MANDATUM

Risk Management Policy

Mandatum Group

11 December 2023

Contents

1 DEFINITIONS 3

2 INTRODUCTION 3

2.1 Background and Purpose 3

2.2 Scope 4

3 GENERAL GROUP-LEVEL RISK STATEMENTS 4

3.1 Risk Appetite and Risk Strategy 4

3.2 Risk Management Objectives 4

3.3 Capital Management 5

4 RISK MANAGEMENT ORGANISATION 6

4.1 Risk Management Governance Framework 6

4.2 Mandatum plc’s Board of Directors and Group CEO 6

4.3 Audit Committee 7

4.4 Subsidiary Companies’ Boards of Directors 7

4.5 Risk Management Function 7

4.6 Risk Management Committee Structure 8

5 RISK MANAGEMENT PROCESS AND RISK REPORTING 9

5.1 Risk Management Process 9

5.2 Risk Reporting 10

6 TIMELINESS AND REVISION OF THE POLICY 10

APPENDIX 1 - RISK CLASSIFICATION 11

APPENDIX 2 - CAPITAL AND LIQUIDITY MANAGEMENT 15

APPENDIX 3 - MANDATUM GROUP’S OWN RISK AND SOLVENCY ASSESSMENT ("ORSA") POLICY 17

APPENDIX 4 - PROCESSES RELATED TO OPERATIONAL RISK MANAGEMENT 19

APPENDIX 5 - CONTINGENCY PLANNING IN MANDATUM GROUP 20

1 DEFINITIONS

As used in this Policy, the following terms shall have the meanings set forth below:

"**Group CEO**" means the CEO of Mandatum plc.

"**Group CRO**" means the Chief Risk Officer of Mandatum Group.

"**ICARA**" means a document covering company's internal capital adequacy and risk assessment.

"**Licensed Companies**" means the licensed companies within Mandatum Group, i.e. Mandatum plc, Mandatum Life Insurance Company Limited, Mandatum Asset Management Ltd, Mandatum AM AIFM Ltd and Mandatum Fund Management S.A. (each a "**Licensed Company**").

"**Mandatum**" or "**Group**" means Mandatum plc together with all its subsidiaries (each a "**Group Company**").

"**ORSA**" means a document covering company's own risk and solvency assessment that is produced once in a calendar year or more frequently, if required (ORSA produced for the Mandatum Group, the "**Group ORSA**").

"**Policy**" means this document together with its appendices.

"**RMC**" means the Risk Management Committee of Mandatum Group.

2 INTRODUCTION

2.1 Background and Purpose

With this Policy, the Board of Directors of Mandatum plc confirms the underlying principles regarding risk management within Mandatum Group Companies.

Mandatum plc's Board of Directors requires that all activities involving the exposure of any Mandatum Group Company to risks, as well as all activities controlling those risks, are arranged to comply with these general guidelines and related instructions, especially instructions and policies regarding remuneration provided by the Board of Directors, as well as with applicable legislation and regulations. The Board of Directors will supervise the risk-taking and risk control activities in a manner deemed appropriate to ensure full compliance.

The purpose of risk management is the creation and protection of value. The risk management system is part of the larger internal control system, and it integrates risk management into the governance of Mandatum Group and its significant activities and functions, including decision-making. The risk management system includes the Risk Management Policy issued in this document and the corresponding policies, in addition to the organisational structures and processes by which risks are being managed. The risk management system covers all risk classes described in Appendix 1 of this Policy.

For financial sector companies in general, the core competences of business are skilful pricing of risks inherent in business operations and proper management of arising risk exposures and capital needed to cover these risks. High-quality management of these risks is a necessary prerequisite of a going concern, and this document covers the principles for managing them in Mandatum Group. An independent Risk Management function in Mandatum plc is responsible for controlling risk management on the level of the Group and corresponding Risk Management functions within Licensed Companies.

2.2 Scope

The principles set forth in this Policy apply to all Mandatum Group Companies. Mandatum plc's subsidiaries' company-specific policies and governance documents shall follow this Policy, taking, however, into account the requirements of different jurisdictions where they operate in and other specific requirements of the business. In case of conflict between this Policy and locally binding set of rules, the locally binding set of rules prevail, and the company-specific risk management policies shall be aligned with normative requirements.

3 GENERAL GROUP-LEVEL RISK STATEMENTS

3.1 Risk Appetite and Risk Strategy

Risk is an essential and inherent element of Mandatum Group's business activities and operating environment. High-quality risk management is a prerequisite for success in the Group's business and for assuring a stable result and the delivery of its key financial targets.

Mandatum's risk appetite framework defines the boundaries for what risk the Group is willing to accept in the pursuit of its objectives and focuses on the key risks arising from Mandatum's business operations and strategy emphasising well considered risk-taking. The risk appetite is reflected in Mandatum's capital management framework and its risk management strategy.

The risk appetite framework provides structure to risk-taking within the Group and consists of qualitative risk appetite statements and quantitative tolerances and limits. Moreover, the risk appetite framework sets out a clear decision-making structure with regards to risk-taking and has an essential role in ensuring that risk-taking is within the Group's and the Group Companies' risk capacity. Mandatum plc's Board of Directors decides on the risk management strategy and risk appetite framework annually.

The link between risk appetite, risk profile and capitalisation shall be analysed and reported in the Own Risk and Solvency Assessment ("**ORSA**") process including analyses of the capital adequacy and regulatory capital requirements under various risk scenarios. Consequently, the process shall influence the Group's strategic risk management and capital management actions.

3.2 Risk Management Objectives

In Mandatum Group, the key objectives of risk management are:

Balance between Risks, Capital and Earnings

- to ensure that risks affecting profitability as well as other material risks are identified, assessed and analysed;
- to ensure that capitalisation is adequate in terms of current risks inherent in business activities and business risks, taking into account the expected profitability of the businesses;
- to ensure that risk-bearing capacity is allocated into different business areas in accordance with the strategy; and
- to ensure that underwriting risks are priced reflecting their inherent risk levels, and that expected returns of investment activities are in balance with their risks and consequential risks are mitigated sufficiently.

<u>Cost-Efficient and High-Quality Processes</u>

- to ensure that client service processes, internal operative processes and external reporting are cost-efficient and of high quality;
- to ensure that decision-making is based on accurate, adequate and timely information; and
- to ensure continuity of operations and fast and comprehensive recovery in case of discontinuity events.

<u>Strategic and Operational Flexibility</u>

- to ensure that external risk drivers and potential business risks are identified, and the Mandatum Group is in a good position, in terms of capital structure and management skills, to react to changes in business environment; and
- to ensure that corporate structure, knowledge and processes in the Group Companies facilitate effective implementation of changes.

When the targets set for above objectives are met, risk management is contributing positively on return on equity and mitigating the yearly fluctuations in profitability. Risk management is also contributing positively on reputation by assuring maintenance of supervisory authorities' and other stakeholders' confidence in Mandatum Group. Risk management is therefore considered to be one of the contributors in creating value for the shareholders of Mandatum plc. To meet these objectives, Mandatum's risk management shall include the following central prerequisites and tasks:

- Risk management governance structure and authorisations and clear division of responsibilities between business lines and independent functions;
- Risk management policies and more detailed instructions related to risks; and
- Prudent valuation, risk measurement and reporting procedures.

High-quality risk management facilitates the creation of shareholder value for the following reasons:

- **Clients** get a reliable service from a reputable institution, and they feel confident when their client relationships are managed in a diligent and prudent manner, with effective risk management;
- Risk premium required by **investors** and **counterparties** will be smaller when risks are transparent and risk management is clearly described and communicated;
- The motivation of the **personnel** strengthens when strategies, authorisations, limits, targeted return and reward criteria are clearly defined and communicated; and
- **Supervisory authorities'** confidence in Mandatum's ability to control the risks associated with its activities further strengthens the co-operation with the authorities.

3.3 Capital Management

Group-level capitalisation is managed within Mandatum's risk appetite framework, which sets targets for solvency and informs potential risk management actions.

Mandatum's solvency targets are determined by the Group's ambition to provide an attractive risk-returns profile to shareholders, and they reflect Mandatum's risk appetite.

- The balance between risks and actual level of capital is analysed and monitored regularly assuming historical circumstances and, from time to time, different stress scenarios defined by the management.
- When a potential imbalance between risks and the actual level of capitalisation is identified, the balance will be secured by adjusting existing risk exposures, capital, or both. In general, Mandatum believes that maintaining the profitability of its businesses and the active adjustment of risks is the first line of defence in risk management and, in the long run, an even more important factor than capitalisation.

Mandatum Group Companies shall monitor the size of their capital buffers and have practices in place to maintain an amount of capital which is always over the defined capital floor. In addition to solvency, Mandatum's capital management framework sets targets for debt leverage, which reflect a broad range of criteria including the availability of debt capacity. Mandatum considers debt capacity as an important source of liquidity and solvency capital in a stress event, and therefore aims to ensure reliable access to debt capital markets.

Mandatum plc is responsible for the Group's capital management activities. These actions are guided by targets set for group-level solvency and debt leverage and they include decisions on group-level investment exposures, business growth and performance targets, capital distributions and capital instrument issuances.

Further details on capital management are provided in Appendix 2 of this Policy.

4 RISK MANAGEMENT ORGANISATION

4.1 Risk Management Governance Framework

Mandatum Group Companies organise their business activities, internal control and risk management according to group-wide principles, such as this Policy, System of Governance, Code of Conduct, Remuneration Principles, Compliance Policy and Disclosure Policy. The Group Companies approve their own policies and instructions and organise their reporting to management bodies by themselves.

However, the Group Companies also have group-wide reporting responsibilities that are, to the extent applicable, both in line with (i) the requirements in European Insurance and Occupational Pensions Authority EIOPA's guidelines on the system of governance and (ii) the internal requirements within Mandatum Group. Reporting must take into account the specific features of the Group Companies' business activities and their business environment.

4.2 Mandatum plc's Board of Directors and Group CEO

In Mandatum Group, the parent company Mandatum plc's Board of Directors is responsible for the adequacy of risk management and internal control within Mandatum Group. Mandatum plc's Board of Directors annually approves this Policy, Risk Appetite Framework document, Compliance Policy and other general policies according to which risk management and internal control are organised in the parent company and in the Group. However, the Boards of Directors of the Licensed Companies are responsible for setting the company-specific non-public risk management appendices to this Policy, which shall be in line with the Group's policies and principles.

The Group CEO has the overall responsibility for the implementation of risk management in accordance with the instructions set forth by Mandatum plc's Board of Directors. The Group CEO is also responsible for ensuring that the Group's risks are regularly reported to Mandatum plc's Board of Directors. A separate risk committee structure assists the Group CEO in overseeing the risk management process as a whole within the Group.

4.3 Audit Committee

Mandatum plc's Board of Directors has established an Audit Committee, of which duties related to risk management and internal control are defined in the Charter of the Audit Committee as confirmed by Mandatum plc's Board of Directors.

4.4 Subsidiary Companies' Boards of Directors

Subsidiary companies' Boards of Directors shall:

- within their decision-making authority, organise the business activities of the subsidiaries to implement strategic decisions made by Mandatum plc's Board of Directors;
- make decisions on specific risk-taking policies, capitalisation, risk limits and the delegation of authorisations within the framework provided by approved Mandatum guidelines or otherwise binding decisions by Mandatum plc's Board of Directors;
- control risks subject to capital requirements and capitalisation and be in charge of the regulatory solvency and the internally assessed solvency at all times;
- make decisions regarding the principles on reinsurance coverage of life insurance policies and supervise their implementation; and
- ensure that all critical processes, such as client services, internal processes and external reporting processes, have clear ownership that include the responsibility to maintain the high quality of these processes. Especially information and communication technology (ICT) assets, services and systems, information assets and security as well as the resiliency of operations should be areas of focus.

4.5 Risk Management Function

Mandatum Group's Risk Management function is organised under the Group Chief Risk Officer (the "**Group CRO**"). The role of Mandatum Group's Risk Management function is to ensure that risk management activities in the Group and generally in the subsidiaries are executed according to the principles and guidance given by the boards of directors and the CEOs.

The Group's Risk Management function's scope of responsibility is to:

- secure a holistic view of the risks Mandatum Group and each Group Company is exposed to, including monitoring and measuring the aggregated risk exposure as appropriate;
- co-ordinate the risk management work within the Group and the Group Companies;
- conduct group-level risk reporting;
- conduct continuous independent risk analysis based on available risk reporting;
- advise management on risk management matters regarding strategic decisions on risk and capital and providing support to the business units;
- regularly assess the Group's and the Group Companies' capital position according to internal and external measurements; and
- suggest changes in policies, guidelines and instructions related to risk management.

Each Licensed Company has a responsible risk manager, and they have an active role in developing the Group's risk management activities. The role of the risk managers in the Licensed Companies corresponds to the scope defined above.

4.6 Risk Management Committee Structure

Mandatum Group's risk management committee structure is described in *Figure 4.6*.

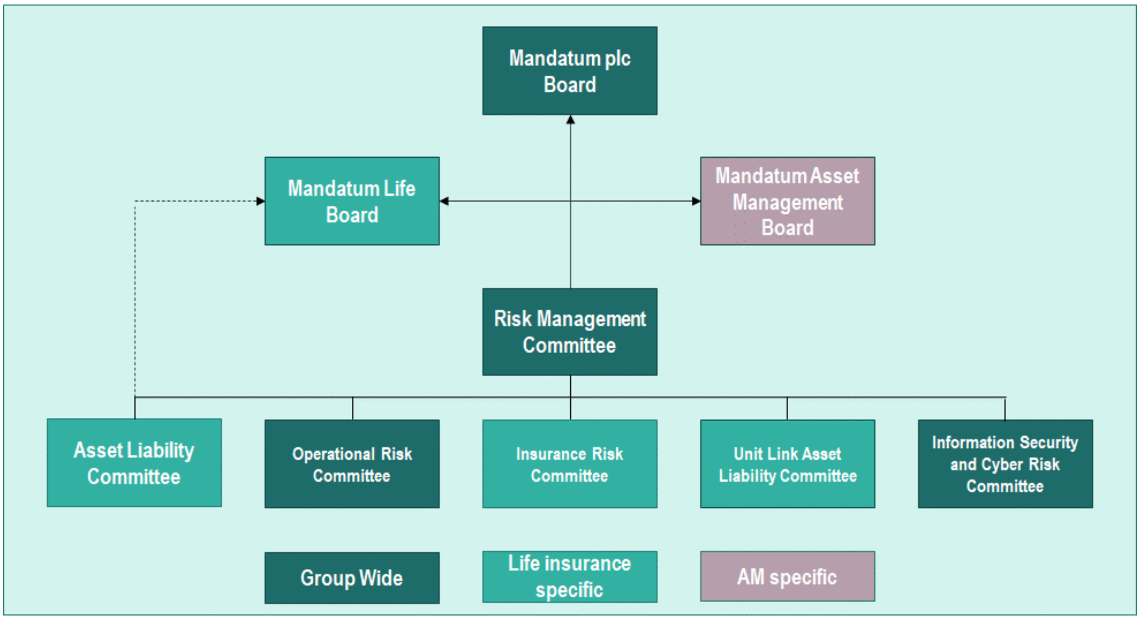

Figure 4.6: Risk Management Committee structure in Mandatum Group.

Mandatum Group's risk management framework includes committees which are either common for the Group or specific only for certain subsidiaries.

The role of the Risk Management Committee (the "**RMC**") is to ensure that risk management is organised accordingly within Mandatum Group. The Group CEO acts as the chair of the RMC and the Group CRO acts as the secretary. Other members are appointed by the Group CEO. The RMC meets on a quarterly basis.

From Mandatum Group's perspective, the tasks of the RMC are the following:

i. Overseeing the reporting of the Group's and the Group Companies' risks to the Boards of Directors;

ii. Monitoring the functionality of the risk management system in general;

iii. Approving and reviewing the key risk management activities of the Group and Licensed Companies annually;

iv. Overseeing the annual update of the Group's Risk Management Policy; and

v. Assessing and monitoring strategic risks of the Group on a regular basis.

The RMC is not a decision-making body, but the Group CEO and each member of the committee can make decisions in their own roles. The same applies to all sub-committees.

In addition to the RMC, the committee structure consists of the Asset Liability Committee, the Operational Risk Committee, the Insurance Risk Committee, the Unit Link Asset Liability

Committee and the Information Security and Cyber Risk Committee. The roles and responsibilities of these committees are described in the committees' rules of procedure. The RMC reviews each committee's rules of procedure annually and appoints the members.

5 RISK MANAGEMENT PROCESS AND RISK REPORTING

5.1 Risk Management Process

One of the key elements of the risk management system is the overall risk management process. This process is illustrated in Figure 5.1.

Figure 5.1: The risk management process.

The risk management process is described as a cyclic process but in practice it is an interactive process in which activities flow back and forth. Risks are identified through the Risk and Compliance Self-Assessment ("**RCSA**") process, Change Risk Assessment ("**CRA**") process and as a part of the incident management process.

The RCSA is a continuous process where each unit in the Group proactively identifies and assesses their own risks on a regular basis. The CRA process is a proactive risk assessment process for identifying risks related to significant changes in the business, operations, systems, products or other changes, which might potentially have a significant impact on the risk profile of Mandatum Group or the Group Companies. The CRA is performed before the implementation of any significant changes. The incident management process links realised incidents to identified risks and as such plays an important role in the risk management process.

Mandatum Group's Risk Management function together with the Risk Management functions of the Licensed Companies are responsible for maintaining appropriate guidance documents. The guidance documents shall be approved by the Group CRO.

One important aspect of the risk management process is the continuity of daily operations. This is also required by law, which states that insurance and investment firms must plan their daily operations in a way which enables them to adapt to exceptional and sudden crises and interruptions, which they possibly face. In other words, companies should have a separate contingency plan. Mandatum Group's contingency planning framework is described in Appendix 5 of this Policy.

Processes related to operational risk management are described in more detail in Appendix 4 of this Policy.

5.2 Risk Reporting

Group-level risks, solvency capital requirements and own funds are reported at least quarterly by the Group CRO to Mandatum plc's Board of Directors, Audit Committee and the Group CEO. Such reporting is based on the reporting undertaken by the Group Companies. Each Licensed Company's risk manager shall report to the relevant company's Board of Directors and CEO as well as the Group CRO on relevant risks, the capital requirement and own funds.

Moreover, the Group CRO prepares for the Audit Committee quarterly a risk analysis covering all relevant risks described in Appendix 1 of this Policy.

In addition to reports covering individual Group Companies, group-level risk concentrations shall be monitored separately. Also, the parent company's capacity to generate liquidity shall be covered in the reporting.

6 TIMELINESS AND REVISION OF THE POLICY

This Policy shall be reviewed when necessary, and at least annually, by the Group CRO. The Group CRO is responsible for ensuring that the Policy remains current based upon the scope of Mandatum Group's activities, its operating and legal structure, strategic plans, regulatory changes and the nature of its customers. This Policy is presented for approval of the Board of Directors of Mandatum plc's at least annually.

APPENDIX 1 - RISK CLASSIFICATION

The Purpose of a Risk Classification

A risk classification model, i.e., a risk taxonomy, is typically hierarchical set of risk categories that is used within the organisation. A well-designed classification is comprehensive, granular, clear and stable over time. Having a risk classification is important for Mandatum because it:

- provides a framework for determining Mandatum Group Companies' risk strategies and risk appetites;
- provides a common framework to identify and assess risks throughout Mandatum Group;
- creates a framework for managing risks and setting risk controls; and
- supports the communication of risks within the organisation.

Risks can be classified in many ways. Mandatum's risk classification focuses on risks relevant to Mandatum's business areas of life insurance and asset management. Figure 1 below presents Mandatum's risk classification.

Strategic risk *Risks that we actively take in the long-term*	**Earnings risk** *Risks that we actively take in the short-term*	**Consequential risk** *Risks arising as a consequence of business activities*
Business environment risk Competitive environment risk, legislative and regulatory risk	Market risk Equity, interest rate, spread, currency, and property risks Direct and indirect market risks	Counterparty risk Default and settlement risk
Business model risk Tax risk, capital structure risk, strategic partners risk, product and service related risks, wrong or lacking investments in technology	Underwriting risk Biometric, behaviour, and catastrophe risk	Operational risk Internal and external fraud; Employment practices and workspace safety; Clients, products and business practises; Damage to physical assets; Business disruption and system failures; Execution, delivery and process management; Financial crime
	Expense risk	Cyber risk External cyber misconduct; Internal cyber misconduct; Processing failures of digital data
		Liquidity risk Cash management and refinancing risk
Concentration risk	Reputational risk	Climate and sustainability risk

Figure 1: Mandatum's risk classification

The classification consists of three levels. The first level classes are strategic risk, earnings risk and consequential risk. Each of these classes have second and third level subclasses.

Strategic Risk

Strategic risk is the risk of losses due to changes in the competitive environment and/or lack of internal operational flexibility. Strategic risk describes the long-term risks that Mandatum actively takes. Strategic risks typically carry earnings potential and are therefore mainly managed, not mitigated.

Business environment risk consists of the risks related to changes in the business environment in which Mandatum operates in and the risks are driven by external drivers. External drivers behind such changes vary, including for instance general economic development, changes in commonly shared values, development of the institutional and physical environment and technological innovations. Because external drivers are usually connected, the customer preferences and demands can change unpredictably and there may be a need to change regulations as well.

Business environment risk can be difficult to manage but can be mitigated by, for example, actively following the changes in the competitive environment to ensure Mandatum is prepared for significant changes and by carefully choosing strategic business partners.

Business model risk consists of the risks related to the business models Mandatum has chosen. Business model risk includes the risk of losses due to poor or miscalculated strategic choices made by the company. The maintenance of internal operational flexibility, i.e., the ability to adjust the business model and cost structure when needed is a tool in managing business model risks.

Earnings Risk

Earnings risk describes the short-term risks that Mandatum actively takes to generate earnings and create financial result. Earnings risk is inherent in business operations and should be chosen carefully and managed actively. The class of earnings risk is divided into three subclasses.

Market risk refers to fluctuations in the financial results and capital base caused by changes in market values of financial assets and liabilities, as well as by changes in the economic value of insurance liabilities. The changes in market values and economic values are caused by movements in underlying market variables such as interest rates, inflation, foreign exchange rates, credit spreads and share prices.

Underwriting risk consists of biometric, behaviour and catastrophe risk. Biometric risks refer to the risk that life insurance company must pay more mortality, disability or morbidity benefits than expected, or the company must keep paying pension payments to the pension policy holder for a longer time (longevity risk) than expected at the time of pricing the policies. Catastrophe risk refers to the risk of catastrophic events which include rare single events, or series of events, usually over a short period of time but potentially longer lasting events, which tend to be less frequent. When an event of low frequency and high severity leads to a significant deviation in actual benefits and payments from the total expected payments, catastrophe risk, i.e., an extreme case of biometric risk, has realised. Behaviour risks arise from the uncertainty related to behaviour of the policyholders. The policyholders have the right to cease paying premiums (lapse risk) and may have a possibility to interrupt their policies and withdraw their savings (surrender risk).

The third class of earnings risk is the class of expense risk. Expense risk arises when the timing and/or the amount of incurred expenses differs from those expected at the timing of pricing. As a result, expense charges or costs originally assumed may not be enough to cover the realised expenses. Expense risk is related to both the management of insurance policies and asset management activities.

Consequential Risk

Consequential risk refers to risks arising as a consequence of normal business activities. Consequential risks typically have no earnings potential and therefore the objective is to mitigate these risks. The class of consequential risk is divided into four subclasses.

Counterparty risk consists of default risk and settlement risk. Default risk refers to losses arising from occurred defaults of contractual counterparties or debtors. Default risk is mitigated by, for example, active collateral management. Settlement risk realises when one party fails to deliver the terms of a contract with another party at the time of settlement. Settlement risks are mitigated effectively by, for example, centralised settlement and clearing systems.

Operational risk refers to the risk of financial and/or reputational loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes legal and compliance risks but excludes risks resulting from strategic decisions which are covered by the class of business model risk. Operational risks can be mitigated, for example, by having adequate controls in place for operative processes.

Information security and cyber risk refers to risks of potential loss or harm related to technical infrastructure, use of technology or loss of sensitive information or data due to a cyber-attack or data breach. Cyber risk has consequences of financial loss, disruption or damage to the reputation of an organisation and that results from the loss of confidentiality, availability or integrity of information or information systems. The third level classes are external cyber misconduct, internal cyber misconduct and processing failures of digital data. The classes of external and internal misconduct include, for example, data breaches and the unauthorised use of systems by external or internal parties respectively. The subclass of processing failure of digital data refers to, among others, the disappearance or loss of data and the unsecure sharing of personal or confidential data. Information security and cyber risks are mitigated by implementing appropriate organisational measures and technological protection controls. Organisational measures include policies and guidelines, trainings, roles and responsibilities, continuity planning and incident response procedures. Technical measures include wide variety of tools to monitor and control access, anomalies detection and to minimise impacts.

Liquidity risk refers to the risk that companies are, due to lack of available liquid funds and/or access to relevant markets, unable to conduct their regular business activities in accordance with their strategy. In extreme cases, liquidity risk refers to situations where companies are unable to settle their financial obligations when they fall due. This is referred to as cash management risk. Refinancing risk refers to the risk of the company not being able to generate enough financing for its operations or refinance its existing debt. Liquidity risk is managed by upholding good creditworthiness and reputation to ensure good refinancing opportunities and by having a sound liquidity management process and liquidity buffer to ensure all future payments can be met.

Other Risks

Some risks can be classified into several classes, for example, because they are both risks which are actively taken and consequential. Such cross-category risks are presented at the bottom of the classification covering all the different classes. Climate and sustainability risks are classified as cross-category risks because these risks are considered as risks within the other risk classes and are manifested through the main risk classes presented in the taxonomy.

Concentration risk refers to the risk arising from the lack of or inadequate diversification of exposures. Concentration risk can be related to investments, clients and counterparties, among other things. Concentration risk is primarily mitigated by diversifying exposures.

Reputational risk refers to the risk that adverse publicity regarding the company’s business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is often considered consequential of other risks, such as operational risks, but is a risk that can at least in theory be actively taken. Reputational risk can be difficult to mitigate but it can be managed by upholding a good corporate culture and internal policies, among other things.

Climate and sustainability risk is a broad class of risks. Climate risk is typically defined as risks arising from the impacts of climate change. Sustainability risk, on the other hand, is a broader class which includes climate risks and risks arising from other environmental, social and governance events causing a potentially negative impact.

APPENDIX 2 - CAPITAL AND LIQUIDITY MANAGEMENT

Mandatum's capital management framework aims to support value creation by enabling Mandatum's strategy. Quantitative targets are set for Group solvency and Group debt leverage, but other metrics are also steered. Subsidiary balance sheets are calibrated to cover needs for business plans and to provide a stable dividend.

In Mandatum, the actual amount of capital is assessed in two-step processes as follows:

1. Defining the capital floor, i.e., the minimum amount of own funds the company needs to run its business operations normally. Both regulatory and rating agency requirements need to be taken into account.
2. Defining the size of the capital buffer, i.e., the excess capital above the capital floor, which gives the company time to adjust its risks and capital in a controlled manner in times of stress.

Defining the Capital Floor

Capital floor is the minimum level of own funds the company needs to run its business operations normally.

Defining the Size of the Buffer

Because risk exposures and profits evolve continuously over time and capital can sometimes erode rapidly due to stressed situations, there is a need to have a certain buffer, which together with the capital floor, as determined by the company in accordance with the above rule, form the actual amount of capital. An adequate buffer gives time for the company to adjust its risks and capital in a controlled manner in times of stress, i.e., at all times maintain the balance between risks and capital. An adequate buffer also gives comfort to supervisors, clients, investors and counterparties of the company's reliability. The following factors are most material when the size of the buffer is considered:

- Expected profits: the higher the level of expected profits and the lower their volatility, the smaller the buffer that is needed;
- Business growth prospects: if business is growing, the buffer is larger than in the case of a run-off business;
- Other sources of capital: the more capacity and ability to issue Solvency II compliant capital instruments, the smaller the buffer that is needed; and
- Uncertainty of measured SCR or other relevant capital requirement: the bigger the uncertainty around the relevant capital requirement's ability to predict future capital needs, the larger the buffer.

Mandatum's risk strategy is to be a reliable partner for its customers in the long run. As such, Mandatum intends to hold a capital buffer above the regulatory requirements to fulfil its goals of being a partner for its customers in the long run, to be able to exploit business possibilities also during stresses in the market and to avoid unnecessary sudden changes in its strategy due to limited capital position.

Targets for Group-Level Solvency

Balance sheet targets have been set to provide a high level of protection against Mandatum falling below financial limits. The target levels are intended to encourage active steering of the balance sheet, not automatic actions.

Minimum levels of financial resources are set based on the risks as well as regulatory and rating agency constraints faced by the Group. Buffers on top of the minimum levels are held to ensure business continuity and dividend security. Buffers ensure that Mandatum Group remains above regulatory and rating agency risk levels in a severe stress event.

The solvency position is managed towards a target range which is considered optimal in the long term, considering the requisite minimum levels and the above-mentioned buffers. The long-term target set for the Group's SII ratio is between 170 and 200 per cent. The target level ensures high dividend security but without allowing for excessive buffers. When below target levels, Mandatum can pay ordinary dividends, but excess capital returns would not be considered. Capital generation is used to enable organic earnings growth and attractive shareholders returns. The Group is able to operate below the targets for some time, e.g., after an acquisition, but will gradually steer towards the target. The target levels are reassessed regularly in order to adjust for any potential changes in the risk profile and business mix.

The parent company of Mandatum Group, Mandatum plc, shall additionally monitor group-level risk concentrations and intra-group transactions which have a direct impact on the desired level of capitalisation.

Liquidity of the Parent Company

The parent company of Mandatum Group, Mandatum plc, shall ensure sufficient liquidity to prevent any cash flow pressures. Mandatum plc needs liquidity to manage the Group's financing needs, ensure dividend security and to finance potential transactions. Mandatum plc's funding is limited to internal dividends and investment returns but can periodically be complemented with new capital or asset sales. Hence, the parent company liquidity needs to be managed holistically together with the dividend policy, strategic ambitions and balance sheet targets.

APPENDIX 3 - MANDATUM GROUP’S OWN RISK AND SOLVENCY ASSESSMENT ("ORSA") POLICY

Background and Basis

Mandatum Group produces a document covering its own risk and solvency assessment for the Group (the "**Group ORSA**") once in a calendar year or more frequently, if required.

This policy defines the general principles, processes and methods used when preparing the Group ORSA. The document aims at producing a forward-looking view on the risks which Mandatum Group is exposed to. It also represents Mandatum’s own view of its risk profile and the capital and other means needed to address those risks. The Group ORSA document shall include an assessment of Mandatum Group as a whole and cover the material risks arising from all the entities that are part of the Group.

The Group ORSA is based on Mandatum Life’s ORSA report and Mandatum Asset Management Ltd’s ICARA report. Mandatum Asset Management produces its own internal capital adequacy and risk assessment ("**ICARA**") annually or more frequently if required in accordance with the EU regulation on prudential requirements for investment firms. The assessment has a similar role as the ORSA document and is a key part of Mandatum Asset Management’s risk management and capital management processes.

The legal framework for the Group ORSA is the set of insurance company regulations and guidelines based on the Solvency II Directive. The Group ORSA is an integral part of Mandatum Group’s risk management system.

Processes and Procedures

As a basic principle the group-level solvency ratios shall be forecasted based on the associated companies’ risk and capital forecasts on a consolidated basis. Accordingly, the forecasts of each Group Company must be based on common group-level scenarios given by the parent company.

The Group ORSA shall include analysis of risks related to Mandatum plc directly and in addition to group-level risks, such as risk concentrations and intra-group transactions. Also, the liquidity generation capacity, especially at the parent company level, shall be analysed taking into account liquidity buffers and leverage.

The Group Companies must consider the general guidance given by the parent company and the specific features of their businesses. Mandatum plc as the ultimate parent company is responsible for preparing group-level solvency forecasts. These forecasts shall be based on detailed forecasts prepared by the Group Companies.

The parent company is also responsible for the risk analysis of group-encompassing issues.

Frequency

The Group ORSA will be performed annually per Q3 based on the uniform group-wide scenarios in parallel with the financial planning process of the subsidiaries. In addition, quantitative scenarios will be updated on a quarterly basis and reported to Mandatum plc’s Board of Directors. The quantitative part of the Group ORSA shall, where appropriate, also include sensitivity analyses and a reverse stress test.

Limits and Solvency Needs

If the Mandatum Group solvency ratio breaches the internal monitoring level set in the latest Group ORSA, that breach shall trigger the need for an update of the Group ORSA outside the regular schedule.

If solvency ratios for the Group Companies breach the internal monitoring level set by the respective Board of Directors, such breach triggers the need for an extraordinary update of the relevant Group Company. The Group CRO will then evaluate the impact of the update and consider the need for an extraordinary Group ORSA subject to the Board of Directors' approval.

Risk Profiles, Risk Limits and Data Quality Standards

As there are no business operations in Mandatum plc other than capital structure and liquidity management, the Group Companies conduct their businesses and Risk Management functions independently. Hence, underwriting and investment risk profiles are assessed, and risk limits set mainly at Group Company level in line with the common risk management policy set by Mandatum plc. Also, data quality standards are defined at the Group Company level.

In addition to monitor Group Company and solo capitalisation, Mandatum plc manages group-level capitalisation within Mandatum's capital management framework, which sets targets for solvency and informs potential risk management actions.

APPENDIX 4 - PROCESSES RELATED TO OPERATIONAL RISK MANAGEMENT

Operational risks are managed in accordance with Mandatum's group-level principles. The goals of operational risk management are:

- to ensure simultaneously the efficiency and quality of operations;
- to ensure that operations are compliant with laws and regulations;
- to ensure the continuity of business operations in exceptional circumstances; and
- to ensure the ability to recover normal operations swiftly in case of disruptions.

The central tools in operational risk management are:

i. the identification of risks;
ii. proper preventive actions at all levels of operations;
iii. analysing operational risk events; and
iv. continuity, response and recovery planning.

A key element of operational risk management is incident reporting related to realised risk events. The purpose of incident reporting procedures is to enable the Group management's preparedness for mitigating actions. Additionally, it contributes to ensuring that all employees understand the significance of reputation to all Group Companies and the provisions of the Code of Conduct that apply to all Mandatum Group employees.

Group Companies, based on their established reporting practices, shall inform their Boards of Directors on realised risk events and identified threats, which may cause significant financial losses directly or indirectly or threaten the reputation of the Group Company, as soon as possible after becoming aware of them. Rapid provision of all then available information is of essence for the Board of Directors' capability to contemplate appropriate risk management actions, if any. If the incident potentially affects the reputation or financial standing of the entire Mandatum Group or Mandatum plc, the risk manager of the company, shall inform immediately also the Group CRO, the Group's Investor Relations unit and the Compliance function.

Prudent analysis and a report of the incident shall be made without delay after the relevant parties have been informed about it. The risk managers of the Licensed Companies are responsible for delivering the report to the relevant company's Board of Directors and the Group CRO. The company together with the Group CRO shall then analyse whether there is a need for reporting to any authority and/or to Audit Committee. If no authority and/or Audit Committee reporting is needed, the event shall be covered in the regular reporting.

APPENDIX 5 - CONTINGENCY PLANNING IN MANDATUM GROUP

General

In Mandatum Group, contingency planning is part of operational risk management. The framework for the planning consists of the following elements:

i. Group-level and subsidiary-level main plans, which are approved by the Risk Management Committee;
ii. Sub-plans for companies and business units;
iii. Recovery plans for main IT systems;
iv. Model for crisis management;
v. Designated owners for the contingency plans;
vi. Testing of the plans; and
vii. Assessment of scenarios

The Main Plan

The group-level main plan introduces the framework for contingency planning within the Group. It includes definitions, responsibilities, scenarios as well as the operational model related to crisis management in Mandatum Group. The main plan is updated once a year and it is approved by the Risk Management Committee.

Subplans for Group Companies and Business Units

All Group Companies and business units use the same format and scenarios for the sub-plans. In each sub-plan, the main counterparties as well as contact information are given. If any company or unit-specific actions are needed, they are described in these plans. The plans are updated at least once a year and whenever needed.

Recovery Plans for Main IT systems

Potential incidents related to IT systems form a significant risk for the whole business and therefore the main systems must have recovery plans. Each plan has an owner who is responsible for updating the plan.

Model for Crisis Management

In Mandatum Group, crisis management is based on centralised management. The Crisis Management Team ("**CMT**") is responsible for managing the crisis. It creates a snapshot of the situation, receives information from the business units and external stakeholders, makes decisions and manages the situation. However, the business operations are managed in a normal manner by the CEOs and the management groups. This ensures that units act in a desired way and that the whole situation is managed properly. With respect to the crisis itself, all communication is centralised to the CMT.

The CMT is led by the Group CEO and other members depending on the crisis at hand. However, representation from the Communications unit, Human Relations unit, business operations and Risk Management function is always required. If needed, professionals from the business units may be added to the CMT to ensure proper actions.

Ownership of Contingency Planning

To ensure that contingency planning is done properly, and the plans are aligned at group-level, the Group CISO has the overall responsibility for the contingency planning. More detailed responsibilities are described in the contingency plans.

Testing of the Plans

Regular tests are conducted according to the test plan to ensure that the contingency plans work. The tests are also a way to train the personnel to ensure that all employees understand their role and responsibilities in a crisis.

Assessment of Scenarios

The scenarios must be assessed on a regular basis to ensure that they are valid for the Group and its structure, organisation and business.

MANDATUM

Mandatum plc

Registered domicile and address:
Bulevardi 56, FI-00120 Helsinki, Finland

Business ID: 3355142-3

www.mandatum.fi