

Part I. Statement of Continued Support by the Chief Executive Officer Pertti Fallenius

Saga Furs committed to responsible business and reporting

Saga Furs voluntarily measures and reports progress in sustainability through our own continuous reporting and CSR programme as well as via the Global Reporting Index (GRI) and Global Compact, which we signed up to ten years ago. I am pleased to announce that Saga Furs Oyj (plc) reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption. In this Annual Communication on Progress we provide a brief overview of relevant actions ongoing or taken during 2018, which we see as integrating the principles of the Global Compact into our business, strategy, culture and daily operations.

Through our operations and activities, Saga Furs continues to put a high priority on sustainability. In practical terms, this means we focus on traditional sustainability areas such as financial profitability, product development, and human resources and value-network management. In addition, based on materiality assessments made together with the company's core stakeholder groups, Saga Furs has prioritised areas specific to our business operations, where we have the most significant economic, social and environmental impact. These include animal welfare, product certification and traceability, emissions monitoring and open communication. During 2018, we undertook a companywide training for all staff, spanning the sustainability impacts of every aspect of our operations, and of our core suppliers, customers and partners.

We believe a strong approach to corporate responsibility helps us build reputation and stakeholder transparency, as well as ensure product quality and business performance, while minimising risk.

Yours sincerely
Pertti Fallenius, CEO Saga Furs Oyj

Part II. Actions taken and measurement of outcomes

Human Rights Principles

Description of actions

Saga Furs' goal is to respect human rights. Our code of conduct, which all employees must sign up to, attests to this. Our code of conduct comprises seven sets of principles. Behind each are established company policies and/or recognised practices and international legislation including the Universal Declaration of Human Rights and Environmental Protection laws.

Measurement of outcomes

To promote a company culture of compliance, Saga Furs has committed to communicating this Code internally, in writing, as well as providing effective training, including ensuring that employees understand the relevance of each precept to their particular work areas. It then becomes the responsibility of each Saga Furs employee to promote the Code, and this includes reporting potential violations.

In addition, Saga Furs regularly audits and evaluates its suppliers against a set of defined principles and guidelines including human rights. Using this approach, any human rights contravention can be identified, documented and resolved in a timely way.

Labour Principles

Description of actions

As set forth clearly in our employee prospectus and in the company's Code of Conduct, Saga Furs strives to pay fair compensation and provide a safe and healthy workplace for all company employees. Saga Furs also continues to support and to invest in the personal and professional learning and growth for everyone in the company's employment.

Every Saga Furs employee receives a prospectus, which explains the company policies on health, wellbeing, holidays, employee benefits, and working environment, amongst others. Saga Furs people are, in turn, expected to respect and encourage the strength that comes from diversity as well as promote teamwork and individual responsibility within their respective work areas. The company is committed to equal opportunity in all its employment policies and practices. Therefore, no employee or potential employee will receive less favourable treatment due to race, colour, nationality, ethnic origin, age, or religion, gender, sexual orientation, marital status, parenting status, connections with a national minority, opinion, disability or, membership or non-membership of a trade union.

All Saga Furs employees enjoy the right to free assembly and association, and to join a labour union of their choice.

Measurement of Outcomes

In the event that employees feel they are not receiving fair and equal treatment, they may circumvent their direct report and open a discussion with their manager's manager on the issue or alternatively set up a meeting with Human Resources.

Monitoring health and safety is also important in a company where hundreds of employees work in physically demanding jobs. Our Occupational Health and Safety (OHS) committee works in cooperation with the HR department and department heads to carry out regular workplace safety assessments. The indicators monitored include number of accidents, absences due to illness, safety observations and other personal surveys.

It is worth noting that labour laws in Finland, where Saga Furs has its head office and most of its employees, are among the strictest in the world, extending strong protection to employees. This includes occupational healthcare and a long parental leave of up to 3 years and the guaranteed right to return to work to the same position following childbirth.

Environmental Principles

Description of actions

Saga Furs supports global initiatives like the Paris climate convention rule book, which came into effect in 2018, works actively towards climate change mitigation and adaptation. Saga Furs has a good track record and is committed to working with its own internal processes to reduce greenhouse gas emissions and other environmental impacts.

We are also committed to the United Nations Sustainable Development Goals (SDGs), which grew out of the Paris Convention. During 2018, Saga Furs identified business intersections with almost all 17 SDGs, however, in the interests of clarity and maximising our contribution to SDGs, we decided to focus on the following five goals, as most relevant to our business and value network, and where we can have the most impact: SDG 8: Decent work and economic growth; SDG 12: Responsible consumption and production; SDG13: Climate Action; SDG 14: Life below Water; Goal 15: Life on Land.

Aside from Saga Furs' own operations, the most significant impacts on the company's value network are upstream in the fur-farm production phase and downstream during the fur dressing phase of our customers. Saga Furs is not in a position to directly influence emissions and environmental practices but the company does, wherever possible, support projects and technologies to help reduce the environmental burden in both.

Overall, the fur fashion value chain in itself is an ecologically-driven circular economy, with reduction of environmental waste through animal by-products to the reusability of end products. A fur garment can be repaired, remodeled, resold, recycled and reused from one generation to the next.

Measurement of outcomes

According to the company's Code of Conduct, every individual at Saga Furs pledges to work to the best of their ability to reduce their own environmental impacts, in particular energy and water use.

At the supplier farmer level, sustainability criteria within the Saga Furs' farm certification process have already pushed Finnish fur farmers towards closed loop energy and low-carbon practices. In Finland and abroad, Saga Furs will continue to conduct inspections directly or through partner organisations on its supplier farms and where possible only source from Saga Furs certified suppliers.

Saga Furs has been reviewing its internal processes and practices in an effort to reduce their environmental burden and shift towards low-carbon energy and technologies.

In transportation, during 2018, the company saw benefits from a decision made in 2017 to bring all three of its external fur storage warehouses into a newly rented space next to head office. This reduced the amount of truck journeys needed, bringing an estimated 20% cut in costs and carbon emissions.

In 2018, we completed the first step in an ambitious plan to convert all the company's warehouse lighting into environmentally friendly long-life LED lights. The plan, which is already bringing environmental and economic savings, began with an investment of more 1,114 lights.

Table 1: Conversion of fluorescent tubes to long-life led lights (2018)

Space	Lights (no)	LED Power (W)	Old Power (W)	Savings (W/h)
2nd floor office	568	20	75	31,240
Social facilities	98	21	75	5,292
Cold warehouse	156	20	75	8,580
Social facilities	47	21	75	2,538
3rd floor office	275	20	75	15,125
Total	1,144			62,775

Table 2: Annual savings from conversing fluorescent tubes to long-life led lights (2018)

Average light burning time = one year 11h/day, 260 days/year

Hours	W/h	KWH
2,860	62,775	179,536.5

The environmental gains of an estimated 180,000 KW hours in annual savings, equate to 134 metric tonnes of mitigated CO₂ emissions. In green power, the Saga Furs head-office heating in Vantaa, Finland, already operates entirely on zero net carbon energy.

Anti-corruption Principles

Description of actions

Saga Furs is strongly committed to the highest standards of ethical conduct and full compliance with all applicable national and international laws wherever the company operates. This includes, for example, laws relating to corporate governance, bribery and other types of corruption, illicit payments, aggressive tax planning, and promoting fair competition. The goal of Saga Furs is not just to be legally compliant, but through its corporate responsibility programmes, to position the company as an industry leader in ethical and sustainable business.

Saga Furs makes a good faith effort to ensure that the company's anti-corruption principles are fully implemented in every area of its own business. In addition, while the supply chain in the fur trade is long and complex, often involving local suppliers in a number of countries, Saga Furs is also committed to promoting anti-corruption compliance with all its business partners. This is with the aim of increasing responsible sourcing throughout the supply chain.

Measurement of Outcomes

Under the Code of Conduct, which all Saga Furs employees are required to sign up to, each individual has an obligation to report any potential corruption violations as well as cooperate in any investigation that may follow. All employees should report any suspected or observed anti-corruption breach to their managers. Any subsequent investigations will be made professionally and confidentially and with respect shown to all people involved.

Transparency International is the global civil society organisation that annually ranks countries based on anti-corruption in the public sector. Finland, Saga Furs country of domicile, has for many years ranked in the top three countries in the world, coming third again in 2018 in the Corruption Perceptions Index.