

# Sampo Group Compliance Principles

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# Content

<b>Background and Reasoning</b>	3
<b>1 Definitions</b>	4
<b>2 Purpose and Content of Compliance Activity</b>	4
<b>3 Core Compliance Principles</b>	5
3.1 Principles Regarding the Establishing of Compliance as a Corporate Policy and the Management of Compliance	5
3.2 Principles Regarding the Structuring and Controlling Compliance	5
3.3 Principles Regarding Communicating and Training Compliance	6
3.4 Principles Related to the Creation of a Set of Appropriate and Proportionate Responses to Potential Compliance Failures	6
<b>4 Reporting on Compliance Issues</b>	7
4.1 Reporting within Group Companies	7
4.2 Group Companies' Reporting to Sampo plc	7
4.3 Reporting to Sampo plc's Audit Committee (Board of Directors)	7
<b>5 The Independence of Compliance Function</b>	8
<b>6 Review and Update</b>	8

## Background and Reasoning

Financial sector as a whole is entrusted to be the guardian of the wealth and prosperity of its clients and the provider of variety of other financial services – such as insurances and payment transactions – necessary in modern society, whether they being private individuals or institutional customers. Accordingly, any company operating in the industry has an affirmative duty to act in the best interests of those, who have entrusted their well-being to their hands. Due to this fiduciary nature of the financial sector, the entire sector is strictly regulated and closely monitored and the conduct of banks, asset managers, insurance companies and other sector operators will always be measured against higher standards than those used for commercial transactions in other industries.

In addition, the continuously increasing amount of regulatory activity together with the growing need for operational transparency requires the companies operating in the financial sector to strengthen their ability to respond to changing business environment and growing demands from the public.

Pursuant to above, compliance activity is not only intrinsic to the business operations for all Sampo Group companies, but, during the last years, it has also become even more essential to continued success in business operations. They must have resources, systems and processes in place to ensure that they are complying with all applicable laws, regulations, code(s) of conduct and standards of good practice as well as broader company values in order to reduce their risk of legal or regulatory sanctions, financial loss, or loss to reputation.

It is believed, that when Sampo Group companies operate in compliance with the expectations and dictates of the laws and regulations and business standards, they are better equipped to protect and create value to shareholders as well as customers, and serve the public interest and the legitimate interests of other stakeholders.

Sampo Group also appreciates good relations and aims to promote open co-operation with supervisory authorities. Robust and credible compliance activity is seen as a primary booster for good relationship between the authorities and group companies.

To respond to the changing business environment and to further above goals, and to ensure that all necessary governance requirements are met without an unnecessary duplication of effort and activity in different companies, Sampo plc's Board of Directors has issued these **Sampo Group Compliance Principles**.

These principles contain 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. Nothing in them should, however, be taken to reduce the flexibility each Group company needs to have when addressing its own specific needs in relation to compliance.

While the principles are applicable to all Sampo Group companies, it should, however, be noted that Sampo Group companies carry varying businesses in several different jurisdictions and must abide by locally applicable laws as well as rules and regulations issued by relevant local authorities. In case of conflict between these principles and locally binding set of rules, the locally binding set of rules prevails and company specific compliance policies shall be aligned with local normative requirements.

These principles, together with Sampo Group's Code of Conduct, Risk Management Principles and Remuneration Principles form the core of Sampo Group's internal governance framework, wherein Sampo plc expects the Group companies to organize and carry out their businesses.

## 1 Definitions

In this document, following terms shall have the following meaning:

**“Compliance”** means, in short, that all activities of the company conform to the set of applicable laws, rules, industry standards and internal guidelines.

**“Compliance activity”** is a generic reference to the range of activities carried out to ensure the effectiveness of the company’s compliance program.

**“Compliance function”** is an administrative arrangement to, on an on-going basis, undertake defined compliance activities, such as identification, assessment, advising on, monitoring and reporting on compliance issues.

**“Compliance program”** is a reference to all activities in a company, including but not limited to compliance activities, which promote the organization’s ability to be compliant with the standards set by laws, regulations and/or other applicable norms.

**“Compliance risk”** means the risk of legal or regulatory sanctions, material financial losses, or loss of reputation, resulting from a company’s failure to comply with laws, regulations and administrative orders applicable to its activities.

## 2 Purpose and Content of Compliance Activity

The ultimate purpose of all compliance activities is to ensure that companies are compliant with the requirements set on them. In that sense, compliance activities form an integral part of each company’s management, especially internal control framework.

To facilitate the achievement of that purpose, each group company shall arrange for a specific compliance function which:

- (i) is responsible for managing, in co-operation with line management, the company’s compliance activity;
- (ii) ensures that there are effective processes in place for regulatory monitoring and supports the line management in implementing any new rules and regulations applicable to company’s activities and relevant internal documentation; and
- (iii) assists the organisation as a whole to be compliant with all applicable laws, authority regulations and business standards, as well as Group’s internal rules in all its activities.

Each Sampo Group company may organize and deploy its preferred set of compliance activities as it deems appropriate for the circumstances. The Board of Directors of each Group company has an obligation to ensure that each company has necessary resources and tools available for required compliance activities.

To secure effective and purposeful compliance activities, the compliance function shall have a right to request and receive from the line organization all relevant information and documentation as is deemed necessary.

## 3 Core Compliance Principles

Core compliance principles applicable for all Sampo Group companies, which determine the essential features of effective compliance activity, are categorized here under four different headings:

- (1) principles regarding the establishment of compliance as a corporate policy and the management of compliance;
- (2) principles regarding structuring and controlling of compliance activity;
- (3) principles related to communication and training of compliance; and
- (4) principles related to the creation of a set of appropriate and proportionate responses to potential compliance failures.

Adherence to the principles described here aim at helping Group companies to establish and operate effective compliance programs leading to business practices, which are generally considered not only successful in ensuring compliance with legal, regulatory and industry standards as well as Sampo Group's values, but also effective and financially justifiable.

### 3.1 Principles Regarding the Establishing of Compliance as a Corporate Policy and the Management of Compliance

In order to build a prudent corporate compliance culture, compliance should be established as a corporate policy and it should be endorsed at top levels.

Compliance as a corporate policy entails that compliance has a high-level oversight and that it is managed actively. Managing compliance means structuring compliance activities and practices to be effective, while still enhancing company's business and preserving its legal privileges and rights.

Managing compliance also means, e.g., identifying and monitoring conduct causing compliance risks based on industry or organizational experience, as well as the occasions for such conduct.

Ability to respond to change is an essential feature of effective compliance management. Consequently, a compliance program should consist of dynamic processes, which are designed to be flexible and are modified, when appropriate, to reflect changing conditions.

### 3.2 Principles Regarding the Structuring and Controlling Compliance

Sampo Group companies compliance activities should be structured to facilitate full compliance without unnecessarily obstructing the operative work of business units, i.e. compliance should be an inherent part of business behavior. It requires not only that the compliance function is assigned with necessary resources but also that all personnel is assigned individual responsibility over compliance on personal level – compliance is not, and cannot be something that is only the responsibility of the personnel of the compliance function.

Individual responsibility, on its behalf, requires the delegation of substantial discretionary authority and powers (i.e. duties, mandates, limits and other operational steering tools) in a clear and responsible manner. It is also crucial that the delegated authorities and powers are effectively communicated and enforced within the organization.

Compliance auditing and monitoring measures may deter ethical and legal misconduct in the same way that financial audits may deter financial misconduct. Therefore, any compliance program, to be effective and useful, also requires the setting of necessary and appropriate control points to detect and address potential weaknesses in business practices and steering processes, which may lead to lapses in compliance.

It is also essential that detected weaknesses be reported in a pertinent manner to avoid the repetition of those weaknesses in other parts of the organization.

### 3.3 Principles Regarding Communicating and Training Compliance

In order to be able to be compliant, the organization and its personnel need to be informed of the set of norms it is expected to follow. Therefore, it is essential that company specific compliance programs contain a clear plan how applicable rules and standards will be communicated to personnel.

Any communication plan should evaluate and address what kind of training different employee groups need, i.e. all training should be matched with and tailored to the tasks of the audience.

A communication plan should also define the communication responsibilities, i.e. what are the respective roles of the compliance organization on one hand and the business line organization on the other hand in communicating relevant compliance issues.

### 3.4 Principles Related to the Creation of a Set of Appropriate and Proportionate Responses to Potential Compliance Failures

An effective compliance program is proactive in its approach to dealing with incidents of noncompliance. A proactive compliance program, capable of responding promptly and decisively, has in place processes and remedies to mitigate or eliminate misconduct or non-compliance and the future risk of recurrence. An important step in ensuring that the organization responds to a violation of legal or compliance program standards is to bring the violation to the attention of the management.

Each group company should evaluate what kind of processes and methods of reporting possible violations, and what kind of responses, it deems appropriate. Main rule should be that the response is proportionate and fair in relation to the violation. However, non-compliance must never be rewarded, e.g. variable compensation schemes and financial risk management practices should be built so that risk taking in excess of limit framework, even if ending in financially beneficial result, can never result in increased compensation.

## 4 Reporting on Compliance Issues

Reporting of compliance issues in Sampo Group is three-faceted:

- (1) Reporting within the Group companies
- (2) Group companies' reporting to Sampo plc's compliance organization; and
- (3) Reporting to Sampo plc's Board of Directors and Audit Committee, and to Sampo's executive management.

### 4.1 Reporting within Group Companies

Group companies shall arrange for their respective reporting on compliance issues as is deemed appropriate in each group. Reporting responsibilities and requirements should, however, be clearly defined and published in company specific compliance policies.

### 4.2 Group Companies' Reporting to Sampo plc

- (1) Group companies' compliance units shall report to Sampo plc's compliance organization quarterly on the ongoing and/or threatening litigations, which may have a significant financial or other consequences;
- (2) The compliance units of Group companies report to Sampo plc's compliance organization quarterly of relevant regulatory development;
- (3) The compliance units of Group companies also report to Sampo plc's compliance organization quarterly of relevant compliance issues during previous quarter;
- (4) The compliance units of Group companies report – on an ad hoc basis – to Sampo plc's compliance organization on any compliance issues which may (i) cause significant financial losses directly or indirectly to the Group company or Sampo Group as a whole, (ii) threaten soundness, and/or integrity of the compliance function, and/or (iii) threaten the reputation of Sampo Group.

The specific form of above reporting shall be agreed between the relevant organizations.

### 4.3 Reporting to Sampo plc's Audit Committee (Board of Directors)

- (1) Based on the reports from the Group companies, Sampo plc's compliance organization compiles quarterly a report of the ongoing and/or threatening litigations;
- (2) Based on the reports from the Group companies, Sampo plc's compliance organization compiles a quarterly report on regulatory development;
- (3) Based on the reports from the Group companies, Sampo plc's
- (4) risk management organization compiles a quarterly report on relevant compliance issues within Sampo Group during previous quarter;
- (5) In addition, Sampo plc's compliance organization reports to the Audit Committee whenever significant lapses in compliance potentially occur.

## 5 The Independence of the Compliance Function

The purpose of a compliance function is to assure the compliance with applicable norms in all activities.

A compliance function completely independent from business units would lead to at least certain level of insulation of the organization from day to day business activities and, consequently, also to potentially weaker steering capabilities of the function.

In Sampo Group, compliance activities should be a function supporting business activities, even if being administratively separated from day-to-day business responsibilities to avoid potential conflicts of interest between the compliance function and business units. Any remaining and potential new conflicts of interest as regards compliance activities should also be actively identified, and dealt with in an appropriate manner.

Sampo Group companies' compliance functions should, in close cooperation with business management and in a practical and effective manner, ensure the prudent observation of applicable normative framework in all operations, rather than being an additional tool for controlling and/or auditing business operations, unless specifically requested in applicable legal or regulatory framework or deemed otherwise pertinent on company level. Accordingly, Group companies are encouraged to incorporate compliance reviews into existing internal audits, utilizing the audit skills and professional standards of auditors.

## 6 Review and Update

These principles are reviewed annually and always when deemed necessary due to material changes in regulatory framework, operating environment or within Sampo Group. All updates and amendments to these principles shall be approved by Sampo plc's Board of Directors.

Sampo plc's compliance organization is responsible for the review and update process.





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