

Sampo Group's Structure and Business Model

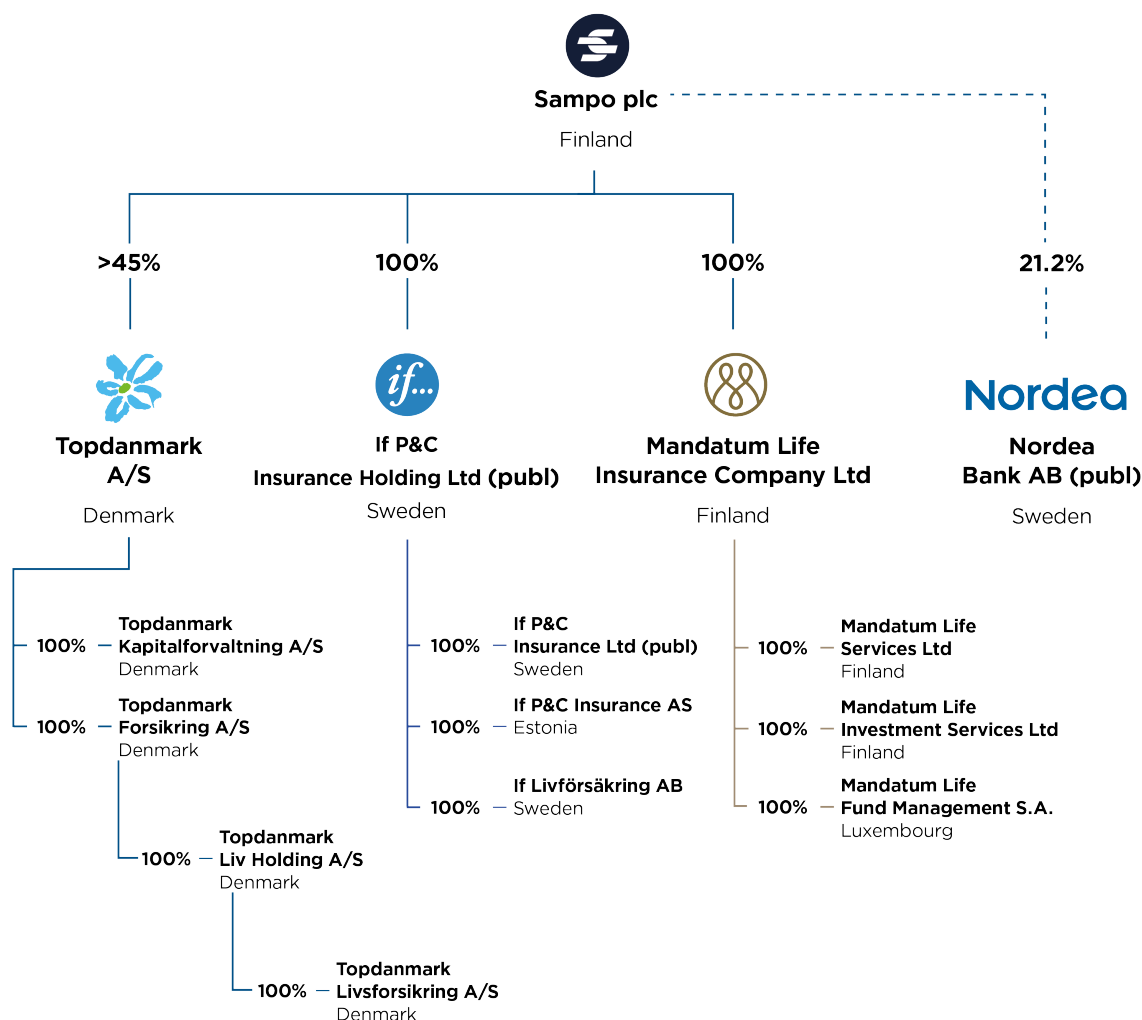
Sampo Group ("Group") is engaged in non-life insurance, life insurance and banking mainly in Nordics.

Non-life insurance and life insurance activities are conducted by the subsidiaries If P&C Insurance Holding Ltd (publ) ("If P&C"), Mandatum Life Insurance Company Ltd ("Mandatum Life") and Topdanmark A/S ("Topdanmark"). First two are wholly owned by the Group's parent company, Sampo plc ("parent company" or "Sampo"), which is a listed holding company and has no insurance or banking activities of its

own. In Topdanmark Sampo has a 46.7 per cent holding of shares and 48.9 per cent of votes.

In addition to the insurance subsidiaries, as at 31 December 2017 the Group's parent company held an equity stake of 21.2 per cent in Nordea Bank AB (publ) ("Nordea") through which Sampo Group is engaged in banking business. The legal structure of Sampo Group including major operative companies of subsidiaries is shown below.

Sampo Group Legal Structure



Sampo as a holding company manages its subsidiaries and associated companies independently of each other meaning that the legal sub-groups Mandatum Life, If P&C,

Topdanmark and the associated company Nordea conduct their businesses independently from each other. The independent sub-groups have their own infrastructures and management as well as operative processes in place. In instances where the subsidiaries and the associated companies cooperate in some business areas, cooperation is conducted similarly as with any third-party.

The major management tool is the work in the companies' Boards of Directors. The Boards of If P&C and Mandatum Life are manned by Sampo plc personnel. In regards to wholly owned subsidiaries, Sampo gives more exact guidance on how activities should be organized in terms of group-wide principles and there is a frequent dialogue between Sampo and subsidiaries in major operative issues. In addition, Sampo is monitoring performance, risks and capitalisation at detailed levels.

In Topdanmark, the Chairman and two other board members are Sampo Group employees and they constitute three of the total six board members elected by the annual general meeting. Topdanmark's Board of Directors and management share Sampo's view on risk definitions and principles of how to run business activities on an overall level, but have not adopted Sampo's group-wide policies as such. The dialogue between Sampo and Topdanmark as well as the Risk Management report focus on performance, risk and capitalization reporting and is not as detailed as between Sampo and its wholly-owned subsidiaries.

Nordea is an associated company and not controlled by Sampo. Because of this its risk management is not covered in Sampo Group's Annual Report. Nordea has however a material effect on the Group's profits, risks and capital needs. Hence, Nordea is carefully analysed by Sampo as separate business and as a component of Sampo's portfolio of Nordic financial companies.

As described above Sampo Group's legal structure and business model are both straightforward and simple. In addition there are only a limited amount of intragroup

exposures, of which the most material are as follows: (i) Sampo's holdings of hybrid capital and subordinated loan instruments issued by If P&C, Mandatum Life, Topdanmark and Nordea, (ii) internal dividends and (iii) service charges. Service charges are related to intragroup outsourcing agreements. If P&C and Mandatum Life have outsourced part of their investment management processes to Sampo. Sampo has outsourced its IT platform services to If P&C and its financial accounting to Mandatum Life. Between Sampo and Topdanmark there are no outsourcing agreements.

As dividends are the parent company's major source of income, Sampo's primary target for every sub-group is to maintain a healthy balance between profits, risks and capital, in order to facilitate a steady stream of dividend payments in the long run. The secondary target is ensuring stable profitability at business portfolio level. Potential risk concentrations especially and the correlation of reported profits generally are monitored closely and their sources are analysed. To the extent possible risk concentrations are proactively prevented by strategic decisions. Thirdly, as a general rule Sampo prefers to have low leverage and adequate liquidity buffers to be able to generate liquidity as needed. The size of assessed diversification benefit of the Group companies' profits is reflected in Sampo's decisions on own capital structure and liquidity position.

Further information on Sampo Group's steering framework and risk management process can be found in [Appendix 1 \(Sampo Group Steering Framework and Risk Management Process\)](#).

Sampo has a diversified shareholder base and the major [shareholders](#) have owned their holdings for many years. Sampo Group's main supervisor is the Finnish Financial Supervisory Authority. Due to Sampo Group's activities in Nordics and Baltics other Nordic supervisors have supervisory responsibilities as well. Sampo Group's auditor is EY.