

# Core Risk Management Activities

To create value for all stakeholders in the long run, Sampo Group companies must have the following capitals in place:

- Financial flexibility in the form of adequate capital and liquidity
- Good technological infrastructure
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data to information
- Human capital in the form of skillful and motivated employees
- Social and relationship capital in the form of good relationships with society and clients to understand changing needs of different stakeholders.

**At the company level**, these capitals are in use when the following core activities related to risk pricing, risk taking and active management of risk portfolios are carried out.

#### *Appropriate selection and pricing of underwriting risks*

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively.

#### *Effective management of underwriting exposures*

- Diversification is actively sought.
- Reinsurance is used effectively to reduce largest exposures.

#### *Careful selection and execution of investment transactions*

- Risk return ratios of separate investments are carefully analyzed.
- Transactions are executed effectively.

#### *Effective mitigation of consequential risks*

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements and assuring adequate diversification.
- High quality and cost efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.

#### *Effective management of investment portfolios and the balance sheet*

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimized, taking into account the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

**At the group level**, the risk management focus is on group-wide capitalization and liquidity. It is essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. These concentrations and correlations may have an effect on group level capitalization and liquidity buffers as well as on group level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalization can be achieved on both a company and group level and shareholder value can be created.