the tax revenue of the 7,000-inhabitant City of Uusikaarlepyy originated from the sales of pelts. The record-high world market price of fur skins and the uncertainty of the world economy weakening the outlook for a number of other Finnish export companies, further emphasises the financial responsibility of the company and the industry.

The past financial period was even more successful than expected in terms of both income flow directed at the country-side, the resulting job opportunities and tax accrual. In the integration of the Saga Furs brand and the certification system, the company achieved the objectives set for the financial period.

2. PROBING FUTURE TRENDS

Consumers basing their choices on ethical values are an increasing trend. Ethical consumption cannot be unequivocally and exhaustively defined, as a number of variables affect the outcome. In Saga Furs' view, the core of the ethical nature of fur is its significance as a part of sustainable development. It is essential that animals are well taken care of. Fur, in turn, is a recyclable and sustainable natural material that has a long cultural history.

The company cannot directly influence animals' well-being and the environmental impact of primary production. However, the operations of suppliers have a material impact on the company's credibility and its reputation as a quality auction house. The traceability of the entire production chain, the fact that important stakeholders can assess it as objectively as possible and the gradual inclusion of fur farm certification in the Saga® quality criteria are the company's most important tools for increasing its own control over the products it sells.

Based on legislation that entered into force in Finland in 2012, a "citizens' bill" which aims to prohibit fur breeding, as lobbied by animal rights organisations, is coming for a reading in Par-

liament. As the initiative is the first of its kind in Finnish political history, media attention is guaranteed. In Saga Furs' view, the initiative as such is a part of civic society and democracy. The company will exert influence by all possible means to ensure that Members of Parliament receive correct information on the company and the entire industry from representatives themselves in order to support their decision-making.

The increased impact of social media as a former of people's values, opinions and consumption behaviour is a continuously strengthening trend. The company follows debates in progress there and strengthens its role as an actor in social media.

The company's risks and risk management are comprehensively addressed on pages 9–10 of the Report by the Board of Directors. The Report by the Board of Directors in its entirety is available on the company's website at www.sagafurs.com.







SAGA FURS PLC. SUSTAINABILITY PRINCIPLES

Saga is the only publicly quoted fur auction company in the world and a pioneer in its industry with regard to sustainability. We want to redefine the concept of luxury associated with furs and to broaden it.

In addition to the high technical quality of pelts, we want to emphasise the quality of the entire production process. Ani-

OUR BASIC VALUES ARE:

Reliability:

We operate openly and do what we promise.

Profitability:

We continuously develop and we are a quality leader in all areas of our operations.

Sustainability:

We value people in our operations and shoulder our responsibility for the environment and animals' well-being.

mals' well-being and taking care of the environment are central to us. Saga Furs is the only auction company to publish an annual corporate social responsibility report. We want to encourage all partners within the scope of our operations to comply with the principles of sustainability.

We want to engage in an open dialogue with the surrounding society. Continuous development, quick intervention in case of errors and drawbacks and transparency of operations enable our responsible business methods.

ENSURING TRANSPARENCY OF OPERATIONS

Saga Furs is committed to following through with its corporate social responsibility principles in all its operations. Monitoring and reporting corporate social responsibility falls under the responsibility of the Director of Communications and CSR in the Management Group; the company has established a monitoring group to support her in the coordination of the activities. The reporting complies with the guidelines of the most recent version of the Global Reporting Initiative (GRI)* framework. The company's Board of Directors assesses corporate responsibility and approves the content of the report.

Saga Furs complies with the Finnish Corporate Governance Code (October 2010) published by the Securities Market Association for listed companies. Potential deviations are presented with justification in the appropriate sections. Corporate governance is described in detail on the company's website at www. sagafurs.com/en/company/investors/corporate_governance.

The company joined the United Nations Global Compact Initiative network in 2008. GCI is the most internationally recognised framework for responsible corporate practices. The GCI principles are available at www.unglobalcompact.org.



The company is also a member, supporter or partner in the following organisations and communities:

International Fur Trade Federation:

Member, central financier; the company's managing director is a member of the Board of Directors; development of standards for the industry, lobbying for the industry; www.wearefur.com



European Fur Breeders' Association:

Supporter of various research and lobbying projects that are important for the entire industry; www.efba.europa.eu



Fur Finland:

Member, two company representatives are on the Board of Directors; legitimacy and visibility of furs in Finland; www.furfinland.fi

Baltic Sea Action Group:

Supporter; work for the Baltic Sea; www.bsag.fi



*) GRI is generally the most used international model for corporate social responsibility reporting based on continuous development of operations.

LIMITS OF SUSTAINABILITY

As the fur industry is a strong divider of opinions, the business engaged in by the company is not a sufficient dimension of Saga Furs' sustainability. Instead, the point of view must be wider. The operations of fur breeders, the company's customers who send pelts to the company to be sold, have such a large impact on the Saga Furs® brand and the company's reputation management that they must be taken into account in the definition of the interfaces of sustainability.

Two concepts are used in the GRI guidelines that assist in setting the limits:

Control:

The reporting organisation may influence another operator's financial and operational activities in a manner that is beneficial to itself.

Significant opportunity to influence:

The reporting organisation may influence another operator's decisions concerning financial and operational activities, but it has no control over them.

Saga Furs has no control over fur breeders, who are independent entrepreneurs. However, it has means of guidance at its disposal. In the autumn of 2012, the Boards of Directors of Saga Furs Plc. and its largest shareholder, the Finnish Fur Breeders' Association, approved a common action programme concerning Finnish breeders who do not at least comply with legislation based on the recommendations of the Council of Europe, and do not remedy observed deficiencies despite instructions to do so.

Saga Furs encourages its customer suppliers to certify their production in accordance with the certification programme launched by the Finnish Fur Breeders' Association in 2005 and most recently updated in 2012. The system includes both incentives and conditions related to accepting furs for sale, and these can be considered to constitute the essential elements of "a significant opportunity to influence" as defined in

SAGA FURS THUS DEFINES THE LIMITS OF ITS SUSTAINABILITY SO THAT THEY PARTLY COVER THE BEGINNING OF THE VALUE CHAIN OF FUR PRODUCTION.

the GRI guidelines. In addition, Saga Furs supports suppliers in the improvement of the animal population and the selection of breeders through new forms of activities.

Saga Furs thus defines the limits of its sustainability so that they partly cover the beginning of the value chain of fur production.

RELIABILITY OF REPORTING

The indicators of the reliability of reporting vary according to the nature of the information provided. All information based on numbers and volumes is collected in Saga Furs' report from sources that directly allow tracing the information. Qualitative information, such as assessments of the financial importance of the industry to Finnish national and municipal economies or the tax accrual paid by it, can be verified on the basis of reports prepared.

SAGA FURS' SUSTAINABILITY PRINCIPLES FROM THE POINT OF VIEW OF STAKEHOLDERS

To ensure impartial interaction with its stakeholders, Saga Furs complies with the guidelines set in GRI reporting. According to the guidelines, interaction must be based on considering what are stakeholders' reasonable expectations. The starting point for Saga Furs is that demands aiming at the termination of the entire fur industry are nor reasonable from the company's point of view. For this reason, Saga Furs does not actively seek interaction with parties having the public aim of prohibiting the fur industry.

STAKEHOLDERS

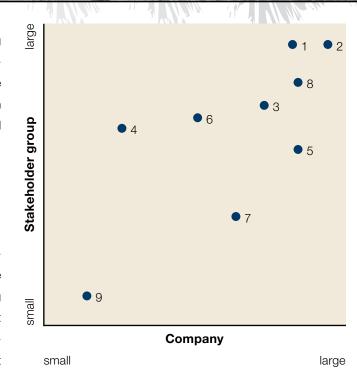
The company's most important stakeholders are its customers (fur breeders, pelt buyers and their customers), shareholders, personnel, political decision-makers and the media. The company charted its stakeholders when preparing its new strat-

egy. The responsibility for stakeholder work is divided among the Management Group according to the areas of responsibility of its members, and the main responsibility rests with the managing director. Stakeholder work requires dissemination of up-to-date information on the company's operations and the company as part of the international fur industry.

ASSESSMENT OF THE MATERIALITY OF SAGA FURS' SUSTAINABILITY

In the autumn of 2012, Saga Furs' corporate social responsibility monitoring group made its assessment of what significance the company's different functions and requirements coming from the external operating environment have from the point of view of the company's responsibility. The definition of "materiality" is based on the current situation, and it is reviewed at regular intervals.

The definition of the materiality of different matters helps Saga Furs to select the focus areas for its corporate social responsibility report and develop its communication to our stakeholders. The definition is presented in the adjacent table. The vertical axis describes the interests of stakeholders and the horizontal axis the importance of the matter to Saga Furs. The figure shows that different stakeholders view the company's sustainability in different ways, and thus their expectations also differ from each other.



- 1. Animal welfare
- 2. Financial responsibility (profitability, cash-flow, tax-accumulation)
- Traceability of the production process / Certified products
- 4. Environmental aspects
- 5. Quality of the working community
- 6. Responsible, transparent communication
- 7. Sustainable product development (within SDC)
- 8. Client and partner operations
- Environmental efficiency of the Vantaa Saga
 Fur Center property (energy sufficiency etc.)

STAKEHOLDER ACTIVITIES

1. FUR BREEDERS

More than 90 per cent of Saga Furs' supplier customers come from the EU area and Norway, and only mink, fox and Finnraccoon pelts coming from this area are entitled to the Saga® trademark. The most important partner for the company in connection with breeders is the Finnish Fur Breeders' Association (ProFur), which is also the company's largest shareholder. At the Europe-wide level, Saga Furs has both direct contacts and contacts through local breeders' associations to breeders in all countries in which Saga Furs collects skins to be sold at its international auctions.

The farm certification system launched by the Association is a practical tool for supervising, maintaining and developing animals' well-being. The Association is responsible for the programme, whereas Saga Furs encourages and also obligates its customer suppliers to adopt it by integrating it gradually into the Saga Furs brand.

2. AUCTION CUSTOMERS AND THEIR CUSTOMERS

Saga Furs' concrete responsibility-communication tool towards auction buyers and their customers is the Saga® trademark and, as its expression, the tag describing three different quality levels: Saga Furs Lumi Royal, Saga Furs Royal and Saga Furs Superior. The trademark also spreads visibility of the brand among end consumers of a finished product.









One of the Saga® brand promises is that every pelt sold at an auction can be traced back to the fur farm (Saga Traceability System). The identification is kept on the pelts during the entire sorting and auctioning process, and the company delivers to customers, based on their purchases, the tags to be used in clothes. By linking the customer's own origin system to the chain in the steps that follow, traceability can be extended all the way to the end consumer.

Saga Furs' operations also extend to fur material product development, the aim of which is not only to find new ways of using fur, but also to ensure as comprehensive as possible utilisation of the valuable material so that it is not necessary to dispose of anything. The new Saga Furs Biz workshop helps customer companies to introduce furs and new ideas con-

cerning their use to their own production processes as costefficiently as possible.

3. EMPLOYEES

Saga Furs is an international company with operations in 13 countries, and employing people representing more than 20 nationalities. Due to the diversity of its personnel, openness, tolerance of differences and interest in other cultures is extremely important to the company. Through its personnel policy, the company attempts to ensure that every employee is proud of the company, his or her work there and the entire industry.

The importance of the entire body of employees to the company's success is emphasised by the fact that all employees, including temporary staff after a certain period of employment, are entitled to participate in the incentive scheme confirmed annually by the Board of Directors. The scheme is partly based on the company's profits, partly on cost-efficiency indicators. The company's occupational health care services and annual holiday rights exceed the requirements set by legislation. Moderation and a long-term approach are seen in the fact that we attempt to secure our human resources despite the cyclical nature of our business operations.

4. POLITICIANS, OTHER OPINION MAKERS AND THE MEDIA

Saga Furs provides politicians, other opinion leaders and the media with open and objective information on both the com-



pany and the industry. As a publicly listed company that has included corporate social responsibility in its business strategy, Saga Furs guarantees that the information it disseminates is fact-based and traceable.

The company and the Finnish Fur Breeders' Association decided in 2011 that they may support politicians taking a neutral or positive view of the industry in their election campaigns, taking into account the principle of transparency. The company and the Association required the politicians to agree to the publication of their names and the amount of financial support received on the websites of the company and the Association.

Stakeholder group	Expectations	Actions	Further plans
Fur producers	Marketing support, marketing information	Communication/new tools,	Customer segmentation
	Certification incentives	training events	Saga certification
	Support e.g. for improving animal stock	Comprehensive certification	Co-operation on processing
		Quarantine farm, participation in research	
Buyers + their customers	Reliable grading	Allocation of resources, automation	Strengthening brand role
	Traceability	Tools for traceability	Co-branding
	Welfare of animals	New tools for communication	
	Customer communication		
Political lobbyists and media	Open, transparent communication	Visits to companies and fur farms,	Influencing opinion through social media
	Reliable and rapidly accessible information	maintaining continuous contact	
	Animal welfare	Corporate responsibility reporting, GRI-based	
Personnel	Consistent HR policy	Development of management systems	Trouble-free functioning of internal communica-
	Transparency of communication	Developing internal communications/new tools	tions in the global work community
			Coherent brand identity

STAKEHOLDER WORK

Saga Furs' stakeholders have different, sometimes even conflicting expectations for the company's responsibilities. The table above describes stakeholder-specific expectations, and the activities through which we have attempted to respond to them. In addition, the table introduces development projects through which we aim to further improve our operations.



FINANCIAL RESPONSIBILITY

The company's financial responsibility is the most essential element of its entire responsibility. By ensuring its profitability and the productivity of its operations, the company can best respond to the expectations of its most important stakeholders.

One of the cornerstones of responsibility is the considerable cash flow that is channelled through the company's operations to small Finnish rural municipalities, in particular. Areas of financial responsibility also include the importance of international auctions to the service companies of the entire Helsinki metropolitan area and the importance of the company to the economy of its home town. According to a report published by Pellervo Economic Research (PTT) in August 2012, taxes paid by the entire industry formed a significant income flow that helps maintain social welfare.

In addition, the company's financial responsibility is manifested by the company's activities in promoting the future of the industry through various training projects and its support to volunteer work.

FINANCIAL PROFITABILITY OF OPERATIONS

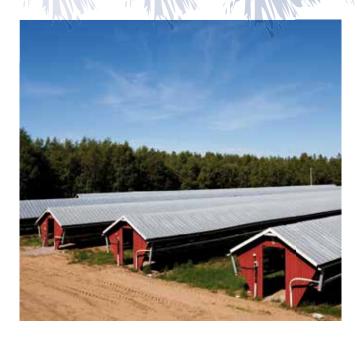
Due to the increase in the price level of mink pelts and the

strengthening of the United States dollar, the value of sales in the financial period increased by 17 per cent to EUR 695 million (EUR 595 million in the previous financial period). Due to the good market situation, furs sold were delivered at record speeds during the entire financial year. The company organised four auctions during the financial year and sold 6.4 million mink pelts, 94 per cent of which were included in the Saga collection. The company sold 400,000 Eastern European mink pelts as separate collections. A total of 2.3 million fox pelts, 400,000 Karakul lamb pelts from Afghanistan and 160,000 Finnraccoon pelts were sold. Additional information on the company's financial performance is available at www.sagafurs.com/fi/company/investors/financial reports. The company's key figures for the past financial year are available at the beginning of this document, in the "Saga Furs Plc. in brief" section.

Saga Furs' market position strengthened further during the financial year, a factor that further emphasises the company's role as a pioneer of the sustainability of the entire industry.

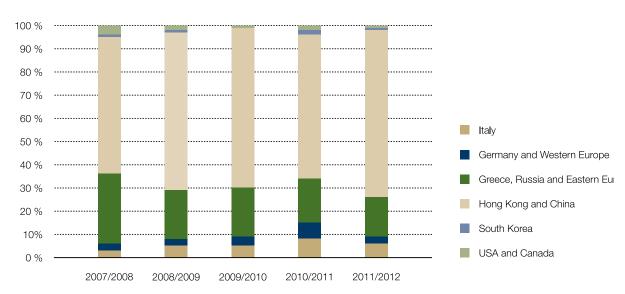
Pelt sales channelled through Saga Furs Plc. maintain employment in and the vitality of Finnish rural areas. Even though a

THE INDUSTRY EMPLOYED
APPROXIMATELY 20,000 PEOPLE
IN FINLAND IN 2010
(MTT AGRIFOOD RESEARCH FINLAND).

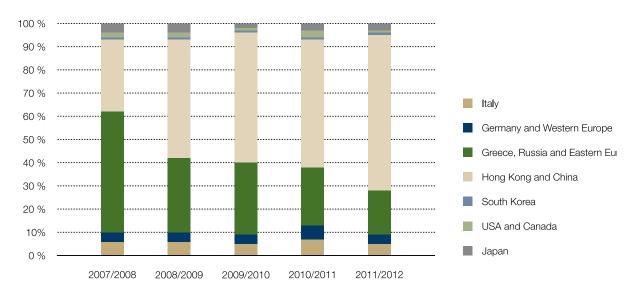




SAGA FURS PLC. MINK PELT SALES BY MARKET AREA



SAGA FURS PLC. FOX PELT SALES BY MARKET AREA



EUR 400 MILLION OF SAGA FURS PLC. TOTAL SALES OF EUR 695 MILLION WAS CHANNELLED AS PURE EXPORT INCOME TO THE CORE FUR PRODUCTION AREA.

significant share of the company's net turnover originates from outside Finland, an important part of the company's financial and social responsibility is realised in Finland.

When taking into account not only the actual fur production but supporting industries such as feed manufacturing, fishing and infrastructure services, including logistics and auctions, the industry employed approximately 20,000 people in Finland in 2010 (MTT Agrifood Research Finland).

The financial success of the fur industry strongly supports Finnish employment and regional well-being. In the past financial year, EUR 400 million of Saga Furs Plc. total sales of EUR 695 million was channelled as pure export income to the core fur production area; 90 per cent went to Finnish and Swedish-speaking coastal municipalities in Ostrobothnia (2010/2011 EUR 324 million). Thus, the importance of fur production to municipalities' maintenance capacity was extremely significant.

17

ECONOMIC IMPACT OF COMPANY'S OPERATIONS IN MUNICIPALITIES WITH AT LEAST FIVE FUR FARMS IN 2012

		Value of pelt sales
Municipality	Number of inhabitants	in EUR 1,000
Alajärvi	10,331	5,132
Evijärvi	2,755	13,209
Halsua	1,275	2,848
Kalajoki	12,621	24,900
Kannus	5,691	4,613
Kauhava	17,281	18,224
Kaustinen	4,276	18,716
Kokkola	46,557	10,527
Korsnäs	2,250	11,636
Kruunupyy	6,696	6,594
Lappajärvi	3,445	14,678
Lapua	14,508	322
Maalahti	5,616	5,967
Mustasaari	18,851	5,240
Närpiö	9,398	7,948
Pedersöre municipality	10,935	18,710
Pietarsaari	19,638	13,117
Pyhäjoki	3,353	1,349
Seinäjoki	58,626	259
Nykarleby	7,498	70,182
Veteli	3,420	6,295
Vöyri	6,728	17,761
Total	271,749	296,687





CASE: AN INDUSTRY THAT BRINGS IN TAX REVENUE TO FINLAND

The importance of the fur industry for local economies is considerable, even during a time of recession. In Finland there are about a thousand fur farms, and almost a hundred per cent of their production is exported. The revenue comes from abroad and the input of work and materials from Finland.

According to Dr Perttu Pyykkönen, Research Director of Pellervo Economic Research (PTT), it is easier to study the importance of the fur industry for local economies than is the case with many other branches of industry. The cumulative impacts are significant, and the amount of state subsidisation is not great compared with other primary production.

A report published by PTT in August 2012 states that the tax revenue brought in by the fur industry in 2011 amounted to some EUR 57 million. Although in the current recession the revenue may be only a third of this, nevertheless, independent of demand, the industry is of major importance for municipalities in the region where production takes place. Wages are paid and animal feed is purchased in Finland.

The significance of fur farming is greatest in the region of Ostrobothnia, and municipalities such as Korsnäs, Evijärvi, Lappajärvi and Kaustinen receive a large proportion of their tax revenue from the fur industry. The impact is most tangible in Nykarleby, where in good years almost 20 per cent of the municipality's tax revenue comes from fur farming.

INFLUENCING THE FUTURE OF THE INDUSTRY

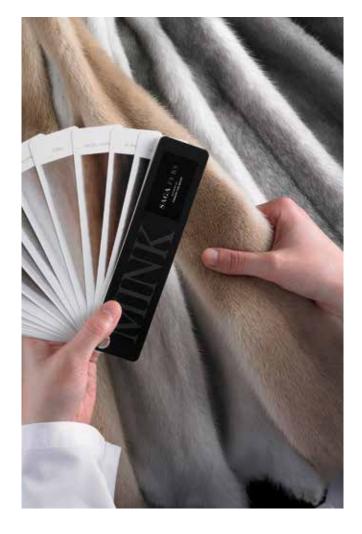
The company closely cooperates with the Kannus unit of the Central Ostrobothnia Rural Institute as well as Svenska Yrkesinstitutet in Mustasaari, both of which provide further education for fur breeders, to ensure that new skilled breeders are available for the industry. Through its programmes that aim at even better pelt quality, the company expands the skill sets of people already working as breeders by updating their expertise.

As with fur breeding, fur sales are often based on family businesses. During the financial year, the company organised an international sorting course for the younger generation of its customer companies for the 12th time. The purpose of the course is to increase knowledge about the material and the ability to detect quality differences.

The merger of the functions of the Design Centre in Denmark with the operations of Saga Furs Plc., which took place during the financial year, also created an even closer link between auction operations and product development of the material. The company's product development unit engages in established cooperation with 20 international fashion academies and institutes. In Finland, it works with Aalto University, and this cooperation was expanded further. In addition to fashion and textile designers, the company participated in implementing study modules for students completing business studies and studying under separate training programmes. Saga Furs Plc. was one of the two main partners in the international Fashion Marketing programme of the Aalto Executive Education unit.

BSAG COOPERATION

During the financial year, the company supported the activities of the Baltic Sea Action Group in its work for the Baltic Sea.





SOCIAL RESPONSIBILITY

Saga Furs Plc. social responsibility consists of product liability and the international company's role as an employer.

PRODUCT LIABILITY

Open and measurable product liability of fur production that can be monitored and which covers its entire life cycle is essential for the future of the entire industry. Saga Furs Plc. develops, monitors and encourages the entire industry and also strives towards even more sustainable fur production through its own activities. The company's means for implementing product liability include a guarantee of origin of the products, traceability of the production chain and, as part of it, the action programme concerning farms neglecting their obligations, as jointly agreed by the boards of directors of the company and the Finnish Fur Breeders' Association (ProFur).

ORIGIN OF THE PRODUCT

The Saga Finnraccoon pelts sold by the company during the financial year were almost 100 per cent of Finnish origin. More than 90 per cent of Saga fox pelts were produced in Finland, and the remainder originated from other EU areas and Norway. A guarter of Saga mink pelts were of a Finnish origin, and

the remainder came from other Western European supplier countries.

In addition, the company traded a small number of pelts of other origins in its own collections.

Saga Furs Plc. requires that its suppliers operating in the EU area and Norway comply with, as a minimum, the recommendations of the Council of Europe concerning the well-being of fur animals. The Saga® trademark in a pelt confirms not only its high technical quality but also its origin. The trademark is supplemented by the Origin Assured programme launched by the company together with the International Fur Trade Federation (IFTF) and three other auction companies in December 2006. In the financial year, the company participated in the OATM programme so that the OA marking was integrated into the Saga® trademark.





TRACEABILITY OF THE PRODUCTION CHAIN

In addition to the national origin of pelts, the Saga® trademark ensures that the pelt can be traced back to the fur farm (Saga Traceability System). The identification is kept in the pelts during the entire sorting and auctioning process, and the company delivers, to customers based on their purchases, the tags used in clothes. By linking the customer's own origin system to the chain in the steps that follow, traceability can be extended right to the end consumer.

As early as the 2009/2010 financial year, a pilot project implemented with an international fashion company, Burberry, enabled the traceability of the entire chain. It is possible to trace the farms that produced the pelts on the basis of pelt pur-

chases The company has been active in designating dressers and manufacturers among its partners that enable the same traceability to a number of international fashion companies.

The need for extensive documentation throughout the entire value chain has led to more and more international fashion companies requiring that their suppliers use Saga pelts. As a result, interest in the trademark increased further among Chinese clothing manufacturers working as subcontractors to Western companies.

The company regularly arranged visits to auctions, the Saga Furs Design Centre and fur farms for personnel responsible for corporate social responsibility and material acquisitions at its partner companies.

CLOSE TO 80 PER CENT OF FINNISH
FUR PRODUCTION WAS WITHIN
THE SCOPE OF CERTIFICATION
(MORE THAN 90 PER CENT OF
FINNRACCOON, CLOSE TO 80
PER CENT OF FOX AND MORE THAN
60 PER CENT OF MINK PRODUCTION)

Finnraccoon pelts from certified farms. This contributes to the full integration of certification and the Saga trademark. In the financial period that started on 1 September 2012, a corresponding decision was made with regard to fox pelts for the sales season 2013–2014. The realisation of the objective can

"We mainly use Saga® furs.

They are known to have been produced in high-quality conditions that correspond to the requirements of the Burberry Group for the well-being of animals.

Farms from which the furs originate are open to third-party inspections and Burberry representatives have acquainted themselves with them."

Burberry's
corporate responsibility report:
www.burberryplc.com/corpres/socres

FUR FARM CERTIFICATION

The Finnish Fur Breeders' Association together with its stake-holders established the farm certification system in 2005. It covers the entire operations of fur farms and is based on documentation and continuous development. On 31 August 2012, 652 fur farms (503 a year earlier) were in the scope of the system. Correspondingly, close to 80 per cent of Finnish fur production was within the scope of certification (more than 90 per cent of Finnraccoon, close to 80 per cent of fox and more than 60 per cent of mink production).

During the financial year, the Board of Directors decided that during the new sales season, the company will only accept



CERTIFIED PELT SUPPLIERS/ NUMBER OF FARMS

	2012	2011	2010
Certified suppliers	652	503	462

be assessed after 30 April 2013, which was set as the deadline for completing the certification of fox production.

According to the division of labour between Saga Furs Plc. and the Association, the main responsibility for the development of the system falls on the Association, which is also responsible for cooperation with the external auditor of the system, Inspecta Sertificinti Oy. For the sales company, the system is a key tool in responsibility communications and increasingly a requirement for entry into the market for products, especially in the case of the international fashion industry.

The achievements of the financial year were an increase in the number of certified farms, harmonisation of auditors' operating methods and competence profiles, and the dissipation of resistance to change as a result of a critical mass of breeders becoming involved. Problems were caused by the fact that, during auditors' sampling visits, deficiencies that had not been there when the certificate was granted were found even on certified farms.

The company and the Association regularly go through objectives to be set for the development of the system, both at the Management Group and Board of Directors levels.



POLICY CONCERNING FARMS NEGLECTING THEIR OBLIGATIONS

In October 2012, the Boards of Directors of the company and the Association specified in more detail their common policy concerning farms in which deficiencies are found. The policy is based on documented inspections by the Association and the authorities, and takes into consideration a time limit is set for corrective action. If the deficiencies are not corrected in due time, the company no longer grants financing to the producer in question or accepts furs for sale from the farm. During the finan-

cial year, the company made such policy decisions for five (5) farms. Three (3) of these implemented the required corrections in due time, and the decision was not enforced for those farms.

Problems with the consistent application of the policy were caused by the fact that, in the case of one farm, the authorities only issued the order to stop the farm's operations after a year had passed since the serious, unremedied deficiencies had been reported to them and all cooperation with the farm in question had already been terminated.

CASE: SAGA DESIGN CENTER

TRAINING THE NEW GENERATION AND EXTENDING THE LIFE CYCLE OF FUR

Since its foundation in 1988, more than 25,000 representatives of the fur and fashion industries and top names in international fashion together with their designer teams have visited the company's product development unit in Denmark, Saga Design Centre, in search of ideas for developing more versatile uses of fur. In practice, the Design Centre utilises every single piece of fur – nothing is thrown away, and old samples and fur treatment techniques that have been tried out take on new lives many times over. The Design Centre shows in concrete terms how durable and adaptable a material fur is. "Use, store properly, renew and recycle" is a strong counter-argument to the culture of "use and throw away".

JUNIORS AND SENIORS PARTICIPATE IN A DIALOGUE

In its work, the Saga Design Centre serves as a training ground for a new generation of furriers, fur designers and consumers. In search of innovations are young designers just embarking on their careers, who may never previously have come into contact with fur as a material, but after the Design Centre's courses have incorporated fur into their collections.

"The new generation is challenging the old hands, but in most cases, both have something to learn from each other. We re-

cycle knowledge, experience and insight," says Per Reinkilde, head furrier at the Design Centre.

ALTERNATIVES TO CHEMICALS

The latest project at the Saga Design Centre, in line with the principle of sustainable development, involves co-operation with a German dressing company and involves developing environmentally friendly techniques for dressing furs. The "Green Dressing" project is studying whether a powder made from olive leaves could replace the chemicals used in dressing fur. In addition to the Design Centre and the co-operating company, several researchers participating in the project are looking at other organic, plant-based alternatives that could replace chemicals.



Last autumn Workshop Research & Development, which focusses on developing new techniques, was joined by a new workshop, Workshop Biz, which will go beyond the point reached during the creative work phase; in other words, it will help to transfer ideas into the production processes of the fashion business. As fur is a valuable material, the cost-efficiency of the manufacturing process plays a key role. When the different actors involved in the fur industry value chain meet, they can network and form partnerships. Through Saga Design Centre's networks many a young designer has found a partner who has the practical skills to translate new ideas into a final product.







SAGA FURS' ROLE AS AN EMPLOYER

Saga Furs wants to be a reliable employer that makes predictable decisions. The key elements of personnel responsibility are: the maintenance and promotion of employees' professional skills; health and ability to work and function; prevention of work-related diseases and accidents; and, ensuring the healthiness and safety of the working environment. The integration of the operations of the company and the Saga Furs Scandinavia cooperative and the winding up of the operations of the cooperative, which took place during the financial year, meant that the company became even more global. At the head office in Vantaa, the responsibility for personnel also faces challenges due to the relatively large share of temporary staff and the different focus areas with regard to occupational health and safety issues depending on whether the person is employed in production tasks or office work.

The Saga grading system and its criteria are commonly considered the best in the world, and the company wants to nourish the special expertise related to it. The automation of grading improves ergonomics and profitability. Part of the grading development strategy is to keep jobs in Finland.



PERSONNEL STRUCTURE

During the financial period, the Group employed an average of 315 people, of whom 249 worked at the parent company. An average of 141 were permanent staff and 174 temporary staff; at the parent company, the corresponding figures were 107 and 142, respectively. The Group employed 22 permanent staff abroad.

EMPLOYEE BENEFITS

In all its operating countries, Saga Furs Plc. provides its permanent and temporary staff with the employee benefits required by local legislation.

The grading and auctioneering that are central to the company's business could not be carried out without temporary

25

NUMBER OF PERSONNEL

	Personnel
Regular	113
Fixed-term	142
Average for accounting period	249
No. of new personnel employed	6
No. of personnel leaving employment	2

AGE STRUCTURE

Age	Personnel
Under 30 years	8
31-49 years	53
Over 50 years	50

PERSONNEL BY GENDER IN ACCOUNTING PERIOD 1 Sep 2011 – 31 Aug 2012

	Women	Men	Total
Regular employees	47	64	111
Seasonal employees	135	173	308
Auction assistants	103	149	252

employees. The strategic importance of temporary staff is highlighted by the fact that the fairly extensive employee benefits provided by the company are similar for permanent and temporary staff after a certain period of employment.

One of the benefits exceeding the statutory level is an additional week of paid holiday. This results from the fact that, at Saga Furs Plc., Saturdays are not included in annual holidays, even though Saturdays are included under the Finnish Annual Holidays Act. Employees in production duties have a ten-minute break per working hour. Temporary staff is paid 2.5 days per month in holiday compensation if separate temporary employment relationships have lasted at least 18 months in aggregate. The collective labour agreement and the Finnish Annual Holidays Act do not require this.

The occupational health care services provided by the company exceed the statutory requirements. Occupational health care services are addressed separately in the sections Frequency of accidents, occupational diseases, lost working days and absences and Occupational health care.

After 18 months' work history, all employees, both permanent and temporary staff, fall within the scope of the company's annual bonus scheme. Its objectives of are revised by the Board of Directors annually. It is based on the company's profits and the realisation of cost-efficiency.

EMPLOYEES WITHIN THE SCOPE OF COLLECTIVE LABOUR AGREEMENTS AND COMPLIANCE WITH MINIMUM NOTICE OF TERMINATION REQUIREMENTS IN RESTRUCTURING SITUATIONS

In all its operating countries, Saga Furs Plc. complies with local legislation. The key provisions on restructuring situations are set out in the Finnish Act on Cooperation within Undertakings, according to which the minimum notice period to be complied with in restructuring situations is, as a rule, one week. The committee according to the Act on Cooperation within Undertakings includes six employee representatives and three employer representatives.



Saga Furs Plc. personnel in Finland, other than managers and members of the Management Group, are within the scope of the collective agreements of trade or the hotel and restaurant industry (Oy Fur Center Ab). The Group's employees in Finland are organised in trade unions, mainly Service Union United PAM (permanent staff 11.7%, temporary staff 17.5%, auction assistants >1%). The statistics include employees whose trade union membership fee was deducted from their salary.

In all its operating countries, Saga Furs Plc. complies with the periods of notice laid down in labour legislation. In Finland, the period of notice varies from two weeks to six months, depending on the length of the employment relationship.

EMPLOYEES WITHIN THE SCOPE OF OCCUPATIONAL HEALTH AND SAFETY COMMITTEES

Occupational health and safety activities are organised in a workplace-specific manner in compliance with local legislation. The occupational health and safety committee that operates in Vantaa has five members who represent employees and one member who represents the employer, all of whom work at the parent company.

In occupational health and safety, the focus was on charting and preventing "near miss" situations during the financial year. We organised first aid training, regularly assessed risks related to the occupational health and safety of workplaces and communicated them to personnel. The Finnish Institute of Occupational Health implemented an indoor air study in production

ACCIDENTS

	2012	2011
Accidents, excluding	9	7
commuting accidents		
Commuting accidents	3	2

ACCIDENT FREQUENCY

	2012	2011
Accident frequency	34	56
Average loss	1,973	629
Sickness day frequency	509	257
Sickness days per accident	15	5

facilities where employees are exposed to dust originating from pelts,. The study found the quality of indoor air to be at good industrial level, and the values were lower than the 5 micrograms/cubic metre (M₃) set by the Ministry of Social Affairs and Health.

FREQUENCY OF ACCIDENTS, OCCUPATIONAL DISEASES AND ABSENCE DUE TO ILLNESS

Accidents in Finland (number of accidents/million working hours) are presented in a separate table. No accident statistics are available for other countries.

The percentage of absence due to illness at the parent company in Finland was 4.85; 5.25 for temporary employees and 4.37 for permanent employees. There was one suspected

SICKNESS ABSENCES



% of theoretical regular working hours

case of occupational disease during the financial year, and two established occupational disease cases from becoming allergic to dust from fur bearing animals.

OCCUPATIONAL HEALTH CARE, EMPLOYEE TRAINING AND ADVISING EMPLOYEES ON DISEASE PREVENTION

The occupational health care provided by the company in Finland is at a higher level than required by law. It also covers medical care and doctor fees for the services of an ophthal-mologist and a gynecologist. Upon referral from an occupational health care doctor and if the responsibility for the care remains with him or her, the company also pays for the doctor's fee for other specialist medical services. In other coun-

tries, occupational health care is organised according to local legislation and practice.

In the financial year, the company spent EUR 393/person for maintaining its personnel's ability to work and for medical care. The basis of calculation is the average number of personnel at the parent company.

Saga Furs Plc. operating method is to make every attempt to prevent diseases and maintain its employees' ability to work. An occupational health care nurse appointed to the company holds in-house consultation every other week. In the financial year, physiotherapist rounds were launched. The purpose is to intervene in ergonomic, physical and psychosocial issues, and matters related to work movements and postures. The early-care model was emphatically introduced to the entire organisation. Attention was paid to the prevention of the most common occupational health problem, musculoskeletal diseases; the company gym was improved so that its equipment better meets the needs of exercise aiming at improving both aerobic function and muscle tone. Employees have the opportunity to participate in salaried rehabilitation on the basis of recommendations provided by a private clinic.

PERSONNEL TRAINING AND DEVELOPMENT PROGRAMMES

Personnel's training needs were systematically charted on the basis of summaries of development discussions and other indicators. The human resources department coordinates training across professional lines, including regular supervisor training. During the financial year, the focus of supervisor training was on familiarising people with the Finnish Employment Contracts Act to install the early caring model, its strategy and values. Language training in Finnish, Swedish and English was made possible for all according to interests and needs. Training costs channelled through the human resources department amounted to EUR 1,126 per permanent employee.

Training intended for maintaining and deepening actual professional skills was coordinated through the relevant departments.

TRAINING COSTS CHANNELLED
THROUGH THE HUMAN RESOURCES
DEPARTMENT AMOUNTED TO
EUR 1,126 PER PERMANENT EMPLOYEE.

DEVELOPMENT DISCUSSIONS AND PERFORMANCE APPRAISALS

Saga Furs Plc. holds development discussions in Finland. It was set as an objective that they are held with permanent personnel in September–October and with temporary personnel once the season has begun. After this, a summary of special needs related to training, for example, has to be submitted to the human resources department. The company also requires that development discussions are held in foreign offices. The



360 questionnaire, which assesses management from different points of view, used at the parent company and Oy Fur Center Ab, was implemented for the fourth time.

PERSONNEL SURVEY

During the financial year 2010–2011 preceding the past financial year, the company implemented its first large personnel survey that included both permanent employees and seasonal employees in Finland. Personnel's job satisfaction was measured in terms of the following variables: one's own work; the supervisor and the management environment; the working environment; and, Saga Furs as an employer. On a scale of 1–5, Saga Furs Plc. total grade was 3.82.

All participants (N=73)

(Industrial labour)

2

3

5

Avg.

3.74

3.49

3.75 3.44

3.62

3.37

3.64

3.57

4.13

3.74

Total grade

Personal work

Work community

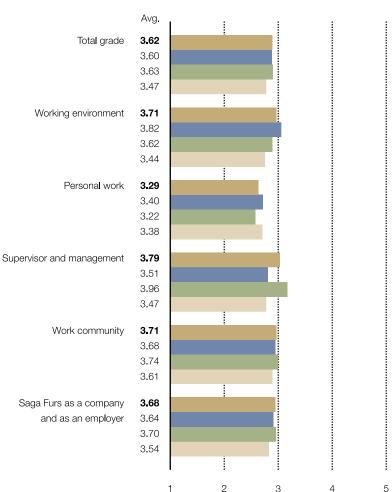
Supervisor and management

Saga Furs as a company

and as an employer

Comparison data from Promenade

During the past financial year, a "mini" personnel survey was implemented involving only permanent employees. The company's grade on a scale of 1–5 was 3.74. In the currant financial year, the company will implement a questionnaire concerning its entire personnel, both permanent and temporary staff, and the Group's foreign employees will also be included for the first time.



All participants (N=215)

Regular employee (N=75)

Temporary employee (N=135)

Comparison data (industrial labour)



ENVIRONMENTAL RESPONSIBILITY

The cornerstone of Saga Furs Plc. environmental responsibility is indirect influence to reduce the environmental impact of the entire fur production process. Only about 1% of the $\rm CO_2$ emissions occurring during furs' life cycle arises as a result of the operations of the Fur Center. The property's consumption of electricity, heating energy and water has a marginal effect on the overall production process. The majority of the environmental impact arises in connection with fur farming.

However, the scope of the company's responsibility exceeds the environmental impact caused by its own activities (see page 34 of the report). It is not possible to get a correct picture of the environmental impact during the life cycle of furs without also examining the environmental impact of fur production.

Saga Furs Plc. cooperates with the Finnish Fur Breeders' Association (ProFur) to reduce the environmental impact of fur production.

ENVIRONMENTAL IMPACT OF FUR PRODUCTION

It is important to consider the impact of fur production in proportion to the effects of Finnish agriculture as a whole, and to the national aggregate. The CO_2 equivalent emissions of fur

THE CO₂ EQUIVALENT EMISSIONS
OF FUR PRODUCTION IN 2011 WERE
APPROXIMATELY 200,000 TONNES,
WHICH REPRESENTS APPROXIMATELY
0.4% OF THE TOTAL EMISSIONS
OF FINNISH AGRICULTURE.

production in 2011 were approximately 200,000 tonnes, which represents approximately 0.4% of the total emissions of Finnish agriculture. The corresponding greenhouse gas emissions of Finland amounted to 66.8 million tonnes (CO₂ equivalent).

From the point of view of climate change, the impact of fur production is marginal at both national and international levels. Accordingly, the most important object of development to reduce the environmental impact of fur production is the reduction of acidifying emissions, in practice, the improvement of animal manure treatment. The ammonia emissions of Finnish fur production correspond to 7% of the ammonia emissions of Finnish agriculture and 1.3% of all acidifying emissions in Finland.

LIFE CYCLE ASSESSMENT OF FURS

In 2011, MTT implemented a life cycle assessment of fox and mink pelts produced in Finland by assignment from the Finnish Fur Breeders' Association and Saga Furs Plc. (then Finnish Fur Sales)¹⁾. The study calculated the emissions of Finnish fur animal production affecting climate change, acidification and eutrophication and qualitatively assessed the ecotoxicological emissions of fur production.



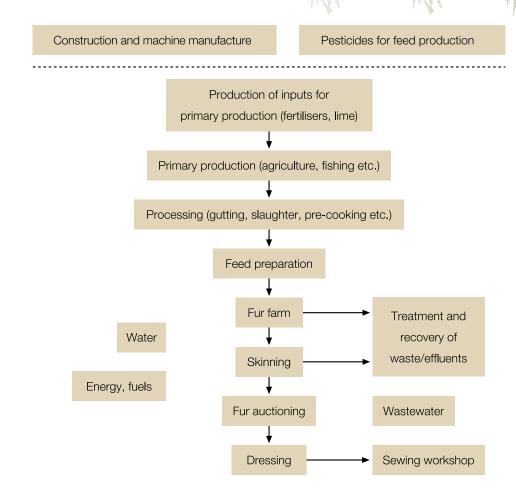
Environmental impact was proportioned to a functional unit, which was chosen to be a dressed and sewn mink and fox pelt. In addition to the environmental impact assessment directed at functional units described above, an alternative clothing comparison was conducted. As alternative products for mink and fox fur coats, garments manufactured from polyester and cotton were chosen. Their compositions were: 65% polyester and 35% cotton; acrylic and cotton (65% acrylic, 7% modacrylic and 28% cotton); and, an artificial fur coat containing 100% acrylic.

The assessment of environmental impact was conducted using the Life Cycle Assessment (LCA) method in compliance with the relevant standards, ISO 14040 and ISO 14044. The phases of life cycle assessment according to the standards are the definition of objectives and scope of application, an inventory analysis, impact assessment and interpretation of results.

RESULTS

According to the study, the carbon footprint of a mink or fox pelt used for fur clothing is rather small when compared with the carbon footprint of other habitual consumption. The carbon footprint of a mink pelt corresponds to the carbon footprint of one day of an average Finnish consumer and the carbon footprint of a fox pelt respectively to a consumer's three-day carbon footprint.

However, the fur production chain clearly reduces nutrient emissions that make water systems eutrophic. A five-fold amount of nutrients is removed with the fish used in mink feed



in relation to the nutrient emissions over the life cycle of a mink pelt. In the case of a fox pelt, the corresponding removal of nutrients is more than four-fold in relation to the nutrient emissions over the life cycle of a fox pelt. The negative values of eutrophic emissions are due to the utilisation of Baltic herring and other, normally underutilised fish, caught for feeding fur

animals to recondition water systems and the impact of fishing that reduces eutrophication. In the fishing of feed fish, the amount of phosphorus and nitrogen removed from the Baltic Sea is significant: 155 tonnes P/year and 1,080 tonnes N/year, whereby 3.6% of the total phosphorus load and 1.4% of the total nitrogen load are removed with fished Baltic herring. For

COMPARISON OF FOX AND MINK PELT EMISSIONS

	Greenhouse gas	Eutrophying	Acidifying
	emissions	emissions	emissions
	kg CO ₂ equiv./product unit	g PO ₄ 3- equiv./product unit	kg AE equiv./product unit
Mink pelt	28	-170	0.23
Fox pelt	83	-220	0.55
Emissions of average Finnish consumer,	27	9.7	0.05
per inhabitant per day			
100 km travel by car	18	-	-
Average lunch portion	1.7	3.0	0.001

the sake of comparison, the load of the waste water treatment plant in Viikinmäki, Helsinki, was 25 tonnes of phosphorus and 500 tonnes of nitrogen in 2007. According to the Ministry of Agriculture and Forestry, the annual nutrient emissions of the fur industry are 1.1% of the total phosphorus load and 0.6% of the total nitrogen load, i.e. lower than the amounts of nutrients removed from the Baltic Sea with feed fish.

The impact of a mink fur reducing the load on water systems corresponds to the daily load of 17 consumers and the load of approximately 55 lunches Fox fur production has a slightly higher impact, i.e. the daily load of approximately 22 consumers and the load on water systems of 78 lunches.

The differences in carbon footprints presented for comparative products are indicative. The comparison was made on the basis of the amount of material in a garment. The range of climate impact provided by the comparison is wide: 130–660 kg of

 ${\rm CO_2}$ equivalent, where the lowest value represents the acrylic/cotton-based garment and the highest value represents the mink coat. In the comparison with alternative products, the difficulty was in assessing the different useful life of the products and their different thermal insulation capacity. A rough calculation scenario was conducted in the study, where the useful life of a fur coat is ten times longer than that of an alternative product. The carbon footprint of alternative products is smaller

THE CARBON FOOTPRINT OF A MINK
PELT CORRESPONDS TO THE CARBON
FOOTPRINT OF ONE DAY OF AN
AVERAGE FINNISH CONSUMER AND
THE CARBON FOOTPRINT OF A FOX
PELT RESPECTIVELY TO A CONSUMER'S
THREE-DAY CARBON FOOTPRINT.

IN ANY CASE, TREATMENT AND FURTHER USE OF MANURE ARE CLEARLY THE MOST IMPORTANT CHALLENGE TO IMPROVING FUR FARMING FROM THE POINT OF VIEW OF ENVIRONMENTAL IMPACT.

than that of fur products; at its smallest only approximately one-fifth of that of a mink coat. Taking the thermal insulation capacity into account would change the results. Comparing the thermal insulation capacity of the comparative products was impossible to implement in the study. The determination of thermal value is not currently appropriate in all respects, as furs are used in many product combinations attached to other materials to highlight their decorative value. In addition, the final processing of the products was not taken into account in the study. The difference between the products is that fur products are manufactured from renewable raw material. The study did also not take the impact of the different end uses of the products into account.

TREATMENT OF MANURE

The greatest challenges concern the treatment of manure generated in fur production. The fur production chain generates acidifying emissions particularly due to the ammonia evaporating from the manure and urine of fur animals. In the production chain of fox and mink pelts, the most significant

factor in greenhouse gas emissions is the nitrous oxide involved in manure treatment. For example, nitrous oxides released in the treatment of fox manure alone account for 37% of the total greenhouse gas emissions of fox fur.

According to an expert estimate based on manure analyses, the uncertainty factors are significant when the amount of ammonia evaporating in manure treatment is assessed. Sufficient reliable information on the emissions from the treatment of fur animal manure has not yet been published. The nutrient content of fur animal manure, the manure treatment methods and production conditions vary a great deal, and the evaporation of ammonia may even be one order of magnitude higher than the forecast provided by the ammonia model of the Finnish Environment Institute. However, the deletion of nitrogen through the evaporation of ammonia reduces the evaporation potential of nitrous oxide, and thereby also reduces the carbon footprint of a fur product. In any case, treatment and further use of manure are clearly the most important challenge to improving fur farming from the point of view of environmental impact.

DEVELOPMENT PROGRAMMES

On the basis of the MTT study, the Finnish Fur Breeders' Association launched a development programme in 2011 with the goal of reducing the ammonia and nitrous oxide emissions caused by fur animal manure. Saga Furs Plc. supports the programme as part of its continuous quality development programme covering the entire production chain, even though the main responsibility rests with the Association.



As the amount and nutrient content of manure are related to the feeding of animals, proactive specification of feeding by species and individual is an important load potential-reducing measure from the point of view of the environment. Reduction means include product development concerning fur animal feed towards an even higher quality amino acid content and developing feeding methods to reduce excessive feeding of animals. Another object for development is accelerating the collection of manure, which allows reducing the amount of evaporating compounds. In the post-treatment of manure, possibilities of using it as energy waste are being examined.

Report to Finnish Fur Breeders' Association and Finnish Fur Sales
 "Life cycle assessment of mink and fox pelts produced in Finland"
 Commissioned study by MTT for the Finnish Fur Breeders' Association
 and Finnish Fur Sales

Authors: Frans Silvenius1, Nita Koskinen2, Sirpa Kurppa1, Teppo Rekilä2, Juhani Sepponen2, & Helena Hyvärinen1

- 1. MTT Biotechnology and Food Research/Sustainable bioeconomy
- 2. MTT Animal Production Research/Fur economy 29 March 2011

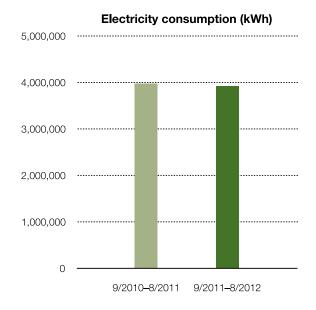
OPERATIONS ON THE FUR CENTER PROPERTY

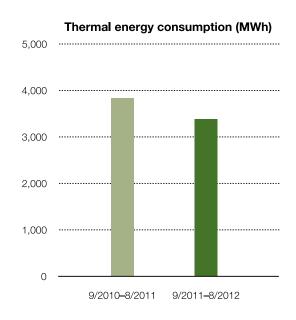
The company monitors the energy consumption of the Fur Center property for all types of energy. It is important to monitor the figures as part of the monitoring of cost trends, but also from the sustainability point of view. For the reasons stated in the introductory section, their significance is slight. The problem is that there is no empirical information on how, for example, an increase in the temperature of the cold storage facilities, where pelts are stored on behalf of customers before shipping, would affect the preservation of pelts.

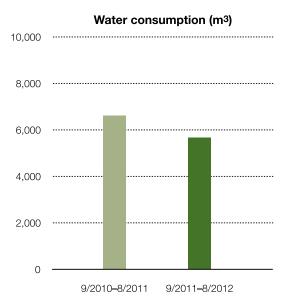
The renovation of air conditioning systems, lighting control and property automation continued, as did the development of electronic systems aimed at reducing the use of paper. A large part of the material that was previously sent to customers on paper was delivered electronically, and the major reform of electronic communications during the financial year further improved the possibilities for this. The company does not yet have statistics available on the impact of the changes.

The company established working and monitoring groups to launch a project to change office practices in an even more environmentally friendly direction. Negotiations on joining the Green Office® programme were begun with WWF Finland.

ENVIRONMENTAL RESPONSIBILITY INDICATORS







CASE: SAGA FURS AND GREEN OFFICE®

WWF TURNS DOWN APPLICATION TO GREEN OFFICE® PROGRAMME

Even though Saga Furs Oyj meets all the criteria of the World Wildlife Fund's (WWF) Green Office® programme, and the criteria contain no restrictions concerning any branch of industry or trade, WWF refused to accept the company for the programme, basing their refusal on the branch of industry in which Saga Furs operates. Green Office® helps offices to create practices for reducing their ecological footprint and cutting greenhouse gas emissions.

The decision was also contradictory in the sense that WWF markets the system openly, thereby procuring the necessary funds for promoting its business idea. In other words, the Fund is in this case refusing to do the work it was created for.

Applying for Green Office® certification and preparing to implement the programme was an important event affecting corporate responsibility during the financial period that started on 1 September 2011 and ended on 31 August 2012. The working and steering groups required by the criteria had been appointed for the programme. The shift from paper to electronic communication has been carried out systematically in the company for several years, and electricity and thermal energy consumption has been under scrutiny.

The sudden and completely unpredictable decision of WWF Finland caused a powerful reaction of frustration and affected the motivation of the staff, who were committed to joining the programme. At the same time the decision affects the well-be-

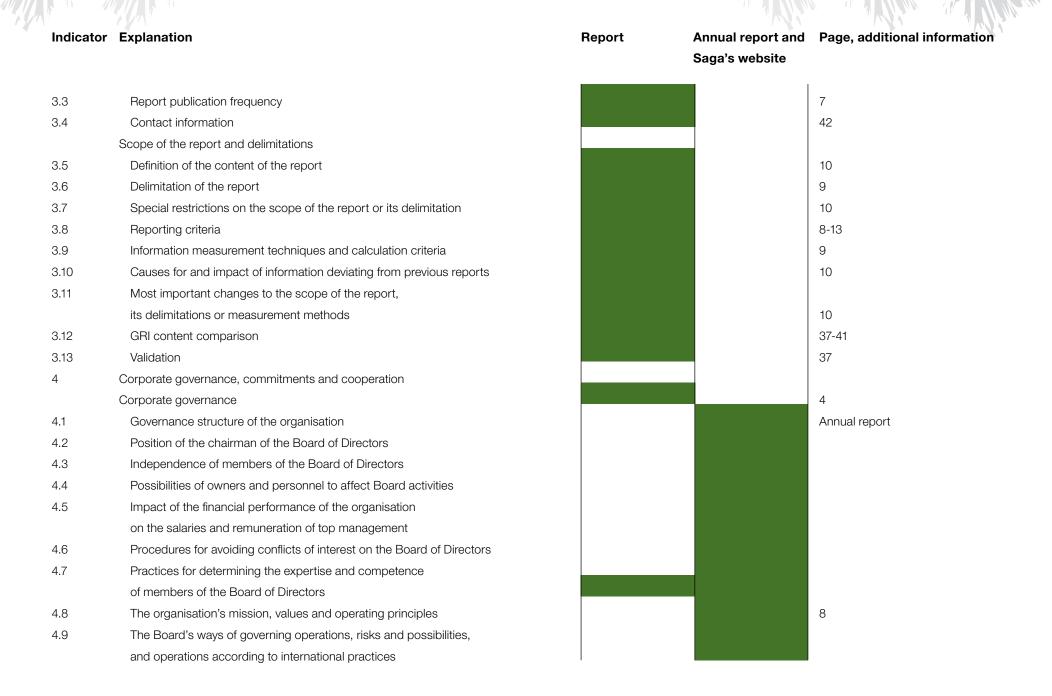
ing of the work community. By its decision WWF sent the message that it places Saga Fur's office staff in a different position compared with other companies already in the programme.

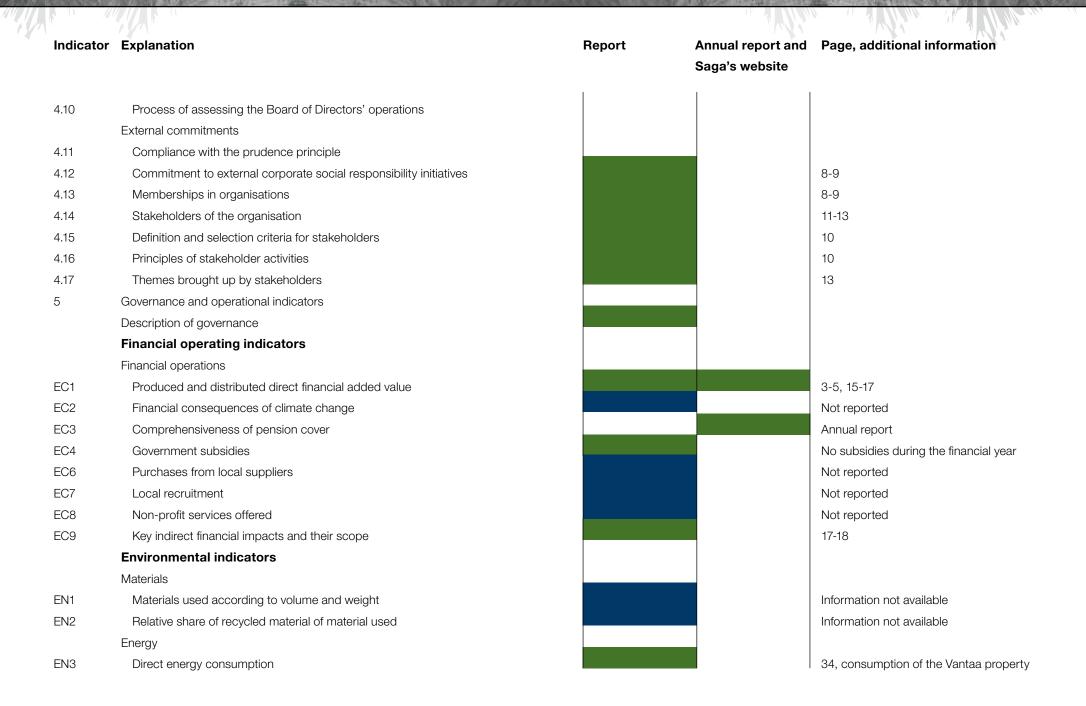


GRI CONTENT COMPARISON

Saga Furs Plc. reports material information from the point of view of its own operations. Materiality is based on the materiality assessment according to GRI reporting conducted in the autumn of 2012. According to its own assessment, Saga has applied the GRI reporting guidelines according to level B. The report has not been validated by an external auditor, and GRI calculation criteria have not been followed with regard to all key figures.







1,				
Indicator	Explanation	Report	Annual report and	Page, additional information
			Saga's website	
EN4	Indirect energy consumption			Not reported
	Water			
EN8	Water consumption			34, consumption of the Vantaa property
	Biodiversity			
EN11	Location and size of owned, leased or possessed land			
	in protected areas or in their vicinity			Not material to the company's operations
EN12	Key impacts of the organisation's operations,			
	products and services on areas			Not material to the company's operations
	Emissions to air, waste water and waste			
EN16	Direct and indirect total greenhouse gas emissions			32, Saga's extended responsibility, fur production
EN17	Other significant indirect greenhouse gas emissions			32, Saga's extended sustainability, fur production
EN18	Measures to reduce greenhouse gas emissions			32, Saga's extended responsibility, fur production
EN19	Emissions of substances causing ozone depletion			Not available
EN20	Nitrogen and sulphur dioxide emissions and other significant emissions			32, Saga's extended responsibility, fur production
EN21	Total emissions to water			32, Saga's extended responsibility, fur production
EN22	Total weight of waste			Not reported
EN23	Number and total volume of significant leaks			Information not available
	Products and services			
EN26	Measures to reduce the environmental impact of products and services			32-33
EN27	Relative share of recycled products and packaging materials			Not material in the company's business
	Compliance			
EN28	Sanctions imposed for non-compliance with environmental acts and regulations			No sanctions
	Indicators related to personnel practices and working conditions			
LA1	Description of personnel			24-25
LA2	Personnel turnover			25
LA3	Employee benefits			25-26
	Relationships between personnel and management			

Indicator	Explanation	Report	Annual report and	Page, additional information
			Saga's website	-
		I	1	
LA4	Share of employees within the scope of a collective agreement			26
LA5	Minimum period of notice in change situations and			
	is the period included in collective agreements			26
	Occupational health and safety			
LA7	Number of accidents and occupational diseases, lost working days and absences			25
LA8	Measures and programmes directed at the organisation in case of serious illnesses			25
	Training			
LA10	Annual average of training hours per employee			27
LA11	Personnel expertise development programmes and learning action programmes			27
LA12	Development discussions			27
	Diversity and equal opportunities			
LA13	Composition of governing bodies			Not reported
LA14	Relationship between women's and men's basic salaries			Not reported
	Human rights indicators			
	Investment and acquisition practices			
HR1	Taking human rights into account in investment decisions			Not material in the company's business
HR2	Human rights assessment concerning subcontractors			Not material in the company's business
HR4	Number of discrimination cases and related measures			No discrimination cases
HR5	Freedom of association and statutory cooperation negotiations			25
HR6	Functions related to a risk of using child labour			
	and measures to prevent it			Not material in the company's business
HR7	Functions related to a risk of forced labour			Not material in the company's business
	Operating indicators related to society			
	Communities			
SO1	Practices that affect local communities			15-18
SO09	Potential or real negative impact on local communities			Not reported
SO10	Processes for preventing negative impacts			Not reported

Indicator	Explanation	Report	Annual report and	Page, additional information
			Saga's website	
	Bribery			
SO2	Risk of bribery			Annual report and the company's corporate governance
SO3	Anti-bribery training			Annual report and the company's corporate governance
SO4	Measures related to bribery cases			No bribery cases
	Public administration			
SO5	Participation in the development of public administration and lobbying			12
SO6	Financial support to political parties, politicians and			
	other comparable institutions			12
	Compliance			
SO8	Fines and other consequences imposed for			
	non-compliance with acts and regulations			No fines or other consequences
	Product liability indicators			
	Health and safety of customers			
PR1	Health and safety impact assessment and development measures			
	taken at phases of the life cycle of products and services			20-22
	Product and service information			
PR3	Claims related to product and service information and their share			20-22
PR5	Practices related to customer satisfaction			20-22
	Marketing communications			
PR6	Compliance with acts, norms and voluntary rules			
	related to marketing communications			20-22
	Protection of customers' privacy			
	Compliance			
PR9	Value of significant fines and amount of other punishments imposed for			
	non-compliance with acts and regulations related to delivery and use of products			
	and services			



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Saga Furs Plc. corporate responsibility report is published on

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