



SAMPO  GROUP

# 2020

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**CORPORATE GOVERNANCE  
STATEMENT**

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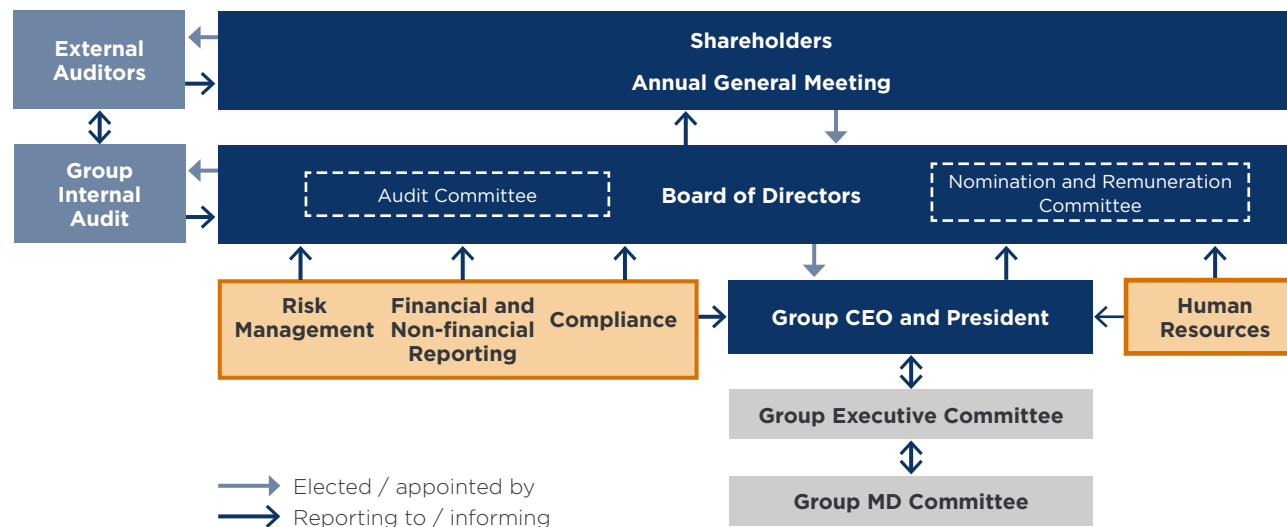
# Corporate Governance Statement

During 2020 Sampo complied in full with the Finnish Corporate Governance Code 2020 approved by the Securities Market Association on 19 September 2019, effective from 1 January 2020 (the “CG Code 2020”).

This Corporate Governance Statement, as provided by chapter 7, section 7 of Finnish Securities Market Act (746/2012), has been prepared in accordance with the Finnish Corporate Governance Code 2020 approved by the Securities Market Association on 19 September 2019, effective from 1 January 2020. This statement is presented – as permitted by the Finnish Securities Market Act and as recommended by the Finnish Securities Market Association – as a separate report from the Board of Directors’ Report.

The CG Code 2020 can be viewed in full on the website of the Finnish Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## The General Structure of Sampo’s Corporate Governance System



# Governance Steering System

## Sampo plc's Articles of Association

As provided for in Finnish Companies Act, every Finnish limited liability company has its own Articles of Association. Sampo plc's Articles of Association define, among other things, the business area of the company and the scopes of competences and general principles of division of powers between key corporate organs (i.e. General Meeting, Board of Directors and Managing Director).

## Other Normative Framework

Sampo Group's general governance rests on the idea that Sampo plc, as the parent company of the Group, provides

subsidiaries with a framework of general principles within which the parent company expects the subsidiaries to organize and carry out their businesses. These principles are manifested in Sampo Group's Code of Conduct, Risk Management Principles, Remuneration Principles and Compliance Principles, which form the core of Sampo Group's internal governance framework.

On the basis of and in compliance with the Group-wide framework, each subsidiary designs and implements a company-specific governance and risk management framework (including e.g. capitalization targets, profit targets, authorizations with risk limits, remuneration policies and other guidelines and instructions), which steers, limits and controls all operations, especially risk taking.

### External Normative Framework

Laws, regulations, authority recommendations, industry standards etc.

### Group-Level Guidance

*Principles:* Code of Conduct, Risk Management Principles, Remuneration Principles and Compliance Principles

*Other guidelines:* Guidelines for Insiders, Data Privacy Statement, Guideline for Required Internal Procedures to Prevent Money Laundering and Terrorist Financing, Disclosure and Communication Policy etc.

### Company-Level Guidance

E.g. risk management policies, investment policies, underwriting policies, remuneration policies, internal audit and control policies, compliance policies, HR policies, information security and data privacy policies, anti-money laundering/corruption/bribery/conflicts of interests policies, codes of conduct, environmental policies etc.

# General Meeting

The General Meeting is the highest decision-making body of Sampo plc, where the shareholders participate in the supervision and control of the company by using their right to speak and vote.

The Finnish Companies Act and Sampo plc's Articles of Association determine the issues that have to be dealt with at a General Meeting (competence of a general meeting).

Customarily, a General Meeting deals with, in addition to issues determined by the law and Articles of Association, the issues presented by the Board of Directors. Furthermore, according to the Companies Act, a shareholder has the right to require a certain issue to be dealt with at the General Meeting, providing the issue falls within the scope of competence of the General Meeting.

The Board of Directors convenes a shareholder meeting by publishing a notice of the meeting on Sampo plc's website at least three weeks before the General Meeting

and no later than nine days before the record date of the General Meeting. The notice to a General Meeting shall also be published by a stock exchange release.

The notice and other documents of the General Meeting, including the proposals of the Board of Directors and its committees, as well as the Financial Statements and the Board of Directors' Report, are available on Sampo plc's website at least three weeks before the General Meeting.

## Annual General Meeting

The Annual General Meeting (the "AGM") must be held within six months of the termination of the financial year on a date specified by the Board of Directors. The AGM shall discuss matters assigned to it in accordance with the Articles of Association and any other business referred to in the notice of the meeting. In 2020, Sampo plc's AGM was held on 2 June.

### Main Duties of the Annual General Meeting

- ▶ Receives and accepts the Financial Statements.
- ▶ Receives the Auditor's Report.
- ▶ Resolves on the measures occasioned by the profit shown in the accepted Financial Statements.
- ▶ Releases the members of the Board of Directors and the Managing Director from liability.
- ▶ Resolves on the number and fees of the members of the Board of Directors.
- ▶ Resolves on the fees of the Auditor.
- ▶ Elects the members of the Board of Directors and the Auditor.
- ▶ Deals with any other business on the agenda, proposed by either a shareholder or the Board of Directors.
- ▶ Provides an advisory resolution on the Remuneration Policy for Governing Bodies and approves of the Remuneration Report.

## Extraordinary General Meeting

An Extraordinary General Meeting (the "EGM") is convened when considered necessary by the Board of Directors. The Auditor, or shareholder(s) together holding a minimum of one tenth of all the shares in the company may request in writing that an EGM shall be convened to discuss a specified matter raised by them.

## Attending a Shareholders' Meeting

By attending shareholders' meetings shareholders may, either personally or through representatives, exercise their voting rights, request information and participate in the decision-making process of Sampo plc.

At a shareholders' meeting, each Sampo plc A share carries one vote, while each Sampo plc B share carries five votes.

In the AGM held on 2 June 2020, the total number of represented shareholders was 2,367 representing 58.05 per cent of the votes of all Sampo's shares. The Annual General Meeting 2020 was due to the COVID-19 pandemic exceptionally held based on the temporary legislation approved by the Finnish parliament on 24 April 2020. The shareholders of the company were able to participate in the meeting and exercise their shareholder rights by voting in advance or by way of proxy representation and by presenting counter-proposals and asking questions in advance.

## Shares and Shareholders

As of 31 December 2020, the total number of Sampo plc's shares, including both 554,151,850 A shares and 1,200,000 B shares, equalled to 555,351,850 shares. Each A share entitles its holder to one vote and each B share to five votes at a shareholders' meeting. The total number of votes attached to the shares was 560,151,850.

Each B share can be converted into an A share at the written request of the holder of the B share or, with respect to nominee-registered shares, at the request of the nominee under whose name the shares are registered in the Shareholders' Register. Any decisions on conversion and related details shall be made by the Board of Directors or the Board's authorised representative.

As of 31 December 2020, the total number of registered shareholders was 168,140, who held 211,668,631 or 38.11 per cent, of all shares. In addition, 12 nominee registers held 343,683,219 shares, representing 61.89 per cent of shares.

# Board of Directors

The Board of Directors, elected annually by the AGM, uses the highest decision-making power in Sampo Group between the AGMs. Sampo's Board of Directors is responsible for the management of the company in compliance with the law, authority regulations, Sampo's Articles of Association and the decisions of the shareholders' meetings.

## Board of Directors' Duties

The working principles and main duties of the Board of Directors have been defined in the Board's Charter. To ensure the proper running of operations, Sampo's Board of Directors has approved internal rules concerning general corporate governance, risk management, remuneration, compliance, internal control and reporting in the Sampo Group.

### Main Duties of the Board of Directors

- ▶ Receives groupwide reporting.
- ▶ Supervises
  - the due organization of functions and operations;
  - the financial reporting systems and the efficiency of internal audit and risk management;
  - related party transactions; and
  - the independence of and non-audit services provided by the Auditor.
- ▶ Resolves on
  - the strategy and other major strategic or far-reaching decisions of Sampo Group;
  - convening of the Annual General Meeting;
  - groupwide and Sampo plc level principles and policies;
  - the minimum requirements of capitalization and the proposal on profit distribution; and
  - group level remuneration matters.
- ▶ Prepares
  - consolidated financial statements; and
  - proposals for the Annual General Meeting.
- ▶ Appoints, discharges and decides on the Group CEO's, Group Executive Committee members' and the Group Chief Audit Executive's terms of service and financial benefits within the framework of the valid Remuneration Policy.
- ▶ Discusses the annual performance evaluation of the Board of Directors.

## Election and Terms of Office of Board Members

According to Sampo's Articles of Association, the company's Board of Directors comprises no fewer than three and no more than ten members elected by shareholders at the Annual General Meeting. The term of office of the Board members ends at the close of the Annual General Meeting that first follows their election. The members of the Board elect a Chair and Vice Chair from among its members at their first meeting following the Annual General Meeting.

According to Sampo plc's Board Diversity Policy, when electing the Board of Directors the aim is to ensure that the Board as a whole for the purpose of its work possesses

the requisite knowledge of and expertise in the social, business and cultural conditions of the regions and markets in which the main activities of the Group are carried out. A broad set of qualities and competences, diversity, including age, gender, geographical provenance and educational and professional background, is an important factor to take into consideration. According to the Board Diversity Policy, and in compliance with the CG Code 2020, it is also important that the person to be elected to the Board shall have the qualifications required for the duties and the possibility to devote a sufficient amount of time to the work.

The number of the Directors and the composition of the Board shall be such that they enable the Board of

Directors to see its duties efficiently. Both genders shall be represented in the Board of Directors and the target is a share of at least 37.5 per cent of the total number of members for both genders.

As proposed by the Nomination and Remuneration Committee, the Annual General Meeting of 2020 decided that the Board would consist of eight (8) members until the close of the Annual General Meeting to be held in 2021.

The following persons served on Sampo plc's Board of Directors in 2020:





## Björn Wahlroos

### Chair of the Board

Born 1952, Ph.D. (Econ.)

### *Positions of Trust, 31/12/2020*

**UPM-Kymmene Corporation**, *Chair of the Board;*

**The Mannerheim Foundation**, *Board Member;*

**Finnish Business and Policy Forum EVA**,

*Board Member;*

**The Research Institute of the Finnish Economy ETLA**,

*Board Member;*

**Several other charitable institutions**

Member of the Board of Directors of Sampo plc since 5 April 2001.



## Jannica Fagerholm

### Vice Chair of the Board

**Signe and Ane Gyllenberg Foundation**,  
**Managing Director**

Born 1961, M.Sc. (Econ.)

### *Positions of Trust, 31/12/2020*

**Solidium Oy**, *Board member;*

**Kesko Corporation**, *Board Member;*

**Hanken School of Economics**, *Chair of the Board;*

**Swedish Society of Literature in Finland**,

*Board Member;*

**Kelonia (Private Equity holding company)**,

*Board Member;*

**Veritas Pension Company**, *Member of the Supervisory Board*

Member of the Board of Directors of Sampo plc since 18 April 2013.



## Christian Clausen

### Chair for the Nordics, BlackRock, Inc.

Born 1955, M.Sc. (Econ.), MBA

### *Positions of Trust, 31/12/2020*

**BlackRock Group Ltd**, *Board Member;*

**BW Group**, *Board Member*

Member of the Board of Directors of Sampo plc since 21 April 2016.



## Fiona Clutterbuck

### Member of the Board

Born 1958, LLB (Hons)

### *Positions of Trust, 31/12/2020*

#### **Paragon Banking Group PLC (FTSE 250 Company),**

*Chair of the Board;*

**M&G plc (FTSE 100 Company),** *Senior Independent Director and Audit, Risk, Remuneration and Nomination committee member*

Member of the Board of Directors of Sampo plc since 9 April 2019.



## Georg Ehrnrooth

### Member of the Board

Born 1966, Studies in agriculture and forestry

### *Positions of Trust, 31/12/2020*

**eQ Oyj,** *Chair of the Board;*

**Fennogens Investments S.A,** *Chair of the Board;*

**Topsin Investments S.A.,** *Chair of the Board;*

**Geveles Ab,** *Board member;*

**Neptunia Invest AB,** *Board member;*

**Louise and Göran Ehrnrooth Foundation,**

*Chair of the Board;*

**Several other charitable institutions**

Member of the Board of Directors of Sampo plc since 2 June 2020.



## Johanna Lamminen

### CEO, Gasum Ltd

Born 1966, D.Sc. (Tech.), MBA

### *Positions of Trust, 31/12/2020*

**Cargotec Corporation,** *Board Member;*

**Finnish Foundation for Technology Promotion,** *Chair of the Board;*

**Research Institute of the Finnish Economy ETLA,** *Board member;*

**Finnish Business and Policy Forum EVA,** *Board member;*

**Savonlinna Opera Festival,** *Chair of the Board of Trustees*

Member of the Board of Directors of Sampo plc since 9 April 2019.



## Risto Murto

**CEO and President,  
Varma Mutual Pension Insurance Company**

Born 1963, Ph.D. (Econ.)

### *Positions of Trust, 31/12/2020*

**e2 Research**, *Chair of the Board;*

**Wärtsilä Corporation**, *Board Member;*

**Finance Finland (FFI)**, *Board Member;*

**The Finnish Pension Alliance TELA**, *Board Member;*

**Finnish National Opera and Ballet**, *Member of the  
Supervisory Board;*

**The Finnish Cultural Foundation**, *Member of the  
Supervisory Board*

Member of the Board of Directors of Sampo plc  
since 16 April 2015.



## Antti Mäkinen

**CEO, Solidium Oy**

Born 1961, LL.M.

### *Positions of Trust, 31/12/2020*

**Stora Enso Oyj**, *Board Member;*

**Metso Outotec Corporation**, *Board Member;*

**Rake Oy**, *Board Member;*

**Several Shareholder's Nomination Committees**

Member of the Board of Directors of Sampo plc  
since 19 April 2018.

## Veli-Matti Mattila

Born 1961, M.Sc. (E.E.), MBA

Member of the Board of Directors of Sampo plc  
from 7 April 2009 to 2 June 2020.

When elected, all current Board members were independent of the company. Furthermore, all Board members were independent of the company's major shareholders.

In 2020 the representation of both genders in the Board of Directors fulfilled the target of at least 37.5 per cent representation as set in the Board Diversity Policy.

The Board convened 13 times in 2020. The attendance of Board members at meetings was 99 per cent.

## Shares and Share-Based Rights Held by the Board Members

On 31 December 2020, the members of the Board of Directors owned directly or through legal entities controlled by them Sampo's A shares as follows:

• Björn Wahlroos	4,948,564
• Jannica Fagerholm	5,778
• Christian Clausen	2,779
• Fiona Clutterbuck	1,545
• Georg Ehrnrooth	127,287
• Johanna Lamminen	1,453
• Risto Murto	3,292
• Antti Mäkinen	5,828

The Board members did not have holdings in any Sampo share-based rights.

# Board-Appointed Committees

The Board may establish committees, executive committees and other permanent or temporary bodies to deal with tasks prescribed by it. The Board confirms the charters of the committees of Sampo's Board and the Executive Committee, and also the guidelines and authorizations given to other bodies established by the Board.

The Board has an Audit Committee and a Nomination and Remuneration Committee, whose members it appoints from among its members in accordance with the charters of the respective committees.

## Audit Committee

According to its Charter, the Committee comprises at least three members elected from among those Board Members who do not hold executive positions in Sampo and are independent of the company and of which at least one is independent of Sampo's significant shareholders. The responsible Auditor, Group CEO, Group CFO, Group Chief Audit Executive and Group Chief Risk Officer are also participating in the meetings of the Committee.

In 2020, the Chair of the Audit Committee was **Jannica Fagerholm**, and the other members were **Christian Clausen, Fiona Clutterbuck** and **Johanna Lamminen** until 2 June 2020 and **Fiona Clutterbuck, Georg Ehrnrooth** and **Johanna Lamminen** thereafter. Also, the Auditor's representatives, Group CEO, Group CFO, Group CRO and Group Chief Audit Executive were participating in the meetings.

The Audit Committee convened five times in 2020 and the attendance of members at the meetings was 100 per cent.

## Main Duties of the Audit Committee

- ▶ Supervises and assesses
  - financial reporting;
  - the accuracy of Group financial statements;
  - statutory and external audit, the independence of the auditor, auditor's reporting and purchases of non-audit services;
  - the capitalization, risks, profitability and liquidity of Group companies;
  - compliance functions, significant litigations and compliance with laws and regulations;
- communications with authorities; and
- the company's tax position and tax risks.
- ▶ Monitors and evaluates
  - the preparation of non-financial reporting;
  - the internal audit's reporting and approves of the internal audit action plan;
  - the actions and effectiveness of Sampo Group's internal audit;
  - the effectiveness of internal control;
  - related party transactions and reporting processes related thereto; and
- compliance with risk management principles and other guidelines and the effectiveness of the risk management system.
- ▶ Prepares proposals to the Annual General Meeting concerning the auditor's election and its fees.

## Nomination and Remuneration Committee

According to the Board Diversity Policy, Sampo's Nomination and Remuneration Committee shall identify, review and recommend candidates for the Board. The Nomination and Remuneration Committee shall take the following factors into consideration, including such other factors as the Board may determine:

- (I) Regulatory requirements for the members of the Board;
- (II) Overall Board composition taking into consideration the appropriate combination of professional experience, skills, knowledge and variety of viewpoints and backgrounds;

- (III) The past performance of incumbent members (attendance, staying informed about the company and its business, participation in the meetings, proven interest in the company's business and compliance with applicable company policies and guidelines);
- (IV) Allocation and sufficiency of time; and
- (V) Other criteria (e.g. with respect to new Directors, the integrity, judgment and available time).

At the Annual General Meeting the Nomination and Remuneration Committee gives an account of how it has conducted its work and explains its proposals.

According to its Charter, the Nomination and Remuneration Committee comprises the Chair of the

Board (who acts as the Committee's Chair) and two to three members elected from among the members of the Board.

In 2020 the Chair of the Nomination and Remuneration Committee was **Björn Wahlroos**, and the other members were **Veli-Matti Mattila**, **Risto Murto** and **Antti Mäkinen** until 1 June 2020 and **Christian Clausen**, **Risto Murto** and **Antti Mäkinen** thereafter.

The Committee convened seven times in 2020 and the attendance of members at the meetings was 100 per cent.

### Main Duties of the Nomination and Remuneration Committee

- ▶ Monitors the general remuneration of Sampo Group.
- ▶ Evaluates the appropriateness of the remuneration of the executive directors and their remuneration mechanisms.
- ▶ Prepares and presents proposals to the Annual General Meeting on the composition and remuneration of the members Board of Directors as well as on the Remuneration Policy for Governing Bodies.
- ▶ Prepares and presents proposals to the Board of Directors on
  - the evaluation of independence of Board members, composition and Chair of Board Committees and the Board Diversity Policy;
  - succession planning of the Board of Directors and top management positions in Sampo Group;
  - the appointment of the Group CEO, the Group Chief Audit Executive and members of the Group Executive Committee and on their fixed salaries and other financial benefits; and
- Sampo Group's long-term incentive programs based on financial instruments of Sampo plc, maximum payout of long-term and short-term incentive programs and the actual payments to be made as well as on Sampo Group Remuneration Principles and Sampo Remuneration Policy for Personnel.
- ▶ Prepares the annual performance evaluation of the Board of Directors.

# Sampo Group Executive Committee

The Board of Directors has appointed the Sampo Group Executive Committee and a Group MD Committee to the Group Executive Committee, which supports the Group CEO in preparing matters to be handled by the Executive Committee.

Sampo Group Executive Committee supports the Group CEO in the preparation of strategic issues relating to

the Group, in the handling of operating matters that are significant or involve questions of principle, and in ensuring a good internal flow of information.

The Executive Committee addresses especially the following: Sampo Group's strategy, profit development, large purchases and projects, the Group's structure and

organization, as well as key strategic issues pertaining to administration and personnel.

Following persons served on the Group Executive Committee in 2020:



## Torbjörn Magnusson

**Group CEO and President, Sampo Group**

**Managing Director, Sampo plc**

Born 1963, Licentiate of Engineering

### *Positions of Trust, 31/12/2020*

**Nordea Bank Abp**, *Chair of the Board;*

**If P&C Insurance Holding Ltd**, *Chair of the Board;*

**Hastings Group**, *Board Member*

Member of Sampo Group Executive Committee since 2004.



## Knut Arne Alsaker

**Group CFO, Sampo Group**

Born 1973, M.Sc. (Econ.)

### *Positions of Trust, 31/12/2020*

**If P&C Insurance Holding Ltd**, *Board Member;*

**Mandatum Life Insurance Company Limited**,

*Vice Chair of the Board;*

**Norwegian Finans Holding ASA**, *Board Member;*

**Hastings Group**, *Board member*

Member of Sampo Group Executive Committee since 2014.



## Ingrid Janbu Holthe

**Head of BA Private, If P&C Insurance Ltd**

Born 1982, M.Sc. (Econ.), CEMS MIM

Member of Sampo Group Executive Committee since 2019.





## Patrick Lapveteläinen

**Group CIO, Sampo Group**

Born 1966, M.Sc. (Econ.)

### *Positions of Trust, 31/12/2020*

**Enento Group Plc**, *Chair of the Board;*

**Saxo Bank A/S**, *Board Member;*

**Mandatam Life Insurance Company Limited**,  
*Chair of the Board;*

**If P&C Insurance Holding Ltd**, *Board Member*

Member of Sampo Group Executive Committee  
since 2001.



## Ivar Martinsen

**Head of Business Area Commercial,  
If P&C Insurance Ltd (publ)**

Born 1961, Bachelor of Civil Engineering,  
Bedriftsøkonom BI

Member of Sampo Group Executive Committee  
since 2005.



## Petri Niemisvirta

**CEO, Mandatum Life Insurance Company Limited**

Born 1970, LL.M.

### *Positions of Trust, 31/12/2020*

**Alma Media Corporation**, *Vice Chair of the Board;*

**Topdanmark A/S**, *Board Member;*

**Kaleva Mutual Insurance Company**, *Chair of the Board;*

**Varma Mutual Pension Insurance Company**,  
*Board Member;*

**Finance Finland (FFI)**,

*Member of the Board and Chair of the Life Insurance  
Executive Committee;*

**Confederation of Finnish Industries EK**,

*Finance and Tax Commission, Member;*

**World Wide Fund For Nature**,

*Finland, Member of the Council*

Member of Sampo Group Executive Committee  
since 2001.



## Morten Thorsrud

**President and CEO,  
If P&C Insurance Holding Ltd**

Born 1971, M.Sc. (Econ.)

### *Positions of Trust, 31/12/2020*

**Topdanmark A/S**, *Board Member;*

**Finance Norway (Finans Norge, FNO)**, *Member of the  
Executive Committee;*

**Euronext**, *Member of the Supervisory Board;*

**Hastings Group**, *Board Member*

Member of Sampo Group Executive Committee  
since 2006.



## Ricard Wennerklint

**Chief of Strategy, Sampo Group**

Born 1969, Executive Education,  
Advanced Management Program

### *Positions of Trust, 31/12/2020*

**Topdanmark A/S**, *Chair of the Board;*

**If P&C Insurance Holding Ltd**, *Board Member;*

**Nordax Bank AB (publ)**, *Board member;*

**Nordea Bank Abp**, *Chair of the Nomination Board;*

**Hastings Group**, *Chair of the Board*

Member of Sampo Group Executive Committee  
since 2005.

The Group MD Committee comprised

**Torbjörn Magnusson, Knut Arne Alsaker,  
Patrick Lapveteläinen, Petri Niemisvirta,  
Morten Thorsrud and Ricard Wennerklint.**

In 2020, the Group Executive Committee convened four times at the invitation of the Group CEO, and the Group MD Committee, which operates in conjunction with the Group Executive Committee, met 18 times. After the end of the reporting year on 20 January 2021 **Ivar Martinsen** left his position as Head of BA Commercial and the membership of the Sampo Group Executive Committee.

# Group CEO and President

Sampo plc has a Managing Director who is simultaneously the Group CEO and President of Sampo Group. The Board of Directors elects and releases the Group CEO and decides on the terms of employment and other remuneration.

The Group CEO is in charge of the daily management of Sampo, subject to the instructions and control of the Board of Directors. The Group CEO is empowered to take extraordinary and broad ranging actions, taking into account the scope and nature of Sampo's operations, only upon authorization by the Board of Directors. The Group CEO ensures the legal compliance of Sampo's accounting and the trustworthy organization of asset management.

Mr. **Torbjörn Magnusson**, Licentiate of Engineering, is the Managing Director of the company and the Group CEO and President. His Group CEO contract is in force until further notice. Under the terms of the Group CEO contract, the notice period for the Group CEO is 12 months, from which period the Group CEO is entitled to receive salary. Magnusson is also, in accordance with his current service contract, entitled to a severance compensation corresponding to a maximum of 24 months' fixed salary should Sampo terminate his service contract without a specific reason.

## Shares and Share-Based Rights Held by the Group CEO and the Members of the Executive Committee

On 31 December 2020, the Group CEO and other members of the Executive Committee owned, directly or through legal entities controlled by them, Sampo's A shares as follows:

• Torbjörn Magnusson	46,460
• Knut Arne Alsaker	33,844
• Ingrid Janbu Holthe	0
• Patrick Lapveteläinen	269,549
• Ivar Martinsen	54,060
• Petri Niemisvirta	86,879
• Morten Thorsrud	55,524
• Ricard Wennerklint	39,714

The Group CEO and the other members of the Executive Committee did not have holdings in any Sampo share-based rights.



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# Internal Control in Sampo Group

The different sectors of Sampo Group's internal control system play a crucial role in ensuring the proper functioning of the Group's corporate governance system.

Internal control means all activities, which ensure that Sampo Group's businesses are carried out towards desired targets in accordance with desired policies and practices and in compliance with applicable legal and regulatory requirements. Accordingly, the tasks of internal control are performed by different actors starting from the top of the organization.

The organization of internal control and safeguarding its functioning and viability play a key role in the activities of the Board of Directors of Sampo plc. In order to ensure the proper running of operations, Sampo's Board has approved Group-level policies and guidelines concerning corporate governance, financial target setting, risk management, remuneration, compliance, reporting and internal audit in conformity with and supplementing the existing legal and regulatory framework. With the policies and guidelines Sampo's Board directs Group's activities towards desired practices and, with appropriate control mechanisms provided by the policies, ensures that potential deviations are discovered without undue delay.

Thus, a successful internal control system presumes not only controlled steering processes for business manage-

ment, but also appropriate control mechanisms. In Sampo Group, the internal control system includes managing risks as an integrated part of business activities, functions supporting the businesses, as well as control and steering functions, which are organized as independent from the businesses.

In addition to internal control activities within the financial reporting process and risk management, Sampo Group's compliance function, with insider administration supplementing it, together with a fully independent internal audit form core parts of Sampo's internal control system.

## Reporting

### Financial Reporting

The financial reporting process aims to ensure that Sampo's Board of Directors and executive management have timely and reliable information supporting their decision-making, and that external interest groups can also rely on the financial information provided to them.

To ensure the correctness of all reporting, the used databases are reconciled on a monthly basis. Several

systems and analytical tools are also applied to support efficiency and accuracy in the reporting process.

Group-level financial reporting is mainly based on information provided by the subsidiary companies according to formats and schedules defined by **the Group's financial units (p. 23)**. Each subsidiary is responsible for its respective financial reporting and related internal controls. Consequently, the process ensures the correctness of the information regarding different business segments prior to reporting to the parent company.

Sampo Group's financial reporting is organized under Group Control and Group Accounting units and it operates under the Group Chief Financial Officer. Group Control prepares and follows Group-level and parent company's financial targets and forecasts, follows profit development and forecasts of the subsidiary companies and takes care of monthly reporting of profit development of the Group as well as solvency calculations. It also produces different types of market analyses and reviews. Group control is also responsible for the Group's annual and quarterly Solvency II reporting to the supervisory authorities.

Group Accounting prepares Sampo Group's quarterly and annual financial reports in accordance with International Financial Reporting Standards (IFRS). The financial

reports of the parent company, Sampo plc, are prepared in accordance with Finnish accounting standards (the Finnish GAAP). Quarterly and annual reports are dealt with in Group's administrative bodies in accordance with applicable procedural rules. In addition, the Group Accounting unit prepares the Group's monthly accounts, which form the basis of the monthly analysis prepared by Group Control unit.

A Management Report is distributed on a monthly basis to the members of the Group Executive Committee, and a summary of it is delivered to the members of Sampo's Board of Directors.

Profit forecasts are reported quarterly to the Board and the Group Executive Committee. Group solvency calculations are also delivered on a quarterly basis to the Board, the Audit Committee and the Group Executive Committee.

## Non-Financial Reporting (Corporate Responsibility)

Sampo Group is committed to developing the corporate responsibility activities of the Group, as well as the related reporting, indicators and targets. This is in the interests of and expected by the Group's various internal and external stakeholders.

Sampo plc's Board of Directors has the ultimate oversight of group-level corporate responsibility, covering the entire range of environmental (incl. climate change), social, and governance matters. The board has assigned its Audit Committee to monitor Sampo Group's corporate responsibility reporting and activities.

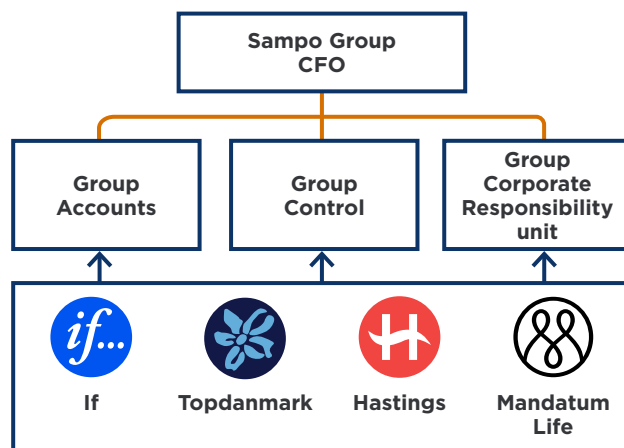
The Group Chief Financial Officer (CFO) directs Sampo plc's Corporate Responsibility Unit and operates as the Chair of the Group's Corporate Responsibility Steering Group. The steering group provides management perspective, sets direction for corporate responsibility work, and approves the group-level corporate responsibility program. It also acts as a platform for information exchange between the Group companies. Reporting on each steering group meeting is provided to the Group CEO and President.

The Corporate Responsibility Unit, led by the Head of Corporate Responsibility, is responsible for the development and coordination of corporate responsibility at group-level. The unit prepares the group-level corporate responsibility reporting and the corporate responsibility program. It also sets schedules, requests, and group-level guidance to the subsidiaries.

At each subsidiary various business areas, operational departments, and units are actively involved in the Group's corporate responsibility endeavors and reporting. Group-level corporate responsibility reporting is largely based on information provided by the subsidiary companies according to formats and schedules defined by the Group's Corporate Responsibility Unit. Each subsidiary is responsible for its respective reporting to the parent company to ensure correctness of information.

Sampo Group's Corporate Responsibility Report is published annually and as soon as possible after the publication of the Board of Director's Report and Financial Statements, but no later than 30 June. The Corporate Responsibility Report 2020 will be published in May 2021, covering the period from 1 January to 31 December 2020.

## Sampo Group's Financial and Non-financial Reporting Process



## Risk Management

The Board of Directors of Sampo plc is responsible for ensuring that the Group's risks are properly managed and controlled. The Board establishes both the risk management principles and closely connected remuneration principles and provides guidance on the risk management governance structure and internal control in the business areas. Working within the framework of these principles and guidelines, the subsidiaries tailor their risk management practices to take account of the special features

of their respective business activities. The Board makes decisions on strategy, return targets and the general levels of risk and capitalization of the subsidiaries.

The Board's Audit Committee is responsible, on behalf of the Board of Directors, for preparing Sampo Group's Risk Management Principles and related guidelines and, in turn, the Nomination and Remuneration Committee is responsible for preparing Group's Remuneration Principles, which are closely connected with Risk Management Principles.

The duty of Sampo Group's Risk Management function is to control the effective operation of the risk management system within the subsidiaries and to monitor, review and report on of Group-level risks and risk management, including the parent company.

## Risk Management Process

High-quality, comprehensive risk management facilitates that Sampo's corporate executives and Board of Directors are constantly aware of the Group companies' business-related risks and their ability to carry the financial and other risks related to business activities.

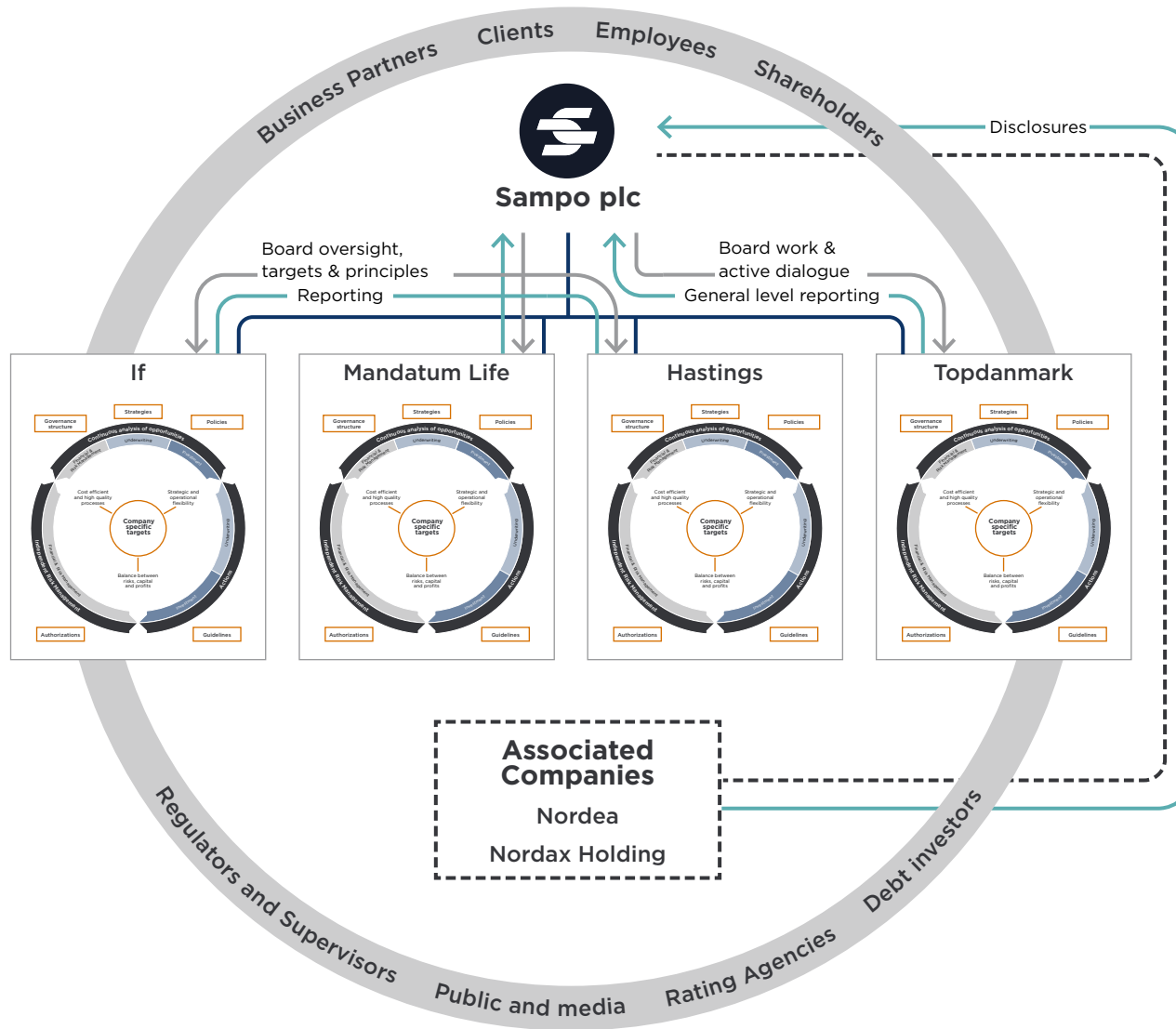
Sampo Group's business activities and therefore also their corresponding risk management activities are mainly performed by the subsidiaries. The illustration on the next page presents the prerequisites, tasks and targets of company-level risk management.

The subsidiary companies' risk management is based on the Risk Management Principles established by the parent company. The subsidiaries organize their own risk management based on these Group-level principles taking into account the business-specific characteristics as well as laws and regulations.

The prerequisites for facilitating successful risk management in the subsidiaries include the following:

- risk management governance structure and authorizations and clear division of responsibilities between business lines and independent functions;
- companies' own risk policies and more detailed instructions related to risk management; and
- prudent valuation, risk measurement and reporting procedures.

## Sampo Group's Steering Framework



The tasks included in the risk management process can be classified as follows:

**Independent risk management:** Financial and risk management functions are explicitly responsible for preparing the above prerequisites for risk management and operationally they are responsible for independent measurement and control, including monitoring of operations in general as well as profitability, risk and capitalization calculations.

### Continuous analysis of opportunities and risks:

Business lines and financial and risk management functions are both active in supporting the business with continuous analysis and assessment of opportunities. The insurance and investment business units assess business opportunities, especially their risk return ratios, on a daily basis. In the financial and risk management functions, on the other hand, a considerable amount of time is spent on risk analysis and reporting as well as capital planning.

**Actions:** Transactions representing the actual insurance and investment operations are performed in accordance with the given authorizations, risk policies and other instructions. These actions are the responsibility of business and centralized functions such as the investment unit. Activities related to capitalization and liquidity positions are included in this part of the process.

In Sampo Group, proactive profitability, risk and capital management actions are seen as the most important



phase in the risk and capital management process. Hence, risk policies, limits and decision-making authorizations are set up in a way that they, together with profitability targets, facilitate business and investment units to take carefully considered risks.

High-quality execution of the above-mentioned tasks contributes to the achievement of the three central targets of the risk management process:

**1) Balance between risks, capital and earnings, i.e.:**

- risks affecting the profitability as well as other material risks are identified, assessed and analyzed;
- capitalization is adequate in terms of risks inherent in business activities and strategic risks, taking into account the expected profitability of the businesses;
- risk bearing capacity is allocated into different business areas in accordance with the strategy; and
- underwriting risks are priced reflecting their inherent risk levels, expected returns of investment activities are in balance with their risks, and consequential risks are mitigated sufficiently.

**2) Cost-efficient and high-quality processes:**

- client service processes and internal operational processes are cost efficient and of high quality;
- decision-making is based on accurate, adequate and timely information; and
- continuity of operations is ensured and in case of discontinuity events, recovery is fast and comprehensive.

**3) Strategic and operational flexibility:**

- external risk drivers and potential risks are identified, and the company is in good position, in terms of capital structure and management skills, to react to changes in business environment;
- corporate structure, knowledge, skills and processes in companies facilitate effective implementation of changes.

When the above targets are met, risk management is contributing positively to return on equity and mitigating the yearly fluctuations in profitability. The risk management process is therefore considered to be one of the contributors in creating value for the shareholders of Sampo plc.

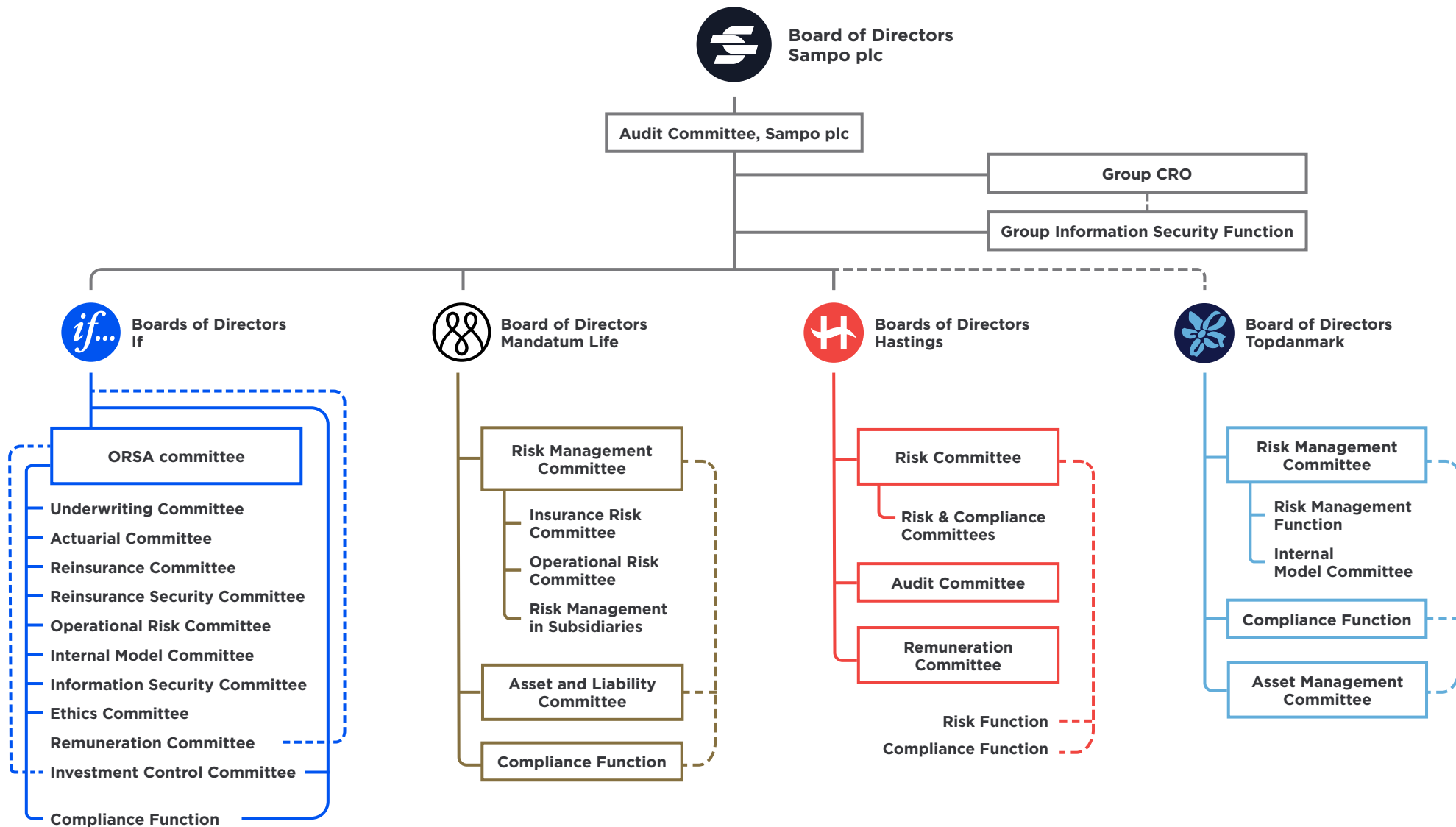
## Risk Management Reporting

Sampo Group's risk management reporting is divided into five separate business areas, which are If, Mandatum Life, Topdanmark, Hastings and the holding company (Sampo plc). Additionally, Sampo's associate companies, Nordea Bank Abp and Nordax Holding AB form separate reporting entities, but the risks related to them are only followed on the basis of public information reported by the companies.

Sampo plc's Board of Directors and the Audit Committee, together with the Boards of Directors of the subsidiaries, share the overall responsibility for the risk management process. The business units are responsible for day-to-day risk management decisions within the framework of the provided principles, guidelines and authorizations (limits).

The risks of If are assessed by the Own Risk and Solvency Assessment ("ORSA") Committee (together with its subcommittees) and the Investment Control Committee.

## Risk Management Reporting Framework in Sampo Group



In Mandatum Life the Risk Management Committee coordinates and monitors all risks in Mandatum Life. The key role of the Asset and Liability Committee is to monitor and control the market risks arising from the company's with profit business.

In Topdanmark, the Central Risk Management Function consolidates the risk picture, manages the ORSA and produces the solvency capital requirement and capital plans. The function reports to the Risk Management Committee, which is responsible for risk policies, risk limits, solvency calculations, capital plans, Topdanmark's own risk and solvency assessment, and Topdanmark's partial internal model for non-life insurance risks.

In Hastings, the Boards of the Hastings Group's trading entities delegate the oversight of the respective company's Risk Management Frameworks to the relevant Risk Committees. Each company has its own risk management governance arrangements to ensure that all risks are reported to, and reviewed by, the respective company Board and its Risk Committee.

More detailed information on Sampo's risk management is available in Sampo's **Risk Management Report** at [www.sampo.com/year2020](http://www.sampo.com/year2020).

## Compliance Function

In Sampo Group, compliance is an activity supporting business activities while being independently administered, and it aims at securing the compatibility with applicable norms of all Group activities.

In Sampo Group Compliance Principles the starting point is that compliance with norms is an established part of Sampo's corporate culture, and the principles ensure that compliance activities are properly organized in Group companies, and that the business organization is capable of responding to the changing requirements of the business environment. The guidance contains the perceived common denominators of successful compliance activity – a set of general principles that describe essential features of effective compliance activities within the context of the business environment Sampo Group companies are operating. The principles do not, however, limit the flexibility of each subsidiary company when addressing its own specific needs in relation to compliance.

Sampo Group Compliance Principles apply to all Sampo Group companies. It should, however, be noted that different Group companies are operating different business lines in various different national jurisdictions, thus being under an obligation to abide with local legislation as well as authority rules and regulations. Consequently, the principles have been defined to facilitate the deployment

of set of tools and procedures serving best the individual needs for each company and local operating environment, and ensure full compliance without jeopardizing operational efficiency. The aforesaid obviously implies that compliance function in each subsidiary must always meet the local standards and other requirements.

According to the approved principles all compliance activity is designed to ensure that all business activities, as well as the reporting of financial results and risks, are at all times compliant with laws, authority regulations and internal guidelines and principles.

The compliance function also ensures that any applicable new legislation and regulation is fully enforced in Group companies' guidelines and day-to-day business activities.

According to the principles, the subsidiary companies are permitted to organize their compliance activities operationally and organizationally as they deem pertinent and effective. In the **organization chart (p. 29)**, the compliance function is viewed from parent company's point of view.

Reporting of compliance activities is organized in each subsidiary company as deemed appropriate and sufficient locally. Compliance matters are also regularly reported to the parent company's Board of Directors' Audit Committee, as determined in the Sampo Group Compliance Principles. Sampo plc's compliance

organization is responsible for compiling these reports on the basis of the sub-group specific reports provided by the subsidiary companies.

The CEO and President of Sampo Group is responsible for the proper organization of the compliance function in the holding company and in the Group as a whole. The Board of Directors of each subsidiary ensures that the subsidiary has sufficient resources to organize effective internal control and compliance, while each subsidiary's Managing Director is responsible for organizing the respective subsidiary's compliance function.

## Insider Administration

Given the nature of Sampo's business areas, especially bearing in mind their extensive investment activities, Sampo's Board of Directors has approved separate Guidelines for Insiders that is binding on all persons employed by Sampo Group as well as on members of Sampo's Board of Directors. In addition to current supranational law, such as the market abuse regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council ("MAR")), applicable national law, including Nasdaq Helsinki's Guidelines for Insiders and

the Financial Supervisory Authority's regulations, as well as statements and interpretations, have been taken into account in compiling the Guidelines for Insiders.

The Group Executive Committee, all Sampo plc's employees and other Group's employees working with Interim Statements and other financial announcements and persons having access to such documents before publication thereof are under the following restrictions on trading:

- persons must obtain a separate written permission in advance for each share related securities transaction they make with the securities of Sampo plc, Enento Group or any of Sampo's publicly listed subsidiary or affiliate company;
- persons must not conduct any transactions relating to the financial instruments of Sampo Group during a closed window of 30 calendar days before the announcement of financial reports (so called extended closed window); and
- persons are prohibited from having so called short-term positions which refers to a situation where the period between the acquisition and disposal or the disposal and the acquisition of the same shares is less than one month.

In addition to regulatory supervision, compliance with the obligations under the Guidelines for Insiders and the underlying legislation is supervised by Insider Administration, which is a group function centralized in Sampo plc and led by the person in charge of insider matters.

Sampo Group's Guidelines for Insiders is available on the Group's website at [www.sampo.com/insiders](http://www.sampo.com/insiders).

As Nasdaq Copenhagen listed entity, Topdanmark A/S has its own insider procedure applicable to Topdanmark's financial instruments, as is required by Danish regulations.

## Whistleblowing

In connection with the entering into force of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("MAR"), Sampo adopted an internal procedure for all employees to report infringements of both internal and external rules and regulations. All whistleblowing

notifications are investigated promptly in a confidential manner and protecting the identity of the whistleblower as far as possible. During 2020, no whistleblowing notifications were reported.

Sampo Group's operating companies have established their own whistleblower schemes designed to serve their personnel and relevant interest groups.

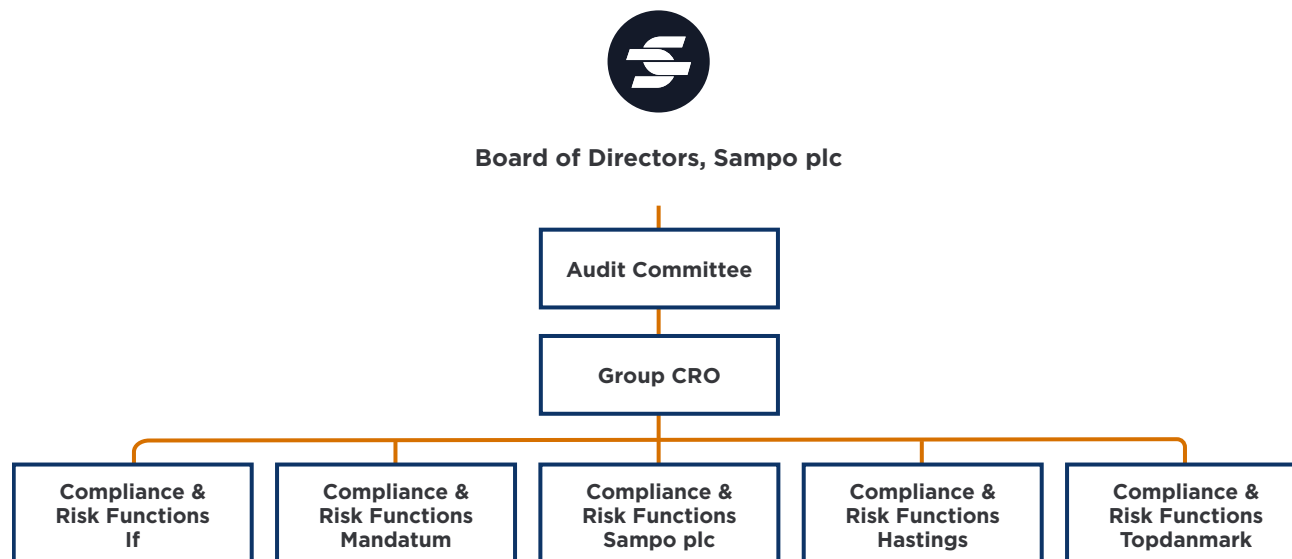
## Principles for Related Party Transactions

Sampo Group companies may not, as a general rule, enter into an agreement with related parties subject to terms and conditions that differ from those Sampo or its subsidiaries normally apply, or other agreements that are not commercially justified, with or for the benefit of certain individuals. All related party transactions shall be based on written agreements in accordance with the relevant local regulation and in the ordinary course of business and on arms-length terms.

Related party transactions in Sampo Group are traditionally purchase of internal services, or other services or products that are part of the ordinary business of a group company.

Sampo Group's guidelines on related party transactions apply to all group companies and they set the group-wide principles for monitoring and assessing as well as decision making and reporting of related party transactions. The rules for the company-level identification, decision making and reporting processes shall be set in the company-level policies of each group company, as approved by the Board of Directors of each group company.

## Sampo Group's Compliance Organization and Reporting Structure



Related party transactions that are not part of the company's ordinary course of business or are made in deviation from customary commercial terms require a decision of Sampo's Board of Directors to carry out the related party transaction. Such related party transactions shall be reported to the Group Compliance prior to entering into the transaction.

Each Sampo sub-group shall maintain a register of the related parties linked to the company within Sampo Group by close links and the reported related party transactions.

An accumulated list concerning the agreements of the related parties of Sampo plc shall be sent to Sampo's Board of Directors or its committee annually. The Board of Directors or its committee must monitor and assess how agreements and other legal acts between the company and its related parties meet the requirements of ordinary activities and arm's length terms.

Additionally, in accordance with the Solvency II regulation, Sampo Group companies must report all related party transactions to the relevant supervisory authorities.

## Internal Audit

Sampo's Internal Audit is a function, independent of business operations, which evaluates the efficiency and effectiveness as well as the maturity of the internal control system within Sampo Group. The function helps the organization to accomplish its objectives by a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes. The function is organized under the Board of Directors of Sampo plc and it reports to Sampo plc's Board and Audit Committee. It is managed by the Chief Audit Executive, who is appointed by the Board of Directors of Sampo plc. Internal audit functions are established in each sub-group and legal entities as regulations demand and approved by the respective Board of Directors or equivalent.

The work is carried out in accordance with the Sampo Group Internal Audit Policy, approved by the Board of Directors in all regulated entities. According to the Policy, the Internal Audit applies as applicable the mandatory guidance of the Institute of Internal Auditors.

The Internal Audit establishes a long-term internal audit activity plan for the regulated companies. The subsidiary groups may define a period for the activity planning. The plans are updated annually and approved by Sampo's Audit Committee and the Board of Directors in the respective legal entity. The approach is risk based considering the focus areas. The External Audit is informed about the internal audit activity plans.

The Internal Audit function reports on the audits and follow-up activities performed to the CEO and the Board of Directors of the legal entities, and to Sampo's Audit Committee. Company-specific audit observations are reported to the respective companies' management. Furthermore, the function submits activity reports to Sampo's Audit Committee and the Board of Directors in all regulated entities at least twice a year. These reports include all severe deficiencies detected, including follow-up issues not been mitigated or remedied according to the agreed action plans. In addition, an annual internal audit report is issued for Sampo Group and the subsidiary groups.

The Group Chief Audit Executive is responsible for establishing a quality assurance and improvement program covering all aspects of the Internal Audit Function. The results are reported annually to Sampo's Audit Committee.

In all audit work, the objectivity of the auditor is assessed. The internal auditors are chosen based on their knowledge, skills and integrity essential to the performance of the internal audits.

## External Auditor

- **Ernst & Young Oy**  
Authorised Public Accountant Firm
- **Kristina Sandin, Authorized Public Accountant**  
Responsible auditor

Ernst & Young has acted as Sampo's as well as Mandatum Life and Topdanmark Groups' Auditor in 2020. KPMG was elected as If Group's Auditor in 2018 and as Hastings Group's Auditor in 2015. The fee paid to the Auditors for statutory audit services for Sampo Group rendered and invoiced in 2020 totalled approximately EUR 3,588,000. In addition, the Auditors were paid a total of approximately EUR 3,300,000 in fees for non-audit services rendered and invoiced after their election.

During 2020, the total fees paid to Ernst & Young Oy for Sampo's statutory audit services rendered and invoiced were approximately EUR 512,000. In addition, the fees paid by Sampo to Ernst & Young Oy for non-audit services rendered and invoiced totalled approximately EUR 222,000.

Ernst & Young Oy has carried out the statutory audit of Sampo plc without interruption as of the competitive

tendering performed in 2002. In accordance with the transitional provisions of Article 41 of the Audit Regulation (Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, the "Audit Regulation"), Sampo plc cannot after 17 June 2023 enter into or renew an audit engagement with Ernst & Young Oy, and has to replace its current statutory auditor in the Annual General Meeting of 2024 at the latest.

# 2020




SAMPO  GROUP

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