

| 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 & company's interests</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</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 internal staff</p> | | |
| Collaborative engagements | <p><input type="checkbox"/> To support investment decision-making in & company's interests</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</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 collaborative engagements</p> | | |
| Service provider engagements | <p><input type="checkbox"/> To support investment decision-making in & company's interests</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</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 service providers</p> | | |

RI TRANSPARENCY REPORT

2018

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 2018 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 TG | | ✓ | - | | | | | | | |
| 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 | ✓ | Private | | | | | | | ✓ |
| OO 08 | Segregated mandates or pooled funds | ✓ | Private | | | | | | | ✓ |
| OO 09 | Breakdown of AUM by market | ✓ | Public | | | | | | | ✓ |
| OO 10 | Active ownership practices for listed assets | ✓ | Public | | | | | | | ✓ |
| OO 11 | ESG incorporation practices for all assets | ✓ | Public | | | | | | | ✓ |
| OO 12 | Modules and sections required to complete | ✓ | Public | | | | | | | ✓ |
| OO LE 01 | Breakdown by passive, quantitative, fundamental and other active strategies | ✓ | Public | | | | | | | ✓ |
| OO LE 02 | Reporting on strategies that are <10% of actively managed listed equities | 🔒 | n/a | | | | | | | ✓ |
| OO FI 01 | Breakdown by passive, active strategies | ✓ | Private | | | | | | | ✓ |
| OO FI 02 | Option to report on <10% assets | 🔒 | n/a | | | | | | | ✓ |
| OO FI 03 | Breakdown by market and credit quality | ✓ | Private | | | | | | | ✓ |
| OO SAM 01 | Breakdown by passive, quantitative, fundamental and other active strategies | ✓ | Private | | | | | | | ✓ |
| OO PE 01 | Breakdown of investments by strategy | ✓ | Private | | | | | | | ✓ |
| OO PE 02 | Typical level of ownership | ✓ | Public | | | | | | | ✓ |
| OO PR 01 | Breakdown of investments | ✓ | Public | | | | | | | ✓ |
| OO PR 02 | Breakdown of assets by management | ✓ | Private | | | | | | | ✓ |
| OO PR 03 | Largest property types | ✓ | Private | | | | | | | ✓ |
| OO INF 01 | Breakdown of investments | 🔒 | n/a | | | | | | | ✓ |
| OO INF 02 | Breakdown of assets by management | 🔒 | n/a | | | | | | | ✓ |
| OO INF 03 | Largest infrastructure | 🔒 | n/a | | | | | | | ✓ |
| OO End | Module confirmation page | ✓ | - | | | | | | | |

| CCStrategy 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 | Identifying incidents occurring within portfolios | ✓ | Public | | | | | | | ✓ |
| SG 05 | RI goals and objectives | ✓ | Public | | | | | | | ✓ |
| SG 06 | Main goals/objectives this year | ✓ | Private | | | | | | | ✓ |
| SG 07 | RI roles and responsibilities | ✓ | Public | | | | | | | ✓ |
| SG 07 CC | Climate-issues roles and responsibilities | ✓ | Public | | | | | | | ✓ |
| SG 08 | RI in performance management, reward and/or personal development | ✓ | Private | | | | | | | ✓ |
| SG 09 | Collaborative organisations / initiatives | ✓ | Public | | | | ✓ | ✓ | | |
| SG 09.2 | Assets managed by PRI signatories | ✓ | Public | ✓ | | | | | | |
| SG 10 | Promoting RI independently | ✓ | Public | | | | ✓ | | | |
| SG 11 | Dialogue with public policy makers or standard setters | ✓ | Private | | | | ✓ | ✓ | ✓ | |
| SG 12 | Role of investment consultants/fiduciary managers | ✓ | Public | | | | ✓ | | | |
| SG 13 | ESG issues in strategic asset allocation | ✓ | Public | ✓ | | | | | | |
| SG 14 | Long term investment risks and opportunity | ✓ | Public | ✓ | | | | | | |
| SG 15 | Allocation of assets to environmental and social themed areas | ✓ | Public | ✓ | | | | | | |
| SG 16 | ESG issues for internally managed assets not reported in framework | 🔒 | n/a | | | | | | | ✓ |
| SG 17 | ESG issues for externally managed assets not reported in framework | ✓ | Public | | | | | | | ✓ |
| SG 18 | Innovative features of approach to RI | ✓ | Private | | | | | | | ✓ |
| SG 19 | Communication | ✓ | Public | | | | | | | ✓ |
| SG End | Module confirmation page | ✓ | - | | | | | | | |

| Indirect – Manager Selection, Appointment and Monitoring | | | | Principle | | | | | | General |
|--|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| SAM 01 | ESG incorporation strategies | ✓ | Public | ✓ | | | | | | |
| SAM 02 | Selection processes (LE and FI) | ✓ | Public | ✓ | | | | | | |
| SAM 03 | Evaluating engagement and voting practices in manager selection (listed equity/fixed income) | 🔒 | n/a | | ✓ | | | | | |
| SAM 04 | Appointment processes (listed equity/fixed income) | ✓ | Public | ✓ | | | | | | |
| SAM 05 | Monitoring processes (listed equity/fixed income) | ✓ | Public | ✓ | | | | | | |
| SAM 06 | Monitoring on active ownership (listed equity/fixed income) | 🔒 | n/a | ✓ | | | | | | |
| SAM 07 | Percentage of (proxy) votes | 🔒 | n/a | | ✓ | | | | | |
| SAM 08 | Percentage of externally managed assets managed by PRI signatories | ✓ | Public | ✓ | | | | | | |
| SAM 09 | Examples of ESG issues in selection, appointment and monitoring processes | ✓ | Public | ✓ | | | | | ✓ | |
| SAM End | Module confirmation page | ✓ | - | | | | | | | |

| Direct - Listed Equity Incorporation | | | | Principle | | | | | | General |
|--------------------------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| LEI 01 | Percentage of each incorporation strategy | ✓ | Public | ✓ | | | | | | |
| LEI 02 | Type of ESG information used in investment decision | ✓ | Private | ✓ | | | | | | |
| LEI 03 | Information from engagement and/or voting used in investment decision-making | ✓ | Private | ✓ | | | | | | |
| LEI 04 | Types of screening applied | ✓ | Public | ✓ | | | | | | |
| LEI 05 | Processes to ensure screening is based on robust analysis | ✓ | Public | ✓ | | | | | | |
| LEI 06 | Processes to ensure fund criteria are not breached | ✓ | Private | ✓ | | | | | | |
| LEI 07 | Types of sustainability thematic funds/mandates | ✓ | Public | ✓ | | | | | | |
| LEI 08 | Review ESG issues while researching companies/sectors | ✓ | Public | ✓ | | | | | | |
| LEI 09 | Processes to ensure integration is based on robust analysis | ✓ | Public | ✓ | | | | | | |
| LEI 10 | Aspects of analysis ESG information is integrated into | ✓ | Private | ✓ | | | | | | |
| LEI 11 | ESG issues in index construction | 🔒 | n/a | ✓ | | | | | | |
| LEI 12 | How ESG incorporation has influenced portfolio composition | ✓ | Public | ✓ | | | | | | |
| LEI 13 | Measurement of financial and ESG outcomes of ESG incorporation | ✓ | Private | ✓ | | | | | | |
| LEI 14 | Examples of ESG issues that affected your investment view / performance | - | n/a | ✓ | | | | | | |
| LEI End | Module confirmation page | ✓ | - | | | | | | | |

| 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 | ✓ | Private | | ✓ | | | | | |
| LEA 12 | Engagement methods | ✓ | Public | | ✓ | | | | | |
| LEA 13 | Companies changing practices / behaviour following engagement | - | n/a | | ✓ | | | | | |
| LEA 14 | Examples of ESG engagements | - | n/a | | ✓ | | | | | |
| LEA 15 | Voting policy & approach | ✓ | Public | ✓ | ✓ | ✓ | | | | |
| LEA 16 | Typical approach to (proxy) voting decisions | ✓ | Public | | ✓ | | | | | |
| LEA 17 | Percentage of voting recommendations reviewed | 🔒 | n/a | | ✓ | | | | | |
| LEA 18 | Confirmation of votes | - | n/a | | ✓ | | | | | |
| LEA 19 | Securities lending programme | ✓ | Private | | ✓ | | | | | |
| LEA 20 | Informing companies of the rationale of abstaining/voting against management | ✓ | Public | | ✓ | | | | | |
| LEA 21 | Percentage of (proxy) votes cast | ✓ | Public | | ✓ | | | | | |
| LEA 22 | Proportion of ballot items that were for/against/abstentions | ✓ | Public | | ✓ | | | | | |
| LEA 23 | Shareholder resolutions | ✓ | Public | | ✓ | | | | | |
| LEA 24 | Examples of (proxy) voting activities | - | n/a | | ✓ | | | | | |
| LEA End | Module confirmation page | ✓ | - | | | | | | | |

| Direct - Fixed Income | | | | Principle | | | | | | General |
|-----------------------|---|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| FI 01 | Incorporation strategies applied | ✓ | Public | ✓ | | | | | | |
| FI 02 | ESG issues and issuer research | ✓ | Public | ✓ | | | | | | |
| FI 03 | Processes to ensure analysis is robust | ✓ | Public | ✓ | | | | | | |
| FI 04 | Types of screening applied | ✓ | Public | ✓ | | | | | | |
| FI 05 | Negative screening - overview and rationale | ✓ | Public | ✓ | | | | | | |
| FI 06 | Examples of ESG factors in screening process | ✓ | Private | ✓ | | | | | | |
| FI 07 | Screening - ensuring criteria are met | ✓ | Public | ✓ | | | | | | |
| FI 08 | Thematic investing - overview | ✓ | Private | ✓ | | | | | | |
| FI 09 | Thematic investing - themed bond processes | ✓ | Public | ✓ | | | | | | |
| FI 10 | Thematic investing - assessing impact | ✓ | Public | ✓ | | | | | | |
| FI 11 | Integration overview | ✓ | Public | ✓ | | | | | | |
| FI 12 | Integration - ESG information in investment processes | ✓ | Public | ✓ | | | | | | |
| FI 13 | Integration - E,S and G issues reviewed | ✓ | Public | ✓ | | | | | | |
| FI 14 | ESG incorporation in passive funds | 🔒 | n/a | ✓ | | | | | | |
| FI 15 | Engagement overview and coverage | ✓ | Private | | ✓ | | | | | |
| FI 16 | Engagement method | ✓ | Public | ✓ | ✓ | | | | | |
| FI 17 | Engagement policy disclosure | ✓ | Public | ✓ | ✓ | | | | | |
| FI 18 | Financial/ESG performance | ✓ | Public | | | | | | | ✓ |
| FI 19 | Examples - ESG incorporation or engagement | ✓ | Private | ✓ | ✓ | | | | | |
| FI End | Module confirmation page | ✓ | - | | | | | | | |

| Direct – Private Equity | | | | Principle | | | | | | General |
|-------------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| PE 01 | Description of approach to RI | ✓ | Public | ✓ | | | | | ✓ | |
| PE 02 | Investment guidelines and RI | ✓ | Public | | ✓ | | | | | |
| PE 03 | Fund placement documents and RI | 🔒 | n/a | ✓ | | | ✓ | | ✓ | |
| PE 04 | Formal commitments to RI | 🔒 | n/a | | | | ✓ | | | |
| PE 05 | Incorporating ESG issues when selecting investments | ✓ | Public | ✓ | | | | | | |
| PE 06 | Types of ESG information considered in investment selection | ✓ | Public | ✓ | | ✓ | | | | |
| PE 07 | Encouraging improvements in investees | ✓ | Public | ✓ | ✓ | | | | | |
| PE 08 | ESG issues impact in selection process | ✓ | Public | ✓ | | | | | | |
| PE 09 | Proportion of companies monitored on their ESG performance | ✓ | Public | | ✓ | | | | | |
| PE 10 | Proportion of portfolio companies with sustainability policy | ✓ | Public | | ✓ | | | | | |
| PE 11 | Actions taken by portfolio companies to incorporate ESG issues into operations | ✓ | Public | | ✓ | | | | | |
| PE 12 | Type and frequency of reports received from portfolio companies | ✓ | Public | | ✓ | ✓ | | | | |
| PE 13 | Disclosure of ESG issues in pre-exit | ✓ | Public | | ✓ | | | | | |
| PE 14 | ESG issues affected financial/ESG performance | ✓ | Public | ✓ | ✓ | | | | | |
| PE 15 | Examples of ESG issues that affected your PE investments | ✓ | Public | ✓ | ✓ | | | | | |
| PE 16 | Approach to disclosing ESG incidents | 🔒 | n/a | | | | | | ✓ | |
| PE End | Module confirmation page | ✓ | - | | | | | | | |

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

| Assurance | | | | Principle | | | | | | General |
|-----------------|------------------------------------|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| CM1 01.1 | Assurance, verification, or review | ✓ | Public | | | | | | | ✓ |
| CM1 01.2 & 01.8 | Assurance of this year's PRI data | ✓ | Public | | | | | | | |
| CM1 01.3 & 01.9 | Assurance of last year's PRI data | ✓ | Public | | | | | | | ✓ |
| CM1 01.4, 10-12 | Other confidence building measures | ✓ | Public | | | | | | | ✓ |
| CM1 01.5 | External assurance | 🔒 | n/a | | | | | | | ✓ |
| CM1 01.6 | Assurance or internal audit | 🔒 | n/a | | | | | | | ✓ |
| CM1 01.7 | Internal verification | ✓ | Public | | | | | | | ✓ |
| CM1 01 End | Module confirmation page | ✓ | - | | | | | | | |

Varma Mutual Pension Insurance Company

Reported Information

Public version

Organisational Overview

PRI disclaimer

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

Basic information

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

OO 01.1 Select the type that best describes your organisation or the services you provide.

- 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 | Public | Peering | General |
|-------|-----------|--------|---------|---------|

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

Finland

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

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

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

FTE

524

| | | | | |
|-------|-----------|--------|-------------|---------|
| OO 03 | Mandatory | Public | Descriptive | General |
|-------|-----------|--------|-------------|---------|

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

- Yes
- No

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

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

31/12/2017

OO 04.2 Indicate your total AUM at the end of your reporting year, Exclude subsidiaries you have chosen not to report on and any advisory/execution only assets.

| | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM | | 45 | 409 | 400 | 000 |
| Currency | EUR | | | | |
| Assets in USD | | 53 | 878 | 106 | 255 |

| | | | | |
|-------|-----------|--------|-------------|---------|
| OO 06 | Mandatory | Public | Descriptive | General |
|-------|-----------|--------|-------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 06.1 Select how you would like to disclose your asset class mix.

as percentage breakdown

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

Loan receivables

OO 06.2 Publish asset class mix as per attached image [Optional].

| | | | | |
|--------------|--|---------------|----------------|----------------|
| OO 09 | Mandatory to Report Voluntary to Disclose | Public | Peering | General |
|--------------|--|---------------|----------------|----------------|

OO 09.1 Indicate the breakdown of your organisation's AUM by market.

| | |
|--------------------------------------|--|
| 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 % |
| Total | 100% |

Asset class implementation gateway indicators

| | | | | |
|--------------|------------------|---------------|----------------|----------------|
| OO 10 | Mandatory | Public | Gateway | General |
|--------------|------------------|---------------|----------------|----------------|

OO 10.1 Select the active ownership activities your organisation implemented in the reporting year.

Listed equity – engagement

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

Listed equity – voting

- 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

Fixed income SSA – engagement

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

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

Our SSA-portfolio consists of government bonds, where we see limited effect in engagement.

Fixed income Corporate (financial) – engagement

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

Fixed income Corporate (non-financial) – engagement

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

OO 11

Mandatory

Public

Gateway

General

OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - SSA

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (non-financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Private equity

- We address ESG incorporation.
- We do not do ESG incorporation.

Property

- We address ESG incorporation.
- We do not do ESG incorporation.

Cash

- We address ESG incorporation.
- We do not do ESG incorporation.

Other (1)

- We address ESG incorporation.
- We do not do ESG incorporation.

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

Loan receivables

| Asset class | ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes |
|--|---|
| Listed equity | <p data-bbox="571 342 1474 423">Listed equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 439 1294 465"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 481 1331 508"><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p data-bbox="571 524 1310 551"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 566 948 593"><input type="checkbox"/> We do not do ESG incorporation</p> |
| Fixed income - SSA | <p data-bbox="571 656 1474 736">Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 752 1294 779"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 795 1331 822"><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p data-bbox="571 837 1310 864"><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 880 948 907"><input type="checkbox"/> We do not do ESG incorporation</p> |
| Fixed income - corporate (financial) | <p data-bbox="571 969 1474 1072">Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 1088 1294 1115"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 1131 1331 1158"><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p data-bbox="571 1173 1310 1200"><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 1216 948 1243"><input type="checkbox"/> We do not do ESG incorporation</p> |
| Fixed income - corporate (non-financial) | <p data-bbox="571 1305 1474 1408">Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 1424 1294 1451"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 1467 1331 1494"><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p data-bbox="571 1509 1310 1536"><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 1552 948 1579"><input type="checkbox"/> We do not do ESG incorporation</p> |
| Private equity | <p data-bbox="571 1653 1474 1733">Private equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 1749 1294 1776"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 1792 1331 1818"><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p data-bbox="571 1834 1310 1861"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 1877 948 1904"><input type="checkbox"/> We do not do ESG incorporation</p> |
| Property | |

| | |
|----------------|--|
| | <p>Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p> |
| Infrastructure | <p>Infrastructure - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p> |
| Hedge funds | <p>Hedge funds - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p> |

OO 11.4 Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

Active equity funds

Varma includes responsible investment criteria in all phases of the investment process. The focus is on manager's responsible investment policy and processes.

We require that our managers have a RI policy and prefer if they have integrated ESG in their investment process. We also look at the manager's voting and engagement policies and activities. The manager's RI reporting is another criteria. We could consider investing with managers without formal RI policies if they are committed to develop their RI approach to the level we require.

We strongly encourage managers sign up to PRI if they have not yet done it.

We score the managers in selection and monitoring phase based on the answers to our RI questionnaire, managers' published RI material and discussions with the manager, especially with the portfolio manager.

ESG issues are part of the discussions in fund meetings. In addition we screen all our active equity funds biannually for companies with breaches of international norms and conventions.

Active fixed income funds

Varma includes responsible investment criteria in all phases of the investment process. The focus is on manager's responsible investment policy and processes.

We require that our managers have a RI policy, have signed up to PRI and/or integrate ESG in their investment process.

ESG issues are part of the discussions in fund meetings.

Private Equity

Varma Private Equity Team manages PE and infrastructure funds and also makes coinvestments.

Evaluation and assessment of the fund managers' RI principles has been incorporated into our investment and portfolio management processes.

Varma requires its PE managers to have RI principles either as a separate policy or part of other policies. Varma actively encourages our current PE managers to sign up to PRI. Varma also provides the managers with Varma's own climate policy statement.

We also require managers to report on ESG issues, preferably as a part of regular fund reporting. As a large investor, Varma has often the opportunity to be represented in the Advisory Board or Investor Committees of the funds. We use this channel actively to promote ESG issues.

Real Estate Funds

Varma Real Estate Indirect team invests in real estate backed comingled funds as well as club deals and joint ventures.

As part of the due diligence process our managers must comply with INREV standards (<https://www.inrev.org>). ESG issues are an integral part of the latter. We rely on the procedures developed by INREV in evaluating and monitoring managers' RI practices. All our managers have solid ESG policies and procedures in place. Majority of our selected funds and club deals are part of GRESB. Most of the underlying assets are certified by LEED.

Varma Real estate team member has a seating in the INREV-boards, which is used as a channel to promote ESG issues.

Varma Real Estate team as a rule has a seat on the Advisory Board. We are actively motivating our managers to incorporate, improve and modify their applications of their ESG policy.

Hedge Funds

The assessment of fund investments focusses primarily on the fund management company's principles and policies for responsible investment. The fund's investment strategy is at the core of this assessment, as it provides the basic criteria for the funds' investments. More detailed fundspecific requirements depend on the fund's investment strategy and the market in which the fund invests.

Varma is a member of the Investor Chapter of the Hedge Fund Standards Board (HFSB). The HFSB is an initiative that is aimed at creating standards of good governance, transparency and ownership practices for the hedge fund industry. The role of the members of the Investor Chapter is to encourage hedge funds to adopt the standards and, of course, to use the criteria in their own investment processes.

As regards fund management companies, key factors to assess include the principles and policies for responsible investment. This means above all assessing governance, i.e. reviewing the incentive systems, conflicts of interest, internal processes and control measures. With respect to oversight of fund management companies' operations, we recommend that the majority of the members of its Board of Directors be independent of the company. Varma encourages fund management companies to publish their principles outlining governance policies and practices for implementing the principles. The HFSB standards cover core governance issues and provide the minimum requirements that Varma recommends for fundgovernance.

| OO 12 | Mandatory | Public | Gateway | General |
|---------|---|--------|---------|---------|
| OO 12.1 | Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box. | | | |
| | Core modules | | | |
| | <input checked="" type="checkbox"/> Organisational Overview <input checked="" type="checkbox"/> Strategy and Governance | | | |
| | RI implementation directly or via service providers | | | |
| | Direct - Listed Equity incorporation | | | |
| | <input checked="" type="checkbox"/> Listed Equity incorporation | | | |

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

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

Direct - Other asset classes with dedicated modules

- Private Equity
- Property

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- Listed Equities
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Private Equity
- Property
- Infrastructure

Closing module

- Closing module

Peering questions

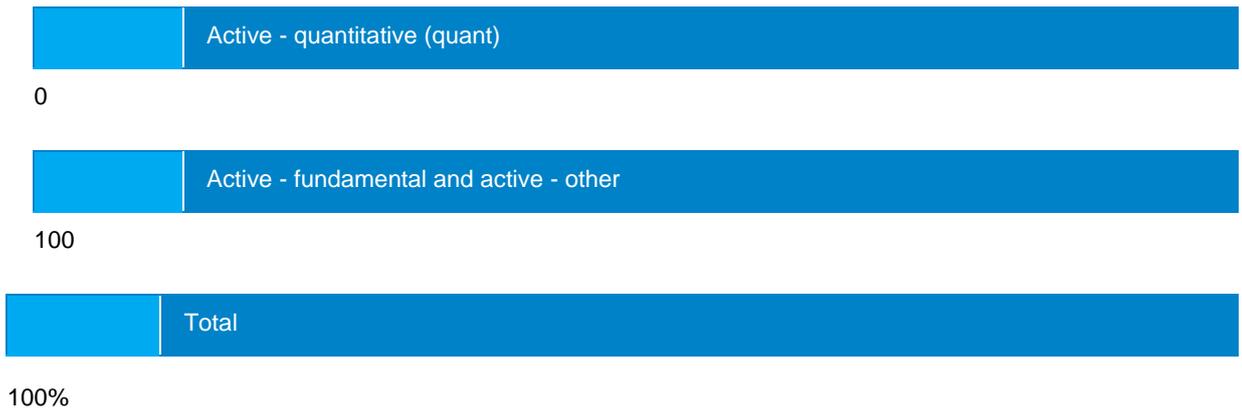
| | | | | |
|----------|---|--------|---------|---------|
| OO LE 01 | Mandatory to Report Voluntary to Disclose | Public | Gateway | General |
|----------|---|--------|---------|---------|

| | |
|------------|---|
| OO LE 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

Passive

0



| | | | | |
|-----------------|--|---------------|--------------------|----------------|
| OO PE 02 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | General |
|-----------------|--|---------------|--------------------|----------------|

OO PE 02.1 Indicate the level of ownership you typically hold in your private equity investments.

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

| | | | | |
|-----------------|--|---------------|--------------------|----------------|
| OO PR 01 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | General |
|-----------------|--|---------------|--------------------|----------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 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

OO PR 01.2 Provide a breakdown of your organisations allocation to Real Estate Investment Trusts (REITs) or similar

- >50%
- 10 – 50%
- <10%
- 0%

Varma Mutual Pension Insurance Company

Reported Information

Public version

Strategy and Governance

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.

Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

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 checked="" type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input checked="" 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 checked="" type="checkbox"/> Other, specify (1) Ethical Exclusions <input checked="" 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 |
| <div style="background-color: #0070c0; color: white; padding: 2px;">other (2) description</div> | |
| Climate Policy | |

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and its relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change and related issues

**SG 01.3a
CC**

Describe how your products or investment strategy might be affected by the transition to a lower-carbon economy.

Climate change is one of the most significant factors that investors must prepare for in the long term. Greenhouse gases from human activities have already changed the climate. Emissions arising from fossil fuel combustion, from changes in land use and from agricultural and industrial processes have led to an increase in greenhouse gas concentrations in the atmosphere and global warming. Climate change will have substantial financial, social and environmental impacts on current and future generations. The operating conditions of several sectors and companies will change in the long run. In certain sectors, such as energy production, the change can already be seen.

Mitigating climate change calls for substantial and longterm restrictions on emissions, as the future development will largely be determined by the total volume of greenhouse gas emissions. The goal of the Paris climate agreement is to limit the increase in the global average temperature to well below 2 °C above pre-industrial levels. The goal requires shifting to a low-carbon economy as well as an appreciable reduction in the use of fossil fuels. Varma recognises the importance of climate change to its investment activities and the long-term development of the economy. We support actions to mitigate climate change and adapt to the upcoming changes.

We are committed to developing our investment operations such that our investments and investment processes comply with the 2-degree target. This means focussing investments in the longer term on investees that are low carbon or whose climate strategy aims for a low-carbon society.

In the short term, our goal is to reduce the carbon footprint of our investments. Our goal is to reduce the carbon footprint of our listed equity investments by 25% and that of listed corporate bond investments by 15% in relation to the companies' revenue, and the carbon footprint of real estate investments by 15% in relation to gross square metres by the year 2020.

**SG 01.3b
CC**

Describe how climate-related risks and opportunities are factored into your investment strategies or products.

- ⊙ We factor climate-related risks and strategies into our investment strategies or products.

Listed Equity

Varma's goal is to reduce the carbon footprint of its equity investments by 25% in relation to the companies' revenue¹ between 2015 and 2020. At the end of 2015, the carbon footprint was 238 tonnes (tCO₂ e) in relation to revenue, which was one quarter lower than the benchmark index. In 2017 this target was met, with CO₂ intensity being 57% lower than the benchmark.

Long term goal of listed equity also includes the alignment of the portfolio to meet the 2 degree target by 2030.

We determine companies' preparedness for climate change during meetings with the companies and by consulting various sources of information. The portfolio is built relative to the sector or corporate structure such that the carbon footprint is reduced. In the longer term, we can also influence companies and encourage smaller carbon footprints and carbon footprint disclosure.

In 2016, we established a new portfolio under the theme of climate change. The portfolio is made up of companies whose operations benefit from climate change mitigation in different fields, such as technology and renewable energy production. We will furthermore invest in companies

that are making their operations less carbon-intensive in the medium term and thus less risky also from a financial perspective. In fund investments, we will take climate change into account in ranking the responsibility of active funds. Our most important criteria will be the fund company's climate change policy and measurable targets: the way climate change has been integrated in the investment process and annual disclosure, especially on the carbon footprint.

Listed Corporate Bonds

Varma's goal is to reduce the carbon footprint of listed corporate bond investments in relation to revenue by 15% between 2015 and 2020. At the end of 2015, the carbon footprint was 244 tonnes (CO₂ e) in relation to revenue, which was nearly 50% lower than the benchmark index. This target was met in 2016.

The target was reached both by investing in companies with the best practices and by taking into account the carbon-intensiveness of the companies' operations as part of the selection process and sector allocation. In our meetings with companies, we will influence the attention that is paid to climate change in their operations. A changed business environment, new official requirements and possible stranded assets are examples of the risks that climate change and its limitation will bring.

Real estate

Varma targets a 15% reduction in the carbon footprint of comparable real estate that it is responsible for maintaining by 2020 and 20% by 2025 from the 2015 level in relation to gross square metres³. At the end of 2015, the carbon footprint was 33.8 kg per gross square metre. This target was met in 2016.

The energy savings target will be achieved through energy-efficiency measures such as need-based control of lighting, heating, cooling and ventilation, and equipment upgrades. The carbon footprint will be reduced furthermore by using energy that is generated through renewable energy sources. Solar energy is being used in Varma's properties for the first time in 2016. New construction and renovation projects will adopt engineering solutions that aim to minimise the carbon footprint, taking into account the use of renewable sources of energy and, for example, the use of devices that have a high rate of efficiency in building services. As a general rule, Varma's most important buildings will be certified according to the BREEAM environmental rating system by 2025, targeting a minimum rating of Good or Very Good.

Private equity and hedge fund investments

Our goal is to influence fund managers such that they include climate aspects in their responsible investment practices and take them into account when making investment decisions. Private equity funds make majority investments in target companies and thus play a key role in influencing companies' practices. In hedge fund investments we stress taking climate change into account, especially in funds that focus on longer-term ownership. We also actively highlight the fact that preparing for climate change offers significant investment opportunities in the entire field of alternative investments. Varma's goal is to influence fund managers such that by 2020 more than half of the fund capital in Varma's hedge and private equity funds has a climate change policy and has climate change integrated into the investment process. We furthermore expect the funds to report on their work.

We do not factor climate-related risks and strategies into our investment strategies or products.

Other RI considerations, specify (1)

Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, and how they consider ESG factors and real economy impact.

Varma is as a pension fund a long term investor and acknowledges that ESG issues may have a major impact on investment returns in the longer term. Varma's investment policy includes Responsible Investment Principles and asset class specific Responsible Investment Practices. Varma's Climate Policy for Investments is also incorporated into the investment policy. The policies cover all of Varma's AUM. RI roles and responsibilities are defined in the practices.

Varma's RI principles are based on identifying the key responsibility aspects of investments and focussing on those. Thus our implementation of our RI principles varies by asset class.

Real economy impact is challenging to define and measure. In our direct investments we measure and report annually the carbon footprint for listed equities, corporate bonds and property. Our climate policy's

main objective is incorporate the 2-degree target into our investment processes and investments .This is a longer term objective which may have real impact through our engagement with our investees and reweighting of investments. As for external assets, currently our best way to impact the real world is to encourage integration of ESG by the asset managers.

SG 01.5 Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

We require that our investees comply with international agreements and standards, the most important of which are:

- The UN Global Compact initiative on corporate responsibility
- The OECD guidelines for multinational enterprises
- The ILO labour conventions

For ethical reasons Varma excludes companies that concentrate on the manufacture of tobacco and nuclear weapons from its direct investments. Varma also refrains from investing in Utility companies that derive over 1/3 of their revenue from Coal.

Varma acts lawfully and with integrity and in compliance with legal and regulatory requirements. Varma will not enter into transactions with the main purpose of securing a tax advantage contrary to the intention of the legislator in enacting the relevant tax legislation.

Varma also has an ownership policy in place, which outlines Varma's activities as a major shareholder. Varma's goal is to support and encourage companies to succeed and thus safeguard and improve its long-term investment returns. Important premises of Varma's ownership policy are the equality of the shareholders, transparency and responsibility.

No

| | | | | |
|-------|-----------|--------|---------------|-------|
| SG 02 | Mandatory | Public | Core Assessed | PRI 6 |
|-------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1 Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment

URL

URL

{hyperlink:<https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf>}

Attachment (will be made public)

Formalised guidelines on environmental factors

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/vastuullisuus/climate-policy-for-varmas-investments.pdf}

Attachment (will be made public)

Formalised guidelines on corporate governance factors

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-ownership-policy.pdf}

Attachment (will be made public)

Asset class-specific RI guidelines

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf}

Attachment (will be made public)

Sector specific RI guidelines

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf}

Attachment (will be made public)

Screening / exclusions policy

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf}

Attachment (will be made public)

Engagement policy

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-ownership-policy.pdf}

Attachment (will be made public)

(Proxy) voting policy

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-ownership-policy.pdf}

Attachment (will be made public)

Other, specify (1)

Other, specify (1) description

Ethical Exclusions

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf}

Attachment (will be made public)

Other, specify (2)

We do not publicly disclose our investment policy documents

SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/vastuut-eng.pdf}

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/vastuullisuus/climate-policy-for-varmas-investments.pdf}

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/vastuut-eng.pdf}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/hallinto/corporate-governance-report.pdf}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-ownership-policy.pdf}

Attachment

Reporting

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/vuosikertomus/varmas-annual-and-csr-report-2017.pdf}

Attachment

Climate-related issues

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/vastuullisuus/climate-policy-for-varmas-investments.pdf}

Attachment

Climate change and related issues

URL/Attachment

URL

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/vastuullisuus/climate-policy-for-varmas-investments.pdf}

Attachment

We do not publicly disclose any investment policy components

SG 02.3

Indicate if your organisation's investment principles, and overall investment strategy is publicly available

Yes

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-investment-principles-decentralisation.pdf}

No

| | | | | |
|--------------|------------------|---------------|----------------------|----------------|
| SG 03 | Mandatory | Public | Core Assessed | General |
|--------------|------------------|---------------|----------------------|----------------|

SG 03.1

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

Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

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.

The policy is publicly available in Varma's corporate governance report on our website:

<https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/hallinto/corporate-governance-report.pdf>

Varma's insider guidelines are taken into account at all stages of the discussion. Varma has clear rules and processes for obtaining inside information which ensure the correctness of the operations. As an investor, Varma complies with general insider guidelines that apply to professional investors. Varma additionally has internal guidelines concerning inside information, specifying precise rules for the distribution of information and for setting a trading ban.

No

| | | | | |
|--------------|------------------|---------------|--------------------|----------------|
| SG 04 | Voluntary | Public | Descriptive | General |
|--------------|------------------|---------------|--------------------|----------------|

| | |
|----------------|---|
| SG 04.1 | Indicate if your organisation has a process for identifying and managing incidents that occur within portfolio companies. |
|----------------|---|

- Yes
- No

| | |
|----------------|---|
| SG 04.2 | Describe your process on managing incidents |
|----------------|---|

Varma's listed equity and corporate bond investments are screened biannually for breaches of international norms and conventions. Our policy is to discuss the severe breaches internally, decide on the next steps and set objectives for our engagement with the company. In cases where we are a significant shareholder, we discuss the cases directly with companies. In cases where our ownership stake is small we use an external service provider. We consider excluding the companies from our direct investments if the engagement process is not successful within a preset timeframe.

Objectives and strategies

| | | | | |
|--------------|------------------|---------------|------------------------------|----------------|
| SG 05 | Mandatory | Public | Gateway/Core Assessed | General |
|--------------|------------------|---------------|------------------------------|----------------|

| | |
|----------------|---|
| SG 05.1 | Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities. |
|----------------|---|

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

| | |
|----------------|------------------------------------|
| SG 05.2 | Additional information. [Optional] |
|----------------|------------------------------------|

The objectives for responsible investments across all asset classes are reviewed at least bi annually.

Governance and human resources

| | | | | |
|--------------|------------------|---------------|----------------------|----------------|
| SG 07 | Mandatory | Public | Core Assessed | General |
|--------------|------------------|---------------|----------------------|----------------|

| | |
|----------------|---|
| SG 07.1 | 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
 - ESG portfolio manager
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - 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 (1)
 - Other role, specify (2)

| | |
|----------------|---|
| SG 07.2 | For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities. |
|----------------|---|

Varma's Board of Directors has approved Varma's Responsible Investment Principles, and the Director of Responsible Investment presents the progress on different objectives at least biannually in the investment committee.

Varma's 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. External managers have the responsibility of oversight and implementation of responsible investment on the terms agreed.

From 2017 onwards Varma has a separate ESG-division, which is lead by Director of Responsible Investment who is accountable to the CIO. The ESG-division co-ordinates and develops RI across all asset classes.

| | |
|----------------|--|
| SG 07.3 | Indicate the number of dedicated responsible investment staff your organisation has. |
|----------------|--|

| |
|--------|
| Number |
|--------|

2

| | |
|----------------|------------------------------------|
| SG 07.4 | Additional information. [Optional] |
|----------------|------------------------------------|

Varma has one dedicated Responsible Investment Analyst alongside the Director of Responsible investment. Portfolio managers are responsible for the implementation of ESG-related considerations in the investment decisions.

| | | | | |
|-----------------|------------------|---------------|--------------------|----------------|
| SG 07 CC | Voluntary | Public | Descriptive | General |
|-----------------|------------------|---------------|--------------------|----------------|

| | |
|-------------------|---|
| SG 07.1 CC | Indicate the roles in your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for climate-related issues. |
|-------------------|---|

| |
|------------------------------------|
| Roles present in your organisation |
|------------------------------------|

- Board members or trustees
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- Other Chief-level staff or head of department, specify
 Head of asset classes

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues
- Portfolio managers
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- ESG portfolio manager
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- Investment analysts
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- Dedicated responsible investment staff
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- External managers or service providers
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- Investor relations
- Other role, specify (1)
- Other role, specify (2)

| | |
|------------------------------|--|
| SG 07.1a CC | For the board level roles or for which you have climate-related issues oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities. |
|------------------------------|--|

Varma's Board of Directors has approved Varma's Responsible Investment Principles. The Director of Responsible Investment reports to the investment committee on a biannual basis on the progress of climate objectives.

These objectives include carbon footprint of the investment portfolio, the underlying reasons for the decrease/increase in the carbon footprint, and the analysis of the impact of different sectors and companies to the footprint.

| | |
|------------------------------|---|
| SG 07.1b CC | For the management-level roles which assess and manage climate-related issues, provide further information on the structure and process involved. |
|------------------------------|---|

The management level roles are responsible for the oversight of their specific asset class in reaching the short term and long term objectives and targets.

Promoting responsible investment

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|----------------|---|
| SG 09.1 | Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played. |
|----------------|---|

Select all that apply

- Principles for Responsible Investment

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

- Basic
- Moderate
- Advanced

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

Varma's Head of Hedge Fund Investments has been a member of PRI's Hedge Fund Steering Committee since 2014. Varma is also a chairperson for the RI HF DDQ workgroup.

Varma has been taking part in developing the HF Industry Guide and in the development of HF DDQ, and participated in numerous panel discussions in different events.

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AFIC – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

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

- Basic
- Moderate
- Advanced
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Code for Responsible Finance in the 21st Century
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- EVCA – Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- 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 Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
FINSIF, Finland Sustainable Investment Forum

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

- Basic
- Moderate
- Advanced
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
FFI Climate indicators working group

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

- Basic
- Moderate
- Advanced

Other collaborative organisation/initiative, specify

Standards Board for Alternative Investments

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

- Basic
- Moderate
- Advanced

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

The head of hedge fund Investments has been taking part in panel discussions in four different occasions. Varma has hosted an event annually.

Other collaborative organisation/initiative, specify

Climate Leadership Council

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

- Basic
- Moderate
- Advanced

Other collaborative organisation/initiative, specify

| | | | | |
|---------|---|--------|-------------|-------|
| SG 09.2 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | PRI 1 |
|---------|---|--------|-------------|-------|

Indicate approximately what percentage (+/- 5%) of your externally managed assets are managed by PRI signatories.

%

55

| | | | | |
|-------|-----------|--------|---------------|-------|
| SG 10 | Mandatory | Public | Core Assessed | PRI 4 |
|-------|-----------|--------|---------------|-------|

SG 10.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

SG 10.2

Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.

- Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)
- Provided financial support for academic or industry research on responsible investment
- Provided input and/or collaborated with academia on RI related work

Description

We have collaborated with students making their Master's or Bachelor's thesis on responsible investment in portfolio management, climate change effects on investments among other topics.

Frequency of contribution

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description

We are supporting the TCFD, and CDP. We are also encouraging companies on better disclosure practices and transparency on 1 on 1 meetings.

Frequency of contribution

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Spoke publicly at events and conferences to promote responsible investment

Description

Representatives of Varma have spoken in events organized for example by University of Helsinki, FIBS and SBAI.

Frequency of contribution

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI

Description

We encourage our external managers to adopt PRI, if they are not yet signatories. We also require the managers to explain the reasons, if they are not yet signatories.

Frequency of contribution

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description

We have participated in for example OECD and EU surveys concerning Responsible Investments.

Frequency of contribution

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Wrote and published articles on responsible investment in the media

Description

Our communications department is responsible for promoting responsible investing in different medias in general. Regarding blogs about responsible investment our portfolio managers wrote for example blogs about RI in equity funds, about green bonds and climate change in 2017.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

A member of PRI advisory committees/ working groups, specify

Description

Varma is a member in the Hedge Fund Advisory Board

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Other, specify

specify description

Internal education

Description

Education about responsible investment in internal training program.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

No

Outsourcing to fiduciary managers and investment consultants

| | | | | |
|-------|-----------|--------|---------------|-------|
| SG 12 | Mandatory | Public | Core Assessed | PRI 4 |
|-------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1 Indicate whether your organisation uses investment consultants.

- Yes, we use investment consultants
- No, we do not use investment consultants.

ESG issues in asset allocation

| | | | | |
|-------|-----------|--------|-------------|-------|
| SG 13 | Mandatory | Public | Descriptive | PRI 1 |
|-------|-----------|--------|-------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 13.1 Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We consider scenario analysis that includes factors representing the investment impacts of future climate-related risks and opportunities

Is this scenario analysis based on a 2°C or lower scenario?

- Yes
- No
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

SG SG 13.1a CC Pleased describe the resilience of your organisation’s strategy, considering different future climate scenarios.

| Strategy affected | Changes to strategy | Description of scenario and time-horizon | How analysis has been used |
|---------------------|--|---|--|
| Investment strategy | Aligning our portfolio with the Paris agreement. | Portfolio is aligned with the paris agreement and the global warming has sized to the agreed temperature by 2030. | Assessing and analyzing the impact and weights of different sectors and subsectors |

SG 13.2 Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

Climate policy has determined short term targets for carbon emissions, which has an effect on sector weights.

- We do not consider ESG issues in strategic asset allocation

| | | | | |
|--------------|--|---------------|----------------------------|--------------|
| SG 14 | Mandatory to Report Voluntary to Disclose | Public | Additional Assessed | PRI 1 |
|--------------|--|---------------|----------------------------|--------------|

SG 14.1 Describe the process used to identify short, medium and long-term risks and opportunities that could have a material impact on your organisation and its activities.

Varma's investment plan, which is annually confirmed by the Board of Directors, steers the company's investment activities. The investment plan outlines the general principles for investments, the basic allocation for investments, targets for return, diversification and liquidity, decision-making powers, control systems and reporting, among other things. The Board regularly monitors the implementation of the investment plan. The investment plan also covers the share ownership policy, social responsibility and ownership principles.

SG 14.1 CC Describe the processes used to determine which climate-related short, medium and long-term risks and opportunities could have a material impact on your organisation and its activities.

Varma calculates different metrics related to carbon emissions for listed equity, listed income and real-estate biannually. Varma has also set targets for reducing emissions by 25% for equities, and 15% for fixed income and real-estate by 2020.

The long term goal is to align our aggregate portfolio with the Paris agreement.

SG 14.2 Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.

- Changing demographics
- Climate change and related issues

SG 14.2a cc Please describe how you define "short", "medium" and "long term", and describe your material climate-related issues over these time horizons.

| | Definition | Description of material climate-related issues |
|-------------|------------|--|
| Short term | 1-5 years | Changes in consumer behaviors, short term opportunistic investment strategies in fossil fuels and regulation |
| Medium term | 5-10 years | Regulation, transition risks, and stranded assets |
| Long term | 10 - | Global warming, physical and transition risks, extreme weather conditions and regulation |

SG 14.3 | Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- 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

other description

Scenario analysis for listed equity investments in specific carbon intensive sectors

- None of the above

SG 14.4

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

- Scenario analysis
 - Disclosure on emissions risk to clients/trustees/management/beneficiaries
 - Climate-related targets
 - Encourage internal and/or external portfolio managers to monitor emissions risk
 - Emissions risk monitoring and reporting are formalised into contracts when appointing managers
 - Weighted average carbon intensity
 - Carbon footprint (scope 1 and 2)
 - Portfolio carbon footprint
 - Total carbon emissions
 - Carbon intensity
 - Exposure to carbon-related assets
 - Other emissions metrics
 - Other, specify
 - None of the above
-
- Resource scarcity
 - Technology developments
 - Other, specify(1)
 - Other, specify(2)
 - None of the above

**SG 14.4a
CC**

Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

| Metric Type | Coverage | Purpose | Metric Unit | Metric Methodology | Metric Trend | Limitations / Weaknesses |
|--|----------|---|-------------|---|--------------|--|
| Climate-related targets | Minority | Aligning our portfolio with the Paris agreement, and reducing carbon intensity and understanding the carbon risks | tCO2e | Different tCO2 metrics calculated by a 3rd party. Includes listed equity and ETFs, listed corporate bonds and direct real estate investments. | Downward | |
| Weighted average carbon intensity | Minority | Aligning our portfolio with 2 degree target, reducing carbon intensity, and understanding the carbon risk | tCO2e | Portfolio weight * Company carbon intensity | Downward | We have calculated the TCFD recommended metric for 2017, but due to the unavailability of the metric for 2015 and 2016, we have used the carbon intensity as the main measure. |
| Carbon footprint (scope 1 and 2) | Minority | Aligning our portfolio with 2 degree target, reducing carbon intensity, and understanding the carbon risk | tCO2e | Ownership in company * (Company Scope 1+ Scope 2 emissions) = Financed Emissions | Downward | Not a relative measure. Varma's exposure to non disclosing companies. |
| Portfolio carbon footprint | Minority | Aligning our portfolio with 2 degree target, reducing carbon intensity, and understanding the carbon risk | tCO2e | Ownership in company * (Company Scope 1+ Scope 2 emissions) = Financed Emissions | Downward | Varma's exposure to non disclosing companies |
| Total carbon emissions | Minority | Aligning our portfolio with 2 degree target, reducing carbon intensity, and understanding the carbon risk | tCO2e | Ownership in company * (Company Scope 1+ Scope 2 emissions) = Financed Emissions | Downward | Not a relative measure. Varma's exposure to non disclosing companies. |
| Carbon intensity | Minority | Aligning our portfolio with 2 degree target, reducing carbon intensity, and understanding the carbon risk | tCO2e | tCO2e/€Mrevenue | Downward | Sensitivity to differences in revenues in the same sector. Apple vs Samsung |
| Exposure to carbon-related assets | Minority | Aligning our portfolio with 2 degree target, reducing carbon intensity, and understanding | MVAL | Industry exposure | Downward | Divesting reduces our ability to engage companies |

| | | | | | | |
|--|--|-----------------|--|--|--|--|
| | | the carbon risk | | | | |
|--|--|-----------------|--|--|--|--|

**SG 14.4b
CC** Please describe in further detail your key targets.

| Targettype | Time Frame | Base Year | KPI | Target Methodology | Limitations / Weaknesses | Attachments |
|--|------------|-----------|--------------------|---|--|-------------|
| <input type="radio"/> Absolute target <input checked="" type="radio"/> Intensity target | 2020 | 2015 | Carbon Intensity | Financed emissions/Financed revenue | Only 85% of companies disclose carbon emissions in our portfolio. | |
| <input type="radio"/> Absolute target <input checked="" type="radio"/> Intensity target | 2030 | 2015 | 2-degree alignment | Minimizing the exposure to carbon intensive companies | Limited power to engage companies without ownership, due to Varma's limited exposure to Oil & Gas. | |

SG 14.5 If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

We published our carbon footprint for listed equities, corporate bonds and direct property investments. We have used a service provider who has calculated our footprint for Equity and Fixed Income, and another provider who calculates our carbon emissions for properties.

The target metric used is carbon intensity, which is financed emissions/financed revenue. The decision to use this metric has been done in 2015, for reasons that this metric provides a number that can be compared with different portfolios of different sizes.

We have also conducted a scenario analysis of our equity portfolio on if it is aligned with the 2 degree target. WWF has also evaluated the alignment of our equity portfolio in terms of 2 degree target.

We also use the Global Reporting Initiative-framework in CSR reporting.

**SG 14.7
CC** Describe your risk management processes for identifying, assessing, and managing climate-related risks.

Our process for climate-related risks is integrated into overall risk management

Please describe

The evaluation of climate related risk is fully integrated to the investment decision. We are using 3rd party service which evaluates environmental risks of individual companies, which in turn is used as an input in the investment decision.

Our process for climate-related risks is not integrated into our overall risk management

| | |
|---------------|---|
| SG 14.8 CC | Describe your processes for prioritising climate-related risks. |
|---------------|---|

Climate change is one of the most critical risk for investor to assess. Climate change will have effect on many sectors and it will change business environments for some companies dramatically. Our process for prioritising climate-related risks starts from analyzing these transitional and physical risks of different sectors and sub-sectors. After that analysis, we focus on assessing risks on company level. First thing is to analyze whether strategy of the investee company is in align with 2 degree target. Then how is the strategy implemented accordingly.

| | |
|---------------|---|
| SG 14.9 CC | Do you conduct engagement activity with investee companies to encourage better disclosure and practices around climate-related risks? |
|---------------|---|

Yes

| | |
|--|-----------------|
| | Please describe |
|--|-----------------|

We conduct engagement activity with investee companies to encourage better disclosure and practices around climate-related risks. For investor it is critical that climate-related data is accurate and comparable.

In 2017 we conducted engagement activity with investee companies to assess climate change related risks and opportunities, and to encourage good disclosure and practices around climate-related risks. For investor it is critical that climate-related data is accurate and comparable. In 2017 Varma engaged in total 57 companies, which accounts for approximately 30% of our direct listed equity portfolio. This engagement was also part of the implementation process of the new ownership policy. The engagement process included letters, phone calls as well as meeting the companies.

No, we do not engage

| | |
|----------------|---|
| SG 14.10 CC | Describe how you use data from climate-related disclosures. |
|----------------|---|

Climate-related disclosure provides information for us to use in the investment process. Both in analyzing companies as well as monitoring their progress. Varma uses the data in evaluating the impact of carbon emissions to the overall portfolio. Varma also uses a 3rd party service that processes the data for us and provides us with an evaluation of the result.

Just beginning of the 2018 Varma became TCFD supporter.

| | | | | |
|-------|---|--------|-------------|-------|
| SG 15 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | PRI 1 |
|-------|---|--------|-------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|---------|---|
| SG 15.1 | Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas. |
|---------|---|

Yes

| | |
|---------|--|
| SG 15.2 | Indicate the percentage of your total AUM invested in environmental and social themed areas. |
|---------|--|

| | |
|--|---|
| | % |
|--|---|

2

SG 15.3 Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

| | |
|--|------|
| | Area |
|--|------|

Clean technology (including renewable energy)

| | |
|--|----------------------|
| | Asset class invested |
|--|----------------------|

Listed equity

| | |
|--|----------|
| | % of AUM |
|--|----------|

1

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

| | |
|--|----------|
| | % of AUM |
|--|----------|

1

- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Hedge funds
- Cash
- Other (1)

| | |
|--|--|
| | Brief description and measures of investment |
|--|--|

Varma established a sustainability themed portfolio in listed equities in 2016. The portfolio invests in sectors and companies which are well placed to benefit from climate change. Also other sustainability themed investments are included in the portfolio.

Varma also has investments in green bonds and in a externally managed climate & environment themed equity fund.

- Green buildings
 - Sustainable forestry
 - Sustainable agriculture
 - Microfinance
 - SME financing
 - Social enterprise / community investing
 - Affordable housing
 - Education
 - Global health
 - Water
 - Other area, specify
- No

Asset class implementation not reported in other modules

| | | | | |
|-------|-----------|--------|-------------|---------|
| SG 17 | Mandatory | Public | Descriptive | General |
|-------|-----------|--------|-------------|---------|

SG 17.1

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.

| Asset Class | Describe what processes are in place and the outputs or outcomes achieved |
|-------------------|--|
| Hedge funds - DDQ | <div style="background-color: #0072bc; color: white; padding: 5px; margin-bottom: 5px;">Select whether you use the PRI Hedge Fund DDQ</div> <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Hedge funds | <p>Varma has a hedge fund specific responsible investment policy in place. As well, there is a specific ESG questionnaire related to the policy, which is more thorough than the HF DDQ. 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 engages with managers on RI topics.</p> <p>The Director of Hedge fund investments is on the board of SBAI and the UN Hedge Funds Advisory Committee.</p> |

Communication

| | | | | |
|-------|-----------|--------|---------------|-------|
| SG 19 | Mandatory | Public | Core Assessed | PRI 6 |
|-------|-----------|--------|---------------|-------|

SG 19.1

Indicate whether your organisation proactively discloses asset class specific information. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.

Fixed income

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

| | |
|-------------------------------------|---|
| Disclosure to public and URL | |
| Disclosure to public and URL | <input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used |
| Frequency | <input type="checkbox"/> Quarterly <input type="checkbox"/> Biannually <input type="checkbox"/> Annually <input checked="" type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad hoc/when requested |
| URL | {hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf} |
| URL | {hyperlink:https://www.slideshare.net/tyoelakeyhtio_varma/climate-policy-and-carbon-footprint-of-varmas-investments-in-2017-89345201} |

Listed equity - Engagement

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

Listed equity – (Proxy) Voting

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

Listed equity - Incorporation

Do you disclose?

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

The information disclosed to clients/beneficiaries is the same

- Yes
- No

| | |
|-------------------------------------|--|
| Disclosure to public and URL | |
| | <p>Disclosure to public and URL</p> <p><input type="radio"/> Broad approach to ESG incorporation</p> <p><input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used</p> |
| | <p>Frequency</p> <p><input type="checkbox"/> Quarterly or more frequently</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input checked="" type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad-hoc/when requested</p> |
| | <p>URL</p> <p>{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf}</p> |

Private equity

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

| | |
|-------------------------------------|---|
| Disclosure to public and URL | |
| | <p>Disclosure to public and URL</p> <p><input checked="" type="checkbox"/> ESG information in relationship to our pre-investment activities</p> <p><input type="checkbox"/> ESG information in relationship to our post-investment monitoring and ownership activities</p> <p><input type="checkbox"/> Information on our portfolio companies' ESG performance</p> <p><input type="checkbox"/> Other</p> |
| | <p>Frequency</p> <p><input type="checkbox"/> Quarterly or more frequently</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input checked="" type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad-hoc/when requested</p> |
| | <p>URL</p> <p>{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf}</p> |

Property

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

| | |
|-------------------------------------|--|
| Disclosure to public and URL | |
| Disclosure to public and URL | <input type="checkbox"/> ESG information on how you select property investments <input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments <input checked="" type="checkbox"/> Information on your property investments' ESG performance <input type="checkbox"/> Other |
| Frequency | <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested |
| URL | {hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf} |
| URL | {hyperlink:https://www.slideshare.net/tyoelakeyhtio_varma/climate-policy-and-carbon-footprint-of-varmas-investments-in-2017-89345201} |

Selection, Appointment and Monitoring

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

Varma Mutual Pension Insurance Company

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

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Listed Equity and Fixed Income Strategies

SAM 01

Mandatory

Public

Gateway

PRI 1

SAM 01.1

Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf for all your listed equity and/or fixed income assets:

Active investment strategies

| Active investment strategies | Listed Equity | FI - SSA | FI - Corporate (non-financial) |
|------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Screening | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Thematic | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Integration | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| None of the above | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Passive investment strategies

| Passive investment strategies | Listed Equity | FI -Corporate (financial) | FI -Corporate (non-financial) |
|-------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Screening | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Thematic | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Integration | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None of the above | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

SAM 01.2

Additional information. [Optional]

Varma invests only in pooled equity 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 carefully taken into account when selecting, appointing and monitoring active managers.

We require that the manager for an active equity fund has a responsible investment policy and practices which we review and score. Exceptions can 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 and are committed to develop and formalize their ESG standards and practices to the level we require. We prefer the integration strategy where ESG is fully integrated into the investment decision process. Screening can be used to support this strategy. We also invest in some thematic ESG funds.

We get the information needed from managers by requiring them to answer our RI questionnaire, going through the manager's RI reporting and discussing the topic in meetings with managers. We also screen our active funds biannually for companies with breaches of international norms and conventions. We also require that the manager is able to report regularly carbon footprint of the fund that Varma is invested in.

We have not included ESG criteria in our general selection and monitoring of passive funds, however, equity ETFs are included in our carbon footprint reporting and have reviewed carbon footprints of all our passive equity investments where the data has been available. We have also started to invest in funds that have an ESG/RI filter. However, this is still in quite a small scale compared to the whole external equity portfolio.

In Active Fixed Income funds, Varma requires a thematic approach to one fund, whereas in the other active funds, ESG integration is a requirement.

Selection

| | | | | |
|---------------|------------------|---------------|----------------------|--------------|
| SAM 02 | Mandatory | Public | Core Assessed | PRI 1 |
|---------------|------------------|---------------|----------------------|--------------|

| | |
|-----------------|---|
| SAM 02.1 | Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers |
|-----------------|---|

| | LE | FI - SSA | FI - Corporate (financial) | FI - Corporate (non-financial) | | Private equity | Property | Infrastructure |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Investment strategy and how ESG objectives relate to it | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| ESG incorporation requirements | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| ESG reporting requirements | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| No RI information covered in the RFPs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | |
|-----------------|--|
| SAM 02.2 | Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach |
|-----------------|--|

| |
|----------|
| Strategy |
|----------|

| | LE | FI - SSA | FI - Corporate (financial)? | FI - Corporate (non-financial) | | Private equity | Property | Infrastructure |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Assess the time horizon of the investment manager's offering vs. your/beneficiaries' requirements | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Assess the quality of investment policy and its reference to ESG | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Assess the investment approach and how ESG objectives are implemented in the investment process | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review the manager's firm-level vs. product-level approach to RI | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Assess the ESG definitions to be used | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None of the above | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

ESG people/oversight

| | LE | FI - SSA | FI - Corporate (financial)? | FI - Corporate (non-financial)? | | Private equity | Property | Infrastructure |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Assess ESG expertise of investment teams | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review the oversight and responsibilities of ESG implementation | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review how is ESG implementation enforced /ensured | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review the manager's RI-promotion efforts and engagement with the industry | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None of the above | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Process/portfolio construction/investment valuation

| | LE | FI - SSA | FI - Corporate (financial)? | FI - Corporate (non-financial)? | | Private equity | Property | Infrastructure |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Review the process for ensuring the quality of the ESG data used | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Review and agree the use of ESG data in the investment decision making process | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review and agree the impact of ESG analysis on investment decisions | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review and agree ESG objectives (e.g. risk reduction, return seeking, real-world impact) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review and agree manager's ESG risk framework | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review and agree ESG risk limits at the portfolio level (portfolio construction) and other ESG objectives | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Review how ESG materiality is evaluated by the manager | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review process for defining and communicating on ESG incidents | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Review and agree ESG reporting frequency and detail | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other, specify | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | | | | |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| None of the above | <input type="checkbox"/> |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

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

We ask manager to show concrete specific ESG cases and examples and how they have impacted their portfolio (eg. investment, divestment or exclusion decision).

SAM 02.3 Indicate the selection process and its ESG/RI components

- Review ESG/RI responses to RfP, RfI, DDQ etc.
- Review responses to PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire (LP DDQ)
- Review publicly available information on ESG/RI
- Review assurance process on ESG/RI data and processes
- Review PRI Transparency Reports
- Request and discuss PRI Assessment Reports
- Meetings with the potential shortlisted managers covering ESG/RI themes
- Site visits to potential managers offices
- Other, specify

SAM 02.4 When selecting external managers does your organisation set any of the following:

| | LE | FI - SSA | FI - Corporate (financial)? | FI - Corporate (non-financial)? | Private equity | Property | Infrastructure |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| ESG performance development targets | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| ESG score | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ESG weight | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Real world economy targets | <input type="checkbox"/> |
| Other RI considerations | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None of the above | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

Varma launched a climate change policy in May 2016. Since then we have encouraged equity managers to develop a climate change policy and start reporting their carbon footprint regularly that is nowadays a requirement for our active equity funds.

SAM 02.5

Describe how the ESG information reviewed and discussed affects the selection decision making process.[OPTIONAL]

ESG evaluation is a standard part of a general equity manager selection process. We require that our managers have a RI policy and prefer active equity fund managers who have fully integrated ESG into their investment process. We score the managers in a selection phase based mainly on the answers to our RI questionnaire, managers' published RI material and discussions with the manager, especially with the portfolio manager. If there are two otherwise equally strong candidates, most likely the one with better ESG process and practices will be selected.

Appointment

SAM 04

Mandatory

Public

Core Assessed

PRI 1

SAM 04.1

Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment and/or commitment process

- Sets standard benchmarks or ESG benchmarks
- Defines ESG objectives
- Sets incentives and controls linked to the ESG objectives
- Requires reporting on ESG objectives
- Requires the investment manager to adhere to ESG guidelines, regulations, principles or standards
- None of the above
- None of the above, we invest only in pooled funds and have a thorough selection process

SAM 04.3

If none of the above, describe any other mechanisms in place to set expectations as part of the appointment or commitment process.

Varma only invests in pooled equity funds and our ESG related requirements and/or objectives are communicated to managers through a selection and appointment process.

SAM 04.4

Indicate which of these actions your organisation might take if any of the requirements are not met

- Discuss requirements not met and set project plan to rectify
- Place investment manager on a "watch list"
- Track and investigate reason for non-compliance
- Re-negotiate fees
- Failing all actions, terminate contract with the manager
- Other, specify

It is important to understand that managers are in different development stages in incorporating ESG into their investment process and profiles of the funds vary. These have to be taken into account and justified in the evaluation process. However, in case Varma's requirements and/or objectives are not met, the issue is raised

up and discussed with the active equity fund manager. The manager will be monitored more closely and firmer actions like redemption may be taken in case the manager does not show willingness to meet requirements and/or objectives or it does not prove to make any progress over time.

No actions are taken if any of the ESG requirements are not met

Monitoring

SAM 05

Mandatory

Public

Core Assessed

PRI 1

SAM 05.1

When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates

| | LE | | | | | Private equity | Property | Infrastructure |
|---|-------------------------------------|--|--|--|--|-------------------------------------|-------------------------------------|-------------------------------------|
| ESG objectives linked to investment strategy | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Evidence on how the ESG incorporation strategy(ies) affected the investment decisions and financial / ESG performance of the portfolio/fund | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Compliance with investment restrictions and any controversial investment decisions | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| ESG portfolio characteristics | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| How ESG materiality has been evaluated by the manager in the monitored period | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Information on any ESG incidents | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Metrics on the real economy influence of the investments | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| PRI Transparency Reports | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| PRI Assessment Reports | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| RI-promotion and engagement with the industry to enhance RI implementation | <input checked="" type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other general RI considerations in investment management agreements; specify | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| None of the above | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SAM 05.2

When monitoring external managers, does your organisation set any of the following to measure compliance/progress

| | LE | | | | | Private equity | Property | Infrastructure |
|-----------------------------------|-------------------------------------|--|--|--|--|-------------------------------------|-------------------------------------|-------------------------------------|
| ESG score | <input checked="" type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ESG weight | <input checked="" type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ESG performance minimum threshold | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Real world economy targets | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other RI considerations | <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| None of the above | <input type="checkbox"/> | | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

Varma launched a climate change policy in May 2016. Since then we have reviewed and scored all our existing active equity managers' climate change policies and approaches. We require that our equity funds report their carbon footprint annually and we monitor actively the development in climate change theme reporting in the coming years.

Varma requires Private Equity managers to report on their ESG performance, but reporting is accepted in managers' formats.

Varma requires Real Estate managers to report on their ESG performance, but reporting is accepted in managers' formats. Some smaller managers do not have official ESG reporting to investors, than a follow-up conversations are held.

Outputs and outcomes

| | | | | |
|---------------|--|---------------|--------------------|--------------|
| SAM 08 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | PRI 1 |
|---------------|--|---------------|--------------------|--------------|

SAM 08.1

Describe how you ensure that best RI practice is applied to managing your assets

- Encourage improved RI practices with existing investment managers

Measures

We encourage all our managers to have a formalized RI policy and to become signatory to PRI or equivalent initiative relevant for the specific asset class. We review their RI policies and practices and ensure they fulfill our requirements relevant to the type of investment.

- Move assets over to investment managers with better RI practices

Measures

Reviewing managers' RI practices allows us to benchmark managers with similar investment profiles and strategies and take this into account in the manager selection process.

- Other, specify
- None of the above

| | | | | |
|--------|-----------|--------|---------------------|---------|
| SAM 09 | Mandatory | Public | Additional Assessed | PRI 1,6 |
|--------|-----------|--------|---------------------|---------|

SAM 09.1 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 | ESG evaluation required for all investment decision |
| Conducted by | <input checked="" type="checkbox"/> Internal staff |
| Asset class | <input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure |
| Scope and process | ESG evaluation intergated into due diligence process and assesment is a mandatory section for every IC proposal. |
| Outcomes | ESG discussion included in every decision making process and investments conflicting with Varma's policy not approved. |

- Add Example 2

| | |
|-------------------|---|
| Topic or issue | Climate policy communication and questionnaire |
| Conducted by | <input checked="" type="checkbox"/> Internal staff |
| Asset class | <input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure |
| Scope and process | Private Equity specific climate policy and questionnaire sent to all continuing managers. |
| Outcomes | Evaluation of fund strategies in climate policy context and assessment of manager views / readiness. |

Add Example 3

| | |
|-------------------|---|
| Topic or issue | ESG thematic investing |
| Conducted by | <input checked="" type="checkbox"/> Internal staff |
| Asset class | <input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure |
| Scope and process | <p>Varma has a separate climate change policy and is committed to reduce its own carbon footprint in listed equities. Because Varma only invests in pooled equity funds, we cannot impact on the investment process of the funds, however, we consider ESG including climate change very closely in a selection, appointment and monitoring phase. Addition to this we wanted to increase our exposure to a climate theme through external funds and searched for a suitable fund into the fund portfolio.</p> <p>We wanted to also increase ESG consideration in our passive equity investments.</p> |
| Outcomes | We invested in a thematic climate and environment specific fund and in a passive equity fund with ESG/RI filter. |

Add Example 4

Add Example 5

| | |
|-------------------|---|
| Topic or issue | Reviewing carbon footprints of equity funds |
| Conducted by | <input checked="" type="checkbox"/> Internal staff |
| Asset class | <input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure |
| Scope and process | We wanted to review carbon footprints of active and passive equity funds. |
| Outcomes | The carbon footprints of all active and passive equity funds where the data was available were reviewed. |

We are not able to provide examples

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Listed Equity Incorporation

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ESG incorporation in actively managed listed equities

Implementation processes

| | | | | |
|--------|-----------|--------|---------------|-------|
| LEI 01 | Mandatory | Public | Core Assessed | PRI 1 |
|--------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|-----------------|--|
| LEI 01.1 | 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 and integration strategies

| | |
|---|--|
| Percentage of active listed equity to which the strategy is applied |  95 |
|---|--|

- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined

| | |
|---|---|
| Percentage of active listed equity to which the strategy is applied |  5 |
|---|---|

- We do not apply incorporation strategies

| |
|--|
| Total actively managed listed equities |
|--|

100%

LEI 01.2

Describe your organisation's approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

We expect our listed investee companies to comply with international norms and conventions for corporate responsibility. We screen our portfolios biannually based on norms to ensure that our investees fulfill the minimum level of corporate conduct. In addition to biannually reviews we have set weekly process to assess the possible norm breaches. We engage with companies with severe and long term norm breaches and exclude the companies in cases where our engagement is not successful within a preset timeframe.

We have excluded tobacco companies and nuclear weapon manufacturers from our direct investments for ethical reasons. We also exclude utility companies with more than 33% of their power production from thermal coal. Exclusion of tobacco and nuclear weapons and utility companies with more than 33% of their power production from thermal coal also applies to all our direct listed investments.

In addition this more traditional exclusion type of approach, Varma has set climate policy for its investments. Varma recognises the importance of climate change to its investment activities and the long-term development of the economy. We support actions to mitigate climate change and adapt to the upcoming changes.

We determine companies' preparedness for climate change during meetings with the companies and by consulting various sources of information. The portfolio is built relative to the sector or corporate structure such that the carbon footprint is reduced. Climate policy drives the sector allocation and stock picking processes so that investees climate change risk and opportunities are more profoundly assessed.

The companies which fulfill the criteria above are analysed for ESG issues on a company or sector level. 2017 we integrated more in depth several financially material ESG criteria into our investment process to improve the risk-return rate of our investments. We improved the user interface for the portfolio managers so that there is ESG data within daily portfolio data. Then the analysis is done by portfolio managers with also help of external ESG research and applies to all active equity investments.

In addition, Varma established in 2016 a thematic sustainable equity portfolio. The sustainable equity portfolio concentrates its investments in sectors and companies which are well placed to benefit from sustainability issues and trends. This includes companies which benefit from mitigating climate change, are not too exposed to the risks of that or have themselves set carbon reduction targets. All of the investments are in developed markets. The size of the portfolio was appr. 400m euros in the year end 2017.

(A) Implementation: Screening**LEI 04****Mandatory****Public****Descriptive****PRI 1****LEI 04.1**

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

Type of screening

Negative/exclusionary screening

Screened by

Product

Activity

Sector

Country/geographic region

Environmental and social practices and performance

Corporate governance

| Description |
|-------------|
|-------------|

Our exclusions apply to our direct investments. We exclude tobacco and nuclear weapons companies. In addition, we exclude utility companies with more than 33% of their power production from thermal coal.

- 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 |
|-------------|
|-------------|

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

| LEI 04.2 | Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made. |
|----------|---|
|----------|---|

In our norm based screening the screening criteria are based on a list of relevant norms and conventions based on conventions and guidelines by OECD and the UN, among others. We have discussed the relevant criteria internally and decided to use a detailed list provided by our external service provider. In 2017 our external service provider was Swedish GES who provides us both screening and engagement services.

The criteria are reviewed when needed.

| | | | | |
|--------|-----------|--------|---------------|-------|
| LEI 05 | Mandatory | Public | Core Assessed | PRI 1 |
|--------|-----------|--------|---------------|-------|

LEI 05.1

Indicate which processes your organisation uses to ensure screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Third-party ESG 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
- Review and evaluation of external research providers
- Other, specify
- None of the above

LEI 05.2

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.

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

LEI 05.3

Indicate how frequently third party ESG ratings are updated for screening purposes.

- Quarterly or more frequently
- Bi-annually
- Annually
- Less frequently than annually

LEI 05.4

Indicate how frequently you review internal research that builds your ESG screens.

- Quarterly or more frequently
- Bi-annually
- Annually
- Less frequently than annually

(B) Implementation: Thematic

| | | | | |
|--------|-----------|--------|-------------|-------|
| LEI 07 | Mandatory | Public | Descriptive | PRI 1 |
|--------|-----------|--------|-------------|-------|

LEI 07.1 Indicate the type of sustainability thematic funds or mandates your organisation manages.

- Environmentally themed funds
- Socially themed funds
- Combination of themes

LEI 07.2 Describe your organisation's processes relating to sustainability themed funds. [Optional]

In 2016, we established a new portfolio under the theme of the climate change. The portfolio consists of companies whose operations benefit from climate change mitigation in different fields, such as technology and renewable energy production, or aren't exposed to climate change risks. Portfolio can also invest in companies which have set meaningful targets to cut their own carbon footprint to by 2030.

The investment universe of the portfolio is developed markets, excluding oil and gas companies. The investment strategy of the portfolio is to use sustainability to 1) minimise risks regarding portfolio companies, 2) analyze costs benefits sustainable business model gives and 3) find possible business opportunities from which companies could benefit from.

(C) Implementation: Integration of ESG issues

LEI 08

Mandatory

Public

Core Assessed

PRI 1

LEI 08.1

Indicate which ESG factors you systematically research as part of your investment analysis and the proportion of actively managed listed equity portfolios that is impacted by this analysis.

| ESG issues | Proportion impacted by analysis |
|----------------------|---|
| Environmental |  <p>Environmental</p> <p> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </p> |
| Social |  <p>Social</p> <p> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </p> |
| Corporate Governance |  <p>Corporate Governance</p> <p> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </p> |

LEI 08.2 Additional information. [Optional]

Varma published its climate policy for investments in 2016. We did in 2016 and 2017 also a climate change impact assessments and a systematic review of climate change issues within sectors. We reported the carbon footprint for listed equities based on year end 2015 and followed up on the calculations during 2016 and 2017. The carbon footprint of Varma's investments has fallen substantially over the past two years. The carbon footprint of equity portfolio decreased by as much as 27% from the 2015 baseline.

As for other ESG issues, we have systematic process for portfolio managers to follow in the investment process. We did a systematic ESG review to identify relevant issues. Those issues between different sectors from raw material traceability and safety to for example environmental aspects of a logistic company.

For most of sectors under active coverage we did a systematic ESG review to identify relevant issues.

| | | | | |
|---------------|------------------|---------------|----------------------------|--------------|
| LEI 09 | Voluntary | Public | Additional Assessed | PRI 1 |
|---------------|------------------|---------------|----------------------------|--------------|

LEI 09.1 Indicate which processes your organisation uses to ensure ESG integration is based on a robust analysis.

Comprehensive ESG research is undertaken or sourced to determine companies' activities and products

LEI 09.2 Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

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

- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Third-party ESG ratings are updated regularly.

LEI 09.3 Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

- A periodic review of the internal research 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
Our portfolio managers assess relevant ESG issues on sector, company or portfolio basis. This is followed up in different ways.
- None of the above

LEI 09.5 Describe how ESG information is held and used by your portfolio managers.

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

Outputs and outcomes

| | | | | |
|---------------|------------------|---------------|--------------------|--------------|
| LEI 12 | Voluntary | Public | Descriptive | PRI 1 |
|---------------|------------------|---------------|--------------------|--------------|

LEI 12.1 Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- Screening

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

We have excluded tobacco and nuclear weapon companies from our direct investments. In addition we have excluded some companies based on continuous and severe breaches against international norms and conventions. We also exclude utility companies with over 33% of power production from thermal coal.

The exclusions do not have a significant effect on our investment universe.

Thematic

Describe any alteration to your investment universe or other effects.

Thematic strategy has changed the focus more into low carbon industries. It has not really limited the universe but time consumed in analysing heavy emitting industries has decreased due to climate policy.

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

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

Public

Core Assessed

PRI 2

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 01.1

Indicate whether your organisation has a formal engagement policy.

Yes

LEA 01.2

Attach or provide a URL to your engagement policy.

Attachment provided:

URL provided:

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-ownership-policy.pdf}

LEA 01.3

Indicate what your engagement policy covers:

- Conflicts of interest
- Insider information
- Alignment with national stewardship code requirements
- Due diligence and monitoring process
- Prioritisation of engagements
- Transparency of engagement activities
- Environmental factors
- Social factors
- Governance factors
- Other, describe
- None of the above

LEA 01.4

Provide a brief overview of your organization's approach to engagement

Varma released 2017 new ownership policy. There we describe our engagement activities and the expectations Varma has as a shareholder. The policy covers Varma's equity holdings both in Finland and abroad. Our activities are focussed on companies and themes in which we estimate our expertise can be put to the best use and in which we have significant opportunities to exercise our influence. Varma is a major shareholder typically in Finnish companies. Application of the ownership policy varies according to, among other things, the companies' stage of development and ownership structure.

We regularly meet with the management and boards of directors of the companies in which we have a holding, especially those companies in which Varma has a major holding. During the

meetings, we discuss the company's targets, possible challenges, responsibility and other matters that are important to the company's success. Our intention is to understand and assess the company's and management's operations on the whole, and to communicate to the company our policies and expectations as a shareholder.

We seek to meet with board representatives, CEOs and for example CFOs to understand the impacts of responsibility and for example climate change.

No

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

| | |
|----------|--|
| LEA 02.1 | Indicate the method of engagement, giving reasons for the interaction. |
|----------|--|

| Type of engagement | Reason for interaction |
|---------------------------------------|---|
| Individual/Internal staff engagements | <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 |
| Collaborative engagements | <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 <div style="background-color: #0070c0; color: white; padding: 5px; margin: 5px 0;">Please specify why your organisation does not engage via collaborative engagements.</div> <p>We have not participated in collaborative engagements in 2017 but have started two collaborative engagement just beginning of 2018.</p> |
| Service provider engagements | <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 |

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

Varma's process with engagement depends on the type of engagement and on the size of our holdings. We engage directly with companies where we are a significant shareholder.

The goal of our engagement is typically to improve ESG disclosure and discuss relevant ESG issues. Usually we do this in meetings with the companies. Varma also participates in several shareholder nomination committees for listed companies where governance issues are very much on agenda.

We have not participated in collaborative engagements in 2017 but have started two collaborative engagement just beginning of 2018. We are quite willing to participate into other collaborative engagements in the future if and when suitable opportunities arise.

We use external service providers to engage on our behalf with companies which have breached international norms and conventions.

We also discuss significant breaches with the companies. The goal of the discussions is to develop the company's operating methods and to ensure that such breaches are not repeated. We may divest our holdings in a company if we do not achieve the end result we had hoped for in the discussions over a longer period of time.

Process

Process for engagements run internally

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

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 03.1

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

Yes

LEA 03.2

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

- Geography / market of the companies
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In response to ESG impacts that have already occurred.
- As a response to divestment pressure
- Consultation with clients/beneficiaries
- Consultation with other stakeholders (i.e. NGOs, trade unions etc.)
- As a follow-up from a voting decision
- Client request
- Other, describe

No

LEA 03.3

Additional information. [Optional]

Usually we prioritise engagements with companies where there are significant ESG issues and we are significant shareholders.

In 2017 we conducted engagement activity with investee companies to assess climate change related risks and opportunities, and to encourage good disclosure and practices around climate-related risks. For investor it is critical that climate-related data is accurate and comparable. In 2017 Varma engaged in total 57 companies, which accounts for approximately 30% of our direct listed equity portfolio. This engagement was also part of the implementation process of the new ownership policy. The engagement process included letters, phone calls as well as meeting the companies.

Internally we also engage with companies in reaction to ESG impacts typically when an investee company has breached international norms and conventions.

| | | | | |
|--------|-----------|--------|---------------|-------|
| LEA 04 | Mandatory | Public | Core Assessed | PRI 2 |
|--------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

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
- We do not define specific objectives for engagement activities carried out by internal staff.

LEA 04.2 Indicate if you monitor the actions that companies take during and following your engagements activities carried out by internal staff.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- We do not monitor the actions that companies take following engagement activities carried out by internal staff.

LEA 04.3 Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities carried out by internal staff.

- Define timelines for your objectives
- Tracking and/or monitoring progress against defined objectives
- Tracking and or monitoring progress of actions taken when original objectives are not met
- Revisit and, if necessary, revise objectives on continuous basis
- Other, please specify
- We do not monitor and evaluate progress of engagement activities carried out by internal staff

LEA 04.4 Additional information. [Optional]

We meet and engage with companies regularly and review result biannually regarding significant norm breaches. Regarding climate policy targets we engage also regularly and review results biannually on portfolio level and regularly on investment level.

Process for engagements conducted with/on your behalf by service providers

| | | | | |
|--------|-----------|--------|---------------|---------|
| LEA 07 | Mandatory | Public | Core Assessed | PRI 2,4 |
|--------|-----------|--------|---------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|-----------------|---|
| 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 the role(s) 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 next steps for engagement activity
- Participate directly in certain engagements with your service provider
- Other, specify
- We play no role in engagements that our service provider conducts.

No

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

Varma's listed equity and corporate bond holdings are screened twice a year for breaches of international corporate responsibility norms and conventions. In cases where our ownership stake in a company is small, we usually use an external service provider to engage with companies on basis of severe and long term breaches of international norms.

The rationale and objective of the engagement cases are quite clear. The goal is for the companies to change their behaviour and comply with the relevant norms. We choose the companies to be engaged with and follow up with the cases when needed and at least twice a year.

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

| | |
|-----------------|--|
| LEA 08.1 | Do you monitor and review the outcomes of the engagement activities undertaken by your service providers on your behalf? |
|-----------------|--|

Please select all that apply

- Yes, periodically
- Yes, ad hoc basis
- We do not monitor or review them

LEA 08.2 Additional information. [Optional]

We discuss the engagement cases and decide on next steps twice a year in an internal meeting with the listed securities team. The portfolio managers are responsible for presenting the cases and suggesting next steps for the companies within their investment universe. 2017 Varma's Director for Listed Securities made the final decisions.

General processes for all three groups of engagers

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

LEA 09.1 Indicate if insights gained from your engagements are shared with your internal or external investment managers.

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

| | | | | |
|---------------|------------------|---------------|----------------|--------------|
| LEA 10 | Mandatory | Public | Gateway | PRI 2 |
|---------------|------------------|---------------|----------------|--------------|

LEA 10.1 Indicate if you track the number of your engagement activities.

| Type of engagement | Tracking engagements |
|--|--|
| Individual / Internal staff engagements | <input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track |
| Service provider engagements | <input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track and cannot estimate our engagements |

Outputs and outcomes

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

LEA 12.1 | Indicate which of the following your engagement involved.

- Letters and emails to companies
 - In some cases
 - In majority cases
 - In all cases
- 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
- Participation in roadshows
 - In some cases
 - In majority cases
 - In all cases
- Other, specify

(Proxy) voting and shareholder resolutions

Overview

| | | | | |
|---------------|------------------|---------------|----------------------|------------------|
| LEA 15 | Mandatory | Public | Core Assessed | PRI 1,2,3 |
|---------------|------------------|---------------|----------------------|------------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 15.1 | Indicate whether your organisation has a formal voting policy.

- Yes

LEA 15.2 Indicate what your voting policy covers:

- Conflicts of interest
- Share blocking
- Securities lending process
- Prioritisation of voting activities
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Filing/co-filing resolutions
- Extraordinary meetings
- Regional voting practices
- Transparency of proxy voting activities
- Company dialogue pre/post vote
- Other, describe
- None of the above

LEA 15.3 Attach or provide a URL to your voting policy. [Optional]

URL

{hyperlink:<https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-ownership-policy.pdf>}

LEA 15.4 Provide a brief overview of your organization’s approach to (proxy) voting.

How Varma approaches to voting is described in Varma's ownership policy. The topics covered in the policy include also the 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 covers Finnish listed companies. Outside of Finland Varma supports compliance with local governance codes and best practices. We participate in the nomination processes of the Board members of a number of Finnish listed companies. During the nomination process, we promote the professional governance and management of the companies we own.

We vote both by attending the AGMs and by proxy. In Finland a representant of Varma usually attends the companies' general meetings. Outside of Finland we typically vote by proxy. We also attend AGMs outside Finland in companies where our ownership stake is close to 2 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

| | | | | |
|---------------|------------------|---------------|--------------------|--------------|
| LEA 16 | Mandatory | Public | Descriptive | PRI 2 |
|---------------|------------------|---------------|--------------------|--------------|

LEA 16.1 Indicate how you typically make your (proxy) voting decisions.

Approach

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

Based 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.

LEA 16.2 Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made (if applicable).

Varma's ownership principles are implemented inhouse. The voting decisions are made within the investment department which ensures that the principles are correctly implemented. Exceptions are possible on the basis of the company's development phase or ownership structure.

| | | | | |
|--------|-----------|--------|---------------|-------|
| LEA 20 | Mandatory | Public | Core Assessed | PRI 2 |
|--------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 20.1 Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting

- Yes, in most cases
- Sometimes, in the following cases:
 - Votes for selected markets
 - Votes relating to certain ESG issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other
- Neither we nor our service provider raise concerns with companies ahead of voting

| | |
|-----------------|---|
| LEA 20.2 | Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations. |
|-----------------|---|

- Yes, in most cases
- Sometimes, in the following cases.
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

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

| | |
|-----------------|--|
| LEA 21.1 | 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. |
|-----------------|--|

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

| | |
|-----------------|------------------------------------|
| LEA 21.3 | Additional information. [Optional] |
|-----------------|------------------------------------|

Beginning of 2018 we have implemented systematic process to track and collect this information.

| | | | | |
|---------------|------------------|---------------|----------------------------|--------------|
| LEA 22 | Mandatory | Public | Additional Assessed | PRI 2 |
|---------------|------------------|---------------|----------------------------|--------------|

| | |
|-----------------|---|
| LEA 22.1 | Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued. |
|-----------------|---|

- Yes, we track this information

| | |
|-----------------|--|
| LEA 22.2 | Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were: |
|-----------------|--|

| Voting instructions | Breakdown as percentage of votes cast |
|---|--|
| For (supporting) management recommendations |  99.3 |
| Against (opposing) management recommendations |  0.7 |
| Abstentions |  0 |

100%

LEA 22.3 Describe the actions you take in relation to voting against management recommendations.

Finnish AGM process goes so that the majority of the meetings decisions are made unanimously and are not voted upon. When reporting the breakdown of votes we casted 2017, we consider the items that were decided unanimously in the AGM as votes for management recommendations.

No, we do not track this information

| | | | | |
|--------|-----------|--------|-------------|-------|
| LEA 23 | Voluntary | Public | Descriptive | PRI 2 |
|--------|-----------|--------|-------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 23.1 Indicate if your organisation directly or via a service provider filed or co-filed any ESG shareholder resolutions during the reporting year.

Yes

No

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

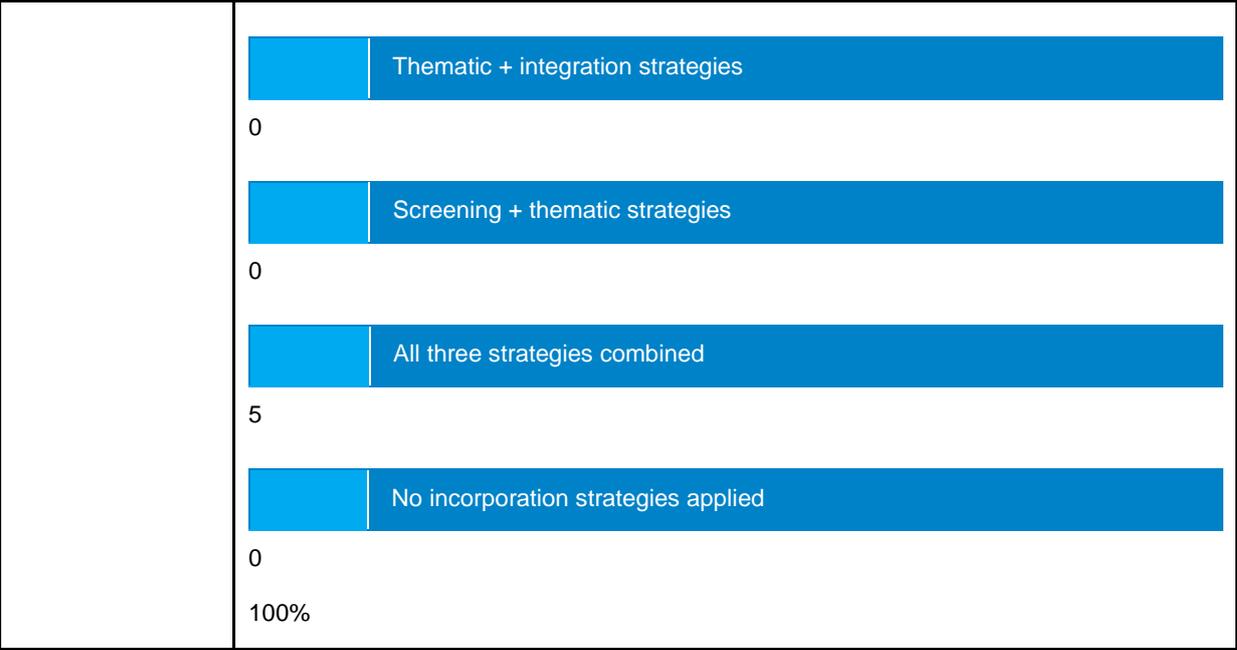
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ESG incorporation in actively managed fixed income

Implementation processes

| FI 01 | Mandatory | Public | Gateway | PRI 1 |
|---------|---|--------|---------|-------|
| FI 01.1 | 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. | | | |

| SSA | <table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>5</td> </tr> <tr> <td>Integration alone</td> <td>95</td> </tr> <tr> <td>Screening + integration strategies</td> <td>0</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>0</td> </tr> <tr> <td>All three strategies combined</td> <td>0</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>0</td> </tr> <tr> <td>Total (any strategy)</td> <td>100%</td> </tr> </tbody> </table> | Strategy | Percentage | Screening alone | 0 | Thematic alone | 5 | Integration alone | 95 | Screening + integration strategies | 0 | Thematic + integration strategies | 0 | Screening + thematic strategies | 0 | All three strategies combined | 0 | No incorporation strategies applied | 0 | Total (any strategy) | 100% |
|-------------------------------------|--|----------|------------|-----------------|---|----------------|---|-------------------|----|------------------------------------|----|-----------------------------------|---|---------------------------------|---|-------------------------------|---|-------------------------------------|---|-----------------------------|-------------|
| Strategy | Percentage | | | | | | | | | | | | | | | | | | | | |
| Screening alone | 0 | | | | | | | | | | | | | | | | | | | | |
| Thematic alone | 5 | | | | | | | | | | | | | | | | | | | | |
| Integration alone | 95 | | | | | | | | | | | | | | | | | | | | |
| Screening + integration strategies | 0 | | | | | | | | | | | | | | | | | | | | |
| Thematic + integration strategies | 0 | | | | | | | | | | | | | | | | | | | | |
| Screening + thematic strategies | 0 | | | | | | | | | | | | | | | | | | | | |
| All three strategies combined | 0 | | | | | | | | | | | | | | | | | | | | |
| No incorporation strategies applied | 0 | | | | | | | | | | | | | | | | | | | | |
| Total (any strategy) | 100% | | | | | | | | | | | | | | | | | | | | |
| Corporate (financial) | <table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>95</td> </tr> </tbody> </table> | Strategy | Percentage | Screening alone | 0 | Thematic alone | 0 | Integration alone | 0 | Screening + integration strategies | 95 | | | | | | | | | | |
| Strategy | Percentage | | | | | | | | | | | | | | | | | | | | |
| Screening alone | 0 | | | | | | | | | | | | | | | | | | | | |
| Thematic alone | 0 | | | | | | | | | | | | | | | | | | | | |
| Integration alone | 0 | | | | | | | | | | | | | | | | | | | | |
| Screening + integration strategies | 95 | | | | | | | | | | | | | | | | | | | | |



| | | |
|---------------------------|-------------------------------------|------|
| Corporate (non-financial) | Screening alone | 0 |
| | Thematic alone | 0 |
| | Integration alone | 0 |
| | Screening + integration strategies | 95 |
| | Thematic + integration strategies | 0 |
| | Screening + thematic strategies | 0 |
| | All three strategies combined | 5 |
| | No incorporation strategies applied | 0 |
| | | 100% |

FI 01.2 Describe your 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. On a company level, Varma is excluding all tobacco and nuclear arms companies from the straight investment universe, alongside with utility companies that derive over 1/3 of their revenue from coal.

In SSA, we have made investments in Green bonds, in which the debt capital raised through the issuance is earmarked for environmentally friendly investments. In rest of our SSA investments, we are using raw ESG data along side sell-side research analysis, with a focus on the Social and Governance data, when making the investment decision.

In Corporate bonds, we use a 3rd party service that conducts norms- based screening. Corporations that have a confirmed violation of defined treaties such as Global compact, are excluded from our investment universe. We are also using 3rd party ESG-scores, which are available for all portfolio managers. We have also made investments in Green bonds.

| | | | | |
|-------|---|--------|---------------|-------|
| FI 02 | Mandatory to Report Voluntary to Disclose | Public | Core Assessed | PRI 1 |
|-------|---|--------|---------------|-------|

| | |
|----------------|---|
| FI 02.1 | Indicate which ESG factors you systematically research as part of your analysis on issuers. |
|----------------|---|

Select all that apply

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

| | |
|----------------|--|
| FI 02.2 | Indicate what format your ESG information comes in and where you typically source it |
|----------------|--|

- Raw ESG company data

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
- ESG factor specific 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
- 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

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

| | |
|----------------|---|
| FI 02.3 | Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies. |
|----------------|---|

All portfolio managers have access to 3rd party ESG metrics through their Bloomberg Terminal. The PM's have also access to a data portal that provides company or sector specific analysis of ESG factors. The raw company data is available from either web based portals or through Bloomberg Terminal.

Specialised ESG analyst provides carbon emission metrics for listed equity and listed fixed income on a portfolio level.

In SSA, PMs are conducting country level analysis by utilizing data provided by sell -side research or country level raw data.

| | | | | |
|--------------|------------------|---------------|----------------------------|--------------|
| FI 03 | Mandatory | Public | Additional Assessed | PRI 1 |
|--------------|------------------|---------------|----------------------------|--------------|

| | |
|----------------|---|
| FI 03.1 | Indicate how you ensure that your ESG research process is robust: |
|----------------|---|

- 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

FI 03.2 Describe how your ESG information or analysis is shared among your investment team.

- 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 04 **Mandatory** **Public** **Gateway** **PRI 1**

FI 04.1 Indicate the type of screening you conduct.

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 checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Norms-based screening | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |

FI 04.2 Describe your approach to screening for internally managed active fixed income

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

On a company wide level, we are excluding all tobacco and nuclear weapons companies from our investment universe. We are also utilizing ESG-scores, which are in essence best-in-class scores for companies.

FI 05 **Mandatory** **Public** **Descriptive** **PRI 1**

Corporate (financial)

Corporate (fin)

- For legal reasons
- For non-legal reasons

Corporate (non-financial)

Corporate (non-fin)

- For legal reasons
- For non-legal reasons

FI 05.2

Describe your approach to ESG-based negative screening of issuers from your investable universe.

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 07

Mandatory

Public

Core Assessed

PRI 1

FI 07.1

Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.

| Type of screening | Checks |
|---|--|
| Negative/exclusionary screening? | <input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that 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 checked="" type="checkbox"/> Other, specify <div style="background-color: #0070C0; color: white; padding: 2px;">other description</div> Internally managed blacklist of companies not to invest in <input type="checkbox"/> None of the above |
| Positive/best-in-class screening | <input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that 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 |
| Norms-based screening | <input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that 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 checked="" type="checkbox"/> Other, specify <div style="background-color: #0070C0; color: white; padding: 2px;">other description</div> Listed securities team goes through the results of the screening biannually. This guarantees uptodate information and ensures that the portfolio managers follow screening criteria. <input type="checkbox"/> None of the above |

(B) Implementation: Thematic

| | | | | |
|-------|-----------|--------|---------------|-------|
| FI 09 | Mandatory | Public | Core Assessed | PRI 1 |
|-------|-----------|--------|---------------|-------|

| | |
|----------------|--|
| FI 09.1 | Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles, Social Bond Principles, or Sustainability Bond Guidelines.. |
|----------------|--|

- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

| | |
|----------------|--|
| FI 09.2 | Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents. |
|----------------|--|

We have not encountered situations described above.

| | | | | |
|--------------|------------------|---------------|----------------------------|--------------|
| FI 10 | Mandatory | Public | Additional Assessed | PRI 1 |
|--------------|------------------|---------------|----------------------------|--------------|

| | |
|----------------|---|
| FI 10.1 | Indicate how you assess the environmental or social impact of your thematic investments |
|----------------|---|

- We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- We ensure independent audits are conducted on the environmental or social impact of our investments
- We have a proprietary system to measure environmental and social impact
- We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- Other, specify
- None of the above

(C) Implementation: Integration

| | | | | |
|--------------|------------------|---------------|--------------------|--------------|
| FI 11 | Mandatory | Public | Descriptive | PRI 1 |
|--------------|------------------|---------------|--------------------|--------------|

| | |
|----------------|--|
| FI 11.1 | Describe your approach to integrating ESG into traditional financial analysis. |
|----------------|--|

Our aim is to take ESG issues into account 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.

| | |
|----------------|---|
| FI 11.2 | Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in. |
|----------------|---|

SSA

In SSA investments, the emphasis of ESG is in the social and governance side. Our SSA PMs are conducting country specific analysis where the social and governance data is integrated to the investment decision. Country visits also play a crucial part in the investment decision.

We also have access to country specific reports by rating agencies and public data from World bank and IMF.

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.

For all corporate bonds, we are using 3rd party ESG-scores which measures the ESG performance of the company benchmarked against its peers. The portfolio managers are using the company specific reports, alongside with the score to evaluate the company when making investment or deinvestment decisions.

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.

For all corporate bonds, we are using 3rd party ESG-scores which measures the ESG performance of the company benchmarked against its peers. The portfolio managers are using the company specific reports, alongside with the score to evaluate the company when making investment or deinvestment decisions.

FI 12

Mandatory

Public

Core Assessed

PRI 1

FI 12.1

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

Select all that apply

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

| | | | | |
|-------|-----------|--------|---------------------|-------|
| FI 13 | Mandatory | Public | Additional Assessed | PRI 1 |
|-------|-----------|--------|---------------------|-------|

| | |
|---------|---|
| FI 13.1 | Indicate the extent to which ESG issues are reviewed in your integration process. |
|---------|---|

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

FI 13.2 Please provide more detail on how you review E, S and G factors in your integration process.

SSA

In SSA investments, the emphasis of ESG is in the social and governance side. Our SSA PMs are conducting country specific analysis where the social and governance data is integrated to the investment decision. Country visits also play a crucial part in the investment decision.

Corporate (financial)

In 2017, we implemented the use of 3rd party ESG ratings to the investment decisions. We conducted a preliminary study of our complete Corporate bond portfolio, where the individual companies were evaluated by their ESG performance in relation with the new metrics.

By the end of 2017, the usage of the ESG metrics is a part of day to day operations in corporate bond investments.

Corporate (non-financial)

In 2017, we implemented the use of 3rd party ESG ratings to the investment decisions. We conducted a preliminary study of our complete Corporate bond portfolio, where the individual companies were evaluated by their ESG performance in relation with the new metrics.

By the end of 2017, the usage of the ESG metrics was a part of day to day operations in corporate bond investments.

Fixed income - Engagement

| | | | | |
|-------|---|--------|---------------------|---------|
| FI 16 | Mandatory to Report Voluntary to Disclose | Public | Additional Assessed | PRI 1,2 |
|-------|---|--------|---------------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|---------|---|
| FI 16.1 | Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.) |
|---------|---|

Select all that apply

| Type of engagement | Corporate (financial) | Corporate (non-financial) | |
|---------------------------------------|-------------------------------------|-------------------------------------|--|
| Individual/Internal staff engagements | <input type="checkbox"/> | <input type="checkbox"/> | |
| Collaborative engagements | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Service provider engagements | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |

| | |
|---------|---|
| FI 16.2 | Indicate how your organisation prioritises engagements with issuers |
|---------|---|

Select all that apply

| | Corporate (financial) | Corporate (non-financial) | |
|---|-------------------------------------|-------------------------------------|--|
| Based on potential materiality of ESG factors | <input type="checkbox"/> | <input type="checkbox"/> | |
| Based on systemic risks (e.g. low-carbon transition) to global portfolios | <input type="checkbox"/> | <input type="checkbox"/> | |
| Based on our exposure (holdings) | <input type="checkbox"/> | <input type="checkbox"/> | |
| Other | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |

If 'other' has been selected, please give a description

We engage with companies on the basis of norm based screening with the help of our service provider.

FI 16.3

Indicate when your organisation conducts engagements with issuers.

Select all that apply

| | Corporate (financial) | Corporate (non-financial) |
|---|-------------------------------------|-------------------------------------|
| Engagements are conducted pre-investment | <input type="checkbox"/> | <input type="checkbox"/> |
| Engagements are conducted post-investment | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, describe | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

If 'other' has been selected, please give a description

We engage with companies on the basis of norm based screening with the help of our service provider.

FI 16.4

Indicate how your organisation conducts engagements with issuers.

Select all that apply

| | Corporate (financial) | Corporate (non-financial) |
|---|-------------------------------------|-------------------------------------|
| We systematically engage prior to ESG-related divestments | <input type="checkbox"/> | <input type="checkbox"/> |
| We engage proactively in anticipation of specific ESG risks and/or opportunities | <input type="checkbox"/> | <input type="checkbox"/> |
| We engage in reaction to ESG issues which have already affected the issuer | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Investment and ESG analysts systematically conduct ESG-related engagements together | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, describe | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

If 'other' has been selected, please give a description

We engage with companies on the basis of norm based screening with the help of our service provider.

FI 16.5

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

| | Corporate (financial) | Corporate (non-financial) | |
|---|-------------------------------------|-------------------------------------|--|
| We conduct engagements with individual issuers | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| We conduct engagements within sectors and industries. | <input type="checkbox"/> | <input type="checkbox"/> | |
| We conduct engagements on specific ESG themes (e.g. human rights) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Other, describe | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |

If 'other' has been selected, please give a description

We engage with companies on the basis of norm based screening with the help of our service provider.

FI 16.6

Indicate how your organisation shares the outcomes of the engagements internally.

Select all that apply

| | Corporate (financial) | Corporate (non-financial) | |
|---|-------------------------------------|-------------------------------------|--|
| We have a systematic process to ensure the outcomes of engagements are made available | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| We occasionally make the outcomes of engagements available | <input type="checkbox"/> | <input type="checkbox"/> | |
| Other, describe | <input type="checkbox"/> | <input type="checkbox"/> | |
| We do not make this information available | <input type="checkbox"/> | <input type="checkbox"/> | |
| We do not share the outcomes of the engagements internally | <input type="checkbox"/> | <input type="checkbox"/> | |

FI 17

Mandatory to Report Voluntary to Disclose

Public

Additional Assessed

PRI 1,2

FI 17.1

Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.

 Yes No**Outputs and outcomes****FI 18****Mandatory to Report Voluntary to Disclose****Public****Additional Assessed****General****FI 18.1**

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

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

FI 18.2

Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]

We have used a 3rd party to calculate the carbon footprint for corporate bonds. The carbon footprint for our portfolio is compared to our benchmark. In 2017, we met the target of reducing our carbon footprint by 15% compared to the level in 2015.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct – Private Equity

PRI disclaimer

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Overview

| | | | | |
|-------|-----------|--------|-------------|---------|
| PE 01 | Voluntary | Public | Descriptive | PRI 1-6 |
|-------|-----------|--------|-------------|---------|

| | |
|---------|---|
| PE 01.1 | Provide a brief overview of your organisation's approach to responsible investment in private equity. |
|---------|---|

Varma Private Equity Team manages PE and infrastructure funds and also co-investments. Evaluation and assessment of the fund managers' RI principles has been incorporated into our investment and portfolio management processes. Varma requires its PE managers to have RI principles either as a separate policy or part of other policies. Varma actively encourages our current PE managers to sign up to PRI. We also require managers to report on ESG issues, preferably as a part of regular fund reporting. As a large investor, Varma has often the opportunity to be represented in the Advisory Board or Investor Committees of the funds. We use this channel actively to promote ESG issues and opportunities.

Varma's direct private equity is executed through co-investments with funds where Varma is an existing investor. Thus, the manager's/ majority owner's ESG policies and processes have already been validated during fund selection and monitoring. During co-investment due diligence Varma requires the manager to report on ESG findings and incorporates this into investment decision making. In addition to minimum requirements, direct co-investments allow for an additional layer of selection to be applied; e.g. climate policy / strategy directing portfolio construction.

| | | | | |
|-------|-----------|--------|---------------|-------|
| PE 02 | Mandatory | Public | Core Assessed | PRI 2 |
|-------|-----------|--------|---------------|-------|

| | |
|---------|--|
| PE 02.1 | Indicate whether your organisation's investment activities are guided by a responsible investment policy / follow responsible investment guidelines. |
|---------|--|

- Our investment activities are guided by a responsible investment policy

| | |
|---------|--|
| PE 02.2 | Describe how your organisation outlines expectations on staff and portfolio companies' approach towards ESG issues in investment activities. |
|---------|--|

In co-investments the expectations are set and communicated by the main sponsor.

- Our investment activities are not guided by a responsible investment policy
- We do not have a responsible investment policy

Pre-investment (selection)

| | | | | |
|-------|-----------|--------|---------|-------|
| PE 05 | Mandatory | Public | Gateway | PRI 1 |
|-------|-----------|--------|---------|-------|

| | |
|---------|---|
| PE 05.1 | During due-diligence indicate if your organisation typically incorporates ESG issues when selecting private equity investments. |
|---------|---|

- Yes

PE 05.2

Describe your organisation's approach to incorporating ESG issues in private equity investment selection.

Managers that have passed Varma's fund selection criteria fulfill minimum requirements. Managers report on ESG findings and evaluation during co-investment due diligence and Varma makes its own assessment when selecting co-investments.

No

| | | | | |
|-------|-----------|--------|---------------|---------|
| PE 06 | Mandatory | Public | Core Assessed | PRI 1,3 |
|-------|-----------|--------|---------------|---------|

PE 06.1

Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.

- Raw data from target company
- Benchmarks against other companies
- Sector level data/benchmarks
- Country level data/benchmarks
- Reporting standards, industry codes and certifications
- International initiatives, declarations or standards
- Engagements with stakeholders (e.g. customers and suppliers)
- Advice from external resources
- Other, specify

Manager's ESG evaluation

- We do not track this information

PE 06.2

Describe how this information is reported to, considered and documented by the Investment Committee or similar.

Varma receives manager's ESG evaluation and often 3rd party ESG reporting. These considerations are summarized and a recommendation is included in Varma's IC proposals.

| | | | | |
|-------|-----------|--------|---------------------|---------|
| PE 07 | Voluntary | Public | Additional Assessed | PRI 1,2 |
|-------|-----------|--------|---------------------|---------|

PE 07.1

During deal structuring, what is the process for integrating ESG-related considerations into the deal documentation and/or the post-investment action plan?.

- Yes
 - Formally/through a post-investment action plan or value enhancement plan
 - Verbally/through dialogue
 - Other, specify

Set by the manager/sponsor.
- We do not set expectations for portfolio companies on ESG-related considerations

| | | | | |
|-------|-----------|--------|---------------------|-------|
| PE 08 | Voluntary | Public | Additional Assessed | PRI 1 |
|-------|-----------|--------|---------------------|-------|

| | |
|----------------|--|
| PE 08.1 | Indicate how ESG issues impacted your private equity investment selection processes during the reporting year. |
|----------------|--|

- ESG issues helped identify risks
- ESG issues helped identify opportunities for value creation.
- ESG issues led to the abandonment of potential investments.
- ESG issues were considered but did not have an impact on the investment selection process
- Other, specify
- We do not track this potential impact

| | |
|----------------|---|
| PE 08.2 | ESG issues were included in the post-investment action plan /100 day plan |
|----------------|---|

- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues were included in the post-investment action plan/100 day plan
- 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
Included by managers and monitored through co-investment reporting.
- We do not track this potential impact

Post-investment (monitoring)

| | | | | |
|--------------|------------------|---------------|------------------------------|--------------|
| PE 09 | Mandatory | Public | Gateway/Core Assessed | PRI 2 |
|--------------|------------------|---------------|------------------------------|--------------|

| | |
|----------------|---|
| PE 09.1 | Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies. |
|----------------|---|

- Yes

| | |
|----------------|---|
| PE 09.2 | Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year. |
|----------------|---|

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies

(in terms of total number of portfolio companies)

| | |
|----------------|---|
| PE 09.3 | Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue. |
|----------------|---|

ESG issues

- Environmental
- Social
- Governance
- We do not set and/or monitor against targets
- No

| | |
|----------------|------------------------------------|
| PE 09.4 | Additional information. [Optional] |
|----------------|------------------------------------|

The managers are expected to set targets, monitor, and report on those.

| | | | | |
|--------------|------------------|---------------|----------------------|--------------|
| PE 10 | Mandatory | Public | Core Assessed | PRI 2 |
|--------------|------------------|---------------|----------------------|--------------|

| | |
|----------------|---|
| PE 10.1 | Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines). |
|----------------|---|

- Yes
- No

| | | | | |
|--------------|------------------|---------------|----------------------------|--------------|
| PE 11 | Voluntary | Public | Additional Assessed | PRI 2 |
|--------------|------------------|---------------|----------------------------|--------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|----------------|---|
| PE 11.1 | Indicate the types of actions taken by your portfolio companies to incorporate ESG issues into operations and what proportion of your portfolio companies have implemented these actions. |
|----------------|---|

Types of actions taken by portfolio companies

- Allocate responsibility for ESG issues to board/senior management
- Composition of board ensure ESG expertise
- Consider ESG issues in risk management processes
- Define performance targets for applicable ESG issues in operations
- Identify and engage external parties or stakeholders that could add value or decrease risk through ESG issues
- Developing/implementing an environmental/social management system (ESMS) or similar
- Other actions, specify

Implemented by percentage of portfolio companies

Determined and executed by the managers.

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies
- We do not track this information

(in terms of total number of portfolio companies)

None of the above

| | | | | |
|-------|-----------|--------|-------------|---------|
| PE 12 | Voluntary | Public | Descriptive | PRI 2,3 |
|-------|-----------|--------|-------------|---------|

| | |
|---------|---|
| PE 12.1 | Indicate the type and frequency of reports you request and/or receive from portfolio companies covering ESG issues. |
|---------|---|

Type of reporting

Overarching portfolio company reports (or similar) where management disclosure, financial and ESG data are integrated

Standalone reports highlighting targets and/or KPIs covering ESG issues

Other, specify

Manager's co-investment reporting including ESG considerations.

Typical reporting frequency

Quarterly or more frequently

Biannually

Annually

Less frequently than annually

Ad-hoc/when requested, specify

No reporting on ESG issues requested and/or provided by portfolio companies

| | | | | |
|-------|-----------|--------|---------------------|-------|
| PE 13 | Voluntary | Public | Additional Assessed | PRI 2 |
|-------|-----------|--------|---------------------|-------|

| | |
|---------|--|
| PE 13.1 | Indicate whether during the reporting year your organisation disclosed information on ESG issues to potential buyers prior to exit for private equity investments. |
|---------|--|

We included ESG issues in pre-exit information

We did not include ESG issues in pre-exit information

N/A, we did not have any exits in the reporting year

| | |
|---------|---|
| PE 13.2 | Apart from disclosure, describe how your organisation considers ESG issues at exit. |
|---------|---|

Co-investment exit is managed by the main sponsor.

Outputs and outcomes

| | | | | |
|-------|-----------|--------|---------------------|---------|
| PE 14 | Voluntary | Public | Additional Assessed | PRI 1,2 |
|-------|-----------|--------|---------------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

PE 14.1 Indicate whether your organisation measures how your approach to responsible investment in Private Equity investments has affected financial and/or ESG performance.

- We measure whether our approach to ESG issues impacts the financial performance of investments
- We measure whether our approach to ESG issues impacts the ESG performance of investments
- None of the above

| | | | | |
|--------------|--|---------------|--------------------|----------------|
| PE 15 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | PRI 1,2 |
|--------------|--|---------------|--------------------|----------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

PE 15.1 Provide examples of ESG issues that you identified in your potential and/or existing private equity investments during the reporting year.

- Add Example 1

| | |
|--|--|
| Investment Stage | <input checked="" type="checkbox"/> Initial screening <input type="checkbox"/> Due diligence <input type="checkbox"/> Investment decision <input type="checkbox"/> Investment monitoring <input type="checkbox"/> Prior to exit |
| ESG issues | <div style="background-color: #0072bc; color: white; padding: 2px;">ESG issues</div> <input checked="" type="checkbox"/> Environmental Investment in metallurgic coal mining. <input type="checkbox"/> Social <input type="checkbox"/> Governance |
| Sector(s) | Metals & mining |
| Impact (or potential impact) on the investment | Decided to abandon co-investment due to not wanting an overallocation in a co2 intensive sector. |
| Activities undertaken to influence the investment and its response | Co-investment process allowed further examination of manager's ESG evaluation and confirmed that small indirect exposure is not in violation of our climate policy. |

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5

Qualitative assesment.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Property

PRI disclaimer

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Overview

| | | | | |
|-------|-----------|--------|---------------|---------|
| PR 01 | Mandatory | Public | Core Assessed | PRI 1-6 |
|-------|-----------|--------|---------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|---------|---|
| PR 01.1 | Indicate if your organisation has a Responsible Property Investment (RPI) policy. |
|---------|---|

Yes

| | |
|---------|--------------------------------------|
| PR 01.2 | Provide a URL or attach the document |
|---------|--------------------------------------|

URL

{hyperlink:https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf}

Attach Document

No

Pre-investment (selection)

| | | | | |
|-------|-----------|--------|-----------------------|-------|
| PR 04 | Mandatory | Public | Gateway/Core Assessed | PRI 1 |
|-------|-----------|--------|-----------------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|---------|--|
| PR 04.1 | Indicate if your organisation typically incorporates ESG issues when selecting property investments. |
|---------|--|

Yes

| | |
|---------|---|
| PR 04.2 | Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. |
|---------|---|

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.

| | |
|---------|--|
| PR 04.3 | 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 per E, S and G issue

- Climate change adaptation
- Contamination
- Energy efficiency
- Energy supply
- Flooding
- GHG emissions
- Indoor environmental quality
- Natural hazards
- Resilience
- Transportation
- Water efficiency
- Waste management
- Water supply
- Other
- Other

List up to three typical examples per E, S and G issue

- Climate change adaptation
- Contamination
- Energy efficiency
- Energy supply
- Flooding
- GHG emissions
- Indoor environmental quality
- Natural hazards
- Resilience
- Transportation
- Water efficiency
- Waste management
- Water supply
- Other
- Other

List up to three typical examples per E, S and G issue

- Climate change adaptation
 - Contamination
 - Energy efficiency
 - Energy supply
 - Flooding
 - GHG emissions
 - Indoor environmental quality
 - Natural hazards
 - Resilience
 - Transportation
 - Water efficiency
 - Waste management
 - Water supply
 - Other
 - Other
- Social

List up to three typical examples per E, S and G issue

- Building safety and materials
- Health, safety and wellbeing
- Socio-economic
- Accessibility
- Affordable Housing
- Occupier Satisfaction
- Other
- Other
- Other

List up to three typical examples per E, S and G issue

- Building safety and materials
- Health, Safety and wellbeing
- Socio-economic
- Accessibility
- Affordable Housing
- Occupier Satisfaction
- Other
- Other
- Other

List up to three typical examples per E, S and G issue

- Building safety and materials
 - Health, Safety and wellbeing
 - Socio-economic
 - Accessibility
 - Affordable Housing
 - Occupier Satisfaction
 - Other
 - Other
 - Other
- Governance

List up to three typical examples per E, S and G issue

- Anti-bribery & corruption
- Board structure
- Conflicts of interest
- Governance structure
- Regulatory
- Shareholder structure & rights
- Supply chain governance
- Other
- Other
- Other

List up to three typical examples per E, S and G issue

- Anti-bribery & corruption
- Board structure
- Conflicts of interest
- Governance structure
- Regulatory
- Shareholder structure & rights
- Supply chain governance
- Other
- Other
- Other

List up to three typical examples per E, S and G issue

- Anti-bribery & corruption
- Board structure
- Conflicts of interest
- Governance structure
- Regulatory
- Shareholder structure & rights
- Supply chain governance
- Other
- Other
- Other

No

| | | | | |
|--------------|------------------|---------------|----------------------------|----------------|
| PR 05 | Voluntary | Public | Additional Assessed | PRI 1,3 |
|--------------|------------------|---------------|----------------------------|----------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|----------------|--|
| PR 05.1 | Indicate what type of ESG information your organisation typically considers during your property investment selection process. |
|----------------|--|

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

| | |
|----------------|--|
| PR 05.2 | Provide a brief description of how this ESG information was incorporated into your investment selection process. |
|----------------|--|

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.

| | | | | |
|--------------|------------------|---------------|----------------------|--------------|
| PR 06 | Mandatory | Public | Core Assessed | PRI 1 |
|--------------|------------------|---------------|----------------------|--------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

PR 06.1

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

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

PR 06.2

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
- Not applicable, our organisation did not select any investments in the reporting year
- We do not track this potential impact

Selection, appointment and monitoring third-party property managers

PR 07

Mandatory

Public

Core Assessed

PRI 4

New selection options have been added to this indicator. Please review your prefilled responses carefully.

PR 07.1

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

- Yes

PR 07.2

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

- Selection process of property managers incorporated ESG issues

Types of actions

- Request explanation of how ESG is effectively integrated, including inquiries about governance and processes
- Request track records and examples of how the manager implements ESG in their asset and property management
- Discuss property level out-performance opportunities through greater integration of ESG criteria
- Request explanation of engaging stakeholders on ESG issues
- Other, explain

Coverage

- >75% to 100%
- >50% to 75%
- >25% to 50%
- >0% to 25%

Contractual requirements when appointing property managers includes ESG issues

Types of actions

- Include clear and detailed expectations for incorporating ESG
- Require dedicated ESG procedures in all relevant asset and property management phases
- Clear ESG reporting requirements
- Clear ESG performance targets
- Other, explain

Coverage

- >75% to 100%
- >50% to 75%
- >25% to 50%
- >0% to 25%

Monitoring of property managers covers ESG responsibilities and implementation

Types of actions

- Performance against quantitative and material environmental / resource targets over specified timeframe.
- Performance against quantitative and material environmental / resource targets against relevant benchmarks
- Performance against quantitative and qualitative targets to address social impacts of the portfolio/investment,
- Other, explain

Coverage

- >75% to 100%
- >50% to 75%
- >25% to 50%
- >0% to 25%

No

PR 07.3

Provide a brief description of your organisations selection, appointment and monitoring of third party property managers and how they contribute to the management of ESG issues for your property investments.

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
- Targets and indicators for tenant satisfaction, energy efficiency and consumption of water, electricity and heating.

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.

Post-investment (monitoring and active ownership)

Overview

PR 08

Mandatory

Public

Gateway

PRI 2

New selection options have been added to this indicator. Please review your prefilled responses carefully.

PR 08.1

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

Yes

PR 08.2

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 major renovations.
- 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 08.3

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

Our practices are explained more in detail in our responsible investment policy for real estate and in Varma's climate policy for investments. Our climate policy was published in May 2016 and the practices in 2014.

We participate in the energy efficiency agreement for the Finnish property sector. The program had as target to reduce the energy consumption by 7,5 per cent from 2017 to 2025. About 100 of our commercial and residential properties participate the program. Progress of the program is monitored on an annual basis. Third-party technical managers and a consultant support us in implementing 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 technical managers and we have several meetings during the year to keep us updated on the progress.

Our third party technical managers measure and follow 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. Our technical managers calculate annually the carbon footprint of Varma's properties.

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

We pay attention to creating and maintaining lively environment around some of our larger core holdings that often combine offices, residential, retail and leisure premises. A successful achievement on enhancing the quality of community has been a contemporary art event Finlayson Art Area sponsored by us in Tampere. The event is free to public and art works and activities have now occupied parts of the vacant indoor spaces and outdoor areas during three consecutive summers. The City of Tampere has granted the event an award for the best cultural achievement of the year. The event increases the popularity of the area and enhances the business of our retail and leisure tenants and makes the area more appealing for our office occupiers.

No

Property monitoring and management

| | | | | |
|-------|-----------|--------|---------------|---------|
| PR 09 | Mandatory | Public | Core Assessed | PRI 2,3 |
|-------|-----------|--------|---------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|----------------|--|
| PR 09.1 | 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 09.2 | Indicate which ESG targets your organisation and/or property managers typically set and monitor |
|----------------|---|

- Environmental

| Target/KPI | Progress Achieved |
|---|--|
| Reduction of carbon footprint by 15 % by year 2020 / residential and commercial properties | Cumulative reduction of 18 % was achieved year 2017. |
| Reduction of water, electricity and heating consumption by 1 % / residential properties | Reduction was achieved in electricity and heating consumption. |
| Reduction of energy consumption by 10 % during years 2017-2025 / commercial and residential | Reduction of 1,9 % in commercial and 1,7 % in residential properties was achieved year 2017. |

- Social

| Target/KPI | Progress Achieved |
|---|---|
| Tenant satisfaction benchmark / commercial and residential properties | The target Varma had set to tenant satisfaction was achieved. |

- Governance
- We do not set and/or monitor against targets

PR 09.3 Additional information. [Optional]

The property technical 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. The carbon footprint reduction target has been set as well as the energy consumption reduction target.

PR 10 Voluntary Public Descriptive **PRI 2**

PR 10.1 Indicate whether your property assets are assessed against certification schemes, ratings and/or benchmarks

- Yes

PR 10.2 List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.

- Add certification scheme, rating and benchmark 1

| | |
|--|--|
| Specify | BREEAM in-use certification |
| Proportion of property assets these apply to | <input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets) |

- Add certification scheme, rating and benchmark 2
- Add certification scheme, rating and benchmark 3

- No

PR 10.3 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 (CRESS)
- Other property reporting standards, specify
- No property specific reporting standards are used

| | |
|---------|-------------------------|
| PR 10.4 | Additional information. |
|---------|-------------------------|

10 Varma's properties was BREEAM (In-Use) -certified during year 2017. Asset Performance was assessed. All properties got grade Good or Very Good. All together 22 Varma's properties are BREEAM -certified.

Property developments and major renovations

| | | | | |
|-------|-----------|--------|---------------|-------|
| PR 11 | Mandatory | Public | Core Assessed | PRI 2 |
|-------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|---------|--|
| PR 11.1 | Indicate the proportion of active property developments and major renovations where ESG issues have been considered. |
|---------|--|

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

(by number of active property developments and refurbishments)

| | |
|---------|---|
| PR 11.2 | Indicate if the following ESG considerations are typically implemented and monitored in your property developments and major renovations. |
|---------|---|

- Environmental site selection requirements
- Environmental site development requirements
- Sustainable construction materials
- Water efficiency requirements
- 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
- Resilient building design and orientation
- Other, specify

| | |
|---------|------------------------------------|
| PR 11.3 | Additional information. [Optional] |
|---------|------------------------------------|

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

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

- The biggest construction companies we usually 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 12 | Mandatory | Public | Core Assessed | PRI 2 |
|-------|-----------|--------|---------------|-------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|----------------|---|
| PR 12.1 | Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year. |
|----------------|---|

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

(in terms of number of occupiers)

| | |
|----------------|---|
| PR 12.2 | 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
- Offer green leases
- Other, specify

| | |
|----------------|------------------------------------|
| PR 12.3 | Additional information. [Optional] |
|----------------|------------------------------------|

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.

We have arranged some tenant meetings where for example information on waste recycling have been given.

| | | | | |
|-------|-----------|--------|---------------------|-------|
| PR 13 | Voluntary | Public | Additional Assessed | PRI 2 |
|-------|-----------|--------|---------------------|-------|

| | |
|----------------|---|
| PR 13.1 | Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues. |
|----------------|---|

- >90% of leases or MoUs
- 50-90% 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)

Community engagement

| | | | | |
|--------------|------------------|---------------|----------------------------|--------------|
| PR 14 | Voluntary | Public | Additional Assessed | PRI 2 |
|--------------|------------------|---------------|----------------------------|--------------|

| | |
|----------------|---|
| PR 14.1 | Indicate what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year. |
|----------------|---|

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

(in terms of number of property assets)

| | |
|----------------|--|
| PR 14.2 | Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement. |
|----------------|--|

- ESG education programmes for the community
- ESG enhancement programmes for public spaces
- Research and networking activities focusing on ESG issues
- Employment creation in communities
- Supporting charities and community groups
- Other, specify

| | |
|----------------|-------------------------|
| PR 14.3 | Additional information. |
|----------------|-------------------------|

Varma has been supporting KTI Finland, an independent research organisation in Finland, to produce a report about responsible real estate business which is published yearly.

Outputs and outcomes

| | | | | |
|--------------|------------------|---------------|----------------------------|----------------|
| PR 15 | Voluntary | Public | Additional Assessed | PRI 1,2 |
|--------------|------------------|---------------|----------------------------|----------------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

PR 15.1 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
- We measure whether our approach to ESG issues impacts funds' ESG performance

PR 15.2b Describe the impact on the following.

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

- None of the above

PR 15.3 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. The level of carbon footprint is also calculated and followed. These results are reported to us on yearly basis.

PR 16 Voluntary Public Descriptive PRI 1,3

PR 16.1 Provide examples of ESG issues that affected your property investments during the reporting year.

- Add Example 1

| | |
|--|---|
| ESG issue | CO2 emissions |
| Types of properties affected | Commercial properties |
| Impact (or potential impact) on investment | Reducing energy consumption and maintenance costs of the property. |
| Activities undertaken to influence the investment and the outcomes | Varma installed solar panels to three of Varma's properties during year 2017. |

- Add Example 2

| | |
|--|--|
| ESG issue | Social and CO2 emissions |
| Types of properties affected | Commercial |
| Impact (or potential impact) on investment | Offering tenants possibility to reduce CO2 -emissions and also better services of the property they have leased their permises from. |
| Activities undertaken to influence the investment and the outcomes | Varma installed loading places for hybrid and electric cars to three of Varma's properties during year 2017. |

Add Example 3

| | |
|--|--|
| ESG issue | Water consumption |
| Types of properties affected | Residential |
| Impact (or potential impact) on investment | Reduction of water consumption and maintenance costs. |
| Activities undertaken to influence the investment and the outcomes | Varma has installed watersaving equipments to 15 residential properties. |

Add Example 4

| | |
|--|---|
| ESG issue | CO2 emissions |
| Types of properties affected | Residential |
| Impact (or potential impact) on investment | Reduction of CO2 emissions |
| Activities undertaken to influence the investment and the outcomes | Varma has started to use green energy in over 50 % of residential properties. |

Add Example 5

Varma Mutual Pension Insurance Company

Reported Information

Public version

Assurance

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.

Assurance

| | | | | |
|----------|-----------|--------|---------------|---------|
| CM1 01.1 | Mandatory | Public | Core Assessed | General |
|----------|-----------|--------|---------------|---------|

New selection options have been added to this indicator. Please review your prefilled responses carefully.

| | |
|----------|---|
| CM1 01.1 | Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone: |
|----------|---|

- Third party assurance over selected responses from this year's PRI Transparency Report
- Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- Third party assurance or audit of the implementation of RI processes (that have been reported to the PRI this year)
- Internal audit conducted by internal auditors of the implementation of RI processes and/or RI data that have been reported to the PRI this year)
- Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
 - Whole PRI Transparency Report has been internally verified
 - Selected data has been internally verified
- Other, specify
- None of the above

| | | | | |
|-----------------|-----------|--------|-------------|--|
| CM1 01.2 & 01.8 | Mandatory | Public | Descriptive | |
|-----------------|-----------|--------|-------------|--|

| | |
|----------|--|
| CM1 01.2 | Do you plan to conduct third party assurance of this year's PRI Transparency report? |
|----------|--|

- Whole PRI Transparency Report will be assured
- Selected data will be assured
- We do not plan to assure this year's PRI Transparency report

| | | | | |
|-----------------|-----------|--------|-------------|---------|
| CM1 01.3 & 01.9 | Mandatory | Public | Descriptive | General |
|-----------------|-----------|--------|-------------|---------|

| | |
|----------|---|
| CM1 01.3 | We undertook third party assurance on last year's PRI Transparency Report |
|----------|---|

- Whole PRI Transparency Report was assured last year
- Selected data was assured in last year's PRI Transparency Report
- We did not assure last year's PRI Transparency report, or we did not have such a report last year.

| | | | | |
|-----------------|-----------|--------|-------------|---------|
| CM1 01.4, 10-12 | Mandatory | Public | Descriptive | General |
|-----------------|-----------|--------|-------------|---------|

CM1 01.4

We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- We adhere to an RI certification or labelling scheme
- We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ESG audit of holdings
- Other, specify
- None of the above

CM1 01.7

Mandatory

Public

Descriptive

General

CM1 01.7

Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed

Who has conducted the verification

- CEO or other Chief-Level staff

Sign-off or review of responses

- Sign-off
- Review of responses
- The Board
- Investment Committee
- Compliance Function
- RI/ESG Team
- Investment Teams
- Legal Department
- Other (specify)