

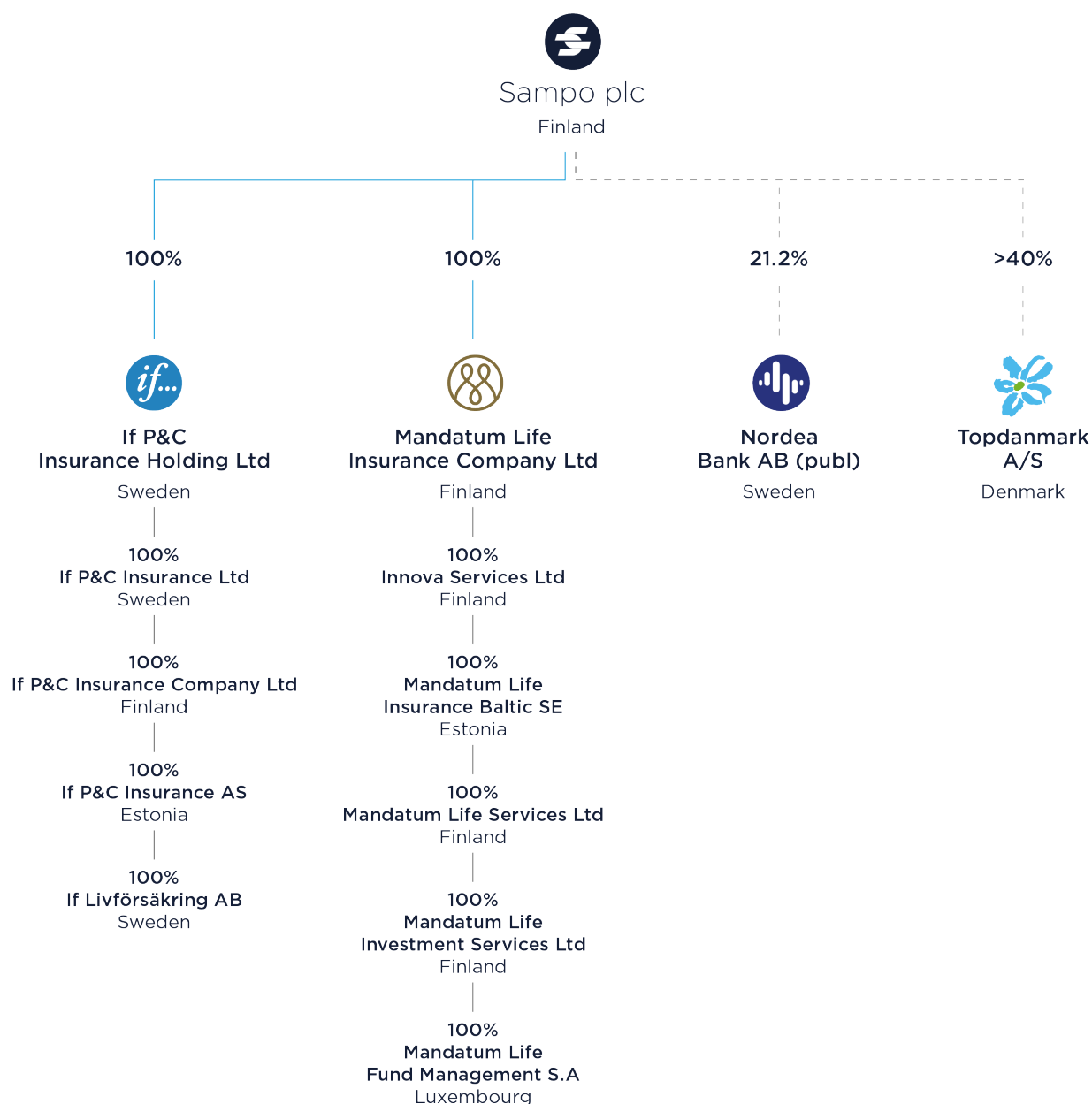
Sampo Group's Structure and Business Model

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

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

activities of its own. Sampo also has a 41.7 percent holding in a Danish insurance company Topdanmark A/S ("Topdanmark"). In addition to the insurance subsidiaries and the associated company, as at 31 December 2016 the Group's parent company held an equity stake of 21.2 per cent in Nordea Bank AB (publ) ("Nordea") through which Sampo Group is engaged in banking business. The legal structure of Sampo Group is shown below.

Sampo Group Legal Structure



The legal sub-groups Mandatum Life and If P&C Insurance Holding Ltd (publ) and the associated companies Nordea and Topdanmark conduct their businesses independently from each other. The independent sub-groups have their own infrastructures and management as well as operative processes in place. In instances where the subsidiaries and associated companies cooperate in some business areas, cooperation is conducted similarly as with any third-party.

Being associated companies, Nordea and Topdanmark are not controlled by Sampo and their risk management is not covered in Sampo Group's Annual Report. The associated companies do however have a

material effect on the Group's profits, risks and capital needs. Hence, Nordea and Topdanmark are carefully analysed by Sampo as separate businesses and as components of Sampo's portfolio of Nordic financial companies.

Sampo Group's legal structure and business model are both straightforward and simple. In addition there are only a limited amount of intragroup exposures, of which the most material are as follows: (i) Sampo's holdings of hybrid loans of If P&C and Mandatum Life (ii) internal dividends and (iii) service charges. Service charges are related to intragroup outsourcing agreements. If P&C and Mandatum have outsourced part of their investment management processes to

Sampo. Sampo has outsourced its IT platform services to If P&C and its financial accounting to Mandatum Life.

As a Nordic insurance group, If P&C underwrites policies that cover various risks for both individuals and corporations over a geographically diverse area. If P&C underwrites risks in the Nordic and Baltic countries. It also underwrites policies for its Nordic clients' activities outside of the Nordic countries. In addition to geographical diversification, the underwriting business itself is well-diversified over lines of business and clients. All in all diversification is a major value driver of If P&C.

Mandatum Life operates in Finland and in the Baltic countries and offers savings and pension policies with life risk features as well as policies covering mortality, morbidity and disability risks. The focus for many years now has been on unit-linked products.

Underwriting activities are arranged intentionally in such a way that there is virtually no overlap between the subsidiaries' underwriting risks except with regards to Finnish longevity risk and hence only limited group-wide coordination is needed in relation to underwriting activities and their respective risks. Subsidiaries also take care of operative actuarial activities; Sampo does not have its own actuarial function.

For both subsidiaries, the insurance liabilities and the company specific risk appetite are the starting points for their investment activities. However, unlike underwriting activities, the subsidiaries' investment activities are coordinated closely at group level as follows:

- Their investment portfolios' risk profiles are designed and decided separately from each other, but their risk profiles are coordinated to proactively prevent potential concentrations.
- The persons responsible for managing the subsidiaries' investments report directly to Sampo Group's Chief Investment Officer which ensures day-to-day coordination.
- IT systems in investment activities are common

throughout the Group, facilitating consistent analysis and reporting of risks both at the company and group level.

- The same basic principles are primarily followed in the investment activities of both subsidiaries, although the risk level of If P&C's investment portfolio is significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities.

Sampo as a holding company manages its group and associated companies independently of each other. The major management tools include the work of the companies' Boards of Directors and the guidance given to subsidiaries in terms of group-wide principles, targets and capitalization.

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

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

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