



CORPORATE  
GOVERNANCE  
STATEMENT

GOVERNANCE  
STEERING  
SYSTEM

GENERAL  
MEETING

BOARD OF  
DIRECTORS

BOARD-  
APPOINTED  
COMMITTEES

SAMPO GROUP  
EXECUTIVE  
COMMITTEE

GROUP CEO  
AND  
PRESIDENT

INTERNAL  
CONTROL IN  
SAMPO GROUP

SAMPO  GROUP

# CORPORATE GOVERNANCE STATEMENT

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# 2019



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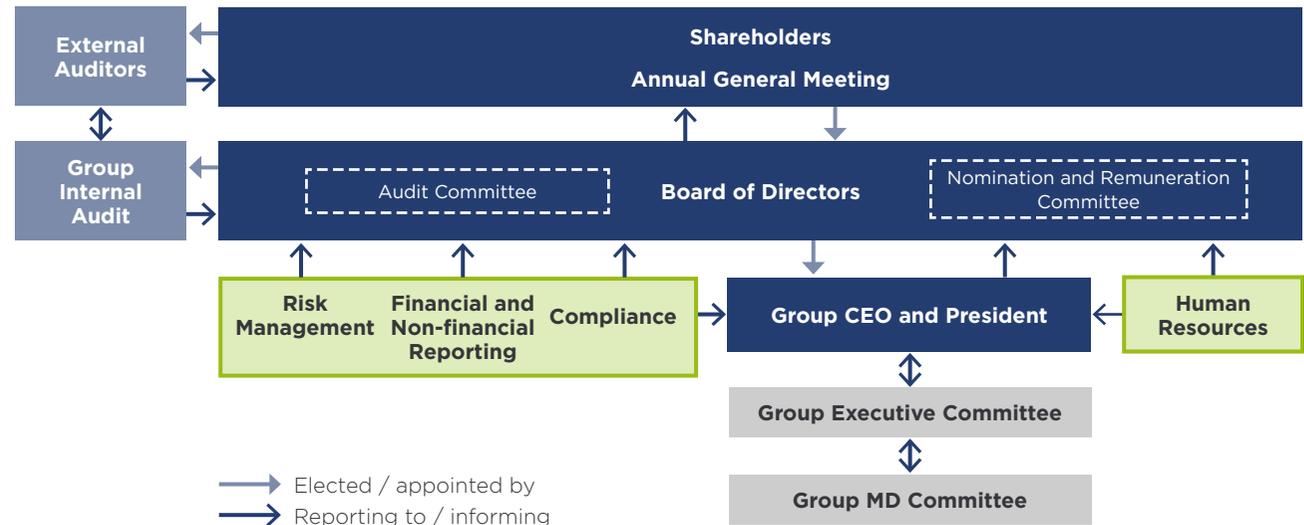
# Corporate Governance Statement

During 2019 Sampo complied in full with the Finnish Corporate Governance Code 2015 approved by the Securities Market Association on 1 October 2015, effective from 1 January 2016 (the “CG Code 2015”).

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 (the “CG Code 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 2015 and 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.





# 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.

According to Sampo plc's Articles of Association, the AGM

### receives

1. the Financial Statements;
2. the Auditors' Report;

### resolves

3. the acceptance of the Financial Statements;
4. the measures occasioned by the profit shown in the accepted Financial Statements;
5. the release from liability of the members of the Board of Directors and the Managing Director;
6. the number of members of the Board of Directors and their fees;
7. the fees of the Auditor;

### elects

8. the members of the Board of Directors;
9. the Auditor; and

### deals with

10. any other business on the meeting agenda.

In 2019, Sampo plc's AGM was held on 9 April.



## 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 9 April 2019, the total number of represented shareholders was 3,627, representing 65.3 per cent of the votes of all Sampo's shares.

## Shares and Shareholders

As of 31 December 2019 the total number of Sampo plc's shares, including both 554,151,850 A shares and 1,200,000 B shares, equaled 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 2019, the total number of registered shareholders was 127,424, who held 203,325,569, or 36.61 per cent, of shares. In addition, 11 nominee registers held 352,026,281 shares, representing 63.39 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. The Board of Directors decides, among other things, on Sampo Group's strategy and adopts the principles governing the Group's risk management, remuneration, compliance and internal control. It also takes responsibility for the proper organization of the Group's operations and defines the required internal minimum capitalization for Group companies. The Board also decides, within the framework of the company's business area, on other exceptional and far-reaching matters with respect to the scope and nature of Sampo Group. In addition, the Board regularly evaluates its operations and working methods.

The Board appoints and discharges the Group CEO, the members of the Group Executive Committee, and the Group Chief Audit Executive. The Board also decides on the terms and conditions of their employment and on other remuneration. In addition, the Board decides on the essential criteria underlying the Group's remuneration system, implements and supervises the Group Remuneration Principles and Sampo plc's remuneration policy for personnel and decides on other far-reaching matters concerning the personnel.

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.

## 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 Codes 2015 and 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 (formerly Nomination and Compensation Committee, until 31 December 2019), the Annual General Meeting of 2019 decided that the Board would consist of eight members until the close of the Annual General Meeting to be held in 2020.

The following persons served on Sampo plc's Board of Directors in 2019:



## Björn Wahlroos

### Chair of the Board

Born 1952, Ph.D. (Econ.)

### *Positions of Trust, 31/12/2019*

**UPM-Kymmene Corporation**, *Chairman 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

(as of 9 April 2019)

Born 1961, M.Sc. (Econ.)

### *Positions of Trust, 31/12/2019*

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

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

**Teleste Corporation**, *Board Member;*

**Hanken School of Economics**, *Chairman 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

### Chairman for the Nordics, BlackRock Inc.

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

### *Positions of Trust, 31/12/2019*

**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, 31/12/2019*

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

*Chairman of the Board*

**Hargreaves Lansdown, Board Member**

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



## Johanna Lamminen

### CEO, Gasum Ltd

Born 1966, D.Sc. (Tech.)

### *Positions of Trust, 31/12/2019*

**Cargotec Corporation, Board Member**

**Gasum AS, Chairman of the Board**

**Finnish Foundation for Technology Promotion, Board Member**

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



## Veli-Matti Mattila

### President and CEO, Elisa Corporation

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

### *Positions of Trust, 31/12/2019*

**Service Sector Employers PALTA, Board Member;**

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

**The Research Institute of the**

**Finnish Economy ETLA, Board Member;**

**The National Emergency Supply Council, Member;**

**The Finnish Fair Association,**

*Member of the Supervisory Board*

Member of the Board of Directors of Sampo plc since 7 April 2009.



## Risto Murto

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

Born 1963, Ph.D. (Econ.)

### *Positions of Trust, 31/12/2019*

**Wärtsilä Corporation**, Board Member;

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

**The Finnish Pension Alliance TELA**,

Board Member;

**University of Oulu**, Chairman of the Board;

**Finnish National Opera and Ballet**,

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, Master of Laws

### *Positions of Trust, 31/12/2019*

**Stora Enso Oyj**, Board Member;

**Metso Corporation**, Board Member;

**Rake Oy**, Board Member

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

## Eira Palin-Lehtinen

Born 1950, Master of Laws (trained on the bench)

Member of the Board of Directors of Sampo plc  
from 15 April 2008 to 9 April 2019.

## Adine Grate Axén

Born 1961, M.Sc. (Finance)

Member of the Board of Directors of Sampo plc  
from 14 April 2011 to 9 April 2019.



When elected, all current Board members were independent of the company. Furthermore, all Board members but Antti Mäkinen were independent of company's major shareholders. Mäkinen was deemed not to be independent of the major shareholders because of his position as the CEO of Solidium Oy, a major shareholder of the company (relationship with a significant shareholder according to recommendation 10 (g) of the Finnish Corporate Governance Code 2020).

In 2019 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 nine times in 2019. The attendance of Board members at meetings was 100 per cent.

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

On 31 December 2019, the members of the Board of Directors owned directly or through legal entities controlled by them Sampo's A shares as follows:

• Björn Wahlroos	4,946,969
• Jannica Fagerholm	4,701
• Christian Clausen	2,129
• Fiona Clutterbuck	753
• Johanna Lamminen	711
• Veli-Matti Mattila	6,870
• Risto Murto	2,595
• Antti Mäkinen	5,131

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

The Audit Committee is responsible for monitoring the statutory auditing and reporting process of the financial statements and consolidated financial statements and preparation of the Group's non-financial reporting. The Audit Committee is further responsible for supervising the accuracy of Sampo Group's financial statements as well as supervising and assessing the Group's financial reporting process and supervising the preparation of

Group's Solvency II related reporting. It further monitors the profitability, capitalization and liquidity of the Group companies.

The Committee supervises the actions of the auditor under the laws of Finland, monitors and evaluates the auditor's invoicing for audit and non-audit services as deemed appropriate.

Furthermore, the Audit Committee is responsible for monitoring and evaluating the auditor's and auditing firm's independence and particularly their provision of related services to Sampo Group, and for preparing proposals to the Annual General Meeting concerning the auditor's election and its fee.

Additionally, the Committee monitors and assesses the efficiency of the Group's internal control, internal audit and risk management systems, and supervises the Group's risks and the quality and scope of risk management. In addition, the Committee approves internal audit's annual action plan, monitors the fulfillment of risk policies, the use of limits and the development of profit in various business areas, supervises the preparation of, and compli-

ance with risk management policies and other guidelines within the scope of Audit Committee's activities, and reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's Corporate Governance Statement. The Committee defines the general principles regarding monitoring and evaluating transactions concluded between Sampo plc and its related parties and it further reviews the reporting processes regarding the said transactions.

The Committee evaluates the compliance with laws and regulations in Sampo Group, monitors significant litigations of Group companies, supervises communication with the various regulatory authorities based on reporting addressed to the Committee and executes any other duties that may be bestowed upon it by the Board.

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 2019, the Chair of the Audit Committee was **Jannica Fagerholm**, and the other members were **Christian Clausen, Adine Grate Axén** and **Antti Mäkinen** until 9 April 2019 and **Fiona Clutterbuck** and **Johanna Lamminen** thereafter. Also the Auditor's representatives, Group CEO, Group CFO and Group Chief Audit Executive were participating in the meetings.

The Audit Committee convened four times in 2019 and the attendance of members at the meetings was 94 per cent. While attendance of other members was 100 per cent, Fiona Clutterbuck was unable to attend one meeting out of the three that were convened during her Audit Committee membership.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee is entrusted to prepare and present proposals for Sampo's Annual General Meeting on the composition of the Board, the Remuneration Policy for Governing Bodies of Sampo plc (presented first time in the Annual General Meeting of 2020), the remuneration of Board members in accordance with the Remuneration Policy for Governing Bodies and the remuneration report for governing bodies. The Committee consults the largest shareholders in these matters.

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.

The Committee is also responsible for preparing proposals for Sampo's Board on the evaluation of the independence of the members of the Board, on the Board Diversity Policy, on the composition and chair of the Board's committees, on the appointment of Sampo Group CEO and President and the composition of Sampo Group's Executive Committee, the composition of the Group MD Committee, and, to the extent required, makes surveys of potential successors to aforementioned positions. The Committee also prepares proposals for the Board on the remuneration of the Group Executive Committee members.

Nomination and Remuneration Committee also prepares for the Board's decision Sampo Group's Remuneration Principles and Sampo plc's Remuneration Policy for Personnel, Sampo Group's long-term incentive schemes, maximum pay-outs based on short-term incentive programs and long-term incentive schemes as well as the actual payments to be made.

As authorized by the Board of Directors, the Committee also decides on the fixed salaries of the members of the Group Executive Committee, excluding the Group CEO and his/her deputy. The Committee also prepares a proposal for the Board on the appointment, employment conditions and other remuneration of Sampo Group's Chief Audit Executive. In addition, the Committee is responsible for preparing proposals for the Board on issues relating to the development of corporate governance and confirming the criteria and processes used for the Board's self-evaluation.



The Committee also regularly evaluates its own practices and co-operation with the executive management.

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

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

In 2019 the Chair of the Nomination and Remuneration Committee was **Björn Wahlroos**, and the other members were **Veli-Matti Mattila**, **Risto Murto**, and

**Eira Palin-Lehtinen** until 9 April 2019 and **Antti Mäkinen** thereafter.

The Committee convened six times in 2019 and the attendance of members at the meetings was 100 per cent.



## 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 2019:



## Kari Stadigh

**Group CEO and President, Sampo Group  
CEO, Sampo plc**

(retired as of 1 January 2020)  
Born 1955, M.Sc. (Eng.), BBA

### *Positions of Trust, 31/12/2019*

**Nokia Corporation**, Board Member;  
**Metso Corporation**, Board Member;  
**Waypoint Group Holdings SA**, Board Member

Member of Sampo Group Executive Committee  
since 2001.



## Torbjörn Magnusson

**Group CEO and President, Sampo Group  
CEO, Sampo plc**

(as of 1 January 2020)  
Born 1963, Licentiate of Engineering

### *Positions of Trust, 31/12/2019*

**Nordea Bank Abp**, Chairman of the Board;  
**If P&C Insurance Holding Ltd**, Chairman of the Board

Member of Sampo Group Executive Committee  
since 2004.



## Knut Arne Alsaker

**Group CFO, Sampo Group**

Born 1973, M.Sc. in Economics and  
Business Administration, Finance and Strategy

### *Positions of Trust, 31/12/2019*

**If P&C Insurance Holding Ltd**, Board Member;  
**Mandatum Life Insurance Company Limited**,  
Vice Chairman of the Board;  
**Norwegian Finans Holding ASA**, Board Member

Member of Sampo Group Executive Committee  
since 2014.



## Ingrid Janbu Holthe

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

Born 1982, Master of Business and Economics (finance)  
and CEMS MIM (Master in International Management)

Member of Sampo Group Executive Committee  
since 2019.



## Patrick Lapveteläinen

**Group CIO, Sampo Group**

Born 1966, M.Sc. (Econ.)

### *Positions of Trust, 31/12/2019*

**Asiakastiето Group Plc, Chairman of the Board;**

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

**Mandatum Life Insurance Company Limited,**

*Chairman 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, 31/12/2019*

**Alma Media Corporation**, *Deputy Chairman of the Board;*

**Mandatum Life Insurance Company Limited**,

*Board Member;*

**BenCo Insurance Holding B.V.**, *Board Member;*

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

**Kaleva Mutual Insurance Company**,

*Chairman of the Board;*

**Varma Mutual Pension Insurance Company**,

*Board Member;*

**Finland Chamber of Commerce**, *Board Member;*

**Finance Finland (FFI)**, *Life Insurance Executive*

*Committee, Chairman*

**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,

Master of Business and Economics

### *Positions of Trust, 31/12/2019*

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

**Finance Norway (Finans Norge, FNO)**,

*Member of the Executive Committee;*

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

Member of Sampo Group Executive

Committee since 2006.



## Ricard Wennerklint

**Chief of Strategy, Sampo Group**

(as of 1 January 2020),

**Executive Director**

(until 31 December 2019)

Born 1969, Executive Education,

Advance Management Program

### *Positions of Trust, 31/12/2019*

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

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

Member of Sampo Group Executive Committee

since 2005.



The Group MD Committee comprised **Kari Stadigh, Knut Arne Alsaker, Patrick Lapveteläinen, Torbjörn Magnusson, Petri Niemisvirta** and **Ricard Wennerklint**.

In 2019, 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 nine times.



## 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. **Kari Stadigh**, M.Sc. (Eng.), BBA (Econ.), was the Managing Director of the company and the Group CEO and President until 31 December 2019. In February 2019 Stadigh announced to retire as of 31 December 2019 after which Sampo's Board of Directors on 7 February 2019 appointed **Torbjörn Magnusson** as new Group CEO and President of Sampo Group, effective 1 January 2020. 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 2019, 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:

• Kari Stadigh	317,514
• Torbjörn Magnusson	46,460
• Knut Arne Alsaker	33,844
• Ingrid Janbu Holthe	0
• Patrick Lapveteläinen	254,549
• 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.



# INTERNAL CONTROL IN SAMPO GROUP

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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, successful internal control system presumes not only controlled steering processes for business management, but also appropriate control mechanisms. In Sampo Group, internal control system includes 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 separate risk management, Sampo Group's compliance function, with insider administration supplementing it, together with 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 data bases 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. 25)**. 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 Planning and Group Accounting units and it operates under the Group Chief Financial Officer. Group Control and Planning 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 and Planning 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 and targets of the Group's operations, as well as the related measurements and reporting. This is in the interests of and expected by the Group's various internal and external stakeholders.

Sampo plc's Board of Directors is responsible for and has the ultimate oversight of group-level corporate responsibility, including 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 responsi-

bility 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.

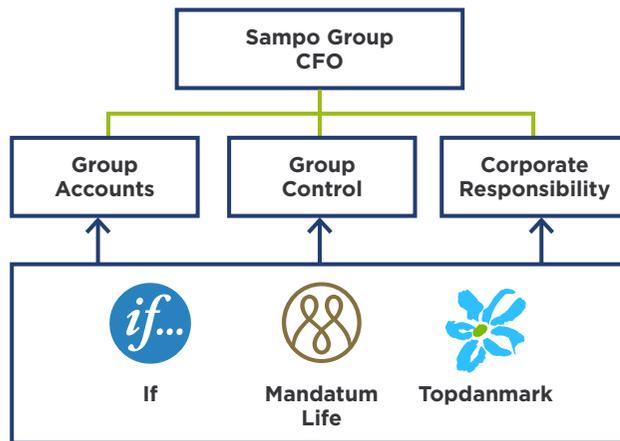
The Corporate Responsibility Unit, led by the Head of Corporate Responsibility, is responsible for the development and coordination of corporate responsibility at group-level. The unit prepares the group-level corporate responsibility reporting and the corporate responsibility program. It also sets schedules, 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 2019 will be published in May 2020, covering the period from 1 January to 31 December 2019. The report will provide further insight into Sampo's corporate responsibility activities.

## Risk Management

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



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.

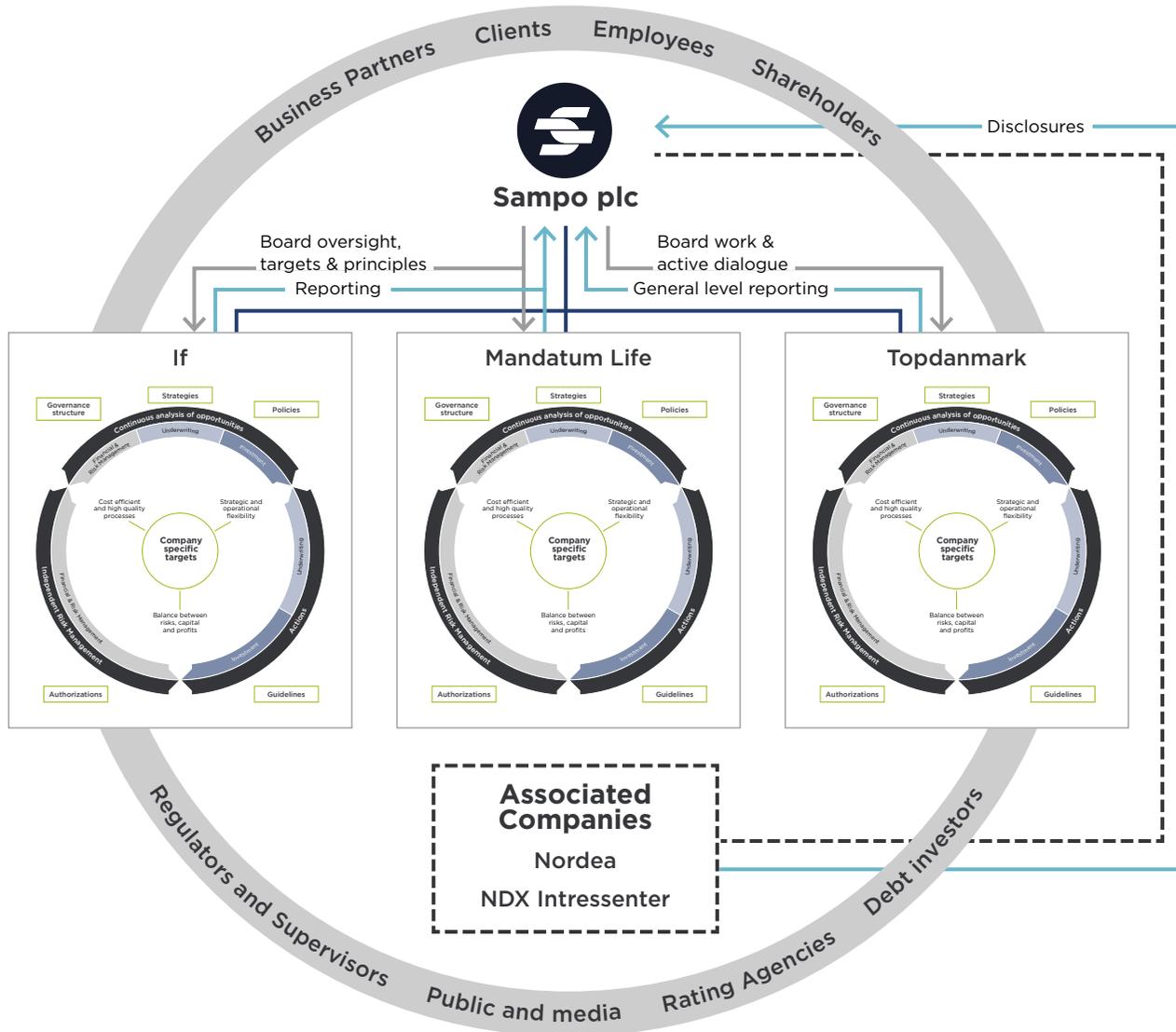
The subsidiary companies' risk management is based on the Risk Management Principles established by the parent company. The subsidiaries organize their own risk management based on these Group-level principles taking into account the business-specific characteristics as well as laws and regulations.

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 operative processes:**

- client service processes and internal operative 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.

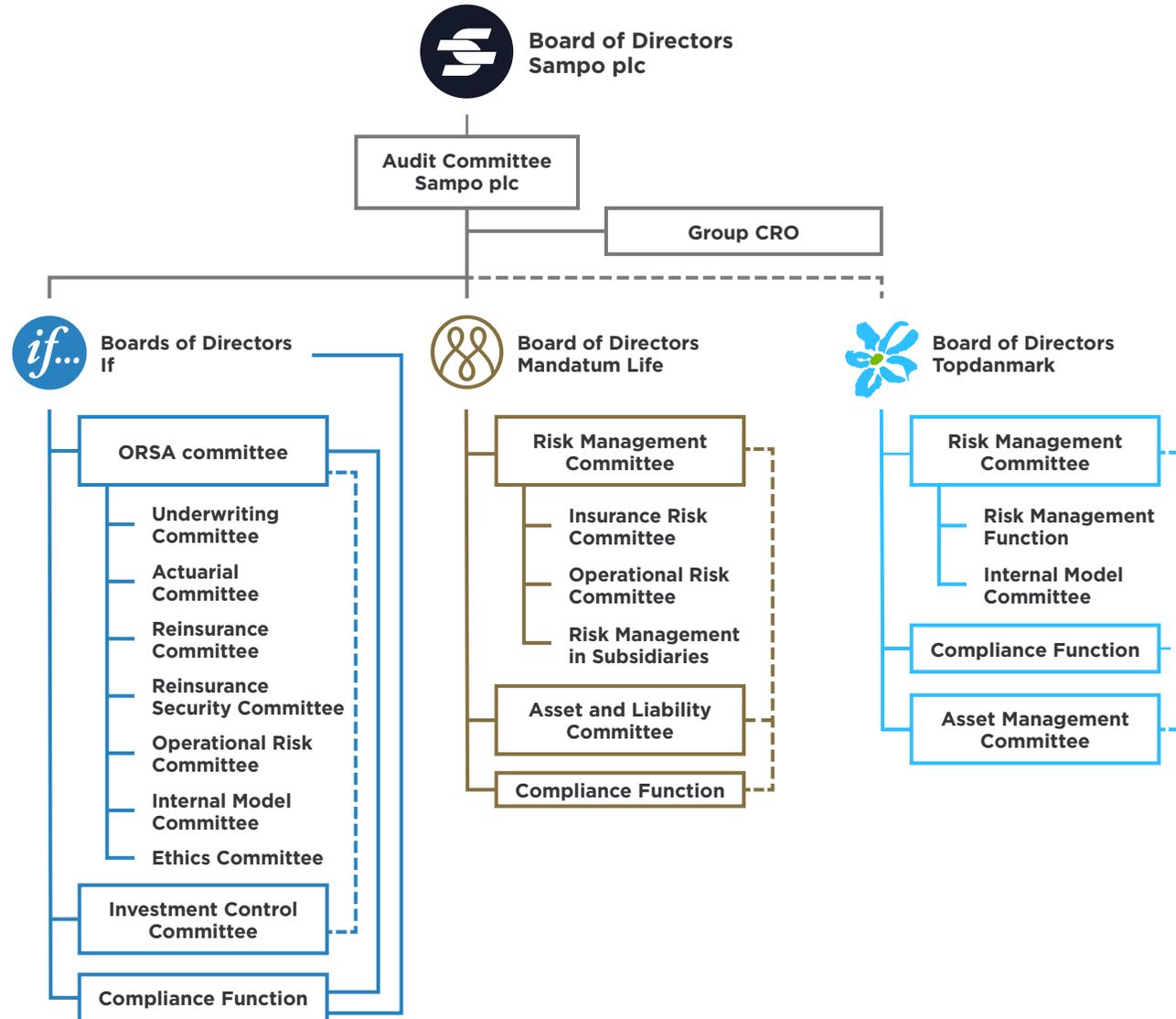
## **Risk Management Reporting**

Sampo Group's risk management reporting is divided into four separate business areas, which are If, Mandatum Life, Topdanmark and the holding company (Sampo plc). Additionally, Sampo's associate companies, Nordea Bank Abp and NDX Intressenter 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 with profit business.

In Topdanmark, the Central Risk Management Function consolidates the risk picture, manages the ORSA and produces 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.

More detailed information on Sampo's risk management is available in Sampo's **Risk Management Report** at [www.sampo.com/year2019](http://www.sampo.com/year2019).

## 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. 30)**, the compliance function is viewed from parent company's point of view and compliance is divided into operative and financial sections based on reporting responsibilities. Operative compliance is understood to cover operational compliance within each company's own normative framework and actions taken to that end within the framework. Financial compliance, on the other hand, covers the compliance with company-specific and Group-level financial requirements, e.g. capitalization and solvency requirements, and related reporting obligations.

Reporting of compliance activities is organized in each subsidiary company as deemed appropriate and sufficient locally. Compliance issues are also regularly reported

to the Board of Directors of Sampo plc and its Audit Committee, as determined in Sampo Group Compliance Principles. Sampo plc's own compliance organization is responsible for compiling these reports on the basis of subsidiary companies' reports.

The CEO 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, Asiakastiето 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 report (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.

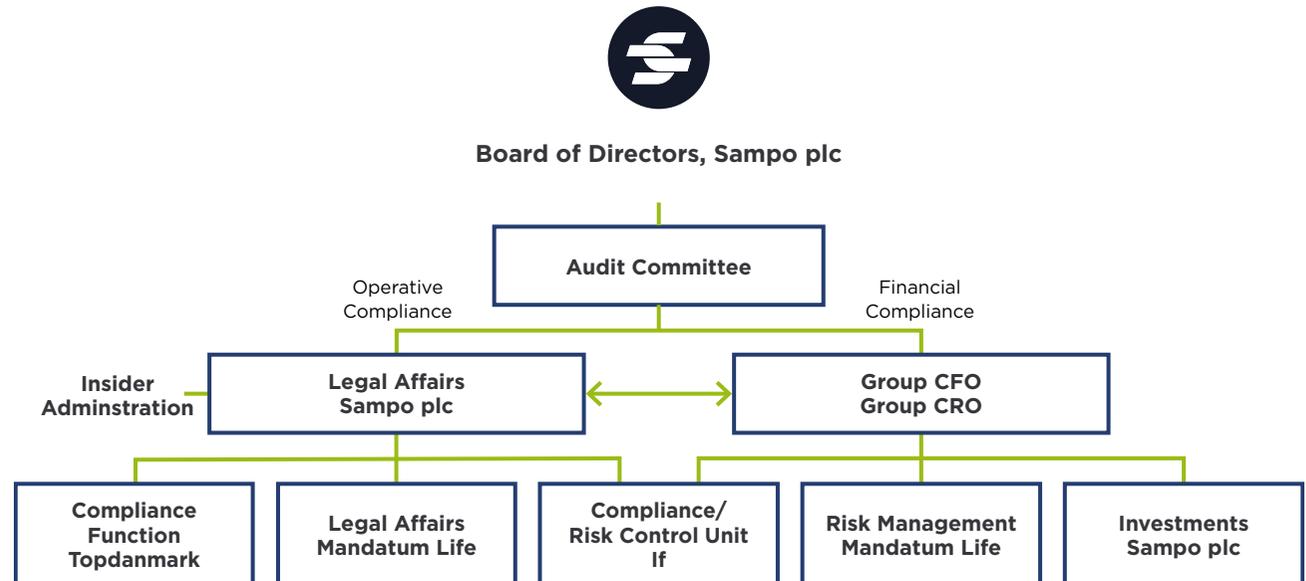
Sampo Group's Guidelines for Insiders is available on the Group's website at [www.sampo.com/insiders](http://www.sampo.com/insiders).

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 2019, no whistleblowing notifications were reported.

## Sampo Group's Compliance Organization and Reporting Structure





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.

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 sufficiency and effectiveness of the internal control system and the quality with which the tasks are performed within the Sampo Group. The function is organised under the Board of Directors of Sampo plc and it reports to Sampo plc's Board's Audit Committee. It is managed by the Chief Audit Executive, who is appointed by the Board of Directors of Sampo plc and it is organised to correspond to the business organisation.

The work is carried out in accordance with the Internal Audit Policy, approved by the Board of Directors in all regulated entities. According to the Policy, Internal Audit is obliged to comply with the guidelines set out in the International Professional Practices Framework of the Institute of Internal Auditors.

The internal audit activity plan is made for three years and annually approved by the Audit Committee and the Board of Directors in the different legal entities. The approach is risk based considering the main focus areas. Any changes to the activity plan must be approved by the Board of Directors in the different legal entities and the Audit Committee. The external auditors are informed about the internal audit activity plan.



Internal Audit reports on the audits performed to the CEO and the Board of Directors of the legal entities and the Audit Committee. Company-specific audit observations are reported to the respective companies' management.

Before any audit reports are distributed, audit observations and recommendations are discussed with the audit client. The final audit reports are always approved by the Chief Audit Executive before being distributed. Follow-up audits are performed to assure that appropriate actions are taken on the reported audit issues.

The Chief Audit Executive also submits activity reports to the Audit Committee and the Board of Directors in all regulated legal entities at least twice a year. These reports include all severe deficiencies detected, including any follow-up issues which have not been mitigated or remedied according to the agreed action plans.

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 2019. KPMG AB was elected as If Group's Auditor in 2018. The fee paid to the Auditors for statutory audit services for Sampo Group rendered and invoiced in 2019 totalled approximately EUR 2,558,000. In addition, the Auditors were paid a total of approximately EUR 388,000 in fees for non-audit services rendered and invoiced after their election.

During 2019, the total fees paid to Ernst & Young Oy for Sampo's statutory audit services rendered and invoiced

were approximately EUR 251,000. In addition, the fees paid by Sampo to Ernst & Young Oy for non-audit services rendered and invoiced totalled approximately EUR 162,000.

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.

# 2019

SAMPO  GROUP

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