

LEA 02	Disclosures: Mandatory	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input checked="" type="checkbox"/> To influence corporate transition for identifying the need to re-evaluate our</p> <p><input checked="" type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage with internal staff</p>		
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input type="checkbox"/> To influence corporate transition for identifying the need to re-evaluate our</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage with collaborative engagements</p>		
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input type="checkbox"/> To influence corporate transition for identifying the need to re-evaluate our</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage with service providers</p>		

# RI TRANSPARENCY REPORT

## 2016

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 2016 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	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	✓	Public							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Additional information about organisation	✓	Public							✓
OO 11	RI activities for listed equities	✓	Public							✓
OO 12	RI activities in other asset classes	✓	Public							✓
OO 13	Modules and sections required to complete	✓	Public							✓

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04	RI goals and objectives	✓	Public							✓
SG 05	Main goals/objectives this year	✓	Public							✓
SG 06	RI roles and responsibilities	✓	Public							✓
SG 07	RI in performance management, reward and/or personal development	✓	Public							✓
SG 08	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09	Promoting RI independently	✓	Public				✓			
SG 10	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 11	ESG issues in strategic asset allocation	✓	Public	✓						
SG 12	Long term investment risks and opportunity	✓	Public	✓						
SG 13	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 14	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
SG 15	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 16	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
SG 17	Innovative features of approach to RI	✓	Public							✓
SG 18	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	Role of investment consultants/fiduciary managers	✓	Public				✓			
SAM 02	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 03	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public							✓
SAM 04	ESG incorporation strategies	✓	Public	✓	✓					
SAM 05	Selection processes (LE and FI)	✓	Public	✓						✓
SAM 06	Appointment considerations (LE and FI)	✓	Public				✓			
SAM 07	Monitoring processes (LE and FI)	✓	Public	✓						
SAM 08	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 09	Selection processes (PE, PR and INF)	✓	Public	✓						✓
SAM 10	Appointment considerations (PE, PR and INF)	✓	Public				✓			
SAM 11	Monitoring processes (PE, PR and INF)	✓	Public	✓						✓
SAM 12	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓						✓
SAM 13	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 14	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	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
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	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 11	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 12	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 13	ESG issues in index construction	🔒	n/a	✓						
LEI 14	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 15	Measurement of financial and ESG outcomes of ESG incorporation	✓	Public	✓						
LEI 16	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 17	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 collaborative engagement	🔒	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	Engagement methods	✓	Public		✓					
LEA 13	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 14	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 15	Examples of ESG engagements	-	n/a		✓					
LEA 16	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 17	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 18	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 19	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 20	Confirmation of votes	✓	Public		✓					
LEA 21	Securities lending programme	✓	Public		✓					
LEA 22	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 23	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 24	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 25	Shareholder resolutions	✓	Public		✓					
LEA 26	Examples of (proxy) voting activities	-	n/a		✓					
LEA 27	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,active strategies	✓	Public							✓
FI 02	Option to report on <10% assets	🔒	n/a							✓
FI 03	Breakdown by market and credit quality	✓	Public							✓
FI 04	Incorporation strategies applied	✓	Public	✓						
FI 05	ESG issues and issuer research	✓	Public	✓						
FI 06	Processes to ensure analysis is robust	✓	Public	✓						
FI 07	Types of screening applied	✓	Public	✓						
FI 08	Negative screening - overview and rationale	✓	Public	✓						
FI 09	Examples of ESG factors in screening process	-	n/a	✓						
FI 10	Screening - ensuring criteria are met	✓	Public	✓						
FI 11	Thematic investing - overview	🔒	n/a	✓						
FI 12	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 13	Thematic investing - assessing impact	🔒	n/a	✓						
FI 14	Integration overview	✓	Public	✓						
FI 15	Integration - ESG information in investment processes	✓	Public	✓						
FI 16	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 17	ESG incorporation in passive funds	🔒	n/a	✓						
FI 18	Engagement overview and coverage	✓	Public		✓					
FI 19	Engagement method	🔒	n/a	✓	✓					
FI 20	Engagement policy disclosure	🔒	n/a	✓	✓					
FI 21	Financial/ESG performance	✓	Public							✓
FI 22	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI 23	Communications	✓	Public		✓				✓	

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments	✓	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

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## Basic Information

OO 01	Mandatory	Gateway/Peering	General
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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
- Endowment
- Development finance institution
- Reserve - sovereign or government controlled fund
- Family office
- Other, specify

OO 02	Mandatory	Peering	General
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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

534

OO 03	Mandatory	Descriptive	General
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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
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OO 04.1

Indicate the year end date for your reporting year.

31/12/2015

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		41	341	300	000
Currency	EUR				
Assets in USD		45	070	525	901

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 percentage breakdown
- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	10-50%
Fixed income	10-50%	<10%
Private equity	<10%	<10%
Property	<10%	<10%
Infrastructure	0	<10%
Commodities	0	0
Hedge funds	0	10-50%
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0

Other (1), specify	<10%	0
Other (2), specify	0	0

	'Other (1)' specified
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Loan receivables

<b>OO 06.2</b>	Publish our asset class mix as per attached image [Optional].
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<b>OO 07</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 07.1</b>	Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.
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<b>Internally managed</b>	SSA	55
	Corporate (financial)	30
	Corporate (non-financial)	15
	Securitised	0
	Total	100%
	<b>Externally managed</b>	SSA
Corporate (financial)	0	
Corporate (non-financial)	70	
Securitised	0	
Total	100%	

OO 08

Mandatory to Report Voluntary to Disclose

Peering

General

OO 08.1

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>	100%

OO 09	Mandatory to Report Voluntary to Disclose	Peering	General
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**OO 09.1** 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 10	Voluntary	Descriptive	General
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**OO 10.1** 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 class 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 taken into account in the application of the Principles for Responsible Investments and in the allocation of resources.

Varma's Principles for Responsible Investment provide general guidelines for investment activities and their implementation depends on the characteristics of the asset class in question. We have published detailed policies for our main asset classes which describe in more detail how the Principles are applied in each asset class.

Varma has a significant exposure to alternative investments including hedge fund and private equity 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 11	Mandatory	Gateway	General
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**OO 11.1** Select your direct or indirect ESG incorporation activities your organisation implemented, for listed equities in the reporting year.

- We incorporate ESG in our investment decisions on our internally managed assets
- We address ESG incorporation in our external manager selection, appointment and/or monitoring processes
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

**OO 11.2** Select your direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.

- We engage with companies on ESG issues via our staff, collaborations or service providers
- We require our external managers to engage with companies on ESG issues on our behalf
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

**OO 11.3** Select your direct or indirect voting activities your organisation implemented for listed equity in the reporting year

- We cast our (proxy) votes directly or via dedicated voting providers
- We require our external managers to vote on our behalf
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

OO 12	Mandatory	Gateway	General
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**OO 12.1** Select internally managed asset classes where you implemented responsible investment into your investment decisions and/or your active ownership practices (during the reporting year)

- Fixed income – SSA
- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Private equity
- Property
- Cash
- Other (1)
- None of the above

'Other (1)' [as defined in OO 05]

Loan receivables

**OO 12.2**

Select externally managed assets classes where you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes (during the reporting year)

- Fixed income – SSA
- Fixed income – corporate (non-financial)
- Private equity
- Property
- Infrastructure
- Hedge funds
- None of the above

**OO 13****Mandatory****Gateway****General**

**You will need to make a selection in OO 13.1 only if you have any voluntary modules that you can choose to report on.**

**OO 13.1**

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 below.

## Core modules

- Organisational Overview
- Strategy and Governance

## 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 (financial)
- Fixed income - Corporate (non-financial)

## 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

Closing module

- Closing module

# Varma Mutual Pension Insurance Company

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

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## Responsible investment policy

SG 01

Mandatory

Core Assessed

General

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate what norms have you used to develop your RI policy.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

<b>SG 01.4</b>	Provide a brief description of the key elements of your investment policy that covers your responsible investment approach [Optional].
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Varma's Responsible Investment Principles were approved by Varma's Board of Directors and published in 2014.

The key elements 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 of 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.

No

<b>SG 01.5</b>	Additional information [Optional].
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Varma's Responsible Investment Principles cover all AUM except for a few procent which are associated with other obligations.

<b>SG 02</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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<b>SG 02.1</b>	Indicate which of your investment policy documents (if any) are publicly available. Provide URL and an attachment of the document.
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Policy setting out your overall approach

	URL
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<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

Asset class-specific guidelines

	URL
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<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

Screening / exclusions policy

Engagement policy

	URL
--	-----

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

(Proxy) voting policy

	URL
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<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

We do not publicly disclose our investment policy documents

<b>SG 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>General</b>
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<b>SG 03.1</b>	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

<b>SG 03.2</b>	Describe your policy on managing potential conflicts of interest in the investment process.
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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

<b>SG 04</b>	<b>Mandatory</b>	<b>Gateway/Core Assessed</b>	<b>General</b>
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<b>SG 04.1</b>	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.
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- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

<b>SG 05</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 05.1</b>	List the main responsible investment objectives that your organisation set for the reporting year.
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	Responsible investment processes
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Provide training on ESG incorporation

Key performance indicator
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Delivery of training

Progress achieved
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Training on norm-based screening and climate change.

- Provide training on ESG engagement

Key performance indicator
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Delivery of training

Progress achieved
-------------------

Training on engagement based on norm-based screening.

- Improved communication of ESG activities within the organisation

Key performance indicator
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Further development of our Responsible Investment Policies and internal guidelines.

Progress achieved
-------------------

We have developed our corporate responsibility program during the year with the help of an extensive stakeholder survey in which Varma's all employees were invited to participate in. Responsible investment was an important part of our the work and the survey. The results have been taken into account when developing our responsible investment program and targets for the future. The objectives and KPIs for responsible investment were approved by Varma's executive team in 2015 and published on a general level on our website in the beginning of 2016.

- Improved engagement to encourage change with regards to management of ESG issues
- Improved ESG incorporation into investment decision making processes

Key performance indicator
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Further development of Responsible Investment Policies and internal guidelines

Progress achieved
-------------------

We have undertaken a thorough review of different ways to incorporate climate change into our investment processes. The work continues in 2016.

- Other, specify (1)

Varma's asset class specific Responsible Investment Policies: further implementation and development of more detailed reporting

Key performance indicator

Further development of policies and internal guidelines

Progress achieved

We have worked on our corporate responsibility program during 2015. Responsible investment is an important part of the program. After internal consultations and workshops the program was approved in the beginning of 2016 and subsequently published on our website. The program includes main objectives and KPIs for responsible investment.

- Other, specify (2)
- Other, specify (3)

Financial performance of investments

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio
- Setting carbon targets for portfolio
- Other, specify (1)

Other description (1)

Communication of Varma's expectations and policies regarding responsibility to our investment targets

Key performance indicator

Number of companies and funds spoken with

Progress achieved

We have spoken with several investee companies and funds about our expectations and requirements regarding responsible investment.

- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives
- Encouraging others to join a RI initiative

Key performance indicator

Number of companies and funds spoken with

Progress achieved

We have encouraged several funds to join PRI and/or other RI initiatives.

- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

## Governance and human resources

SG 06

Mandatory

Core Assessed

General

SG 06.1

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  
Directors for asset classes

- 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
- Investor relations
- Other role, specify
- Other role, specify

<b>SG 06.2</b>	For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
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Varma's Board of Directors has approved Responsible Investment Principles and receives annual reporting on the implementation of the Principles. Our CIO is responsible for the oversight and general implementation of the Principles. The directors for asset classes are responsible for the asset class specific policies and implementation of the policies. Portfolio managers have the responsibility for integrating ESG issues into the investment decision-making.

<b>SG 06.3</b>	Indicate the number of dedicated responsible investment staff your organisation has.
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	Number
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0

<b>SG 07</b>	Voluntary	Additional Assessed	General
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<b>SG 07.1</b>	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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**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**

Investment directors for asset classes

- 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**

SG 08	Mandatory	Core Assessed	PRI 4,5
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 08.1	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.
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**Select all that apply**

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)
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- Basic
- Moderate
- Advanced

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

Varma's Head of Hedge Fund Investments has been a member of PRI's Hedge Fund Steering Committee since 2014.

- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- 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)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action for the 21st Century
- 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
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

<b>SG 09</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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**SG 09.1**

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

Yes

**SG 09.2**

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
- Wrote articles on responsible investment in the media.
- Other, specify

No

**SG 09.3**

Additional information. [Optional]

Varma's Head of Hedge Fund Investments presented Varma's views regarding responsible hedge fund investment at a couple of events in 2015. 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.

<b>SG 10</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 4,5,6</b>
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<b>SG 10.1</b>	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.
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- Yes
- No

### Implementation not in other modules

<b>SG 11</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 11.1</b>	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
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- Yes
- No

<b>SG 11.2</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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- Yes
- No

<b>SG 12</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 12.1</b>	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you consider.
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- Changing demographics
- Climate change

<b>SG 12.2</b>	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
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- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 12.3**

Indicate which of the following tools you use to manage emissions risks and opportunities

- Carbon footprinting
  - Scenario testing
  - Disclosure on emissions risk to clients/trustees/management/beneficiaries
  - Target setting for emissions risk reduction
  - Encourage internal and/or external portfolio managers to monitor emissions risk
  - Emissions risk monitoring and reporting are formalised into contracts when appointing managers
  - Other, specify
  - None of the above
- Resource scarcity
  - Technology developments
  - Other, specify(1)
  - Other, specify(2)
  - None of the above

**SG 13****Mandatory to Report Voluntary to Disclose****Descriptive****PRI 1****SG 13.1**

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

- Yes
- No

**SG 15****Mandatory****Descriptive****General****SG 15.1**

Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

<b>Asset Class</b>	<b>Describe what processes are in place and the outputs or outcomes achieved</b>
Property	We discuss responsible investment issues with investment managers when considering new investments. We prefer managers which have a written responsible investment policy or can otherwise show that they include ESG issues in their investment decisions. We also let managers know that Varma is a signatory to and has adopted the Principles for Responsible Investment. With current investments we discuss ESG issues when needed.
Infrastructure	We refer to Varma's responsible investment policy for private equity investments.
Hedge funds	Varma has a hedge fund specific responsible investment policy in place. As well, there is a specific ESG questionnaire related to the policy. Hedge fund managers need to fill in our ESG questionnaire before investment decision will be made by Varma. Thus, ESG aspects are part of investment considerations and due diligence. Varma is prepared to engage with managers regarding RI topics.

## Innovation

SG 17	Voluntary	Descriptive	General
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<b>SG 17.1</b>	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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Yes

<b>SG 17.2</b>	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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Varma has an extensive responsible investment policy for hedge fund investments. We have 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

SG 18	Voluntary	Additional Assessed	General
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<b>SG 18.1</b>	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.
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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	Mandatory	Core Assessed	PRI 4
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**SAM 01.1** Indicate whether your organisation uses investment consultants and/or fiduciary managers.

- Yes, we use investment consultants
- Yes, we use fiduciary managers
- No

SAM 02	Mandatory	Gateway	General
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**SAM 02.1** 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"/>

**SAM 02.2** 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 not covered in the PRI's reporting framework.

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

Varma requires that the manager for an active equity fund 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 strongly encourages managers to sign PRI and/or create their own responsible investment policy if they are not signatories or do not have a policy yet.

We consider ESG issues regularly in the active equity fund monitoring and discuss ESG issues in all fund review meetings 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. In case there are portfolio holdings that have confirmed breaches, clarification may be asked from the managers.

Varma Private Equity team manages a portfolio of private equity and Infrastructure funds and also makes 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 private equity managers to encourage them to 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 ESG issues.

## Listed equity (LE) and Fixed income (FI)

### Overview

**SAM 03**

**Mandatory to Report Voluntary to Disclose**

**Gateway**

**General**

**SAM 03.1**

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

Listed equity (LE)		Passive strategies	
	75		
		Active - quantitative (quant) strategies	
	0		
		Active - fundamental and active - other	
25			
100%			

**SAM 04**

**Mandatory**

**Gateway**

**PRI 1,2**

Appeal approved for this indicator

**SAM 04.1**

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

Active investment strategies

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

Passive investment strategies

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

**SAM 04.2** Additional information. [Optional]

We only invest in pooled funds. This means that we cannot require a manager to apply our ESG incorporation strategy or strategies on our behalf. However, their approach to ESG is taken into account when selecting, appointing and monitoring managers.

We usually require that the manager has a responsible investment policy when it comes to active equity funds. Exceptions can, however, be made depending on the profile of the fund and if the manager can show that they consider ESG when making investment decisions without a formal policy.

We prefer the integration strategy where ESG is fully intergrated into the investment decision process. Screening could be used to support this startegy.

**Selection**

<b>SAM 05</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1-6</b>
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**SAM 05.1** Indicate whether your organisation and/or your investment consultant typically do any of the following in the manager selection process for listed equity and/or fixed income.

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 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"/>				
Review the manager's responsible investment reporting to clients and/or the public, (excluding PRI)	<input checked="" type="checkbox"/>				
Review the manager's PRI Transparency or Assessment reports	<input type="checkbox"/>				
Discuss the type of ESG reporting you expect	<input checked="" 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 05.2** Please describe the level of experience board members/trustees/chief-level staff have with incorporating ESG factors into investment decision-making processes.

Investment decisions into pooled funds are usually made by the Head of Listed Securities. The investment cases are prepared by the portfolio manager who has a several years of experience of including ESG in the manager selection and monitoring. Fund managers' approach to ESG is noted in internal fund analyses.

**SAM 05.3** Provide additional information relevant to your organisation's selection approach for listed equity and/or fixed income. [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. We ask for samples of company/investment case reports that show if and how ESG is incorporated in managers' research. Other relevant reports are reviewed and managers are also sent a detailed ESG questionnaire before we invest in the fund.

We prefer investing 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.

We do not have a formal specific ESG weighting in our manager valuation evaluation, however, it is taken seriously into account and we prefer managers who have broadly incorporated ESG into their investment decision making process or show with evidence that they are improving their ESG process.

## Appointment

<b>SAM 06</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 4</b>
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**SAM 06.1** When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed equity and/or fixed income:

General

	LE				
Acting in accordance with your organisation's overall investment beliefs on responsible investment and ESG issues	<input type="checkbox"/>				
Acting in accordance with your organisation's overall strategy on responsible investment and ESG issues	<input type="checkbox"/>				
Acting in accordance with your organisation's overall 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 06.2** Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed equity and/or fixed income.

Varma only invest in pooled funds. This means the investment management contracts are standardised and the same for all investors in the fund. However, we discuss general issues regarding the ESG incorporation and reporting before and during the appointment in case there are still open issues left after the mutual communication during the selection process. By then managers should be aware that Varma is a signatory to PRI and has an own ESG policy that also put a strain on the managers and their processes.

## Monitoring

<b>SAM 07</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**SAM 07.1** 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
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	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"/>				
Discuss if the manager has acted in accordance with your overall investment beliefs on responsible investment and ESG issues	<input checked="" type="checkbox"/>				
Discuss if the manager has acted in accordance with your organisation's overall strategy on responsible investment and ESG issues	<input checked="" type="checkbox"/>				
Discuss if the manager has acted in accordance with your organisation's overall policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>				
Review the manager's responsible investment reporting (excluding PRI)	<input checked="" type="checkbox"/>				
Review the manager's PRI Transparency or Assessment reports	<input type="checkbox"/>				
Review ESG characteristics of the portfolio	<input type="checkbox"/>				
Review the impact of ESG issues on financial performance	<input 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"/>				
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 checked="" 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
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We may ask for samples of standard company or investment case research papers that show how ESG is taken into account in that specific company/case.

<b>SAM 07.2</b>	Provide additional information relevant to your organisation's dialogue and monitoring of external managers.
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ESG criteria are an important and standard 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 case examples. In addition the portfolios of the funds are screened twice a year by our external ESG service provider and if specific portfolio holdings stand out, cases and the potential actions by the manager are discussed with the manager. We may also discuss specific engagement cases if any have progressed.

**Private equity (PE), property (PR) and infrastructure (INF)**

**Selection**

<b>SAM 09</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1-6</b>
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<b>SAM 09.1</b>	In your manager selection process for the following assets, indicate whether your organisation and/or your investment consultant typically take any of the following actions.
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	General
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	PE		
Used the PRI's LP DDQ during discussions with managers as part of your selection process	<input type="checkbox"/>		
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 checked="" type="checkbox"/>		
Review the manager's responsible investment disclosure, excluding PRI reporting	<input checked="" type="checkbox"/>		
Review the manager's PRI Transparency or Assessment reports	<input type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation, specify in 09.2	<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 09.3** 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 10	Voluntary	Additional Assessed	PRI 4
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**SAM 10.1** 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 on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Acting in accordance with your organisation's overall strategy on responsible investment and ESG issues	<input type="checkbox"/>		
Acting in accordance with your organisation's overall policy on responsible investment and ESG issues	<input 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

	<b>PE</b>		
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 10.2** 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

<b>SAM 11</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1-6</b>
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**SAM 11.1** 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 excluding PRI	<input checked="" type="checkbox"/>		
Review the manager's PRI Transparency or Assessment 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 11.2** 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.

## Outputs and outcomes

<b>SAM 12</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1-6</b>
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**SAM 12.1** Indicate approximately what percentage (+/- 5%) of your externally managed assets are managed by PRI signatories.

%

35

**SAM 12.2** Additional information. [Optional]

This number includes also external investments that are not covered in this modul. Percentage of PRI signatories differs significantly between asset classes and is highest in listed equities and private equity. For example 96 % of capital invested in Varma's PE portfolio is managed by firms which are either PRI signatories or firms with established ESG policy.

<b>SAM 13</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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**SAM 13.1** Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

Add Example 1

Topic or issue	Encouraging to sign PRI or create an own ESG policy
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Private equity
Scope and process	Potential or existing managers who have not had ESG policy or signed PRI have been strongly encouraged to move into ESG intergration. Quite often they have already more or less considered the ESG issues when making investment decision, however, they had not formalized it.
Outcomes	Many managers with who we have discussed the ESG issues and incorporation over the last few years have become signatory to PRI.

Add Example 2

Add Example 3

Add Example 4

Add Example 5

## Communication

**SAM 14**

**Mandatory**

**Core Assessed**

**PRI 6**

**SAM 14.1**

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

Yes, we disclose information publicly

provide URL

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

**SAM 14.2**

Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.

Yes

**SAM 14.3**

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- How responsible investment considerations are included in manager selection, appointment and monitoring processes
  - Details of the responsible investment activities carried out by managers on your behalf
  - E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
  - Other, specify
- No
- Yes, we disclose information to clients/beneficiaries only
- We do not proactively disclose information to the public and/or clients/beneficiaries

**SAM 14.4**

Additional information. [Optional]

We disclose information about our responsible investment practices in indirect investments in our PRI Report which is available on our website. The PRI Reporting for 2015 will be published during the first half of 2016 on Varma's website.

# Varma Mutual Pension Insurance Company

## Reported Information

Public version

Direct - Listed Equity Incorporation

## PRI disclaimer

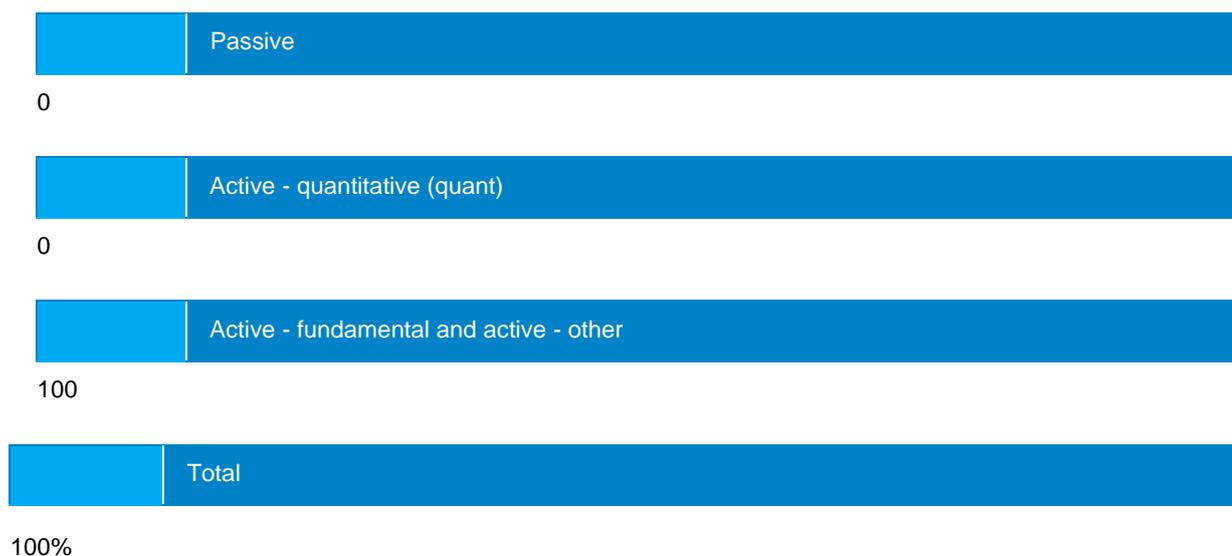
This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information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

## Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway	General
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**LEI 01.1** Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

### Percentage of internally managed listed equities



## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 03	Mandatory	Gateway	PRI 1
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**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 (+/- 5%)

#### 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	
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- 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 organisation’s approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

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 03.3** Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

Our equity portfolio is screened twice a year by a third-party service provider. We exclude companies which have confirmed violations on a case by case basis. Our investment team makes the decisions about engagement. The integration of ESG into the investment process is our Head of Listed Securities and portfolio managers' responsibility. We also started to take some thematic approach related to environmental sustainability, however, this is still very minor and concentrates on one sector.

<b>LEI 04</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**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

<b>LEI 04.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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ESG information is mainly sourced from companies themselves by in-house portfolio managers and from ESG research providers. However, sell-side is producing more and more useful company, sector and thematic ESG related reports.

<b>LEI 04.3</b>	Indicate if you incentivise brokers to provide ESG research.
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Yes

<b>LEI 04.4</b>	Describe how you incentivise brokers.
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Brokers who provide us with high quality ESG research are compensated with higher commissions.

No

<b>LEI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 05.1</b>	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.
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- 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.

<b>LEI 05.2</b>	Additional information. [Optional]
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We conduct both internal and external engagements. Internal engagements are done by our investment team and/or management, we do not have separate staff for engagements. Our external engagements are usually based on the results of our norm based screening.

**(A) Implementation: Screening**

<b>LEI 06</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 06.1</b>	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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**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 and power utility companies who derive a high proportion of their revenues from coal-based operations from our direct investments.

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

### Screened by

- UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

	Description
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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.

<b>LEI 06.2</b>	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.
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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 2015 our external service provider was Swedish GES who provides us 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 by Finland.

<b>LEI 07</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>LEI 07.1</b>	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
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- 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

<b>LEI 08</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 08.1</b>	Indicate which processes your organisation uses to ensure that fund criteria are not breached
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- Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- 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

<b>LEI 08.2</b>	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

<b>LEI 10</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>LEI 10.1</b>	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues	
	Environmental	<div style="background-color: #0070C0; color: white; padding: 2px; display: inline-block; margin-bottom: 5px;">Environmental</div> <ul style="list-style-type: none"> <li><input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly</li> <li><input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly</li> <li><input type="radio"/> We do not review environmental issues</li> </ul>
	Social	<div style="background-color: #0070C0; color: white; padding: 2px; display: inline-block; margin-bottom: 5px;">Social</div> <ul style="list-style-type: none"> <li><input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly</li> <li><input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly</li> <li><input type="radio"/> We do not review social issues</li> </ul>
	Corporate Governance	<div style="background-color: #0070C0; color: white; padding: 2px; display: inline-block; margin-bottom: 5px;">Corporate Governance</div> <ul style="list-style-type: none"> <li><input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly</li> <li><input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly</li> <li><input type="radio"/> We do not review corporate governance issues</li> </ul>

**LEI 10.2** Additional information. [Optional]

We aim to integrate relevant ESG criteria into our investment process. 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 11	Voluntary	Additional Assessed	PRI 1
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**LEI 11.1**

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
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Other, specify
- None of the above

**LEI 11.2**

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 12****Mandatory to Report Voluntary to Disclose****Core Assessed****PRI 1****LEI 12.1**

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

- (Macro) economic analysis
  - Systematically
  - Occasionally
- Industry analysis
  - Systematically
  - Occasionally
- Analysis of operational management
  - Systematically
  - Occasionally
- Analysis of company strategy
  - Systematically
  - Occasionally
- Portfolio construction
- Fair value/fundamental analysis
- Other, specify

LEI 12.5	Additional information.
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The responsibilities of portfolio managers are divided by sectors, geographical regions and/or market cap. Every portfolio manager does own company/sector/country analysis and the process and valuation/analysis tools may differ depending on the portfolio manager and his/her coverage area. We invest directly mainly in European companies that are under European regulation and legislation.

As an example our portfolio manager, who covers utility sector, decided to exclude power utility companies who derive a high proportion of their revenues from coal-based operations. This was done because of the tightening regulation and its possible impact on companies' future profits.

## Outputs and outcomes

LEI 14	Voluntary	Descriptive	PRI 1
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LEI 14.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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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, some companies based on continuous and severe breaches against international norms and conventions have been excluded. We have also recently started to exclude power utility companies who derive a high proportion of their revenues from coal-based operations.

	Specify the percentage reduction (+/- 5%)
--	---

	%
--	---

5

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 15	Voluntary	Additional Assessed	PRI 1
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<b>LEI 15.1</b>	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' reputation
- We measure whether our approach to ESG issues impacts funds' financial performance: return
- We measure whether our approach to ESG issues impacts funds' financial performance: risk
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

<b>LEI 16</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 16.1</b>	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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- ESG issue 1

<b>ESG issue and explanation</b>
Climate change became more into focus during 2015. We decided to divest power utility companies that derive more than one third of their power production from coal-based operations.
<b>ESG incorporation strategy applied</b>
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Combination of ESG incorporation strategies
<b>Impact on investment decision or performance</b>
A few companies were divested from the portfolio and will be excluded in the future unless they will reduce significantly or divest their coal-based operations. These holdings were a very small part of our whole equity portfolio and investment universe, thus so far we have not seen a significant impact on the overall performance of the whole equity portfolio.

- ESG issue 2
- ESG issue 3
- ESG issue 4
- ESG issue 5

## Communication

<b>LEI 17</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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**LEI 17.1**

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

- We disclose it publicly

Provide URL

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

**LEI 17.2**

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

- Yes

**LEI 17.3**

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

**LEI 17.4**

Indicate how frequently you typically report this information.

- Quarterly or more frequently  
 Biannually  
 Annually  
 Less frequently than annually  
 Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only  
 We do not proactively disclose it to the public and/or clients/beneficiaries

**LEI 17.7**

Additional information. [Optional]

We disclose information about our responsible investment practices in listed equity in our PRI report which is available on our website. The PRI Report 2016 will be published during the first half of 2016.

# 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	Mandatory	Core Assessed	PRI 2
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**LEA 01.1** Indicate whether your organisation has a formal engagement policy.

Yes

**LEA 01.2** Indicate what your engagement policy covers:

- Conflicts of interest
- Prioritisation of engagements
- Transparency
- Environmental factors
- Social factors
- Governance factors
- Other, describe
  - Taxation issues
- None of the above

**LEA 01.3** Please attach or provide a URL to your engagement policy. [Optional]

URL

<https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varman-vastuullinen-sijoittaminen-osakesijoitukset-eng.pdf>

**LEA 01.4** Provide a brief overview of your organization'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. Corporate governance issues are often on agenda but we take up also environmental and social issues.

Shareholders' nomination committees form a significant part of our engagements. E.g. diversity is among the criteria we consider when participating in the committee's work. Varma participated in 20 shareholder nomination committees (listed on Varma's website) in the 2015 AGM season.

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 case 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 also several other shareholders and can thus influence company behavior better and more cost effectively. Varma will consider selling its holdings in the company if the engagement process is not successful in longer term.

○ No

<b>LEA 02</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>PRI 1,2,3</b>
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<b>LEA 02.1</b>	Indicate your reasons for interacting with companies on ESG issues and indicate who carries these interactions out.
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Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
<b>Collaborative engagements</b>	<input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via collaborative engagements
<b>Service provider engagements</b>	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

<b>LEA 02.2</b>	Additional information. [Optional]
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We have not participated in collaborative engagements in 2015, however, we are quite willing to participate in collaborative engagements in the future if and when suitable opportunities arise. We have been mapping collaborative engagements related e.g. to carbon disclosure and medicine during 2015.

## Process

### Process for engagements run internally

<b>LEA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 03.1</b>	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.
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Ⓒ Yes

**LEA 03.2**

Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- Geography/market of the companies targeted
  - Materiality of ESG factors
  - Systemic risks to global portfolios
  - Exposure (holdings)
  - In reaction to ESG impacts which has already taken place
  - As a response to divestment pressure
  - Other, describe
- No

**LEA 03.3**

Additional information. [Optional]

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 comes 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.

Engagement is usually closer with companies where we are a significant stakeholder, mainly in Finnish companies.

**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
- No

**LEA 04.3**

Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.

- Yes

**LEA 04.4**

Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities.

- Define timelines of the milestones and goals
  - Tracking, monitoring progress against defined milestones and goals
  - Establish a process for when the goals are not met
  - Revisit and revise if necessary goals on continuous basis
  - Other, please specify
- No

**LEA 04.5**

Additional information. [Optional]

The person responsible for an engagement case is responsible for the whole process. The engagement results are reported to our Head of Listed Securities and the most important and comprehensive cases to our CIO.

### 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.

- Discuss the topic (or ESG issue(s)) of engagement
  - Discuss the rationale for engagement
  - Discuss the objectives of the engagement
  - Select the companies to be engaged with
  - Discuss the frequency/intensity of interactions with companies
  - Discuss progress towards the engagement objectives
  - Monitor and review outcomes that have been achieved from the engagement
  - Discuss next steps for engagement activity
  - Participate directly in a sample of engagements with your 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 ownership stake in the company is small. We select the companies to be engaged with and our equity portfolio managers are responsible for monitoring and reviewing the cases and considering future measures. The final decision on future measures is made by the Head of Listed Securities. In addition we also engage via our service provider with several other companies who have had indications of violation.

**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 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
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA 09.2** Additional information. [Optional]

We do not have separate staff for engagements but the engagements are conducted by our investment team. The service provider engagements are monitored and reviewed by portfolio managers.

**LEA 10** **Mandatory** **Gateway** **PRI 2**

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

Type of engagement	Tracking engagements
<b>Individual / Internal staff engagements</b>	<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"/> We do not track
<b>Service provider engagements</b>	<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"/> We do not track and cannot estimate our engagements

### 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.

	<b>Number of companies engaged</b> (avoid double counting, see explanatory notes)	<b>Proportion (to the nearest 5%)</b>	<b>Specify the basis on which this percentage is calculated</b>
Individual / Internal staff engagements	50 Number of companies engaged	25 Proportion (to the nearest 5%)	Specify the basis on which this percentage is calculated  <input type="radio"/> of the total number of companies you hold <input checked="" type="radio"/> of the total value of your listed equity holdings
Service provider engagements	24	5 Proportion (to the nearest 5%)	Specify the basis on which this percentage is calculated  <input type="radio"/> of the total number of companies you hold <input checked="" type="radio"/> of the total value of your listed equity holdings

**LEA 11.2** Indicate the proportion of engagements that involved multiple, substantive and detailed discussions or interactions with a company during the reporting year relating to ESG issue.

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 the percentage of your service provider engagements that you were highly involved in during the reporting year.

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

<b>LEA 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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**LEA 12.1** Indicate if your engagement involved:

- Letters to outline the engagement and the objectives
- Meetings and/or calls with the appropriate team
  - In some cases
  - In majority cases
  - In all cases
- Visits to operations
  - In some cases
  - In majority cases
  - In all cases
- Roadshows
- ESG research
  - In some cases
  - In majority cases
  - In all cases
- Other, specify

<b>LEA 13</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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**LEA 13.1** 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 checked="" 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 checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

**LEA 13.2** Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Social only

% Corporate Governance only

80

100%

Service provider engagements

% Environmental only

5

% Social only

60

% Corporate Governance only

10

% Overlapping ESG issues

25

100%

<b>LEA 14</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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**LEA 14.1** Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company changed its practices, or made a formal commitment to do so, following your organisation's and/or your service provider's engagement activities.

Yes

**LEA 14.2** Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.

	<b>Number of company changes or commitments to change</b>
Individual / Internal staff engagements	45
Service provider engagements	2

No

**Communication**

LEA 16.1	Indicate whether your organisation proactively discloses information on its engagements.
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- We disclose it publicly

provide URL
-------------

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

LEA 16.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- Yes

LEA 16.3	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
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Engagement information disclosed
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- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 16.4	Indicate how frequently you typically report engagements information.
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- Disclosed continuously (prior to and post engagements)
  - Disclosed quarterly or more frequently
  - Disclosed biannually
  - Disclosed annually
  - Disclosed less frequently than annually
  - Ad hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
  - We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 16.8	Additional information. [Optional]
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We disclose information about our engagement practices in listed equity in our PRI report which is available on our website. The PRI Report 2016 will be published during the first half of 2016.

## (Proxy) voting and shareholder resolutions

### Overview

LEA 17	Mandatory	Gateway	PRI 1,2,3
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LEA 17.1	Indicate whether your organisation has a formal voting policy.
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Yes

LEA 17.2	Indicate what your voting policy covers:
----------	--

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Securities lending process
- Other, describe
- None of the above

LEA 17.3	Please attach or provide a URL to your voting policy. [Optional]
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	URL
--	-----

<https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/omistajaohjaus-eng.pdf>

LEA 17.4	Provide a brief overview of your organization's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
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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.

No

**Process**

<b>LEA 18</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 18.1</b>	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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**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) that make voting recommendations or provide research that we use to inform our voting decisions.

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

<b>LEA 20</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 20.1</b>	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you do the following.
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- Obtain end-to-end confirmation that votes have been lodged
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

<b>LEA 21</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>LEA 21.1</b>	Indicate if your organisation has a securities lending programme.
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- Yes
- No

<b>LEA 22</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 22.1</b>	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.
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- 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

<b>LEA 23</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 23.1</b>	For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- We do track or collect this information
- We do not track or collect this information

<b>LEA 24</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 24.1</b>	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
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- Yes, we track this information
- No, we do not track this information

<b>LEA 25</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 25.1</b>	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.
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- Yes
- No

## Communication

<b>LEA 27</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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<b>LEA 27.1</b>	Indicate if your organisation proactively discloses information on your voting activities.
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- 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

We disclose information about our voting activities in the PRI report on our website. We have, however, not disclosed our voting decisions.

The PRI Reporting for 2015 will be published during the first half of 2016 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

General

FI 01.1

Provide a breakdown of your internally managed fixed income securities by active and passive strategies

<b>Corporate (financial)</b>	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
	<b>Total</b>	<b>100%</b>
<b>Corporate (non-financial)</b>	Passive	22
	Active - quantitative (quant)	0
	Active - fundamental and active - other	78
	<b>Total</b>	<b>100%</b>

FI 03

Mandatory to Report Voluntary to Disclose

Descriptive

General

FI 03.2

Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments between investment grade or high-yield securities.

<b>Corporate (financial)</b>	High-yield	0
	Investment grade	100
	Total	100%
<b>Corporate (non-financial)</b>	High-yield	44
	Investment grade	56
	Total	100%

**ESG incorporation in actively managed fixed income**

**Implementation processes**

<b>FI 04</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>PRI 1</b>
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<b>FI 04.1</b>	Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.
----------------	---

Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	100
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0 100%
Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	100

	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%

**FI 04.2** Describe your primary reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

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 fulfil our minimum criteria for corporate conduct.

**FI 05** Mandatory to Report Voluntary to Disclose Core Assessed PRI 1

**FI 05.1** Indicate which ESG factors you systematically research as part of your ESG analysis on issuers.

Select all that apply

	Corporate (financial)	Corporate (non-financial)
Environmental data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**FI 05.2** Indicate what format your ESG information comes in and where you typically source it

- Raw ESG company data
- ESG factor specific analysis
- Issuer-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- Sector-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- Country-level ESG analysis

<b>FI 05.3</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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We use mainly investment banks' credit research and complement it with external research provider services.

<b>FI 06</b>	<b>Mandatory</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 06.1</b>	Indicate how you ensure that your ESG research process is robust:
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- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits of ESG research are undertaken in a systematic way
- ESG analysis is benchmarked for quality against other providers
- Other, specify
- None of the above

<b>FI 06.2</b>	Describe how your ESG information or analysis is shared among your investment team.
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- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**(A) Implementation: Screening**

FI 07.1	Indicate the type of screening you conduct.
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Select all that apply

	Corporate (financial)	Corporate (non-financial)	
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	
Norms-based screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

FI 07.2	Describe the type of screening you apply to your internally managed active fixed income
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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. Our external service provider is 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 by Finland.

**Corporate (financial)**

	Corporate (fin)
--	-----------------

- For legal reasons
- For non-legal reasons

**Corporate (non-financial)**

	Corporate (non-fin)
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- For legal reasons
- For non-legal reasons

FI 08.2	Describe your approach to ESG-based negative screening of certain issuers from your investable universe.
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We exclude tobacco and nuclear weapons companies from our active investments. In addition we do norms based screening which may result in exclusion of a company from our investable universe.

FI 10	Mandatory	Core Assessed	PRI 1
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<b>FI 10.1</b>	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
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Type of screening	Checks	
	<b>Negative/exclusionary screening</b>	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
	<b>Norms-based screening</b>	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

### (C) Implementation: Integration

FI 14	Mandatory	Descriptive	PRI 1
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<b>FI 14.1</b>	Describe your approach to integrating ESG into traditional financial analysis.
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Our aim is to take into account ESG issues when analysing the risks of potential investee, 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 in the future cashflows of the companies when they make the investment decisions and follow the development of the ESG issues.

**Corporate (financial)**

In financials corporates, the focus is mainly on corporate governance issues. For example how potential litigation costs can affect the financial position and the reputation of the institution analyzed.

**Corporate (non-financial)**

In non-financial corporates the analysis depends on the sector. For example, in the mining and utilities sectors, environmental issues are at focus whereas in the healthcare sector social issues are more important.

**FI 15** **Mandatory** **Core Assessed** **PRI 1**

**FI 15.1** Indicate how ESG information is typically used as part of your investment process.

Select all that apply

	<b>Corporate (financial)</b>	<b>Corporate (non-financial)</b>	
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into security weighting decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is a standard part of internal credit ratings or assessment	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis for issuers is a standard agenda item at investment committee meetings	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis is regularly featured in internal research notes or similar	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis is a standard feature of ongoing portfolio monitoring	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis features in all internal issuer summaries or similar documents	<input type="checkbox"/>	<input type="checkbox"/>	
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 16** **Mandatory** **Additional Assessed** **PRI 1**

**FI 16.1** | Indicate the extent to which ESG issues are reviewed in your integration process.

	Environment	Social	Governance
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all

**FI 16.1** | Indicate the extent to which ESG issues are reviewed in your integration process.

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 16.1** | Indicate the extent to which ESG issues are reviewed in your integration process.

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.

**Fixed income - Engagement**

<b>FI 18</b>	<b>Mandatory to Report</b>	<b>Voluntary to Disclose</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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**FI 18.1** | Indicate if you engage on your fixed income assets. Please exclude any engagements carried out solely in your capacity as a shareholder.

Category	Proportion of assets
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5% <input checked="" type="radio"/> We do not engage
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5% <input checked="" type="radio"/> We do not engage

## Outputs and outcomes

FI 21	Mandatory to Report	Voluntary to Disclose	Additional Assessed	General
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FI 21.1

Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We measure whether incorporating ESG impacts funds' reputation	<input type="checkbox"/>	<input type="checkbox"/>	
We measure whether incorporating ESG impacts financial returns	<input type="checkbox"/>	<input type="checkbox"/>	
We measure whether incorporating ESG impacts risk	<input type="checkbox"/>	<input type="checkbox"/>	
We measure whether incorporating ESG impacts funds' ESG performance	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

FI 22	Voluntary	Descriptive	PRI 1,2
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FI 22.1

Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.

Example 1

Type of fixed income	
<input type="checkbox"/> Corporate (financial)	
<input checked="" type="checkbox"/> Corporate (non-financial)	
ESG issue and explanation	
Negative screening. Did not invest in European tobacco bonds.	
RI strategy applied	
<input checked="" type="checkbox"/> Screening	
<input type="checkbox"/> Integration	
<input type="checkbox"/> Engagement	
<input type="checkbox"/> ESG incorporation in passively managed funds	
Impact on investment decision or performance	
Not measurable impact on returns.	

Example 2

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
Negative screening. Did not invest in bond new issue of corporate, because it had also operations in nuclear weapon manufacturing.
RI strategy applied
<input checked="" type="checkbox"/> Screening <input type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
No material impact on performance.

Example 3

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
Social and governance issues in mining company.
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
Not invested in the company's bonds. Has had positive impact on portfolio performance.

Example 4

Example 5

## Communication

FI 23	Mandatory	Core Assessed	PRI 2,6
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**FI 23.1**

Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.

We disclose it publicly

Provide URL

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

**FI 23.2**

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

Yes

**FI 23.3**

Indicate the information your organisation proactively discloses to the public regarding your approach to RI incorporation.

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

**FI 23.4**

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

**FI 23.7**

Additional information. [Optional]

We disclose information about our responsible investment practices in listed corporate bonds in our PRI report which is available on our website. The PRI Report 2016 will be published during the first half of 2016.

# 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	Descriptive	General
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**PR 01.1** 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
- N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity in property on their behalf

PR 02	Mandatory to Report Voluntary to Disclose	Gateway	General
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**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%
<b>Total</b>	<b>100%</b>

<b>PR 02.2</b>	Additional information. [Optional]
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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.

<b>PR 03</b>	Voluntary	Descriptive	General
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<b>PR 03.1</b>	Indicate up to three of your largest property types by AUM.
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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

<b>PR 03.2</b>	Additional information.
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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
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PR 04.1	Provide a brief overview of your organisation's approach to responsible investment in property.
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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
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PR 05.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.
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Yes

PR 05.2	Provide a URL if your RPI policy is publicly available. [Optional]
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<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

No

### Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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Yes

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection.
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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 close to services. Good location has a positive effect on environment if the property is reached by public transportation but also lowers the risk of high vacancy of the building in the long run.

We conduct a due diligence process (DD) before buying a 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
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<b>PR 09.1</b>	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.
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- 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

<b>PR 09.2</b>	Additional information.
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We have internal legal, technical and valuation professionals. If needed, we use external legal and financial advisors to check the legal and financial issues of the property and the property company, technical and environmental advisers to find out technical condition of the building and also the possibility of contaminated site.

<b>PR 10</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1,3</b>
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<b>PR 10.1</b>	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, either no contamination or possibility to clean the site  
 Condition of the building (for example the indoor air quality and technical systems used)

- Social

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

Tenant's background and tenant's satisfaction considering the premises they have rented (if possible)  
 Health and safe spaces of the building

- Governance

List up to three typical examples of governance issues

Financial and legal issues of real estate company

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

<b>PR 11</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1,3</b>
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<b>PR 11.1</b>	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
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- 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

<b>PR 11.2</b>	Additional information.
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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 (if possible) and the basic information of the tenant's financial background.

<b>PR 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>PR 12.1</b>	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- 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

<b>PR 12.2</b>	Indicate how ESG issues impacted your property investment deal structuring processes during the reporting year.
----------------	---

- 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 deal structuring process
- Other, specify
- We do not track this potential impact

<b>PR 12.3</b>	Additional information.
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Very good location, new energy-efficient building and tenant with good reputation impacted the price we offered on one property. ESG issues were considered in all transaction processes but did not have a significant impact. Varma did only few property transactions during year 2016.

## Selection, appointment and monitoring third-party property managers

<b>PR 13</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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<b>PR 13.1</b>	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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- Yes

<b>PR 13.2</b>	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

<b>PR 13.3</b>	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, water, heat and electricity 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 60 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. They should both react on possible abnormalities and try to reduce the consumption according to the target set together by manager and Varma. 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.

No

## Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
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**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 consumption by 6 % over the period of six years

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

Social

List up to three example targets per issue

Tenant 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 manages residential properties to reduce consumption level of water, heating and electricity.

PR 16	Voluntary	Descriptive	PRI 2
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<b>PR 16.1</b>	Indicate whether your property assets are assessed against certification schemes, ratings and/or benchmarks
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- Yes
- No

## Property developments and refurbishments

<b>PR 17</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>PR 17.1</b>	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
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- >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)

<b>PR 17.2</b>	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

<b>PR 17.3</b>	Additional information. [Optional]
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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
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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.
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- >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]
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Tenant satisfaction survey is done annually to both residential and commercial tenants. Survey is part of tenant satisfaction benchmark and we have possibility to compare our results to the results of similar property investors. Both the survey and benchmark are carried out by the consultant.

PR 19	Voluntary	Additional Assessed	PRI 2
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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.
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- >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**

<b>PR 21</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
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<b>PR 21.1</b>	Indicate whether your organisation measures how your approach to responsible investment 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
<b>Funds' financial performance</b>	<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
<b>Funds' ESG performance</b>	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

None of the above

<b>PR 21.2</b>	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.

<b>PR 22</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1,3</b>
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<b>PR 22.1</b>	Provide examples of ESG issues that affected your property investments during the reporting year.
----------------	---

Add Example 1

ESG issue	Energy consumption
Types of properties affected	Commercial properties
Impact (or potential impact) on investment	Reduction of energy consumption, financial savings
Activities undertaken to influence the investment and the outcomes	We have continued reducing energy consumption for example by renewing some older cooling and ventilation machines into more energy-efficient ones, doing some adjustments to ventilation machines and changing exit-lights into LED-lights. Our CO2-emissions have reduced about 440 tCO2/a.

Add Example 2

ESG issue	Water consumption
Types of properties affected	Commercial properties
Impact (or potential impact) on investment	Reduction of water consumption, financial savings
Activities undertaken to influence the investment and the outcomes	We already did some adjustments to water flows of taps year 2014 and now we continued to do those adjustments in few more properties.

Add Example 3

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

provide URL

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

**PR 23.2**

Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

- Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (GRESS)
- Other property reporting standards, specify
- No property specific reporting standards are used

**PR 23.3**

Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.

- Yes

**PR 23.4**

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

- ESG information on how you select property investments
- ESG information on how you monitor and manage property investments
- Information on your property investments' ESG performance
- Other, specify

**PR 23.5**

Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested, specify

**PR 23.6**

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]

We disclose information about our responsible investment practices in our direct property investments in our PRI report which is available on our website. The PRI Report 2016 will be published during the first half of 2016.

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