

## Saga Furs: Global Compact Communications on Progress Report

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## Part I. Statement of Continued Support from Chief Executive Officer, Magnus Ljung

### Company commitment to continuous sustainability reporting

Saga Furs voluntarily measures and reports progress in sustainability through our continuous reporting and CSR programmes as well as via the Global Reporting Index (GRI), which we signed up in 2008. 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.

### Focus on own issues of materiality and SGDs with relevant impacts

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
8. Industry-level cooperation and joint projects.

Through our sustainability programmes, we contribute to the UN Sustainable Development Goals (SDGs). In the context of the SDGs, we see our business and sustainability impacts as most relevant to the following five areas:

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

Our Annual Communication on Progress highlights actions ongoing or new measures taken during the previous reporting year, 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.

In 2021, despite all the difficulties still caused by the global Covid-19 pandemic, Saga Furs was able to improve its business results, turn back to profitability and support core stakeholders through reinvention. Brokerage sales and net turnover increased significantly and there was a strong improvement in performance, mainly due to streamlined processes.

The business of Saga Furs Oyj is based on collecting pelts from fur producers and selling them on their behalf to fur garment manufacturers or pelt dealers. Saga Furs has operated as a fur action company since 1938, which demonstrates the long-term and responsible development of the company's business. The company has based its operations on the brokering of high-quality pelts and the formation of long-term customer relationships with producers, manufacturers and the fashion industry. Sustainability has long been an integral part of the foundation. Success as a partner of demanding fashion houses requires high standards of quality and sustainability as well as continuous improvement.

Fur farming and the use of fur in clothing have attracted public interest in recent years, especially in Western countries, and opinions are often emotionally charged. As the biggest player in the industry, Saga Furs has taken a key role in openly communicating the responsibility and operating models of the industry to relevant stakeholders such as fashion houses and international media.

Our mission, at the heart of the fur value chain, is to convey the right information as well as to encourage other industry operators towards continuous improvement in responsibility and ethical practices. Our own measures are also important, which is why we have developed a traceability solution that traces the journey of an individual pelt to a finished garment. In addition, we have been involved in creating the global Furmark® certification system that brings certifications and transparency to the entire value chain of fur trade.

I have strong confidence in our ability to continue investing in viable sustainability programmes. This is thanks to the enduring commitment of our team and the confidence that our suppliers, partners, and customers continue to place in Saga Furs as the sustainable choice in the fur industry.

Yours sincerely

*Magnus Ljung*  
CEO, Saga Furs Oyj

## Part II. Actions taken and measurement of outcomes

Saga Furs' services are located in the middle of the value chain of fur trade, which begins with fur farming and continues as the recycling of a finished garment at the other end of its life cycle. Saga Furs does not own the pelts at any point in the value chain but acts as an intermediary between the producer and the broker which is the next step in the value chain.

At the beginning of the value chain, Saga Furs is involved in ensuring the supervision and verification of fur farming and the closely related animal welfare, in cooperation with the relevant industry associations. In accordance with its responsibility policy, Saga Furs only accepts mink, fox and Finn raccoon pelts from fur farms with valid production animal welfare certifications. The traceability of fur, the transparency of the value chain and the responsibility of fur production are prerequisites for leading fashion houses to use fur in their collections.

All of Saga Furs' mink, fox and Finn raccoon farmer customers in Europe adhere to the animal welfare focused Welfur certification programme, which is verified by a third-party independent auditor and requires the farm to pass metric assessments in three different stages of the breeding season. In addition, Finland has a Finnish fur farm certification programme for environmental matters, verified by an independent auditor, of which the Welfur programme for measuring animal welfare is a part. North American and Russian pelt producers have national certification programmes similar to Welfur which are also verified by independent auditors.

The travel and gathering restrictions prevented the organisation of auctions based on physical attendance. Saga Furs continued to develop and conduct online auctions that have proven to be effective and have earned the trust of the parties. In addition to reducing emissions from the air travelling, online auctions also contributed to lowering costs for market participants and thus facilitated the recovery from the negative impact of the pandemic.

The company's responsibility work continues in the value chain also after the auction. The single most important service for fur buyers, dressers, dyers, manufacturers, fashion houses and consumers is the provision of traceability information of origin.

### Saga Trac – transparency from farm to fashion house

The traceability of fur, the transparency of the value chain and the responsibility of fur production are prerequisites for leading fashion houses to use fur in their collections. In addition to the traceability system that has been in place for more than a decade, the company introduced the Saga Trac traceability technology. It allows fashion houses to inform consumers about the origin of single fur pelt to the accuracy of the precise farm of origin and to follow the journey of the pelt from the farm to the finished product in the shop. The system, based on radio frequency identification (RFID) technology, has been tested in several pilot projects and the aim is to introduce it in all pelts brokered by Saga Furs.

### Furmark certification system covers each stage of the supply chain

Another big improvement has been implemented in the transparency of the supply chain. Here, Saga Furs participated through-out the year in a project led by International Fur Federation. Since the December 2021 auction, the pelts sold by Saga Furs have been part of the new global Furmark® certification system, which combines not only certification data from fur farms but also data from parties who have processed the pelts (dressing companies, fur garment manufacturers, retailers) under a single brand and, at the same time, as a source of consumer information. Saga Furs' role in Furmark is to guarantee that the pelts we sell at our auctions are certified.

Furmark includes several certification programmes and for Saga Furs, the most relevant of these are WelFur and the North American certification programmes. Since December 2019, Saga Furs has only sourced pelts from Europe, which have been WelFur certified. WelFur is an animal welfare assessment programme developed by independent scientists at seven European universities, who produced welfare assessment protocols for fur farmed species.

Following the company's entry into the North American mink market in 2016, Saga Furs has been working with the existing certification criteria 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. In addition, the company acknowledges the Russian Federal Law on Veterinary medicine on the Farm-Raised Sables.

### **Enhancing logistics and grading**

Saga Furs is constantly developing the logistics and grading of pelts to become more efficient and of higher quality. The company has new grading premises in Milton, Wisconsin. A part of this investment was installing the first automated grading machine in North America. The automated grading targets at ensuring high and uniform standard of operations that are aligned with the procedures in Finland. Combining the automated grading steps can reduce turnaround times and reduce the need for storage, handling and transports between the grading steps. Improving the efficiency of pelt collection and grading is a key part of the company's strategy for the new ERP system.

### **Creativity in fur techniques also serves sustainability**

Saga Furs Creative Hub, which grew out of what was known for more than 30 years as the Saga Design Centre, based in Denmark, now operates much closer to our business core at the Head office in Vantaa, Finland. The Creative Hub has sustainability as the major component of its offering.

The Creative Hub is an important platform to educate and inspire suppliers, buyers, fur garment manufacturers, fashion house customers and designers in promoting confidence in fur as an exciting material and sustainable choice to work with and add to collections. New discoveries in fur craftsmanship are shared at in-house seminars, international fairs and in partner collaborations.

Saga Furs Creative Hub also takes care of the annual source of inspiration for the fashion industry, known as Fur Vision. This time Fur Vision was showcased in Milan, New York, Seoul, Hong Kong, Beijing, Shenzhen and Shanghai. In addition, Fur Vision was also presented via on-line seminars to reach a broader audience. The goal is to show the industry new ways of working with fur and boost them to create new collections – bringing fur to a new level. Material saving techniques and sustainability are an integral part of these Saga Furs initiated events.

### **Educating business and fashion students**

In 2021, we continued to expand our business and sustainability programmes in education, with multiple presentations to numerous design and MBA schools in the US, Europe, and Asia. Our goal is to expand our educational reach not only to fashion designers but also to business leaders with sustainability at the front and centre of our programmes.

## Human Rights Principles

### *Description of actions*

As stated in our Corporate Code of Conduct, our goal is to respect human rights. The Saga Furs CoC, 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.

### *Additional supplier support*

Finland, where Saga Furs is headquartered, was able to outperform other geographical markets in managing the virus, remaining the only fur producing country with no reported Covid cases among fur production animals. By working with the Finnish authorities, our farmer suppliers and following strict bio-security measures, we managed to help farmers get regular seasonal workers from neighbouring countries to assist during peak seasons, which was another major achievement in spreading of the virus.

### *Measurement of outcomes*

To promote a company culture of compliance, Saga Furs continues to communicate our Code of Conduct 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 CoC, including reporting potential violations.

In addition, as part of Saga Furs farm certification programme, 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.

### **Finnish labour laws among 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.

Due to the Covid pandemic, Saga Furs continued to take exceptional measures to improve personnel safety, including instructing personnel to work remotely, where possible, to reduce the risk of infection. During 2021, sick leaves almost halved and corresponded to just below three per cent of working hours. The amount of overtime worked also almost halved compared to the previous financial year.

## Strength through 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, 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).

In total, 51 per cent of the Saga Furs Group's personnel were male and 49 per cent female. The company employed citizens of 18 countries. In addition to being a significant employer in Vantaa, the jobs in production opens up Finnish working life for many immigrants.

### *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.

## 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. The company minimises the environmental impacts of its own operations through, for example, transport optimisation and energy choices.

In 2021, the International Fur Federation commissioned a study on the lifecycle footprint of fur pelts. According to the Product Environment Footprint analysis, the feeding of fur animals accounts for the majority, about 70 per cent, of the environmental impact. Auctioning accounts for less than 1 per cent of the footprint. The environmental impact of Saga Furs own operations are mainly by transport related to the collection of pelts and the energy consumption of properties, a large part of which is related to the storage of pelts.

The company's largest property and the most important production building Fur Center is in Vantaa, Finland. Heating the space required for grading pelts during the winter, and the cooling required for storing pelts accounts for a large part of the property's energy consumption. In recent years, the company has taken a variety of measures that have led to improved energy efficiency. As a result, the consumption of electricity and district heat has increased only 5 per cent during the previous two years, despite the introduction of the additional space required by the increase in the number of pelts. Energy consumption has decreased in relation to the area and volume of the properties. Saga Furs has acquired the electric power it uses at Fur Center as zero emissions energy since the latter part of 2021, and district heating since 2016. (SDG 13: Climate Action)

Based on our Code of Conduct, which everyone is required to sign up to, our people are committed to minimizing the environmental impact of our business. This includes working to reduce waste, using less energy and resources in operations with the aim to cut greenhouse emissions.

Aside from Saga Furs' own operations, the most significant impacts on the company's value networks 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 partnerships with Fur Europe and the International Fur Federation, support projects, technologies and relevant legislation, to help reduce the environmental burden in both.

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

Upstream at the supplier level, sustainability criteria within the Saga Furs' farm certification process continues to push Finnish fur farmers towards closed loop energy and low-carbon practices. Finnish fur farming is spearheading in the closing the loop on waste. Finnish law already compels farmers to collect manure and for most farmers this involves taking it to a designated place for composting, to be later used as fertilizer by neighbouring farms or biogas.

One group of Finnish fur farmers has recently teamed up with a for-profit start-up called Bihii, to take this practice to the next level. Bihii develops and markets 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, Finland.

Animal manure has for centuries been used as fertilizer for agricultural farming, improving the soil structure so that it holds more nutrients and water. But with fur manure, the environmental story goes one step further by removing 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 green-house gas into the soil and helping reduce fertilizer runoff into waterways.  
(SDG 14: Life below water; SDG 15: Life on land)

### **Fur and the circular economy**

In Finland, fur production is a textbook example of an ecologically driven circular economy, with everything from waste reduction through animal by-products to the reusability and biodegradability of the final fur garments. A fur garment can be repaired, remodelled, resold, recycled and reused from one generation to the next. (SDG 12: Responsible consumption and production)

The most recent nationwide independent survey of Finnish citizens put 48 per cent in favour of domestic certified fur farming. This is because Finnish fur farming has a revitalizing effect on our economy, particularly in rural areas, as a large-scale employer, and by contributing high per-capita tax revenues in producer municipalities, which go towards childcare, elderly care and schooling.

### **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 2021, 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 and reached the shared first place in the 2021 Corruption Perceptions Index.

#### *Measurement of Outcomes*

Under the Code of Conduct, 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.