



LEA 02	Disclosures: Mandatory	Reason for Interaction
Individual/ internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making in & company's material ESG issues <input checked="" type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage via internal staff <input type="checkbox"/> To support investment decision-making in & company's material ESG issues <input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify
Collaborative engagements	<input type="checkbox"/> To support investment decision-making in & company's material ESG issues <input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage via collaborative engagements <input type="checkbox"/> To support investment decision-making in & company's material ESG issues <input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify
Service provider engagements	<input type="checkbox"/> To support investment decision-making in & company's material ESG issues <input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage via service providers <input type="checkbox"/> To support investment decision-making in & company's material ESG issues <input type="checkbox"/> To encourage corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify

RI TRANSPARENCY REPORT

2014/15

Varma Mutual Pension Insurance Company

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	✓	Public							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓						✓
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓						✓
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓						✓
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓						✓
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓						✓
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	-	n/a		✓					
SAM 16	Disclosure of RI considerations	✓	Public							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓					✓

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	-	n/a		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	-	n/a		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
FI 09	Types of sustainability thematic funds/mandates	-	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	🔒	n/a	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓					✓
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	🔒	n/a		✓					

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓						✓
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓						✓
PR 06	Fund placement documents and RI	🔒	n/a	✓			✓			✓
PR 07	Formal commitments to RI	🔒	n/a				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	🔒	n/a		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public							✓

Varma Mutual Pension Insurance Company

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Basic Information

OO 01	Mandatory	Gateway/Peering	General
-------	-----------	-----------------	---------

OO 01.1 Select the category which best represents your primary activity.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation or endowment
- Development finance institution
- Reserve - sovereign or government controlled fund
- Other, specify

OO 02	Mandatory	Peering	General
-------	-----------	---------	---------

OO 02.1 Select the location of your organisation's headquarters.

Finland

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

561

OO 03	Mandatory	Descriptive	General
-------	-----------	-------------	---------

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Gateway/Peering	General
-------	-----------	-----------------	---------

OO 04.1 Indicate the year end date for your reporting year.

31/12/2014

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		40	039	000	000
Currency	EUR				
Assets in USD		52	510	795	181

OO 04.5

Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	10-50%
Fixed income – corporate	<10%	<10%
Fixed income – government	<10%	<10%
Fixed income – other	<10%	0
Private debt	0	0
Private equity	<10%	<10%
Property	<10%	<10%
Infrastructure	0	<10%
Commodities	<10%	0
Hedge funds	0	10-50%
Forestry	0	0

Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report Voluntary to Disclose	Peering	General
-------	---	---------	---------

OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.
---------	--

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

OO 07.2	Indicate the proportion of your externally managed assets in fund-of-funds.
---------	---

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
-------	---	---------	---------

OO 08.1	Indicate the breakdown of your organisation's AUM by market.
---------	--

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
-------	-----------	-------------	---------

OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
---------	---

Varma is committed to taking responsibility into account in its investment operations. This contributes to Varma's objective of having first-rate investment competence and to the company's position as a long-term pension investor.

Varma's Principles for Responsible Investment cover the company's investment assets in their entirety. The principles are based on identifying the key responsibility aspects of investments and focussing on those. We aim to integrate responsibility issues systematically into our investment processes. The ultimate goal for investment activities is to produce returns, which must be accounted for in the application of the Principles for Responsible Investments and in the allocation of resources.

Varma's Principles for Responsible Investment are applied differently depending on the asset class and type of investment. The principles for Responsible Investment provide general guidelines for investment activities, and more detailed asset-specific policies are drawn up on the basis of the guidelines.

Varma has a significant exposure to alternative investments including hedge fund and private equity investments. Since responsible investment practices have been more established in listed assets, the focus in the development of practices has shifted more to the alternative investments. Varma has been proactive and progressive at developing own extensive responsible investment standards especially in the hedge fund investments.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
-------	-----------	---------	---------

OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
---------	--

- We incorporate ESG issues into investment decisions on our internally managed assets
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- None of the above

OO 11	Mandatory	Gateway	General
-------	-----------	---------	---------

OO 11.1

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- Fixed income – corporate
- Fixed income – government
- Fixed Income – other
- Private equity
- Property
- Commodities
- Cash
- None of the above

OO 11.2

Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- Fixed income – corporate
- Fixed income – government
- Private equity
- Property
- Infrastructure
- Hedge funds
- None of the above

OO 12**Mandatory****Gateway****General****OO 12.1**

The modules and sections that you will be required to complete are listed below.

This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

- Fixed Income - Corporate

Direct - Other asset classes with dedicated modules

- Property

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- Listed Equities
- Private Equity
- Property
- Infrastructure
- Hedge funds

Closing module

- Closing module

Varma Mutual Pension Insurance Company

Reported Information

Public version

Overarching Approach

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
-------	-----------	-----------------------	---------

OA 01.1 Indicate if you have a responsible investment policy.

- Yes
 No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
 No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Varma's Responsible Investment Principles were approved by Varma's Board of Directors and released in Q1 2014. Before this, Varma's Responsible Investment Principles were included in Varma's investment policy which was not published.

The key element of our Responsible Investment Principles are the following:

Varma recognizes that Environmental, Social and Governance (ESG) issues impact on business value. Varma is committed to taking ESG issues into account in its investment decision making and ownership practices. The ultimate objective of Varma's general investment policy is the return on investments which has to be taken into account in implementation of Varma's Responsible Investment Principles and allocation of resources.

Varma's Responsible Investment Principles cover all Varma's investments. The Principles set out the general guidelines which are implemented in asset class level based on our assessment of the ESG factors relevant to each asset class.

We take into account in our investment operations internationally recognized conventions and norms like the UN Global Compact, OECD guidelines for Multinational Enterprises and ILO's conventions.

OA 02	Mandatory	Core Assessed	PRI 6
-------	-----------	---------------	-------

OA 02.1 Indicate if your responsible investment policy is publicly available.

- Yes

OA 02.2 Provide a URL to your responsible investment policy.

URL

<https://www.varma.fi/en/tietoavarmasta/tulostiedot%20ja%20sijoitukset/responsibleinvestment/pages/default.aspx>

- No

OA 02.3 Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- Yes
 - Yes, all
 - Yes, some

OA 02.4 List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Varma's share ownership policy	https://www.varma.fi/en/tietoavarmasta/tulostiedot%20ja%20sijoitukset/omistajaohjaus/pages/default.aspx

- No

OA 02.5 Additional information. [Optional]

Varma's Responsible Investment Principles were published in March 2014. Varma published also Responsible Investment Policies for the asset classes. The principles and policies for Varma's asset classes are available at Varma's website.

OA 03 **Mandatory** **Core Assessed** **PRI 1,2**

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]
----------------	---

Varma's Responsible Investment Principles cover Varma's all assets under management with the exception of TyEL premium loans. With regard to TyEL premium loans Varma's Responsible Investment Principles are not applicable. TyEL premium loans are loans Varma lends to a client company according to the principles laid down by the Ministry of Social Affairs and Health. The amount Varma can lend to a company is based on a part of the insurance contributions paid by the client company to Varma.

OA 03.3	Additional information. [Optional]
----------------	------------------------------------

Varma's Principles for Responsible Investment cover all investments. However, some asset classes have even more detailed asset class specific policies in place that take into account some specific features for these investments. For example, Varma's Responsible Investment policy for external hedge fund investments is specifically designed to cover many important aspects related to these investments. Some examples of these issues are tax and governance aspects related to asset manager and investment vehicle together with considerations regarding some investment strategies and techniques employed typically by hedge funds.

OA 04	Mandatory	Core Assessed	General
--------------	------------------	----------------------	----------------

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
----------------	---

Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
----------------	--

The Amendment Act of 2014 of Pension Insurance Companies came in force January 1st , 2015. According to this Act pension companies are required to take precautions regarding their client companies in such a manner that the potential risk of conflict of interests is taken into account. The fundamental arrangement in Varma is that those Board members that represent Varma's clients are not allowed to participate in Board's decision making regarding Varma's investments or disinvestments in those client companies or Varma's other transactions with them.

In cases where a member of Varma's staff is involved in governance of a company, investment and divestment decisions regarding such a company's securities are made by Varma's Board of Directors.

No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
-------	-----------	-----------------------	---------

OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

Yes

OA 05.2 Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
 Less than once per year

OA 05.3 Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
 Biannually
 Annually
 Every two years or less
 It is not reviewed

No

OA 06	Voluntary	Descriptive	General
-------	-----------	-------------	---------

OA 06.1 List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

Add responsible investment objective 1

Objective 1	Varma's asset class specific Responsible Investment Policies: further implementation and development of more detailed reporting
Key performance indicators	Further development of policies and internal guidelines
Describe the progress achieved	Policy and principles were approved by the Board in Q1 2014. It and PRI 2013 report were released on Varma's website in Q1 2014.

Add responsible investment objective 2

Objective 2	Communication of Varma's expectations and policies regarding responsibility to our investment targets
Key performance indicators	Number of companies and funds spoken with
Describe the progress achieved	Responsible investing and Varma's targets were strongly promoted especially in the hedge fund investments.

Add responsible investment objective 3

Objective 3	Arranging ESG training
Key performance indicators	Delivery of training
Describe the progress achieved	We arranged external (PRI workshop) and internal (taxation) events.

OA 06.2 List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.

Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Varma's asset class specific Responsible Investment Policies: further implementation and development of more detailed reporting
Key performance indicators	Further development of policies and internal guidelines

Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Communication of Varma's expectations and policies regarding responsibility to our investment targets
Key performance indicators	Number of companies and funds spoken with

Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Arranging ESG training
Key performance indicators	Delivery of training

Governance and human resources

OA 07	Voluntary	Descriptive	General
--------------	------------------	--------------------	----------------

OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

Varma's Board of Directors approves Varma's Responsible Investment Principles and receive annual reporting on the implementation of the Principles. Varma's CIO is responsible for the oversight and general implementation of the Principles. Varma's Director for Capital Markets has the day-to-day responsibility for responsible investment activities. The directors for asset classes are responsible for the asset class specific policies and implementation of the policies. The portfolio managers have the responsibility for taking ESG issues into account in their investment decision-making. Varma has one full-time responsible investment specialist, who coordinates the responsible investment activities.

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 - Director for Capital Markets**
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
- Dedicated responsible investment staff
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
- Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
----------------	---

Number

1

OA 09	Voluntary	Additional Assessed	General
--------------	------------------	----------------------------	----------------

OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
----------------	---

Board members/Board of trustees

- Responsible investment included in personal development and/or training plan
- None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Other C-level staff or head of department

Director for Capital Markets

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Portfolio managers

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
--------------	------------------	----------------------	----------------

OA 10.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
----------------	---

Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Varma hosted a PRI workshop for Nordic signatories in January 2014. Varma's Head of Hedge Fund Investments has been a member of PRI's Hedge Fund Steering Committee since 2014.

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
FINSIF, Finlands sustainable investment forum

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Varma's responsible investment specialist was a member of Finsif's Board of Directors.

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

OA 11	Mandatory	Core Assessed	PRI 4
-------	-----------	---------------	-------

OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
---------	--

Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
---------	--

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

OA 11.3	Additional information. [Optional]
---------	------------------------------------

Varma's Head of Hedge Fund Investments presented Varma's views regarding responsible hedge fund investment at three international events in 2014. As part of the active dialogue with hedge fund managers Varma promoted the adoption of the PRI and that statement was also included as part of the Varma's HF RI policy.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
-------	-----------	---------------------	-----------

OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
---------	---

Yes

No

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
--------------	------------------	--------------------	--------------

OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
----------------	--

- Yes
 No

OA 14	Voluntary	Descriptive	PRI 1
--------------	------------------	--------------------	--------------

OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
----------------	---

- Yes
 No

Asset class implementation not reported in other modules

OA 16	Voluntary	Descriptive	General
--------------	------------------	--------------------	----------------

OA 16.1	Describe how you address ESG issues for externally managed assets for which you are not required to report because your assets are below the minimum threshold.
----------------	---

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Property	
Infrastructure	We refer to the overall Private Equity ESG principles of Varma.

Innovation

OA 18	Voluntary	Descriptive	General
--------------	------------------	--------------------	----------------

OA 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
----------------	--

- Yes

OA 18.2

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

Varma has set an extensive responsible investment policy for hedge fund investments and created a specific and detailed ESG questionnaire for hedge fund managers and funds. The policy covers ESG aspects for asset manager, investment vehicle, fund's underlying investments and investment strategies and techniques typically employed by hedge funds.

No

Assurance of responses

OA 19

Voluntary

Additional Assessed

General

OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

Yes

No

Varma Mutual Pension Insurance Company

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
---------------	------------------	--------------------	----------------

SAM 01.1	Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.
-----------------	---

Varma invests indirectly mainly through listed equity funds, private equity funds and hedge funds. This module covers equity and private equity fund investments in detail. Hedge funds are covered quite briefly as PRI's questionnaire does not yet have a separate section for hedge funds.

When investing in actively managed equity funds, Varma includes responsible investment criteria in its manager selection, appointment and monitoring process. The focus is on the manager's ESG policy and process and these issues are discussed carefully with the managers. The managers are also asked to answer in written form to our ESG questionnaire.

Varma usually requires that the manager has a responsible investment policy. Exceptions can, however, be made depending on the profile of the fund. In these cases the manager should be able to show that even without a formal policy they take environmental, social and governance issues into account when making investment decisions. Varma always encourages managers to create their own responsible investment policy if they do not yet have one.

We consider ESG issues regularly in the fund monitoring and discuss ESG issues in every fund review meeting or more frequently when needed. In addition, a service provider screens all Varma's external equity funds twice a year for breaches of international norms and conventions.

Varma Private Equity team manages a portfolio of Private Equity and Infrastructure Funds and is also actively doing coinvestments with the funds. Evaluation and assessment of the Fund Managers' Responsible Investment Principles and policies has been incorporated into our investment and portfolio management procedures.

Varma is actively working with the existing managers to encourage them sign up to the PRI or to have a comparable set of principles adopted in their operations, including reporting these activities to their investors, preferably as a fundamental part of regular Fund reporting.

When considering new investments and/or commitments, Varma only wants to work with managers respecting high ethical standards and who are committed to sign up to PRI or adopt respective principles.

As a large investor, Varma often has the opportunity to be represented in the Advisory Boards or Investor Committees of the Funds. This channel is actively used to promote the importance of ESG matters.

SAM 02	Mandatory	Core Assessed	PRI 4
---------------	------------------	----------------------	--------------

SAM 02.1	Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.
-----------------	---

Yes

No

SAM 03	Mandatory	Gateway	General
---------------	------------------	----------------	----------------

SAM 03.1	Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring
-----------------	--

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Hedge funds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SAM 03.2 Additional information. [Optional]

When investing in real estate funds, Varma includes responsible investment criteria in its manager selection, appointment and monitoring. However, this applies only to new real estate fund investments, where responsible investment policy and regular reporting related to responsible investing are expected from the managers.

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
--------	---------------------	-----------------------	-----------------	---------

SAM 04.1

Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.

Listed equity (LE)

Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%

SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
-----------------	---

	Active investment strategies
--	------------------------------

Active investment strategies	LE		
Screening	<input type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

	Passive investment strategies
--	-------------------------------

Passive investment strategies	LE		
Screening	<input type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

SAM 05.2	Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.
-----------------	---

	LE	
We engage directly or via service providers on our externally managed assets	<input type="checkbox"/>	
We require our external managers to engage on our behalf	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	

SAM 05.3 Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>

SAM 05.4 Additional information. [Optional]

Varma invests only in pooled equity funds. We cannot thus ask managers to implement our own ESG strategies in the funds but we encourage them to integrate ESG issues in their investment process. For the same reason, we do not require the funds to do engagement or proxy voting on our behalf. We cover these issues in the fund selection process and prefer to invest in funds which actively implement their own responsible investment policies.

Selection

SAM 06 **Mandatory** **Core Assessed** **PRI 1-6**

SAM 06.1 Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE		
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>		
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>		
Discuss the type of ESG reporting you expect	<input type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>		
Other general aspects in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>		
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>		
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>		
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>		
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

SAM 06.2 Provide additional information relevant to your organisation's selection approach for listed assets. [Optional]

We discuss ESG issues (process, case examples, reporting etc.) with the fund manager/ investment team and ESG team (if there is one) during the selection process. We assess managers' ESG incorporation strategies, ability to identify and manage ESG issues and discuss how ESG issues are covered in the investment process. Managers are also sent a detailed ESG questionnaire before we invest in the fund.

Varma prefers to invest in funds managed by managers with an extensive and integrated responsible investment policy. Usually we require a responsible investment policy. Exceptions can be made in some cases, however then the manager should be able to show that even without a formal policy they take environmental, social and governance issues into account in their investment process.

Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
---------------	------------------	----------------------------	--------------

SAM 07.1 When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:

General

	LE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input type="checkbox"/>		
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

ESG incorporation

	LE		
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input type="checkbox"/>		
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

Reporting

	LE		
Reporting on the agreed responsible investment activities	<input type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>		
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

SAM 07.2 Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed assets.

Varma only invests in pooled funds where the agreements/contracts are standardized. However, Varma can make an informal agreement with managers on the ESG reporting depending on the profile of the fund. Varma screens the holdings of its equity funds regularly.

Monitoring

SAM 08

Mandatory

Core Assessed

PRI 1

SAM 08.1

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	LE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>		
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted financial performance	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted risk or volatility	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted ESG performance	<input type="checkbox"/>		
Other general aspects of your monitoring, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Request information on ESG incorporation in specific investment decisions	<input type="checkbox"/>		
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

We discuss the manager's process of ESG incorporation and case examples, especially with portfolio managers.

SAM 08.2 Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

Managers who do not have an ESG policy are strongly encouraged to implement their own responsible investment policy and integrate it into their investment processes. In most cases they are also encouraged to join ESG initiatives/organisations. Varma does not require ESG incorporation, engagements or proxy voting on its behalf as the investments are made only in pooled funds. However, ESG criteria are an important but informal part of the overall evaluation. We discuss with the managers how they have included responsible investing in their investment decisions and ask them to present concrete examples as well and usually how these example cases may have impacted on the performance. We also discuss engagement cases if any have progressed.

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
---------------	------------------	----------------------	----------------

SAM 10.1 Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	PE		
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>		
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input type="checkbox"/>		
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>		
Other general aspects in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>		
Other pre-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>		
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input type="checkbox"/>		
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>		
Other post-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

In the selection process, we require the manager to have a credible ESG policy in place.

SAM 10.2 Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

In Private Equity, no new commitments are made unless the manager has convinced Varma's Private Equity team that the manager has a prudent approach to ESG.

Appointment

SAM 11	Voluntary	Additional Assessed	PRI 4
---------------	------------------	----------------------------	--------------

SAM 11.1 When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Other general RI considerations in your agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input type="checkbox"/>		
Other RI considerations relating to investment selection in your agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input type="checkbox"/>		
Other RI considerations relating to investment monitoring in your agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

Reporting

	PE		
Reporting on the agreed ESG implementation activities	<input type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>		
Reporting on company incidents relating to ESG issues	<input type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>		
Other RI considerations relating to reporting in your agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

If you select any 'Other' option(s), specify

In general considerations, we require an ESG clause to be incorporated into the Limited Partner Agreement (LPA) or as a side letter to the LPA.

SAM 11.2 Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for non-listed assets.

With regard to the reporting requirement, we have discussed possible reporting requirements with the PE funds we have invested in. Most of the funds have an ESG policy but do not report on ESG issues with the exception of PRI signatories and a couple of other funds. We will continue to discuss development of appropriate reporting with the funds but at this stage the situation does not allow for contractual agreements for reporting.

Monitoring

SAM 12 **Mandatory** **Core Assessed** **PRI 1-6**

SAM 12.1 Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>		
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted financial performance	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted ESG performance	<input type="checkbox"/>		
Other general aspects of your monitoring, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>		
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input type="checkbox"/>		
Request examples of ESG issues identified within the portfolio and action taken in response	<input type="checkbox"/>		
Request details of how ESG factors were considered when preparing to exit from investments	<input type="checkbox"/>		
Other ways ESG issues are monitored in the post-investment process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

In the post-investment process, ESG issues are monitored as a part of regular reporting and annual meeting.

SAM 12.2 Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

We have requested ESG to be part of regular fund reporting or a separate topic at the annual meeting.

Other asset classes

SAM 13 Voluntary Descriptive PRI 1-6

SAM 13.1 Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:

Asset Class	Description
Hedge funds	Varma made meaningful progress in finalizing the design of its responsible hedge fund investment policy in 2014. The policy covers ESG aspects for asset manager, investment vehicle, fund's underlying investments and investment strategies and techniques typically employed by hedge funds. Varma has started to use the policy and related ESG questionnaire as part of the manager and fund selection process in March 2015. ESG monitoring is part of normal on-going monitoring process (calls, on-site meetings etc) and Varma expects the managers to include ESG issues to normal fund reporting in the future.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
---------------	--	--------------------	----------------

SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.
-----------------	--

	%
--	---

20

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
---------------	------------------	----------------------	--------------

SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
-----------------	---

- Yes, we disclose information publicly
- Yes, we disclose information to clients/beneficiaries only
- We do not proactively disclose information to the public and/or clients/beneficiaries

SAM 16.4	Additional information. [Optional]
-----------------	------------------------------------

The PRI Reporting for 2014 will be published during the first half of 2015 on Varma's website.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
--------	---	-----------------	-------

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- Passive
- Active – quantitative (quant)
- Active – fundamental and other active strategies

	% of internally managed listed equities
<input type="radio"/>	<10%
<input type="radio"/>	10-50%
<input checked="" type="radio"/>	>50%

LEI 02	Voluntary	Descriptive	PRI 1
--------	-----------	-------------	-------

LEI 02.1

Provide a brief overview of how you incorporate ESG issues into listed equity investments.

We consider ESG issues in our investment process in two ways. Firstly, our goal is to take financially material ESG criteria into account in our investment process. The relevant criteria vary a lot depending on the sector and company in question. The main challenge with regard to using ESG criteria is the availability and comparability of data. We try to actively improve this by encouraging the companies to publish ESG data alongside financial information.

Secondly, we expect Varma's investee companies to act in accordance with international norms and conventions defined in Varma's Responsible Investment Principles. We screen our direct equity portfolio regularly to ensure that we have up to date information about possible breaches against the norms. We go through the results of the screening in regular meetings with the portfolio managers and Varma's Director for Capital Markets and discuss further actions based on the portfolio managers' recommendations.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
--------	-----------	-----------------------	-------

LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)	<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #0070C0; margin-right: 5px;"></div> % </div> <p style="margin-top: 5px;">100</p>
--	---

- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2
Describe your primary reasons for choosing a particular ESG incorporation strategy.

Our aim is to integrate financially relevant ESG criteria into our investment process to improve the risk-return ratio of our active equity investments. Our goal with norm based screening is to ensure that our investee companies fulfill our minimum criteria for corporate conduct.

LEI 04	Voluntary	Additional Assessed	PRI 1
---------------	------------------	----------------------------	--------------

LEI 04.1	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
-----------------	---

Type of ESG information

- Raw ESG company data
- Company-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Country-related analysis or ratings
- Screened stock list

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Other, specify

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
-----------------	--

Yes

LEI 04.4	Describe how you incentivise brokers.
-----------------	---------------------------------------

Brokers who provide us with high quality ESG research are compensated with higher commissions.

No

LEI 05	Voluntary	Additional Assessed	PRI 1
---------------	------------------	----------------------------	--------------

LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
-----------------	---

- Engagement
 - We have a systematic process to ensure the information is made available.
 - We occasionally make this information available.
 - We do not make this information available.
- (Proxy) voting
 - We have a systematic process to ensure the information is made available.
 - We occasionally make this information available.
 - We do not make this information available.

LEI 05.2	Additional information. [Optional]
----------	------------------------------------

We conduct both internal and external engagements. Internal engagements are done by our investment team, we do not have separate staff for engagements. Our external engagements are usually based on the results of our norm based screening. Information about external engagements is shared in regular meetings with our portfolio managers where the portfolio managers present the relevant cases and recommend further actions.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
--------	-----------	-------------	-------

LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
----------	--

Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

We exclude tobacco and nuclear weapons companies from our direct investments.

- Positive/best-in-class screening
- Norms-based screening

Screened by

- UN Global Compact Principles
- Universal Declaration of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

	Description
--	-------------

We screen our direct equity and corporate bond investments by a detailed list of norms and conventions. The list includes in addition to the ones mentioned above for example several environmental conventions.

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
-----------------	---

In our norm based screening the screening criteria are based on a list of relevant norms and conventions based on conventions and guidelines by OECD and the UN, among others. We have discussed the relevant criteria internally and decided to use a detailed list provided by our external service provider. In 2014 our external service provider was Swedish GES who provides us with both screening and engagement services .

The criteria are reviewed when needed, for example if new significant conventions are signed and ratified by the UN member countries, especially Finland.

LEI 07	Mandatory	Core Assessed	PRI 1
---------------	------------------	----------------------	--------------

LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
-----------------	---

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

LEI 08	Voluntary	Additional Assessed	PRI 1
---------------	------------------	----------------------------	--------------

LEI 08.1	Indicate which processes your organisation uses to ensure that fund criteria are not breached
-----------------	---

- Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
 - Systematic
 - Occasional
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above

LEI 08.2	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.
-----------------	--

We discuss the reasons for the breach to determine how to improve our processes and avoid further breaches. The shares are sold within a short period of time.

(C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
---------------	-----------	-------------	-------

LEI 10.1	Describe how you integrate ESG factors into investment decision making processes.
-----------------	---

Our portfolio managers are responsible for taking financially material ESG issues into consideration in their investment decision making. The portfolio managers use varying sources of information, depending in the sector and the type of company they invest in. So far the integration has concentrated on more on the risk side of ESG issues and ESG has become especially in some sectors a part of the investment risk analysis.

LEI 11	Mandatory	Core Assessed	PRI 1
---------------	-----------	---------------	-------

LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
-----------------	---

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]
-----------------	------------------------------------

The analysis of ESG factors depends on the company and sector in question as the materiality of ESG issues can be company and sector specific.

In addition to this, systematic integration of ESG issues has so far been difficult. There are several reasons to this, the lack of financially material and comparable indicators being the main one. In addition to the lack of data, the coverage of available ESG research is a problem. We have a large portfolio of small and medium

sized companies especially in Finland but also in other Scandinavian countries. These companies are usually not covered either by ESG research houses nor by sell side ESG analysts.

LEI 12	Voluntary	Additional Assessed	PRI 1
---------------	------------------	----------------------------	--------------

LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
-----------------	---

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

LEI 12.2	Describe how ESG information is held and used by your portfolio managers.
-----------------	---

- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

LEI 13	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 1
---------------	--	----------------------	--------------

LEI 13.1

Indicate into which aspects of investment analysis you integrate ESG information.

- (Macro) economic analysis
 - Systematically
 - Occasionally
- Industry analysis
 - Systematically
 - Occasionally
- Analysis of company strategy and quality of management
 - Systematically
 - Occasionally
- Idea generation
 - Systematically
 - Occasionally
- Portfolio construction
 - Systematically
 - Occasionally
- Fair value/fundamental analysis
 - Systematically
 - Occasionally

LEI 13.2

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.

- Adjustments to income forecasts (sales, earnings, cash flows)
- Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- Other adjustments to fair value projections, specify
- Other, specify

Outputs and outcomes**LEI 15****Voluntary****Descriptive****PRI 1****LEI 15.1**

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- Screening

Describe any reduction in your starting investment universe or other effects.

We have excluded tobacco and nuclear weapon companies from our direct investments. In addition, we have excluded some companies based on continuous and severe breaches against international norms and conventions.

- Integration of ESG issues

Select which of these effects followed your ESG integration:

- Reduce or prioritise the investment universe
- Overweight/underweight at sector level
- Overweight/underweight at stock level
- Buy/sell decisions
- Other, specify
- None of the above

LEI 16	Voluntary	Additional Assessed	PRI 1
---------------	------------------	----------------------------	--------------

LEI 16.1

Indicate whether your organisation measures how your approach to ESG issues in Listed Equity investments has affected financial and/or ESG performance.

- We measure whether our approach to ESG issues impacts funds' financial performance
- We measure whether our approach to ESG issues impacts funds' risk or volatility
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

LEI 16.2

Describe how you are able to determine these outcomes.

With regard to our investments' financial performance, neither screening nor integration of ESG issues has so far had any discernible effect on the return of our investments. This is mainly due to two factors. Firstly, we have a large proportion of our equity portfolio invested in Scandinavian companies, especially Finnish ones. Severe breaches against international norms are quite rare in Scandinavia. Thus the effect of excluded companies on our portfolio's return is small. Exclusion of tobacco and nuclear weapon companies does not have a meaningful impact either. Secondly, the integration of ESG issues has so far mostly concentrated on the risk side of ESG. The ESG analysis has positively influenced the risk rate of our investments but the effect is noticeable only on the level of individual stocks.

Incorporation of ESG issues has improved our investments' ESG performance, especially with regard to our screening process. The information we get from our service provider provides a different viewpoint to the companies' activities which has occasionally been valuable. The integration of ESG issues in our investment process has also improved our understanding of the ESG risks, for example in cases where we have analysed companies' supply chain in more detail.

Our assessment of how ESG incorporation has impacted our investments' financial performance, risk or ESG performance is based on a qualitative analysis. We have not conducted any detailed quantitative studies of how ESG has affected our investments.

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
---------------	------------------	----------------------	----------------

LEI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.7

Additional information. [Optional]

The PRI Reporting for 2014 will be published during the first half of 2015 on Varma's website.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 01.1 Provide a brief overview of your organisation's approach to engagement.

Varma's goal with engagement is to improve corporate ESG performance. We meet companies regularly and bring ESG items on the meeting agenda if needed. In the past, we have typically discussed mainly corporate governance issues but lately we have also discussed also environmental and employee matters.

Shareholders' nomination committees form a significant part of our engagements. ESG issues like diversity are among the criteria we consider when participating in the committee's work. Varma participated in the 2014 AGM season in 16 shareholder nomination committees. The companies are listed on our website.

We engage with companies regularly on the basis of the results of our norm based screening. Our goal is to engage with companies with severe and long term violations of international norms and conventions. We discuss with the companies in question directly if we are a significant and long term shareholder in the company. In companies where our ownership stake is small the discussions are usually carried out by an external service provider. The service provider we use represents on most cases several other shareholders in addition to Varma and can thus influence company behavior better (and more cost effectively) than we could on our own. If after a longer time period the engagement process is not successful, Varma will consider selling its holdings in the company.

LEA 02	Mandatory	Gateway	PRI 1,2,3
--------	-----------	---------	-----------

LEA 02.1 Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
-----------------	------------------------------------

We have not participated in collaborative engagements in 2014. We are, however, quite willing to participate in collaborative engagements in the future if and when suitable opportunities arise.

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
---------------	------------------	----------------------	--------------

LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.
-----------------	---

Yes

LEA 03.2

Describe how you identify and prioritise engagements.

Varma's process with engagement depends on the type of engagement. Our processes are quite simple as Varma's investment team does the engagements internally with no separate staff for engagement. Our investment staff meets companies regularly and often identify possibilities for engagement during the discussions. In these cases the person responsible for the company -with further help if needed- discusses the matter further with the company and reports to Varma's investment management. If the initiative come directly from the companies, we decide how to proceed on a case by case basis.

If the subject concerns corporate governance, we usually do the engagements fully ourselves. If the subject concerns environmental matters, for example, we may use external research as the basis for the discussion.

No

LEA 04**Mandatory****Core Assessed****PRI 2****LEA 04.1**

Indicate if you define specific objectives for your engagement activities.

Yes

Yes, for all engagement activities

Yes, for the majority of engagement activities

Yes, for a minority of engagement activities

No

LEA 04.2

Indicate if you monitor the actions that companies take following your engagements.

Yes

Yes, in all cases

Yes, in the majority of cases

Yes, in the minority of cases

LEA 04.3

Describe how you monitor and evaluate the progress of your engagement activities.

The person responsible for an engagement case is responsible for the whole process. The engagement results are reported to our Investments Director for Capital Markets and the most important and comprehensive cases to our CIO.

No

Process for engagements conducted with/on your behalf by service providers**LEA 07****Mandatory****Core Assessed****PRI 2,4****LEA 07.1**

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

Yes

LEA 07.2	Indicate what role you play in engagements that your service provider conducts on your behalf.
-----------------	--

- Specify the issues for the engagement
 - Specify the objectives for the engagement
 - Select the companies to be engaged with
 - Participate directly in the engagements with your service provider
 - Actively monitor and review the activities of the service provider
 - Other, specify
- No

LEA 07.3	Additional information. [Optional]
-----------------	------------------------------------

We use an external service provider to engage with companies in cases where a company has severely breached international norms for an extended period of time and our ownerships stake in the company is small. We actively select the companies to be engaged with and our equity portfolio managers are responsible for presenting the cases and making a recommendation for further action in regular meetings with our Investments Director for Capital Markets. We monitor and review the cases a couple of times a year.

We do not specify the issues or objectives for engagement as these are determined on the basis of the type of norm the company has breached.

LEA 08	Mandatory	Core Assessed	PRI 2,6
---------------	------------------	----------------------	----------------

LEA 08.1	Indicate whether you monitor and/or discuss the following information provided to you by your service provider
-----------------	--

- Please select all that apply
- The subject (or ESG issue(s)) of engagement
 - The objectives of the engagement
 - The rationale for engagement
 - The frequency/intensity of interactions with companies
 - Progress towards achieving engagement goals
 - Outcomes that have been achieved from the engagement
 - Next steps for engagement activity
 - Other, specify
 - None of the above

General processes for all three groups of engagers			
---	--	--	--

LEA 09	Voluntary	Additional Assessed	PRI 1,2
---------------	------------------	----------------------------	----------------

LEA 09.1	Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.
-----------------	---

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Service provider engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2 Additional information.

We do not have separate staff for engagements but the engagements are conducted by our investment team. The service provider engagements are reviewed in regular meetings.

LEA 10

Mandatory

Gateway/Core Assessed

PRI 2

LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA 10.2 Additional information. [Optional]

In case of internal staff engagements, we discuss especially the corporate governance cases in meetings held by our CIO. The smaller engagements done by our portfolio managers are not formally tracked but are part of their normal meetings with the companies concerned.

The service provider engagements are fully tracked and discussed in regular meetings.

Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

LEA 11.1 Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	17
Service provider engagements	6

LEA 11.2 Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.4 Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 12	Voluntary	Additional Assessed	PRI 2
---------------	------------------	----------------------------	--------------

LEA 12.1 Indicate if your engagements in the reporting year covered E, S and/or G issues.

Type of engagement	Coverage
Individual / Internal staff engagements	<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Service provider engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2 Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Corporate Governance only

100

100%

Service provider engagements

% Social only

50

% Overlapping ESG issues

50

100%

LEA 13 Voluntary Descriptive PRI 2

LEA 13.1 Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.

Yes

No

Communication

LEA 15 Mandatory Core Assessed PRI 2,6

LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.
-----------------	--

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 15.8	Additional information. [Optional]
-----------------	------------------------------------

The PRI reporting for 2014 is to be published during the first half of 2015 on Varma's website.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
-----------------	--

Varma published its share ownership policy a couple of years ago. The policy focuses on exercise of voting rights; appointment of the nomination committee and election of the Board of Directors; composition of the Board of Directors; remuneration system for key personnel; capital structure and transparency. The policy concerns Finnish listed companies. Outside of Finland Varma supports compliance with local governance codes and best practices.

We vote both by attending the AGMs and by proxy. In Finland, we vote by attending the AGM as Varma's representant usually attends annual general meetings of our investee companies. Outside of Finland we vote by proxy or by attending the AGM in companies where our ownership stake is close to five per cent or we are among the ten largest owners.

In most cases we discuss controversial agenda items with the company before voting against management proposals.

Process

LEA 17	Mandatory	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
-----------------	---

	Approach
--	----------

- We use our own research or voting team and make our own voting decisions without the use of service providers.

Based primarily on

- our own voting policy
- our clients requests or policy
- other, explain

We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

We hire service provider(s) which make voting decisions on our behalf.

LEA 19	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 19.1 To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.

- Obtain confirmation that votes have been received by the company:
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

LEA 20	Voluntary	Additional Assessed	PRI 2
---------------	------------------	----------------------------	--------------

LEA 20.1 Indicate if your organisation has a securities lending programme.

- Yes
- No

LEA 21	Mandatory	Core Assessed	PRI 2
---------------	------------------	----------------------	--------------

LEA 21.1 Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

- Yes, in most cases
- Sometimes, in the following cases:
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
---------------	------------------	----------------------	--------------

LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

- We do track or collect this information
- We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
-----------------	--

- Yes, we track this information
- No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 24.1	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.
-----------------	---

- Yes
- No

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
---------------	------------------	----------------------	----------------

LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
-----------------	--

- We disclose it publicly
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LEA 26.8	Additional information. [Optional]
-----------------	------------------------------------

The PRI Reporting for 2014 will be published during the first half of 2015 on Varma's website.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

FI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
-------	---	-----------------	-------

FI 01.1	Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.
---------	--

	Fixed income – corporate
--	--------------------------

Strategies

Passive

	Percentage of internally managed fixed income - corporate
--	---

<10%

Report on your strategies that represents <10% of corporate fixed income

Yes

No

10-50%

>50%

Active – quantitative (quant)

Active - fundamental and other active strategies

	Percentage of internally managed fixed income - corporate
--	---

<10%

10-50%

>50%

FI 02	Mandatory to Report Voluntary to Disclose	Peering	General
-------	---	---------	---------

FI 02.1	Provide a breakdown of your internally managed fixed income investments by credit quality.
---------	--

Credit quality	Fixed Income - Corporate
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%

ESG incorporation in actively managed fixed income

FI 03

Voluntary

Descriptive

PRI 1

FI 03.1

Provide a brief overview of how you incorporate ESG issues in fixed income investments.

Fixed Income - Corporate

Varma incorporates ESG issues in its active fixed income investments globally and in all sectors.

Our aim is to take into account ESG issues when analyzing the risks of potential investment target, i.e. the corporate issuing bonds. For a credit investor assessing the default risk of a company including the potential risks of ESG issues is crucial. Portfolio managers assess the ESG related risks for the company when they make the investment decision and follow the development of the ESG issues in the companies.

Varma also uses an external service provider for screening companies on breaching international norms and conventions. Credit portfolio managers have meetings with equity portfolio managers to discuss the results of the screening and engagement processes.

Fixed Income - Corporate

Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
-------	-----------	-----------------------	-------

FI 04.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	 0
---	---

- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	 100
---	---

- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

	Total actively managed fixed income - corporate
--	---

100%

FI 04.2

Describe your primary reasons for choosing a particular incorporation strategy.

Our aim is to integrate financially relevant ESG criteria into our investment process to improve the risk-return ratio of our active investments. Our goal with norm based screening is to ensure that our investee companies fulfill our minimum criteria for corporate conduct.

FI 05

Voluntary

Additional Assessed

PRI 1

FI 05.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- Raw ESG company data
- Issuer-related analysis or ratings

Describe who provides this information.

The investment banks' credit research teams provide us with ESG related research. In addition we use external research providers.

- Sector-related analysis or ratings

Describe who provides this information.

The investment banks' credit research teams provide ESG related research. In addition, we use an external research providers.

- Country-related analysis or ratings
- Screened bond list

Describe who provides this information.

The information underlying our screened bond list is provided by an external service provider.

- ESG issue-specific analysis or ratings

Describe who provides this information.

The investment banks' credit research teams provide us with ESG related research. In addition we use external research providers.

- Other, specify

FI 05.2

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

We use mainly investment banks' credit research and complement it with external research provider services.

(A) Implementation: Screening

FI 06

Mandatory

Descriptive

PRI 1

FI 06.1

Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

We exclude tobacco and nuclear weapons companies from our direct investments.

- Positive/best-in-class screening
- Norms-based screening

Screened by

- UN Global Compact Principles
- Universal Declaration of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

Description

We screen our direct equity and corporate bond investments by a detailed list of norms and conventions. The list includes in addition to the ones mentioned above for example several environmental conventions.

FI 06.2

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

In our norm based screening the screening criteria are based on a list of relevant norms and conventions based on conventions and guidelines by OECD and the UN, among others. We have discussed the relevant criteria internally and decided to use a detailed list provided by our external service provider. In 2014 our external service provider was Swedish GES who provides us with both screening and engagement services .

The criteria are reviewed when needed, for example if new significant conventions are signed and ratified by the UN member countries, especially Finland.

FI 07

Mandatory

Core Assessed

PRI 1

FI 07.1

Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

- Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

FI 08

Voluntary

Additional Assessed

PRI 1

FI 08.1

Indicate which processes your organisation uses to ensure that fund criteria are not breached in corporate fixed income investments.

- Checks are performed to ensure that issuers meet the funds' screening criteria. These checks are:
 - Systematic
 - Occasional
- Automated IT systems prevent investment managers from investing in excluded bonds or those that do not meet positive screening criteria
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above

FI 08.2

If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

We discuss the reasons for the breach to determine how to improve our processes and avoid further breaches. The holdings are sold within a short period of time.

(C) Implementation: Integration of ESG factors

FI 10	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

FI 10.1 Describe how you integrate ESG issues into investment decision-making processes.

Our aim is to take into account ESG issues when analyzing the risks of potential investment target, i.e. the corporate issuing bonds. For a credit investor assessing the default risk of a company including the potential risks of ESG issues is crucial. Portfolio managers assess the ESG related risks for the company when they make the investment decision and follow the development of the ESG issues in the companies.

The information is sourced mainly from investment banks' credit research team and complemented with external research provider services.

FI 11	Mandatory	Core Assessed	PRI 1
-------	-----------	---------------	-------

FI 11.1 Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 11.2 Additional information. [Optional]

The analysis of ESG factors depends on the company and sector in question as the materiality of ESG issues can be company and sector specific.

In addition to this, systematic integration of ESG issues has so far been difficult. There are several reasons to this, the lack of financially material and comparable indicators being the main one. The quality and usefulness of the research services we use are dependent on the quality of the data available. The coverage of available ESG research is also often a problem, especially when it comes to smaller Scandinavian companies.

FI 12	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
----------------	---

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

FI 12.2	Describe how ESG information is held and used by your portfolio managers.
----------------	---

- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
--------------	------------------	--------------------	--------------

FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
----------------	--

Fixed Income - Corporate

- Narrow down or prioritise the investment universe
- Buy / sell / weight decisions
- Other, specify

FI 16	Voluntary	Descriptive	PRI 1
--------------	------------------	--------------------	--------------

FI 16.1	Indicate whether your organisation measures how your approach to ESG issues in Fixed Income investments has affected financial and/or ESG performance.
----------------	--

- We measure whether our approach to ESG issues impacts funds' financial performance
- We measure whether our approach to ESG issues impacts funds' risk or volatility
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

FI 17	Voluntary	Descriptive	PRI 1
--------------	------------------	--------------------	--------------

FI 17.1

Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.

ESG issue 1

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
	ESG issue and explanation
	Social/corporate governance issue at global bank. Potential fines and criminal charges for not respecting US sanctions for certain countries.
	ESG incorporation strategy applied
<input type="checkbox"/> Screening	
<input type="checkbox"/> Thematic	
<input checked="" type="checkbox"/> Integration	
<input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
	Negative performance. Decided not to invest in the company before the issue is clarified.

ESG issue 2

Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate
ESG issue and explanation
Social, ethical issue at global corporate
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment view or performance
Decided not to invest in the bonds.

- ESG issue 3
- ESG issue 4
- ESG issue 5

Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
-------	-----------	---------------	---------

FI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

- We disclose it publicly

Provide URL

<https://www.varma.fi/en/tietoavarmasta/tulostiedot%20ja%20sijoitukset/responsibleinvestment/listed-corporate-bonds/pages/default.aspx>

FI 18.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

FI 18.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

FI 18.4

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify

Varma's responsible investment policy and principles are available on Varma's website. PRI report is published annually on Varma's website.

- No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

Engagement in fixed income investments

Fixed Income - Corporate

FI 19

Voluntary

Descriptive

PRI 2

FI 19.1

Indicate if you engage with corporate issuers.

- Yes

FI 19.2

Describe your organisation's approach to engagement in corporate fixed income.

Our goal with engagement is to improve corporate ESG performance. In corporate fixed income, the engagement cases have so far been based on the results of our norm based screening process and thus concentrated on companies with severe breaches against international norms and conventions.

When a company violates the international norms, Varma's objective is to first try to communicate with the company and influence the way it operates. The engagement process can be done internally or in some cases we use an external service provider. If the engagement process is not successful after a prolonged period of time, Varma will as a last step take measures to sell its holdings in the company.

Our corporate bond team always cooperates with Varma's equity team and participates in cases where the company in question is relevant to both the corporate bond and equity portfolio of Varma. The reason for this is that equity investors as owners of the company have more possibilities to influence on the company, e.g. voting in shareholder meetings. Credit investors do not usually have the same possibilities to influence the company. For credit investors, the best opportunity to discuss with company representatives is when meeting with them on a bond new issue roadshow.

- No

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Property

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

PR 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	General
-------	---	-----------------	---------

PR 01.1	Provide a breakdown of your organisation's internally managed property investments by equity and debt.
---------	--

Property investments instruments

Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2	Indicate the level of ownership you typically hold in your property investments.
---------	--

- a majority stake (>50%)
- a 50% stake
- a significant minority stake (between 10-50%)
- a limited minority stake (<10%)
- a mix of ownership stakes

Debt investments

Total 100%

N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02	Mandatory to Report Voluntary to Disclose	Gateway/Peering	General
-------	---	-----------------	---------

PR 02.1	Provide a breakdown of your organisation's property assets based on who manages the assets.
---------	---

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed by tenant(s) with operational control	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> < 10% <input type="radio"/> 0%
Total	100%

PR 02.2

Additional information. [Optional]

In commercial properties our internal property managers are responsible for letting of the properties. In addition, they keep close contact with third-party manager who takes care of technical management though in some of the properties the tenant is taking care of technical management. We consider commercial properties to be managed either directly by our own organisation or by tenant.

In residential properties our property manager keeps close contact with third-party manager, who takes care of technical management and letting. We consider residential properties to be managed via third-party property manager.

PR 03

Voluntary

Descriptive

General

PR 03.1

Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input checked="" type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 03.2	Additional information.
----------------	-------------------------

Varma's property portfolio includes also industrial, hotel and some mixed use properties and sites in addition to the ones mentioned above.

PR 04	Voluntary	Descriptive	PRI 1-6
--------------	------------------	--------------------	----------------

PR 04.1	Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.
----------------	--

Varma's goal is to integrate environmental and social issues in our property investment processes and property management. Environmental issues like energy efficiency are generally the most important ones. As for social issues, we work to take responsibility into account also with the tenants, for example.

PR 05	Mandatory	Core Assessed	PRI 1-6
--------------	------------------	----------------------	----------------

PR 05.1

Indicate if your organisation has a Responsible Property Investment (RPI) policy.

Yes

PR 05.2

Provide a URL if your RPI policy is publicly available. [Optional]

<https://www.varma.fi/fi/tietoavarmasta/tulostiedot%20ja%20sijoitukset/vastuullinen-sijoittaminen/kiinteistot/pages/default.aspx>

No

Pre-investment (selection)

PR 08

Mandatory

Gateway

PRI 1

PR 08.1

Indicate if your organisation typically incorporates ESG issues when selecting property investments.

Yes

PR 08.2

Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]

The location of the property is one of most important criteria in our property selection. The property should be located so that it is easily reached even by public transportation and is close to services. Good location has a positive effect on environment if the property is reached by public transportation but also the risk of high vacancy of the building is lower in the long run in the property with good location.

We conduct a due diligence -process (DD) before buying the property. The DD includes technical, environmental, financial/tax and legal aspects. For example, in environmental DD we inspect the risk that the site might be contaminated. In technical DD we check the condition of the building and consider the risk of for example indoor air quality problems which might have harmful effects on occupiers.

No

PR 09

Voluntary

Descriptive

PRI 1,4

PR 09.1

Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.

Internal staff

Specify role

Legal

Specify role

Technical (building, construction)

Specify role

Valuation

- External resources
 - Environmental advisors
 - Social advisors
 - Corporate governance advisors
 - Regulatory and/or legal advisors
 - Other, specify type of advisors/roles

Technical (building)

- No use of internal or external advice on ESG issues

PR 09.2	Additional information.
----------------	-------------------------

We have internal legal, technical and valuation professionals. If needed, we use external technical and environmental advisers to find out technical condition of the building and also the possibility of contaminated site.

PR 10	Mandatory	Core Assessed	PRI 1,3
--------------	------------------	----------------------	----------------

PR 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
----------------	---

ESG issues

- Environmental

	List up to three typical examples of environmental issues
--	---

Location of the property near to public transportation and services
 Clean site, no contamination or possibility to clean the site
 Condition of the building (for example indoor air quality and technical systems used)

- Social

	List up to three typical examples of social issues
--	--

Tenant background and tenant's satisfaction considering the spaces they have rented
 Health and safe spaces of the building

- Governance

	List up to three typical examples of governance issues
--	--

Financial and legal issues of MREC
 Legal issues of the property (for example land owning and zoning)

PR 11	Voluntary	Additional Assessed	PRI 1,3
--------------	------------------	----------------------------	----------------

PR 11.1	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
----------------	--

- Raw data from the target property asset/company
- Appraisals/audits
- Benchmarks/ratings against similar property asset
- Country level data/benchmarks
- Data aligned with established property reporting standards, industry codes and certifications
- International initiatives, declarations or standards
- Data from engagements with stakeholders (e.g. tenants and local community surveys)
- Information from external advisers
- Other, specify
- We do not track this information

PR 11.2	Additional information.
----------------	-------------------------

We use external environmental reports as well as reports of the condition of the building if needed. We benchmark the maintenance costs and check the energy efficiency rate of the property. We check the satisfaction of the tenant and the basic information of the tenant's (if a company) financial background.

PR 12	Voluntary	Additional Assessed	PRI 1
--------------	------------------	----------------------------	--------------

PR 12.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
----------------	---

- ESG issues helped identify risks and/or opportunities for value creation
- ESG issues led to the abandonment of potential investments
- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ESG issues were considered but did not have an impact on the investment selection process
- Other, specify
- We do not track this potential impact

PR 12.2	Additional information.
----------------	-------------------------

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
--------------	------------------	----------------------	--------------

PR 13.1

Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.

Yes

PR 13.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- Selection process of property managers incorporated ESG issues
 - For all third party property managers
 - For a majority of property managers
 - For a minority of property managers
- Contractual requirements when appointing property managers includes ESG issues
 - For all third party property managers
 - For a majority of property managers
 - For a minority of property managers
- Monitoring of property managers covers ESG responsibilities and implementation
 - For all third party property managers
 - For a majority of property managers
 - For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

We choose property managers either via tendering process or through negotiation. We favour candidates which are well known and reputable companies. Both invitation for tenders and signed contracts include ESG themes, such as:

- Special knowledge in energy efficiency matters, e.g., references in energy saving projects.
- Targets and indicators for tenant satisfaction and energy efficiency.
- Environment, safety and quality control systems' scope and certifications are documented.

We meet third party property managers regularly and follow their work. Managers are obligated to report for example on consumption of water, heating and electricity.

PR 13.4

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

Third party managers contribute to energy savings.

No

Post-investment (monitoring and active ownership)

Overview

PR 14

Mandatory

Gateway

PRI 2

PR 14.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
----------------	---

Yes

PR 14.2	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
----------------	--

- We consider ESG issues in property monitoring and management
- We consider ESG issues in property developments and refurbishments
- We consider ESG issues in property occupier engagements
- We consider ESG issues in community engagements related to our properties
- We consider ESG issues in other post-investment activities, specify

PR 14.3	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]
----------------	--

The energy strategy of property investment and management was taken into use at the end of 2014. Strategy guides our property investment organisation with energy efficiency issues.

We participate in an energy efficiency program where the target is to reduce the energy consumption by six per cent from 2011 to 2016. About 70 of our commercial properties participate the program. Progress of the program is monitored on an annual basis. A third-party consultant supports us with the program. The consultant suggests actions to reduce the properties' energy consumption, follows up and reports the results. We keep close contact with the third party consultant and we have several meetings during the year to keep us updated on the situation.

Our third party technical managers measures regularly the consumption of water, heating and electricity of our properties and they should react on possible abnormalities. Our goal is to seek energy efficient ways in day-to-day actions.

We consider energy efficient solutions when repairing and refurbishing existing properties and constructing new buildings.

Varma also informs tenants about its energy saving actions of properties and encourages tenants to consider possibilities to save energy in their own action.

No

Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
--------------	------------------	----------------------	----------------

PR 15.1	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
----------------	--

- >90% of property assets
- 51-90% of property assets
- 10-50% of property assets
- <10% of property assets

(in terms of number of property assets)

PR 15.2	Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.
----------------	--

ESG issues

Environmental

List up to three example targets per issue

Energy consumption is monitored and the target is to reduce energy consumption by 6 % over the period of six years.

Consumption of water, heating and electricity is monitored and followed by third party managers.

Social

List up to three example targets per issue

Occupier satisfaction is measured through survey and internal target is set every year.

Governance

We do not set and/or monitor against targets

PR 15.3	Additional information. [Optional]
----------------	------------------------------------

The property managers monitor the consumption of water, heating and electricity monthly. The property managers responsibility is to react on increased consumption. We have also set a target to third party manager who is managing residential properties to reduce consumption level.

PR 16	Voluntary	Descriptive	PRI 2
--------------	-----------	-------------	-------

PR 16.1	Indicate whether your property assets are assessed against certification schemes, ratings and/or benchmarks
----------------	---

Yes

No

Property developments and refurbishments

PR 17	Mandatory	Core Assessed	PRI 2
--------------	-----------	---------------	-------

PR 17.1	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
----------------	---

- >90% of active developments and refurbishments
- 51-90% of active developments and refurbishments
- 10-50% of active developments and refurbishments
- <10% of active developments and refurbishments
- N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.
----------------	--

- Minimum environmental site selection requirements
- Minimum environmental site development requirements
- Sustainable construction materials
- Minimum water efficiency requirements
- Minimum energy efficiency requirements
- Energy generation from on-site renewable sources
- Waste management plans at sites
- Health and safety management systems at sites
- Construction contractors comply with sustainability guidelines
- Other, specify

PR 17.3	Additional information. [Optional]
----------------	------------------------------------

When we do property developments and refurbishments we consider for example the following issues concerning the construction work and site:

- The construction waste is mainly recycled in construction sites.
- We demand a plan of safety systems on site at least in bigger construction sites.
- The energy and water efficient construction materials and systems are considered and also used if good solution is found.
- The biggest construction companies we also use have sustainability guidelines.

We have internal professionals whose responsibility is to monitor the construction work and site. They keep close contact with construction companies and consultants working with the development and refurbishment projects.

Occupier engagement			
----------------------------	--	--	--

PR 18	Mandatory	Core Assessed	PRI 2
--------------	------------------	----------------------	--------------

PR 18.1	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
----------------	---

- >90% of occupiers
- 51-90% of occupiers
- 10-50% of occupiers
- <10% of occupiers

(in terms of number of occupiers)

PR 18.2	Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.
----------------	---

- Distribute a sustainability guide to occupiers
- Organise occupier events focused on increasing sustainability awareness
- Deliver training on energy and water efficiency
- Deliver training on waste minimisation
- Provide feedback on energy and water consumption and/or waste generation
- Provide feedback on waste generation
- Carry out occupier satisfaction surveys
- Other, specify

PR 18.3	Additional information. [Optional]
----------------	------------------------------------

The energy efficiency event was arranged to our tenants.

PR 19	Voluntary	Additional Assessed	PRI 2
--------------	-----------	---------------------	--------------

PR 19.1	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.
----------------	---

- >90% of leases or MoUs
- 51-90% of leases or MoUs
- 10-50% of leases or MoUs
- <10% of leases or MoUs
- 0% of leases or MoUs
- N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

Outputs and outcomes			
-----------------------------	--	--	--

PR 21	Voluntary	Additional Assessed	PRI 1,2
--------------	-----------	---------------------	----------------

PR 21.1	Indicate if your organisation measures whether your approach to ESG issues in property investments has affected financial and/or ESG performance.
----------------	---

- We measure whether our approach to ESG issues impacts funds' financial performance

Describe the impact on:	Impact
Funds' financial performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

We measure whether our approach to ESG issues impacts funds' ESG performance

Describe the impact on:	Impact
Funds' ESG performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

None of the above

PR 21.2	Describe how you are able to determine these outcomes.
----------------	--

Water, heating and electricity consumption of the properties is measured and followed by third party manager who also calculates the changes in energy consumption and possible financial savings. These results are reported to us.

PR 22	Voluntary	Descriptive	PRI 1,3
--------------	------------------	--------------------	----------------

PR 22.1	Provide examples of ESG issues that affected your property investments during the reporting year.
----------------	---

Add Example 1

ESG issue	Electricity consumption
Types of properties affected	Commercial properties with private tenants
Impact (or potential impact) on investment	Financial savings in the long run, reduction of electricity consumption. Payback period 6-10 years.
Activities undertaken to influence the investment and the outcomes	Based on payback period of the investment and reduction of electricity consumption we decided to invest in lightning conditions in some of our properties

Add Example 2

ESG issue	Electricity and heating consumption
Types of properties affected	Commercial properties with private tenants
Impact (or potential impact) on investment	Financial savings, reduction of electricity and heating consumption
Activities undertaken to influence the investment and the outcomes	We decided to continue to check the adjustments of technical systems in our properties. Several adjustment changes that have an impact on reduction of electricity and heating consumption were found and also implemented. Adjustment changes were done for example to the ventilation systems.

Add Example 3

ESG issue	Water consumption
Types of properties affected	Commercial properties with private tenants
Impact (or potential impact) on investment	Financial savings, reduction of water consumption
Activities undertaken to influence the investment and the outcomes	We decided to adjust water flows of taps in some properties as the payback period of investment was very short and investment size small. Some of the adjustments were inspected during year 2014 and will be carried out later.

Add Example 4

Add Example 5

Communication

PR 23	Mandatory	Core Assessed	PRI 6
-------	-----------	---------------	-------

PR 23.1 Indicate if your organisation proactively discloses ESG information on your property investments.

- Disclose publicly
- Disclose to clients/beneficiaries only
- No proactive disclosure to the public or to clients/beneficiaries

PR 23.9 Additional information. [Optional]

The PRI Reporting for 2014 will be published during the first half of 2015 on Varma's website.