# SUPPLEMENT DATED 25 AUGUST 2020 TO THE BASE PROSPECTUS DATED 3 APRIL 2020

# SAMPO 🗲 GROUP

# **SAMPO PLC**

(incorporated with limited liability in Finland)

#### EUR 4,500,000,000 (*increased from EUR 4,000,000,000*) Euro Medium Term Note Programme

This Supplement (the "**Supplement**") to the base prospectus (the "**Base Prospectus**") dated 3 April 2020 which comprises a base prospectus for the purposes of the Prospectus Regulation constitutes a supplement to the prospectus for the purposes of Article 23 of the Prospectus Regulation and is prepared in connection with the EUR 4,500,000,000 Euro Medium Term Note Programme (the "**Programme**") established by Sampo plc (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement. When used in this Supplement, **Prospectus Regulation** means Regulation (EU) 2017/1129.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **Purpose of the Supplement**

The purpose of this Supplement is to:

- (a) increase the Programme Size (as defined below);
- (b) incorporate by reference the unaudited consolidated financial statements (including the notes thereto) of the Issuer in respect of the half year ended 30 June 2020 (set out on pages 28 to 57 of the Issuer's "Interim Report Q2/2020" for the six month period ended 30 June 2020 (the "Q2 Interim Report")) together with (i) certain solvency-related information and (ii) information relating to the effects of the COVID-19 pandemic on the Sampo Group;
- (c) update the sub-section entitled "*Risks relating to the macroeconomic environment and global financial markets*" under the section entitled "*Risk Factors*" to add a new risk factor entitled "*The occurrence of epidemics and pandemics, such as the outbreak of COVID-19, may affect the Sampo Group's business and financial performance*";
- (d) update the sub-section entitled "*Risks relating to Sampo Group's business and operations*" under the section entitled "*Risk Factors*" to add a new risk factor entitled "*Sampo Group is subject to risk as a result of the Planned Acquisition*";
- (e) update the risk factor entitled "*The Tier 2 Notes are subject to optional redemption, substitution or variation by the Issuer*" under the sub-section entitled "*Risks relating to Tier 2 Notes*" under the section entitled "*Risk Factors*";
- (f) update the sub-section entitled "*Recent Events*" under the section entitled "*Description of the Issuer*"; and

(g) update the "no significant change" and "no material adverse change" statements of the Issuer and the Group in the "*General Information*" section of the Base Prospectus.

#### **Increase in the Programme Size**

Pursuant to the Dealer Agreement dated 3 April 2020 (as modified and/or supplemented and/or restated from time to time, the **Dealer Agreement**), the maximum aggregate principal amount of Notes issued by the Issuer under the Programme that may be outstanding at any one time (the **Programme Size**) is increased from the current Programme Size of EUR 4,000,000,000 to EUR 4,500,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement). From the date of this Supplement, all references in the Base Prospectus to the Programme Size of EUR 4,000,000,000 shall be deemed to be references to the Programme Size of EUR 4,500,000,000. The Programme Size may be further increased from time to time in accordance with the Dealer Agreement.

The increase of the Programme Size from EUR 4,000,000,000 to EUR 4,500,000,000 has been duly authorised by a resolution of the Board of Directors of the Issuer (the **Sampo Board**) passed on 5 August 2020.

# Q2 Interim Report for the six month period ended 30 June 2020

On 5 August 2020 the Issuer published its Q2 Interim Report. By virtue of this Supplement, the unaudited consolidated financial statements (including the notes thereto) of the Issuer in respect of the half year ended 30 June 2020 (set out on pages 28 to 57 of the Issuer's Q2 Interim Report), the section headed "COVID-19 effects on Sampo Group" (set out on pages 7 to 8 of the Issuer's Q2 Interim Report) and the sections headed "Group solvency" and "Solvency position in the subsidiaries" (set out on pages 20 to 21 of the Issuer's Q2 Interim Report) are incorporated in, and form part of, the Base Prospectus.

The section entitled "*Information Incorporated by Reference*" on page 31 of the Base Prospectus shall be supplemented to include the following new paragraph:

"(12) The unaudited consolidated financial statements (including the notes thereto) of the Issuer in respect of the half-year ended 30 June 2020 (set out on pages 28 to 57), the section headed "COVID-19 effects on Sampo Group" (set out on pages 7 to 8) and the sections headed "Group solvency" and "Solvency position in the subsidiaries" (set out on pages 20 to 21) contained in the Issuer's "Interim Report Q2/2020" for the six month period ended 30 June 2020."

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

For the avoidance of doubt, any information contained or incorporated by reference in the sections of the Q2 Interim Report which are not incorporated by reference in and do not form part of the Base Prospectus is either not relevant to investors or is covered elsewhere in the Base Prospectus.

#### **Risk Factors**

The sub-section entitled "*Risks relating to the macroeconomic environment and global financial markets*" under the section entitled "*Risk Factors*" on pages 9 to 14 of the Base Prospectus shall be supplemented by the following additional risk factor:

"The occurrence of epidemics and pandemics, such as the outbreak of COVID-19, may affect Sampo Group's business and financial performance

The outbreak of COVID-19 (as defined in the risk factor entitled "Sampo Group's business and financial performance have been and will continue to be affected by general economic conditions in Europe and elsewhere and the other adverse developments in the European or global financial markets could cause the Issuer's earnings or profitability to decline" on pages 9 to 10 of the Base Prospectus) and the shutdowns and other restrictions implemented by authorities around the world in an attempt to contain the spread of the disease have led to an economic downturn in many countries, as well as increased volatility in financial and other markets. The severity and duration of the resulting adverse impact on the global economy and on the value of investment assets is currently uncertain and there is no certainty that measures to restrict spread of the disease or mitigate its impacts will be effective. The Sampo Group is affected by the COVID-19 outbreak through its direct and indirect impact on customers, counterparties, employees and other stakeholders of the Sampo Group. Please see the section entitled "COVID-19 effects on Sampo Group" set out on pages 7 to 8 of the Issuer's Q2 Interim Report incorporated by reference in this Base Prospectus for further information regarding the effect of the COVID-19 outbreak on the Sampo Group.

There can be no assurance that a pandemic such as the outbreak of COVID-19 would not have any adverse impact on the Sampo Group's business, reputation, results of operations and financial condition. The COVID-19 outbreak could, depending on the nature, length and severity of the pandemic, materially adversely impact the Sampo Group, for example by way of increased claims and decreased financial performance of the Sampo Group's business. The outbreak could impact the Sampo Group's investments or capital if investments decrease in value. It could directly and indirectly impact the Sampo Group if staff, employees or contractors are affected by illness from the disease, if offices are required to be closed or travel restrictions are imposed, or as a result of differing requirements or guidance imposed or announced by authorities in the various jurisdictions in which the Sampo Group as a result of the outbreak, and the Group's staff, employees and contractors may be restricted in their abilities to carry out their usual functions. There could be negative impacts on the supply chains on which the Sampo Group relies, which could cause the fulfillment of claims to become more costly or to take longer.

Actions taken by governments, central banks and/or supervisory authorities in relation to the COVID-19 outbreak could potentially impact the Sampo Group's business, including by limiting the Sampo Group's flexibility in relation to solvency, capital, liquidity, asset management and business strategy. For example, in April 2020 the European Insurance and Occupational Pensions Authority ("**EIOPA**") publicly urged insurers to suspend distributions to shareholders in the light of the COVID-19 outbreak. There is a risk that supervisory authorities could introduce additional guidance, conditions or restrictions in relation to capital requirements, distributions (including the payment of interest on Notes issued under the Programme) and liquidity. Supervisory authorities may also interpret their own regulatory policies and expectations so as to require, or strongly encourage, payments to be made on policies in circumstances where payments would not otherwise be required under the contractual terms of the relevant policy, which could result in increased costs, substantial legal liabilities or significant regulatory action.

Severe pandemics, such as the COVID-19 outbreak, could have a significant global economic impact and result in changes in societal behaviours, government priorities and consumer spending patterns, which could in turn affect the Sampo Group's business, results of operations and financial condition. As a result, the business, results of operations, corporate reputation and financial condition of the Sampo Group could be adversely impacted. In addition, it remains too early to quantify the long term impact of COVID-19 on the Sampo Group's business and results, which depend on a range of factors, including the extent and duration of the period of disruption caused by the COVID-19 outbreak and its impact on the global economy."

The sub-section entitled "*Risks relating to Sampo Group's business and operations*" under the section entitled "*Risk Factors*" on pages 14 to 16 of the Base Prospectus shall be supplemented by the following additional risk factor:

#### "Sampo Group is subject to risk as a result of the Planned Acquisition

On 5 August 2020 the Sampo Group and Rand Merchant Investment Holdings Limited ("**RMI**") announced a recommended cash offer to acquire all issued and to be issued shares in Hastings Group Holdings Plc ("**Hastings**") not currently owned or controlled by Sampo and RMI (the "**Planned Acquisition**"). See the section entitled "Recent Events" below for a more detailed discussion of the Planned Acquisition.

There can be no assurance that the conditions to the Planned Acquisition will be satisfied or that the Planned Acquisition will be completed. If the Planned Acquisition does not complete the anticipated benefits of the Planned Acquisition to the Sampo Group will not be realised.

If the Planned Acquisition is completed, it may take longer than expected to realise certain or all of the desired benefits from the Planned Acquisition. Some of the potential challenges in indirectly owning a share of Hastings' businesses may not be known until after completion of the Planned Acquisition and if these challenges cannot be overcome the anticipated benefits of the Planned Acquisition will not be fully achieved. Further, the Sampo Group, following the Planned Acquisition, may not achieve the growth in revenue or profitability that justify the Sampo Group's investment and this could have a material adverse effect on the Sampo Group's businesses, financial condition and results of operations.

If the Planned Acquisition completes, the Sampo Group would indirectly share ownership and management in Hastings with RMI (as further described in "Recent Events" below) who may not have the same goals, strategies or priorities as the Sampo Group. Operating a business through a jointly owned company often requires additional organisational formalities, as well as time-consuming procedures for sharing information and making decisions that must further take into account the interests of the co-owners of the jointly ow ned company. If relationships with RMI or any other partner in the jointly owned company were to deteriorate the Sampo Group's indirect investment in Hastings may be materially adversely affected which could have a material adverse effect on the Sampo Group's businesses, financial condition and results of operations.

Potential investors in the Notes issued under the Programme should consider that there is necessarily uncertainty as to the actual effect that the Planned Acquisition will have on the consolidated financial statements of the Sampo Group and there is a risk that the financial condition and solvency of the Sampo Group on a consolidated basis following the Planned Acquisition could be weaker than the consolidated financial condition and solvency of the Sampo Group and of Sampo Group's proposed indirect share in Hastings shown in their respective audited annual financial statements for the year ended 31 December 2019 in particular as a result of COVID-19 and its impact on the Sampo Group or Hastings.

Upon completion of the Planned Acquisition, a significant portion of the difference between the purchase price paid and a proportionate share of Hastings' net assets at the date of completion will, when preparing the purchase price allocation in accordance with IFRS 3 "Business Combinations", be recorded as intangible assets including goodwill. Under IFRS, goodwill is not amortised but is tested for impairment annually or more often if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular, if the business of the consolidated Sampo Group following the Planned Acquisition does not develop as expected, impairment charges may be incurred in the future, which could be significant and which could have an adverse impact on the Group's business and financial condition."

The last paragraph of the risk factor entitled "*The Tier 2 Notes are subject to optional redemption, substitution or variation by the Issuer*" on page 24 of the Base Prospectus under the sub-section entitled "*Risks relating to Tier 2 Notes*" under the section entitled "*Risk Factors*" shall be deemed deleted and replaced with the following paragraph:

"During any period when the Issuer may elect to, or is perceived to be able to, redeem the Tier 2 Notes, their market value generally will not rise substantially above the price at which they can be redeemed."

# **Recent Events**

The sub-section entitled "*Recent Events*" on page 142 of the Base Prospectus under the section entitled "*Description of the Issuer*" shall be supplemented to include the following additional information:

#### "Impact of the COVID-19 outbreak on the Sampo Group's business

Please refer to the section headed "COVID-19 effects on Sampo Group" (set out on pages 7 to 8 of the Issuer's Q2 Interim Report incorporated by reference in this Base Prospectus) for information relating to the impact of the COVID-19 pandemic on the Sampo Group's business."

# "The Planned Acquisition

On 5 August 2020 the Sampo Group and RMI announced a recommended cash offer to acquire all issued and to be issued shares in Hastings not currently owned or controlled by Sampo and RMI. Extracts from the announcement are reproduced below.

# "Sampo Group's recommended cash acquisition of a majority stake in Hastings Group Holdings Plc

Following the announcement of Sampo and Rand Merchant Investment Holdings Limited's ("**RMI**") potential interest in UK Property & Casualty ("**P&C**") insurance company Hastings Group Holdings Plc ("**Hastings**"), Sampo and RMI have today announced a recommended cash offer to acquire all issued and to be issued shares in Hastings not currently owned or controlled by Sampo and RMI.

The offer price is GBP 250 for each Hastings share, valuing Hastings' entire issued and to be issued share capital at approximately GBP 1.66 billion or approximately EUR 1.84 billion.

The offer price represents a premium of approximately 37.5 per cent to the volume-weighted average price of GBP 182 per Hastings Share for the three-month period ended 28 July 2020 (being the last Business Day before Hastings announced it had received an approach that may or may not lead to an offer).

Sampo and RMI have entered into a newly-formed jointly owned company for the purposes of acquiring Hastings. Following completion of the offer, Sampo and RMI will own and control 70 per cent and 30 per cent of the shares and votes in the jointly owned company, respectively. RMI is a South African financial services investment holding company that is a 29.7 per cent shareholder in Hastings having acquired the stake in 2017 for GBP 248 per share.

The size of Sampo's investment, based on its 70 per cent stake, would be GBP 1.16 billion or EUR 1.29 billion valued at the offer price.

Sampo expects to fund its part of the acquisition with approximately EUR 1 billion of newly issued hybrid Tier 2 capital with the residual coming from existing cash resources.

#### Strategic rationale for acquisition

Sampo has a strategic ambition to expand further into non-life insurance, a segment where it has extensive experience and expertise. As part of this strategy, and in the context of its leading market positions in the Nordic markets, Sampo has been considering a geographic expansion beyond its current footprint. Sampo believes that the UK, as one of the largest retail P&C markets in Europe, offers an attractive scale opportunity.

In this context, the acquisition of Hastings represents an attractive opportunity for Sampo to advance its strategy and accelerate its repositioning towards retail P&C insurance. Hastings is a leading motor insurer in the UK and has recently been diversifying into other non-life insurance products including home insurance.

Both motor and home insurance represent large markets in the UK with growth potential for the Hastings business.

The acquisition of Hastings provides an attractively positioned platform in one of the most digitally advanced markets globally. The UK is characterized by its high levels of digital distribution and Hastings is one of the leading distributors of motor insurance policies in this market. Sampo believes that, under its ownership together with that of RMI, Hastings will be able to further develop its agile and digital business model to create long-term value.

RMI has a similar investment philosophy to Sampo, with a long-term horizon and a focus on building enduring value over many and differing market cycles. Given the significant retail P&C insurance experience and expertise of Sampo, through its subsidiaries If P&C Insurance and Topdanmark, and RMI, through its ownership of OUTsurance and existing shareholding in Hastings, the intention is to combine this knowledge to drive the strategic direction of Hastings. RMI brings institutional knowledge in Hastings and the UK P&C market to the jointly owned company.

Sampo and RMI intend for Hastings to continue to be operated on a standalone but unlisted basis. Sampo believes that a private partnership with RMI provides an optimal structure for Hastings to fulfil its potential and build long-term value for its stakeholders. As a private company, Sampo believes Hastings will benefit from a more long-term approach to decision making.

Sampo and RMI believe with their experience and under private ownership there are a number of areas of Hastings' operations that can be improved, including claims handling sophistication, expansion into home insurance, customer retention and reinsurance strategy.

# Financial impact of an acquisition on Sampo Group

The Sampo Board expects the acquisition of Hastings to be accretive to earnings per share and RoE from the first full year following completion. Sampo estimates the transaction will have a positive impact on earnings per share [...]. Meanwhile, it is expected that Sampo's solvency position will remain robust at approximately 175 per cent (post planned issuance of approximately EUR 1 billion of hybrid Tier 2 capital to part finance the transaction).

Sampo does not believe that the transaction will lead to a change in the Group's credit ratings subject to the planned financing structure. The Sampo Board do not expect the acquisition to impact the Sampo's dividend policy in the short-term but is expected to enhance the dividend potential in the long-term.

# General information about Hastings

Founded in 1996, Hastings is one of the leading property and casualty insurance (P&C) providers to the UK market, with approximately 3 million live customer policies and employing over 3,500 colleagues at sites in Bexhill, Leicester, Gibraltar and London. Hastings provides straightforward products and services to UK car, bike, van and home insurance customers with around 90 per cent of policies directly underwritten by Hastings' Gibraltar-based underwriting business, Advantage Insurance Company Limited (Advantage).

Hastings operates as an insurance provider with two separate businesses. Hastings' retail business, Hastings Insurance Services Limited, is responsible for product design, pricing, fraud management, distribution and management of the underlying customer relationships. Hastings' underwriting business, Advantage Insurance Company Limited, undertakes risk selection, underlying technical pricing, reserving and claims handling.

# [...]

# General information about RMI and the shareholders agreement

RMI is a South African financial services investment holding company founded in 1977 and listed on the Johannesburg Stock Exchange with a market capitalization of ZAR 48.4 billion or EUR 2.4 billion on 4 August 2020.

RMI aims to be a value-adding, active enabler of leadership and innovation in financial services and currently holds an investment portfolio including its existing investment in Hastings and investments in some of South Africa's premier insurance brands and in next-generation financial services and asset management companies. RMI has been the largest shareholder in Hastings since 2017.

Sampo and RMI have entered into a long-term partnership in relation to Hastings. The governance of the jointly owned company reflects the relative shareholdings of Sampo and RMI, recognizing Sampo's controlling position, but protecting RMI's interest with customary minority protections. The shareholder agreement includes customary exit arrangements for agreements of this type.

#### Hastings Board recommendation and transaction structure

The independent directors of Hastings intend to recommend unanimously that Hastings' shareholders approve the offer and have entered into irrevocable undertakings to do so in an amount of 0.33 per cent of Hastings' issued share capital.

It is intended that the offer will be implemented by way of a court-sanctioned scheme of arrangement under English law. The scheme document is expected to be posted to Hastings' shareholders within 28 days after the 2.7 announcement and Hastings' shareholder meetings to approve the scheme will take place no earlier than 21 days after posting of the scheme document. It is expected that Hastings' shareholder meeting to approve the scheme will take place before the end of September 2020. Sampo and RMI expect all other conditions and regulatory approvals to be satisfied, and the scheme to become effective, by year-end.

[...]""

# **General Information**

The paragraph "Significant/Material Change" on page 160 of the Base Prospectus shall be deemed deleted and replaced with the following paragraphs:

#### "Significant/Material Change

Save as disclosed in the section headed "COVID-19 effects on Sampo Group" (set out on pages 7 to 8 of the Issuer's Q2 Interim Report incorporated by reference in this Base Prospectus) since 31 December 2019, there has been no material adverse change in the prospects of the Issuer or the Issuer and the Group.

Save as disclosed in the section headed "COVID-19 effects on Sampo Group" (set out on pages 7 to 8 of the Issuer's Q2 Interim Report incorporated by reference in this Base Prospectus) since 30 June 2020, there has been no significant change in the financial position or financial performance of the Issuer or the Issuer and the Group."

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

This Supplement may contain forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although the Sampo Group believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for the Sampo Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate and (iii) developments in capital markets.

This Supplement does not imply that the Sampo Group has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when there statements were provided.