

# Saga Furs: Global Compact Communications on Progress Report

## Part I. Statement of Continued Support from Chief Executive Officer: Pertti Fallenius

Saga Furs voluntarily measures and reports progress in sustainability through our own continuous reporting and CSR programs as well as via the Global Reporting Index (GRI), which we signed up to eleven years ago. I am pleased to announce that Saga Furs Oyj (plc) reaffirms its support for the Ten Principles of the UN Global Compact in the four areas of Human Rights, Labour, Environment and Anti-corruption.

### Company committed to continuous sustainability reporting

Through our operations and activities, Saga Furs continues to prioritise sustainability with our focus on those issues of materiality specific to our core business where we have the most economic, social and environmental impact. These include: 1. Animal welfare and certification; 2. Product traceability; 3. Product development and circular economy; 4. Saga Furs People and Code of conduct; 5. Environment and Climate, including GHG emissions monitoring; 6. Transparency and Open stakeholder communications; 7. Data security; and 8. Industry-level cooperation and joint projects.

Through our sustainability programs, we also contributing to the UN Sustainable Development Goals (SDGs), which grew out of the Paris Convention. In 2019, Saga Furs made a study of our business and sustainability impacts in the context of the SDGs, identifying the following five areas where we have the most impact:

SDG 8: Decent work and economic growth,  
SDG 12: Responsible consumption and production,  
SDG 13: Climate Action,  
SDG 14: Life below water and  
SDG 15: Life on land.

From 2020, Saga Furs has committed to begin mapping these five goals against our business operations and publicly tracking and reporting on progress, in conjunction with our core sustainability reporting practices.

As part of this Annual Communication on Progress, we are including examples of actions ongoing or taken in 2019, which integrate the Global Compact Principles of Human rights, Labour, Environment, and Anti-corruption, into our business and culture as well as that of our core stakeholders.

Yours sincerely

Pertti Fallenius, CEO Saga Furs Oyj

## Part II. Actions taken and measurement of outcomes

In 2019, you could say the fashion industry really started waking up to Sustainability, notably the need for increased product certification and traceability. Consumers also more and more want natural products with less environmental impacts. We see fur with its long lifecycle and biodegradability as a natural part of the circular economy and inherently sustainable. As testimony, Saga Furs continues to gain interest around the use of fur from young designers and new modern brands that have a strong sustainability element in their design philosophy and brand values.

### **New 'WelFur' assessment launched**

On product certification, we have just launched a new industry-level assessment called WelFur, which operates alongside Saga's already comprehensive farm certification program. WelFur, a science-based animal welfare protocol, developed by independent scientists at seven European universities, officially comes on stream in Europe in 2020. During 2019, we've been supporting our European farmer supplier community, educating them on WelFur protocol and helping them prepare for the transition. From this year, Saga will sell only WelFur-assessed European mink, fox and Finnraccoon pelts. Under Saga's own certification program, which is a broad-based farm management system, we will continue to source only Saga Certified fox and Finnraccoon, while expanding the volume of Saga Certified mink farms, which we source from in Europe. (SDG 15: Life on land)

### **Only Saga Furs has proprietary product traceability**

Traceability continued to be a banner theme this year, with fashion industry stakeholders increasingly demanding higher levels of transparency around product origins. Saga is the only fur auction house with a traceability system, Saga Traceability System (STS), which can track Saga sourced skins back to the country of origin and farm. We continue to push forward on research and development for a next generation solution, which will ultimately allow shoppers to scan a mobile phone across a QR code to get real-time information on a product's origin.

### **North America entry promotes economic sustainability**

Towards the end of 2019, we increased our mink offering to include North American mink skins, including a licence agreement to sell top-quality North American black mink under the Blackglama label. Consequently, Saga Furs will now be positioned to sell the majority of mink production coming out of the US and Canada, increasing our total global mink offering from 8 million last year to an estimated 12 million skins this season, while sustaining the growth and long-term viability of our business.

Following our entry into the North American mink market, we've actively begun exploring the best way forward to aligning the stringent criteria of Saga Certification and Industry-level WelFur standards with the two existing certification programs in the US and Canada: Fur Commission USA Standard Guidelines and Fur Institute of Canada National Code of Practice for the Care of Handling of Farm animals, respectively.

## Human Rights Principles

### *Description of actions*

As stated in our corporate code of conduct our goal is to respect human rights. The Saga Furs code of conduct, which all employees must sign up to, 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 continues to communicate our Code internally, in writing, as well as providing effective training to new and existing employees. This is to ensure that they understand how each precept of the code relates to their particular areas of work. From there, it becomes the responsibility of every Saga Furs employee to promote the Code, including reporting potential violations.

In addition, as part of Saga Furs farm certification program, we regularly audit and evaluate our suppliers against a set of defined principles and guidelines including human rights. Using this approach, any contravention can be identified, documented and resolved.

## 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 employees. The company also promotes and invests in the personal and professional development for all.

### **Respecting the strength that comes from diversity**

Every Saga Furs employee receives a prospectus explaining company policies on health, wellbeing, holidays, employee benefits, and working environment, among others. Saga Furs people are, in turn, expected to respect and uphold 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. (SDG 8: Decent work and economic growth)

### *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 an issue or alternatively set up a meeting with Human Resources.

### **Finnish labour laws among the strictest in the world**

Monitoring health and safety is also important in a company where hundreds of employees work in physically demanding jobs. Our Occupational Health and Safety 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 maternity leave of up to three years, as well as the guaranteed right to return to work to the same position following childbirth.

### **Open and inclusive approach to employer branding**

During 2019, Saga Furs carried out an employer branding project with a view to strengthening our internal and external employer profile. In addition to achieving this, the project was successful in involving our own employees with the planning and implementation from the outset.

While there is still some prejudice around the fur industry, the premise of this project was that with more information, attitudes could change. We wanted to create a new channel for people to find out more about the special qualities Saga Furs has as an employer. To help with this, employees got together to select ambassadors from different sectors of the organisation, and through workshops and interviews, their unique career stories were captured on a video, which has become the face of the company for our new career pages.

## **Environmental Principles**

### *Description of actions*

Saga Furs supports global initiatives like the Paris climate convention, working actively towards climate change mitigation and in areas of climate resilience 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.

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, through its close partnerships with Fur Europe and the International Fur Federation, support projects, technologies and relevant legislation, to help reduce the environmental burden in both.

### **Circular economy and the fur industry**

Overall, the fur fashion value chain is itself an example of an ecologically-driven circular economy, from the reduction of environmental waste through animal by-products to the reusability of end products. A fur garment can be repaired, remodelled, resold, recycled and reused from one generation to the next. (SDG 12: Responsible consumption and production)

## **Fur farmers closing the loop on waste**

Upstream at the supplier level, sustainability criteria within the Saga Furs' farm certification process continue to push Finnish fur farmers towards closed loop energy and low-carbon practices. And Finnish fur farmers have a good story to tell when it comes closing the loop on waste. Finnish law already compels farmers to collect their waste and for most farmers this involves taking it to a designated place for composting, to be later used as fertilizer by neighboring farms or biogas. However, one group of Finnish fur farmers has recently teamed up with a for-profit startup called Bihii, to take this practice to the next level.

The company has begun developing and marketing high-quality commercial organic fertilizer products in the form of ready-to-go topsoil and planting palettes, targeting urban gardens, traffic lawns and balcony planters. This product line is the culmination of a four-year study of manure emissions and nutrient recycling, in partnership with the Finnish Natural Resources Institute and the City of Kalajoki in North East Finland.

Animal manure has for centuries been used as fertilizer for farming, improving the soil structure so that it holds more nutrients and water. But with fur animal waste the environmental story goes one step further. Bihii's tagline for the growing boxes is: You are recycling phosphorus from the Baltic Sea! This is based on Finnish fur farmers feeding their animals a fish by-product from the Baltic Sea, which is high in organic phosphorus. That means the products bring the added value of mining organic phosphorus from the manure and returning it to the nutrient cycle, as well as binding greenhouse gas into the soil and helping reduce fertilizer runoff into waterways. (SDG 14: Life below water and SDG 15: Life on land)

## **Operational efficiencies gained from sorting machine upgrade**

In sorting, during 2019, the company saw benefits from a machinery upgrade. Our combined pelt-sorting and length-measuring machines are the most important hardware on the Saga Furs production floor, and have been uniquely designed to automatically assess the exact size, color and thickness of Fox and Finn raccoon skins. While these sorting machines work well, the idea was to continue improving their efficiency. In the past, all skins being graded had to go through two machines in order to fully complete the process, and 10% would have to go twice through the grading machine. Now the machine has been reconstructed to make it long enough to accommodate 18 sorting trays, instead of a previous 12, and a length-measuring unit and unloading table have been added. As a result, each skin gets through the process much more quickly, saving significantly on energy and operational time, and 60% of skins are completed after one measuring round. This also means much less time and energy is needed for interim storage as well as staff time transporting skins back and forth via forklifts and less probability of workplace accidents. (SDG 12: Responsible consumption and production, SDG 13: Climate Action)

## **Ambitious LED light conversion program continues**

In 2019, we also continued our ambitious plan to convert all the company's warehouse lighting into environmentally friendly long-life LED lights. The plan, which already brought environmental and economic savings in 2018, with an investment of more 1,144 lights, continued last year with a further

Eur 37,500 invested in 1,446 eco-friendly lights. Another Eur 20,000 in conversions is scheduled for 2020 to complete the project.

Based on the projected annual savings of Eur 18,292, the 2019 investment will offset in terms of cost in about two years, as well as bring environmental gains of an estimated 63,960 KW hours in annual savings, which equate to close to 135 tonnes of mitigated CO2 emissions, or the equivalent avoided CO2 emissions needed to power three homes in Finland for a year. (SDG 12: Responsible consumption and production, SDG 13: Climate Action)

### **Cutting Carbon in Transportation**

As of last year, we began converting the company's fleet of delivery trucks, operating in Greater Helsinki, from fossil fuel to environmentally-friendly biogas. So far one-third of our fleet runs on biogas, with a plan for a 100% biogas fleet by July 2020. Running on biogas brings an estimated 85% reduction in emissions over the entire life-cycle of the fuel, and means zero-net emissions during the truck use phase. Even though distances are quite short for skin transportation to and from warehousing, the heavy use phase occurs during the lengthy (up to one hour) loading and unloading process for an average six trips per day, per truck. During loading and unloading, the trucks must have their engines idling to keep the compressed air system active as the weight of the load redistributes. In addition to cutting greenhouse gas emissions, biogas trucks are much quieter and during the long idling periods, the air quality for our drivers and loading stuff is significantly cleaner. (SDG 12: Responsible consumption and production, SDG 13: Climate Action)

### **Dispensing with plastic bottles at auctions from 2019**

From June 2019, we put into effect a new executive decision to stop serving drinks from plastic bottles at the company's auctions. The move came in the wake of a sharp spike up in global awareness of the growing ecological cost of plastic on our environment and on human health, and was well received by the 450 auction goers, representing more than 40 countries at our June auction. Prior to the shift, during our four annual auctions, Saga Furs had been distributing an estimated 600 bottles per day (27,000 bottles per year). These have now been replaced with natural Finnish tap water dispensers and a soda stream machine sourced with tap water.

Also, in terms of climate action, Saga Furs continues to source only carbon-free renewable energy for its company-wide heating. (SDG 12: Responsible consumption and production, SDG 13: Climate Action)

### *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. 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.

## 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.

### **Continued industry leadership in ethical and sustainable business**

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.

During 2019, Saga Furs continued to make every effort to ensure that the company's anti-corruption principles were 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 remains committed to promoting anti-corruption compliance, working at industry level with the International Fur Federation, Fur Europe, and other industry groups, as well as with our business partners, even our competitors, with the aim of increasing responsible sourcing throughout the value chain.

### **Finland leading country in transparency and anti-corruption**

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 the 2019 Corruption Perceptions Index.

### *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.