

LEA 02	Disclosures: Mandatory	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for additional or different investments</p> <p><input checked="" type="checkbox"/> To engage in strategic dialogue or other issues</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for additional or different investments</p> <p><input checked="" type="checkbox"/> To engage in strategic dialogue or other issues</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p> <p><input type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for additional or different investments</p> <p><input checked="" type="checkbox"/> To engage in strategic dialogue or other issues</p> <p><input type="checkbox"/> We do not engage in service provider engagements</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments</p> <p><input type="checkbox"/> To engage in strategic dialogue or other issues</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>		
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in &amp; company's interests</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments</p> <p><input type="checkbox"/> To engage in strategic dialogue or other issues</p> <p><input type="checkbox"/> We do not engage in service provider engagements</p>		

# RI TRANSPARENCY REPORT

## 2019

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 2019 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 of listed equity investments by passive and active strategies	✓	Public							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Public							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	✓	Private							✓
OO PE 01	Breakdown of private equity investments by strategy	✓	Public							✓
OO PE 02	Typical level of ownership in private equity investments	✓	Public							✓
OO PR 01	Breakdown of property investments	✓	Public							✓
OO PR 02	Breakdown of property assets by management	✓	Private							✓
OO PR 03	Largest property types	✓	Private							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure sectors	🔒	n/a							✓
OO HF 01	Breakdown of hedge funds investments by strategies	🔒	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 01 CC	Climate risk	✓	Private							✓
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 13 CC		✓	Private							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	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	✓	Public							✓
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)	🔒	n/a	✓						
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	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
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	✓	Public		✓					
LEA 06	Role in engagement process	✓	Public		✓		✓			
LEA 07	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 08	Tracking number of engagements	✓	Public		✓					
LEA 09	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 10	Engagement methods	✓	Public		✓					
LEA 11	Examples of ESG engagements	-	n/a		✓					
LEA 12	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 13	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 14	Securities lending programme	✓	Private		✓					
LEA 15	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 16	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 17	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 18	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 19	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 20	Shareholder resolutions	✓	Public		✓					
LEA 21	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	Examples of ESG factors in screening process	✓	Private	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	✓	Private	✓						
FI 08	Thematic investing - themed bond processes	✓	Public	✓						
FI 09	Thematic investing - assessing impact	✓	Public	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	✓	Private		✓					
FI 15	Engagement method	✓	Public	✓	✓					
FI 16	Engagement policy disclosure	✓	Public	✓	✓					
FI 17	Financial/ESG performance	✓	Public							✓
FI 18	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	✓	Private	✓	✓					
PE 08	ESG issues impact in selection process	✓	Private	✓						
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	✓	Private		✓					
PE 12	Type and frequency of reports received from portfolio companies	✓	Private		✓	✓				
PE 13	Disclosure of ESG issues in pre-exit	✓	Public		✓					
PE 14	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
PE 15	Examples of ESG issues that affected your PE investments	✓	Private	✓	✓					
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	✓	-							

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

Finland

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

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

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

FTE

532

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Public	Gateway/Peering	General
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**OO 04.1** Indicate the year end date for your reporting year.

31/12/2018

**OO 04.2** Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		44	015	000	000
Currency	EUR				
Assets in USD		50	216	411	193

Not applicable as we are in the fund-raising process

**OO 06**

**Mandatory**

**Public**

**Descriptive**

**General**

**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%
Fund of hedge funds	0	<10%
Forestry	0	0
Farmland	0	0

Inclusive finance	0	0
Cash	<10%	0
Money market instruments	0	0
Other (1), specify	<10%	0
Other (2), specify	0	0

	'Other (1)' specified
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Corporate loans

<b>OO 06.2</b>	Publish asset class mix as per attached image [Optional].
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<b>OO 06.3</b>	Indicate whether your organisation has any off-balance sheet assets [Optional].
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- Yes
- No

<b>OO 06.5</b>	Indicate whether your organisation uses fiduciary managers.
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- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

<b>OO 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Peering</b>	<b>General</b>
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<b>OO 09.1</b>	Indicate the breakdown of your organisation's AUM by market.
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	Developed Markets
--	-------------------

90

	Emerging Markets
--	------------------

9

	Frontier Markets
--	------------------

1

	Other Markets
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0

Total 100%

100%

## Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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**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 SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- We require our external managers to engage with SSA bond issuers on ESG factors on our behalf.
- We do not engage directly and do not require external managers to engage with SSA bond issuers 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]

Corporate loans

**OO 11.2** Select the externally managed assets classes in which you and/or your investment consultants address ESG incorporation in your external manager selection, appointment and/or monitoring processes.

Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Listed equity	<p data-bbox="571 342 1461 421">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="571 483 1369 539"><input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p data-bbox="571 557 1310 584"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 602 948 629"><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - SSA	<p data-bbox="571 687 1461 766">Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 784 1294 810"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 828 1369 884"><input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p data-bbox="571 902 1310 929"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 947 948 974"><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - corporate (financial)	<p data-bbox="571 1032 1461 1133">Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 1151 1294 1178"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 1196 1369 1252"><input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p data-bbox="571 1270 1310 1296"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 1314 948 1341"><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - corporate (non-financial)	<p data-bbox="571 1400 1461 1500">Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 1518 1294 1545"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 1563 1369 1619"><input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p data-bbox="571 1637 1310 1664"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p data-bbox="571 1682 948 1709"><input type="checkbox"/> We do not do ESG incorporation</p>
Private equity	<p data-bbox="571 1767 1461 1845">Private equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p data-bbox="571 1863 1294 1890"><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p data-bbox="571 1908 1369 1964"><input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p data-bbox="571 1982 1310 2009"><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p>

	<input type="checkbox"/> We do not do ESG incorporation
Property	<div style="background-color: #0070C0; color: white; padding: 5px;"> Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Infrastructure	<div style="background-color: #0070C0; color: white; padding: 5px;"> Infrastructure - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Hedge funds	<div style="background-color: #0070C0; color: white; padding: 5px;"> Hedge funds - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fund of hedge funds	<div style="background-color: #0070C0; color: white; padding: 5px;"> Fund of hedge funds - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation

#### OO 11.4

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

#### Externally managed investments

In 2018 Varma defined a holistic ESG-process that sets the minimum requirements for ALL externally managed investments. This does not include money market funds, or certain Hedge Funds.

The ESG-process consists of 2 phases: Selection & Monitoring. This process sets the minimum requirements, and thus all of the different asset classes have asset class specific ESG-processes that take in to account their own specific ESG-related questions.

The selection process consists of a Written & Spoken portions. The written portion sets out a minimum required documentation that should be provided by the fund. Eg. ESG-policy, ESG case studies, and answers to asset class specific questionnaires provided by Varma. The spoken portion includes meetings & discussions with the investment

teams, and communication of Varma's principles for responsible investment & climate policy to the fund's investment team.

The monitoring phase sets the minimum expectations of reviewing the fund's ESG-reports, discussions about ESG-developements and ESG-cases with the company, reviewing and scoring the fund's ESG-performance and communicating possible updates in Varma's ESG-policies to the fund.

The ESG-process stated above is valid for all of the asset classes below, but in addition there are asset class specific questions.

In 2018, we also completed a hand-out for fund managers. The handout provides information about Varma's requirements and values regarding ESG. This hand-out was sent to external managers at the end of 2018.

### **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.

We expect carbon footprint reporting yearly.

### **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, and report the carbon footprint.

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 integrate 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 sit 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 11.5** For your externally managed pooled funds, describe any mechanisms in place to set expectations as part of the appointment or commitment process.

Varma invests only in pooled funds, and thus the appointment process is not applicable. Varma communicates the ESG-related topics to the fund manager in several ways.

In the selection process of all externally managed investments, Varma's portfolio manager communicates Varma's ESG-criterias both verbally and in writing. The portfolio managers provide the most recent version of Varma's Principles for Responsible investment, Climate policy, and in some cases the ownership policy. Also, as of 2018 a hand-out is distributed to current and potential fund managers which explains the impact of ESG to Varma's investment.

OO 12	Mandatory	Public	Gateway	General
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**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

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

- Fixed income - 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	Public	Gateway	General
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OO LE 01.1	Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.
------------	---

Update: this indicator has changed from "*Mandatory to report, voluntary to disclose*" to "*Mandatory*". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

**Percentage of internally managed listed equities**

Strategies	Percentage of internally managed listed equities
Passive	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Active - quantitative (quant)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Active - fundamental and active - other	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Total 100%	

OO FI 01	Mandatory	Public	Gateway	General
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Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

OO FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies
------------	---

Type	Passive	Active - quantitative	Active - fundamental & others	Total internally managed fixed income security
SSA	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>

<b>OO FI 03</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

**OO FI 03.1** Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.

SSA	Developed markets	75
	Emerging markets	25
	Total	100%

**OO FI 03.2** Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>
Corporate (non-financial)	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>

OO PE 01	Mandatory	Public	Descriptive	General
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OO PE 01.1	Provide a breakdown of your organisation's internally managed private equity investments by investment strategy.
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Investment strategy	Percentage of your internally managed private equity holdings (in terms of AUM)
Venture capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Growth capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
(Leveraged) buy-out	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Distressed/Turnaround/Special Situations	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Secondaries	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify (1)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify (2)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total 100%	

OO PE 02	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**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**

**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"/> Fiduciary (or equivalent) duties <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 type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's 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
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, 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 1.5-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

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 02	Mandatory	Public	Core Assessed	PRI 6
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**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

<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

<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

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

- Attachment (will be made public)
- Fiduciary (or equivalent) duties

URL/Attachment

- URL

URL

<https://www.varma.fi/en/other/about-varma/corporate-governance/>

- Attachment (will be made public)
- Asset class-specific RI guidelines

URL/Attachment

- URL

URL

<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

<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

<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

<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

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

Attachment (will be made public)

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

<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

<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

<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

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

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

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

Attachment

Active ownership approaches

URL/Attachment

URL

URL

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

Attachment

Reporting

URL/Attachment

URL

URL

<https://www.varma.fi/globalassets/vuosikertomus/varmas-annual-and-csr-report-2017.pdf>

Attachment

Climate change

URL/Attachment

URL

URL

<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

<b>SG 03</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>General</b>
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**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
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**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.

In 2018, we have implemented a data feed to Bloomberg, in order for the portfolio managers to have most up to date information about the incidents.

**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. Asset class specific goals are set in the beginning of the year, and they are tracked on a quarterly basis. Carbon footprint targets were set in 2016, and they are tracked bi-annually with annual public statements.

## Governance and human resources

**SG 07****Mandatory****Public****Core Assessed****General****SG 07.1**

Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

### Roles

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Internal Roles (triggers other options)

### Select from the below internal roles

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
Directors for asset classes

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - 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
- Investor relations
- Other role, specify (1)
- Other role, specify (2)
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment

**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. The ownership policy, and climate policy are also approved by the Board.

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

<b>SG 07.4</b>	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. During the summer, we have usually one dedicated trainee.

<b>I confirm I have read and understood the Accountability tab for SG 07</b>
--

I confirm I have read and understood the Accountability tab for SG 07

<b>SG 07 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Board members or trustees
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- 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), Chief Risk Officer (CRO), 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
--	---

- 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

	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

**SG 07.6**  
**CC** For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Varma's Board of Directors has approved Varma's Responsible Investment Principles, which includes Varma's climate policy for investments. 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 07.7**  
**CC** For the management-level roles that 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.

**SG 07.8**  
**CC** Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.

- Incorporation of TCFD in Annual Report
- Incorporation of TCFD in regular client reporting
- Request that investment managers complete PRI Climate indicators
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner guide

**Promoting responsible investment**

<b>SG 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 4,5</b>
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**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
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)

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

- Basic
- Moderate
- Advanced
- 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

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

The CEO of varma sits on the board of Climate leadership Council. Varma has given input to the recommendations provided by CLC.

Other collaborative organisation/initiative, specify

Climate action 100+

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

- Basic
- Moderate
- Advanced

SG 09.2	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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Indicate approximately what percentage (+/- 5%) of your externally managed assets under management are managed by PRI signatories.

%

55

SG 10	Mandatory	Public	Core Assessed	PRI 4
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**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.)

## Description

Members of the Investment staff have collaborated with different organizations in educating professionals when it comes to ESG and Investments

## Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- 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 publicly 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 Aalto Executive Education, 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. WWF, novethic

#### 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 in 2018

#### 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)

#### Description

The CEO of Varma sits on the board of Financial Think tank

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other
- 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
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**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
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**SG 13.1**

Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

## Describe

Multiple scenario analyses were done in 2018. We were part of a WWF study, that analyzed large asset owners, and their risk to certain industries. Another analysis was also made by a third party in late 2018.

- No, not to assess future ESG/climate-related issues

**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 CC**

Voluntary

Public

General

**SG 14.6  
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
<b>Climate-related targets</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Targets are set for reducing our carbon intensity for equities, fixed income and real estate.	tCo2/M€ revenue	Targets are -25%, -15% and -15% for equities, fixed income and real estate respectively. Time span 2015-2020. We have also set a goal to adjust our portfolio in such a way that is in line with the paris agreement.
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income	tCo2/M€ revenue	tCo2/M€Revenue
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2	tCo2
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2	tCo2
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2	tCo2
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2/M€Revenue	tCo2/M€Revenue
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	To track our exposure to carbon intensive industries in listed equities and listed fixed income.	%	% of portfolio
<b>Other emissions metrics</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets			

	<input type="checkbox"/> Minority of assets			
--	---	--	--	--

<b>SG 14.7 CC</b>	Describe in further detail the key targets.
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Targettype	Time Frame	Description	Attachments
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target	2015-2020	We have set targets to reduce our carbon intensity in listed equity, fixed income and real estate by -25%. -15%, and -15% respectively, by 2020.	<a href="#">File 1:climate-policy-for-varmas-investments.pdf</a>
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	Paris agreement	We have set a long term goal for our total investment portfolio to be in line with the paris agreement.	
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			

<b>SG 14.8 CC</b>	Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.
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- Process for climate-related risks is integrated into overall risk management
- Process for climate-related risks is not integrated into our overall risk management

Please describe
-----------------

The process for climate related risks is currently part of the investment decision making by the portfolio manager. We have plans on integrating the climate risk assesment to the centralized risk management.

<b>SG 14.9 CC</b>	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
-----------------------	--

- Yes

Please describe

We encourage companies to report in line with TCFD recommendations. This may happen in seminars, or presentations that are made by Varma personnel, or in one on one meetings with companies. Our CEO has also publicly stated that TCFD is something that should be adapted.

No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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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
--	------

Energy efficiency / Clean technology

	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.

- Renewable energy
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance

#### Asset class invested

- Listed equity
- Fixed income - SSA

#### % of AUM

0

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

Brief description and measures of investment

Varma has made investments to Micro finance fund.

- 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 16	Mandatory	Public	Descriptive	General
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SG 16.1	Describe how you address ESG issues for internally 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
Other (1) [as defined in Organisational Overview module]	<p>These are special type of loans that are provided to companies that are also our customers. We do not have the right to decline on giving out the loan to a company , as it is mandated by the Finnish law. But we can monitor the composition of the loan portfolio and examine if there are any potential ESG related risks. In 2018, we made a mapping of the underlying companies' operating industries in order to find out what could be the climate related risk exposure of this portfolio.</p> <p>We have also organized trainings for the portfolio managers in order to deepen the ESG-knowledge of individuals at Varma.</p>

SG 17	Mandatory	Public	Descriptive	General
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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: #0070C0; color: white; padding: 5px; text-align: center;">Select whether you use the PRI Hedge Fund DDQ</div> <input checked="" type="radio"/> Yes <input 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>In 2018, we updated our ESG-policy for all external investments, which sets out the minimum requirements for fund selection and monitoring processes.</p> <p>The Director of Hedge fund investments is on the board of SBAI and the UN Hedge Funds Advisory Committee.</p>
Hedge funds - DDQ	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center;">Select whether you use the PRI Hedge Fund DDQ</div> <input checked="" type="radio"/> Yes <input type="radio"/> No
Fund of 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>In 2018, we updated our ESG-policy for all external investments, which sets out the minimum requirements for fund selection and monitoring processes.</p> <p>The Director of Hedge fund investments sat on the board of SBAI and the UN Hedge Funds Advisory Committee.</p>

## Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
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<b>SG 19.1</b>	Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
----------------	---

**Caution! The order in which asset classes are presented below has been updated in the online tool to match the Reporting Framework overview.**

If you are transferring data from an offline document, please check your response carefully.

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

The information disclosed to clients/beneficiaries is the same

- Yes
- No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	
<input checked="" type="checkbox"/> How responsible investment considerations are included in manager selection, appointment and monitoring processes	
<input type="checkbox"/> Details of the responsible investment activities carried out by managers on your behalf	
<input type="checkbox"/> E, S and/or G impacts and outcomes that have resulted from your managers' investments and/or active ownership	
<input checked="" type="checkbox"/> Other	
Specify	
Climate policy and a handout for fund managers. The Hand-out is provided for fund managers only.	
Frequency	
<input type="checkbox"/> Quarterly or more frequently	
<input type="checkbox"/> Biannually	
<input type="checkbox"/> Annually	
<input checked="" type="checkbox"/> Less frequently than annually	
<input type="checkbox"/> Ad-hoc/when requested	
URL	
<a href="https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf">https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf</a>	

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

<b>Disclosure to public and URL</b>	
<b>Disclosure to public and URL</b>	
<input type="radio"/> Broad approach to ESG incorporation	
<input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used	
<b>Frequency</b>	
<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	
<b>URL</b>	
<a href="https://www.varma.fi/globalassets/muut-sivut/yhtiötietoja/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf">https://www.varma.fi/globalassets/muut-sivut/yhtiötietoja/tulostiedot-ja-sijoitukset/varmas-responsible-investment-policy.pdf</a>	
<b>URL</b>	
<a href="https://www.varma.fi/en/other/about-varma/annual-report/">https://www.varma.fi/en/other/about-varma/annual-report/</a>	

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

The information disclosed to clients/beneficiaries is the same

Yes

No

<b>Disclosure to public and URL</b>	
<b>Disclosure to public and URL</b>	
<input checked="" type="checkbox"/> Details on the overall engagement strategy	
<input type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals	
<input checked="" type="checkbox"/> Number of engagements undertaken	
<input type="checkbox"/> Breakdown of engagements by type/topic	
<input type="checkbox"/> Breakdown of engagements by region	
<input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives	
<input type="checkbox"/> Examples of engagement cases	
<input checked="" type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.)	
<input type="checkbox"/> Details on whether the provided information has been externally assured	
<input type="checkbox"/> Outcomes that have been achieved from the engagement	
<input type="checkbox"/> Other information	
<b>Frequency</b>	
<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	
<b>URL</b>	
<a href="https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf">https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf</a>	
<b>URL</b>	
<a href="https://www.varma.fi/globalassets/vuosikertomus/varman-vuosi-ja-yritysvastuuraportti-2018.pdf">https://www.varma.fi/globalassets/vuosikertomus/varman-vuosi-ja-yritysvastuuraportti-2018.pdf</a>	

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

The information disclosed to clients/beneficiaries is the same

- Yes
- No

<b>Disclosure to public and URL</b>	
<b>Disclosure to public and URL</b>	
<input checked="" type="radio"/> Disclose all voting decisions <input type="radio"/> Disclose some voting decisions <input type="radio"/> Only disclose abstentions and votes against management	
<b>Frequency</b>	
<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	
<b>URL</b>	
<a href="https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf">https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf</a>	

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

<b>Disclosure to public and URL</b>	
	<p>Disclosure to public and URL</p> <p><input type="radio"/> Broad approach to RI incorporation</p> <p><input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used</p>
	<p>Frequency</p> <p><input type="checkbox"/> Quarterly</p> <p><input type="checkbox"/> Biannually</p> <p><input checked="" type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad hoc/when requested</p>
	<p>URL</p> <p><a href="https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf">https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf</a></p>
	<p>URL</p> <p><a href="https://www.varma.fi/en/other/about-varma/annual-report/">https://www.varma.fi/en/other/about-varma/annual-report/</a></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

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

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

<b>Disclosure to public and URL</b>	
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 checked="" type="checkbox"/> Other
Specify	Climate policy
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	<a href="https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf">https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varmas-principles-for-responsible-investment.pdf</a>
URL	<a href="https://www.varma.fi/en/other/about-varma/annual-report/">https://www.varma.fi/en/other/about-varma/annual-report/</a>

# Varma Mutual Pension Insurance Company

## Reported Information

### Public version

#### Indirect – Manager Selection, Appointment and Monitoring

## PRI disclaimer

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

## 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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input 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]

In 2018, we formalized a high-level process for all external investments, that set the minimum requirements for each asset class when selecting and monitoring external investments from an ESG perspective. The ESG analysis is wholly integrated to the investment decision making process. We also begun to use a hand-out, that is provided to the fund managers. The hand-out explains Varma's approach to ESG, values, and stance towards different ethical questions. The purpose is to educate the managers, and to keep them up to date what is important to Varma when it comes to ESG.

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 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 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 we review carbon footprints of our passive equity investments where the data is available from time to time. We have also invested in passive funds that have an ESG/RI filter. This is in quite a small scale compared to the whole external equity portfolio but constantly growing in significance.

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

<b>SAM 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>SAM 02.1</b>	Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers
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	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)		Private equity	Property	Infrastructure
Your organisation's investment strategy and how ESG objectives relate to it	<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 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 checked="" type="checkbox"/>	<input checked="" 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 selection documentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>SAM 02.2</b>	Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach
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	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"/>

	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 checked="" 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 checked="" 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 checked="" 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"/>						
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**If you select any 'Other' option(s), specify**

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

Varma has launched its own internal common minimum requirements for ESG in manager selection and monitoring covering all asset classes. In selection phase we require ESG specific documentation from managers like ESG policy and practices, latest PRI-report (if available), other ESG reports and sample cases. We also have asset class specific questionnaires that we send to managers. We speak about ESG topics in the meetings with investment teams and communicate Varma's principles for responsible investment and the climate policy to managers and investment teams. We have a written handout for his purpose.

**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.

ESG became official part of our investment memos in real estate investments.

**Monitoring**

<b>SAM 05</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**SAM 05.1** When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)		Private equity	Property	Infrastructure
ESG objectives linked to investment strategy (with examples)	<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"/>
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 type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG portfolio characteristics	<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"/>
How ESG materiality has been evaluated by the manager in the monitored period	<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"/>
Information on any ESG incidents	<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"/>
Metrics on the real economy influence of the investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<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"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PRI Assessment Reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<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"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes to the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general RI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

considerations in investment management agreements; specify							
None of the above	<input type="checkbox"/>						

**SAM 05.2**

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

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	Private equity	Property	Infrastructure
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"/>
ESG performance minimum threshold	<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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" 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 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.

**SAM 05.3**

Provide additional information relevant to your organisation's monitoring processes of external managers. [OPTIONAL]

Varma has launched its own internal common minimum requirements for ESG in manager selection and monitoring covering all asset classes. In motoring phase we review managers' ESG reports, discuss with investment teams on ESG themes and possible cases and how the manager and/or investment teams have developed their ESG processes and practices. We review and score funds' ESG performance and also communicate possible updates in Varma's ESG policies to the managers and/or investment teams. We have a written handout for this purpose.

## Outputs and outcomes

SAM 08	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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**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 08.2** Additional information. [Optional]

Varma has launched its own internal common minimum requirements for ESG in manager selection and monitoring covering all asset classes. This is to ensure that the same minimum ESG standards apply to all asset classes even though practices may differ between asset classes. We have also written a handout of Varma's approach to ESG that can be sent out to managers. It gives a compact overview of Varma's approach to responsible investment and provides insight how ESG is carried out in day-to-day operations at Varma. The topics like ESG-integration, screening, active ownership, sustainability themed investments, carbon footprinting and ESG-methods used by Varma in different externally managed asset classes are included in the handout.

SAM 09	Mandatory	Public	Additional Assessed	PRI 1,6
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**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 process for manager selection and monitoring
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> 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 wanted to launch its own internal common minimum requirements for ESG in manager selection and monitoring covering all asset classes. This was to ensure that the same minimum ESG standards apply to all asset classes even though practices may differ between asset classes.</p> <p>In selection phase we require ESG specific documentation from managers like ESG policy and practices, latest PRI-report (if available), other ESG reports and sample cases. We also have asset class specific questionnaires that we send to managers. We speak about ESG topics in the meetings with investment teams and communicate Varma's principles for responsible investment and the climate policy to managers and investment teams.</p> <p>In monitoring phase we review managers' ESG reports, discuss with investment teams on ESG themes and possible cases and how the manager and/or investment teams have developed their ESG processes and practices. We review and score funds' ESG performance and also communicate possible updates in Varma's ESG policies to the managers and/or investment teams.</p>
Outcomes	The common internal minimum criteria has helped to synchronize the ESG process in external manager selection and monitoring.

Add Example 2

Topic or issue	Passive equity investments
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 had an internal target to increase exposure to ESG/RI filtered passive listed equity investments.
Outcomes	The exposure to ESG/RI filtered passive funds and ETFs was increased in absolute and relative terms.

Add Example 3

Topic or issue	Handout of Varma's approach to ESG
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> 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 provide a written handout of Varma's approach to ESG that could be sent out to managers and provide information about Varma's ESG policy and practices in a compact form. It gives an overview of Varma's approach to responsible investment and provides insight how ESG is carried out in day-to-day operations at Varma. It includes topics like ESG-integration, screening, active ownership, sustainability themed investments, carbon footprinting and ESG-methods used by Varma in different externally managed asset classes.
Outcomes	The handout was published.

Add Example 4

Topic or issue	ESG part of investment memo in indirect real estate investments
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 type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	ESG became an official part of the investment decision making process. As of the reporting year ESG is part of each investment memorandum filed for approval our investment committee.
Outcomes	

Add Example 5

We are not able to provide examples

# Varma Mutual Pension Insurance Company

## Reported Information

Public version

Direct - Listed Equity Incorporation

## PRI disclaimer

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## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 01	Mandatory	Public	Gateway	PRI 1
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#### 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
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- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined

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

Responsible investment at Varma is guided not only by our strategy, CSR programme and Principles for Responsible Investment, but also by Varma's climate policy, ownership policy, annual investment plan, annual responsible investment targets that are defined for each asset class

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. As of 2018, we get the informaton directly to the Bloomberg Terminal for portfolio managers to use.

For ethical reasons, Varma has excluded the following from its direct investments tobacco companies and companies manufacturing controversial weapons, such as nuclear weapons, anti-personnel mines, cluster bombs, and chemical and biological weapons We require our investees to operate responsibly, and especially to take climate change into account in their operations. In the name of mitigating climate change, we have excluded the companies that rely on coal- or lignite-based operations for more than 30% of their net sales.

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. 2018 we further 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 2018.

In 2018, we begun to track and disclosure our exposure to industries that are exposed to an increased climate related risk.

## (A) Implementation: Screening

LEI 04	Mandatory	Public	Descriptive	PRI 1
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### 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 all our direct investments and to some extent also to indirect investments when applicable (for example ESG ETF's).

For ethical reasons, Varma has excluded the following from its direct investments:

- tobacco companies
- companies manufacturing controversial weapons, such as nuclear weapons, anti-personnel mines,

cluster bombs, and chemical and biological weapons.

We require our investees to operate responsibly, and especially to take climate change into account in their operations. In the name of mitigating climate change, we have excluded the following:

- companies that rely on coal- or lignite-based operations for more than 30% of their net sales

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 as well as external equity funds by a detailed list of norms and conventions. The list includes in addition to the ones mentioned above for example several environmental conventions.

Varma requires that its investees comply with international standards and agreements, the most important of which are:

- The UN's Global Compact initiative
- The OECD guidelines for multinational enterprises
- The ILO labour conventions Compliance

with these standards is monitored by screening our portfolios on a regular basis. If a company breaches any of the above-mentioned standards, our priority is to engage with the company to change their operating methods. If our efforts to engage with the company produce no are unsuccessful in the long run, our option is to exclude the company from our portfolio.

<b>LEI 04.2</b>	Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.
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In our norm based screening the screening criteria are based on a list of relevant norms and conventions based on conventions and guidelines by OECD and the UN, among others. We have discussed the relevant criteria internally and decided to use a detailed list provided by our external service provider. In 2018 our external service provider was Swedish GES who provides us both screening and engagement services.

The criteria are reviewed when needed.

<b>LEI 05</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**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.
- Trading platforms blocking / restricting flagged securities on the black list
- 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

**LEI 05.5**

Additional information. [Optional]

Starting 2018 we have in addition to biannual screening and reviewing process also in place for the portfolio managers screening tools in their portfolio management system. The ESG ratings data is available at all times from the portal. The datafeed to Bloomberg, and ESG-tool is updated quarterly. Norms based datafeed is automated and updates automatically.

The blacklist of companies is reviewed monthly, but the list is automatically provided to portfolio managers each day.

One major achievement in 2018 was the development of an internal ESG-analysis tool for use by portfolio managers. The tool assesses the materiality of different ESG-themes to companies and industries, which deepens the knowledge of our portfolio managers regarding ESG-materiality, and helps them to analyze ESG-

related risks and opportunities more efficiently.

## (B) Implementation: Thematic

LEI 07	Mandatory	Public	Descriptive	PRI 1
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**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.

Varma also has green bond portfolio. The debt capital raised through the issuance of a green bond is earmarked for environmentally friendly investments. By the end of 2018, our green bond portfolio was valued at approximately EUR 300 million.

## (C) Implementation: Integration of ESG factors

LEI 08	Mandatory	Public	Core Assessed	PRI 1
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**LEI 08.1** Indicate the 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"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90% </p>
Social	 <p>Social</p> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90% </p>
Corporate Governance	 <p>Corporate Governance</p> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90% </p>

**LEI 08.2** Additional information. [Optional]

Varma published its climate policy for investments in 2016. Since then we made 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, 2017 and 2018. The carbon footprint of Varma's investments has fallen substantially over the past three years.

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	Mandatory	Public	Core Assessed	PRI 1
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**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
- 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.
- 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
- Analysis of the impact of ESG factors on investment risk and return performance
- 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 09.2**

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%

**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

**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
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**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.

For ethical reasons, Varma has excluded the following from its direct investments:

- tobacco companies
- companies manufacturing controversial weapons, such as nuclear weapons, anti-personnel mines, cluster bombs, and chemical and biological weapons

We require our investees to operate responsibly, and especially to take climate change into account in their operations. In the name of mitigating climate change, we have excluded the following:

- companies that rely on coal- or lignite-based operations for more than 30% of their net sales

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.

Varma has published a climate policy for investments. The climate policy's long-term goal is to bring Varma's investment portfolio in line with the Paris Agreement. The short-term goal is to lower the carbon footprint of its investments in various asset classes. Varma analyses the financial risks and opportunities brought by climate change. We additionally report climate related risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), and we encourage our investees to do the same.

2018 we analyzed industries that are significantly exposed to climate risks, such as the oil & gas industry, electricity & heat production, and the automotive, mining, concrete and transport industries

We are analysing 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.

Due to climate policy we have low exposure to oil and gas companies and heavy meeting utility companies and barely no mining companies.

 Integration of ESG factors

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
- Engagement / Voting
- Other, specify

Due to climate policy and analysis of the riskier sectors based on TCFD we have made allocation changes and targets for the portfolio.

- None of the above

# Varma Mutual Pension Insurance Company

## Reported Information

### Public version

### Direct - Listed Equity Active Ownership

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## 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 an active ownership policy.

Yes

LEA 01.2

Attach or provide a URL to your active ownership policy.

Attachment provided:

URL provided:

URL

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

LEA 01.3

Indicate what your active engagement policy covers:

General approach to active ownership

- Conflicts of interest
- Alignment with national stewardship code requirements
- Assets/funds covered by active ownership policy
- Expectations and objectives
- Engagement approach

Engagement

- ESG issues
- Prioritisation of engagement
- Method of engagement
- Transparency of engagement activities
- Due diligence and monitoring process
- Insider information
- Escalation strategies
- Service Provider specific criteria
- Other specify;
- (Proxy) voting approach

## Voting

- ESG issues
  - Prioritisation and scope of voting activities
  - Methods of voting
  - Transparency of voting activities
  - Regional voting practice approaches
  - Filing or co-filing resolutions
  - Company dialogue pre/post-vote
  - Decision-making processes
  - Securities lending processes
  - Other specify;
  - Other
  - None of the above
- No

**LEA 01.4** Do you outsource any of your active ownership activities to service providers?

- Yes
- No

## Engagement

**LEA 02**

**Mandatory**

**Public**

**Core Assessed**

**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"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative 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"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
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"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via service providers

**LEA 02.2**

Indicate whether your organisation plays a role in the engagement process that your service provider conducts.

Yes

**LEA 02.3**

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 02.4**

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.

Active ownership and engagement is one of the development areas in responsible investment at Varma. 2018 we joined to many collaborative engagements the focus being climate change and reporting on that and social issues.

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.

LEA 03	Mandatory	Public	Core Assessed	PRI 2
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**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 engagements.
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Yes

LEA 03.2	Indicate the criteria used to identify and prioritise engagements for each type of engagement.
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Type of engagement	Criteria used to identify/prioritise engagements
Individual / Internal engagements	<div style="background-color: #0070C0; color: white; padding: 5px; margin-bottom: 10px;">Internal / Individual engagements</div> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Geography / market of the companies</li> <li><input checked="" type="checkbox"/> Materiality of the ESG factors</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings)</li> <li><input type="checkbox"/> Responses to ESG impacts that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input type="checkbox"/> Follow-up from a voting decision</li> <li><input type="checkbox"/> Client request</li> <li><input type="checkbox"/> Breaches of international norms</li> <li><input type="checkbox"/> Other, specify</li> <li><input type="checkbox"/> We do not outline engagement criteria for our individual engagements.</li> </ul>
Collaborative engagements	<div style="background-color: #0070C0; color: white; padding: 5px; margin-bottom: 10px;">Collaborative engagements</div> <ul style="list-style-type: none"> <li><input type="checkbox"/> Potential to enhance knowledge of ESG issues from other investors</li> <li><input checked="" type="checkbox"/> Ability to have greater impact on ESG issues</li> <li><input checked="" type="checkbox"/> Ability to add value to the collaboration</li> <li><input type="checkbox"/> Geography/market of the companies targeted by the collaboration</li> <li><input type="checkbox"/> Materiality of ESG factors addressed by the collaboration</li> <li><input type="checkbox"/> Exposure (size of holdings) to companies targeted by the collaboration</li> <li><input type="checkbox"/> Responses to ESG impacts addressed by the collaboration that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input type="checkbox"/> Follow-up from a voting decision</li> <li><input checked="" type="checkbox"/> Alleviate the resource burden of engagement</li> <li><input type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input type="checkbox"/> Other, specify</li> <li><input type="checkbox"/> We do not outline engagement criteria for our collaborative engagements.</li> </ul>
Service Provider engagements	<div style="background-color: #0070C0; color: white; padding: 5px; margin-bottom: 10px;">Service Provider engagements</div> <ul style="list-style-type: none"> <li><input type="checkbox"/> Geography / market of the companies</li> <li><input checked="" type="checkbox"/> Materiality of ESG factors</li> <li><input type="checkbox"/> Exposure (size of holdings)</li> <li><input type="checkbox"/> Responses to ESG impacts that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> </ul>

	<input type="checkbox"/> Consultation with clients/beneficiaries <input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.) <input type="checkbox"/> Follow-up from voting decision <input type="checkbox"/> Client request <input checked="" type="checkbox"/> Breaches of international norms <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not outline engagement criteria for our service providers.
--	--

No

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 04.1	Indicate whether you define specific objectives for your organisation's engagement activities.
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Individual / Internal engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by internal staff.
Collaborative engagements	<input type="radio"/> All engagement activities <input checked="" type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out through collaboration
Service provider engagements	<input type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input checked="" type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by our service providers.

LEA 04.2	Additional information. [Optional]
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Internal engagements all have specific target based on our ownership policy and climate policy. Targets are 1) Board of directors and board remunerations, 2) Capital structure, dividends and repurchase of own shares 3) Share issue authorisations, 4) Management's salaries and remuneration schemes, 5) Responsibility including a) compliance with international norms and agreement and b) Climate change.

Reasons to use collaborative engagements are 1) to save money and time 2) to influence with others 3) to engage with companies where Varma is not invested in. This includes for example PRI oil and gas engagement since Varma has limited holdings in oil and gas sectors. Targets are based on majority of the cases in the climate policy of Varma.

Service provider engagements are for the norm breaches and based on normbased screening. 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.

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. 2018 Varma's Director for Listed Securities made the final decisions.

LEA 05	Mandatory	Public	Core Assessed	PRI 2
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<b>LEA 05.1</b>	Indicate if you monitor and/or review engagement outcomes.
-----------------	--

Individual / Internal engagements	<input checked="" type="radio"/> Yes, in all cases <input type="radio"/> Yes, in majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes carried out by our internal staff.
Collaborative engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes via collaborative engagement activities.
Service provider engagements	<input checked="" type="radio"/> Yes, in all cases <input type="radio"/> Yes, in majority of cases <input type="radio"/> Yes, in minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes carried out by our service providers.

<b>LEA 05.2</b>	Indicate if you do any of the following to monitor and review the progress of engagement activities.
-----------------	--

Individual / Internal staff engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify
Collaborative engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify
Service provider engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify

LEA 06	Mandatory	Public	Additional Assessed	PRI 2,4
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LEA 06.1	Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.
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Yes

LEA 06.2	Indicate the escalation strategies used at your organisation following unsuccessful engagements.
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- Collaborating with other investors
- Issuing a public statement
- Filing/submitting a shareholder resolution
- Voting against the re-election of the relevant directors
- Voting against the board of directors or the the annual financial report
- Submitting nominations for election to the board
- Seeking legal remedy / litigation
- Reducing exposure (size of holdings)
- Divestment
- Other, specify

No

<b>LEA 06.3</b>	Additional information. [Optional]
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If our efforts to engage with the company produce no are unsuccessful in the long run, our option is to exclude the company from our portfolio.

In case the ETF in the portfolios still include these kind of companies we will push the collaborative engagement more and also contact the index providers.

<b>LEA 07</b>	<b>Voluntary</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
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<b>LEA 07.1</b>	Indicate whether insights gained from your organisation's engagements are shared with investment decision-makers.
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Type of engagement	Insights shared
<b>Individual / Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>LEA 07.2</b>	Indicate the practices used to ensure information and insights collected through engagements are shared with investment decision-makers.
-----------------	--

- Involving investment decision-makers when developing engagement programme
- Holding investment team meetings and/or presentations
- Using IT platforms/systems that enable data sharing
- Internal process that requires portfolio managers to re-balance holdings based on interaction and outcome levels
- Other; specify
- None

<b>LEA 07.3</b>	Indicate whether insights gained from your organisation's engagements are shared with your clients/beneficiaries.
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Type of engagement	Insights shared
<b>Individual/Internal staff engagements</b>	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>LEA 08</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 2</b>
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**LEA 08.1** Indicate if you track the number of your engagement activities.

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

**Outputs and outcomes**

<b>LEA 10</b>	<b>Voluntary</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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**LEA 10.1**

Indicate which of the following your engagement involved.

- Letters and emails to companies
  - In a minority of cases
  - In a majority of cases
  - In all cases
- Meetings and/or calls with board/senior management
  - In a minority of cases
  - In a majority of cases
  - In all cases
- Meetings and/or calls with the CSR, IR or other management
  - In a minority of cases
  - In a majority of cases
  - In all cases
- Visits to operations
  - In a minority of cases
  - In a majority of cases
  - In all cases
- Visits to the supplier(s) from the 'company's supply chain
- Participation in roadshows
  - In a minority of cases
  - In a majority of cases
  - In all cases
- Other

**(Proxy) voting and shareholder resolutions****LEA 12****Mandatory****Public****Descriptive****PRI 2****LEA 12.1**

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 policies
- other, explain

- We hire service provider(s) who make voting recommendations and/or provide research that we use to guide our voting decisions.
- We hire service provider(s) who make voting decisions on our behalf, except for some pre-defined scenarios where we review and make voting decisions.
- We hire service provider(s) who make voting decisions on our behalf.

**LEA 12.2** 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.

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 15	Mandatory	Public	Descriptive	PRI 2
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**LEA 15.1** Indicate the proportion of votes where you or the service providers acting on your behalf have raised concerns with companies ahead of voting.

- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- Neither we nor our service provider(s) raise concerns with companies ahead of voting

**LEA 15.2** Indicate the reasons for raising your concerns with these companies ahead of voting.

- Vote(s) for selected markets
- Vote(s) for selected sectors
- Vote(s) relating to certain ESG issues
- Vote(s) on companies exposed to controversy on specific ESG issues
- Vote(s) for significant shareholdings
- On request by clients
- Other

LEA 16	Mandatory	Public	Core Assessed	PRI 2
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**LEA 16.1** Indicate the proportion of votes participated in within the reporting year in which, you and/or the service provider(s) acting on your behalf, have communicated to companies the rationale for abstaining or voting against management recommendations.

- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- 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

**LEA 16.3** In cases where your organisation does communicate the rationale for the abstention or the vote against management recommendations, indicate whether this rationale is made public.

- Yes
- No

<b>LEA 17</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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**LEA 17.1** 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

Votes cast (to the nearest 1%)

%

10

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted
- We do not track or collect this information

**LEA 17.2** Explain your reason(s) for not voting on certain holdings

- Shares were blocked
- Notice, ballots or materials not received in time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- Client request
- Other

**LEA 17.3** Additional information. [Optional]

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

**LEA 18**

Voluntary

Public

Additional Assessed

PRI 2

**LEA 18.1**

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 18.2**

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	 <p>99.3</p>
Against (opposing) management recommendations	 <p>0.7</p>
Abstentions	 <p>0</p>

100%

- No, we do not track this information

LEA 19	Mandatory	Public	Core Assessed	PRI 2
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**LEA 19.1** Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.

- Yes
- No

LEA 20	Voluntary	Public	Descriptive	PRI 2
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**LEA 20.1** Indicate if your organisation directly or through a service provider filed or co-filed any ESG shareholder resolutions during the reporting year.

- Yes
- No

**LEA 20.6** Describe whether your organisation reviews ESG shareholder resolutions filed by other investors.

Varma has not filed or co-filed any ESG shareholder resolutions during 2018.

# Varma Mutual Pension Insurance Company

## Reported Information

Public version

Direct - Fixed Income

## PRI disclaimer

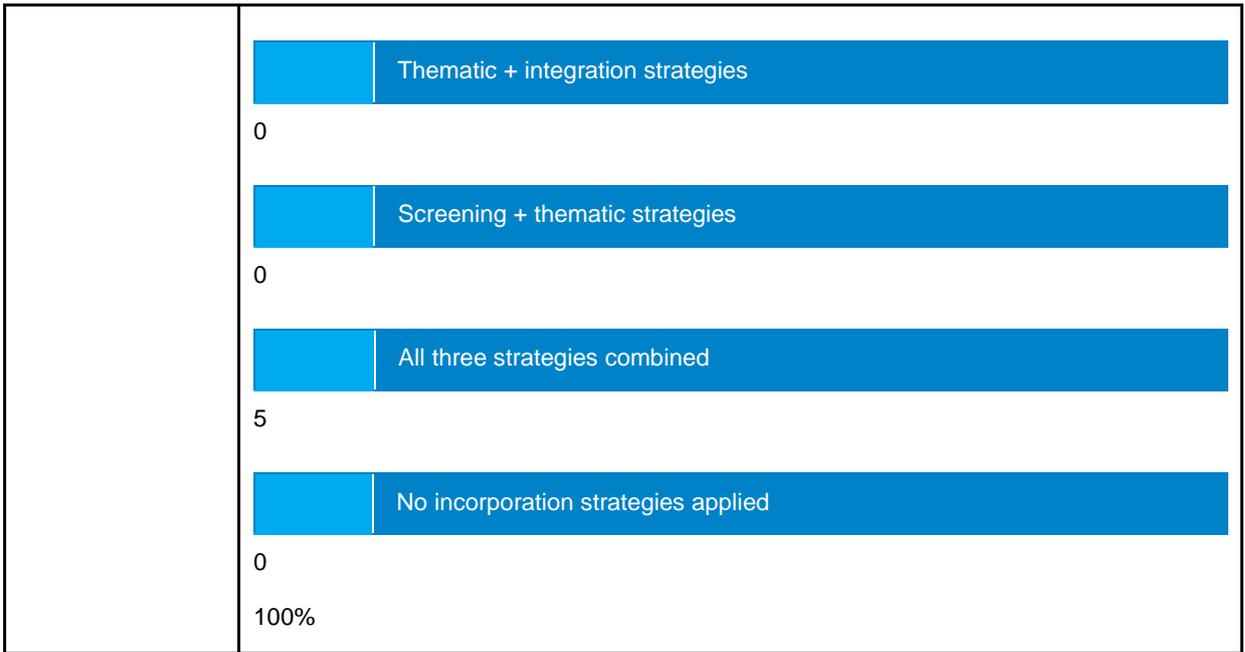
This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information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

## 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>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>95</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><b>Total (any strategy)</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	5	Integration alone	0	Screening + integration strategies	95	Thematic + integration strategies	0	Screening + thematic strategies	0	All three strategies combined	0	No incorporation strategies applied	0	<b>Total (any strategy)</b>	<b>100%</b>
Strategy	Percentage																				
Screening alone	0																				
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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 controversial weapon manufacturer-companies from the direct 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. The bottom quartile of SDG-index is excluded from the investment universe.

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
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<b>FI 02.1</b>	Indicate which ESG factors you systematically research as part of your analysis on issuers.
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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"/>

<b>FI 02.2</b>	Indicate what format your ESG information comes in and where you typically source it
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- 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

<b>FI 02.3</b>	Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.
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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. Data based on norms based screening is delivered straight to the Bloomberg Terminal. It is also available online.

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

<b>FI 03</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**FI 03.1** Indicate how you ensure that your ESG research process is robust:

- Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- 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 and regular reviews of ESG research are undertaken in a systematic way.
- A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- 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 displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', 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

**FI 03.3** Additional information. [Optional]

Portfolio managers, who are investing in Utilities, Oil & Gas, Automobiles, Construction Materials, Metals & Mining, Transportation, Adult Entertainment, Alcohol, Gambling, Conventional Weapons or Cannabis, are required to provide the rationale behind the investment. They must produce a document that outlines the pros and cons, and a brief integrated ESG/financial analysis that explains the investment decision. All investment decisions and the rationales are stored in a centralized platform, where all investment personnel can read them.

**(A) Implementation: Screening**

FI 04	Mandatory	Public	Gateway	PRI 1
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**FI 04.1** Indicate the type of screening you conduct.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Positive/best-in-class screening	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Norms-based screening	<input type="checkbox"/>	<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 controversial weapons manufacturer-companies from our investment universe. We are also utilizing ESG-scores, which are in essence best-in-class scores for companies. ESG is fully integrated to the investment decision making process. Company level data for both ESG, norms based, and materiality are all available for portfolio managers to use from their desk.

In SSA, Varma uses the SDG-Index to screen investments. The worst quartile is excluded from the investment universe.

**FI 06** **Mandatory** **Public** **Core Assessed** **PRI 1**

**FI 06.1** Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.

Type of screening	Checks
<b>Negative/exclusionary screening?</b>	<input checked="" type="checkbox"/> Analysis is 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 once a year. <input checked="" 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 yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Positive/best-in-class screening</b>	<input type="checkbox"/> Analysis is 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 once a year. <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 yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Norms-based screening</b>	<input checked="" type="checkbox"/> Analysis is 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 once a year. <input checked="" 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 yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

### (B) Implementation: Thematic

FI 08	Mandatory	Public	Core Assessed	PRI 1
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<b>FI 08.1</b>	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..
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- 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

<b>FI 08.2</b>	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.

<b>FI 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 09.1</b>	Indicate how you assess the environmental or social impact of your thematic investments.
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- 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

<b>FI 10</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>FI 10.1</b>	Describe your approach to integrating ESG into traditional financial analysis.
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ESG integration involves analysing material E, S, and G risks and opportunities facing the entity issuing bonds over the medium and long term. This additional information is integrated into the existing more traditional financial credit analysis and impacts the assessment of future cashflows and defaults risk. We feel that it is important to focus on ESG factors that are likely to be material to the issuer depending on the sector. In the utility sector we put more focus on environmental aspects, for governments and banks governance can be even more important.

Mitigating climate change is a core part of Varma's strategy, and thus integrating information about climate related financial risks and opportunities are an important source of information for Varma.

<b>FI 10.2</b>	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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	SSA
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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. Varma uses the SDG index to negatively screen the investment universe, by excluding the bottom quartile.

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

	Corporate (financial)
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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)
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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.

In non-financial corporate bonds, the mitigation and adaptation of climate change plays a bigger role. Varma has set up processes and targets, that ensure that climate change is taken into account in fixed income investments. These include targets for carbon footprint, enhanced ESG-analysis in carbon intensive industries, and exclusions in certain industries.

<b>FI 11</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>FI 11.1</b>	Indicate how ESG information is typically used as part of your investment process.
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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 used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

FI 12	Mandatory	Public	Additional Assessed	PRI 1
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FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
SSA	<input type="checkbox"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input checked="" type="radio"/> Not at all	<input type="checkbox"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input type="checkbox"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (financial)	<input type="checkbox"/> Environmental <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input type="checkbox"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input type="checkbox"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input type="checkbox"/> Environmental <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input type="checkbox"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input type="checkbox"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

**FI 12.2** Please provide more detail on how you review E, S and/or 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.

Varma also uses the information provided by the SDG index 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 was a part of day to day operations in corporate bond investments. As of 2018, portfolio managers have integrated the ESG-information to their own models. The norms based data is also available automatically to the Bloomberg Terminal.

All of the norms based incidents are reviewed bi-annually together with the equity portfolio managers, and ESG-staff. An ESG-tool was developed in-house in 2018. The tool provides ESG-information for the portfolio manager, regarding the company, and the industry with an emphasis on the materiality of the ESG information. The tool also a set of industry specific ESG-questions for the portfolio managers to use in 1 on 1 meetings.

Corporate (non-financial)

Varma uses 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. As of 2018, portfolio managers have integrated the ESG-information to their own models. The norms based data is also available automatically to the Bloomberg Terminal.

All of the norms based incidents are reviewed bi-annually together with the equity portfolio managers, and ESG-staff. An ESG-tool was developed in-house in 2018. The tool provides ESG-information for the portfolio manager, regarding the company, and the industry with an emphasis on the materiality of the ESG information. The tool also a set of industry specific ESG-questions for the portfolio managers to use in 1 on 1 meetings.

Fixed income - Engagement

FI 15	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

FI 15.1	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 15.2	Indicate how your organisation prioritises engagements with issuers.
---------	--

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
Size of holdings	<input type="checkbox"/>	<input type="checkbox"/>	
Credit quality of the issuer	<input type="checkbox"/>	<input type="checkbox"/>	
Duration of holdings	<input type="checkbox"/>	<input type="checkbox"/>	
Quality of transparency on ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Specific markets and/or sectors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Specific ESG themes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Issuers in the lowest ranks of ESG benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	
Issuers in the highest ranks of ESG benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	
Specific issues considered priorities for the investor based on input from clients and beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>	
Other	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 15.3**

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We engage pre-investment.	<input type="checkbox"/>	<input type="checkbox"/>	
We engage post-investment.	<input checked="" type="checkbox"/>	<input checked="" 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 that have already affected the issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage prior to ESG-related divestments.	<input type="checkbox"/>	<input type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 15.4**

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
We engage on ESG risks and opportunities affecting a specific bond issuer or its issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage on ESG risks and opportunities affecting the entire industry or region that the issuer belongs to.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage on specific ESG themes across issuers and industries (e.g., human rights).	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 15.5**

Indicate how your organisation ensures that information and insights collected through engagement can feed into the investment decision-making process.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	
Ensuring regular cross-team meetings and presentations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Sharing engagement data across platforms that is accessible to ESG and investment teams.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Encouraging ESG and investment teams to join engagement meetings and roadshows.	<input type="checkbox"/>	<input type="checkbox"/>	
Delegating some engagement dialogue to portfolio managers/credit analysts.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Involving portfolio managers when defining an engagement programme and developing engagement decisions.	<input type="checkbox"/>	<input type="checkbox"/>	
Establishing mechanisms to rebalance portfolio holdings based on levels of interaction and outcomes of engagements.	<input type="checkbox"/>	<input type="checkbox"/>	
Considering active ownership as a mechanism to assess potential future investments.	<input type="checkbox"/>	<input type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	
We do not ensure that information and insights collected through engagement can feed into the investment decision-making process.	<input type="checkbox"/>	<input type="checkbox"/>	

FI 16	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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**FI 16.1** 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 17	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	General
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**FI 17.1** Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or performance.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
We measure whether incorporating ESG impacts portfolio risk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
We measure whether incorporating ESG impacts portfolio returns.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
We measure the ESG performance/profile of portfolios (relative to the benchmark).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

# Varma Mutual Pension Insurance Company

## Reported Information

Public version

Direct – Private Equity

## PRI disclaimer

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

## Overview

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
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PE 02.1	Indicate whether your organisation's investment activities are guided by a responsible investment policy / follow responsible investment guidelines.
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- 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 short we evaluate does the manager's responsible investment policy reflect our values and does the manager integrate its RI policy with the portfolio companies.

- 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
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PE 05.1	During due-diligence indicate if your organisation typically incorporates ESG issues when selecting private equity investments.
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- 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. In special cases, where the ESG-impact is unclear, ESG-personnel are consulted and the decision is documented.

No

PE 06	Mandatory	Public	Core Assessed	PRI 1,3
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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.

### Post-investment (monitoring)

PE 09	Mandatory	Public	Gateway/Core Assessed	PRI 2
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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 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.

# 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
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**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

<https://www.varma.fi/globalassets/muut-sivut/yhtiotietoa/tulostiedot-ja-sijoitukset/varman-vastuullisen-sijoittamisen-kaytannot.pdf>

Attach Document

No

## Pre-investment (selection)

PR 04	Mandatory	Public	Gateway/Core Assessed	PRI 1
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**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.

Environmental

Environmental example 1, select one

- 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
- Flooding
- GHG emissions

Environmental example 2, select one

- 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
- Flooding
- GHG emissions

Environmental example 3, select one

- 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
  - Flooding
  - GHG emissions
- Social

Social example 1, select one

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

Social example 2, select one

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

Social example 3, select one

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

Governance example 1, select one

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

Governance example 2, select one

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

Governance example 3, select one

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

No

<b>PR 05</b>	<b>Voluntary</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1,3</b>
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**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.

<b>PR 06</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**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**

**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%
- <50%

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%
- <50%

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%
- <50%

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 as well as carbon footprint.

## Post-investment (monitoring and active ownership)

### Overview

PR 08

Mandatory

Public

Gateway

PRI 2

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 /updated year 2019.

We participate in the energy efficiency agreement for the Finnish property sector. The program has 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 four consecutive summers. The City of Tampere has granted the event an award for the best cultural achievement of year 2016. 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

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 17% was achieved year 2018.
Reduction of water, electricity and heating consumption by 1 % / residential properties	Reduction was achieved in electricity consumption.
Reduction of energy consumption by 10 % during years 2017-2025, measured according to energy-saving actions made, comparison year is 2015 / commercial and residential.	Cumulative reduction of 4 % in commercial and 12 % in residential properties was achieved during years 2017-18.

- Social

Target/KPI	Progress Achieved
Tenant satisfaction benchmark / commercial and residential properties.	The target Varma had set to tenant satisfaction was achieved in commercial properties but not in residential properties.

- 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 yearly 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.

15 of Varma's buildings was BREEAM (In-Use) -certified during year 2018. Asset Performance was assessed. All properties got grade Good or Very Good. All together 38 Varma's buildings are BREEAM -certified.

## Property developments and major renovations

<b>PR 11</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
--------------	------------------	---------------	----------------------	--------------

<b>PR 11.1</b>	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)

<b>PR 11.2</b>	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
- Health and wellbeing of residents
- Construction contractors comply with sustainability guidelines
- Resilient building design and orientation
- Other, specify

<b>PR 11.3</b>	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.

<b>Occupier engagement</b>				
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<b>PR 12</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
--------------	------------------	---------------	----------------------	--------------

<b>PR 12.1</b>	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)

<b>PR 12.2</b>	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
- Health and wellbeing of residents
- Offer green leases
- Other, specify

<b>PR 12.3</b>	Additional information. [Optional]
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Tenant satisfaction survey is done annually to both residential and commercial tenants. Survey is part of tenant satisfaction benchmark and we have possibility to compare our results to the results of similar property investors. Both the survey and benchmark are carried out by the consultant.

We have arranged some tenant meetings where for example information on waste recycling have been given. We have also sent a guide how to recycle and reduce energy consumption to our residential tenants.

<b>PR 13</b>	Voluntary	Public	Additional Assessed	PRI 2
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<b>PR 13.1</b>	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.
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- >90% of leases or MoUs
- 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
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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.
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- >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.
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- 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.
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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
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PR 15.1	Indicate whether your organisation measures how your approach to responsible investment in property investments has affected financial and/or ESG performance.
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- 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.
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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 of the property.
Activities undertaken to influence the investment and the outcomes	Varma installed solar panels to two of Varma's properties during year 2018.

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 2018.

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 11 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 is using green energy in almost 70 % of residential properties.

Add Example 5

ESG issue	CO2 emissions
Types of properties affected	Residential
Impact (or potential impact) on investment	Reduction of heating consumption.
Activities undertaken to influence the investment and the outcomes	Varma has installed system that is optimizing the need of heating to 51 residential buildings.