

# Operational Risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes compliance risk but excludes risks resulting from strategic decisions. The risks may realize for instance as a consequence of:

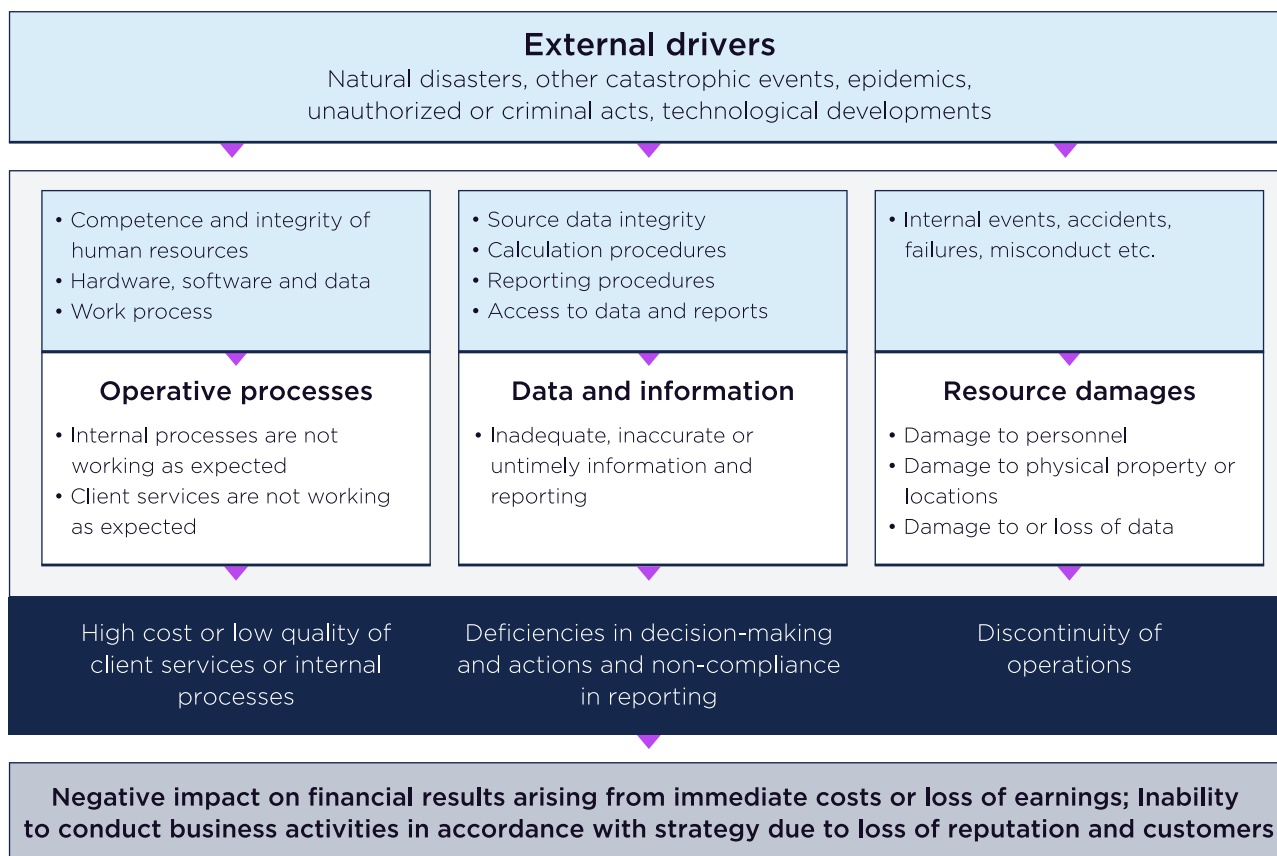
- internal misconduct
- external misconduct
- insufficient human resources management
- insufficiencies in operating policies as far as customers, products or business activities are concerned
- damage to physical property
- interruption of activities and system failures and
- defects in the operating process

Materialized operational risks can cause immediate negative impact on financial results due to additional costs or loss of earnings. In longer term materialized

operational risks can lead to loss of reputation and, eventually, loss of customers which endangers the company's ability to conduct business activities in accordance with the strategy.

Compliance risk is the risk of legal or regulatory sanctions, material financial losses or loss of reputation resulting from a company's failure to comply with laws, regulations and administrative orders as applicable to its activities. A compliance risk is usually the consequence of internal misconduct and hence it can be seen as a part of operational risk.

These immediate and longer term effects of operational risk have their general causes in external and internal drivers. The Group companies have their own specific risk sources which are causes of events that may have negative impacts on different processes, personnel or fixed assets.



In Sampo Group, the parent company Sampo plc sets the following goals of operational risk management to subsidiaries:

- To ensure simultaneously the efficiency and the quality of operations
- To ensure that operations are compliant with laws and regulations and

- To ensure the continuity of business operations in exceptional circumstances

Each company is responsible for arranging its operational risk management in line with the above mentioned goals, taking also into account the specific features of its business activities.