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23

Annual and  
Sustainability Report



VARMA

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**ENSURING SECURE PENSIONS**



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**FOR SUSTAINABLE WORKING LIFE**



# The year 2023

Geopolitical instability further increased in 2023. In Finland, the economic mood was muted. The investment year was more positive than the real economy, and Varma's investments yielded good returns as a whole. Our solvency remained strong. For Varma employees, it was a busy year.



# Varma in brief

**Our core task is to secure pensions. We invest the assets collected as pension contributions profitably and securely for current and future pensions. Sustainability is an essential part of all our operations.**

Varma provides pension insurance for work carried out in Finland. Our core task is to secure pensions.

We take care of the statutory earnings-related pension cover of entrepreneurs and employees. Companies take out TyEL insurance for their employees, while entrepreneurs insure themselves with YEL insurance. Varma is a responsible and solvent investor. We invest the assets collected as pension contributions profitably and securely for current and future pensions. We mainly invest in equities, fixed income and real estate, and in hedge funds. As a real-estate investor, we focus on offering high-quality business premises and rental flats in growth centres. We also offer corporate financing to our customers. Varma provides pension cover for more than 900,000 employees, entrepreneurs and pensioners. Our services in disability risk management help client companies to save in pension costs and private customers to continue in working life.

Varma is a mutual company, owned by its client companies, self-employed customers and insured employees. Varma’s head office is located in Salmisaari, Helsinki, and our network of account managers covers nearly the entire country.

Varma has 564 employees. Our success is based on our competent employees, who are passionate about their work. Our work culture can be summed up in the sentence “You are at your best when you are yourself”.

**Sustainability is an integral part of Varma’s core task and work culture.**

**PRESIDENT AND CEO'S REVIEW**

# Good investment year in a muted economic environment

**Following years of crisis, we have entered an era of weak economic growth, which we have to adapt to.**

The year 2023 was contradictory in terms of the economy. Inflation and interest rates levelled off, but in Finland, the economic mood remained gloomy. The high interest rates punished the construction markets and mortgage debtors, and the weaker export demand punished large corporations. Following the years marked by crisis, we have entered an era of weak economic growth.

The investment year was also divided, as there were exceptionally large differences within the investment portfolio by geographical areas and asset classes. Finnish equities experienced the weakest performance among the industrialised countries, while especially US equities performed well. In spite of some fluctuations during the year, investment returns showed an upward trend.

The return on Varma's investments was 6.0 per cent, and the value of the investments grew to EUR 59.1 billion. One might say that

the investment returns were a booster shot in the otherwise muted economic environment.

Varma's core task of securing pensions and pension payments is something the company sticks to in all market conditions. Our solvency remained at a secure level all year.

The financial situation of our client companies remained at a reasonably good level, which was also positive. The number of payment reminders sent to client companies for earnings-related pension insurance contributions increased, but major bankruptcies and payment defaults were avoided. The total TyEL payroll, which forms the basis for pension contributions, increased 5.2 per cent from the previous year.

2023 was a busy year for Varma. We were successful in client acquisitions, especially in terms of SMEs. Identifying and serving the needs of small businesses will also be one of our themes for 2024.



**For us, it is a matter of honour to make pension decisions such that pensions are paid without delay in the month following the final payment of wages or salaries.**

**YEL income reviews, geared to improve the social security of the self-employed, started**

In the 2022 amendment of the Self-Employed Persons’ Pensions Act (YEL), an obligation to review entrepreneurs’ YEL income every three years was imposed on earnings-related pension companies. Our responsibility is to review that entrepreneurs’ YEL income is always at the correct level and reflects the value of their work as their business develops.

We reviewed the incomes of 12,000 entrepreneurs during the year. The average increase in YEL income was EUR 3,870. The income of 15 per cent of the reviewed entrepreneurs matched the value of their work input, and no changes were made. The entrepreneurs’ attitude, even when critical, towards income changes was constructive, although some of them find the YEL pension unjust. Correct YEL income improves entrepreneurs’ social security and pension accrual.

The first year of income reviews went as planned. The Varma Online Service served as the main channel for the reviews, which meant that our customer service had time to answer the increasing number of enquiries from entrepreneurs. We will use these experiences to make our services even more customer-friendly this year.

At the beginning of 2024, a 5.7 per cent index increase was made to pensions. However, this did not result in the same rush to retire as the increase in the previous year did. At the end of the year, Varma was paying out pensions to 350,000 people.

Varma handles pension decisions quickly. We have significantly developed our digital services, and we will continue to invest, keeping our customers’ needs in mind. For us, it is a matter of honour to make pension decisions such that pensions are paid without delay in the month following the final payment of wages or salaries.

**Science-based emission reduction targets validated in accordance with the SBTi**

Sustainability is an essential part of our operations. In 2023, we continued our sustainability work by making attending to biodiversity a part of our investment operations. We also explored our investees’ policies to prevent biodiversity loss in their own operations.

In contrast to climate change mitigation, in which Varma has been systematically engaged, attending to biodiversity is something fairly new for companies, and the assessment processes are still evolving. We are very pleased to have received the Science Based Targets initiative’s official validation for our science-based emission reduction targets in 2023. Varma was the first Finnish pension insurance company and the third pension company in the world to have its targets validated. By committing to the international SBT initiative we make sure that our climate targets are aligned with the Paris Agreement.

Varma is a significant real estate investor in Finland, and the company aims for CO<sub>2</sub>-free electricity and heat in its real estate by 2030. Despite the problems in the construction

sector, we were also able to advance major construction projects. The ongoing construction of the wooden Katajanokan Laituri office property in Katajanokka, Helsinki, topped out, and in summer 2023, we launched a new office property project, Keilaniemen Portti, in Espoo.

**Pension reform a major topic**

In 2023, the Government set a goal to create savings of one billion euros in the pension system. Increasing the weight of equities in investment portfolios has emerged in the dialogue as an option for reaching savings. Increasing the equity weight allows better returns but also increases risks in the short term. If the equity weight is increased, it is important to discuss the ground rules on what should be done if these risks are realised. In our view, equity weight in the portfolios could be increased, but it must be done in a controlled way.

In terms of the pension system, keeping the working-age population and birth rate at a good level is important. We are retaining our ability to work for longer, which is reflected in longer careers. Flexibility is needed at the end of careers, one option for which is partial old-age pension. It has been a popular pension type. In 2023, the number of partial old-age pension applications was the second highest ever. There will also be demand for similar products in future.

We must also make sure that young people gain positive experiences of working life early on in their careers. It is important to Varma to offer opportunities to young people looking

for their first jobs in their own field. We were selected as the most responsible employer of 2023 in Oikotie’s Responsible Summer Job study in the large companies category. We are happy about this recognition, which is based on summer employees’ own views. The credit for that goes to supervisors and all other Varma employees who made the summer job experience especially positive.

Changes took place at Varma during 2023. We revamped our main office to better match the needs of daily hybrid work. The heart of our office is the Lounge, where people can socialise. Our flexible work approach combines working remotely and at the office in the best possible way in terms of performance and workflow.

Here at Varma, we will keep developing earnings-related pension insurance with a long-term view. We promote sustainable working life by helping our customers prevent and manage disability risks.

We want to express our gratitude to our customers for their trust in us. It has been meaningful to work for the Finnish pension system and employees. We will continue this work in 2024.

Risto Murto  
President and CEO

**We must make sure that young people gain positive experiences of working life early on in their careers.**

# The year in figures

Solvency

**130.4%**

Value of investments

**59.1** € bn

Return on investments

**6.0%**

Investment returns trended up in 2023.

Solvency capital

**14.0** € bn

Efficiency (administrative costs of total TyEL payroll and YEL income)

**0.34%**

Premiums written

**6.5** € bn

Pensions paid

**7.1** € bn

Climate allocation of the portfolio:

**36.8%** i.e. **21.9** € bn

CO<sub>2</sub> emission intensity of real estate's energy consumption (compared to 2015):

**-64%**

Absolute emissions (compared to 2022):

**-32%**



# The year in brief

## The investment year 2023 showed an upward trend.

2023 was a good investment year, although high interest rates put the brakes on the Finnish economy. Investment returns trended up during the year. Towards the end of the year, equities performed strongly, as the rise in interest rates and inflation eased.

The return on Varma's investments was 6.0 (-4.9) per cent. The value of Varma's investments was EUR 59.1 (56.2) billion.

Investment returns varied significantly by geographical area and asset class. International diversification of investments secured good investment returns in a situation where Finnish equities performed poorly. Finland's economy was clearly more muted than the global economy. Share prices in the US developed strongly.

Listed equities generated the best returns of Varma's investments, at 10.3 (-16.8) per cent. Private equity investments yielded 5.5 (7.9), fixed income investments 5.6 (-5.2) and hedge investments 6.1 (2.3) per cent. Real estate investments were the only asset class to generate a negative return, at -4.3 (5.7) per cent.

Pension assets are invested for the long term, which lowers the significance of individual years. Pension investments have a profitable decade behind them.

Varma's goal is to maintain the company's strong solvency through investment returns and efficient operations. Varma's solvency ratio was 130.4 (130.5) per cent, and solvency capital was 1.6 (1.8) times the solvency limit.

Solvency capital acts as a risk buffer for investment assets and enables Varma to aim for higher appreciation by making investments with better expected returns.

### Entrepreneurs' YEL income reviews went as planned

Varma started the regular reviews of entrepreneurs' YEL income in 2023. Following an amendment to the Self-Employed Persons' Pensions Act (YEL), earnings-related pension companies are obligated to confirm entrepreneurs' YEL income to reflect their actual work input. In future, YEL income will be reviewed every three years.

The first year of reviews went as planned, and Varma reviewed the YEL incomes of 12,000 self-employed persons. The income of self-employed persons whose YEL income was less than 15,000 euros was reviewed. The income of around 15 per cent of the reviewed entrepreneurs matched the value of their work input, and no changes were made.

**International diversification of investments secured good investment returns in a situation where Finnish equities performed poorly.**

Varma gained a total of EUR 98.4 (114) million in new TyEL contribution income during the year. This included the net impact of new sales and premiums written transferred from other pension institutions. Premium income stood at EUR 6.5 (6.1) billion.

### Absolute emissions down by nearly a third

Varma's goal is to cut the entire investment portfolio's absolute emissions by 25 per cent by 2025 and by 50 per cent by 2030 from the 2021 level. We set absolute emission targets on our investment portfolio, and we have been systematically monitoring emissions.

At the end of 2023, absolute emissions were down 32 per cent compared to 2022. The major reduction is explained by calculation factors, such as updates to carbon footprint accounting in the data collecting databases.

## Key figures 2023

	2023	2022
Premiums written, € million	6,466.4	6,118.6
Pension payments to pensioners, € million*	7,072.8	6,492.0
TyEL insured 31 December	563,580	547,700
YEL policies	43,960	42,500
Pensioners	350,500	352,200
Investments, € million	59,077.7	56,204.4
Investment income, € million	3,363.4	-2,867.7
Return on investment capital, %	6.0	-4.9
Total result, € million	814.7	-3,446.3
Operating expenses, € million	88.4	88.4
Operating expenses, % of total TyEL payroll and YEL income	0.34	0.35
Transfer to client bonuses, € million	141.5	173.4
% of TyEL payroll	0.56	0.72
Technical provisions, € million	46,966.2	45,372.7
Solvency capital, € million**	14,010.0	13,344.4
in relation to solvency limit	1.6	1.8
Average number of personnel	564	531
Personnel expenses, € million	60.4	56.8
Donations, € million	0.00	0.02
Membership fees in sectoral organisations, € million	1.1	1.0
Purchases from service providers and suppliers, € million***	57.3	55.8

\*Before the reduction of received clearing of pay-as-you-go (PAYG) pensions

\*\* Calculated according to the regulations valid at the time (same principle applies to other solvency indicators)

\*\*\*Excluding costs for investment operations (such as real estate development purchases)

Emission reductions reported by the companies accounted for five per cent of the overall reduction. Transferring to lower-carbon investee companies through exits from long-term investments also contributed to the reduction.

The climate allocation accounted for 36.8 (24.2) per cent of Varma’s investment portfolio at the end of the year. The allocation includes companies whose business benefits from climate change mitigation and who cause no significant greenhouse gas emissions.

We have managed to reduce the in-use CO<sub>2</sub> emission intensity of our real estate investments’ energy consumption by as much as 64 per cent since 2015 for the sites whose maintenance we are responsible for. In real properties, the share of emission-free electricity and heat has been increased.

**Partial old-age pension retained its popularity**

Varma paid out pensions in the amount of EUR 7.1 (6.5) billion to 350,000 (352,200) people. A total of 24,800 (28,500) new pension decisions were made during the year. New pension decisions decreased 12.8 per cent from 2022.

Partial old-age pension retained its popularity. The number of applications received by Varma was high, second only to the record year 2022. Varma made 4,300 decisions on partial old-age pension.

Varma’s total processing time for pension applications was 15 (16) days, down by one day from the previous year. This was around five days shorter than the average processing time in other earnings-related pension companies.

The number of disability pension applications continued to increase in 2023. The number of applications received by Varma stood at 13,300, which is 3.8 per cent more than in the previous year.

The number of new disability pensions increased 6.2 per cent from 2022. The average starting age of new full disability pensions was 52.5 years. Musculoskeletal diseases were the most common reason for disability pension in the age group of 60 years.

Mental health disorders were the primary reason for new disability pensions among all age groups under 45. The number of new disability pensions granted for mental health disorders grew 7 per cent.

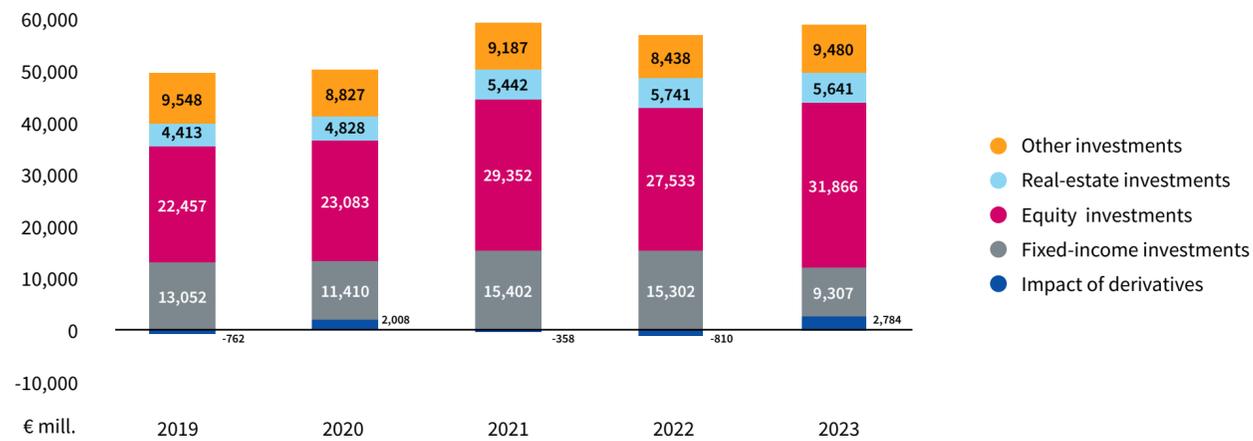
The number of rehabilitation applications increased by 10.9 per cent in 2023. The right to vocational rehabilitation was granted to 1,700

(1,800) people. The average age of new rehabilitants was 48. Rehabilitation is most commonly sought on grounds of musculoskeletal diseases, but the proportion of mental-health-based applications has been on the rise.

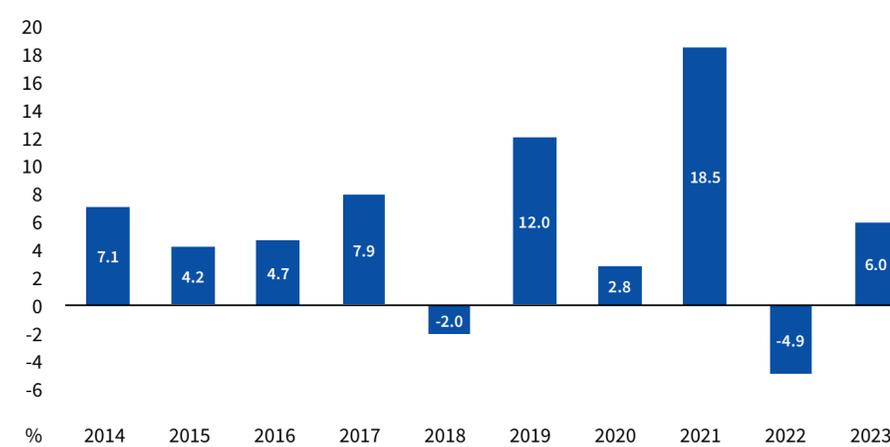
At the end of the year, 608,000 (590,000) individuals were insured by Varma.

[Read more about pension cover](#) →

**Investment portfolio (€ million)**



**Investment returns (%)**



**The number of partial old-age pension applications received by Varma was high, second only to the record year 2022.**

# Global turmoil continued in 2023

**Geopolitical instability further increased in 2023, and Finland’s economy fell into recession. The sentiment was more positive in the investment markets than in the real economy. The TyEL payroll of Varma’s client companies increased. Mental health was a main work-ability theme, and artificial intelligence took Finnish working life by storm.**



**Pauli Forma**  
Senior Vice President, Work Ability Risk Management

Key themes of discussion around work ability were mental health and concerns over overall well-being from the perspective of work and functional ability. The increase in disability pension applications received by Varma that began in 2022 continued in 2023. Mental health disorders were the most common reason for granting disability pensions. In the oldest age group, disability pensions due to musculoskeletal diseases strongly increased.



**Markus Aho**  
Chief Investment Officer

In the uncertain environment, the year was more positive from the perspective of investments than it was in the real economy. As a whole, Varma’s diversified investment portfolio performed well, and the year showed an upward trend. Varma’s solvency also remained strong throughout the year.

**Investment year showed an upward trend**

**Excellent year in customer work**



**Suvi Hintsanen-Kärpijoki**  
Senior Vice President, Client Services

The year was excellent in terms of customer work. The TyEL payroll of Varma’s clients increased more than the average for the sector, and we acquired a record number of new customers.

**Main themes around work ability were mental health and overall well-being**

**Artificial intelligence adopted in workplaces**

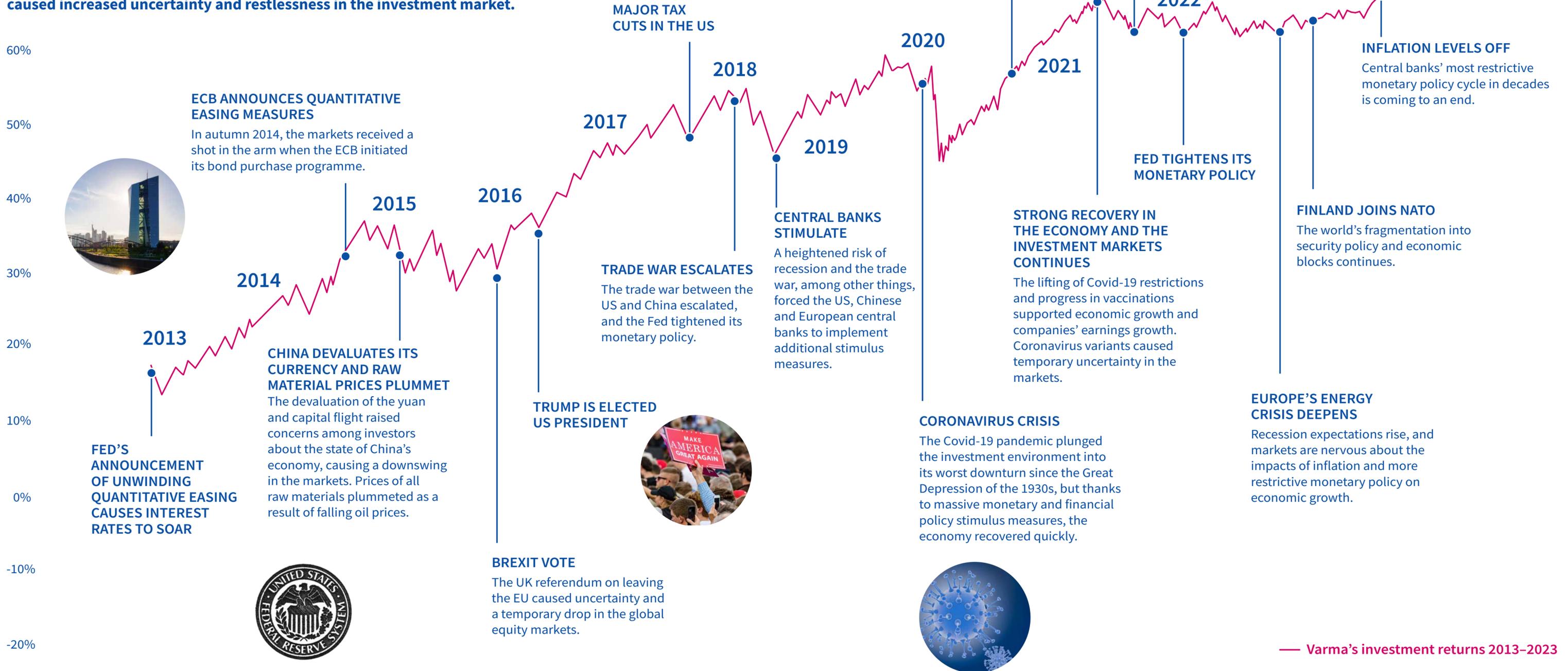


**Mika Nikkola**  
Director, Digital and Data Services

Artificial intelligence took daily work by storm with the introduction of language model-based AI tools that are able to produce human-like text. At Varma, we worked on ethical guidelines for AI, piloted the use of AI and organised training for Varma employees.

# Decade in brief

The decade following the financial crisis was a period of sustained economic growth. Geopolitical instability, wars, and central banks' tighter monetary policy have caused increased uncertainty and restlessness in the investment market.





# Strategy and goals

We invest companies' and employees' funded pension contributions so that their returns guarantee our shared future. Our objective is to secure responsible pension provisions for our customers, foster strong solvency, operate efficiently and guarantee the positive development of premium income.



# Strategy builds on our core task

**Varma’s core task is to secure pensions. We are responsible for making sure that the pension funds our customers entrust us with are secure.**

Our current strategy will guide our operations until 2025. The strategy is based on our enduring values and, in keeping with our core task, we are responsible for making sure that the pension funds our customers entrust to us are secure. Our vision is: We support you in a world that’s going through incredible change.

Our goal is to prove that we are worth our customers’ trust by being the most solvent, efficient and influential earnings-related pension insurance company. We provide the best client bonuses, smooth digital services and high-quality pension insurance services. We are a sustainability pioneer in what we do. In 2023, we executed our strategy by focussing especially on developing the service processes and customer experience of our entrepreneur and corporate customers. We also continued to develop our agile operating culture.

## **Our objectives**

In 2023, Varma’s targets as a company related to sustainable business, the development of premium income, solvency and efficiency.

We measure our sustainability in three areas: the quality of pension services, responsibility for Varma employees and the environmental sustainability of our operations. In terms of our pension-service quality targets, we measure the uninterruptedness of our private customers’ income. This means that our customers receive their pension during their first month of retirement. Our target was for 85–90 per cent of new pension recipients to have their pension paid during the first month of their pension entitlement. The figure for 2023 was 89.2 (89.3) per cent. Responsibility for Varma employees is measured through employee satisfaction, the indicator for which

is the development of the employee survey's PeoplePower index, measuring Varma employees' satisfaction and engagement. In 2023, the PeoplePower index reached an all-time high, at 79.2. The target in terms of environmental sustainability was to reduce emissions from Varma's own operations by at least 8.5 per cent during the year. We also reached that target: the carbon footprint of Varma's own operations was down 10.5 per cent.

As regards premium income, we strive for its positive development in terms of both euro amount and the number of insurance policies. Our premium income totalled EUR 6.5 (6.1) billion. The premium income is based on the total payroll of our client companies. The TyEL payroll increased 5.2 per cent from the previous year and stood at EUR 25.4 billion. The number of insurance policies also rose. At year-end, the number of valid insurance policies totalled 77,797 (72,427).

We aim to be the most solvent earnings-related pension company, and we reached this target. Varma's solvency remained on a strong level throughout the year. At year-end, our solvency capital stood at EUR 14.0 (13.3) billion.

Varma manages pension cover cost-effectively. Our operating expenses were 0.34 per cent of the TyEL payroll and YEL income.

In addition to the company-level targets, we introduced a target library in 2023. From these targets, Varma's different functions can pick the ones that are relevant in terms of guiding their work. The library's targets are based on annually determined operational

focus areas that support Varma's strategy. The targets relate to, for example, improving the customer experience, developing our digital services, the risk-based nature of our services for managing disability risks, the effectiveness of rehabilitation, improving our ways of operating and processes, the sustainability of the supply chain, employer attractiveness and strengthening our brand.

**Our values**

We are guided in our work by our values: courage, reliability and sustainability – with joy and passion.

**Courage:** We boldly find new ways of working, together with our customers. Our courage stems from trust, co-operation and strong competence.

**Reliability:** We work openly and with integrity. We keep our promises to clients, partners and each other.

**Sustainability:** We continuously develop our responsible ways of operating. For us, sustainability means making long-term choices to secure pensions and improve operational efficiency.

We work and live our values every day with **joy and passion.**



**Varma is  
the most solvent  
earnings-related  
pension company in  
Finland.**

At year-end, our solvency capital stood at

**€14.0**  
bn

# Varma's strategy

**Vision** We support you in a world that's going through incredible change.



## Values

With joy and passion  
Reliability  
Sustainability  
Courage

## Varma's core function

Securing Finnish pensions  
Responsibility to customers

## Strengths

Smooth digital solutions and high-quality pension insurance services  
The most effective partner for developing work ability  
Highest customer bonuses  
Solvency as a foundation  
Trailblazer in responsibility

Successes

Varma's targets

Sustainable operations

Strong solvency

Positive development in premiums written

Efficiency

SUCSESSES



**Quality of pension services**  
Varma's total processing time for pension applications was on average 15 days. This is around 5 days shorter than the average processing time in other earnings-related pension companies.

Uninterruptedness of income: 89.2% of our customers had their pension paid during their first month of pension entitlement.

Private customers' customer satisfaction (scale: 1–4):

- Phone service 3.8
- Application process 3.6

**Responsibility for Varma employees**  
In the employee survey, Varma was awarded a PeoplePower rating of AA+, and the PeoplePower index was 79.2 (scale: 0–100).

**Environmental sustainability of our own operations**  
The carbon footprint of Varma's own operations was down 10.5%.

Varma's solvency was on a strong level throughout the year, and Varma was the most solvent earnings-related pension company in Finland.

Varma's pension assets in relation to technical provisions (solvency ratio) were 130.4%. Solvency capital was at a secure level, i.e. at 1.6 times the solvency limit.

The TyEL payroll of those insured with Varma increased 5.2 per cent from the previous year and stood at EUR 25.4 billion.

The number of insured and insurance policies also rose. At the end of 2023, 607,535 individuals were insured by Varma. The number of valid insurance policies totalled 77,797, covering 43,955 self-employed persons and 563,580 employees.

Corporate customers' customer satisfaction (scale: 1–4):

- Phone service for insurance customers 3.7
- Customer care meetings 3.8
- Work ability management meetings 3.8

Varma's operational efficiency was good.

Our operating expenses were 0.34% of the TyEL payroll and YEL income.

CONTINUING IN 2024



**Quality of pension services**  
Ensuring uninterrupted income for private customers: swift processing of pension applications and smooth payment of pension after the pension decision is made.

Ensuring customer satisfaction.

**Responsibility for Varma employees**  
Continuous development of management, ways of operating, processes and the work culture.

**Environmental sustainability of our own operations**  
Measuring and reducing the carbon footprint of our own operations in accordance with our climate targets.

Maintaining strong solvency through steady investment returns: investment risk diversification, investment market forecasting, and active management of the investment risk level.

Development of the service processes for and customer experience of our corporate clients.

Strengthening the knowledge-based management of work ability in disability risk management.

Development of work ability management services for different customer groups.

Continuous improvement of cost efficiency.

# How Varma creates value



\*Absences and holidays and work input of part-time and hourly workers taken into account.



# Earnings-related pension system

## Pension accrues from all work and self-employment

In Finland, pension cover consists of statutory pension for employees and entrepreneurs, and national pension and guarantee pension, which supplement the statutory pensions. The amount of national pension is adapted according to the amount of earnings-related pension. Earnings-related pension accrues from all work and self-employment.

Earnings-related pension is based on a defined benefit scheme, which means that pension accrual is specified in legislation and pensioners receive their earned pension amount from the moment of their retirement for the rest of their lives. The level of pensions being paid is not affected by, for example, changes in the pension assets' investment returns. Pensions are paid in the promised amount regardless of economic cycles.

## A strong pension system works smoothly also in exceptional circumstances

A reliable earnings-related pension system creates stability for the economy and society under exceptional circumstances as well. Defined-benefit earnings-related pensions

provide security for the insured and economic stability by upholding pensioners' purchasing power through index increases.

In spite of the global political situation and turbulent economic environment, trust in earnings-related pensions has remained stable.

## Earnings-related pensions are partly funded in advance

The majority of earnings-related pensions that are currently being paid are financed directly through pension contributions paid annually by employees and employers. However, pensions are in part paid out using assets and the return on those assets that are set aside in funds. In other words, a proportion of the annual TyEL pension contributions is placed in funds for pensions to be paid out later on. Entrepreneurs' earnings-related pensions are not funded in advance.

Pensions are well secured under the Finnish statutory earnings-related pension system. The financing of earnings-related pensions is influenced by economic growth, demographic development and the employment rate, but also by the returns on the invested pension assets.

Pension assets are invested profitably and securely. Successful investment activities mitigate the need to raise pension contributions in the future. The strong solvency of earnings-related pension insurance providers is important since it affects risk-taking and return opportunities. Strong solvency also facilitates the timing of investment decisions in fluctuating market conditions. Varma's solvency remained strong in 2023.

The financial and social sustainability of the pension system requires longer careers than currently. Varma contributes to achieving this target by offering its insured vocational rehabilitation when their work ability is threatened. Varma aims to manage the disability risk it insures by offering guidance and support to its customers.

**Earnings-related pension insurance companies compete with one another**

The earnings-related pension insurance system is decentralised. This means that earnings-related pensions and pension assets set aside in funds for their payment are managed by several pension companies, industry-wide pension funds and company pension funds.

Employees covered by earnings-related pension insurance have the same insurance coverage regardless of which insurance company the employer has chosen for the arrangement of its employees' insurance coverage. From the perspective of an individual insured person, the earnings-related pension system is simple and the accrual of pension

benefits is transparent. Pension accrual is maintained even if the employer changes, and pension is applied for from just one company, according to the so-called principle of the last institution.

Earnings-related pension insurance companies compete with one another in terms of investment results, operational efficiency and the quality and effectiveness of their customer services. Good investment performance over the long term means higher client bonuses for customers, and efficient operations reduce the expense loading included in insurance contributions.

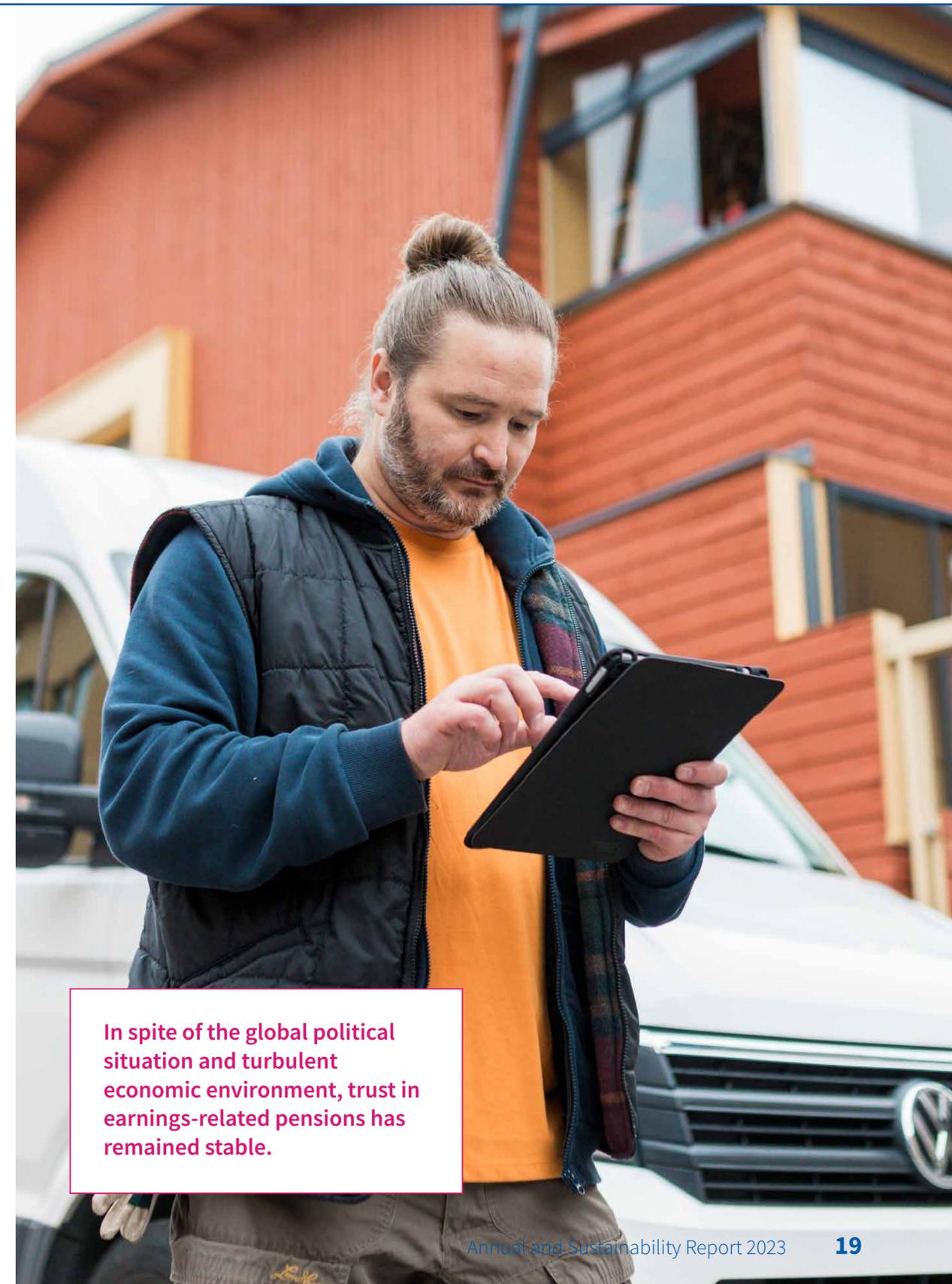
Private sector earnings-related pension insurance companies are jointly liable in a situation where, for example, an insurance provider goes bankrupt. This is one of the reasons why their solvency levels and risk-taking in investments are regulated.

**Next pension reform is underway**

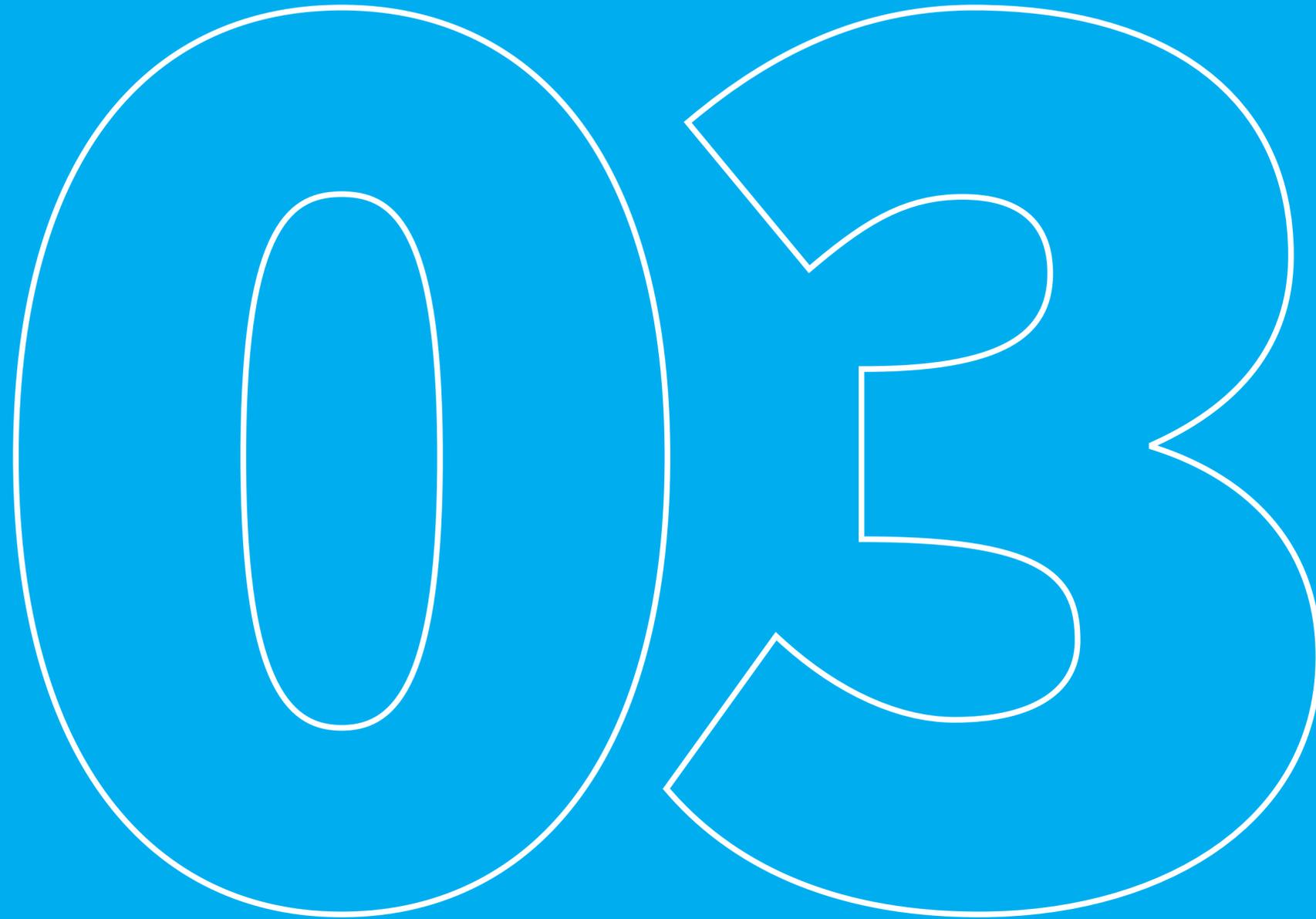
Finland's earnings-related pension system has been reformed regularly. In autumn 2023, the Ministry of Social Affairs and Health and the Ministry of Finance appointed a working group to investigate the reform of the earnings-related pension system in accordance with the Government Programme of Prime Minister Petteri Orpo. At the same time, the labour market organisations set up a mutual negotiation group to prepare a proposal for the implementation of the reform. The reform addresses the need to strengthen the financial sustainability of the system, which has weakened as a result of, for example, the lower

birth rate and ascending dependency ratio. Under the Government's commission, the objective is to identify the changes that need to be made to the earnings-related pension system to ensure financial sustainability and safeguard an adequate level of benefits such that public finances are strengthened in the long term by approximately 0.4 percentage points in relation to the GDP. The work should result in concrete ways to stabilise the pension insurance contribution level in the long term, making it possible for the earnings-related pension system to adapt to possible shocks with the help of a rule-based stabilisation mechanism. The Government expects to have proposals by January 2025 and is committed to making the necessary decisions itself, if the labour market organisations are unable to reach a consensus.

In 2023, the Finnish pension system ranked sixth in an annual international comparison, the Mercer CFA Institute Global Pension Index. The index compares the pension systems of different countries from the perspective of the adequacy of pensions, sustainability of the pension system and integrity of governance. Finland slipped by one rank from last year, with Australia overtaking Finland after gaining extra points for the financial sustainability of its pension system. However, Finland was ranked number one in terms of the reliability and transparency of its pension system governance for the tenth time in a row.



**In spite of the global political situation and turbulent economic environment, trust in earnings-related pensions has remained stable.**



# Sustainable Varma

Because of our societal role, we have a long-term responsibility for managing pension assets, as well as for our customers, Varma employees, and our shared environment. Our goal is to be a sustainability pioneer in the earnings-related pension insurance sector. We act ethically and transparently.

# Sustainability is an essential part of all our operations

**Sustainability is an integral part of Varma’s core task – securing pensions. Sustainability is also a key theme of our strategy and an integral part of our everyday work and business. Our sustainability work is steered by the Sustainability Programme.**

Sustainability has been chosen as a key competitive factor in Varma’s strategy for 2020–2025. Our goal is to be a sustainability pioneer in the earnings-related pension insurance sector.

For Varma, sustainable business means first and foremost taking care of pension assets and pension payments, investing responsibly and promoting sustainable working life.

## **Sustainability Programme guided our work**

In 2021–2022, we drew up Varma’s Sustainability Programme, which defines our sustainability focus areas and the related objectives and measures for 2022–2025. The programme is based on a materiality assessment that was carried out in 2021.

The assessment encompassed an extensive stakeholder survey, including a questionnaire and an online study, and an Executive Group workshop to identify Varma’s key

sustainability themes and impacts. Examples of these are biodiversity, human rights, and promoting work ability and longer careers. Taking care of our responsible core tasks, such as securing solvency and ensuring smooth implementation of pension cover, were still among the most important themes raised by our stakeholders. The cost efficiency and transparency of Varma’s operations, good governance and efforts to increase trust in the pension system were also considered important themes.

The focus areas identified in the 2021 materiality assessment form the basis for our Sustainability Programme, which steers our operations. The focus areas of our Sustainability Programme are: Ensuring secure pensions, Investing for change, and For sustainable working life. The guiding principle for our Sustainability Programme is “A secure future for everyone”.

**Ensuring secure pensions:** Taking care of pension assets and paying pensions correctly and on time are the cornerstones of everything we do. We operate transparently and ethically, while also taking cost-effectiveness and environmental impacts into account.

**Investing for change:** Responsibility is a core aspect of all our investment decisions. We direct our investments towards tackling our current global challenges: mitigating climate change, adapting to the changes it brings, slowing down biodiversity loss and promoting human rights.

**For sustainable working life:** We promote sustainable working life and help our customers anticipate and manage disability risk. We take care of Varma employees and their competence. We build an inspiring workplace where everyone can be themselves.



The three sustainability focus areas each include sustainability topics that are important for Varma and which we promote through different objectives. The table on pages 25–27 shows the material topics, the related objectives and our progress in 2023.

**Sustainability reporting introduces new sustainability disclosure requirements**

The EU’s Corporate Sustainability Reporting Directive (CSRD), which is being phased in from the start of 2024, introduces new sustainability disclosure obligations for Varma’s 2024 financial statements. The directive requires us to annually report material sustainability information in our Report of the Board of Directors. The assessment of the impacts of our own operations and our value chain on the environment, people and society, and identification and assessment of the materiality of the financial risks and opportunities that sustainability factors pose to us is known as a double materiality assessment.

In 2023, Varma implemented a number of measures to prepare for the upcoming directive. The biggest effort was the double materiality assessment, which Varma carried out in the autumn. We also prepared for future requirements by broadly discussing responsibility and sustainability matters during the strategy day of the management and Board of Directors.

A large number of Varma employees from different functions contributed to the double

materiality assessment. In the first phase of the assessment, we comprehensively identified the sustainability impacts, risks and opportunities that relate to our operations, taking into account the entire value chain. We worked on the identified impacts, risks and opportunities in two separate internal workshops. The identified impacts, risks and opportunities pertain to our entire value chain, i.e. our own operations, purchased goods and services, the investment portfolio, direct real estate investments or our corporate, self-employed and private customers.

After the identification, we categorised the impacts into actual and potential positive and negative impacts, which were given a score on the basis of their scale, scope, remediability and likelihood. The risks and opportunities that Varma is exposed to were scored on the basis of the magnitude and likelihood of the potential impact. This preliminary assessment served as a basis for 24 stakeholder interviews, which we used to further refine the assessment. Varma employees, members of the Board and representatives of the pensioners, employers and private customers took part in the interviews. The final sustainability topics, which are material to Varma, were approved by Varma’s Executive Group in December and then forwarded to the Audit Committee and Board of Directors for their information.

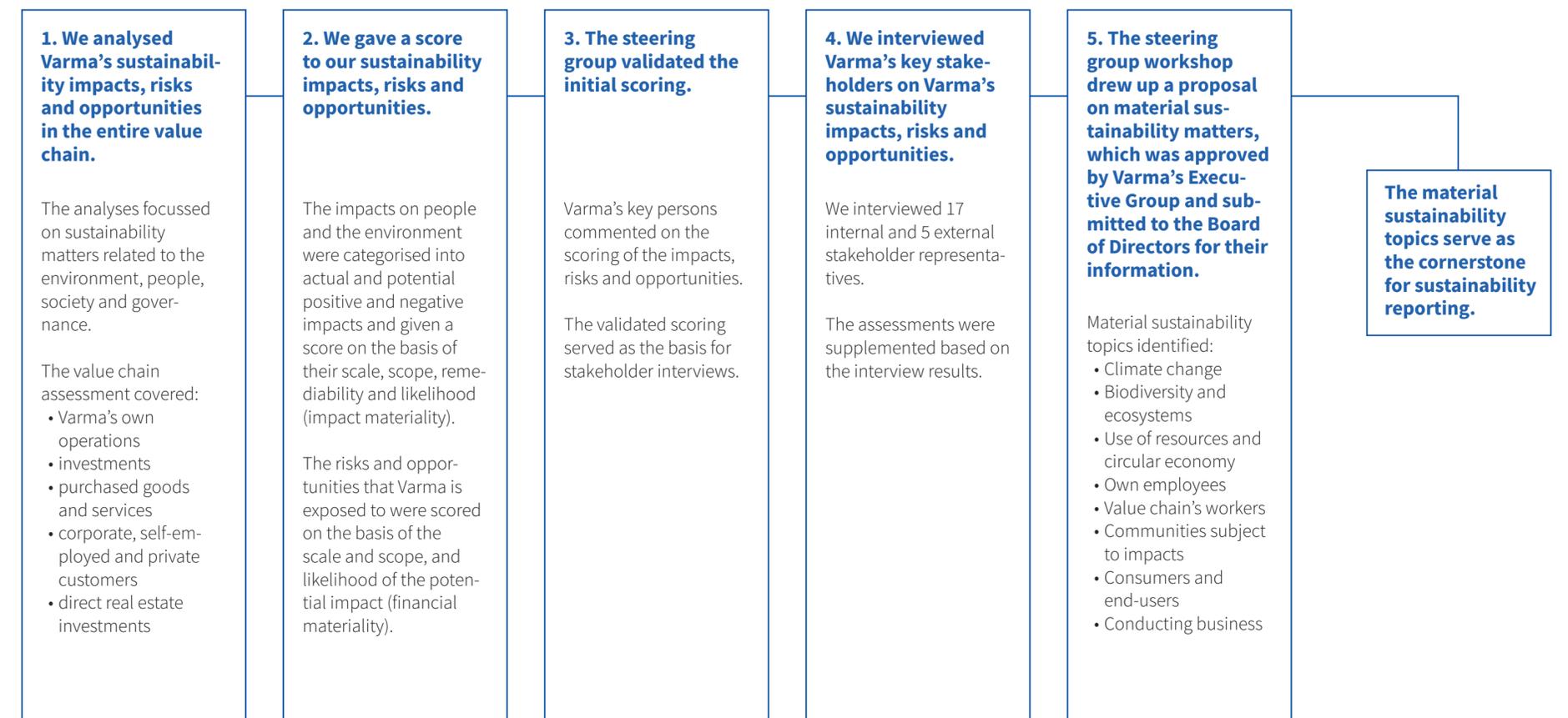
Among the identified material sustainability topics, investments’ climate and human rights impacts and, on the other hand, systemic risks to the investment portfolio caused by climate change and biodiversity loss, as well as risks caused by human rights and good governance violations were highlighted. Material topics in terms of our own operations include the realisation of customer rights, securing income and matters related to conducting sustainable

business. Further material topics that were identified include influencing the climate impacts of our own operations and taking care of the work conditions and equality of our employees. In direct real estate investments, sustainable topics of high importance were environmental impacts related to climate change and resource efficiency and aspects related to the safety of the value chain’s workers and tenants. In terms of purchased goods

and services, their climate impacts, corporate culture and supplier relations are material sustainability topics.

In 2024, we intend to renew our Sustainability Programme on the basis of the double materiality assessment.

**The double materiality assessment process**



# A secure future for everyone

Through our sustainability work, we are building a better world for current and future generations.



## Investing for change

We aim for better returns and reduced risks through responsible investment.



## Ensuring secure pensions

We build trust in pension security and a sustainable future.



## For sustainable working life

We support work ability in a world that's going through incredible change.

# Responsibility in figures



We voted at

**426** general meetings

Fund management companies whose responsibility principles are fully or partially aligned with Varma's principles

**97%**

In 2023, we prepared for the upcoming corporate sustainability reporting through a double materiality assessment. We set emission reduction targets in accordance with the Science Based Targets initiative and looked into our fund management companies' sustainability and investees' readiness to take biodiversity into account.

Contractual suppliers whose human rights risks and environmental sustainability were assessed

**67%**

Those who returned to the labour market after starting a rehabilitation programme

**86%**

Work ability index in the employee survey

**83.7**



Climate allocation of the investment portfolio

**21.9** € bn

Investees in high-risk sectors who have set targets to prevent biodiversity loss

**27%**

Portfolio companies that have set SBTi targets

**37%**

Sustainability objectives 2022–2025 and monitoring

Focus area of the Sustainability Programme	Objective	Key actions and results 2023	Performance 2023	Our impact
 <p>Ensuring secure pensions – sustainability of our own operations and the value chain</p>	Our business is transparent and we communicate openly.	Rating for the openness of communication in T-Media’s MediaBarometer survey 3.05 (scale: 1–4)	Partly realised →	We strengthen confidence in our sustainable operations.
		Rating for the statement ‘Our company’s strategy and future prospects have been well-communicated’ in the PeoplePower® employee survey: 3.45 (scale: 1–4)	Realised ✓	
	Each Varma employee works responsibly and sustainably every day.	The carbon footprint of Varma’s own operations was down 10.5%.	Realised ✓	We operate responsibly and sustainably, and take into account our impact on people and society.
		Data protection and data security are at a high level at Varma, and we use the data in our possession responsibly.	We organised 27 data protection and security trainings for Varma employees. We also arranged continuous automated training on data security awareness for all personnel.	
	Data protection and data security are at a high level at Varma, and we use the data in our possession responsibly.		Varma employees reported 103 data security incidents related to personal data. Of these, 21 concerned minor data security violations under the GDPR. Three cases were reported to the data protection ombudsman.	Realised ✓
		We provide timely, smooth and equal services to all our customers.	Of new pension recipients, 89.2% per cent had their pension paid during the first month of their pension entitlement.	Realised ✓
	Private customers’ customer satisfaction (scale: 1–4):		• Phone service 3.8	Realised ✓
		• Application process 3.6		
	• Digital services 3.4			
	We take into account the impacts of our operations on the environment and society throughout our value chain.	Our science-based emission reduction targets were validated in accordance with the SBTi. Our targets are:	Realised ✓	We reduce our emissions in line with the Paris Agreement and mitigate climate change.
• to reduce the scope 1 and 2 greenhouse gas emissions related to our own operations by 60 per cent by 2030 compared to the 2021 level, and				
• as regards indirect GHG emissions (scope 3), to increase the share of companies committed to the SBT initiative to 51 per cent by 2027 in listed equities, corporate bonds and real estate funds.				
Human rights risks and environmental sustainability assessment of contractual suppliers	Realised ✓			

Sustainability objectives 2022–2025 and monitoring

Focus area of the Sustainability Programme	Objective	Key actions and results 2023	Performance 2023	Our impact
 <p>Investing for change – responsibility in investments</p>	We monitor the human rights risks and impacts of our investments and promote the reduction of negative impacts.	On the basis of norm violation monitoring, we engaged with three investees on the realisation of labour, competition and human rights.	Realised ✓	We identify, address and mitigate human rights risks and their negative impacts.
	Since 2016, we have been committed to aligning our investments and investment process with the Paris Agreement.	Absolute scope 1 and 2 emissions of investments were down 32% compared to 2022	Ongoing ➔	We mitigate climate change and adapt to its impacts.
		Climate allocation of the portfolio rose to 36.8%.	Realised ✓	
	We take biodiversity into account in our investments.	A survey on our investees’ preparedness for attending to biodiversity.	Realised ✓	We mitigate biodiversity loss in our investments.
	We are a responsible real estate investor.	Score of 87/100 in the GRESB real estate sustainability assessment	Realised ✓	We promote addressing environmental and human rights impacts in Finnish real estate.
		CO <sub>2</sub> emission intensity of real estate’s energy consumption down 64% compared to 2015	Ongoing ➔	
		An ESG roadmap for real estate investments to guide our goals and actions in the most material sustainability aspects related to real estate investments	Realised ✓	
	We actively engage with investees.	We voted at 426 general meetings, i.e. 99% of all general meetings.	Ongoing ➔	We promote good ownership practices.
	We engage with our investees’ value chain and the capital markets.	Sustainability survey for fund management companies	Realised ✓	We promote sustainable business. We engage on our own and together with other investors concerning human rights, labour rights, environmental matters and anti-corruption violations of the UN Global Compact principles.
		We actively monitor the amount of financing that banks acting as intermediaries provide to operations that rely on coal, oil and gas.	Ongoing ➔	We further the addressing of the climate impacts of all our operations.

Sustainability objectives 2022–2025 and monitoring

Focus area of the Sustainability Programme	Objective	Key actions and results 2023	Performance 2023	Our impact
 <p>For sustainable working life – social responsibility</p>	<p>We promote work ability and longer careers in our client companies.</p>	<p>Targeting of our disability risk management services to companies with the biggest disability risk (risk categories 2 and 3): 86.6%</p>	<p>Realised ✓</p>	<p>Our client companies' absences due to illness and disability pensions are decreasing.</p>
		<p>Those who returned to the labour market after starting a rehabilitation programme: 86%</p>	<p>Realised ✓</p>	<p>Our customers continue working despite their illness.</p>
	<p>We develop a work culture that is equal, diverse and non-discriminatory, promotes work ability and allows everyone to be themselves.</p>	<p>Gender structure, women/men: Middle management: 39/61% Team leaders: 68/32% Specialists: 70/30%</p>	<p>Partly realised ➔</p>	<p>Engaged and motivated Varma employees take care of our core task and advance Varma's strategy and the achievement of the targets through their work.</p>
		<p>We almost exclusively use anonymous recruiting</p>	<p>Realised ✓</p>	
		<p>PeoplePower® employee survey: PeoplePower index 79.2 (scale 1–100) Work ability index: 83.7 (scale: 1–100)</p>	<p>Realised ✓</p>	

**Sustainability management and governance**

The oversight responsibility for sustainability at Varma is exercised by Varma’s Board of Directors. The Board addresses and approves the guiding principles and policies of sustainability, and the Sustainability Programme. The Board of Directors also discusses responsible investment issues on a monthly basis, current sustainability issues in the annual sustainability review, climate risks on a quarterly basis and sustainability risks as part of the annual risk and solvency assessment. In 2023, the Board of Directors approved Varma’s Supplier Code of Conduct and the sustainability-related targets for the personnel remuneration scheme. The Board’s Nomination and Compensation Committee reviewed the sustainability-related targets for the personnel remuneration scheme, and the Audit Committee reviewed matters related to sustainability reporting.

The Executive Group addresses and approves the high-level sustainability targets annually. Furthermore, Varma’s Executive Group discusses all major projects and decisions relating to the development of sustainability. In 2023, the Executive Group discussed the sustainability matters that require a resolution by the Board of Directors.

The Investment Committee addresses and approves the responsible investment principles and policies that are presented to the Board of Directors. The committee also monitors the investment risks related to responsibility, such as climate change-related risks, and also evaluates violations of international agreements and norms.

Varma’s sustainability is led by the sustainability director, who reports to the CEO. The Sustainability department develops and co-ordinates Varma’s sustainability. The department works in cooperation with Varma’s various functions and their sustainability coordinators, developing sustainability in accordance with external requirements and the Sustainability Programme.

The functions are responsible for implementing sustainability.

The sustainability of Varma’s own operations is closely linked to the compliance function to the extent that, for example, the Code of Conduct stems from legislation applicable to the organisation. The Responsible Investment & Sustainability department and compliance function work in close co-operation and address sustainability topics on a monthly basis together. The Compliance function is an element of internal control. Its task is to ensure that decrees, official regulations, the decisions of governance bodies, and internal guidelines are complied with. The activities are risk-based and focus on information flow, advising, drawing up instructions and organising training. The Compliance Officer reports directly to the President and CEO.

Risks related to responsibility and sustainability are managed as part of Varma’s risk management. A risk co-ordinator, who was appointed to the Sustainability department at the beginning of 2023, is in charge of the assessment and reporting of responsibility and sustainability risks.

**SECURE FUTURE**

**Varma received SBTi’s validation for its science-based emission reduction targets**

**In 2023, Varma received validation for its emission reduction targets, which are based on the Science Based Targets initiative (SBTi), making it Finland’s first and the world’s third pension insurance company to receive this validation.**



The companies that have joined the international SBTi commit to reduce their greenhouse gas emissions in line with the Paris Agreement.

Varma’s SBTi target is to reduce the scope 1 and 2 greenhouse gas emissions related to its own operations by 60 per cent by 2030 compared to the 2021 level.

In terms of indirect greenhouse gas emissions (scope 3), a target has been set for listed equities, corporate bonds and real estate funds. In these asset classes, Varma’s target is to increase the share of companies committed to the SBT initiative to 51 per cent by 2027.

Companies that are part of the initiative set their own short- and long-term targets, which must be validated by the SBTi. Varma’s now-validated targets are short-term targets, and we are also committed to setting long-term targets.

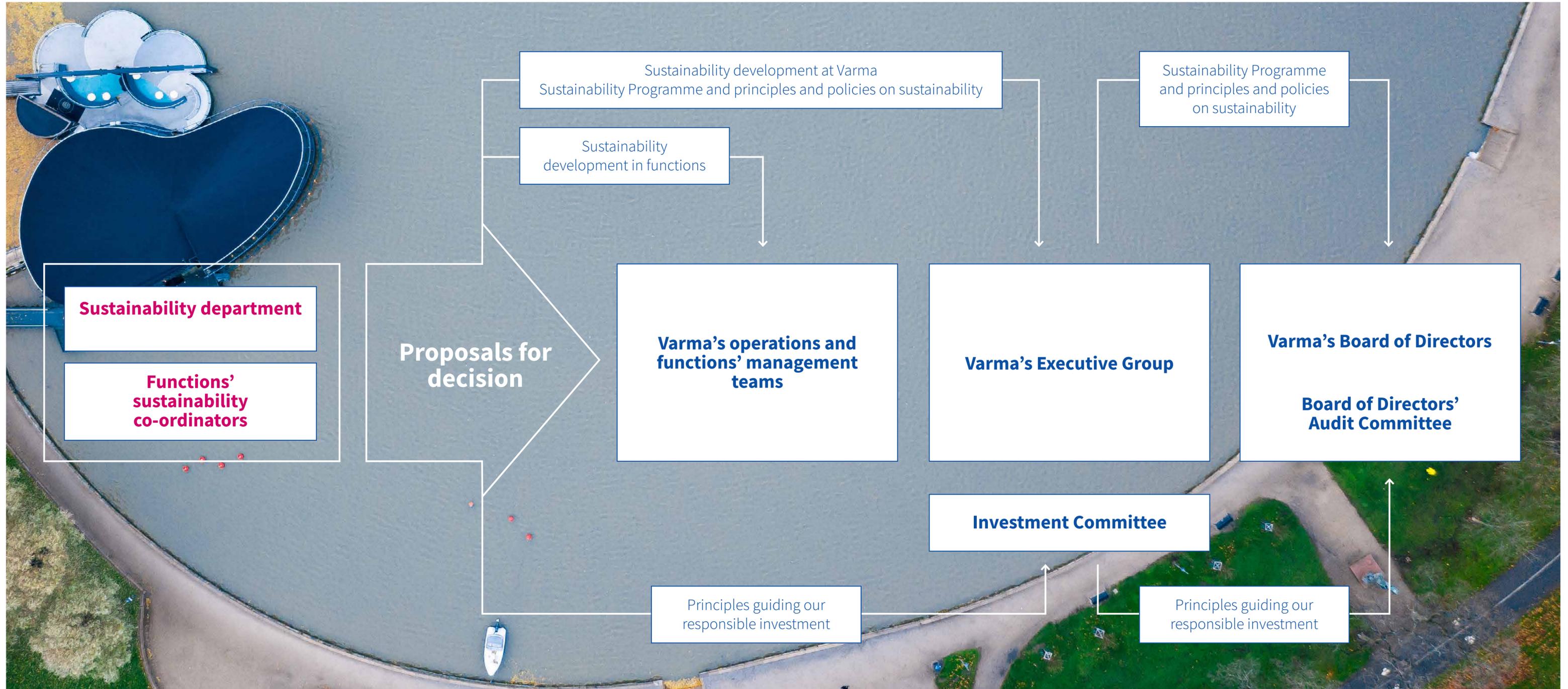
“We joined the initiative to make sure that our climate targets are aligned with international climate agreements. We invest current and future pension assets, which is why it is important to us to operate sustainably for generations to come,” says **Vesa Syrjäläinen**, Development Manager, Responsible Investment.

The Science Based Targets initiative (SBTi) is a joint initiative of the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

**Vesa Syrjäläinen**  
Development  
Manager, Responsible  
Investment



# Sustainability governance



# Ethical and transparent business

**Ethics and transparency guide our operations. Knowing and abiding by common rules is an essential part of responsibility for Varma employees. The transparency of our operations helps strengthen trust in Varma and our earnings-related pension system.**

## Ethical business

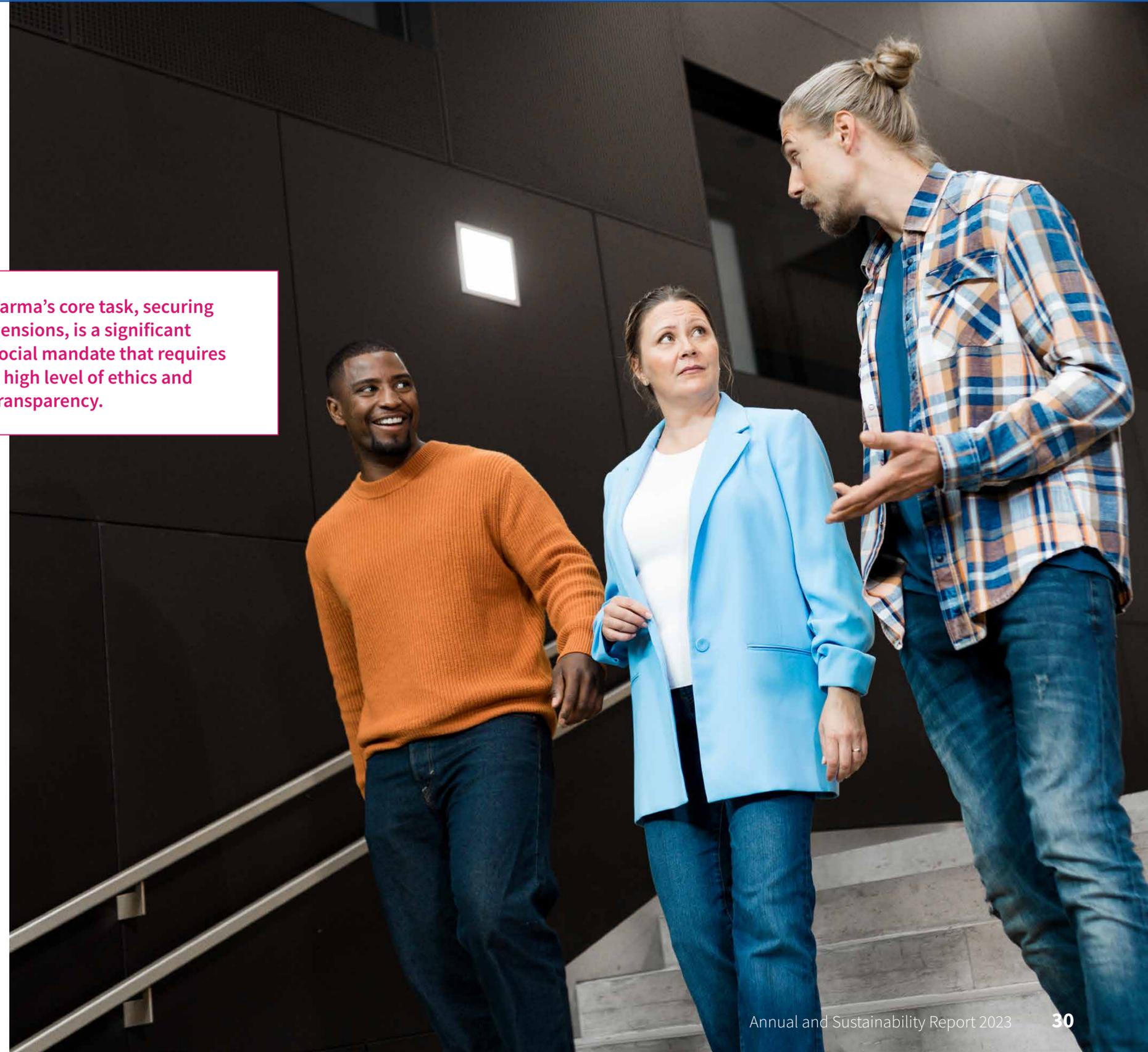
Varma’s core task, securing pensions, is a significant social mandate that requires a high level of ethics and transparency. Varma’s way of operating is described in the company’s [Code of Conduct](#). The purpose of the Code is to guide Varma employees in complying with regulations and behaving responsibly and sustainably. The Code of Conduct is approved by Varma’s Board of Directors.

In the Code of Conduct, Varma commits to good insurance practices, combating the grey economy, anti-corruption and anti-bribery, avoiding conflicts of interest, responsible and sustainable business and promoting human rights, among other things. We are committed to operating in accordance with the UN Guiding Principles on Business and Human Rights, and we expect the same from

our supply chain. In the Code, we encourage Varma employees to raise any suspected unethical or illegal activities and other violations whenever there are grounds for it.

The Code of Conduct is complemented by Varma’s other internal guidelines and instructions, which have been drawn up, for example, to guarantee data security and data protection, to prevent money laundering and to comply with insider regulations. Varma also has a separate [anti-bribery policy](#) in place. Compliance with the policy is monitored through, for example, a gift register that is maintained by the Compliance Officer. A separate [tax policy](#) steers our tax responsibility. In 2023, we prepared ethical principles for the use of AI, which we will publish in 2024. Every Varma employee must abide by our common principles. In case of problems and suspected

Varma’s core task, securing pensions, is a significant social mandate that requires a high level of ethics and transparency.



violations, employees should contact the Compliance Officer.

Varma is an obliged entity as referred to in the Act on Detecting and Preventing Money Laundering and Terrorist Financing. We draw up a regularly updated assessment in order to identify and assess money laundering and terrorist financing risks. Internal guidelines and regular training for Varma employees ensure that we comply with laws and regulations aimed at preventing money laundering and financing terrorism and complying with sanctions regulations and asset-freezing decisions in our operations. Varma is also subject to obligations related to international sanctions that are binding on Finland based on the decisions of the UN Security Council or the Council of the European Union. We also comply with the sanctions of the UK and USA.

We are a participant in the [UN Global Compact corporate responsibility](#) initiative, in line with which we promote human rights, labour rights, environmentally friendly business and anti-corruption. We submit an annual Communication of Progress to the UN.

Varma has a [whistleblowing channel](#) in place for anonymous reporting of misconduct. Behind the whistleblowing channel is an EU directive concerning the reporting of violations, for instance, in public procurements and financial services, and in competition-, bribery- and corruption-related matters. The whistleblowing channel is available both to Varma employees and to external stakeholders. The reports are handled confidentially by an independent whistleblowing team

in accordance with a separately-defined process. In 2023, a total of 15 reports were submitted through the channel. None of these concerned misconduct as referred to in the directive. Four of the reports concerned disability pensions that were possibly granted on false grounds. Individual reports were also submitted relating to, for example, insolvency and rehabilitation matters.

**Tax responsibility**

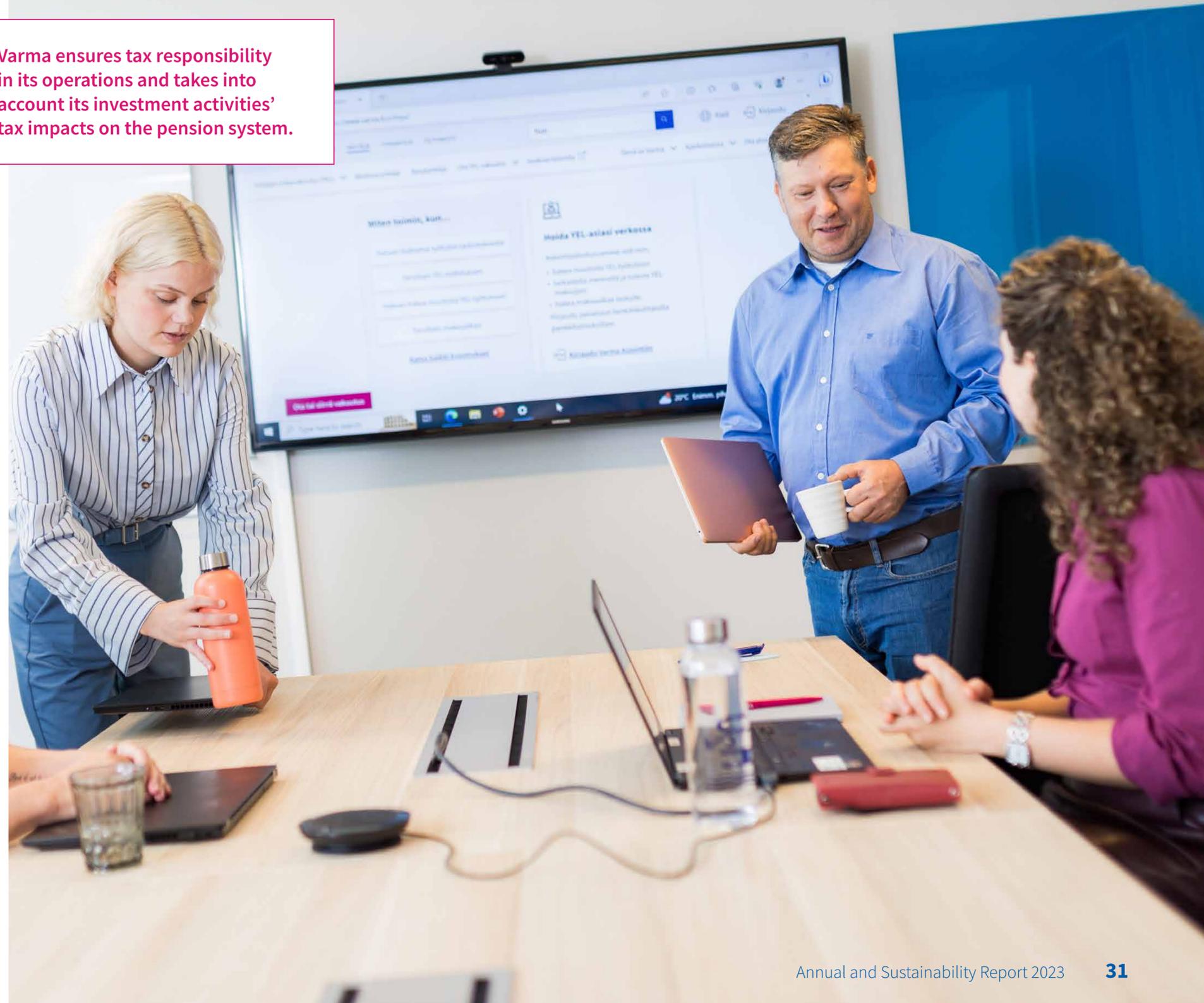
For Varma, tax responsibility means abiding by tax laws and regulations and the company’s own taxation-related principles and promoting tax transparency.

The tax policy defines Varma’s tax strategy and principles according to which tax matters are managed within the company. Varma’s [tax policy](#) is available on the company’s website.

Varma is committed to acting in compliance with tax laws and regulations and rejects actions that, instead of business targets, aim to secure tax advantages contrary to the intention of the legislature. Varma does not engage in aggressive tax planning or partake in investment structures whose purpose is to avoid reporting obligations or make the beneficial owner of the income unidentifiable.

Varma is liable to pay income tax only to Finland, as we provide earnings-related pension insurance only in Finland. In our investments, we comply with the tax laws and international tax rules of the investment country in question. In the absence of clear guidance by tax laws or regulations, our leading principles are prudence and tax transparency.

**Varma ensures tax responsibility in its operations and takes into account its investment activities’ tax impacts on the pension system.**



Our principle is to avoid double taxation on investment returns, which would lead to lower investment returns and create pressure to raise pension contributions. Avoiding double taxation is also a basic principle of international tax regulation.

Varma closely monitors, e.g. the EU list of non-cooperative jurisdictions (i.e. the EU's blacklist), and Varma does not invest in countries that are on the list or in investees situated in low-tax rate countries. Investments are made through larger and known funds which may also be situated in low-tax rate countries. We do not make this choice for tax reasons, but instead for the options that are offered internationally to institutional investors.

Varma's approach is also that the tax domicile of the funds commits to an exchange of tax information between authorities. We also require that the fund management companies used by Varma take care of reporting and the payment of taxes in the countries in which business activities are pursued.

Varma supports projects that aim to promote both international tax regulation and global reporting standards and also encourages its investee companies to comply with such regulations in their own operations.

Varma's Executive Group and the Board of Director's Audit Committee regularly discuss Varma's taxation matters in order to ensure the implementation of the tax policy and compliance with regulations.

**Global tax transparency**

Varma adheres to the disclosure obligation in accordance with the 6th Amendment of the Directive on Administrative Cooperation (DAC6). The law (act on reportable arrangements in the field of taxation, 1559/2019) that is based on the directive took effect in 2020, and Varma has had nothing to report since then.

Since 2020, Varma's investment activities have also been regulated by the act on certain cross-border hybrid arrangements (1567/2019). In accordance with the hybrid regulation, Varma aims to prevent under-taxation caused by differences in tax treatment. Since the hybrid regulation took effect, Varma has not identified any hybrid arrangements that would need to be reported under Finnish taxation.

Varma monitors the progress and impact of the Anti-Tax Avoidance Directive III (ATAD III) on its investment activities. If necessary, Varma will adjust its ways of operating as regards regulatory tax due diligence requirements.

**Varma's tax footprint**

Our tax footprint is made up of, in addition to our operations, the taxes paid by the real estate subsidiaries we invest in. In 2023, Varma paid out pensions in the amount of EUR 7.1 (6.5) billion, and of this amount, Varma paid EUR 1.6 (1.5) billion to the tax authorities as withholding tax.

We paid EUR 15.1 (13.4) million in withholding tax on our employees' salaries. In 2023, Varma paid EUR 0.6 (0.5) million in transfer

tax, EUR 12.6 (12.3) million in real estate tax for plots and buildings, and EUR 6.0 (6.8) million in tax at source for foreign dividend income. Hidden VAT included in operating expenses totalled EUR 12.4 (11.2) million. These are taxes that Varma has paid on its purchases without being able to fully deduct VAT on them because an earnings-related pension company's business is mainly exempt from VAT.

**Respect for human rights**

Varma is committed to respecting human rights and operating in accordance with the United Nations Guiding Principles on Business and Human Rights. The Principles include human rights due diligence, which means that companies must identify, prevent and alleviate the negative human rights impacts of their operations and address them. According to our 2022 human rights assessment, Varma's operations have a key impact on the realisation of human rights with respect to three groups: the company's investees, personnel and supply chain.

In addition to the [Code of Conduct](#), our human rights work is steered by the Principles [for Responsible Investment](#), [Active Ownership and Engagement Principles](#), and [Principles for Human Rights](#). Our human rights efforts are also reinforced by our participation in the [UN Global Compact initiative](#).

Work on human rights is carried out in different parts of Varma, especially in the Sustainability department and compliance function, and in tasks related to supply chains.

**Responsible supply chain management**

In order to ensure sustainability in its supply chain, Varma requires its partners to commit to [Varma's Supplier Code of Conduct](#).

Varma expects its direct service providers to commit to the Supplier Code of Conduct. Direct service providers are responsible for their own supply chain, and they are obligated to ensure that Varma's principles are abided by in their own operations. The Supplier Code of Conduct covers, among other things, compliance with regulations, human rights and labour rights, occupational safety and health, and respect for the environment. It also includes a notification requirement concerning Code violations and permission for audits performed by Varma. The Supplier Code of Conduct is attached to Varma's supplier contracts.

Varma has a harmonised contract management system and guidelines for contract and procurement processes in place. This helps us ensure that the Supplier Code of Conduct is taken into account in our contracts.

Read more about the sustainability of our supply chain in the section [Sustainability of our own operations and the value chain](#).

**Varma's Compliance function**

Through our Compliance function, we ensure adherence to regulations, the Code of Conduct and other guidelines, and prevent compliance risks from materialising at Varma. The Compliance Officer reports to the CEO and Board of Directors.

Compliance is promoted through the use of online courses, which every Varma employee is expected to complete. Varma employees take the data protection and data security course annually and the Code of Conduct training every two years. The completion rate is monitored and reported, for example, to the Board of Directors. In 2023, the online course on data protection and data security was completed by 100 per cent of Varma employees. The online course on the Code of Conduct, which was last organised in 2022, was completed by 92 per cent of Varma employees. The course will take place again in 2024.

**Data protection and data security**

The data security measures implemented at Varma support the company's core task, i.e. securing pensions. Varma processes the personal information of the insured, pensioners, rehabilitees and lessees, among others.

We attend to the data protection of our private customers by ensuring that the processing of personal data fully conforms to laws and other rules and regulations. As a Controller, Varma is also responsible for its suppliers' compliance. Varma's data protection organisation and employees handling personal data work according to the data protection principles approved by the Board of Directors and the guidelines based on them. Data security measures are in place to protect personal data and the income data of the insured, as well as Varma's services, business operations and trade secrets, and the trade secrets of client companies. The

targets, responsibilities and means of data security management are defined in Varma’s data security policy. A [summary](#) of the policy is available on our website.

Data security management at Varma consists of planning based on the assessment of data security risks, measures that improve data security, reviewing and monitoring the level of data security, and the continuous improvement of data security practices. In 2023, we arranged 27 training events, one of which is an annual online course on data protection and data security for all employees. We also arranged continuous automated training on data security awareness for all personnel.

The EU’s general data protection regulation (GDPR) requires that Varma as a controller identifies data security threats and is able to take preventive measures. In 2023, Varma employees reported 103 data security events related to personal data. Of these, 21 concerned minor data security violations under the GDPR. Three cases were reported to the data protection ombudsman. We maintain on our website [descriptions](#) of the processing of personal data at Varma as required by the GDPR.

**Transparent operations and open communication**

Transparent operations and open communication are among the premises of our sustainability programme. The transparency of our operations helps strengthen trust in Varma and our earnings-related pension system.

Varma is a major influencer on the economic, socio-political and business scene. We have a wealth of knowledge of, competence in and insight into important societal themes, and we strive for open dialogue.

We want to be a bold leader in communication. This means, among other things, that Varma’s specialists boldly express their views and start a dialogue on social themes that are important to us.

**Open communication in practice**

We report quarterly on the development of our responsible operations as part of our financial reporting. We also take into account the statutory requirements concerning the reporting of non-financial and diversity data and publish a report on non-financial data as part of the Report of the Board of Directors. In 2023, we prepared for the upcoming corporate sustainability reporting directive (CSRD). Our reporting on climate risk management is based on the Task Force on Climate-related Financial Disclosures (TCFD) framework and our reporting on attending to biodiversity is adapted according to the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

We communicate openly also, for example, about our sponsorship practices, which are steered by our sponsorship and charitable donation guidelines. Sponsorship should contribute to achieving our strategic goals, and we focus mainly on long-term co-operation. Varma does not grant financial support to political parties. We provide more detailed

information on our [sponsorship and charitable donation principles](#) on our website.

Securing pensions is a responsibility that is based on trust. Protecting our good reputation is important to us, and we strive to continuously improve our responsible operations and strengthen trust in Varma.

We monitor the development of our reputation in T-Media’s annual Reputation & Trust survey, which comprehensively measures the reputation of organisations operating in Finland. According to the summer 2023 survey results, Varma’s reputation is at a good level, with a rating of 3.39 (3.50) on a scale of 1 to 5. Varma obtained the best results in the areas of financial performance, leadership and the company as an employer. Our rating for responsibility was 3.32 (3.54). A total of 11,173 people took part in the survey, with 309 respondents giving a more detailed assessment of Varma.

The media’s views on Varma’s communication are monitored annually in T-Media’s MediaBarometer survey. In 2023, Varma achieved the best results in approachability (3.68) and expertise (3.60), on a scale of 1–4. The score for the openness of communication was 3.05. Varma was assessed by 20 media representatives.

**Accessibility of Varma’s online services**

The Act on the Provision of Digital Services obliges both the public sector and earnings-related pension companies to comply with the accessibility requirements in their digital services. The Act is applied to Varma’s



**Varma’s reputation is at a good level according to T-Media’s Reputation & Trust survey.**

statutory earnings-related pension insurance services, i.e. the [public pages of varma.fi](#) and the Varma Online Service. The act is based on the EU’s Web Accessibility Directive, and its purpose is to guarantee everyone equal opportunities to use digital services.

Although our digital services largely fulfil the accessibility requirements and do not contain critical accessibility deficiencies, we continue to develop their accessibility.

In our [accessibility statements](#), we provide information on, among other things, the state of accessibility of our online services and how everyone can give feedback on accessibility deficiencies they have observed in our digital services.

**Stakeholder co-operation and sustainability networks**

As a major Finnish earnings-related pension provider, investor and working life expert, Varma has wide-ranging insight into the economy and Finnish society. This is why we want to engage in open dialogue with different stakeholder groups.

Our main stakeholders are customers, personnel, members of Varma’s governance bodies, authorities and decision-makers, our investees, labour market organisations, sector organisations, other earnings-related pension providers, non-governmental organisations and the media. Our statutory task, securing pensions, naturally helps to define our main stakeholders; as does the fact that Varma is a mutual company, owned by its customers.

We promote open societal interaction and we listen to our customers and other stakeholders. The achievement of these targets is supported by Varma’s five Consultative Committees: the Consultative Committees for pension affairs, pensioners, self-employed persons, employers and the insured. An up-to-date [list of the members of the consultative committees](#) is available on our website.

Varma also has in place a customer panel consisting of private customers. The panel provides our customers an opportunity to influence our services. Customers can sign up for the panel in the Varma Online Service.

We engage in advocacy through memberships on the board of directors of the Finnish Pension Alliance TELA and in various working groups. We are also active on the board of directors and working groups of the Finnish Centre for Pensions, a co-operation body for the earnings-related pensions sector.

Varma’s channels for interaction also include meetings with customers and other groups, media events, seminars, customer events, webinars, the website, chat, social media and publications.

In 2023, global turmoil continued, which was reflected in the themes that interested our stakeholders. Dialogue with our stakeholders covered topics such as geopolitical tensions and the global economic situation, and their impacts on the earnings-related pension system. Our stakeholders were also interested in work ability themes, such as mental health challenges and partial work ability, equality

**In 2023, global turmoil continued, which was reflected in the themes that interested our stakeholders.**

and diversity at workplaces and the reform of the pension system.

We are involved in different networks of responsible business, such as the [Finnish corporate responsibility network FIBS](#) and Finland’s Sustainable Investment Forum [Finsif](#). Read more about sustainability-related networks and initiatives in which Varma is involved in the section [Responsible investment](#).

For Varma, it is important to promote an equal and diverse working life. In 2023, Varma was an official partner of [Helsinki Pride](#) for the fifth consecutive year. We participated in the Pride Week parade and official events organised during the week, and organised a Pride party of our own.

In 2023, we joined the [Peace of Mind network](#), which was established by the labour market organisations, companies and operators in the mental health sector to increase awareness of mental health at workplaces.

**Interest organisations’ membership fees**

	<b>2023</b>
Finance Finland	417,214
Finnish Pension Alliance TELA	666,420
Climate Leadership Coalition	11,000
Directors’ Institute Finland	10,000
FINSIF – Finland’s Sustainable Investment Forum	2,000
Green Building Council Finland	5,590
Helsinki Region Chamber of Commerce	3,300
Finland Chamber of Commerce	750
Finnish Property Owners Rakli	16,780
Suomen Taloushallintoliitto ry	2,500





# Ensuring secure pensions

**Taking care of pension assets and paying pensions correctly and on time are the cornerstones of everything we do. We take into account the impacts of our operations on the environment and society throughout our value chain.**



# Strong solvency secures pensions

**Responsibility for pensions extends well into the future. Our task is to strive for the best possible return on our investments through controlled risk-taking in order to increase Finns' pensions assets and secure the payment of pensions. Strong solvency upholds confidence in pension cover and mitigates the most severe pressure to increase pension contributions.**

**Thanks to Varma's solvency and active risk management, the company is well-prepared to secure pensions also when uncertainty in the investment markets increases.**

Strong solvency acts as a risk buffer for investment activities and enables Varma to aim for higher returns on pension assets by making higher-risk investments with a higher return potential, for instance through equities.

Thanks to Varma's strong solvency and active risk management, the company is well-prepared to secure pensions also when uncertainty in the investment markets increases.

### **Economic growth and employment as pillars of the pension system**

In addition to pension companies' investment returns, the pension system is supported by economic growth and the development of employment in Finland. In order to secure

pension payments well into the future, the employment rate must remain high. Only companies that employ and are viable and people who are in working life pay pension contributions, which are used to pay current and future pensions.

The majority of pension contributions are used to pay the pensions for that year, but part of them are set aside in funds for future pensions. This is why the development of premium income plays an important role in securing pensions.

In the long term, the sustainability of the pension system is also influenced by the age distribution in Finland. We need employment in order to keep the system balanced.

15 largest direct equity investments

	€ million	Varma's holding of shares, %
Sampo Plc	879.8	4.43
Nordea Bank Abp	448.9	1.10
Neste Corporation	422.3	1.70
Wärtsilä Corporation	416.3	5.37
Tornator Oyj	357.0	16.41
Apple Inc	298.9	0.01
UPM-Kymmene Corporation	292.6	1.61
KONE Corporation	285.0	1.19
Microsoft Corp	275.5	0.01
Nokia Corporation	245.0	1.43
Kojamo Plc	230.4	7.83
Amazon.com Inc	222.7	0.02
Metso Corporation	221.3	2.91
Fortum Corporation	204.9	1.75
Valmet Corporation	202.9	4.22

Our task is to strive for the best possible return on our investments through controlled risk-taking in order to increase Finns' pensions assets and secure the payment of pensions.

Varma's premium income stood at EUR 6.5 (6.1) billion in 2023. The TyEL payroll of employer customers insured by Varma increased by 5.2 per cent from the previous year. EUR 77.2 (59) million in new TyEL policies were sold, and in the 2023 account transfers, EUR 21.2 (35) million in net TyEL income was transferred from Varma to other earnings-related pension companies.

Earnings-related pension is an essential part of Finnish social security. In 2023, Varma paid EUR 7.1 (6.5) billion in pensions to approximately 350,000 (352,000) recipients.

Broad diversification safeguards investments

Varma's investment assets are broadly diversified across asset classes and continents. Diversification provides the investment assets with the best protection also when changes take place in the market environment. Geographically, we have made the biggest investments in North America, which accounts for 37 per cent of our portfolio, equalling EUR 22.5 billion.

Nevertheless, we remain an important investor in Finland and, through our investments, we facilitate Finnish companies' long-term growth. Varma invests in companies' shares and provides financing through different loan instruments. Varma also owns real property.

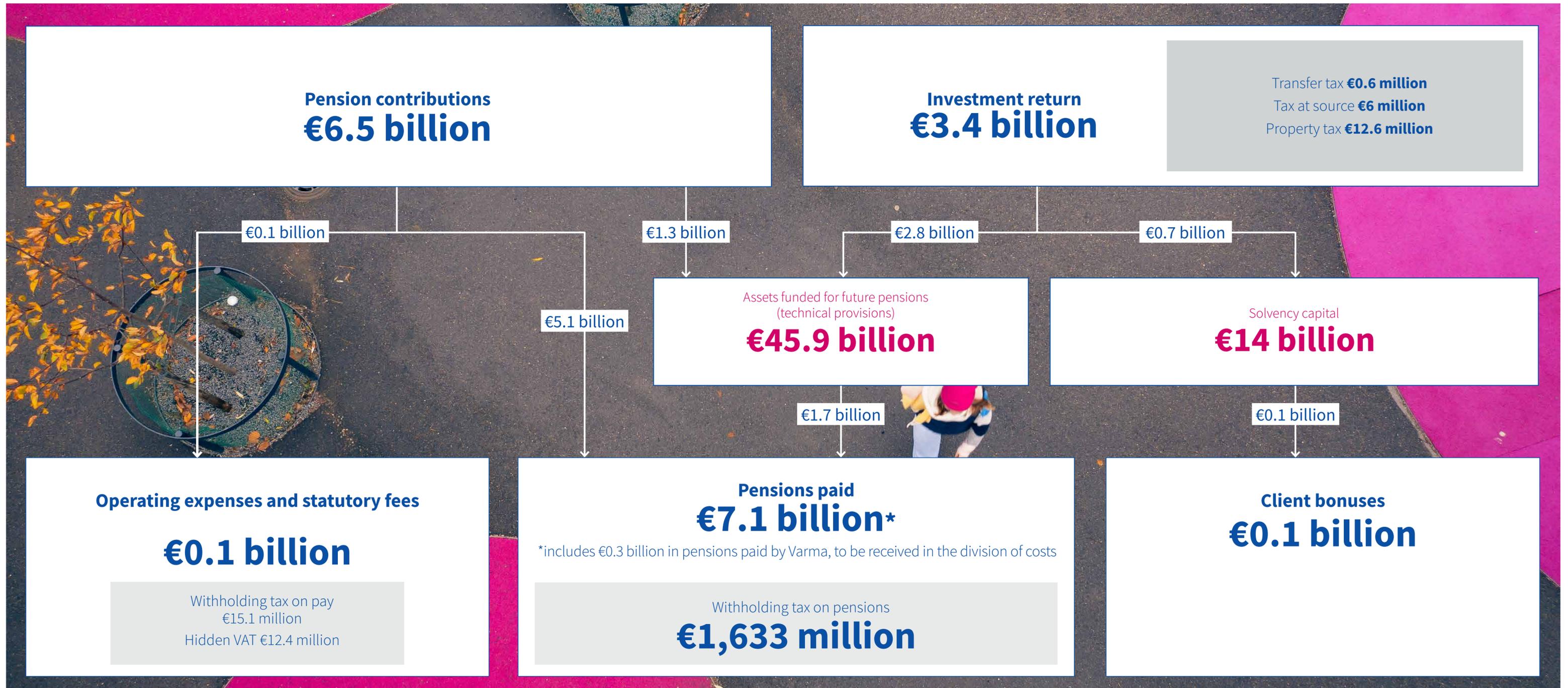
At the end of 2023, 20 (23) per cent, or EUR 12.0 (13.4) billion, of Varma's investments were invested in Finnish society in one form or another. We report on our financial performance quarterly, and the [most recent financial information](#) is available on our website.

Varma's investment assets are broadly diversified across asset classes and continents.

Solvency capital



# Varma's cash flows from pension contributions and investment returns



# Correct pensions on time

Smooth implementation of pension cover is our core task and a key part of our sustainable operations.

We aim to provide our pension and rehabilitation customers with expert advice and sufficient information in support of their decisions, as well as swift and correct pension and rehabilitation decisions.

Applying for a pension is a major moment in life, and it should go smoothly. It is important for our customers that we process their pension applications swiftly and with no interruptions to their income. Accordingly, a key target for Varma is to ensure the high quality of our pension services.

We paid out pensions in the amount of EUR 7.1 (6.5) billion to 350,500 (352,200) people in 2023. New pension decisions amounted to 24,800 (28,500). New pension decisions decreased by 12.8 per cent from 2022. The change is due to a decrease in the number of applications for old-age pension and partial old-age pension. In 2023, the minimum old-age retirement age was 64 years 3 months, which means that not all those who turned 64 reached the age limit. Partial old-age pension applications declined from the previous year's record level, which was caused by the highest-ever index increase in pensions.

## We process pension applications swiftly

We constantly improve our services for private customers to make applying for a pension as easy and smooth as possible and to make sure they receive a decision on their pension as quickly as possible.

In 2023, applicants received an old-age pension decision from Varma in 3 (5) days on average. A decision can be received in just one day if all the required information is submitted with the application. Varma's average processing time for all pension benefit applications was 15 (16) days, which is around 5 days shorter than the average processing time in other earnings-related pension companies.

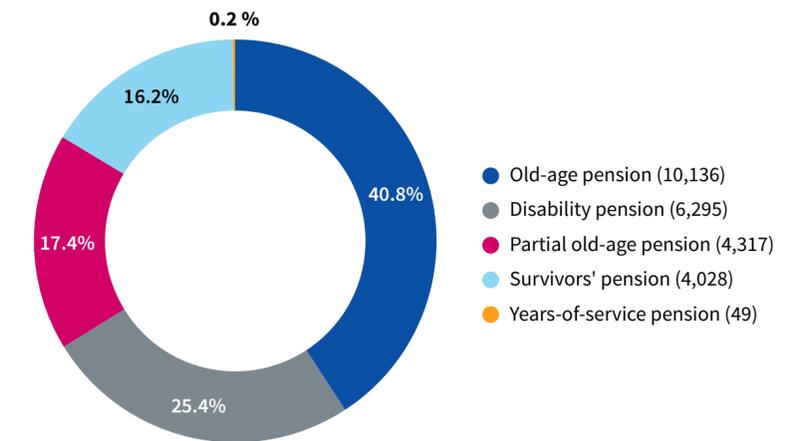
The smooth processing of pensions is based on our specialists' competence, a fine-tuned process, efficient IT systems and the use of automation and software robotics. Processing is also accelerated by the fact that most of our customers apply for a pension digitally. In 2023, Varma received 83 (83) per cent of all old-age pension applications digitally.

Pension applications are processed on average in 15 days.

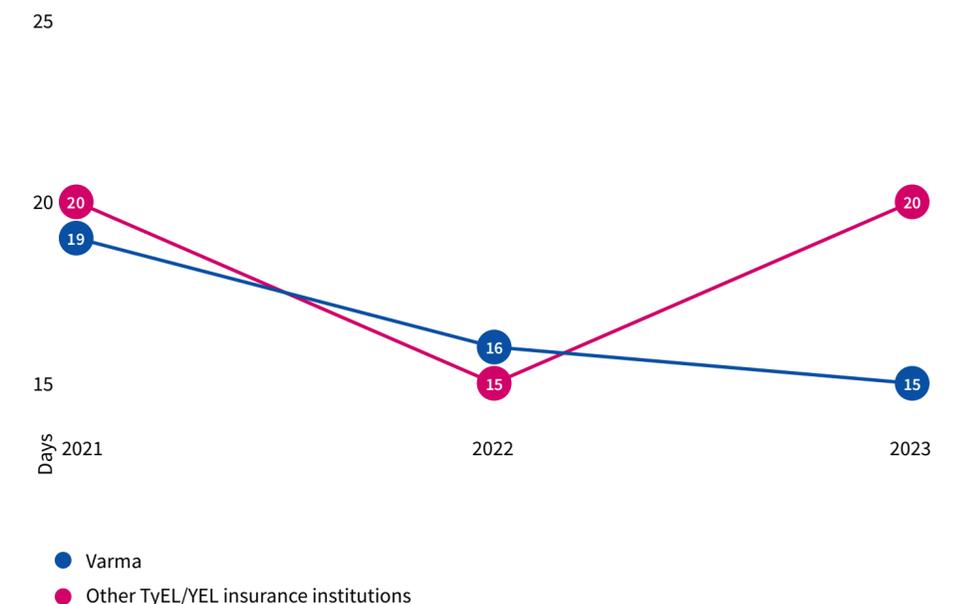
3 days

We issue old-age pension decisions in an average of 3 days.

## New pension decisions by pension benefit



## Pension application processing time in days



# Customer service

**We provide high-quality, smooth and equal services to all our customers.**

## **All insurance and pension matters can be handled digitally**

Varma’s private and corporate customers have a wide range of online services for different needs at their disposal.

The [varma.fi](https://www.varma.fi) website, which takes different customer groups into account individually, provides users with smooth and people-centred service – from information searches to solving problems and buying pension insurance. In the Varma Online Service, our customers can take care of their insurance and pension matters securely. With the help of the Varma Online Service’s work ability section, our client companies can build a smooth process for managing disability risk, from identifying risks to choosing and implementing improvement measures and following their impacts. For further information on the website’s work ability section services, please see the report section [Disability risk management](#).

We offer all pension applications in digital format. Our pension and rehabilitation customers can choose the e-customer option, which allows them to check their pension or rehabilitation decision in the Varma Online Service. The customer receives a free SMS notification when documents have arrived in the service.

Through the Varma Online Service, our customers can access their pension records and see up-to-date information on the accrual of their earnings-related pension. Customers who have not opted to use this service receive the record by post every three years. Our pensioners can download their electronic employee pension card to their smartphone or tablet via the Varma Online Service. The employee pension card serves as proof of retirement and entitles the holder to pensioner discounts.

Our rehabilitation customers have a digital service at their disposal. The service starts with steering an employee who is experiencing work ability problems to apply for rehabilitation, and it covers the entire path until the end of the rehabilitation. Our rehabilitation partners in different parts of Finland help draw up a rehabilitation plan after the customer has received a positive rehabilitation decision from us.

Our employer and entrepreneur customers can take care of all their insurance matters online. The clear and straightforward service guides the user and provides a secure channel for taking out TyEL and YEL insurance.

Entrepreneurs must take out YEL insurance when they work as an entrepreneur to the extent that the value of their annual work

input exceeds the minimum limit for YEL income (EUR 8,575.45 in 2023). YEL income refers to the monetary value of the entrepreneur’s work input. The entrepreneur’s pension accrual and other social security and insurance contributions are based on their YEL income. On our website, we have a YEL income calculator, which helps entrepreneurs determine the correct amount of YEL income right from the start of their entrepreneurial activities. The YEL income calculator gives a recommendation on the amount of YEL income, which is based on the median salary in the sector and the company’s turnover. The calculator and included information are based on the instructions and data provided to the earnings-related pension companies by the Finnish Centre for Pensions.

**In the Varma Online Service, our customers can take care of their insurance and pension matters securely.**



The entrepreneur gives their own income estimate in the YEL insurance application, and we confirm the individual income by considering the entrepreneur's own estimate and the income recommendation in accordance with the Finnish Centre for Pensions' guidelines. In addition to turnover and sector, the determination takes into account other elements, such as the amount of work put in. At the beginning of 2023, the Self-Employed Persons' Pensions Act (YEL) was changed to clarify how YEL income is determined. YEL income is confirmed on the basis of an overall assessment, and its level is monitored and reviewed regularly. To find out more about the YEL income review, read the case story.

TyEL insurance is statutory insurance that an employer takes out for their employees. On the basis of earnings data submitted to the Incomes Register by employers, Varma determines the TyEL insurance contributions of its client companies and the accrued earnings-related pensions of the insured employees. The Incomes Register is maintained by the Finnish Tax Administration.

The Varma Online Service includes a broad range of tools that provide detailed and almost real-time information on TyEL contributions. You can view the total amount of monthly salaries subject to the TyEL contribution that have been reported via the Incomes Register. Our contribution forecast service can be used to track the current year's budget and to estimate the TyEL contributions for the rest of the year and the next year. The Varma Online Service supports accounting by allowing you to easily

retrieve information on TyEL contributions and invoicing for reconciliations or financial statements. We also offer an online service specifically for accounting firms to make it easier for them to handle their customers' pension insurance matters.

The requirements of the European web accessibility directive apply to online earnings-related pension insurance services. Our services largely fulfil the accessibility requirements and do not contain critical accessibility deficiencies.

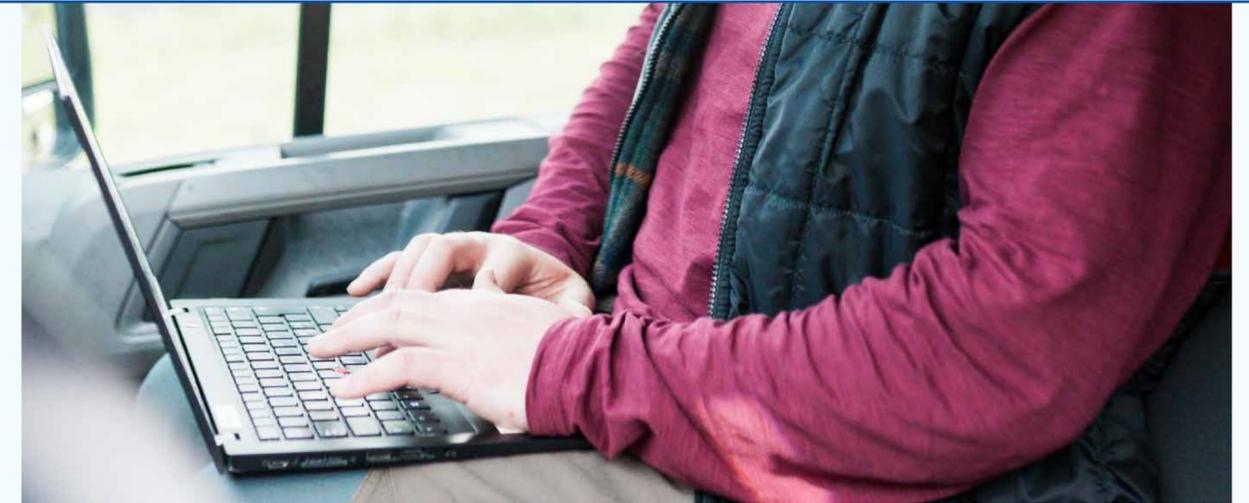
In addition to comprehensive digital services, we also offer more specific advice by phone and chat. Our chatbot Helmi assists our customers in questions related to pensions, rehabilitation and insurance. In 2023, Helmi had 18,500 chat conversations and independently handled 91 per cent of those without the need to transfer the conversation to customer service personnel.

We also organise events related to insurance, work ability management and pension cover. In 2023, around 19,800 of our customers and people interested in these themes enrolled in our events.

**SECURE FUTURE**

**Varma reviewed the YEL incomes of 12,000 self-employed persons – the average increase in income was EUR 3,870**

**At the beginning of 2023, the Self-Employed Persons' Pensions Act (YEL) was changed with the aim of improving entrepreneurs' social and pension security. The biggest change is the obligation imposed on earnings-related pension companies to check entrepreneurs' YEL income every three years.**



The purpose of the change is to make sure that entrepreneurs' income level is kept up to date and, for example, that the often low income of new entrepreneurs does not remain at a level that is too low as their business grows. A self-employed person's insurance contribution, pension accrual and other social security benefits are calculated based on the income confirmed under YEL insurance.

In 2023, earnings-related pension companies reviewed the income of self-employed customers whose annual income was less than EUR 15,000. For Varma, that meant 12,000 entrepreneurs. The review resulted in an average increase of EUR 3,870 in YEL income.

"At Varma, the first year of YEL income reviews went as planned. The legislative amendment entailed creating a new process, and we wanted to make it as easy and simple as possible for our customers. Our customers understood the need for the reviews," says Insurance Services Director **Riikka Nivus**.

We informed entrepreneurs whose YEL income matched the value of their work input that a review was conducted and their YEL

income was not changed. Fifteen per cent of the entrepreneurs subject to a review received that notice. If the review determined that the entrepreneur's YEL income did not match the value of their work input, the entrepreneur received a proposal for a new level of YEL income. Ten per cent of entrepreneurs objected to our YEL income proposal and provided an explanation of the factors affecting the value of their work input, as well as their opinion of their income level. Entrepreneurs who received a decision concerning changing their YEL income could appeal the decision, which a small number of entrepreneurs did.

In 2024, we will review the incomes of self-employed people whose income is between EUR 15,000 and 25,000. This group includes 8,000 customers. At the same time, Varma will make its method easier and more customer-friendly.

**Riikka Nivus**  
Insurance Services  
Director



**We comprehensively measure customer satisfaction**

We track the customer satisfaction of both our client companies and private customers. We collect customer feedback on our customer service in various channels and on customer meetings and the processing of pension and rehabilitation applications. Customer satisfaction was at a good level in 2023. The best rating, 3.8 on a scale of 1–4, was given to the phone service for pension and rehabilitation customers, and customer care and work ability management meetings. For more information on customer satisfaction, please see the [attached tables](#). We use the feedback to develop our services.

Private customers can influence our service development as part of a customer panel. Customers can sign up for the panel in the Varma Online Service. In 2023, we interviewed members of the customer panel as part of the work to develop our website content and sustainability.

**Our clients benefit from our strong solvency**

The annual client bonus lowers employers' TyEL insurance contributions. The client bonus is determined by how solvent Varma has been. The client-specific bonus is also affected by the TyEL payroll insured with Varma and the client's insurance history at Varma.

Prior to 2023, the pension insurance company's efficiency also affected the client bonus. At the beginning of 2023, changes to

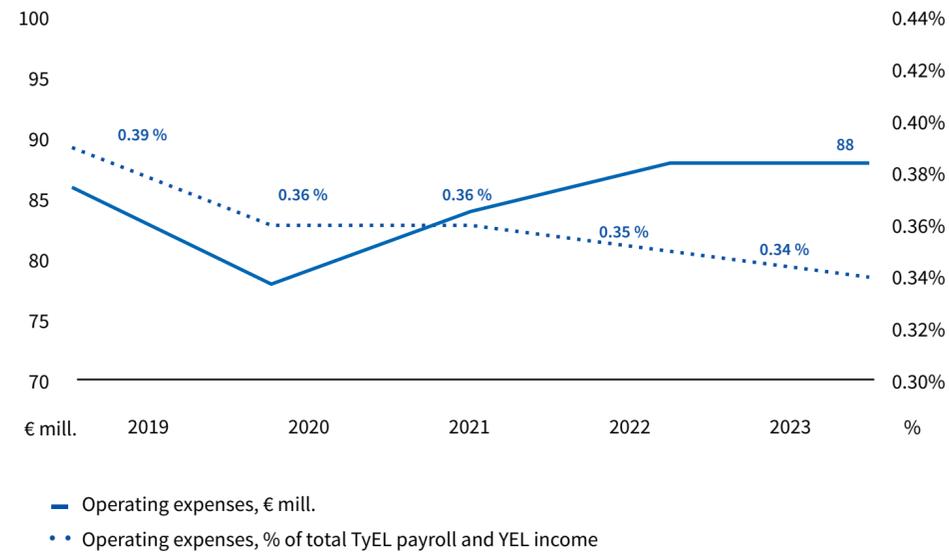
TyEL contribution legislation took effect. The change eliminated the part of the client bonus that is based on the pension company's operational efficiency, as each pension company will predetermine the expense loading component that is part of the TyEL contribution to correspond as closely as possible to its actual operating costs.

Varma's strong solvency ensures competitive client bonuses. As client bonuses, we will pay one per cent of our solvency capital. Varma will transfer a total of EUR 142 (173) million to client bonuses for 2023. The transfer represents roughly 0.6 (0.7) per cent of the payroll of the TyEL insured.

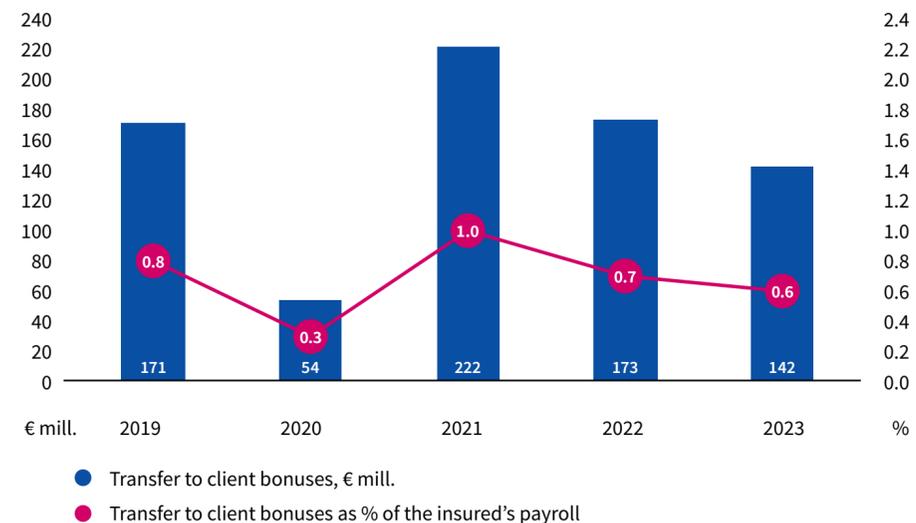
**We encourage companies to grow**

We support SMEs' growth platform and their leap to international growth. In this way, we want to contribute to the positive development of employment, which promotes the sustainability of the pension system. We collaborate with the Finnish Enterprise Agencies, Kasvu Open and Kasvuryhmä (Growth Collective Finland). The Finnish Enterprise Agencies promote the creation of sustainable businesses by offering free business counselling. Kasvu Open helps SMEs prepare for nationwide growth. Growth Collective Finland supports the peer work of mid-sized companies and their preparation for a strong period of growth and internationalisation.

**Efficiency (Operating expenses of total TyEL payroll and YEL income)**

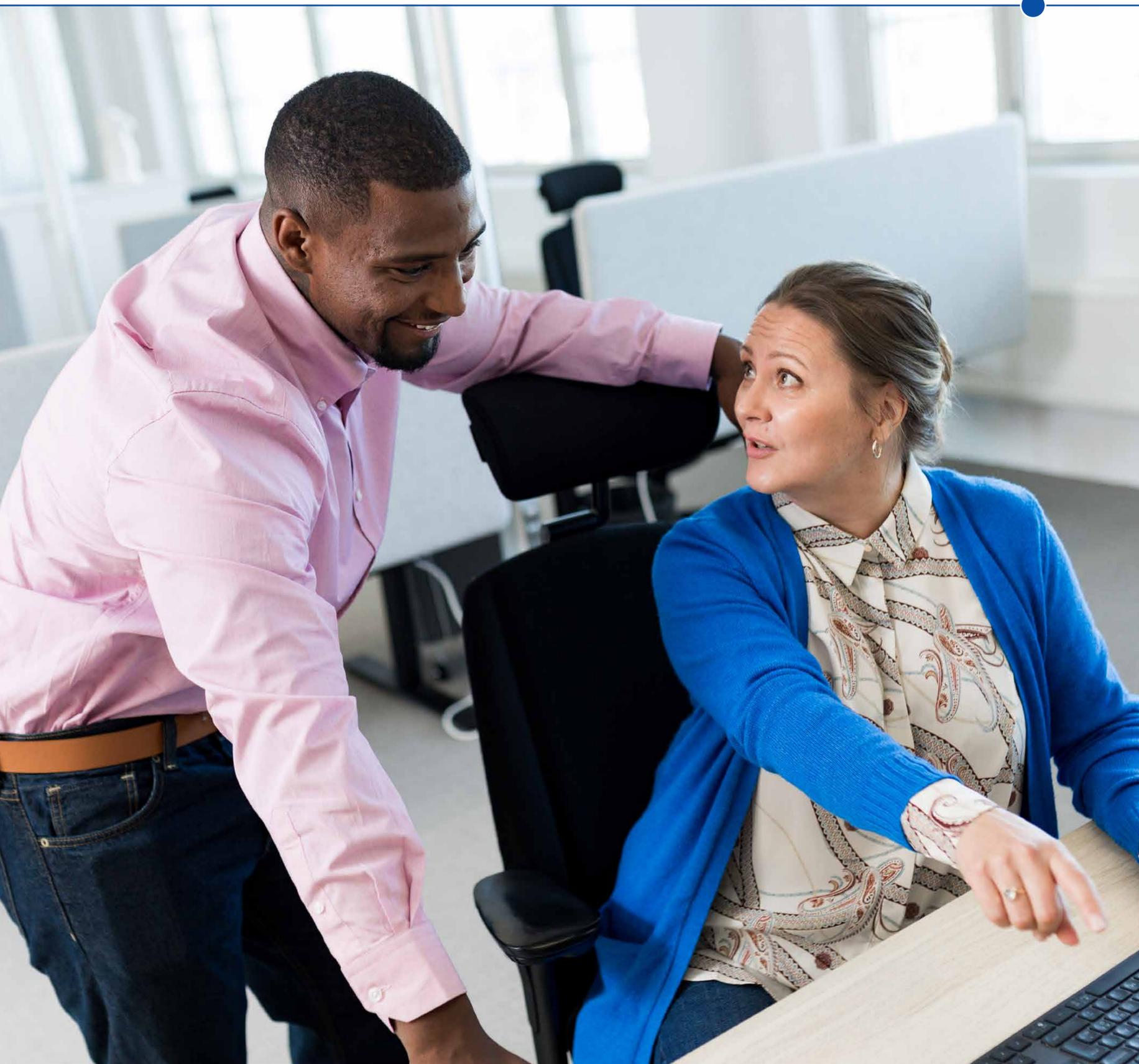


**Transfer to client bonuses**



**The client bonus lowers employers' insurance contributions.**





## Sustainability of our own operations and the value chain

We take into account the impacts of our operations on the environment and society throughout our value chain. We continued our work in 2023 by, for example, developing our competence and human rights efforts as part of the UN Global Compact's Business and Human Rights Accelerator programme, looking into the standard of our suppliers' human rights work through a human rights and environmental sustainability survey, and updating our Supplier Code of Conduct. We also set emission reduction targets in accordance with the Science Based Targets (SBT) initiative and monitored the carbon footprint of our own operations as part of our annual targets.

**Respect for human rights in the value chain**

Varma is committed to respecting human rights and operating in accordance with the United Nations Guiding Principles on Business and Human Rights and expects the same from its supply chain.

In 2022, we carried out a human rights assessment, which helped us recognise that Varma’s operations have a particularly key impact on the realisation of the human rights of our investees, personnel and supply chain. We continued this work in 2023 as part of the UN Global Compact’s Business and Human Rights Accelerator programme and identified respecting the human rights of private customers as a key element of our social responsibility related to human rights.

During the programme, we identified the following as the key negative human rights impacts of our operations:

- in our investments, the realisation of human rights of the value chain workers, impacted communities or consumers, or end-users
- in our supply chain, the potential human rights impacts related to occupational safety and labour rights
- the potential human rights impacts related to the realisation of the privacy and equality of our private customers, including data protection and security.

In terms of investments, the assessment was based on data that was available on investments; in terms of the supply chain, on potential human rights risks identified in the

sectors; and in terms of private customers, on our sector’s typical risks and reported data security incidents. Most of the key risks are not realised but rather potential risks, but if realised, they could have severe or extensive impacts. In addition to the assessed key risks, the working conditions and equality of our own employees are important for Varma.

In its operations, Varma follows the [Principles for Human Rights](#), drawn up in 2022, in which we commit to address violations of human rights and identify, prevent and mitigate comprehensively any negative human rights impacts from Varma’s operations and address them effectively.

The means for identifying, assessing, addressing and monitoring the realisation of human rights are included in the sustainability measures of our different functions. Further information on investment due diligence and engagement processes is available in the section [Responsible investment](#), on attending to our customers’ rights in the section [Ethical and transparent business](#) and on our own personnel in the section [Responsibility for Varma employees](#).

In addition to the human rights assessments, in 2023 we continued to provide Varma employees with training on human rights responsibility by organising, for example, a briefing on human rights for all Varma employees. Furthermore, during the Business and Human Rights Accelerator programme, we organised meetings to assess human rights risks and their materiality and to plan related

measures with almost 20 contact persons working in different functions.

**Supply chain sustainability requirements**

The corporate sustainability requirements pertaining to our supply chain are recorded in Varma’s Supplier Code of Conduct, which was updated in 2023 and approved by Varma’s Board of Directors in June. Varma employees were offered an online course on the subject.

Through the Supplier Code of Conduct, Varma commits its direct service providers, i.e. first-tier suppliers, to the sustainability requirements. Direct suppliers are obliged to ensure that their subcontractors also comply with these sustainability requirements. It also includes a notification requirement and permission for audits performed by Varma. The Supplier Code of Conduct is attached to contracts.

Of our purchases made in 2023, 98 per cent originated from Finland. The remaining 2 per cent originated from the US, France, the UK, Ireland and other European countries. Our most significant procurement is related to the construction and maintenance of buildings, and to IT systems.

In 2023, we wanted to deepen our understanding of the responsibility of our suppliers by conducting a human rights and environmental sustainability survey. The survey was sent to the largest suppliers, excluding the construction sector. A total of 59 suppliers responded to the survey, most of which were companies providing IT services. The survey

**In 2023, we conducted a supplier human rights survey to explore the human rights risks and processes of our largest suppliers.**

included large, medium-sized as well as small companies. The majority of the respondents were Finnish companies, but some foreign companies were also included. Of the respondents, 78 per cent said they are committed to following the UN Global Compact principles. The survey looked into the human rights due diligence practices of the suppliers, how they take into account health and safety and labour rights in their operations, and how the companies manage their own supply chains. As regards environmental sustainability, the survey showed, for example, that 77 per cent of the respondents had in place a policy covering environmental sustainability.

In 2022, we carried out a human rights assessment concerning the construction activities related to our real estate investments. Significant human rights risks identified included aspects related to the origin of raw materials and the realisation of employees’ human rights in the construction phase. The long supply and value chains related to construction increase the likelihood of human rights risks being realised. In 2023, construction-related procurement required for Varma’s

real estate investments accounted for 41 per cent of the total procurement. In 2023, we conducted, in co-operation with our main contractor and as part of our contracting process, a human rights survey on subcontractors. The survey was geared to assess the occurrence of human rights risks and prevent potential risks in our supply chain. A total of 19 subcontractors responded to the survey.

We continue to develop sustainability in our supply chain. In 2024, we will continue to execute measures to more broadly develop the sustainability of our value chain, and we will develop our principles for attending to sustainability-related risks and utilising opportunities.

**Environmental sustainability in the value chain**

Varma’s Supplier Code of Conduct calls for respect for the environment, especially to mitigate climate change and biodiversity loss. We require our suppliers to be aware of their environmental impacts and to take them into account in their operations. The code includes an obligation to demonstrate a commitment to taking the environmental aspects of their operations into account and paying attention to assessing, mitigating and preventing environmental impacts in the entire value chain. We encourage our suppliers to develop environmentally friendly solutions. Especially in emission-intensive industries, suppliers should pay special attention to monitoring their carbon footprint and to targets related to minimising future environmental impacts.

Through our own example, we also strive to encourage suppliers to set science-based emission reduction targets according to Science Based Targets initiative (SBTi). In 2023, we examined the proportion of suppliers that were committed to setting or which had already set SBTi emission reduction targets by the end of 2023. Those who had set or were committed to setting targets accounted for 43 per cent of contractual partners. Real estate business suppliers were not included in the survey.

As regards procurement related to the real estate business, we have drawn up circular economy principles for real properties for the processes of new construction and renovation projects as well as maintenance. We also aim to increase the recycling rate of construction and demolition waste. Read more about the environmental impacts of the real estate business in the section [Environmental impacts of real estate investments](#).

In 2023, we carried out a double materiality assessment, which included an assessment of the environmental impacts related to our value chain and the risks posed to our operations by environmental impacts. In the assessment, we made use of the 2022 assessments of the climate risks of the TyEL insurance contributions paid to Varma. The analysis shows that of the insurance contributions paid to Varma, 16 per cent come from companies operating in climate-change transition industries and 2 per cent come from companies with high carbon intensity. Although we receive contributions from these

industries, the double materiality assessment showed that the risks and opportunities arising from this are, as a whole, moderate.

In 2022, we carried out a corresponding assessment of the upstream value chain and purchases. The carbon risk was found to be small in 84 per cent of the purchases. At the same time, only 11 per cent of all purchases focussed on transition industries. Of the purchases related to the transition industries, a large share consisted of purchases pertaining to real estate investments, such as energy purchases. Since real estate investments and their value chain cause climate-change-related environmental impacts and climate change poses risks to our real estate investments, climate change was found to be a material sustainability aspect in terms of our real estate investments. Climate change was considered material also in terms of our procurements, and this is supported by reporting our value chain emissions as part of scope 3 accounting and encouraging our suppliers to commit to the SBTi.

**Persons working for Varma who are not employees**

Besides its own employees, Varma’s business is supported by other professionals working in different roles. We have determined the number of these persons and the nature of their tasks by applying the following definition:

- the person works under Varma’s (partial) supervision for a long period of time and/or repeatedly and/or

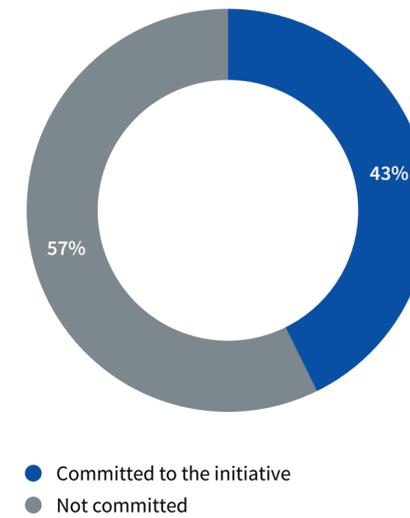
- the person’s work input could be replaced, from the perspective of competence, with Varma’s own employees’ work input.

In 2023, just over 60 people worked for Varma in various tasks related to information management. They worked, for example, in IT development roles, technical roles, and as supplementary resources, for example, in the tasks of project managers or roles related to testing. Of these persons, approximately half worked full-time for Varma, while the other half worked part time with varying work input.

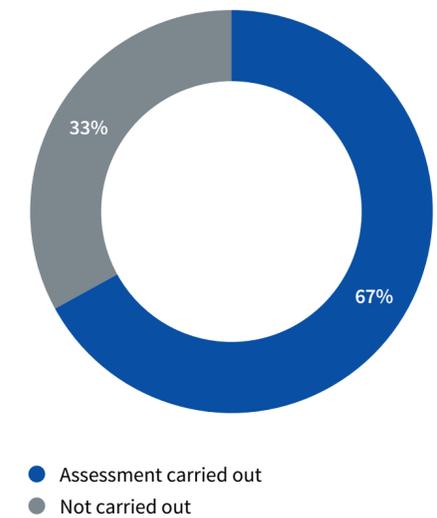
In 2023, three full-time and two part-time cleaners, four security guards with full-time and five with hourly contracts, two full-time mailroom workers, and two full-time and four part-time persons as well as a part-time supervisor in maintenance and electrical repairs were working in Varma’s Salmisaari office premises. Varma had a direct contractual relationship only with the cleaners; the rest were working under an agreement with the real estate company.

In terms of investments, Varma works in close co-operation with real estate managers. In real estate investments, we started co-operation with a new real estate manager partner in July 2023. The partner is in charge of tasks related to building management and maintenance, letting and customer service. As a result of the new co-operation, 7 full-time and 85 part-time persons worked for Varma. In commercial property investments, we work with four real estate management companies. In these companies, 10 people work full time

**Contractual partners who had set or were committed to setting emission reduction targets according to the SBT initiative**



**Varma’s suppliers who participated in the supplier human rights assessment**



**GHG emissions related to our purchases, climate and nature impacts related to our real estate investments and climate risks posed to our real estate environmental aspects related to our value chain.**

Read more about Varma’s scope 1–3 emission in the attached tables.

and six people work part time for Varma. A real estate manager's primary task is to maintain the properties' technical condition and safety and take care of the operative management of the maintenance network.

In addition to Varma's employees, other people work in the company's insurance sales. In 2023, these persons amounted to approximately 200. They were in a contractual relationship with our partner companies and sold insurance along with their other duties. Less than half of the full-time work of a person employed by a service provider was required to manage our payroll accounting.

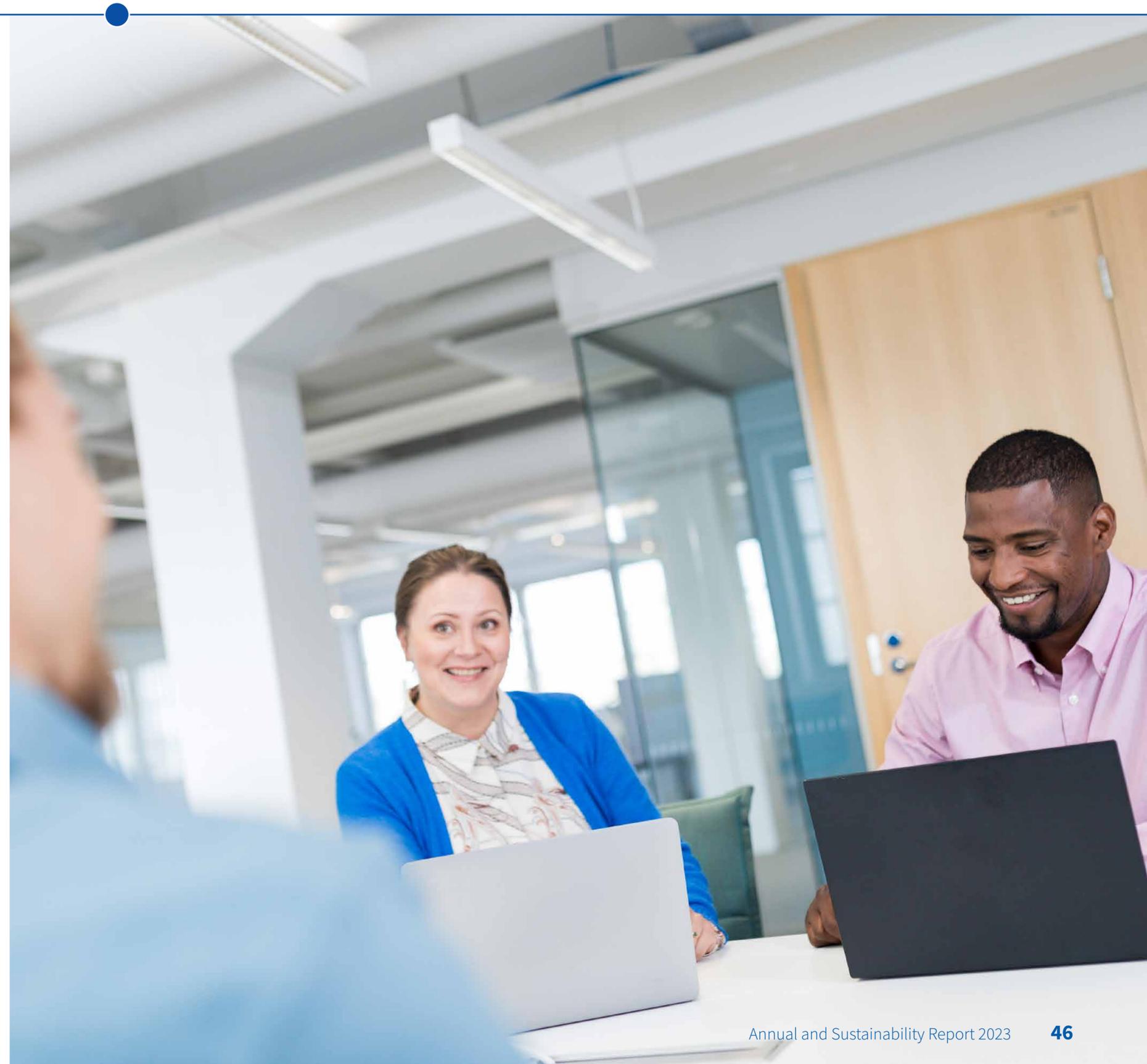
Furthermore, experts and consultants from different fields worked for Varma in different parts of the organisation. They were mostly working part time on single projects in tasks that could, in terms of competence, also be carried out by Varma employees. In 2023, these persons numbered less than 20. Their tasks included, for example, marketing and communication.

**Environmental aspects of our own operations**

Varma's Sustainability Programme guides the environmental sustainability of our operations. We have also updated aspects related to our own operations in our [environmental policy](#), which was drawn up in 2023. The environmental sustainability principles governing our own operations were integrated with the policy, which also includes environmental aspects related to our investments and value chain.

For years now, we have been actively reducing the emissions of our own operations. Since 2016, we have been managing the environmental impacts of our operations using [WWF's Green Office system](#). We have been assessing the carbon footprint of our own operations since 2015. In 2023, we renewed the measuring of the carbon footprint of our own operations, as Varma employees' carbon footprint was included in the company's annual targets. The indicator includes aspects of Varma's own operations that Varma employees can influence through their own actions. In 2023, Varma employees' carbon footprint shrunk by 10.5 per cent compared to 2022. The decline resulted from, for example, the switch to CO<sub>2</sub>-free district heat at Varma's Tampere office. Varma's Salmisaari premises in Helsinki have been using CO<sub>2</sub>-free district heat and cooling since 2022. The heating and cooling energy in Helsinki is CO<sub>2</sub>-free due to the use of recycled energy. Recycled heat is 100 per cent recycled and further-processed waste heat. The emissions from energy consumption were reduced back in 2016 by switching to CO<sub>2</sub>-free real estate electricity. The solar panels on the roof of our Salmisaari head office generated around 1.2 per cent of all electricity consumed in the building in 2023.

In 2023, we set emission reduction targets in accordance with the Science Based Targets (SBT) initiative. The first target is to reduce the greenhouse gas emissions related to Varma's own operations by 60 per cent by 2030 compared to the 2021 level. The target includes our scope 1 and scope 2 emissions, which



are caused by the use of company cars and the energy consumption of the real estate we own.

For real estate investor Varma, its own head office serves as a test laboratory where, for example, solar panels, charging points for electric cars and CO<sub>2</sub>-free heating and electricity have been piloted in recent years. In 2022, we contributed to the energy-saving measures by optimising ventilation, cooling and heating, and lighting in our commercial properties. The measures were continued in 2023. Learn more about real-estate-related emission reductions and solutions in the section [Environmental impacts of real estate investments](#).

We strive to reduce the emissions caused by commuting by supporting teleworking and renewing our commuting policies. Varma acquires only fully electric or plug-in hybrid cars as company cars. In the future, we will switch to using fully electric cars only. Electric motoring is also promoted by the electric vehicle (EV) charging points in Salmisaari's parking facility. Varma has arranged good facilities for employees who cycle to work and encourages the use of public transport for commuting by offering an employee benefit.

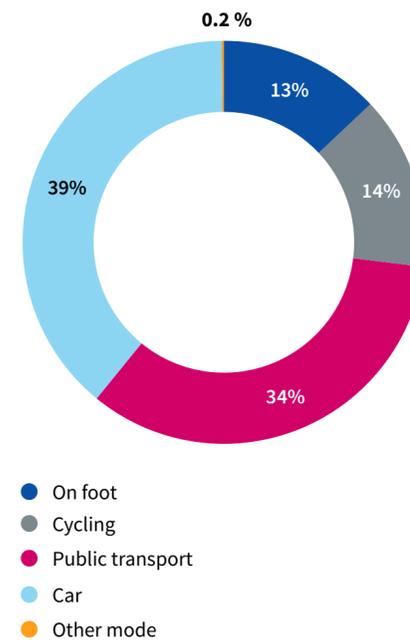
In 2023, we surveyed Varma employees' commuting methods in order to be able to influence the carbon footprint of our own operations. The results were used to calculate the GHG emissions from commuting. Most of Varma's employees work at the Salmisaari premises in Helsinki, and the survey showed that nearly 70 per cent of the respondents work remotely three or four days a week.

Remote work significantly reduces commuting. The average one-way commuting distance for Varma employees is 15 kilometres. The survey revealed that private cars are the most popular mode of transport, but many employees also use public transport. Of the cars used for commuting, the company cars are mostly electric or plug-in hybrids, while the private cars typically have combustion engines. In their answers, Varma employees appreciated the car parking and bicycle storage facilities on offer, as well as the dressing room and washing-up facilities for cyclists. Improvement proposals concerned commuting-related employee benefits and developing public transport connections.

The switching of Varma employees from remote work to hybrid work in 2021–2022 was also reflected in the transition period's amount of waste, which was on the rise in 2023 compared to 2022. The majority of the waste generated in our building originates from the restaurant, and biowaste accounts for a substantial share of it. The amount of waste from preparing food is reduced by selling leftovers.

We are in the process of applying for the [WELL certificate](#) for our Salmisaari office. The certification scheme focuses on employee health and well-being.

**Varma employees' commuting modes**  
(of on-site workdays)



**Environmental information on Varma's operations**

	2023*	2022	2021
Water consumption, m <sup>3</sup>	4,283	3,493	2,227
Electricity consumption, MWh	1,676	1,645	1,355
Heat, MWh (weather-normalised)	1,968	2,068	2,113
Total waste (tonnes)	25	22	16
Carbon footprint tCO <sub>2</sub>	315	331	298

\*In contrast to the previous years, the figure for 2023 includes water and energy consumption of Varma's Salmisaari and Tampere offices. The carbon footprint accounting method has been updated for 2023 and 2022, and it covers GHG emissions from Varma's company cars, office equipment purchases, disposal of waste generated at the Salmisaari office, commuting, and consumption of purchased energy at the Salmisaari and Tampere offices.





# Investing for change

Responsibility guides all our investment decisions. We direct our investments towards tackling our current global challenges: mitigating climate change, adapting to the changes it brings and slowing down biodiversity loss.



# Responsible investment

**Sustainability is an essential part of Varma's strategy and an integral part of our investment operations. In 2023, we focussed on climate change mitigation and promoting biodiversity and human rights.**

As a long-term investor and earnings-related pension company, sustainability is an important target for Varma, as the investment decisions we make influence the operating conditions of companies and other investees. Our goal is to identify investees that benefit from sustainable operations as well as the return of such investments.

Responsible investment means taking into account aspects related to the investee's responsibility and sustainability, including environmental impacts, social matters and good governance, in our investment decisions.

From an investor's perspective, making allowances for sustainability does not conflict with expected returns. For us, sustainability is a means of securing long-term returns on investments while ensuring that risks and opportunities are taken into account broadly in investment decisions.

The focus areas of our Sustainability Programme 2022–2025 include human rights, biodiversity and the sustainability of value

chains. Read more about our Sustainability Programme in the section [Sustainable Varma](#).

## Principles guiding our responsible investment

Responsible investment is one of the focus areas of Varma's Sustainability Programme. In addition to Varma's [principles for responsible investment](#), environmental policy and [ownership policy](#), the company's responsible investment is guided by the UN-supported Principles for Responsible Investment (PRI), which Varma signed in 2011. We have been reporting on responsible investment annually in accordance with the PRI.

The ownership policy is complemented by the active [ownership and engagement principles](#), which cover fund investments, and direct equity and fixed-income investments.

Varma's entire sustainable operations are further guided by the Code of Conduct. Varma's [tax policy](#) lays down the company's tax strategy and principles, which also apply

to its investment activities. Varma supports projects that aim to promote both international tax regulation and global reporting standards and also encourages its investee companies to comply with corresponding regulations in their own operations. Read more about our tax principles in the section [Ethical and transparent business](#).

**Environmental targets steer our investments**

Our [Environmental Policy](#) guides our target setting in terms of the climate and environment. Mitigating climate change is one of the main goals of Varma’s responsible investment. The climate targets cover Varma’s investment assets in their entirety. The policy has been approved by Varma’s Board of Directors.

We have set a target of reducing the investment portfolio’s absolute emissions by 25 per cent by 2025 and 50 per cent by 2030.

In the reporting year, we also set science-based emission reduction targets in accordance with the international Science Based Targets initiative (SBTi). When setting the SBTs, companies commit to reduce their emissions in line with the Paris Agreement. We are committed to setting long-term SBT targets that cover Varma’s own operations and investment portfolio. We aim for a carbon-neutral investment portfolio by 2035.

In addition to our climate targets, we focused on enhanced attendance to biodiversity in our investment activities and looked into our investee companies’ policies concerning the prevention of biodiversity loss. In this

annual and sustainability report, we disclose for the first time biodiversity-related information adapted according to the Taskforce on Nature-related Financial Disclosures’ (TNFD) framework.

Climate change and biodiversity loss are major sustainability aspects related to the environment in our investment portfolio. Read more about our climate targets and biodiversity in the section [Responsibility for the environment](#).

**Exclusions based on environmental and ethical reasons**

In our Principles for Responsible Investment, we have defined the areas that Varma will not invest in as well as the kind of companies that are subject to enhanced due diligence on environmental and other sustainability issues.

For ethical reasons, we have excluded from our direct investments companies that concentrate on the manufacture of tobacco and companies that manufacture controversial weapons, such as nuclear weapons, anti-personnel mines, cluster bombs, and chemical and biological weapons. Concerning indirect investments, such as in index funds, we require that they do not contain companies that operate in those industries, or we strive to engage with them with the aim of excluding such industries.

In our climate targets, we have excluded investments in companies with coal- or lignite-based operations accounting for more than 10 per cent of their revenue, production or production capacity.

**We have set science-based emission reduction targets in accordance with the international Science Based Targets initiative (SBTi).**

We are committed to exiting from thermal coal investments by 2025 and from oil exploration by 2030. At the end of 2023, only 1.2 per cent of Varma’s listed investments were in oil exploration companies. Of listed investments, 1.2 per cent was in companies that rely on coal for more than 5 per cent of their operations.

**High-risk sector due diligence**

We have identified industries with a need for enhanced sustainability monitoring. Investments in these industries are subject to special scrutiny by our portfolio managers. Due diligence concerns, for example, industries that have high exposure to environmental risks, such as the oil and gas industry, and the textile industry.

Portfolio managers must also apply due diligence when the investment concerns alcohol, gambling, adult entertainment, cannabis and the arms industries, as outlined in our Principles for Responsible Investment.

The defence industry falls under due diligence. We may invest in defence industry companies under certain conditions. Investing is possible if activities relating to controversial weapons (for example the manufacture, export and storage of the components of controversial weapons) account for a minor proportion (less than 5 per cent) of the company’s activities and if the primary purpose of the weapons is to prevent conflicts and defend the sovereignty of countries that have signed international arms control treaties.

In government bonds, Varma does not invest in countries that are ranked in the

bottom 25 per cent of the UN’s Sustainable Development Goals (SDG) index. In exceptional cases, an investment can be made if the country’s SDG ranking is expected to clearly improve.

**Compliance with international norms and agreements**

In addition to local legislation, we expect our investees to comply with international norms and standards. This means compliance with the principles of the UN Global Compact initiative on sustainability and social responsibility, to which we are also committed. The principles of the Global Compact initiative cover the UN Declaration of Human Rights and Convention against Corruption, ILO labour conventions and the Rio Declaration on Environment and Development.

Monitoring investees’ compliance with international agreements and national laws is part of identifying sustainability risks. In general, sustainability factors refer to matters related to the environment and employees, to respect for human rights and, for example, to measures promoting good governance, such as preventing corruption and bribery. Human rights and environmental violations may have a negative impact on investments.

In 2023, we continued to identify sustainability risks related to our investments and systematically develop their monitoring. We enter possible and likely sustainability risks into our risk management system. The risks are discussed four times a year by the Investment Operations’ management team

and at least once a year by the Investment Committee. Sustainability risks are also addressed in the Board of Directors’ risk and solvency assessment.

In autumn 2023, we assessed sustainability-related impacts, risks and opportunities using the double-materiality analysis in accordance with EU sustainability reporting. Climate change, biodiversity loss and human rights are among the most significant sustainability risks that investors must prepare for.

Climate change and biodiversity loss entail both physical and transition risks, which have an impact on the value of investments. Physical risks are divided into acute and chronic risks. These include the challenges that climate change poses to companies and society, such as unexpected damage caused by extreme weather events or the depletion of natural resources in the long term.

Transition risks refer to changes, for example, in regulation, technology and consumer behaviour that the transition to a lower-carbon economy entails. Learn more about how Varma takes climate change into account in the section [Responsibility for the environment](#).

We monitor sustainability risks by striving to identify adverse business interests and violations of international agreements and norms in our investment portfolio.

As regards listed investments, we observe compliance with the standards with the help of an external service provider, which upholds a database of companies and their confirmed and possible violations. The service provider

engages in discussions with the companies which are suspected or have been found to have violated the standards and updates the database accordingly. In this way, the portfolio managers always have access to up-to-date company data. We monitor our investments’ norm violations on a quarterly basis.

If a company breaches any of the sustainability standards, our first priority is to engage with the company to rectify the detected breaches and change its operating methods. We are able to directly engage with the companies, together with other investors and through the service provider.

In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund’s management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to rectify the violation. In fund investments, the fund management company is responsible for monitoring the sustainability of the portfolio’s investments.

Towards the end of 2020, we adopted a new norms-based screening process based on our engagement principles. In 2023, we were involved in an engagement process with three companies. The contacts with these technology companies related to competition rights and the realisation of human rights and labour rights. Both companies are located in North America. We also continued to engage with a company operating in the automotive industry in North America.



**Alongside climate work, attending to biodiversity is a key part of Varma’s environmental sustainability.**

## Investees that were involved in Varma’s engagement process in 2023

Company’s sector	Company’s location	Potential or likely violation*	Engagement process stage at the end of 2023	Targets 2024
Technology	North America	Competition rights	Presented to the Investment Committee	Recontacting and handling
Technology	North America	Several confirmed and suspected violations concerning human rights, labour rights, data protection and the environment	Presented to the Investment Committee	Recontacting and handling
Automotive industry	North America	Labour rights matters	Portfolio manager has contacted the company. We also monitor suits brought against the company and its progress.	Recontacting and handling

\*A violation is established on the basis of the ISS Norm-Based Research Company Report (UN Global Compact Pillars) and/or Varma’s internal analysis.

### Human rights as part of responsible investment

Attending to human rights as part of the investment process is a key focal point of responsible investment for Varma. We are committed to operating in accordance with the UN Guiding Principles on Business and Human Rights, and we expect the same from our supply chain and investees.

We assess the fund’s sustainability as a whole always when selecting a new investment. Human rights are part of the fund company selection process. We assess, among other things, the fund companies’ human rights principles and engagement process in case of human rights violations. We also look into the fund companies’ grounds for investment exclusions as regards human rights violations.

During the year, we carried out an extensive fund survey to explore how the fund companies managing our investments take human rights issues into account in their investments and whether they are committed to respecting human rights in accordance with the UN principles. The survey covered all of Varma’s asset classes. We carry out the same fund survey regularly in order to be able to follow how they develop their operations. [Read more about the fund survey in the case story on the next page.](#)

In 2023, we also executed the UN Global Compact Business and Human Rights Accelerator programme, in which companies intensified their human rights work. During the six-month programme, the companies

learned concrete ways of identifying, preventing, mitigating and rectifying human rights risks throughout their value chains. During the training, we drew up a human rights plan of action, in which we also examined the human rights impacts related to our investments. As a continuation of the programme, we organised together with Outokumpu, a Finnish steel company, a meeting with the experts that took part in the programme. In the meeting, we shared Varma’s practices related to observing human rights and responsible investment in general.

Russia’s war of aggression against Ukraine has brought sustainability themes related to governments’ actions under scrutiny in a new way. As global political events have unfolded, we have taken an even closer look at our investments with respect to sustainability and risks related to geographical areas and governments.

Governments’ human rights violations may be significant, and since 2018, we have used the UN’s SDG index to monitor them.

### Collaborative initiatives give investors power in numbers

Active ownership and engagement are cornerstones of responsible investment. The purpose of engagement is to promote sustainability themes or address companies’ unsustainable operations. The objectives of the engagement process, the size of the holding and whether the issue involves taking action on a violation or promoting sustainability themes are what determine the most sensible

means of engagement for the investor. We engage in regular dialogue with the management and the boards of directors.

A typical channel for engagement is meetings between decision-making portfolio managers and investee companies. In these meetings, we discuss, among other things, how the companies integrate sustainability into their strategy and business.

Investor co-operation through different committees and joint initiatives is a major means of engagement. Varma promotes sustainability in its hedge fund investments as a member of the PRI Hedge Fund Advisory Committee.

Since 2021, we have been participating in the eFront ESG Outreach campaign, which promotes sustainability reporting among alternative investments. eFront is a leading technology platform for alternative investments that allows harmonised reporting on sustainability. In 2023, approximately 21 per cent of Varma’s private equity and infrastructure funds disclosed sustainability-related data with the help of the platform.

Furthermore, Varma is actively involved in the work of the co-operation organisation Standards Board for Alternative Investments (SBAI), which aims to develop good governance and best practices, increase transparency and reduce conflicts of interest in alternative investments. In February 2023, we organised, together with SBAI, the Annual Nordic Institutional Investor Forum at Varma’s head office. The themes discussed at the event included carbon footprint and mitigating climate change, with the aim of net-zero emissions. The event drew 124 participants.

During the year, Varma joined Nature Action 100, a global investor initiative focussed on driving action to reverse biodiversity loss. The initiative includes 190 investors and 100 companies from various sectors from around the world.

Through the world's largest corporate sustainability initiative, the UN Global Compact, Varma promotes and develops the environmental, social and economic sustainability of companies and organisations.

Investors' co-engagement initiatives strive to promote the realisation of the UN Global Compact principles by pressuring companies to change their operations, if necessary. In 2023, Varma was involved in a total of 153 engagement processes in which violations of international agreements were addressed together with other investors.

Because of the importance of mitigating climate change, we promote this theme also through investor co-operation. We are also a signatory to the global real estate and construction industry initiative [Net Zero Carbon Buildings Commitment](#), which advocates for carbon-neutral buildings.

**Sustainability also visible in the ownership policy**

Varma is a major shareholder in Finnish companies. Our [ownership policy](#) describes the expectations Varma has of companies in which it is a major shareholder. The policy covers Varma's equity holdings both in Finland and abroad. Our activities are focused on companies and themes in which we estimate

our expertise can be put to the best use and in which we have significant opportunities to exercise influence. The ownership policy also includes sustainability requirements.

The policy outlines that a share issue authorisation granted by the annual general meeting to the board of directors should not exceed 10 per cent of the company's share capital without justifiable grounds. We also consider the controlled renewal and continuity planning of the board important.

In our policy, we encourage our investees to have transparent remuneration practices and appropriate reward systems in place. We expect our investees to report their remuneration metrics in a way that clearly shows what the remuneration is based on. We see it as a positive development that companies are adopting material and measurable sustainability criteria.

The ownership policy is approved by Varma's Board of Directors. At Varma, the share ownership steering group is responsible for more detailed guidelines. The group is made up of Varma's CEO, CIO and the persons participating in shareholders' nomination boards as Varma's representatives. The group decides on the practical application of the ownership policy and discusses current topics and future themes.

We have outlined in our ownership policy that we expect clear assessments and reporting transparency from the companies we own on the current and future impacts climate change will have on the company's operations and growth potential. The reporting should

**SECURE FUTURE**

**Responsibility principles of Varma's fund management companies aligned with Varma's principles**

**In 2023, we comprehensively examined the responsibility of the fund management companies managing our investments.**



Our extensive survey showed that the responsibility principles of nearly all the companies (97 per cent) were partially or fully aligned with Varma's.

More than four out of five of the fund management companies had signed the UN Principles for Responsible Investment. The majority of them also have an ESG policy covering all investments, and they are committed to respecting human rights in accordance with the UN principles. Half of the companies had also linked ESG goals to management rewards.

The fund management companies were asked 68 questions about, for example, how they take into consideration their investees' human rights issues, whether they have an organisation-wide ESG policy, and whether the fund management companies have joined international investor initiatives aiming to reduce

emissions, such as the SBT initiative advocating for science-based emission reductions.

"As a major investor, we must also be able to disclose information about the responsibility of investments that we do not manage ourselves. With this survey, we wish to increase transparency in our fund investments," says **Hanna Kaskela**, Senior Vice President, Sustainability & Communications at Varma.

The value of Varma's assets in these investments was around EUR 31.9 billion, i.e. 56.8 per cent of the entire investment portfolio.

**Hanna Kaskela**  
Senior Vice President,  
Sustainability &  
Communications



cover how climate change is included in the company’s governance, strategy and risk management, especially in emissions-intensive industries. By reporting on the targets and indicators set by the company, it is possible to monitor the company’s progress.

Our ownership policy further states that we analyse and report on climate-related risks in accordance with the recommendations of the TCFD, and we encourage our investees to do the same. Read Varma’s TCFD report in the section [Responsibility for the environment](#).

In the summer of 2023, we examined in more detail the rewards and diversity of the committees of 93 listed companies’ boards of directors. According to our study, diversity among audit committee chairs is at a good level (men 53 per cent, women 47 per cent), but a clear majority (81.5 per cent) of the chairs of the remuneration committees are men. On the other hand, the rewards of remuneration committees’ chairs were higher in those companies whose remuneration committee chair was a woman. Our study covered separate committee and meeting fees.

Participating in the work of nomination boards is a major means of influencing since Varma influences its investee companies mainly through the appointment of boards of directors. From the owner’s viewpoint, the Board of Directors’ role in the company’s strategy, risk management and choice of CEO is becoming increasingly important. Varma was represented in 31 nomination boards in the year under review. [Memberships in nomination boards](#) are given on our website. Varma’s

representative normally also participates in the annual general meetings of Finnish companies in which we have a holding. We publish [our voting decisions](#) at annual general meetings on our website. In 2023, Varma was represented in 101 annual general meetings of Finnish companies.

We have extended our voting practices in accordance with the ownership policy to annual general meetings of foreign companies, and we participated in the annual general meetings of 325 foreign companies in 2023. Up-to-date information on our voting in annual general meetings is available on our website.

In these annual general meetings, we supported several proposals that promote sustainable business. In the meetings, we voted in favour of shareholder proposals that urged companies to report on their climate risks and political support and to assess risks related to the realisation of human rights.

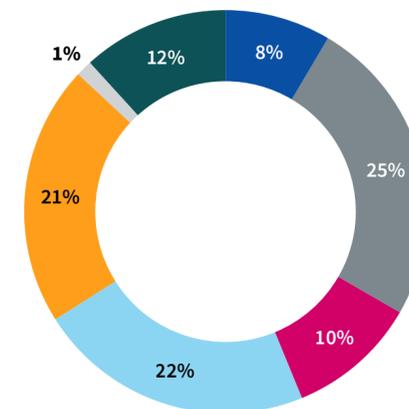
### Sustainability management and organisation in Investment Operations

The Principles for Responsible Investment, which are approved by Varma’s Board of Directors, form the foundation for our responsible investment activities. The oversight responsibility for sustainability at Varma is exercised by Varma’s Board of Directors. The Board decides on the principles and policies related to sustainability, as well as on the sustainability programmes to support the strategy.

**Human rights are part of the fund company selection process.**

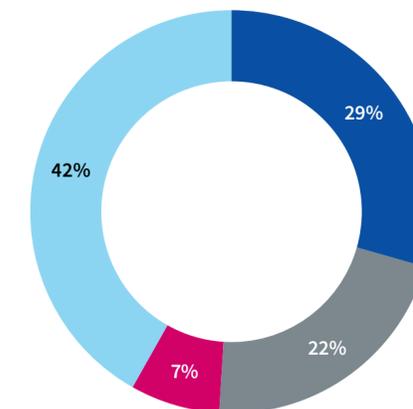
### Engagement initiatives in which Varma participates to remedy violations of the UN Global Compact principles

#### Engagement initiatives by continent



- Africa (13)
- Asia (38)
- Europe (16)
- North America (34)
- South America (32)
- Middle East (2)
- Australia (18)

#### Engagement initiatives by topic

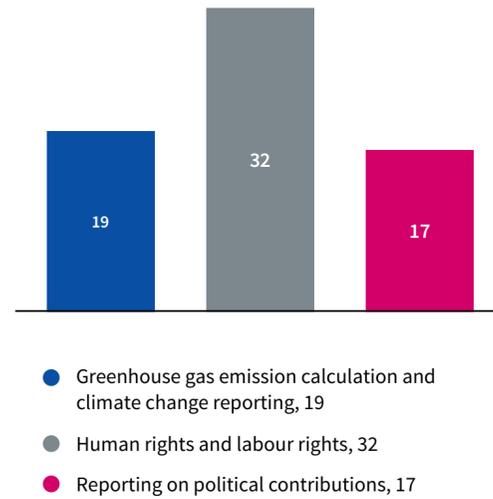


- Human rights (45)
- Labour rights (33)
- Corruption (11)
- Environment (64)

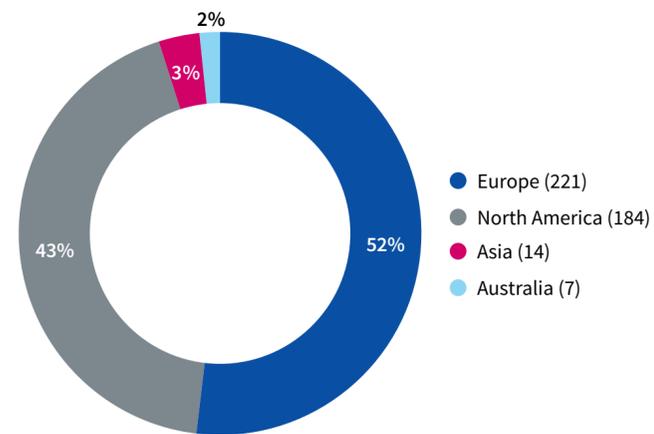
The Investment Committee addresses and approves the responsible investment principles and policies that are presented to the Board of Directors. The committee also monitors the investment risks related to responsibility, such as climate change-related risks, and also evaluates violations of international agreements and norms. On a company-wide level, the Chief Investment Officer has oversight and accountability for responsible investment.

The Sustainability department defines the high-level sustainability objectives and develops and co-ordinates the responsibility of Varma’s own operations and investments together with the company’s various functions. The functions are responsible for implementing sustainability. The head of each asset class is in charge of the day-to-day application of the Principles of Responsible Investment. Responsible investment development projects are discussed by the Investment Operations management team.

**Proposals promoting sustainable business that we voted in favour of at foreign general meetings in 2023**



**General meeting votes in 2023**



Read more about responsible investment on our website.



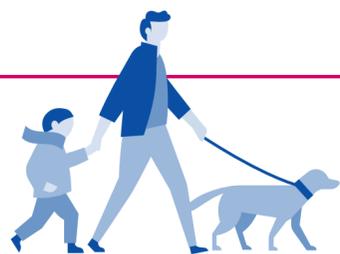
## 05

# Responsibility for the environment

**Through our investment decisions, we are building a world that is safe and sustainable for future generations. Mitigating climate change and biodiversity loss are key sustainability targets for Varma.**

Environmental sustainability is one of Varma's material sustainability areas. Environmental sustainability covers all our operations, and our key areas are adapting to and mitigating climate change and mitigating biodiversity loss.

In the coming years, the future and well-being of our planet are threatened by various phenomena, including global warming, biodiversity loss and environmental pollution. It is estimated that failure to adapt to climate change and prevent biodiversity loss is among the biggest risks to the earth in the next 10 years. This also entails risks to Varma, whose task is to invest pension assets profitably and securely. Our goal is to take into account the risks and opportunities that the threats pose to us and minimise the negative impacts that our own operations may cause on the environment.



### Major conferences on climate change and biodiversity loss

According to the Intergovernmental Panel on Climate Change (IPCC), the global average temperature has risen 1.1 degrees Celsius from the pre-industrial level, and the 1.5-degree limit for global warming set in the 2015 Paris Agreement will be reached at the latest in the first half of 2030s. In its estimate, the IPCC calls for swift and powerful emission reduction actions especially in the energy system in order to be able to reach the goals of limiting global warming.

The UN Climate Change Conference (COP28), which was hosted in Dubai at the end of 2023, ended with a decision to transition away from fossil fuels. Moreover, it was agreed that the global capacity of renewable energies is to be tripled and energy efficiency is to be doubled by 2030. COP28 also decided to establish the climate loss and damage fund, which was agreed on at COP27 and will be overseen by the World Bank. COP28 assessed for the first time how well the Paris Agreement has been implemented. The assessment showed that emission reduction measures need to be significantly accelerated in many areas.

At the end of 2022, the United Nations Biodiversity Conference in Montreal discussed how to halt biodiversity loss and improve the state of nature. The conference agreed on a global target of protecting 30 per cent of the planet's land, inland waterways, coastal and sea areas. The parties also agreed on restoring at least 30 per cent of degraded land and water ecosystems by 2030. It was further agreed that subsidies harmful to biodiversity will be phased out while mobilising financial resources to boost biodiversity.

## Mitigating climate change in investments

**Adapting to and mitigating climate change is one of Varma's key sustainability targets. In 2023, we were the world's third pension insurance company to receive official validation for its science-based emission reduction targets. Through long-term work, we have raised the proportion of climate-friendly investments to nearly 40 per cent of our investment portfolio.**

Climate change is one of the most critical phenomena that investors must also prepare for. It will have substantial financial, social and environmental impacts and risks for current and future generations. Climate change is also shaping the business opportunities of different sectors and influencing future investment valuations.

### Overall picture of Varma's climate impacts

In 2023, we performed for the third time a scope 3 emissions calculation, i.e. assessed the emissions of the value chain and formed an overall picture of the company's emissions. Varma's scope 3 calculation complies with the

Greenhouse Gas (GHG) protocol, and it covers the years 2022 and 2023.

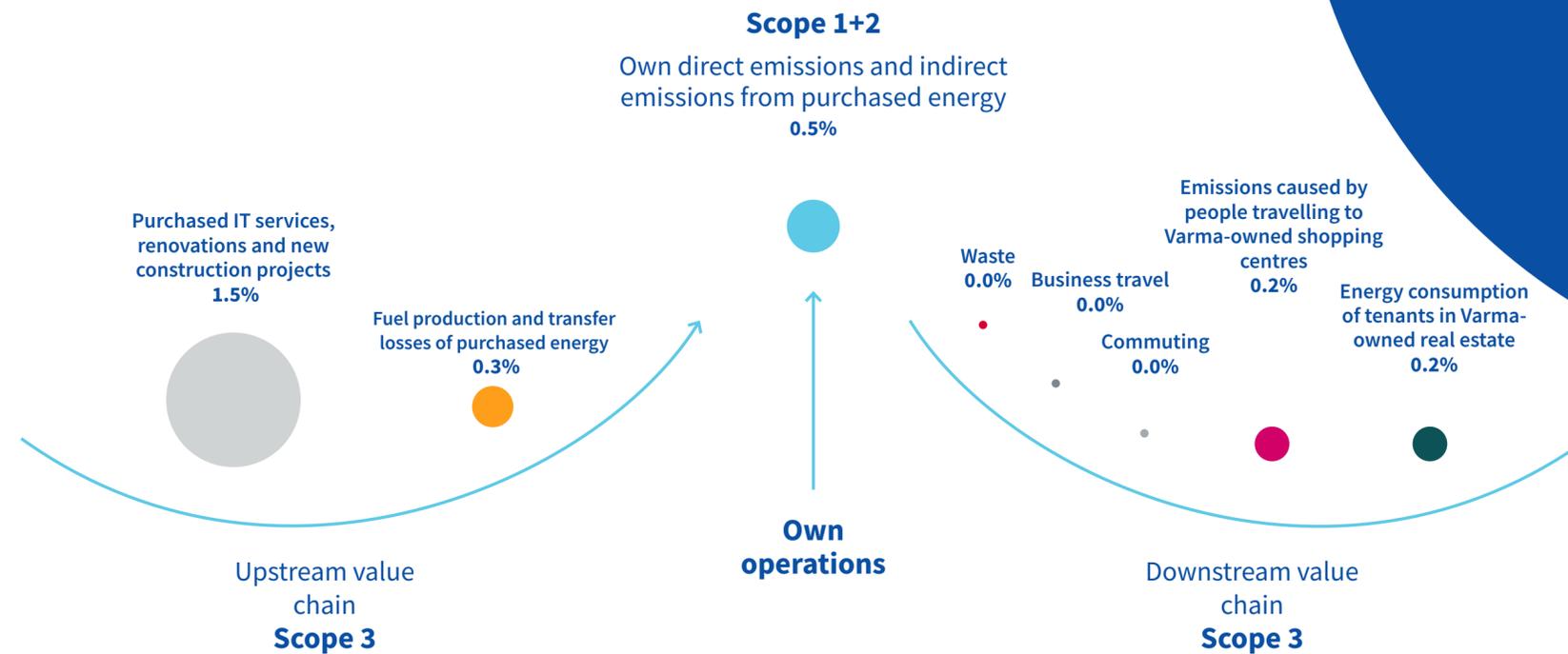
Varma's own direct scope 1 emissions include company cars' fuel and fuels used for heating properties. Scope 2 emissions comprise the energy consumption of Varma-controlled real estate and electricity consumption of company vehicles, i.e. indirect emissions from purchased energy, which account for approximately 0.5 per cent of Varma's total emissions. The calculation showed that 99.5 per cent of Varma's greenhouse gas emissions are caused by the value chain, or scope 3 emissions. Varma's fossil scope 3 emissions in 2023 totalled approximately 3,632 kilotons of carbon dioxide equivalent (ktCO<sub>2</sub>e).

Varma's scope 3 emissions included in the calculation were dominated by category 15, i.e. the emissions of the investment portfolio, and the weight of the other emission categories was as a whole low, below 3 per cent. Of the scope 3 emissions, 97.3 per cent were caused by the investees' emissions. As regards investments, the calculation included Varma's listed equities, corporate bond investments, private equity and infrastructure investments, hedge funds, real estate funds and private debt. Direct real estate investments have been reported as part of Varma's scope 1 and 2 emissions.

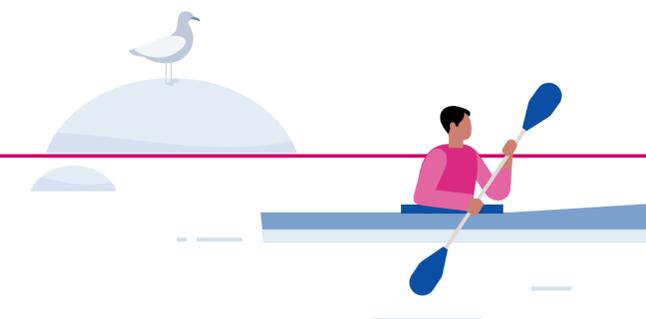
Other major scope 3 emissions are caused by purchased goods and services (0.5 per cent), capital goods (1.0 per cent), the production value chain of used energy (category 3, 0.3 per cent), energy purchased by tenants (category 13, 0.2 per cent) and customer travels to shopping centres (category 9, 0.2 per cent). The category of purchased goods and services included, for example, emissions from maintenance work, such as renovations, and from IT services. Emissions from capital goods were caused by new construction and renovation projects.

On the basis of the calculation, the biggest opportunities for scope 3 emission reductions relate to, besides investments, purchased goods and services and capital goods. We can reduce emissions by setting targets for new buildings' life cycle emissions and promoting decarbonisation through purchase criteria. To that end, the calculation accuracy should also be improved to identify potential emission reduction impacts.

Read more about Varma's climate impacts in the attached tables.



**Scope 1:** Emissions that are caused by the company's own operations and under its direct control.  
**Scope 2:** Indirect emissions from the generation of purchased energy, for example, the production of electricity and heat.  
**Scope 3:** Emissions caused by the end use of goods and services sold and by purchased goods and services, i.e. all indirect emissions. With Varma, scope 1 and 2 emissions of our investee companies are also included.



**Varma’s climate targets**

**Our science-based targets** are

- to reduce the scope 1 and 2 greenhouse gas emissions related to our own operations by 60 per cent by 2030 compared to the 2021 level. At the end of 2023, emissions were down 37 per cent.
- as regards indirect GHG emissions (scope 3), to increase the share of companies committed to the SBT initiative to 51 per cent by 2027 in equity and listed fixed-income investments and real estate funds. In 2023, companies that had set SBT targets accounted for 36.6 per cent of Varma’s investment portfolio, while the target level is 35.8 per cent.

For more information on our SBTi targets, read [the case story in the section Sustainable Varma.](#)

**Our main goal** is to cut the entire investment portfolio’s absolute scope 1 and 2 emissions by 25 per cent by 2025 and by 50 per cent by 2030 from the 2021 levels.

- 25 per cent by 2025
- 50 per cent by 2030.

Furthermore, our goal is to reduce the carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue, from the 2016 level as follows:

- 30 per cent by 2023
- 40 per cent by 2025
- 50 per cent by 2027.

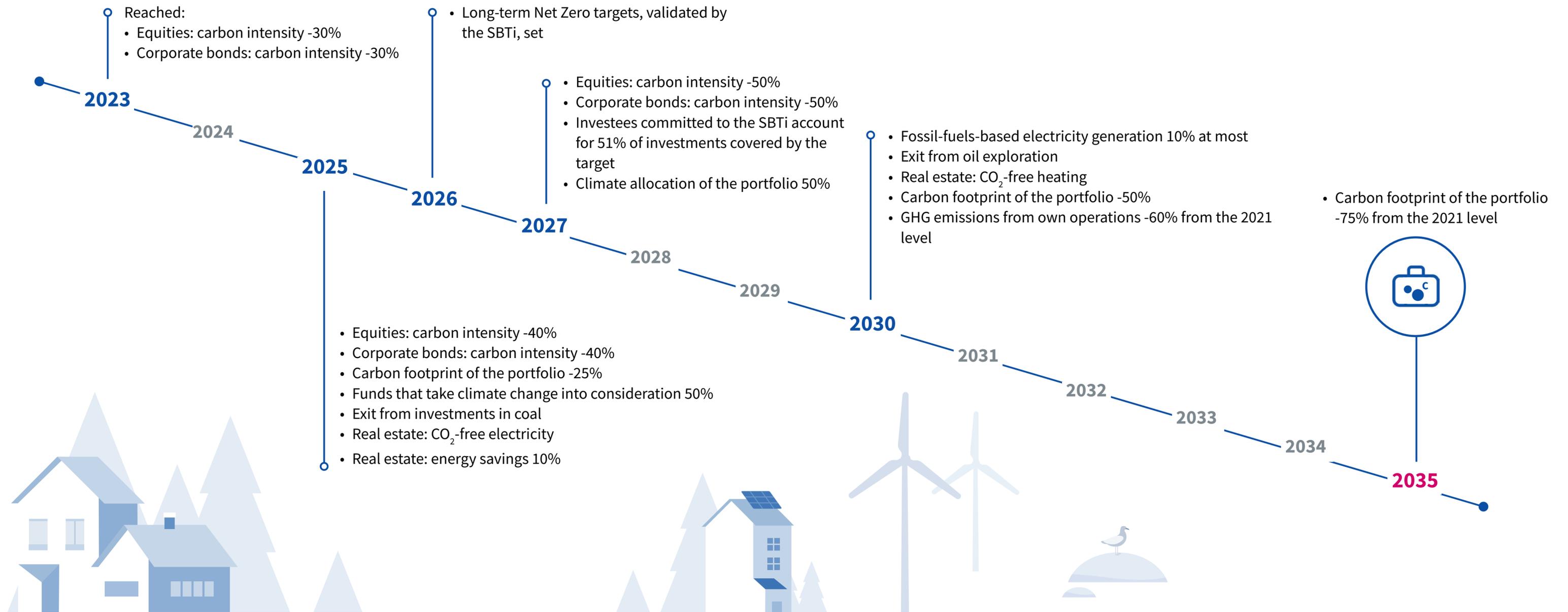
Our goal has also been for the climate allocation to make up 25 per cent of our investment portfolio by 2025. This target is raised to 50 per cent by 2027.

We are committed to exiting from all investments in thermal coal by 2025 and to excluding oil exploration from our investments by 2030.

We aim for the electricity and heating in our properties to be fossil-free by 2025 and 2030, respectively.

We are committed to following the low-carbon roadmap in our investments in electricity generation. This means that electricity generation based on fossil fuels in our investment portfolio will decrease to 10 per cent by 2030.

# Roadmap for Varma's climate targets



# Progress towards climate targets in 2023

## SBT targets

**Investees committed to the SBTi account for 51% of investments covered by the target by 2027**



**GHG emissions from own operations -60% from the 2021 level by 2030**



## Climate targets of the investment portfolio

**Climate allocation 50% of the portfolio by 2027**



**Absolute GHG emissions of the investment portfolio -75% compared to the 2021 level by 2035**



**Tracking the carbon footprint of investments**

We monitor and report on the carbon footprint of our investments in accordance with our environmental policy. The calculation and reporting of the greenhouse gas (GHG) emissions of investments follow the [Partnership for Carbon Accounting Financials](#)’ (PCAF) standards. In 2023, all asset classes, with the exception of government bonds and derivatives, were included in the carbon footprint calculation of investments, which covered 89 per cent of the market value of our investment portfolio.

Our main goal is to reduce the absolute scope 1 and 2 emissions of the investment portfolio by 25 per cent by 2025. Furthermore, we aim to reduce the weighted carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue, from the 2016 level as follows: 30 per cent by 2023, 40 per cent by 2025 and 50 per cent by 2027.

At the end of 2023, the absolute emissions of the investment portfolio were down 32 per cent compared to 2022. Compared to 2022, the change is very significant, but the decline has been mainly driven by calculation factors, not changes in the real world. The main factors behind the carbon footprint reduction are the update of the emission estimation methodology for private equity investments, which improved the quality of data and emission estimates, and the update of the PCAF emission factor database, which significantly reduced the calculated carbon

footprint of especially infrastructure investments. The actual emissions decline in companies in which Varma’s holding has remained unchanged compared to 2022 accounts only for 5 per cent of the total change.

The biggest contributor to the decline of listed equities’ carbon footprint is the decline in the reported emissions of the companies that remained in the portfolio from the previous year. The companies that were divested from the portfolio reduced the portfolio’s carbon footprint, but the impact of the new investments exceeded the impact of the sold companies.

A major factor in the decline of private equity and infrastructure investments’ footprint is the natural exit of old, long-term investments that have been replaced by lower-carbon investments.

The quality of emission data improved vastly from 2022, which had a reducing effect on our investments’ carbon footprint, as expected. The improvement in the carbon footprint estimation method had a major impact on private equity investments’ carbon footprint. Apart from hedge fund investments, we do not expect improvements in data quality to have such a significant impact in future.

A major proportion of the emissions of private equity, hedge fund and private debt investments has been estimated using the PCAF’s database and emission factors. In 2023, we used, for the first time, reported data also for private equity investments and expect its coverage to substantially increase in the coming years. In infrastructure

investments, we were able to use the more accurate estimates of the updated emission factor database especially in electricity generation investments, which had a reducing impact on the calculated carbon dioxide emissions. Our goal is to improve the quality of data pertaining to all asset classes by encouraging companies and funds to report GHG emissions in accordance with the PCAF standards. The improved quality of data plays a significant role in the reduction of the

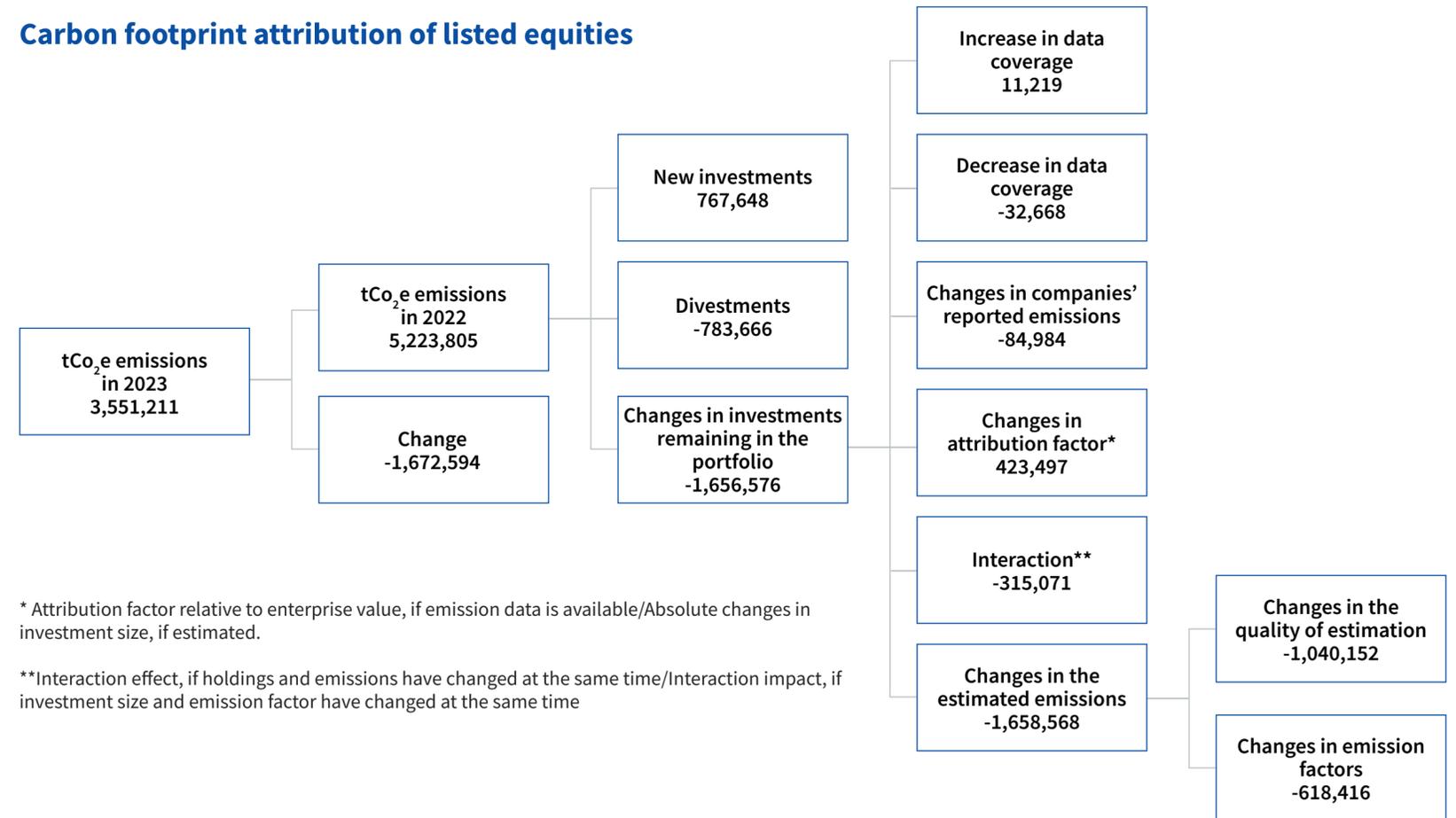
calculated emissions of Varma’s investment portfolio.

The carbon intensity of listed equity investments was down 42 per cent compared to the 2016 level. At year-end 2023, the weighted carbon intensity of Varma’s equity portfolio was also lower than that of the global equity market. In listed corporate bonds, the carbon intensity was down 18 per cent compared to 2016.

The in-use CO<sub>2</sub> emission intensity of real estate energy consumption has been reduced by as much as 64 per cent since 2015 for the sites that are under Varma’s maintenance responsibility. Read more about the environmental impacts of real estate investments [on p. 76](#).

Read more about the carbon footprint of investments in the attached tables.

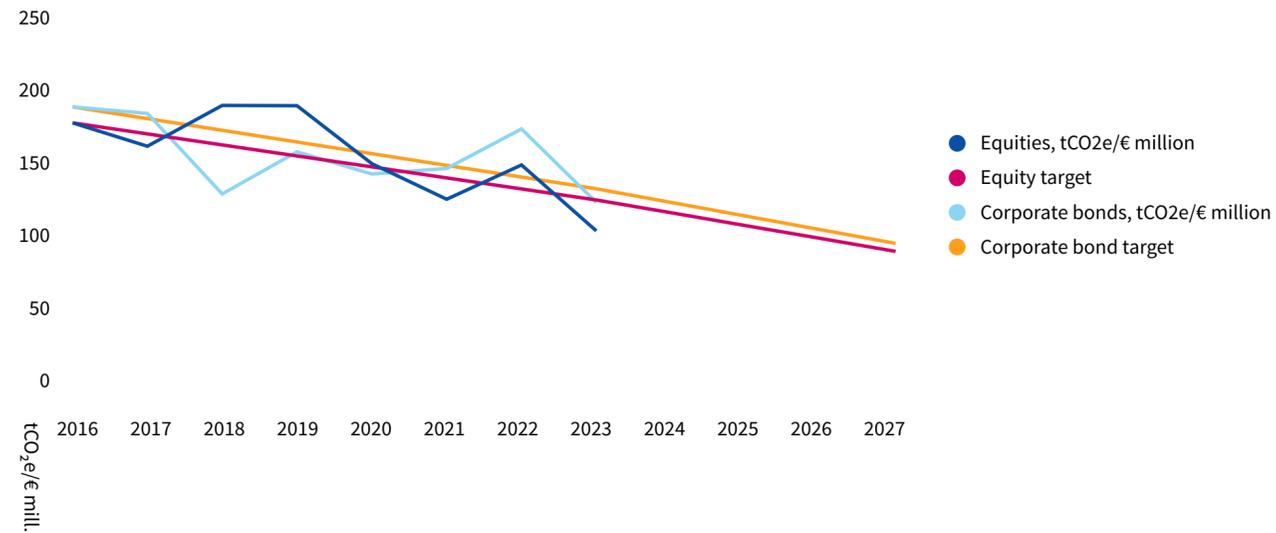
**Carbon footprint attribution of listed equities**



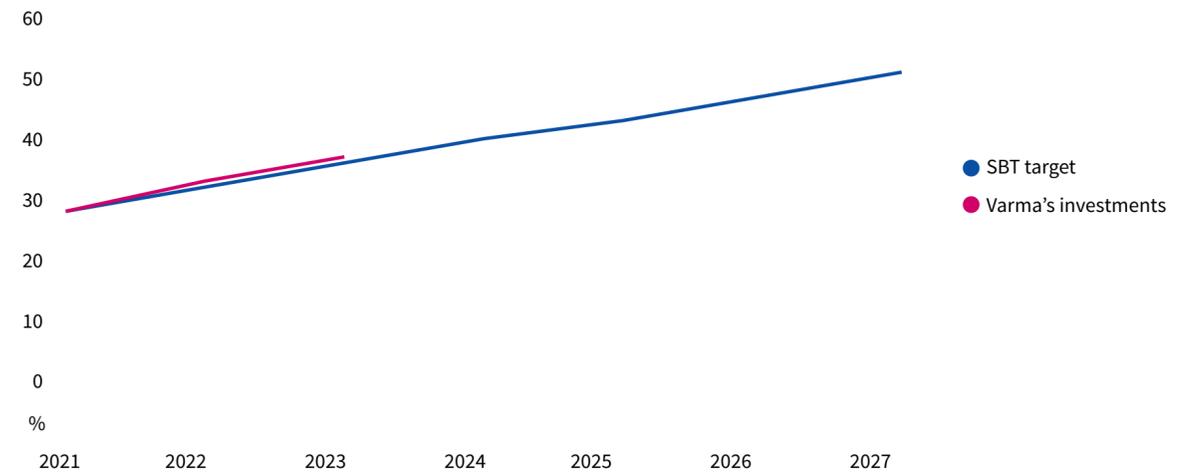
\* Attribution factor relative to enterprise value, if emission data is available/Absolute changes in investment size, if estimated.

\*\*Interaction effect, if holdings and emissions have changed at the same time/Interaction impact, if investment size and emission factor have changed at the same time

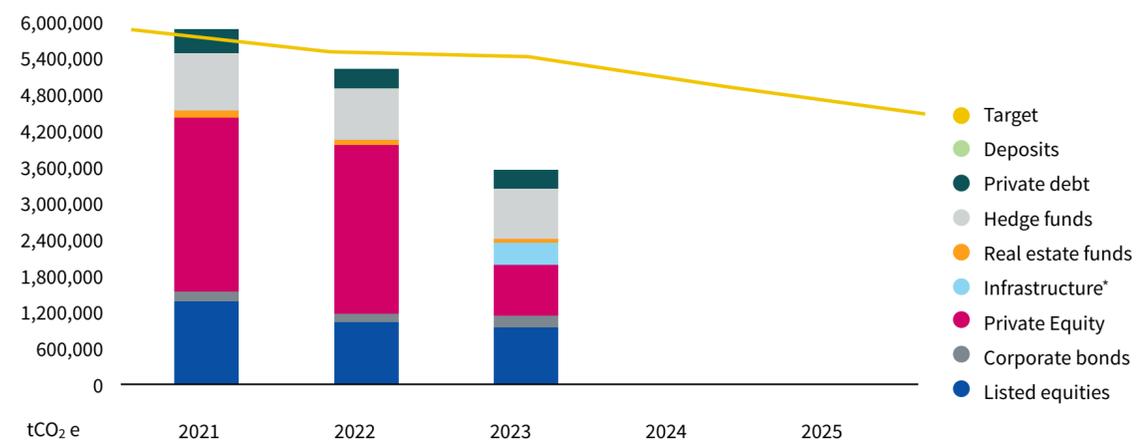
**Development of the weighted carbon intensity of listed equity and corporate bond investments compared to Varma's climate targets**



**Development in the share of investees committed to the Science Based Targets initiative**



**Development of absolute CO2 emissions of the investment portfolio**



\*In 2021 and 2022, infrastructure was presented as part of private equity funds and in 2023 separately



### Scenario as part of risk management

We make use of scenario analyses to manage climate-change-related risks and opportunities. Climate change contributes to biodiversity loss, and thus climate-change scenario analyses also indirectly promote taking biodiversity loss into account in investments.

### Scenario analyses in real estate investments

In 2023, we committed to emission reduction targets in accordance with the Science Based Targets (SBT) initiative and set reduction targets for our real estates' energy use, i.e. scope 2 emissions.

The process of setting emission reduction targets for our real estate involved modelling target pathways for the absolute emissions (tCO<sub>2</sub>e) of both residential and commercial properties. The modelled 1.5-degree emission pathways in accordance with the SBTi were drawn up using the targets of the Sectoral Decarbonization Approach (SDA). At the same time, we examined the development of the greenhouse gas emissions of our real estate portfolio in an analysis that covered the carbon dioxide emissions from the heating and electricity of commercial and residential properties that we own. In both scenarios, the need for heat was assumed to decline at an annual rate of approximately one per cent as a result of global warming and improved energy efficiency in properties.

A baseline scenario was established first, depicting the likely development of emissions

without any further actions by Varma, not including the purchase of CO<sub>2</sub>-free electricity in the 2021 scope. In the baseline scenario, the CO<sub>2</sub> emissions from Varma's real estate portfolio decline by an estimated 69 per cent from the 2021 level by 2030. The emission factor for district heat is expected to decline drastically this decade since most of the district heating companies providing heat to Varma's properties have announced that they will be nearly or fully carbon neutral by 2030 or 2031.

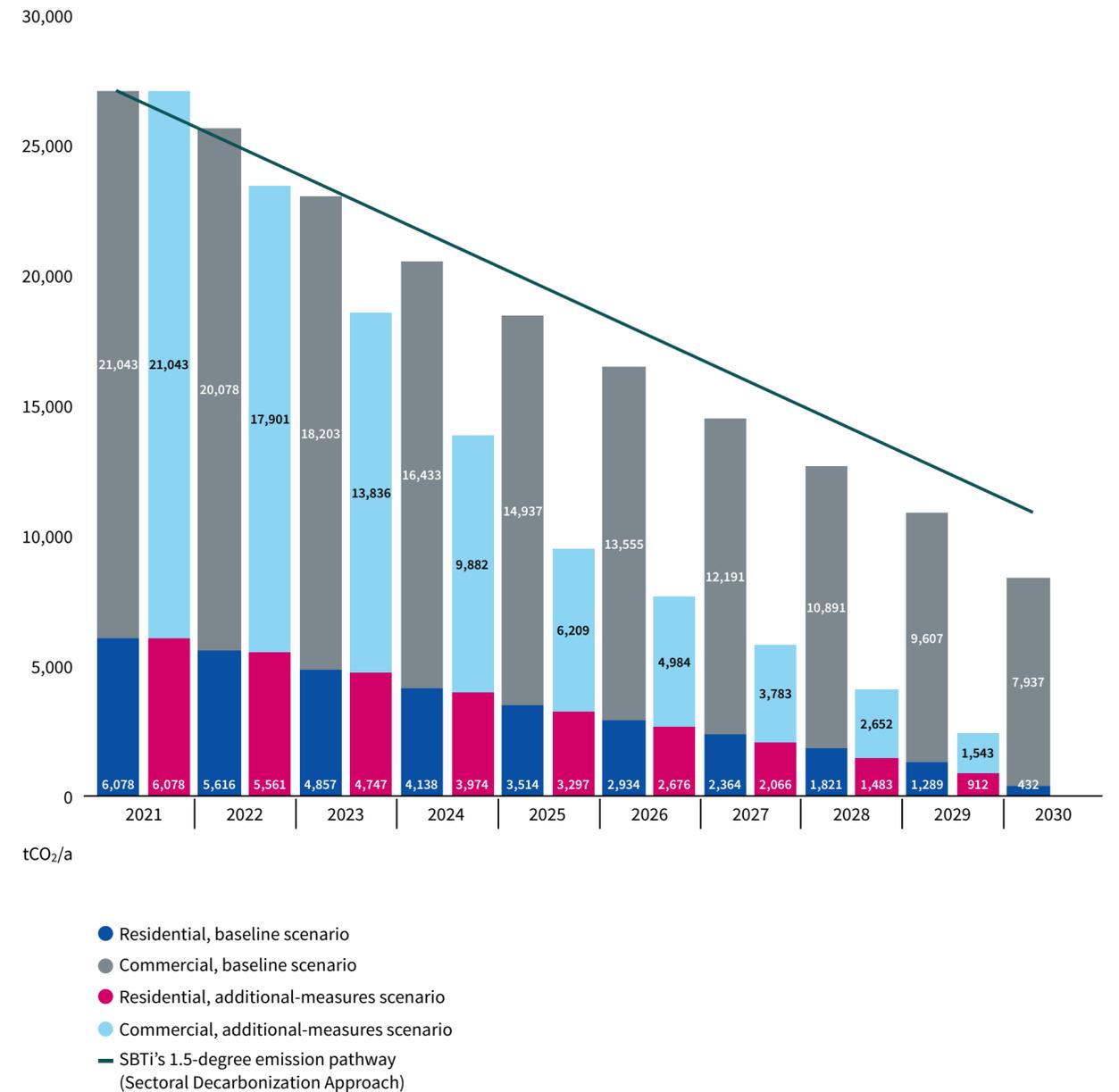
The analysis shows that even in the baseline scenario, the emissions of Varma's real estate portfolio are aligned with the 1.5-degree SBTi target, and Varma is well equipped to achieve its emission reduction targets in terms of scope 1 and 2 emissions by 2030. In the short term, the real estate portfolio's emissions can be cut in accordance with the additional measures scenario by buying CO<sub>2</sub>-free district heat and electricity.

Varma-owned real estate was analysed from the perspective of both climate-change-related transition risks and physical risks in 2021. The analyses of physical risks show that the majority of the properties owned by Varma are located in the Helsinki metropolitan area. Practically all of the buildings are located within a radius of approximately 10 kilometres from the seashore, and thus their climate burden is higher than average. In addition to the risk of a sea flood, wind-driven rain and strong winds may cause problems in controlling moisture levels in the buildings. In the climate models, the estimate is that the amount of wind-driven rain on the coastline will increase. We take this

into account in building condition surveys and facade solutions for new buildings. In addition to facade material choices, we pay attention to details that are key in terms of weather resistance, such as the design and execution of eaves and joints of different materials.

As a result of climate change, precipitation will increase and rainstorms will become stronger in Finland. At the same time, rainwater floods caused by rain and melting water will become more common. Cities, city planners and building control authorities are in charge of rainwater management, but as a real estate owner, Varma's task is to see to it that the plans take into account any measures required for rainwater management. Our real estate portfolio was also analysed for sea flood risk. In the Finnish Climate Change Panel's 2021 report, the sea flood risk in the Uusimaa region is estimated to be high and to increase going forward to 2050. Our analysis showed, however, that the sea flood risk in our real estate portfolio is low. In 2100, only five Varma-owned sites will be exposed to moderate risks, examined at a frequency of 1/1000 years. Varma takes the sea flood risk into account especially in new development projects and when purchasing new buildings.

### Scenario analysis of the development of Varma's real estate investments' emissions in relation to climate targets



**Scenario analyses in other asset classes**

We use the Climate Value-at-Risk (Climate VaR) tool to assess climate risks. It was developed by MSCI to provide an assessment of asset class-specific transition costs and opportunities as well as physical risks brought by climate change. Climate risks have major impacts on companies’ business models and profitability, the outlook of which has been challenging to assess using traditional historical analysis. Climate VaR strives to address this problem by depicting the temperature scenario’s potential impact on the investment’s market value.

The analysis of our listed equity investments shows that both negative and positive potential impacts are the greatest in scenarios in which the transition is the strongest. Compared to the global equity market, the largest relative difference is created in the 1.5-degree scenario (Carbon neutrality 2050), in which the impacts on Varma’s equity investments would be significantly lower than on the global equity market. In all the scenarios, the potential overall impacts are negative, but in Varma’s listed equity investments, the impacts are lower than in the global equity market.

Varma has also made use of forward-looking data by analysing the estimated future scope 1, 2 and 3 emissions of its listed equity investments and the amount of carbon dioxide emissions companies can afford to release in 2020–2070 in order to limit the global temperature rise to below two degrees

Celsius compared to the pre-industrial era by 2100. The estimated Implied Temperature Rise (ITR) figure, which is based on the analysis, shows that Varma’s listed equity investments are aligned with a 2.1 (2.4) degree temperature rise. In other words, if all companies in the world overshoot the emissions budget set for them in the same proportion as Varma’s investments in listed equities, the global temperature increase would be 2.1 degrees by 2100 compared to the pre-industrial era.

We are committed to the low-carbon roadmap for electricity generation, which means that electricity generation capacity based on fossil fuels in our investment portfolio will

decrease to 10 per cent by 2030 in accordance with the [Network for Greening the Financial System’s](#) (NGFS) Net Zero 2050 scenario. In 2023, the weighted proportion of renewable energy in our portfolio was 53 per cent, of fossil fuels 16 per cent and of others, such as nuclear power, 31 per cent. [Read more in the attached tables.](#)

**Sectors exposed to climate change in Varma’s investments**

We have defined industries that, in terms of climate change, both offer greater opportunities for mitigating the impacts of climate change through their business and are also

significantly exposed to, for example, risks caused by climate change mitigation, such as regulation and market risks. These high-risk industries are the oil & gas industry, electricity & heat production, and the automotive, mining, construction materials, transportation, forest and chemical industries.

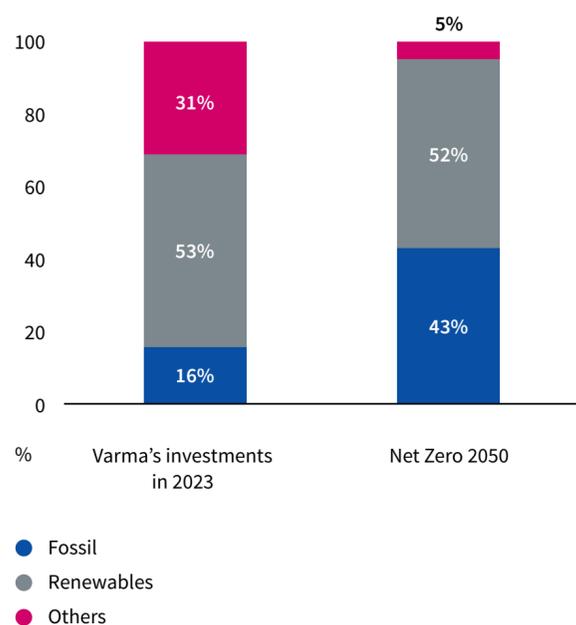
Companies operating within high-risk industries also present investors with return opportunities. We aim to identify companies operating in these industries with a strong willingness to change and an ability to take climate change into account.

We also monitor and analyse the impact that different high-risk industries have on the

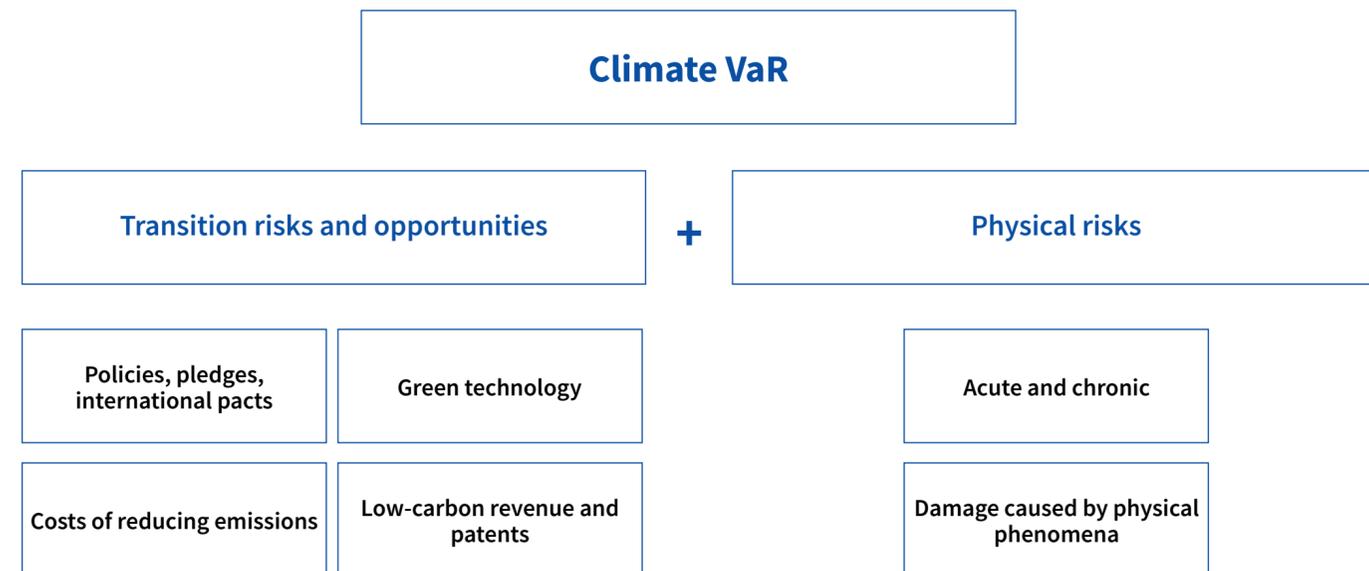
climate risks of Varma’s investments in different asset classes. In order to attain the climate goals, we must identify, within the high-risk sectors, investees that are able to adapt their operations and benefit from the transformation to a lower-carbon society.

High-risk industries make up 49 per cent of the scope 1 and 2 greenhouse gas emissions of Varma’s investments, although they account for a mere 13 per cent of Varma’s entire portfolio. The high-risk industries’ contribution to absolute scope 1 and 2 emissions significantly declined from 2022, driven by changes in electricity generation methods and the estimation methodology.

**Electricity generation mix of Varma’s investments vs. target level**



**Climate VaR tool for climate risks**



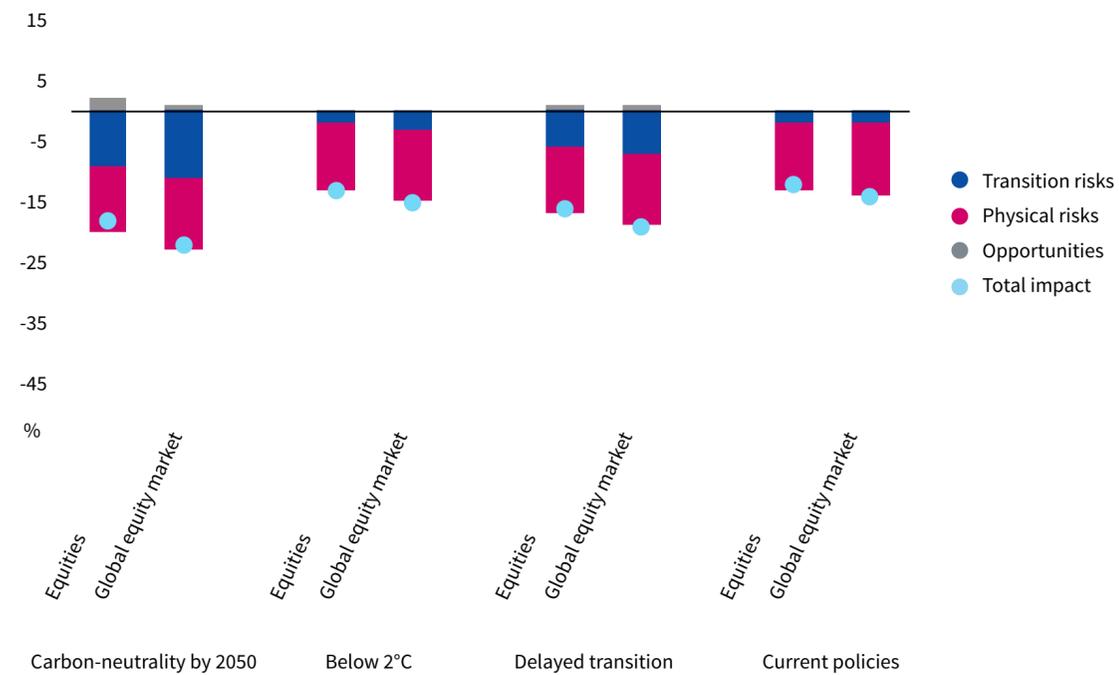
**Climate-change-related opportunities**

Responsible investment and mitigating climate change apply to all of Varma’s asset classes and investment processes.

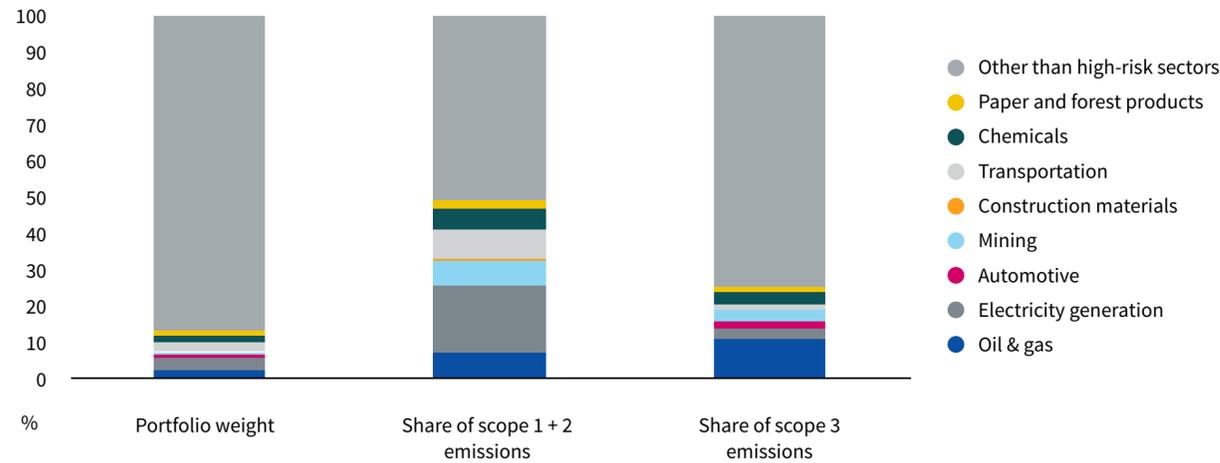
Climate change also presents investors with new opportunities. We have created a climate-friendly investment allocation, which includes companies whose business benefits from actions to mitigate climate change,

whose operations do not cause significant greenhouse gas emissions, who have a clear strategic and science-based target of reducing greenhouse gas emissions and whose operations offer carbon sinks. The climate allocation, which covers all asset classes, accounted for 37 per cent of all of Varma’s investments at the end of 2023. Read more about the climate allocation in the case story on the next page.

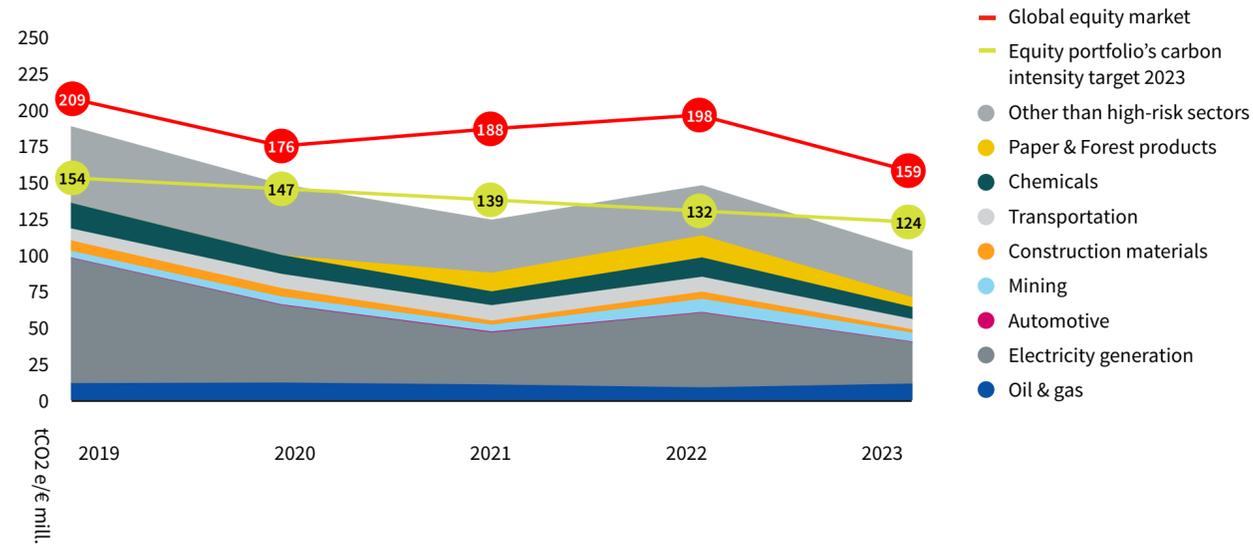
**Climate VaR of equity investments**



High-risk sector emissions



Contribution of high-risk industries to the weighted carbon intensity of Varma's equities



SECURE FUTURE

Over a third of investments in climate allocation

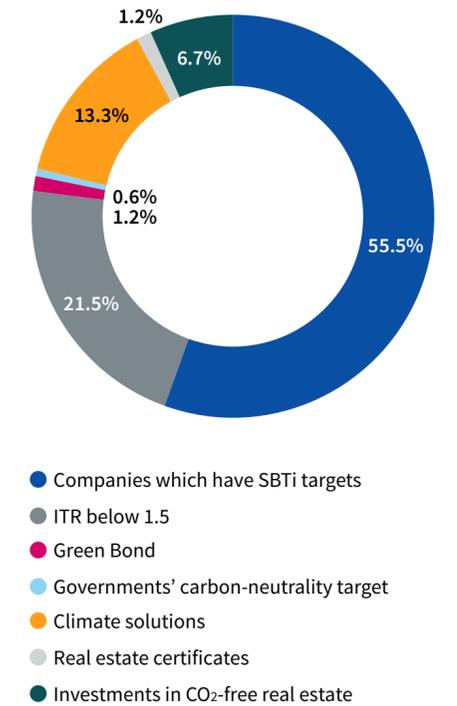
The climate-friendly investment allocation includes investments that take into account the impacts and opportunities of climate change. The climate allocation, which covers all asset classes, accounted for 37 per cent of all of Varma's investments at the end of 2023, amounting to EUR 21.9 billion.

Companies and funds which have set SBTi targets make up the largest share of the climate allocation, at 56 per cent. They are followed by companies whose Implied Temperature Rise (ITR) figure is below 1.5. The future emissions of these companies fall below their allocated emissions budget which would limit global warming to 1.5 degrees by 2100. The third largest group is made up of companies offering climate solutions. These include renewable energy companies and companies focussing on energy efficiency or circular economy. The rest are made up of government bonds in which the state is committed to carbon neutrality before 2040, Green bonds, and real estate investments certified as excellent or CO<sub>2</sub>-free.

"We have been positively surprised by the trail-blazing approach of Finnish companies to set science-based emission reduction targets," says Director **Timo Sallinen**, Varma's Head of Listed Securities.

When it comes to climate change mitigation and the risks brought by climate change, it would be important for funds also to take climate change more systematically into consideration in their investment strategies. Our goal is to increase the share of funds that take climate change explicitly into account to 50 per cent of the fund investments in our portfolio by 2025. At year-end 2023, the share of these funds was 39 per cent.

Composition of the climate allocation



**Timo Sallinen**  
Director, Head of Listed Securities



# Attending to biodiversity in investments

Biodiversity is a requirement for a happy, healthy life. Biodiversity loss poses major risks to the economy, companies’ business and investors. The EU’s biodiversity strategy aims to stop biodiversity loss and put biodiversity on a path to recovery by 2030. Taking environmental aspects into account is part of our investment process. Varma’s investments are exposed to environmental risks, and at the same time, investments have major impacts on the environment. We invest increasingly in companies that take biodiversity loss into account in their operations by, for example, developing solutions for attending to biodiversity.

For an investor, measuring the impacts of changes in biodiversity is more complicated than measuring the impacts of climate change. Furthermore, whereas greenhouse gas emissions are global, problems and opportunities related to biodiversity are often local in nature. Within industries that are directly linked to land use, investors may strive to identify risks as well as opportunities related to both climate change and biodiversity. The analysis of economic risks and opportunities and positive impacts related to biodiversity has been complicated by the scarcity and lack of commensurable indicators

that can be applied to a variety of investees. On the other hand, biodiversity is already mentioned in many companies’ strategies and sustainability policies. For an investor assessing risks and opportunities related to biodiversity, it is critical to find such science-based background information that takes different views broadly into account. The framework of physical and transition risks used in the assessment of climate risks can also be used for assessing biodiversity risks. Furthermore, biodiversity loss has broader systemic risks, just like climate change.

In 2023, the new [Taskforce for Nature-related Financial Disclosures](#) (TNFD) framework was published to help the private sector address the nature crisis. The TNFD helps companies and investors to identify, manage and report on the nature-related impacts, dependencies, risks and opportunities of their business. Our 2023 reporting is adapted from the TNFD framework’s recommendations. Through the double materiality assessment, we have established that biodiversity is a material sustainability theme in our investments but not in our own operations. This is why our TNFD report focusses on our direct and fund investments.

## Roadmap guided our activities in 2023

We started our biodiversity work in 2020, after which the international debate has continued and investors’ means of taking biodiversity into account in their investments have much improved. In 2022, we created a [Biodiversity Roadmap](#), with the purpose of creating a framework for responsible investment requirements, policies and goals that prevent biodiversity loss. Our goal is to ensure that the biodiversity and climate targets carry equal weight and that together they promote our environmental sustainability. How the climate and biodiversity work is applied depends on the asset class and type of investment. Our goal is to systematically assess the risks and impacts of our investments in terms of biodiversity loss.

In 2023, we started working on our environmental policy that will be published in 2024. The policy also includes a description of our biodiversity-related actions. The policy helps us carry out systematic biodiversity assessments covering the entire investment portfolio. This includes target setting and reporting, Active monitoring and policy updates based on the development of global anti-biodiversity

loss measures are also essential. These actions help promote the protection of biodiversity and reduce the related risks to finances and business operations.

In 2023, we updated the roadmap in line with the updated guidelines and requirements. The high-risk industry listing was updated to align with the TNFD’s definitions of sectors with the greatest risks related to biodiversity through their impacts and dependencies. We also updated the Biodiversity Roadmap milestones. We removed obsolete contents and reportable data that we will in future be reporting as part of our annual and sustainability report. The purpose of the roadmap is to guide our development in the coming years.

## Biodiversity survey of high-risk sectors

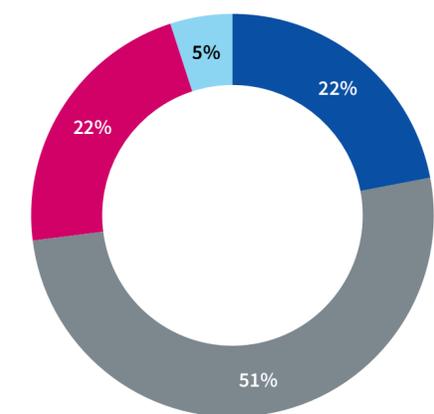
In 2023, we conducted a biodiversity survey of risk industries as part of an analysis of the impacts of our investments and a risk survey. The survey looked into the portfolio companies’ attitudes and preparedness for risks linked to biodiversity loss. The survey included 282 companies in high-risk sectors from around the world. The survey covered Varma’s listed equity investments. We used a more concise high-risk sector listing since the TNFD had not published its final recommendations at the time of the survey.

The survey was carried out so that the companies’ publicly available biodiversity policies were divided into three categories: (1) expression of the will to take action, (2) commitment

and detailed targets for considering biodiversity and (3) a detailed action plan for delivering on the commitment.

Of the companies, 27 per cent had set targets for considering the prevention of biodiversity loss in their operations. A clearly larger proportion, just over half of the companies (51 per cent), had expressed their intent to take action to consider or compensate for biodiversity loss. However, only five per cent of all companies had a concrete action plan. Over a fifth (22 per cent) of the companies had not considered biodiversity issues in their public policies at all.

## Biodiversity survey of high-risk sectors



- Biodiversity not mentioned
- Expression of the will to take action
- Commitment and detailed targets
- Action plan for delivering on the commitment

European companies were more advanced compared to companies operating in North America and Asia. Of the sectors, forest industry companies, construction material manufacturers and electricity producers have come the furthest in their biodiversity work. The biggest need for improvement can be seen in companies operating in the transport, beverage and textile industries and companies manufacturing luxury products.

Our goal is to follow the development and implementation of the biodiversity work of our investees operating in high-risk industries as part of their own risk management.

**Integrating biodiversity in investment decisions**

In line with our environmental policy, biodiversity will be integrated into the investment process. The integration initially focusses on our direct investments and high-risk sectors. Biodiversity will be included in the selection and monitoring process of fund management companies. The goal is to improve the biodiversity monitoring of unlisted and indirect investments.

**We work together with other investors**

We promote collaboration within the financial markets in order to mitigate and stop biodiversity loss, while also taking part in the public debate and collaborative initiatives on the impacts of climate change.

We encourage our investees to report on financial risks and opportunities in line with

the Taskforce on Nature-related Financial Disclosures’ (TNFD) framework and to set [Science Based Targets for Nature](#) (SBTN). The Science-Based Targets for Nature guidance helps companies set nature-related targets. The TNFD and SBTN complement each other.

**Active ownership and engagement**

For an investor, one means of managing risks caused by biodiversity loss is to engage with investee companies. We recommend that companies report transparently on the current and future impacts of biodiversity loss on the company’s operations and growth potential. We encourage our investee companies to manage risks and create policies for taking biodiversity into account.

We communicate with risk-industry companies and encourage them to report transparently on the biodiversity impacts and risks of their operations.

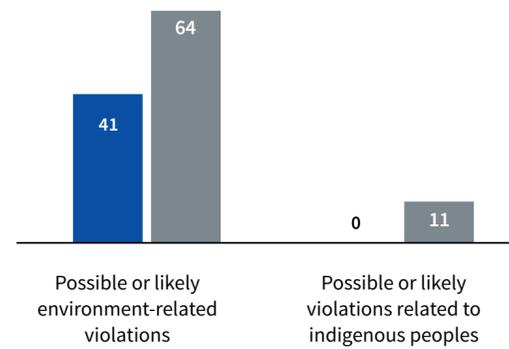
Taking biodiversity into consideration is part of our norm violation monitoring. Our norm violation monitoring encompasses several sustainability themes in addition to the environment. In its framework, the TNFD has developed guidance on engagement with indigenous peoples, local communities and other stakeholders as part of assessing, controlling and reporting nature-related impacts and risks.

In 2023, we engaged, together with other investors, in 64 possible or likely violations linked to the environment and 11 possible or likely violations linked to indigenous peoples. Read more about our norm violation monitoring in the section [Responsible investment](#).

**Metrics and targets**

The TNFD has published [14 core global metrics](#) that companies can use to quantify their impacts and dependencies on nature. For now, financial sector companies are not expected to report on dependencies and impacts for investments. This year, we also do not report on five quantitative risk and opportunity metrics due to incomplete data. We report on metrics that the TNFD has recommended exclusively for financial institutions (core global dependency and impact disclosure metrics).

**Varma involved in engagement processes to address violations related to the environment and indigenous peoples**



● 2022  
● 2023



In accordance with the TNFD framework’s recommendations, we report on our investments in companies in sectors with the greatest risks related to biodiversity through their impacts and dependencies. The sectors reported are based on the sectors defined by the TNFD.

We also report our investments in companies with major operations in areas prone to biodiversity loss.

We aim to develop our operations such that we will be able to report more extensively according to TNFD’s recommended metrics.

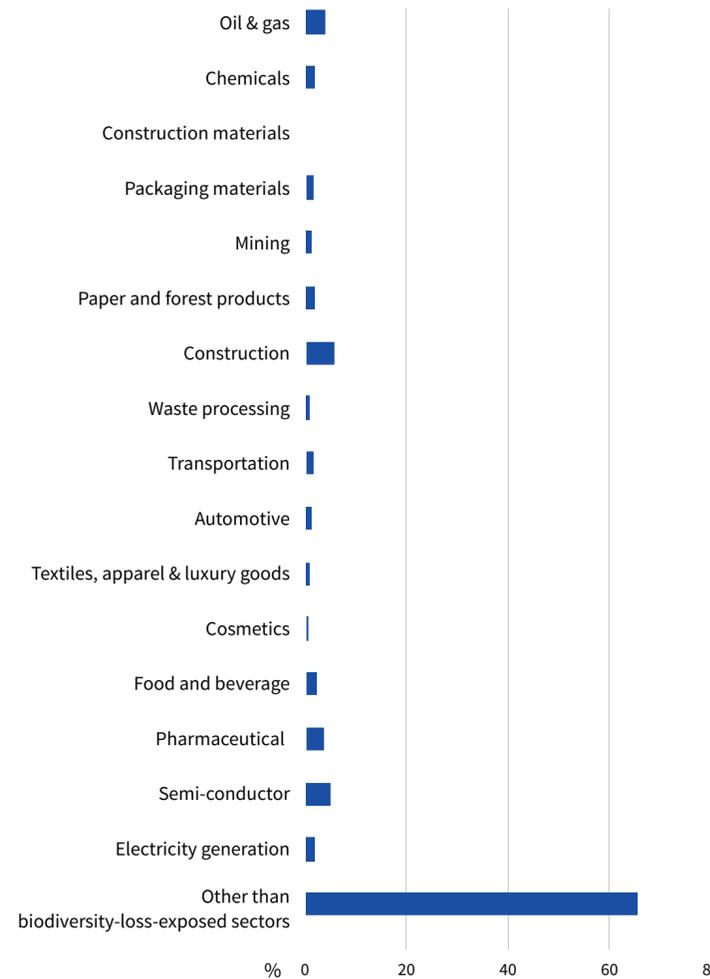
We regularly update our environmental policy’s section on biodiversity and the related targets and gradually set more detailed targets and procedures by asset class. We examine different methods of assessing risks related to biodiversity loss in different asset classes, sectors and companies.

**Reporting on biodiversity**

We wish to remain aware of our investment portfolio’s risks, impacts and dependencies with regard to biodiversity. Our reporting will initially focus on listed investments. As the quality of data improves, we will expand our reporting to other asset classes. In addition to sustainability reporting, we are now reporting for the first time according to the Task Force on Nature-related Financial Disclosures’ (TNFD) framework for 2023.

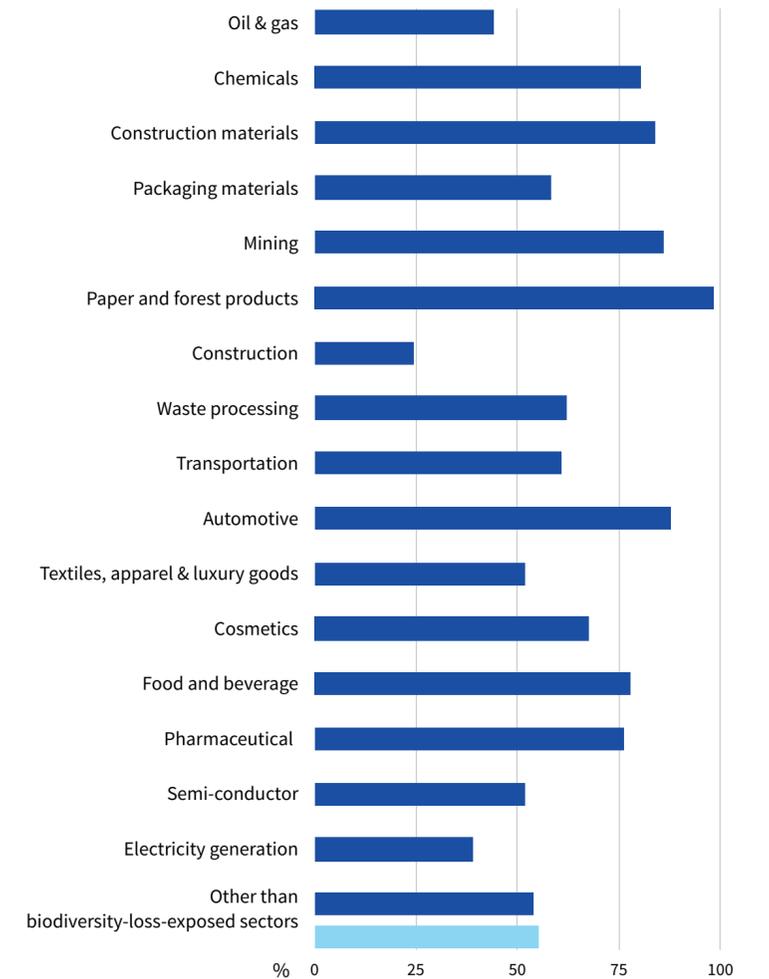
Our report’s key areas cover biodiversity-related risks. We also assess our impacts and dependencies on biodiversity. Furthermore, we report on our goals, actions and the indicators we monitor. Internal reporting also enables the setting of targets and the systematic monitoring of progress towards the targets.

**Share of sectors exposed to biodiversity loss in listed equity investments in 2023**



● Weight

**Share of high-risk-sector business operations in areas exposed to biodiversity loss of listed equity investments in 2023**



● Operations in areas exposed to biodiversity loss  
● Operations in areas exposed to biodiversity loss in listed equity investments

# Environmental risks and opportunities

## Climate risks and opportunities

From an investor’s perspective, climate change entails both physical and transition risks, which have an impact on the value of investments. Physical risks are divided into acute and chronic risks. They refer to the challenges that climate change poses to companies and society, such as unexpected damage caused by extreme weather events or the depletion of natural resources in the long term. Transition risks refer to changes, for example, in regulation, technology and consumer behaviour that the transition to a lower-carbon economy entails.

On the other hand, climate change also presents investors with opportunities. For instance, companies developing technologies to mitigate climate change or solutions to facilitate the transition to a low-carbon economy may offer investors good return opportunities.

## Risks and opportunities related to biodiversity loss

Almost all industries face risks resulting from biodiversity loss. The risks can be divided into physical, legal, transition and systemic risks. Physical risks are, for example, the depletion of natural resources or disturbances in the operating environment. Legal risks include increasing regulation and international

agreements, for instance. Transition risks refer to changes, for example, in the operating environment, technology and consumer behaviour that the measures preventing biodiversity loss could entail. Systemic risks mean an extreme risk in which biodiversity loss can lead to the collapse of entire regional ecosystems.

Biodiversity-related business opportunities are even more obscure than the risks. We believe that, over time, taking biodiversity into account and improving the related methods also present investors with opportunities. For instance, companies developing technologies to mitigate biodiversity loss or pioneering in nature-related risks within their sector may offer investors good return opportunities.

In 2023, Varma continued to identify sustainability risks related to its investments and systematically develop their monitoring. Possible and likely sustainability risks are entered into our risk management system. As regards investees, the risks were related to possible and likely factors affecting the investee’s value. Climate change, biodiversity loss and human rights are among the most significant sustainability risks that investors must prepare for. We monitor sustainability risks by striving to identify adverse business interests and violations of international agreements and norms in our investment portfolio.

## Environmental risk and opportunity management and strategy

Sustainability is a strategic focus for Varma, and mitigating climate change and attending to biodiversity are among our key sustainability targets. Climate risks are a key focus when sustainability issues are annually reported to Varma’s Board of Directors. Furthermore, the Board of Directors discusses climate risks on a monthly basis and, in its risk review, on a quarterly basis.

The Chief Investment Officer is in charge of taking investments’ environmental aspects into account.

The Investment Operations management team regularly addresses matters related to responsible investments, and climate targets are monitored daily in the Investment Operations’ internal portfolio report.

In 2023, Varma continued to identify sustainability risks related to its investments and systematically develop their monitoring. Possible and likely sustainability risks are entered into our risk management system. As regards investees, the risks were related to possible and likely factors affecting the investee’s value. Climate change is one of the most significant sustainability risks that investors must prepare for. In addition to climate change, economic risks are also caused by biodiversity loss.

In addition to analysing climate-related risks, Varma monitors other sustainability risks by striving to identify adverse business interests and violations of international agreements and norms.

Information on environment-related policies – e.g. exclusions and due diligence – is also given in [Varma’s Principles for Responsible Investment](#) and in the [active ownership and engagement principles](#). Both of these have been approved by Varma’s Board of Directors.

**Read more about the risks related to climate change and biodiversity loss and the means of risk management in Varma’s investments in the table on the next page.**

**Risks related to climate change and biodiversity loss, their potential impact on investments and the means of risk management in Varma’s investments**

Our impact	Potential impact on investing	Means of management
Transition risks	Regulatory impact, e.g. emission rights prices, carbon tax, varying regulation. Investees’ ability to identify new business opportunities and develop new technologies to mitigate climate change and prevent biodiversity loss. Consumer behaviour and tightening regulation may influence the market and investees’ reputation.	<ul style="list-style-type: none"> <li>• Due diligence process for high-risk industries</li> <li>• Reducing carbon intensity</li> <li>• Negative screening</li> <li>• Replacing district heating with geothermal heating in properties</li> <li>• Scenario analyses in listed equity and corporate bond investments as well as real estate investments</li> <li>• Biodiversity monitoring of high-risk sectors</li> <li>• Real estate’s biodiversity guidelines</li> </ul>
Acute physical risks	Extreme weather conditions and natural disasters, e.g. floods and hurricanes. For example, the drying up of rivers may affect logistics costs, crop damage due to drought or excess rainfall may influence the cost of food production, heat may increase the cooling costs of business premises, winter clothing sales may suffer from mild winters, and tourism may be negatively affected by unfavourable weather conditions, like snow scarcity (e.g. ski resorts and restaurants in their vicinity).	<ul style="list-style-type: none"> <li>• In real estate investments, the use of flood surveys and flood maps: properties will not be built in or acquired from areas at risk of floods</li> <li>• In private equity investments, company analyses and supply chain management</li> </ul>
Chronic physical risks	Drought, heat waves, rain. For example, attempts are being made to mitigate the California wildfires caused by annual drought by undergrounding electricity transmission networks (reduced chance of wildfire ignition); in food production, coffee and cacao plantations are being moved permanently away from locations where agricultural conditions have become unfavourable. Acute physical risks turn chronic.	<ul style="list-style-type: none"> <li>• Facade solutions for new buildings, building condition assessments</li> <li>• Modelling of companies’ geographical production locations</li> <li>• Assessing risk management in supply chains</li> <li>• Scenario analyses in listed equity and corporate bond investments as well as real estate investments</li> </ul>
Physical risks (biodiversity)	Physical risks are caused by an investee’s direct or indirect dependency on the availability of a natural resource or ecosystem service. For example, the lower production potential of an agricultural country, extreme weather conditions, such as droughts and storms, and reduction in pollinators.	<ul style="list-style-type: none"> <li>• Monitoring of how investees identify and prepare for potential risks caused by biodiversity loss</li> </ul>
Systemic risks (biodiversity)	Systemic risks mean an extreme risk in which biodiversity loss can lead to the collapse of entire regional ecosystems. If the Amazon rainforest is destroyed, for example, rainfall volumes can change as far afield as the United States. In these types of situations, biodiversity loss can be identified as a clear cause of systemic risks impacting the economy.	<ul style="list-style-type: none"> <li>• Due diligence in industries at risk due to biodiversity loss</li> <li>• Analysis of investments in geographical areas that are sensitive to biodiversity loss</li> </ul>

# Investment due diligence and exclusions

We have assessed sustainability-related impacts, risks and opportunities using the double-materiality analysis in accordance with sustainability reporting. Climate change and biodiversity loss are among the most significant sustainability risks that investors must prepare for. We have also identified industries with a pronounced need for due diligence.

The due diligence process concerns the following high-risk industries:

- Industries that are significantly exposed to both climate- and nature-related risks: the oil & gas industry, electricity & heat production, and the automotive, mining, concrete, construction materials, forestry, transport and chemical industries
- Industries that are significantly exposed to nature-related risks (according to the TNFD framework): packaging materials, waste, textiles, apparel and luxury goods, food, pharmaceuticals and cosmetics.

The due diligence process also applies to companies with coal- or lignite-based operations accounting for 5–10 per cent of their net sales, production capacity or production.

In our climate targets, we commit to exiting from all investments in thermal coal by 2025. We do not make new investments

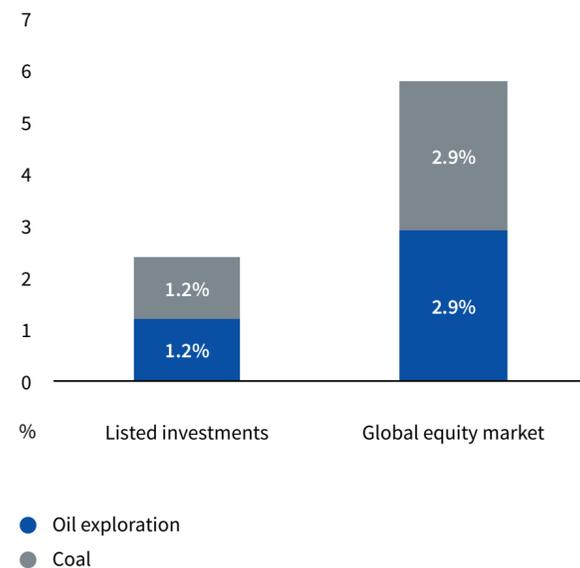
in companies with coal-based operations accounting for more than 10% of their net sales, production or production capacity. The exception to this general rule is companies that have a science-based target of reducing emissions to help limit global warming to 1.5 degrees Celsius. We are also committed to excluding oil exploration from our investments by 2030. As part of our efforts to mitigate climate change, since 2015 we have excluded from our direct investments companies with coal- or lignite-based operations accounting for more than 30 per cent of their net sales, production capacity or production. We do not make new direct investments in companies with coal- or lignite-based operations accounting for more than 10% of their net sales, production capacity or production.

At the end of 2023, 1.2 per cent of Varma’s assets in listed investments were in companies that rely on coal for more than 5 per cent of their operations. The proportion of investments in the oil exploration industry was very low, at 1.2 per cent, fund investments included.

As regards biodiversity, we also exclude from our portfolio companies that operate in biodiversity-sensitive areas and which have

been observed to seriously violate the norms of international agreements. We do not make new investments in companies with major operations in areas prone to biodiversity loss. We also do not invest in companies that have violated international laws or agreements and there are no plausible remedy plans or evidence of sufficient progress.

**Proportion of oil and coal in listed investments**



# Engaging with investee companies

For an investor, one means of managing climate-related risks is to engage with investee companies. In our [ownership policy](#), we guide companies to report transparently on the current and future impacts of climate change on the company's operations and growth potential. They should report on how the impacts of climate change are included in the company's governance, strategy and risk management, especially in emission-intensive industries. Reporting on the targets and indicators set by the investee company makes it easier to monitor the company's progress.

As regards biodiversity, we recommend that companies report transparently on the current and future impacts of biodiversity loss on the company's operations and growth potential. We encourage our investee companies to manage risks and create policies for taking biodiversity into account. We communicate with risk-industry companies and encourage them to report transparently on the biodiversity impacts and risks of their operations.

Our means of engaging with investees are described in more detail in our [active ownership and engagement principles](#). Varma's engagement goals are twofold. Firstly, Varma engages with companies in an effort to rectify the situation if the investee company has violated local laws or international agreements. Secondly, through engagement, Varma as an

investor can promote sustainability and sustainability reporting.

We encourage our investees to set science-based emission reduction targets in accordance with the Science Based Targets initiative (SBTi). We regularly monitor the proportion of our SBT investments in the different asset classes. We also encourage our investees to report on financial risks and opportunities in line with the Taskforce on Nature-related Financial Disclosures' (TNFD) framework and to set Science Based Targets for Nature (SBTN).

In environmental matters, Varma's engagement is guided by both the [environmental policy](#) for investments and compliance with international agreements and national legislation. The Paris Agreement and local environmental laws are key elements in screening the investment portfolio for violations. In addition to the Paris Agreement's emission reductions, biodiversity is one of the engagement themes in environmental matters. We use the data provided by a third party to monitor violations of environment-related norms by our investees. The screening covers, for instance, failures in reducing air pollution and assessing environmental impacts.

Varma categorises its investee companies that violate international norms and agreements into three categories, the most severe

of which may lead to a company getting black-listed if it does not sufficiently rectify its operations. Violations in the second most severe category are included in Varma's engagement process. Read more about the monitoring of norms in the section [Responsible investment](#).

A typical channel for Varma's engagement is meetings with companies in which we have a holding. We have regular company meetings, in which we explore how they take climate change mitigation into account in their operations. We are also represented in companies' nomination boards, and we participate in the general meetings of Finnish and foreign companies. Read more about our participation in general meetings in the section [Responsible investment](#).



# Collaborative initiatives and pledges

We engage globally, together with other investors, in climate change and biodiversity loss action through various collaborative initiatives and pledges.

We have joined the international [Powering Past Coal Alliance](#) (PPCA), which is working to advance the transition away from coal-based electricity and heat generation in EU and OECD countries by 2030. We have also joined the [Climate Action 100+ initiative](#), in which investors collectively engage on a global scale with the largest corporate greenhouse gas emitters to ensure that the targets of the Paris Agreement are met.

In order to advance the financial market's joint efforts to mitigate climate change, Varma has engaged in co-operation with the Nordic [Climate Investment Coalition \(CIC\)](#). The CIC is a public and private sector coalition.

Furthermore, we are a signatory to the [CDP](#), which compiles data on companies' greenhouse gas emissions and other climate change-related data. In 2022, Varma participated for the second time in the CDP's campaign that encourages companies to set science-based targets for emission reduction, i.e. to operate in accordance with the [Science Based Targets \(SBT\)](#) framework.

Varma has joined the [Partnership for Carbon Accounting Financials \(PCAF\)](#) initiative. Its goal is to develop a harmonised approach to assess and disclose the greenhouse gas emissions associated with loans and investments.

Varma is a participator in the global real estate and construction industry initiative [Net Zero Carbon Buildings Commitment](#), which advocates for carbon-neutral buildings, and in the sustainable demolition [Green Deal](#), an agreement between Finland's Ministry of the Environment and the business sector to process and recycle demolition waste from construction projects.

We are part of various networks that fight climate change, such as the [Climate Leadership Coalition](#).

We also participate in international investors' initiatives and pledges that engage in biodiversity loss, including the [Finance for Biodiversity Pledge](#) for financial institutions and [Nature Action 100 initiative](#). In Nature Action 100, investors focus on mobilising especially companies deemed to be systemically important to the goal of reversing biodiversity loss.

We participate in BlackRock's [eFront ESG Outreach campaign](#), which promotes sustainability reporting among alternative investments.



# Environmental impacts of real estate investments

In 2023, we drew up an ESG roadmap for direct real estate investments to steer our targets and actions in the most material sustainability issues related to real estate investments, such as mitigating and adapting to climate change, social aspects and direct real estate investments' ESG management in 2024–2028. Varma has worked for a long time now to promote the environmental aspects identified in the roadmap. Properties' climate friendliness plays a key role in combatting climate change, and the in-use CO<sub>2</sub> emission intensity of real estate energy consumption has been reduced by as much as 64 per cent since 2015 for the sites that are under Varma's maintenance responsibility.

## Real estate emissions down through energy efficiency measures and carbon-dioxide-free heat and electricity

The reduction in the emissions of Varma's real estate is due to switching to CO<sub>2</sub>-free district heat and electricity, energy renovations and energy efficiency measures. Annual changes in the emission factors for district heat and electricity also contribute to the amount of emissions. Our goal is for the heat purchased

for use in our real estate to be CO<sub>2</sub>-free by 2030 and electricity to be CO<sub>2</sub>-free by 2025.

We have carried out energy renovations and renewable energy solutions in 23 of our residential and 16 of our commercial properties. Energy renovation measures include installing geothermal and other heat pumps, and solar panels in the properties.

At the end of 2023, nearly all residential properties and 29 commercial properties had switched to CO<sub>2</sub>-free electricity. CO<sub>2</sub>-free district heat, for example recycled heat, has been adopted in 17 residential properties and 28 commercial properties. The waste heat used in recycled heat is a by-product of data centres, substations and industrial processes. A geothermal heating system is in use in 17 residential properties and one commercial property under our ownership. At a total of 59 sites, the in-use energy in terms of both electricity and heat is generated CO<sub>2</sub>-free. At the end of 2023, 77 (70) per cent of real estate electricity and 62 (35) per cent of heat were CO<sub>2</sub>-free for the sites that were under Varma's maintenance responsibility.

Solar power plants have been installed at 18 of our residential and 12 of our commercial properties. Solar power accounts for around

1.4 per cent of these properties' electricity consumption. The properties to be equipped with solar systems have been chosen according to the type of property, free roof surface and optimal electricity consumption such that electricity generated by solar energy can be fully used in the properties. We continuously look for new sites for the adoption of renewable energy.

In Varma's commercial and residential properties, specific heat and electricity consumption did not change significantly in 2023 and were close to the previous year's level. We have strived to reduce energy consumption through energy-saving measures, such as the installation of more energy-efficient equipment, sensible utilisation of waste heat and adoption of LED lighting.

Varma participated in the nationwide energy saving campaign 'Down a degree', which was launched in 2022 by Motiva, a sustainable development company. During the campaign, we optimised ventilation, cooling and heating, and reduced the lighting used in advertising signs in our commercial properties. These measures were also in use in 2023.

We are committed to both commercial property and rental flat energy efficiency action plans through the Finnish Energy Efficiency Agreement Schemes for the property sector. The agreement period covers the years 2017–2025. Varma aims for a 10 per cent reduction in the properties' energy consumption by the end of 2025. We have achieved savings of 10.5 per cent in commercial properties and around 14 per cent in residential properties.

Varma also strives to optimise and reduce water usage in its residential and commercial properties. We use a real-time monitoring system that enables us to identify and react to deviations in water consumption in a timely manner.

We also provide our residential tenants with guidance on sustainable living. We share, for example, tips on how to save energy on the info screens in the lobbies of the buildings. We also provide our commercial tenants with tips on energy-saving measures. Commercial properties' energy issues are discussed in meetings between the property and tenant representatives.

## Waste monitoring and influencing waste volumes in maintenance

Waste caused by Varma's operations is mainly generated by its real estate business during properties' lifecycle: construction, maintenance and renovation activities, and demolition. Waste is generated during the maintenance period by rental housing and use of commercial premises.

We have been monitoring the waste volumes of the commercial premises since 2018. In 2023, a total of 36 (35) sites were monitored. Their total waste volume was 2,216 (2,240) tonnes. In 2021, we also started monitoring the waste volumes of residential properties, and in 2023 the monitoring included 53 (53) sites, the total waste volume of which was 1,511 (1,503) tonnes.

We control waste-related impacts through, for example, close co-operation with service

providers. Apartments' waste-related data is collected by an external manager, who regularly reports to Varma. A circularity manager for commercial properties took office at the beginning of 2023. They have reviewed the status of waste sorting at commercial properties under Varma's maintenance responsibility and improved sorting and guidance. In commercial properties, we also use a data collection system in which waste management companies directly report the amounts of different waste fractions. Moreover, waste-related matters are addressed in meetings with tenants as part of other environmental sustainability measures.

Varma has published separate circular economy guidelines for commercial premises, including for Varma's own Salmisaari property, which encourage the identification and adoption of practices and arrangements to reduce waste and improve sorting and recycling in the use and maintenance of the premises. In 2022, the guidelines were expanded to cover residential properties.

[Read more about direct real estate investments' carbon footprint in the attached tables.](#)

### Carbon footprint and principles of circularity guide construction

Varma has adopted circular economy guidelines for new construction and renovation projects. The guidelines state the principles for reducing a building's whole life cycle carbon footprint in construction projects and in-use GHG emissions of the real estate portfolio.

In 2023, Varma had several ongoing new construction and real estate development projects. A project's environmental sustainability requirements are determined in the project planning phase. A building lifecycle carbon footprint has been calculated for most ongoing and planned new construction projects in the planning phase, and the results can be used to steer the project. Varma also aims to explore the opportunities for using renewable energy in connection with the company's new construction and renovation projects. The use of local renewable energy is being planned for most of Varma's new construction projects. Energy efficiency is also actively promoted in the projects. Compliance with the principles of circularity is sought by selecting construction materials that are fit for the purpose and planning buildings that have a long service life and are easy to maintain and adaptable.

Construction and demolition projects also generate waste. We improve the processing and recycling of demolition waste from construction projects through the sustainable demolition [Green Deal](#), an agreement between the Ministry of the Environment and the business sector. The main objective of the

agreement is to increase the reuse and recycling of demolition materials by promoting the functioning of the markets for demolition materials from repair and demolition projects. Demolition waste is reported to Varma by the demolition contractors, and the utilisation rate of demolition waste is high, at over 90 per cent.

The ongoing construction of the Katajanokan Laituri office and hotel property strives to reduce climate impacts over the building's life cycle. The carbon footprint of the project has been calculated and used to steer the project towards lower carbon emissions. The primarily wooden building is expected to be completed in summer 2024. We are also seeking the high-level environmental LEED Platinum design and construction certification for the project.

### As many as 77 buildings or building complexes already have environmental certification

Environmental ratings are a concrete way to develop the sustainability of real estate. We have been certifying commercial premises since 2016 and residential buildings since 2021.

In 2023, seven buildings owned by Varma were granted BREEAM In-Use environmental certification. Six of these were for residential buildings. At year-end, a total of 77 buildings or building complexes had environmental certification, accounting for 60 (60) per cent of the real estate base under the company's direct ownership, based on their fair value. A total of



six Varma properties have been granted the second-highest rating of ‘Excellent’ under the BREAAAM environmental certification system. We also had ongoing or planned construction projects for which LEED or BREEAM certification will be applied. The largely wooden office sites of Katajanokan Laituri in Helsinki and Keilaniemen Portti in Espoo are two such projects.

[BREEAM](#) (Building Research Establishment’s Environmental Assessment Method) and [LEED](#) (Leadership in Energy and Environmental Design) are environmental rating systems that assess buildings’ and building projects’ sustainability in a harmonized method. The rating systems assess, for example, a building’s energy efficiency, location, water consumption and waste sorting and recycling possibilities.

**GRESB assessment results used to develop the sustainability of real estate**

Varma took part in the [Global Real Estate Sustainability Benchmark](#) (GRESB) assessment of real estate sustainability performance for the fifth time in 2023, earning 87 points out of 100. Varma’s score earned it a four-star rating out of five. Varma scored full points for the company’s sustainability policies and management. In its benchmark group, Varma performs well but has room for improvement, for instance, in the coverage of consumption data and engaging tenants.

GRESB is a global tool and framework for assessing and comparing the sustainability

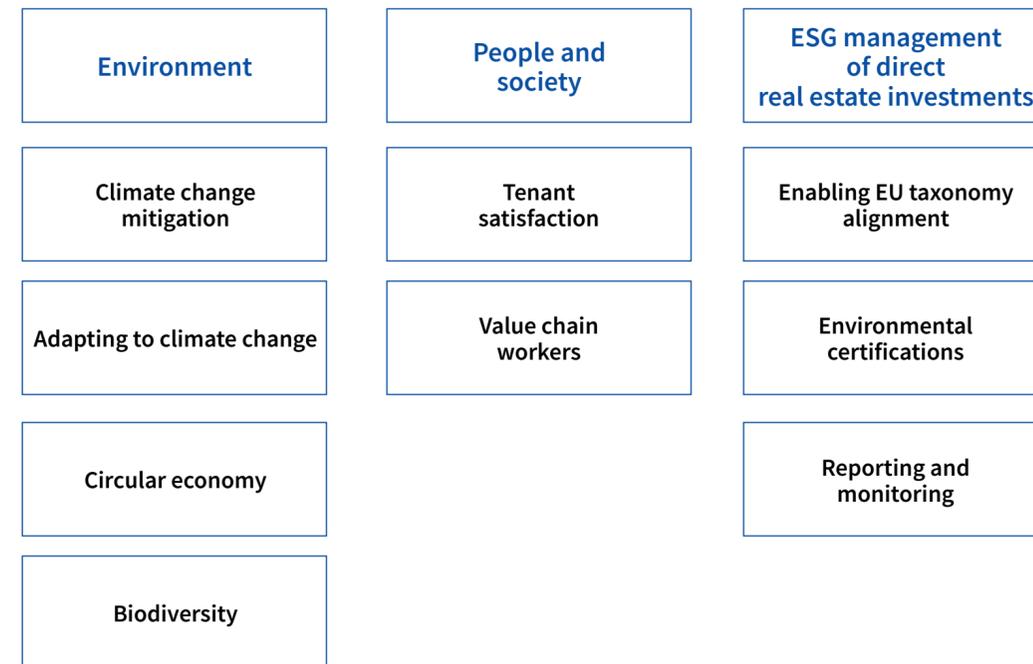
performance of real estate investments, allowing investors to collect and compare their sustainability performance data. GRESB assesses, among other things, properties’ sustainability-related risks and opportunities, energy and water consumption, greenhouse gas emissions, environmental management systems, and broadly the sustainability policies and management in the entire company.

**ESG road map to guide our work until 2028**

In 2023, we drew up an internal ESG roadmap for direct real estate investments, identifying material sustainability themes in real estate investments at different stages of the properties’ lifecycle. The ESG roadmap brings together our goals and actions relating to the environmental sustainability of real estate investments, social responsibility and sustainability management. It takes into account the EU taxonomy criteria and the sustainability expectations of different stakeholders, tenants, authorities and real estate market operators. The roadmap was drafted by Varma employees working in direct real estate investments together with a large number of our key external partners.

**Varma took part in GRESB assessment of real estate sustainability performance for the fifth time, earning 87 points out of 100.**

**Aspects we take into account in the ESG road-map for direct real estate investments**



**In 2023, we drew up an ESG roadmap for direct real estate investments to steer our targets and actions in relation to real estate investments.**



# For sustainable working life

**We support work ability in a world that's going through incredible change. We promote sustainable working life and help our customers anticipate and manage disability risk. We take care of Varma employees and their competence. We build new ways of working and an inspiring workplace where everyone can be themselves.**

# Managing disability risks

**Varma is an effective expert in disability risk management. Disability risk management helps reduce longer-term disability, lowers disability pension costs and improves well-being at work.**

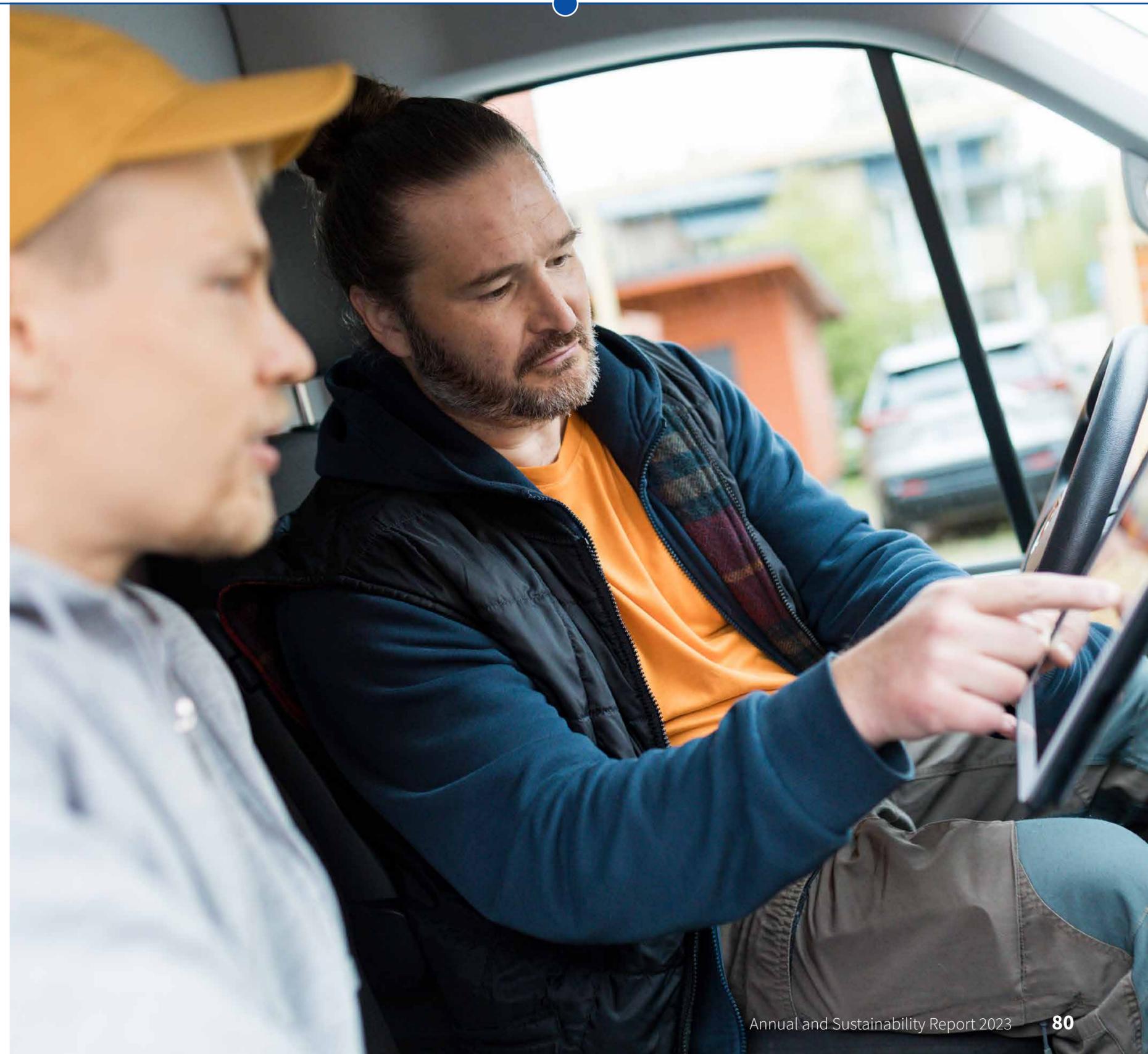
## Managing disability risks on time

Varma influences the disability risk by providing its [client companies with guidance](#) in identifying risks and choosing the correct measures. The forecast model developed by us helps us assess the extent of the disability risk in our client companies using a data-driven approach. For our customers, this means more accurate identification of disability risks and allocation of Varma's support activities, data-driven services and better results.

Our comprehensive disability risk management services consist of expert services in work ability management and vocational rehabilitation, and digital services and tools. The service offering is based on Varma's work ability cycle concept, by which we mean

variations in work ability on the individual level and in the work community in relation to the development of work. The services have been implemented and are developed in strict compliance with data protection regulations. The Finnish Financial Supervisory Authority (FIN-FSA) has outlined that the management of disability risk must focus on customers based on their risks, and its objective must be the reduction of the disability risk for which the earnings-related pension insurance company itself is responsible. Our service offering follows FIN-FSA's guidelines, and we focus our services on disability risk management.

We carry out [research and studies on disability risk management](#) as part of our own activities and in collaboration with research



institutes and service providers. We use the research data to develop our services and operations. Our research unit provides, for example, [Information about work ability reports](#), which examine the stress factors and their management in different sectors and professions, and the state of disability. In 2023, we published reports on work ability in industry, the social and healthcare sectors and small companies. Our “Solutions for work” fact sheets provide, in a concise form, practical tools for workplaces to manage work-related stress factors.

The digital services of the work ability section of the Varma Online Service help our customers manage the disability risk. They can assess their organisation’s disability risks, build an overall picture of the current situation of work ability and plan development measures. Our “Work ability in figures” service enables our customers to easily gain an overview of the work ability situation based on diverse key indicators and comparison data. On the basis of the data, the service also recommends further measures for improving work ability. The Paths to Disability service (previously “Application analytics”), which was renewed at the beginning of 2024, provides a view of recurring risk factors in disability and rehabilitation applications, the number of days of sickness allowance and background information on the applicants. The service also has a section for exploring various factors behind disability pension and vocational rehabilitation. In the “Contribution category” service, client companies that fall within the

scope of the disability pension’s contribution category model are able to create forecasts of contribution categories and disability contributions for the coming years using the calculators.

Guidance in planning measures to improve work ability is available in the [Varma Academy online learning environment](#) intended for our customers. It includes regularly supplemented work ability management material, for example study paths to guide the user, developed by our specialists. We also organise work ability-themed customer events and webinars; topics in 2023 ranged from work ability management in different sectors, occupational health co-operation and partial work ability to supporting mental health. We publish articles and blogs on work ability written by our specialists on our website.

Varma can also support its client companies’ disability risk management financially. Financial support amounted to EUR 1.02 (1.23) million in 2023, which was used to support 179 measures. We had ongoing work ability management co-operation projects in 93 (145) client companies, and they covered around 173,388 (180,734) employees and supervisors. We have a webpage on our [Work ability management subsite](#) (in Finnish), providing information on the volume and targeting of our expert services and the measures covered by financial support.

Varma co-operates closely with occupational health-care providers, for example, to provide a common data platform for a work ability overview for mutual customers and to

support customers in other ways. The ultimate goal is to enable more effective and impactful management of disability risks.

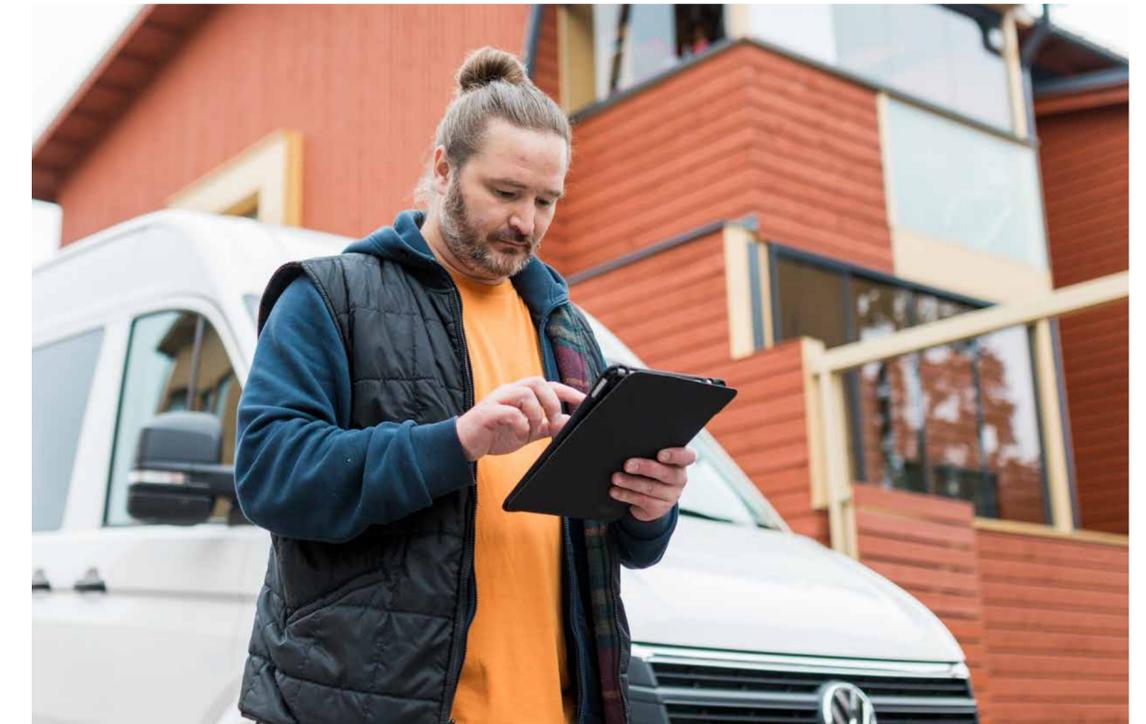
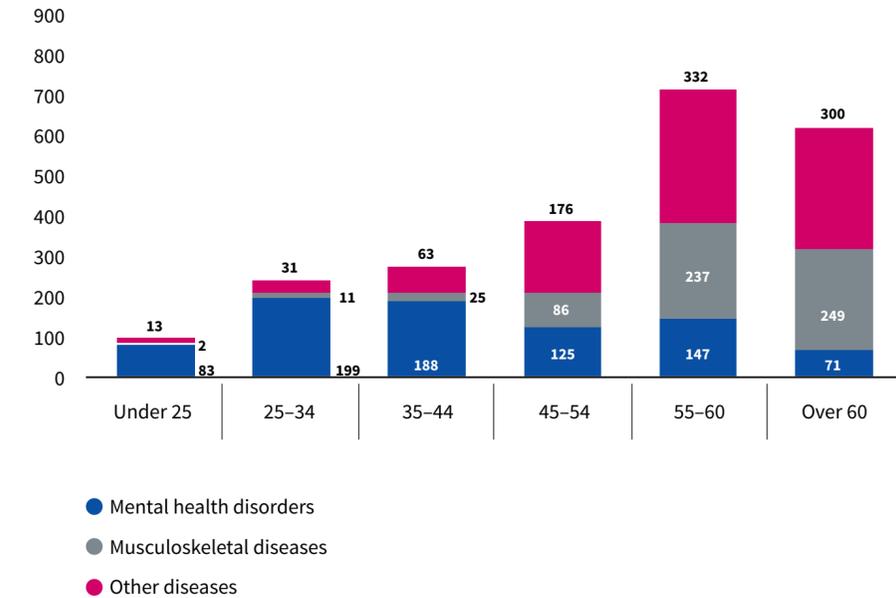
**Rehabilitation helps people continue in working life**

Vocational rehabilitation gives people the opportunity to continue in working life if an illness makes it difficult to continue working as an employee or entrepreneur. It may take the form of work trials, job coaching, vocational training or a business subsidy.

Varma’s rehabilitation work produces results. In 2023, 86 per cent of our customers who started a rehabilitation programme returned to the labour market. We made 2,846 (2,827) rehabilitation decisions. Varma’s support helped 1,160 (1,360) rehabilitants return to the labour market.

Varma is the first earnings-related pension company in Finland to have piloted the [Individual Placement and Support \(IPS\)](#) model in supporting the return to working life of mental health rehabilitants. The project ran from 2020 until 2023, and it was carried out in collaboration with the training company Spring House. The aim was to help rehabilitants find employment, with their job forming an integral part of their rehabilitation. The pilot and its results are discussed in more detail in the case study on the next page.

**New disability pensions by age group in 2023**



**Disability pension applications continued to increase**

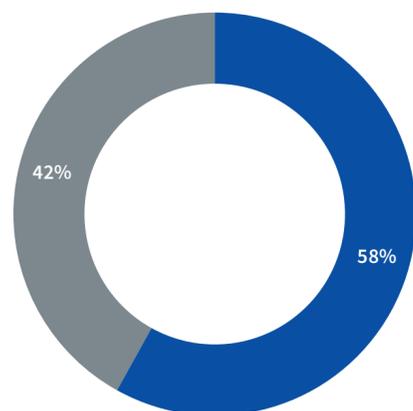
The increase in disability pension applications that began in 2022 continued in 2023. The amount of new applications increased by 5.4 (6.8) per cent. The number of new positive disability pension decisions increased by 6.2 per cent. The average starting age of new disability pensions was 52.5 years. Positive years-of-service pension decisions totalled 49 (37).

The main reason for granting full disability pensions was mental health disorders (34.8 per cent). The second most common reason was musculoskeletal diseases (26.1 per cent). Among the younger age groups (25–44 years), mental disorders were clearly the main reason for disability pension. Among older age groups, musculoskeletal diseases and other illnesses were the primary reasons.

In 2023, Varma rejected 41.1 (40.4) per cent of new disability pension applications. The rejection rate for all earnings-related pension companies was 40.8 (38.1) per cent in 2023. The Pension Appeal Board changed Varma’s pension decisions in 10.1 (10.3) per cent of the cases. The corresponding rate for the entire private sector was 10.3 (9.4) per cent.

In 2023, the average disability pension contribution category of Varma’s client companies was 3.5 (3.4).

**New disability pensions and rehabilitants 2023**



- Cash rehabilitation benefit\* recipients and those retired on a disability pension (2,341 persons)
- Recipients of a positive rehabilitation decision (1,691 persons)

\*Fixed-term disability pension

**SECURE FUTURE**

**IPS is effective in getting mental health rehabilitants employed**

**The pilot project that was run by Varma and the training company Spring House from 2020 to 2023 aimed to help rehabilitants find employment, with their job forming an integral part of their rehabilitation. Although the rehabilitation process is still ongoing for some, the pilot’s current results support the continued use of the IPS model.**



Of the customers participating in the pilot project, 64 per cent had been gainfully employed by November 2023; this clearly exceeds the results of the reference group (38).

In conventional occupational rehabilitation, the customer first receives training, and employment is sought only after that. In the Individual Placement and Support (IPS) model, the order is reversed.

“In the IPS model, the service is tailored to each customer’s goals and competence. Employment is sought in the open job market, and the job search begins quickly. The customer has their own placement and support coach, who helps out in all stages of the employment process, including supporting the supervisor and work community in the workplace, working closely with the treatment provider,” says Service Manager **Anne Korhonen**.

We have arranged IPS rehabilitation for a total of 85 rehabilitants. A total of 39 rehabilitants are part of the pilot’s research component. The average age of the customers was 41. Most of them had an employment history

of over 10 years. Health constraints related to, for example, depression, bipolar disorder and schizophrenia. Multimorbidity was also common. The rehabilitants have found employment in over 20 jobs or professions, including restaurant worker, property manager, department secretary, assembly worker and researcher.

The research related to the project will be finished in spring 2024. We will assess the experienced usefulness of the IPS model, as well as its impacts on finding employment and on work ability and functional ability, and its relation to working life. We will also compare the costs of the IPS model against conventional vocational rehabilitation.

**Anne Korhonen**  
Rehabilitation  
Service Manager



## 06

# Responsibility for Varma employees

**Our success is based on our competent employees, who take care of our customers' pension cover. For us, responsibility for our employees means taking care of work ability, a flexible and modern work culture, continuous competence development, encouraging remuneration and equal treatment.**

## Work ability and safety

**We offer Varma employees good conditions for maintaining their work ability and see to it that supervisory work is kept at a good and consistent level.**

### **Systematic monitoring of Varma employees' work ability**

We focus on occupational safety and on maintaining our employees' work ability. Smooth daily work forms the foundation for our work ability. It is created through clear targets, competence development, consistent supervisory work, consideration of work ability limitations and employees with partial work ability, and through efficient processes for early care, occupational health care partnerships and returning to work.

We manage the disability risk identification process through occupational health and safety (OHS) activities and the OHS organisation, comprehensive occupational health care and co-operation between supervisors and HR. Our tools for collecting data and monitoring the work ability situation include various surveys, close collaboration with occupational health care, comprehensive and up-to-date work ability data, incident and occupational accident reports, and early care discussions in accordance with the 'Take good care' model. In accordance with the nature of knowledge-based work, Varma's OHS focuses

especially on preventing psychological stress through measures concerning, for example, leadership, the workplace atmosphere, work management and adapting to change.

Planning and follow-up of measures are carried out through the work ability management focal points, OHS's and occupational health care's plan of action, and the work community's development plan.

### **Efficient occupational health and safety management systems**

Occupational health and safety management is governed in Finland by the Occupational Safety and Health Act. In OHS, Varma's executive management is responsible for the tangible and operational conditions, while supervisors are in charge of the working conditions and tools. Supervisors are also responsible for ensuring that the work community functions well and that the conditions for psychological OHS work are in place. The immediate supervisor makes sure that OHS regulations are complied with and that problems are addressed at an early stage. At the heart of work ability management is the immediate supervisor's

responsibility for monitoring performance and for holding active support discussions.

The employer has three and the employees have six representatives in the OHS committee, which convenes four times a year. The committee is in charge of organising and developing OHS matters. An OHS plan of action is drawn up for two years at a time, and the measures are updated annually. The OHS representatives who are elected by personnel monitor the implementation of OHS measures, develop OHS measures and well-being and support employees in any work ability-related problem situations. All Varma employees can influence OHS management through their own behaviour in their work communities, through the OHS representatives and by reading the committee meeting materials, which are published and communicated on the intranet.

We have established work ability management priority areas for 2021–2023. The goal is for Varma employees to be able to develop during changes, take charge of their work ability, and to have efficient work ability support process. The work ability management priority areas steered all activities supporting Varma employees’ work ability, occupational safety and well-being also in 2023. We offered our personnel training related to challenging customer service situations and managing psychologically stressful interactions, first-aid training that was open to all Varma employees and an opportunity for personal coaching. We upheld a sense of community while applying the hybrid work model by offering opportunities to meet each other. We also embarked

on a supervisors’ work ability journey, which included a well-being survey, an emotional intelligence test and coaching on interaction skills.

We continued tripartite co-operation with our occupational healthcare provider and a partner offering fitness services in order to provide Varma employees with uninterrupted support in ensuring basic health, maintaining work ability and engaging in sports and fitness activities in leisure time. The co-operation includes instructor-led classes, exercise challenges and online training. In 2023, the co-operation also included a back clinic and lectures on well-being at work.

Varma also joined the [Peace of Mind network](#), whose members jointly tackle the mental health challenge of working life through concrete measures. Upon joining the network, we had a dialogue on mental well-being in the OHS committee and organised the seminar ‘How to manage mental well-being at work’, in which Varma supervisors were also encouraged to participate. We also participate in an initiative where family caregivers who also work receive peer support.

We have a ‘Take good care’ model in place for situations where we notice abnormalities in performance or work ability. In accordance with the model, we take care of each other and bring up our observations. We organised a work ability lecture for all employees to review our work ability-related practices and take a closer look at the model, which was renewed in 2023.

In 2023, a workplace survey on occupational healthcare and an occupational safety

and health inspection by the Regional State Administrative Agency were conducted at Varma as part of regular inspection activities directed at earnings-related pension insurance companies and the sector. We received positive feedback in both of these surveys for our effective OHS and safety practices.

**Comprehensive occupational healthcare services and employee benefits that promote well-being**

We offer all our employees diverse occupational health care services that are more extensive than the statutory requirement, as well as many personnel benefits to support and promote work ability. All Varma employees are comprehensively insured against accidents at work and during leisure time. When an employee reaches the end of their career, they are covered by statutory earnings-related pension insurance, a collective agreement and legislation.

The support of healthcare professionals is also available through digital channels and digital applications. The direct contact information of occupational healthcare is available on the intranet and in a mobile phone app. We regularly monitor the quality of occupational healthcare in the occupational healthcare steering group and through customer satisfaction surveys. We annually update occupational healthcare’s plan of action.

Varma employees are offered many employee benefits that promote work ability. Monetary benefits can be used according to one’s choice of sports or culture and, for

example, for massage or dental care. Also on offer are diverse remote sports services; material related to managing one’s own work, ergonomics and coping at work; coaching support and instructor-led exercise classes. Our Salmisaari premises have practical facilities for active commuters and a gym.

In the 2023 employee survey, the index that is used to ensure Varma employees’ work ability showed a positive trend with a value of 83.7 (80.1). The index is made up of five work ability-related questions in which Varma employees rate the help and support they receive from colleagues and supervisors and their experience of the value of and the level of control over their own work. Looking after the well-being of Varma employees was highlighted as a strength in the open feedback section of the employee survey.

**We uphold a sense of community while applying the hybrid work model by offering opportunities to meet face-to-face.**



# Work culture that keeps up with change

**The slogan for our work culture, “You are at your best when you are yourself”, underlines our culture of equality. In 2023, we adopted a steering model for agile development and solidified our practices in anonymous recruiting. In daily hybrid work, it is important to us that we meet each other face-to-face as well as online.**

Varma offers varied tasks in modern work culture. We are knowledge workers, and we monitor and adopt the latest developments in work and technology. We support our customers in helping to ensure that Finnish working life thrives and keeps up with the change taking place in the world.

We believe that a good employee experience is key to customer satisfaction and Varma’s success. A constantly evolving and attractive work culture gives us a competitive edge. Our work culture builds on a foundation of mutual trust and bearing responsibility for the productivity of our work. The slogan for our work culture, “You are at your best when you are yourself”, underlines our culture of equality. For us, it is important that everyone feels safe in expressing their personality and

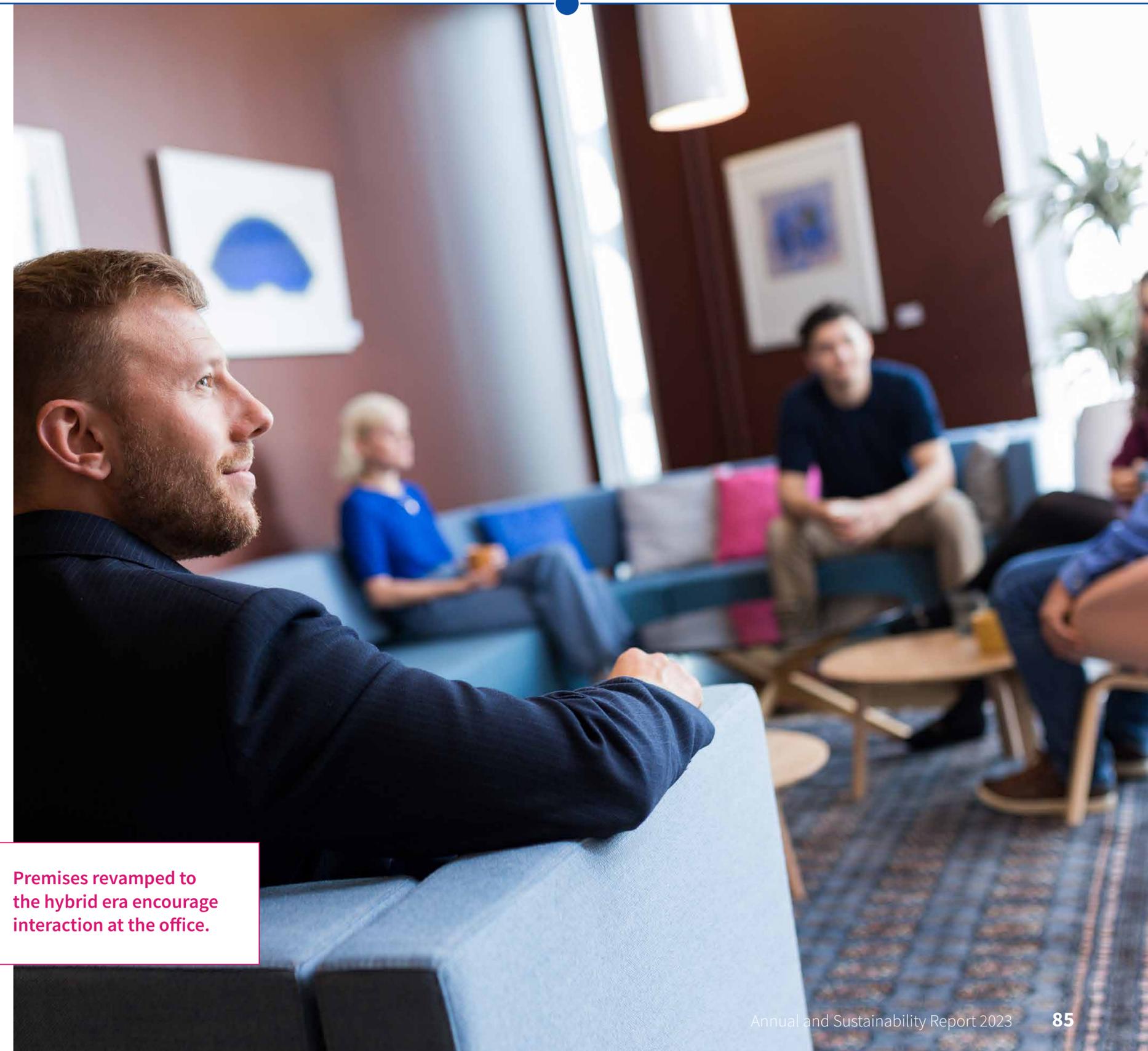
showing their potential. We are present and available to our customers regardless of location.

We are guided in our work by our values: courage, reliability and sustainability – with joy and passion.

Our operating environment and our customers’ expectations are constantly changing, which is why Varma must react with ever-greater speed. Through our agile operating approach, we seek momentum, flexibility, joy and energy for renewal. At Varma, agility means learning new things, problem-solving, working together, freedom and responsibility, and clarity and transparency.

Various flexible working-hour arrangements, which improve productivity and give

**Premises revamped to the hybrid era encourage interaction at the office.**



employees a say in their day-to-day lives, for example, when reconciling different life situations with their work obligations, are also part of an equal and non-discriminatory work culture. Flexitime, broad teleworking opportunities and various types of leave that support different life situations are at the core of flexible work. At the end of 2023, six per cent of permanent Varma employees were working part-time while they were on, for example, partial childcare leave. We have adopted a hybrid model according to which we work wherever we achieve the best results – either remotely or in our office premises. Practices are created through trial and experience. We have created, for example, a model for working remotely also from abroad, and the experiences have been positive. In 2023, a total of 25 Varma employees made use of the opportunity to work remotely from abroad.

In the last couple of years, we focussed on developing the feedback culture. In 2023, we activated the feedback culture in the context of competence discussions through a virtual feedback tool, which any Varma employee can use to ask for feedback from their colleagues. The feedback skills of our supervisors were strengthened through emotional intelligence coaching. The development of our feedback culture has produced results, as in the employee survey, feedback reception is at a good level.

Hybrid work is part of our daily business. Our flexible work approach combines working remotely and at the office in the best possible way in terms of performance, workflow and

work ability. The model also helps ensure that we get together – virtually and face-to-face. In Varma’s approach, the units have agreed on common meeting practices and in what situations and how often people will meet up at the workplace. Common office days once a month for everybody draw Varma employees together to meet each other face to face and discuss current topics.

In 2023, we revamped and consolidated our Salmisaari office premises in keeping with the hybrid work era. We got the appropriate amount of space for meeting each other as well as for work requiring concentration and Teams meetings. We installed new signage at our premises to help our employees easily find the right space for different needs. Thanks to the changes, interaction takes place more readily and the energy efficiency of our operations also improved.

During the year, we attended many forums where we presented our flexible work culture, feedback and equality practices and practices related to our hybrid-era office premises.

**Keeping up with change through agile ways of operating**

In 2023, we continued our agile operating culture journey by introducing a steering model for development and resources and the related new agile development roles. The model is based on five customer-oriented areas, in which Varma’s ways of operating, services and thus customer processes are developed comprehensively.

**Surveys show that Varma is once again one of the most inspiring workplaces in Finland.**

We bolstered the agile development competence and procedures of persons in agile roles, supervisors and Varma’s entire personnel. During the first year of the steering model, we actively shared information on the overall development with all Varma employees. At the end of the year, we published an intranet site where Varma’s agile operating ways are presented as a manual.

**Aiming for a high and consistent level of supervisory work**

A key goal of our management system is to guarantee a high and consistent level of supervisory work for our employees. Varma’s supervisors receive regular, systematic training, and feedback on supervisory work is also systematically collected. The characteristics of leadership at Varma are an encouraging and coaching approach, goal-oriented performance management and actively ensuring employees’ competence and well-being at work.

Performance management starts with each employee’s job description, which the employee and the supervisor have a mutual understanding of. The main priorities are setting clear and concrete goals, active and motivating guidance, target-based development and regular performance follow-up and evaluation.

At Varma, specialists assume responsibility for the work’s progress, for making choices and for getting the job done, while supervisors anticipate and monitor the progress towards the goals, serve as sparring partners and give

feedback. In teams, the focus is on collective self-direction to achieve common goals and ensure each person’s success. Agile teams direct themselves, and team members direct one another.

Data and analytics are part of the leadership toolkit at Varma. Up-to-date information on the state and costs of personnel resources helps create forecasts and make comprehensively evaluated decisions and progress.

**Employee experience and supervisory work monitored continuously**

We carry out a comprehensive employee survey every year. The units can also conduct their own tailored snapshot surveys during the year. In recent years, the results of our employee surveys have been very high in comparison to the benchmark of Finnish companies providing expert services. The PeoplePower® index, which describes the overall result of the December 2023 survey, rose from the previous year to 79.2 (78.5). With its best-ever result, Varma made it onto the list of Finland’s Most Inspiring Workplaces for the sixth time in a row. Companies with the best results make it on the annual list of Eezy, which also carries out Varma’s employee surveys.

In the 2023 survey, the employee experience was very good in all areas of the survey and clearly exceeded the external benchmark level. The result for the Employee Net Promoter Score (eNPS) question was also at an exceptionally good level, at 62

**Varma’s HR practices and guidelines**

The [People, Health & Safety guidelines and procedures summary](#) describes the general goals, guidelines, organisation and responsibilities concerning Varma’s personnel. Varma’s Executive Group approves the People, Health & Safety Guidelines and Procedures and is responsible for its implementation. The HR unit leads the implementation of the guidelines and procedures and the development of the work culture. The unit is also in charge of strengthening leadership and supervisory work and ensuring a consistent management culture and operating methods. The People, Health & Safety guidelines and procedures apply to all Varma employees, and everyone is expected to abide by them. Under the guidance of supervisors, Varma’s functions, departments and teams are responsible for putting them into practice.

The HR unit consists of the Senior Vice President, People and Development, the HR manager and five specialists.



(61). Varma’s clear strengths compared to the benchmark are the leadership culture and operating culture. Varma employees are especially satisfied with the changes implemented in the company, induction and the executive management’s ability to make the right decisions for the company. The supervisor index measuring supervisory work was at an excellent level. The result had further improved and clearly exceeded the benchmark level. Varma employees also gave positive feedback on supervisory work in the open comments of the survey.

In the open feedback, credit was also given to the flexible opportunities for remote and hybrid work and colleagues. In the employee survey, areas of improvement included personnel’s opportunities to influence the development of operations and putting the employee survey results to use, but the areas in need of improvement were also above the benchmark level. In the open feedback, Varma employees highlighted customer experience and the amount of work as areas in need of improvement.

**Responsible employer for senior employees and summer employees alike**

The starting points for Varma’s HR planning are achieving the business goals, ensuring strategic competence and anticipating future competence needs. The company’s strategic focal points and financial requirements guide and define our work. HR planning is based on sustainable and responsible resourcing,



**Varma was awarded the most responsible summer employer - the anonymous recruitment policy received an honourable mention.**

and agile and continuous competence development.

The foundations of recruitment at Varma are non-discrimination and transparency. Job vacancies are posted openly at least internally at Varma. A common process is followed in recruitment. We use anonymous recruiting frequently in order to ensure equal and fair treatment. We use partners and suitability assessments to select competent and motivated employees who are the best match for Varma. If candidates have equal qualifications, we prioritise the selection of candidates belonging to minority groups.

We focus on building a positive employee experience and an honest employer image. We openly share examples of daily life in our organisation, and we make sure to live up to our employer promise. The core of our employer image and work culture, ‘You are at your best when you are yourself’, means many different things to Varma employees. In 2023, 11 Varma employees shared in a video their thoughts about what the sentence means to them and how it shows in their daily work.

Varma employees are satisfied and have long careers, 13 years on average. We appreciate both the long experience and expertise of senior employees and the fresh ideas and competence of those who have just started working at Varma.

We want to support young people’s access to working life through concrete measures. In 2023, we strengthened our co-operation with educational institutions in offering trainee positions to students. In 2023, our

co-operation with educational institutions included events organised by the Financial Academy, participating in the remote nationwide introduction to working life event, visits to educational institutions and guest speakers.

It is important to us to offer young people their first jobs in their own field and help them advance in their career paths. In all recruitment, we also pay special attention to applicants who have special challenges in finding work, for instance, due to a handicap or illness. Varma has also participated for several years in the Responsible Summer Job campaign, in which employers commit to the principles of responsible summer jobs. The campaign annually awards the best summer employers based on the assessments of summer employees. In the last five years, Varma has always ranked among the top ten employers, including two number-one positions. The latest win is from 2023 when Varma was awarded as the most responsible summer employer in the large employer category. We also received an honourable mention for our anonymous recruitment policy.



**SECURE FUTURE**

**Anonymous recruiting is a way for us to promote equal working life**

Over the past years, we have been testing anonymous recruitment at Varma, as we want the recruitment process to be equal for all applicants. In 2023, we carried out the recruitment for summer jobs entirely anonymously, and thereafter the model has been established in nearly all of our recruitments.

“The basic idea is that the system hides the applicant’s identifying information, such as their name, date of birth and photo. In this way, subconscious preconceptions cannot influence the choices, and the decision is based on the applicants’ competence and skills. This genuinely places the candidates on the same level,” HR Co-ordinator **Sonja Rautkoski** explains.

Anonymous recruiting is part of our broader sustainability work. For us, it is a concrete way of taking steps in sustainability also in the field of recruiting and promoting equality in working life. We continuously develop the practice on the basis of applicant and supervisor feedback. The change has required efforts and a new way of thinking from everyone involved in recruitment, but we have to be ready to go the extra mile for an equal working life.

**Sonja Rautkoski**  
HR Co-ordinator



# Competence development

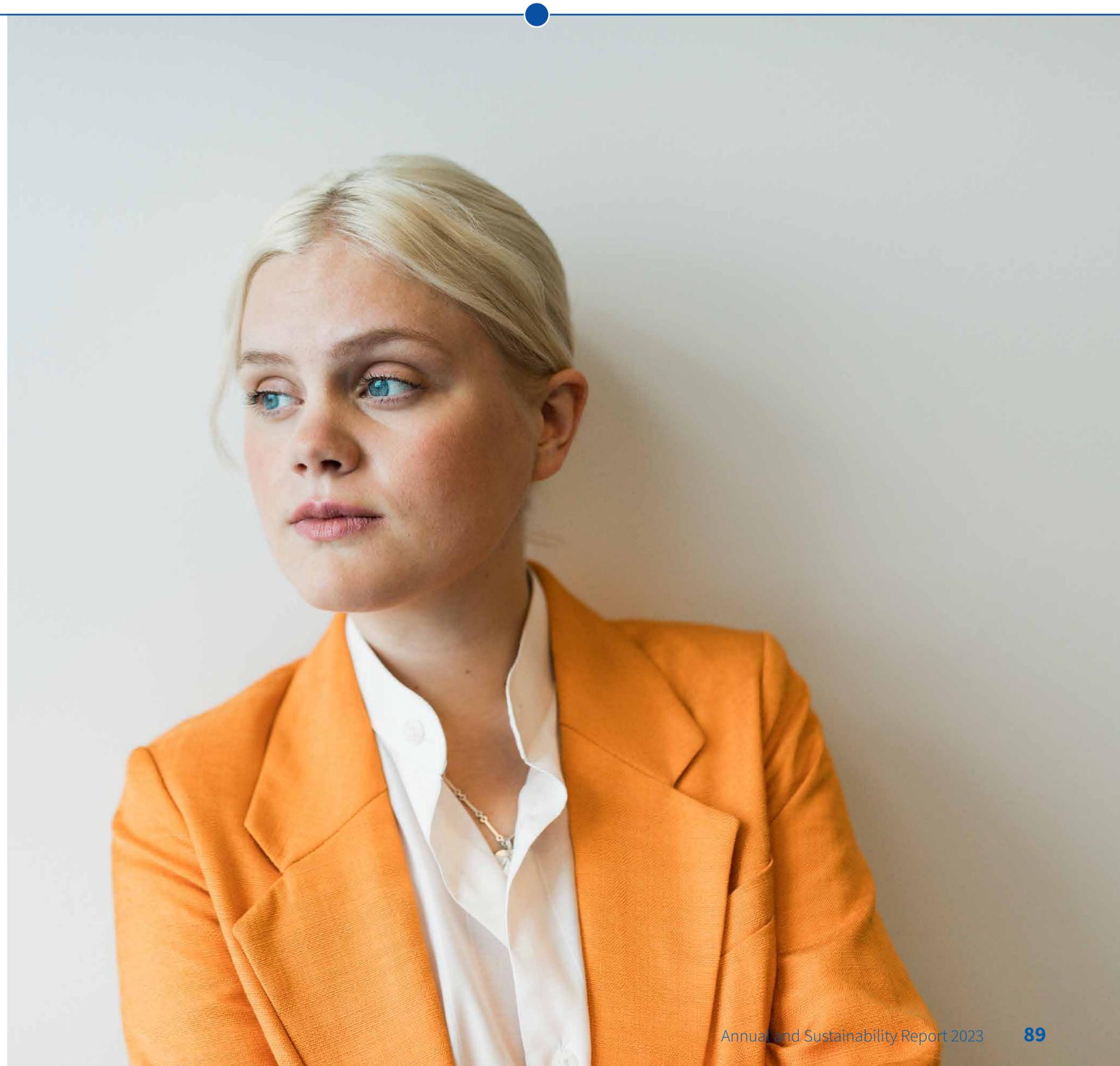
**Varma's personnel carry out demanding expert work that is meaningful for society and requires continuous development and renewal. Responding to expectations raised by the transformation of work and providing an excellent customer experience are the focus of our development work. Each Varma employee has a personal three-year development plan in place.**

Strategic capabilities and competence are systematically managed at Varma. The Talent Management process defines and identifies the capabilities, skills, key positions and key persons essential for Varma's strategy. In addition, means of supporting the key persons' development have been identified. Development projects linked to our strategic competence ensure that Varma employees' competence is renewed in the right direction in terms of Varma's future success.

Varma's personnel carry out demanding expert work that is meaningful for society and requires continuous development and renewal. We support Varma's specialists in meeting any future competence requirements and in being at the forefront of the incredible change taking place in the world. The ability

to learn new things is one of the most important tools of a specialist.

Each Varma employee has drawn up a personal three-year development plan together with their supervisor. Competence development focuses not only on the competence needs of individuals but also on renewing the operations of teams and the organisation. All of Varma's functions have created a competence outlook for the coming years and discussed which skills are highlighted and what kind of competence development they should especially focus on. In 2023, the teams discussed their strengths in terms of competence and development needs and drew up a common development plan for the next few years. Finally, the discussions on competence were cascaded down to the individual level



by sparring with a colleague or supervisor, and the personal development plans were updated.

We make broad use of various learning methods, tools and learning environments in both professional training and in learning new skills. A high level of supervisory skills and thorough induction of every new Varma employee and employees embarking on new roles lay the foundation for renewal and continuous development also in later stages of the employee's career.

Besides traditional training methods, we make use of, for example, sparring, networks and online learning environments. On-the-job learning and job rotation are efficient ways of learning new skills at both the individual and organisational levels. Varma uses Viima software, a community development tool intended to promote shared and open ideas and innovations. Any Varma employee can enter ideas in Viima concerning the development of our operations for others to comment on.

In 2023, our competence development work focussed on the themes of agile work culture, leadership, data and digital skills, communication, interaction, leadership and sustainability. A total of 330 Varma employees improved their agility skills through dedicated training, and supervisors had coaching on agile leadership. We also established competence communities for employees in agile roles. In order to improve Varma employees' data and digital skills, we have created two distinct coaching offerings. For Varma employees who

work with data in various roles, Data Academy offers coaching, good practices and learning opportunities through hands-on work and competence and experience sharing, while Digi Academy is aimed at Varma employees who either use or develop digital services. We explored the opportunities of the 2023 trend of artificial intelligence (AI) by organising an AI lecture for all employees and online training.

Communication, interaction and leadership skills were improved by including teams' feedback skills and giving feedback in the competence discussions, organising training on facilitation skills in hybrid work and providing emotional intelligence training to supervisors. We also offered training on the use of social media. Under the theme of sustainability, we offered Varma employees lectures on diversity and work ability, and an opportunity to make use of an online coaching service.

**A total of 330  
Varma employees  
improved  
their agility  
skills through  
dedicated  
training.**



# Diversity, equality and non-discrimination

## We promote diversity and equality

Varma is a fair and non-discriminatory workplace that does not tolerate discrimination, bullying or harassment. We work hard to ensure that we are an inclusive and diverse workplace. At Varma, acceptance of diversity starts with the principle that everyone is free to be themselves. We also have proof of this: of the Varma employees who replied to our latest equality and non-discrimination survey, 96 per cent felt that they can be themselves at the workplace.

A responsible approach to personnel and working for us means clear goals and expectations, opportunities to develop at work and increase one's competence, systematic, competitive and fair remuneration and transparent remuneration principles, and that everyone bears responsibility for their work and the workplace atmosphere, and support is provided for maintaining work ability and ensuring the conditions for work ability.

Varma's equality and non-discrimination efforts are guided by three commitments:

- All Varma employees are treated equally, regardless of their age, gender, etc.
- Varma is an equal opportunity and non-discriminatory employer.
- Varma promotes diversity and inclusion.

Varma is a member of the corporate responsibility network [FIBS'](#) Diversity Charter Finland, in which we pledge to guarantee equal opportunities, rights and treatment to everyone. We also promise to continuously develop leadership that supports diversity and service practices in our organisation.

Special attention is also paid to the realisation of equality and non-discrimination in competence and career development, for example, in the management training of specialists and the Talent Management process.

Every two years we conduct a survey to assess the experience and state of equality and non-discrimination at Varma.

We draw up goals and measures for the identified areas of development, and we follow up on them regularly in an equality and non-discrimination working group and in co-determination and occupational health and safety (OHS) organisations. The priority areas identified together with the employees form the basis of our equality and non-discrimination plan, which is approved by Varma's Executive Group.

The survey last took place in late 2022. The results of the survey were excellent, indicating consistent improvement in the experience of



equality and non-discrimination. The biggest positive development can be seen in gender equality as regards pay, career opportunities, and training and study opportunities. Our active, continuous work to promote equality and non-discrimination, along with our Pride co-operation and promotion of the rights of sexual and gender minorities, received special recognition. Based on the employees' experiences, areas still in need of improvement include attending to the equality of employees of different ages and in different family situations. A few experiences of inappropriate conduct and language were also mentioned, all of which were immediately addressed in line with our jointly agreed model. An equality and non-discrimination plan for 2023–2024 was drawn up on the basis of the survey results.

In its human rights assessment, Varma has also identified human rights risks and impacts affecting its own personnel. Varma has practices and processes in place for addressing violations concerning the company's own personnel. Guidelines and steadfast, systematic intervention promote a work community that is free from harassment or other inappropriate conduct.

**We are a workplace that appreciates diversity**

For us, diversity and inclusivity mean taking into consideration different backgrounds, skills and abilities, and respecting people's differences. We believe that when you can be your true self at work, you have a better

chance of reaching your full potential. Our goal is to consider minorities in our work community and increase diversity in the organisation, for example, through targeted advertising of job vacancies and by offering more job opportunities to representatives of minority groups. We are actively building a work culture that values diversity and inclusiveness, and we encourage a positive and supportive culture of dialogue that provides room and courage to present different perspectives.

We work continuously on equality and non-discrimination, and taking these themes into account is everyone's responsibility in the work community. Varma has an equality and non-discrimination working group, which convenes regularly and plans measures to advance the themes. Moreover, a dedicated sustainability co-ordinator has been appointed for every Varma function. We organise regular training on equality and diversity for our supervisors and entire personnel to ensure that people know how to take these themes into account not only in leadership but also in everyday interaction. Our offering includes online courses, lectures and other training that help increase understanding of minorities, subconscious preconceptions and diversity, and reinforce a work culture that values diversity.

In 2023, we sent all Varma employees a letter in which we recapped the principles of our equal work culture and our concrete actions. We broadly adopted the anonymous recruiting practice tested earlier and organised related training for our personnel. We

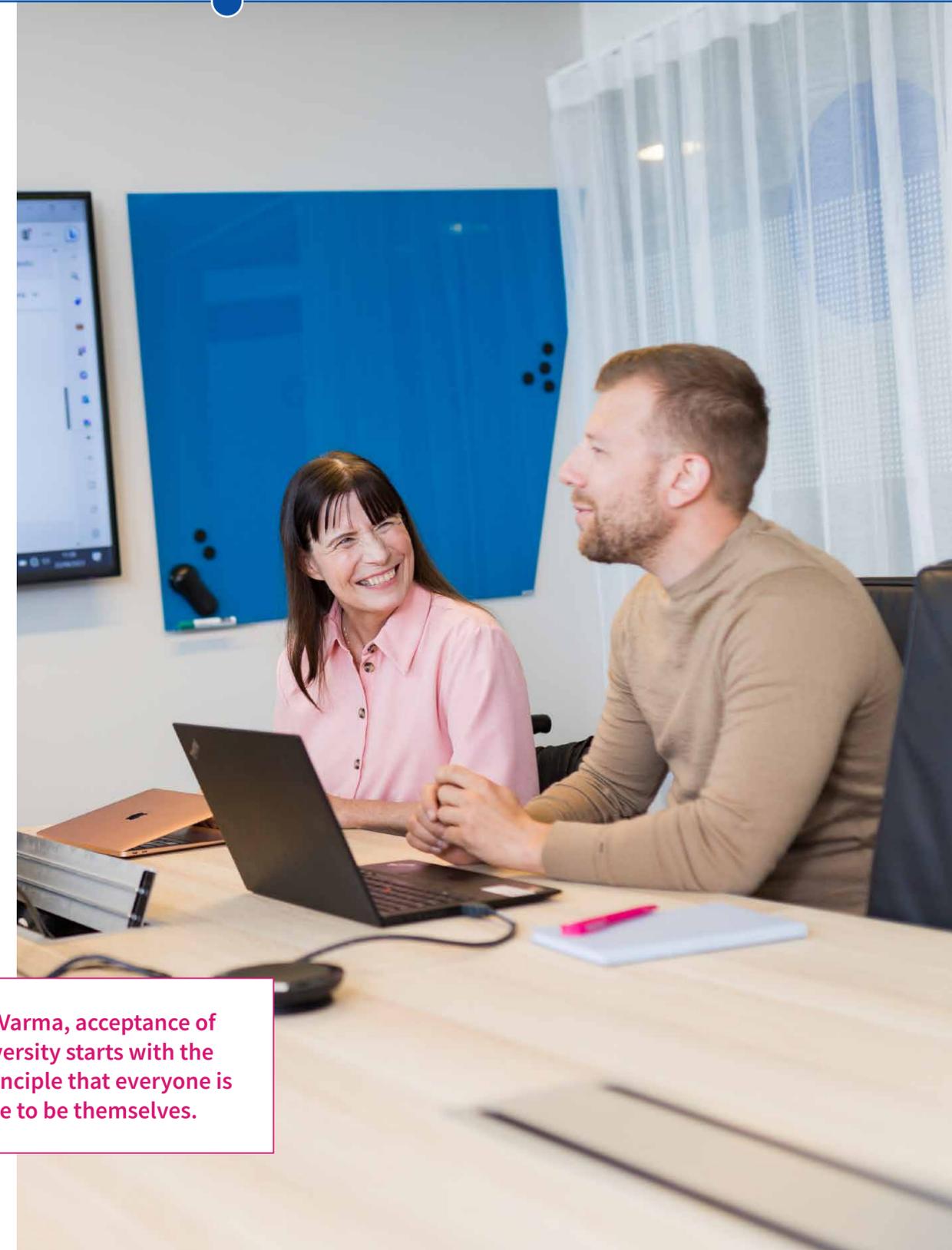
switched entirely to gender-neutral job titles and made our employee benefits more equal so that as many employees as possible can take advantage of them, regardless of their age and family structure. We also see the opportunity to work remotely and flexibly as one means of promoting equal working life.

Varma also promotes equal working life through participation in Pride activities. We have been the [Helsinki Pride Community's](#) partner for several years now. Also in 2023, in conjunction with Pride month, we organised a diversity lecture for all employees, took part in the Pride parade, raised Pride flags and hung a large Pride banner outside our main office to remind passers-by of the work being carried out on behalf of equal working life.

In autumn, Varma employees had the opportunity to attend a lecture focussing on the status of linguistic, religious and cultural minorities and how to engage with them in working life.

**Job grading system brings transparency to remuneration**

At Varma, salary and remuneration are based on the company's values and strategy. In connection with our annual financial statements, as part of the company's corporate governance report, we publish [Varma's statement on remuneration](#), which includes the company's remuneration principles and, as part of them, the policies concerning the remuneration of the company's administration, President and CEO, other management and personnel.



**At Varma, acceptance of diversity starts with the principle that everyone is free to be themselves.**



The goals, methods and principles of remuneration concerning Varma’s personnel are described in more detail in Varma’s remuneration policy. The purpose of the remuneration policy is also to reinforce consistent actions among supervisors in matters related to salary and remuneration, and to create more openness and transparency in remuneration for all personnel. Varma’s remuneration and the related principles and systems are also comprehensively described on the company’s intranet. Varma applies its own remuneration scheme arranged through a local agreement instead of what is written in the industry’s collective agreement.

At Varma, the starting point for monetary salary and remuneration is that it is fair, performance-based and sustainable in terms of costs. The objective is to encourage and guide personnel to work productively and efficiently, to commit to Varma as an employer and to develop the company and themselves.

Overall remuneration includes a comprehensive, diverse and appropriate range of various forms of remuneration. The purpose of diverse overall remuneration is to take into account the different nature of the jobs and the different life situations and varying expectations of employees. In the range of benefits, we focus on health, well-being and, for example, support for leisure-time options suited to various family and life situations.

We actively follow the market pay level of the financial sector and, if required, of individual vocational groups in order to ensure fairness and competitiveness related

to the availability and retention of human resources.

The job grading of the locally agreed remuneration system and a performance assessment based on common criteria provide the basis for the objective and transparent determination of Varma’s remuneration level. To ensure transparent and fair remuneration, we also highlight acting in accordance with responsibilities and processes, overall management, open communication on the criteria and the courage to take different performance levels into account in remuneration.

**Pay and career development at Varma is non-discriminatory**

We monitor the realisation of equal and non-discriminatory pay and remuneration, not only in statutory reporting but also, for example, in annual market pay comparisons. The operating principles of the locally agreed remuneration system and systematic compliance with the principles make Varma’s pay structure more equal and fairer in the long term.

A few years ago, we recognised that equal representation of genders has not been realised in the best possible way, especially in Varma’s management and governing bodies. The target was set to a minimum of 40 per cent representation of two genders in Varma’s Executive Group and middle management. We aim to achieve this, for example, by ensuring that when new persons are recruited to the Executive Group or middle management, different genders are

represented in the final three candidates according to the ‘comply or explain’ principle. At the end of 2023, we were well within the target as regards the Executive Group: men and women were equally represented in the Executive Group. In terms of middle management, we fell just short of the target, as women accounted for 39 per cent and men for 69 per cent of middle management. Furthermore, our target since 2021 has been to have at least 30 per cent representation of men and women among team leaders and specialists by 2023. We achieved the target, as at the end of 2023, men accounted for 32 per cent of team leaders and 30 per cent of specialists, and women accounted for 68 per cent and 70 per cent respectively. Monitoring of and support for non-discriminatory career development are also taken into account in the leadership coaching and Talent Management process for specialists.

In conjunction with our annual market pay assessment, we also look into equality aspects to see whether gender equality is being fulfilled in our pay and reward system. The 2023 assessment showed that when comparing job requirements and performance of the same level, there are no significant pay differences between genders. There is still some difference when the traditional method of comparing average pay is used, but this common method does not account for personnel structure. At Varma, the proportion of men in more demanding roles with higher pay is higher. When examining performance next to the job requirements and comparing the

pay to the corresponding market pay level, pay equality is implemented remarkably well at the company level. However, men's pay exceeds the market pay level somewhat more often than women's pay. On average, an area requiring the greatest improvement was the pay level of middle-management women. In the 2023 employee survey, Varma employees' assessment of the fairness of remuneration significantly exceeded the benchmark for Finnish companies providing expert services and had further improved.

The new remuneration scheme for personnel was introduced in 2023 with the aim of promoting co-operation and the achievement of the targets. We also activated supervisors in using one-time bonuses more frequently. One-time bonuses can be used throughout the year to reward exceptional work performances.

**Instructions and steadfast intervention promote a harassment-free work community**

Varma employees' observations and experiences of inappropriate conduct, discrimination or harassment are regularly examined in connection with various surveys. Inappropriate treatment or conduct is not permitted under any circumstances. HR and supervisors intervene steadfastly in all cases that are brought to their attention. Guidelines on how to proceed if one experiences or observes inappropriate conduct are available to all employees, and they are also part of

mandatory and recurring online training for all Varma employees.

Every Varma employee must abide by our common principles. Breaches of our guidelines should primarily be brought to the employee's direct supervisor. If that is not possible, the problem can be reported to the supervisor's supervisor, HR or the compliance officer. All observations are handled confidentially, and there is also an opportunity to report issues anonymously through the shop steward, OHS organisation or employee survey. Misconduct and abuses at Varma can be reported through the statutory [Whistleblowing channel](#).

Supervisors are obligated to address inappropriate treatment and, without delay, determine together with the relevant parties and, if necessary, HR, what is going on and follow up on the situation. After the situation has been assessed, an employee who has behaved inappropriately will be given a notice or warning. If the harassment continues in spite of a warning, the employer is entitled to dismiss the harasser.

**Women's average salary as % of men's salary in 2023**

84%

Executive Group (excl. the CEO)

76%

Rest of personnel, excluding the Executive Group

84%

Middle management

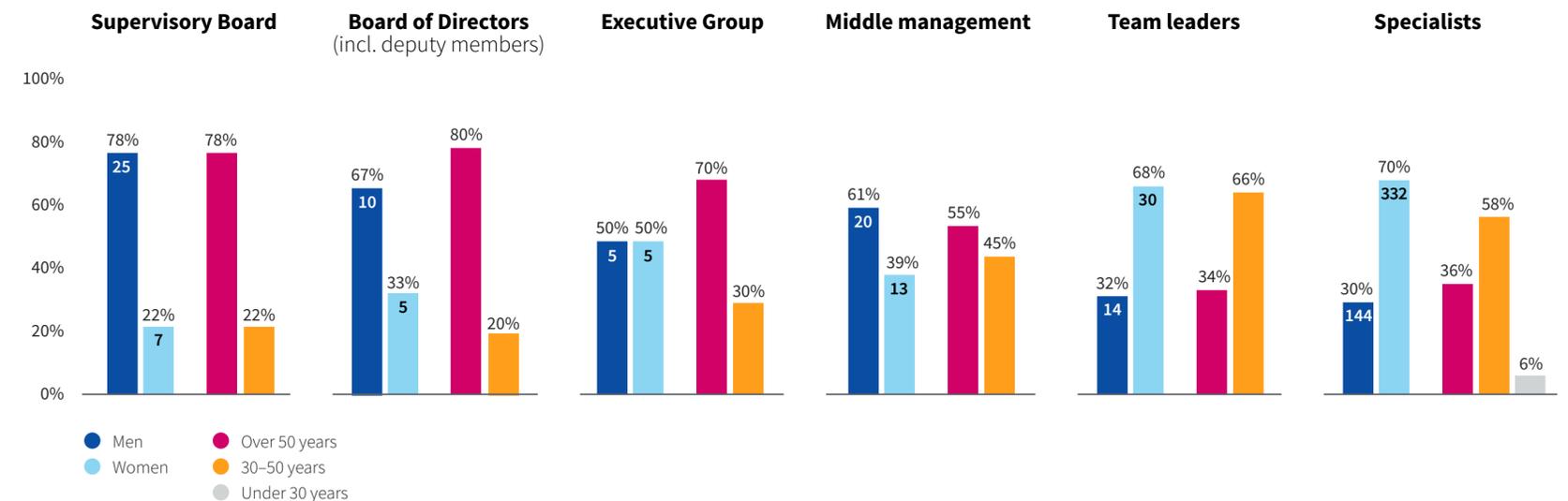
98%

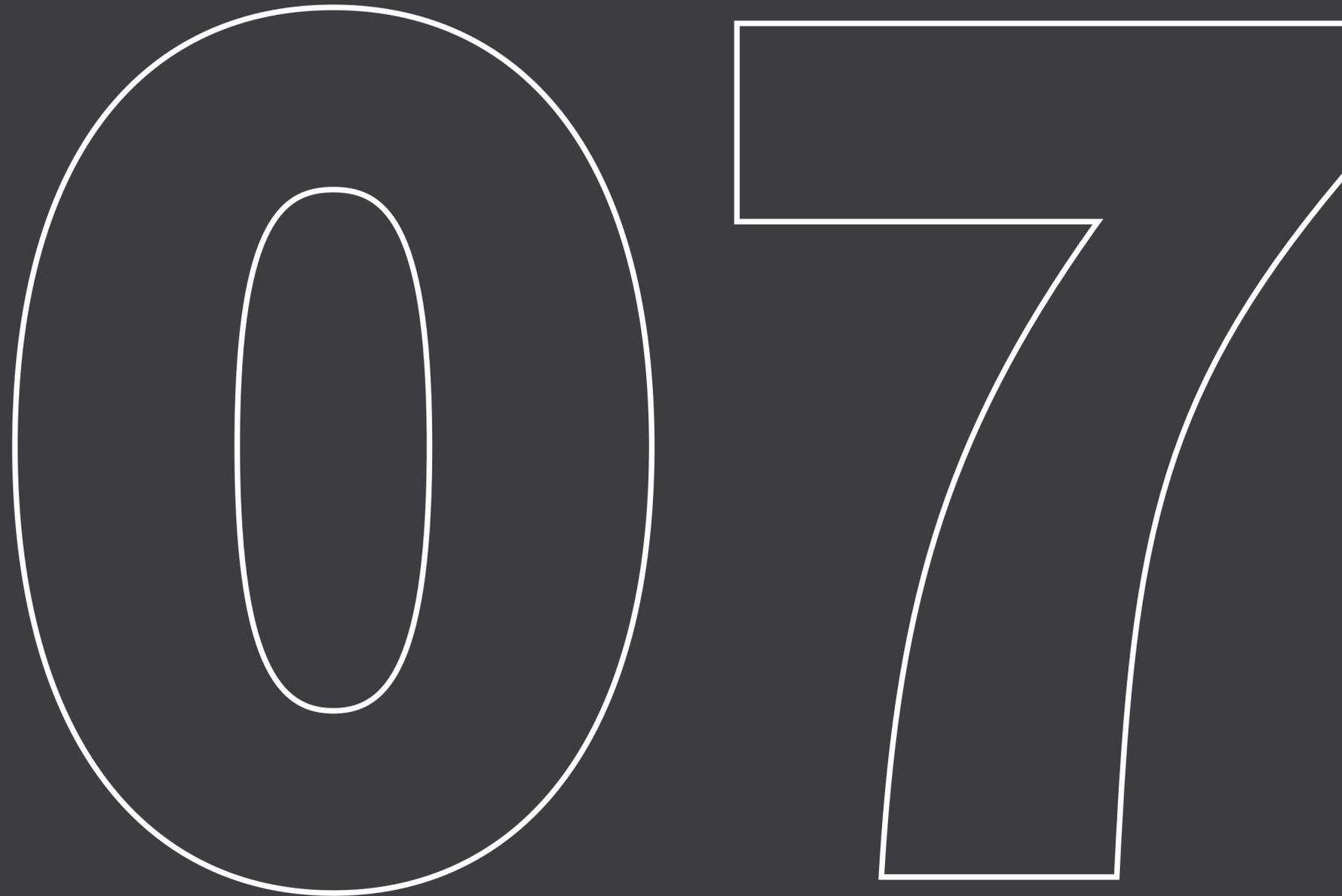
Team leaders

80%

Specialists

**Gender distribution of employee groups, the Board of Directors and Supervisory Board in 2023**





# Reporting principles

We ensure the transparency of our operations by regularly and comprehensively reporting on our business and sustainability efforts. Our annual and sustainability report has been drawn up according to the GRI Standards, and the report complies with the UN Global Compact principles. Furthermore, we report on climate and biodiversity risks and opportunities in accordance with the integrated TCFD and TNFD framework. The report is externally assured.

# Reporting principles

**Our sustainability report has been drawn up according to the GRI Standards. The contents of the report are based on a materiality assessment, which was used to identify the most important sustainability factors for Varma.**

Varma’s annual and sustainability report has been drawn up according to the international Global Reporting Initiative (GRI) standards. Varma has reported according to the GRI standards for the period from 1 January to 31 December 2023. We have also reported information relating to Varma’s own material topics in accordance with the GRI standards’ reporting principles. Our GRI reporting follows partially the standards updated in autumn 2021. These indicators are marked in the GRI content index with the year 2021.

This report also serves as the basis for the UN Global Compact Communication on Progress.

We report on our work to promote human rights, labour rights, environmentally friendly business and anti-corruption. The GRI content index shows whether the content in accordance with the GRI indicator also reports on measures or principles according to the UN Global Compact.

We have taken into account the statutory requirements concerning the reporting of non-financial and diversity data.

A comparison between the report content and the GRI Standards is provided through the GRI content index.

In 2021 and 2022, we carried out thorough work to update our Sustainability Programme. The new programme defines our objectives and measures for 2022–2025. It is based on a materiality assessment performed in early 2021 in order to determine topics that are currently material in terms of Varma’s sustainability. The materiality assessment is based on stakeholder surveys. Stakeholder expectations were reviewed and processed by Varma’s Executive Group according to their impact on society and the environment. As an outcome of the materiality assessment, we identified topics that are material in terms of Varma’s sustainability, and used these to establish the following three focus areas of our Sustainability Programme: Ensuring secure pensions, Investing for change, and For sustainable working life.

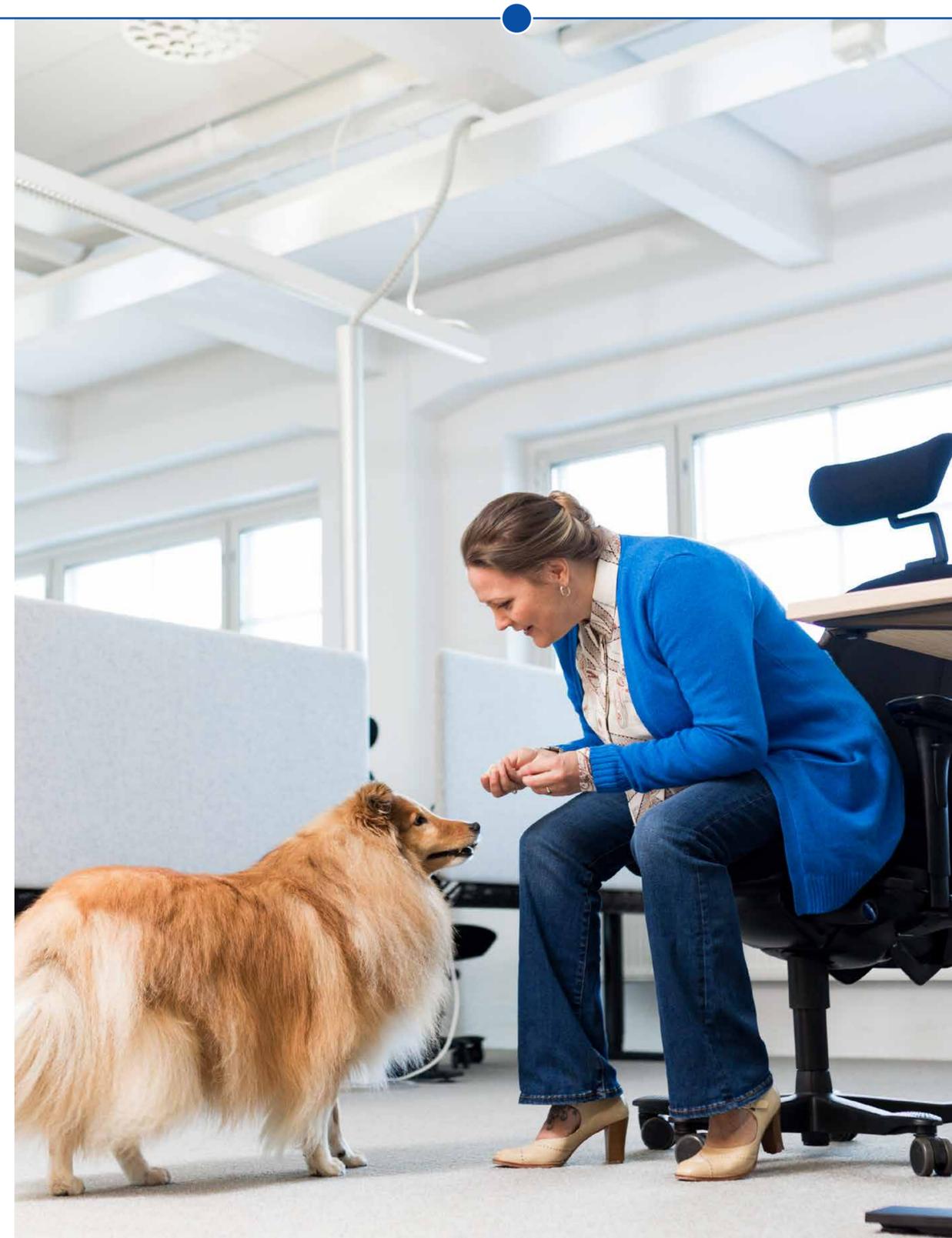
The indicators for financial responsibility are based on Varma’s accounts and approved financial statements. The indicators relating to our pension services have been obtained from

the systems of Varma and the Finnish Centre for Pensions, and from our online service reports. The personnel-related indicators are from Varma’s personnel data systems.

The analysis of industries exposed to climate change risk has been conducted using MSCI’s database. The carbon footprint (tCO<sub>2</sub>e) of Varma’s own operations has been calculated using the GHG Protocol’s calculation principles and includes GHG emissions caused by the use of Varma’s corporate cars, the manufacture of purchased computers and phones, commuting, the production of purchased energy at the Helsinki and Tampere offices and the disposal of the Helsinki office’s waste. Industries exposed to biodiversity are based on TNFD’s definitions of sectors that have material dependencies and impacts on nature.

The climate risk analysis of Varma’s supply chain and premium income has been performed using Varma’s internal database and PCAF’s emission factors.

In the case of investees’ norm violations, we report the violation category, the number of violations and the engagement principle.



**Climate risk reporting**

The reporting on climate-related risks follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). According to the recommendations, companies should report on how climate issues are reflected in their governance models, on their strategies concerning climate change and the transition to a low-carbon economy, on the risks and opportunities climate change brings to the company, and on the climate-related targets and metrics they have in place.

Climate Value-at-Risk (Climate VaR) is a tool developed by MSCI that is designed to provide an assessment of the potential profits and costs caused by climate change in the market value of an investment instrument. Climate VaR is made up of three elements: Policy Risk, Technology Opportunities and Physical Risk & Opportunities.

Policy Risk describes at the instrument level the company’s costs of reducing emissions in order to be aligned with different temperature scenarios. Technology Opportunities assess the company’s revenue and return potential under different temperature scenarios, based on the patents owned by the company. Physical Risk & Opportunities describes the potential cost of acute and chronic physical risks to the company in different temperature scenarios.

The Climate VaR percentage calculated for Varma’s equity investments describes the current monetary value of the costs of the potential risks and opportunities caused by climate change over the next fifteen years, divided by

the current market value of the company’s equities. The weighted Climate VaR has been calculated by multiplying the company-specific Climate VaR by the investment’s weight in the portfolio.

The temperature scenarios used by Varma are based on the framework published by the NGFS (Network for Greening the Financial System) and the forward-looking REMIND-MAGPIE (Regional Model of Investments and Development & Model of Agricultural Production and its Impact on the Environment) framework.

Implied Temperature Rise (ITR) is a forward-looking metric developed by MSCI designed to show how well companies and portfolios are aligned with global temperature goals. The metric is based on company-specific carbon budgets, i.e. the absolute carbon dioxide emissions that a company can afford to release in order to keep global warming below two degrees Celsius by 2100, and whether the company’s projected emissions overshoot or undershoot the allocated budget. The data is publicly available for 2,900 companies on the MSCI website.

In the portfolio-level ITR calculation, portfolio holdings are proportioned to the company’s enterprise value including cash (EVIC), and this is used to allocate the companies’ emissions budget and estimated overshoots of the emissions budget. The ITR figure is calculated by dividing the portfolio-level emissions budget overshoot by the portfolio-level emissions budget, multiplied by the TCRE (Transient Climate Response to Cumulative

Carbon Emissions) figure supplied by IPCC and multiplied by the global two-degree emissions budget in gigatonnes.

For further information on Climate VaR and Implied Temperature Rise, please visit the MSCI website.

The Science Based Target indicators of our investment portfolio have been calculated using the MSCI database. The Science Based Targets section has been calculated by establishing the portfolio share of the companies that have set SBTs.

The electricity generation mix of the low-carbon roadmap for electricity generation companies has been calculated using MSCI’s and the fund management companies’ own reports. The electricity generation mix has been calculated by adding together the electricity generation of all the electricity generation companies for 2023 weighted by the market value of the investment.

**Biodiversity reported according to the TNFD framework**

Varma’s reporting on biodiversity follows the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). Companies can use the TNFD recommendations to identify, manage and report on the nature-related impacts, dependencies, risks and opportunities of their business.

In accordance with the TNFD framework’s recommendations, we report on our investments in companies in the sectors with the greatest risks related to biodiversity through their impacts and dependencies. The sectors

reported are based on the sectors defined by the TNFD.

We also report our investments in companies with major operations in biodiversity-sensitive areas. Reporting on these investments is based on the MSCI’s methodology.

**Real estate investments’ scenario analyses**

In all the scenarios of the analysis concerning the development of our real estate portfolio’s greenhouse gas emissions, the consumption of electricity was assumed to remain at the level of the base year 2021 and the consumption of electricity was assumed to decline at an annual rate of approximately one per cent as a result of global warming and improved energy efficiency in properties.

In the baseline scenario, the specific emission factors per municipality were assumed, on the basis of the district heating statistics’ data, to linearly decline from the current calculated level towards the future target levels reported by the district heating companies. For companies that have not announced an official emission reduction target, the development was assumed to mirror Finland’s carbon neutrality target for 2035. For other than renewable electricity, the emission factor for the residual mix of the Finnish grid was used. It was assumed to decline linearly from the 2021 value of 235 g/kWh by 70 per cent by 2035 and 100 per cent by 2050. In the additional-measures scenario, energy consumption was assumed to stay the same as in the baseline scenario, but the emission factors

for both heat and electricity were assumed to reach zero in the target period in accordance with Varma’s CO<sub>2</sub>-free energy purchase targets. The target curve in accordance with the SBT’s 1.5-degree emission reduction pathway has been modelled using the science-based target setting tool v1.2.1.

Real estate’s sea flood risk analysis is based on the Finnish Environment Institute’s (SYKE) data describing the current and future sea flood risk. In the analysis, the real estate properties were placed on a map on the basis of their location data, and the data concerning the sea flood risk was integrated into the map. Sea level data is based on SYKE’s estimate, and ground elevation data on laser scanning. The 2019 physical risk analysis of real estate investments was qualitatively updated in 2021, in addition to which a map analysis corresponding to the sea flood risk analysis was performed for new sites. Transition risks caused by climate change were identified and a rough estimate of materiality was performed according to the TCFD framework.

**Our annual and sustainability report also serves as the basis for the UN Global Compact Communication on Progress.**

**Methodology for calculating the carbon footprint**

The calculation followed the Greenhouse Gas (GHG) Protocol standards, which are the most widely established way globally to calculate organisational carbon footprint.

**Scopes 1 and 2 carbon footprint calculation**

The scope 1 emissions from Varma’s own operations include emissions from the use of company vehicles owned or possessed by Varma and, in real estate, from the use of fuels used for energy production. Vehicle emissions have been calculated using the total energy consumption data provided by the leasing company and the most recent emission factors published by the UK’s Department for Environment, Food & Rural Affairs (DEFRA), and the fuel consumption of real estate on the basis of the consumption figures reported by property managers and the emission coefficients of the Statistics Finland’s Fuel Classification 2023.

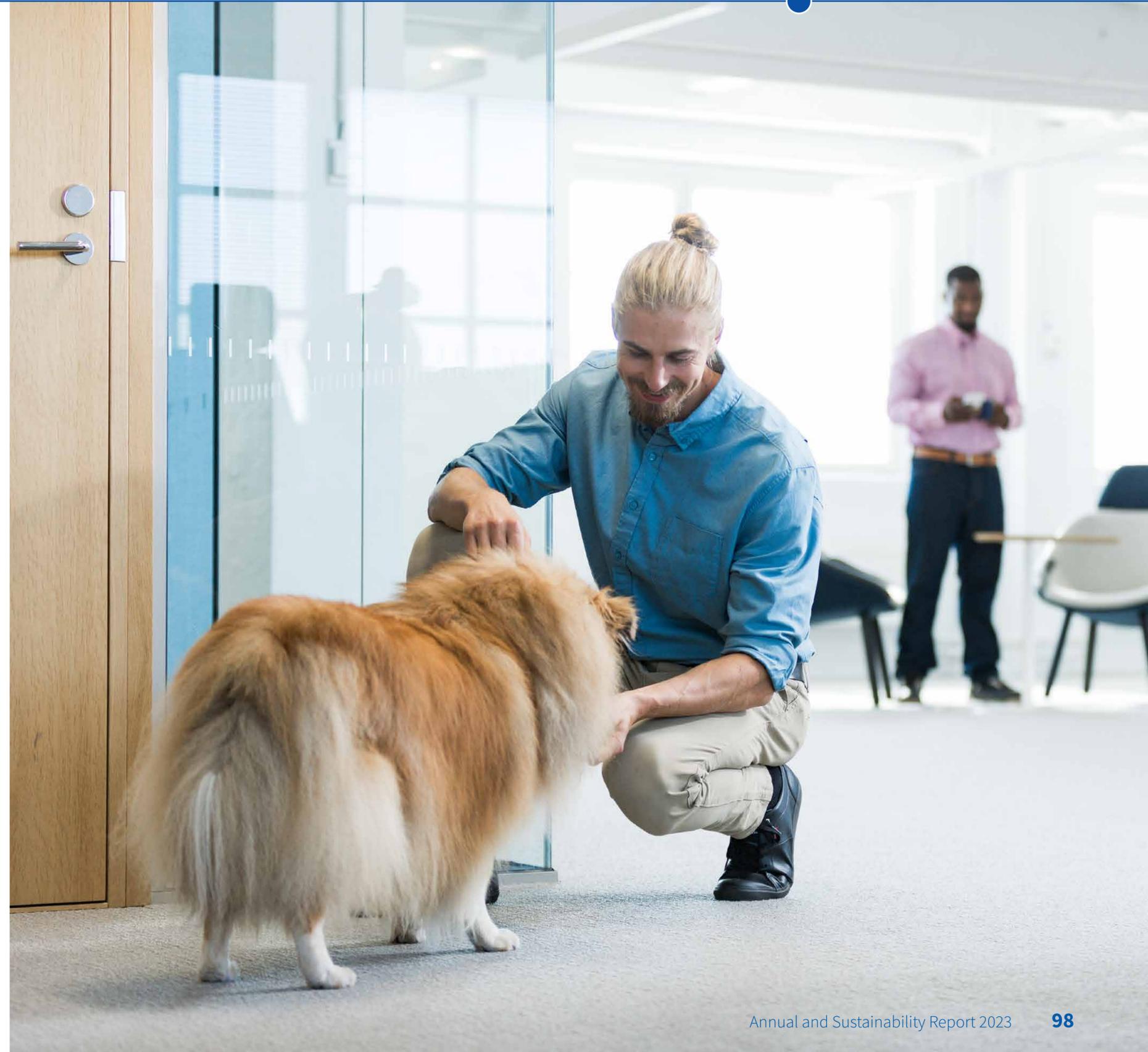
Scope 2 encompasses emissions from Varma-owned real estate and the generation of purchased energy consumed by company vehicles. The calculation of the carbon footprint of Varma-managed real estate investments includes the CO<sub>2</sub> emissions of real estate maintained by Varma. The calculation includes emissions of real estate’s purchased energy, i.e. electricity, and district heat and cooling. Emissions are calculated using location-based and market-based methods. Location-based emissions are calculated using average emission factors for Finland.

Market-based emissions are calculated using the emission factor for Varma’s purchased energy. If the emission factor for purchased energy is not available, we use the emission factor provided by the local district heating company or the specific emission factor given for municipalities on the website of Local Power for heat and the emission factor for the residual mix of the Finnish grid for electricity. Purchased CO<sub>2</sub>-free energy is certified by Guarantees of Origin.

**Value chain carbon footprint calculation (scope 3)**

In autumn 2022, Varma calculated its value chain emissions (scope 3). On the basis of the materiality analysis conducted at the time, nine emission categories were identified to be material in terms of Varma’s operations. The categories are: purchased goods and services (1), capital goods (2), fuel- and energy-related activities (3), waste generated in operations (5), business travel (6), employee commuting (7), downstream transportation and distribution, i.e. in Varma’s context, travelling of shopping centre visitors (9), downstream leased assets (13) and investments (15). As regards investments (category 15), the calculation includes Varma’s listed equity and corporate bond investments, private equity and infrastructure investments, real estate funds, private debt and hedge fund investments.

The majority of category 1 (purchased services and goods) and category 2 (capital goods) emissions have been calculated using a cost-based method and [Exiobase factors](#).



Other sources of emission factors include the Helsinki Region Environmental Services Authority HSY and the Ministry of Transport and Communications' publication 'Material, energy and climate issues related to ICT devices in Finland'.

The mix of category 9 travel methods (travelling of shopping centre customers) was assessed, for the shopping centre Willa, on the basis of a visitor survey. In the absence of more accurate data, the passenger traffic statistics for northern Finland were used for the shopping centre Rajalla.

When calculating category 3 (fuel- and energy-related activities) emissions, the WTT (well-to-tank, emissions from the entire value chain of used energy) emissions from energy usage have been estimated using Defra's emission factors and the volume of losses on the basis of statistics. Since the driving kilometres of leasing cars, as a full-type car benefit, should be included in the calculation of Varma's scope 1 emissions, their WTT emissions have been calculated here. In the absence of more accurate data, the leasing car driving kilometres have been estimated on the basis of contract kilometres.

In category 5 (waste), the amount of waste generated by the real properties has been extrapolated by waste type to cover the lettable area of the entire portfolio. The raw data has been divided between commercial properties (approximately 46 per cent covered of the lettable area) and residential properties (approximately 88 per cent covered of the lettable area).

In the calculation of category 6 (business travel), the emissions from business travel were estimated using the cost-based method and Exiobase factors, except for air travel, the emissions of which were estimated on the basis of the travel management system's air travel emissions reporting.

The calculation of category 7 (employee commuting) is based on an employee survey on commuting that has been extrapolated to cover Varma's entire personnel. The emission factors for different means of travel are from Defra with the exception of tram and metro travel, which are assumed to be carbon-free, and train travel, for which passenger travel emission factors reported by VR Group were used.

The emissions of category 13 (downstream leased assets) takes into account the electricity and heat consumption covered by lessees' contracts. The calculation makes use of Motiva's average energy consumption factors by type of real estate and location-based energy emission factors.

**Investments' carbon footprint (category 15)**

The carbon footprint calculation of Varma's investments encompasses listed equity and corporate bond investments, private equity and infrastructure investments, direct real estate investments, real estate funds, private debt and hedge fund investments. The calculation covers direct greenhouse gas emissions from sources owned or controlled by the companies (scope 1), indirect emissions from energy mainly from the generation of

purchased energy (scope 2) and emissions from the value chain (scope 3). The carbon footprint (tCO<sub>2</sub>e) and the key figures based on it have been calculated in accordance with the PCAF standard.

In the calculation of the carbon footprint of listed equities and corporate bond investments, the market value of shares owned by Varma is proportioned to the company's enterprise value including cash (EVIC), and this ratio is used to allocate the emissions and revenue of the company.

In the calculation of the carbon footprint of private equity-, infrastructure-, private debt- and hedge fund investments, the market value of shares owned by Varma is proportioned to the company's enterprise value including cash (EVIC), and this ratio is used to allocate the emissions and revenue of the company, if the information is available. When the information is not available, the emissions are estimated according to the PCAF standards. Real estate funds' emissions have been calculated using PCAF's emission factors and calculation standards. Emissions for single real properties in a fund have been calculated by multiplying Varma's holding in the real property owned by the fund with the building type's emission factor, taking into account the energy class of the property and the fund's holding in it, and the building's square footage.

The calculations cover both direct greenhouse gas emissions from sources owned or controlled by the companies (scope 1) and indirect emissions mainly from the generation of purchased energy (scope 2). The corporate

bond owned by Varma is proportioned to the company's EVIC when possible, and the emissions are allocated to Varma on the basis of this proportion. The emission factor available from the PCAF database is used when no other data has been available.

Emissions are calculated according to the PCAF (Partnership for Carbon Accounting Financials) and TCFD recommendations.

The weighted average carbon intensity (tCO<sub>2</sub>e/ M€) of investments is based on the weighting of the investment in the portfolio. The figure is calculated by multiplying the carbon intensity of the companies by their portfolio weight and adding these up.

For companies that do not report their greenhouse gas emissions, Varma estimates the emissions using PCAF's emission factors. If emissions cannot be calculated for a single investment, the emissions are extrapolated using the already calculated emissions of the portfolio.

The emission and revenue data used in the carbon footprint calculation apply to the situation at the end of the year preceding the reporting year.

**Calculation boundaries and changes**

Scope 3 calculation was improved during the reporting year such that reporting is based on actual 2023 data insofar as the data is available. Varma has not separately reported the different greenhouse gases from its operations, as the emissions data used is primarily available only as CO<sub>2</sub> equivalent from the data sources.

Varma does not report emissions for category 8 (upstream leased assets) and category

14 (franchising) because these are not part of Varma's operations. Furthermore, no environmental impacts were identified in Varma's operations in category 10 (processing of sold products), category 11 (use of sold products) and category 12 (end-of-life treatment of sold products). Category 4 (upstream transportation and distribution) is assessed to be of minor significance in Varma's operations, all data related thereto is an inseparable part of category 1 (purchased goods and services), which is why this category has not been separately reported.

**An integrated, assured report**

Since sustainability is an integral part of Varma's core task – securing pensions – and all our operations, it is natural for us to combine the traditional annual report contents and sustainability information into a single integrated report.

The report is published in pdf format in Finnish and English.

Varma's parent company's data has been mainly used as the indicator boundaries. Any deviations from the boundaries are mentioned in conjunction with the table on page 101.

Our principle is to rectify any reporting errors observed following publication in the latest report.

The Sustainability Report has been verified by Ernst & Young Oy.

**Varma’s sustainability focus areas, material topics and topic boundaries**

Varma’s sustainability focus area	Varma’s own material topics under GRI	Topic boundaries
<p><b>Ensuring secure pensions</b></p>	<p>GRI 2-23: Policy commitments                      GRI 2-27: Compliance with laws and regulations                      GRI 201: Economic performance                      GRI 205: Anti-corruption                      GRI 308: Supplier environmental assessment                      GRI 414: Supplier social assessment                      GRI 415: Public policy                      GRI 418: Customer privacy</p>	<p>Customers                      Varma’s own operations                      Varma’s societal impacts                      Supply chain</p>
<p><b>Investing for change</b></p>	<p>GRI 201: Economic performance                      GRI 302: Energy                      GRI 304: Biodiversity                      GRI 305: Emissions                      GRI 414: Supplier social assessment</p>	<p>Varma’s investments                      Varma’s societal impacts</p>
<p><b>For sustainable working life</b></p>	<p>GRI 401: Employment                      GRI 403: Occupational health and safety                      GRI 404: Training and education                      GRI 405: Diversity and equal opportunity                      GRI 418: Customer privacy</p>	<p>Varma’s own operations                      Customers</p>

# GRI content index and UN Global Compact

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>GRI 2: General Disclosures 2021</b>					
2-1	Organizational details	Varma in brief, p. 4			
2-2	Entities included in the organization’s sustainability reporting			Varma Mutual Pension Insurance Company	
2-3	Reporting period, frequency and contact point	Reporting principles, p. 95			
2-4	Restatements of information				
2-5	External assurance	Independent assurance report, p. 116			
2-6	Activities, value chain and other business relationships	Varma in brief, p. 4 How Varma creates value, p. 17 Sustainability of our own operations and the value chain, p. 43–47			
2-7	Employees	Personnel, p. 121			
2-8	Workers who are not employees	Persons working for Varma who are not employees, p. 45–46			
2-9	Governance structure and composition	Sustainability governance, p. 29 <a href="#">Corporate Governance Report, p. 7–13 (Corporate Governance)</a>			
2-10	Nomination and selection of the highest governance body	<a href="#">Corporate Governance Report, p. 4–13 (Corporate Governance)</a>			10
2-11	Chair of the highest governance body	<a href="#">Corporate Governance Report, p. 8, 14 (Corporate Governance)</a>			10
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability governance, p. 29			1–10
2-13	Delegation of responsibility for managing impacts	Sustainability governance, p. 29			1–10
2-14	Role of the highest governance body in sustainability reporting			The Executive Group approves the annual and sustainability report before it is published.	
2-15	Conflicts of interest	<a href="#">Corporate Governance Report, p. 7, 13 (Corporate Governance)</a> <a href="#">Statement on remuneration, p. 21 (Corporate Governance)</a>		Additionally, operating principles and eligibility requirements concerning the selection of the highest governance body.	10
2-16	Communication of critical concerns	Instructions and steadfast intervention promote a harassment-free work community, p. 94 Ethical business, p. 30–31		Compliance Officer reports biannually on reports submitted through the whistleblowing channel to the Executive Group, Audit Committee and Board of Directors. Other critical concerns that we become aware of through, for example, customer feedback, customer surveys or sustainability surveys, are reported to the Executive Group as needed.	10

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
2-17	Collective knowledge of the highest governance body	Sustainability governance, p. 29		The Board of Directors approves the Code of Conduct and updates thereto. The Executive Group completes the Code of Conduct online course, like other Varma employees. Sustainability issues are also regularly discussed by the Executive Group, and the Executive Group members participate in the sustainability work of their own functions. Sustainability reviews are organised for the Board of Directors.	1-10
2-18	Evaluation of the performance of the highest governance body	<a href="#">Corporate Governance Report, p. 7 (Corporate Governance)</a>		In its annual self-assessment, the Board of Directors assesses the conditions for its activities, the method of discussion and decision-making at its meetings, the division of work and co-operation between the Board and the executive management, and the company's internal controls and risk management.	
2-19	Remuneration policies	<a href="#">Statement on remuneration, p. 21–23 (Corporate Governance)</a>			10
2-20	Process to determine remuneration	<a href="#">Statement on remuneration (Corporate Governance), p. 21–28</a> Job grading system brings transparency to remuneration, p. 93			10
2-21	Annual total compensation ratio		Information not available	The equality and average figures of salaries and remuneration are monitored through several other indicators. Monitoring of the compensation ratio was not deemed necessary.	1-10
2-22	Statement on sustainable development strategy	Sustainable Varma, p. 21–23			1-10
2-23	Policy commitments	Principles guiding our responsible investment, p. 49–50 Environmental targets steer our investments, p. 50 Tax responsibility, p. 31–32 Ethical business, p. 30–31 Responsible supply chain management, p. 32		Climate Policy for Investments, Tax Policy, Principles for Human Rights, Anti-bribery Policy, Principles for Responsible Investment, Ownership Policy, Code of Conduct, Varma's Supplier Code of Conduct, Active Ownership and Engagement Principles	1-10
2-24	Embedding policy commitments	Sustainability objectives 2022–2025 and monitoring, p. 25–27 Ethical and transparent business, p. 30–31 Sustainability of our own operations and the value chain, p. 44		Varma organises training and briefing events for embedding policies and guidelines. In 2023, we continued to provide Varma employees with training on human rights responsibility by organising, for example, a briefing on human rights for all Varma employees. An online course on the Supplier Code of Conduct was offered to Varma employees. We also arranged continuous automated training on data security awareness for all personnel.	1-10
2-25	Processes to remediate negative impacts	Respect for human rights in the value chain, p. 44 Compliance with international norms and agreements, p. 50–52			1-10
2-26	Mechanisms for seeking advice and raising concerns	Ethical business, p. 30–31		Whistleblowing reporting channel	9
2-27	Compliance with laws and regulations	Ethical business, p. 30–31			9
2-28	Membership associations	Stakeholder co-operation and sustainability networks, p. 34 Key figures, p. 8 Interest organisations' membership fees, p. 34			

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
2-29	Approach to stakeholder engagement	Stakeholder co-operation and sustainability networks, p. 34 Responsible supply chain management, p. 32 Sustainability of our own operations and the value chain, p. 43–47			
2-30	Collective bargaining agreements	Personnel, p. 121	Information is incomplete	Middle management and the Executive Group are not covered by collective bargaining agreements.	3
<b>Material topics</b>					
<b>GRI 3: Material topics 2021</b>					
3-1	Process to determine material topics	Sustainability Programme guided our work, p. 21–22			1–10
3-2	List of material topics	Sustainability Programme guided our work, p. 21–22			1–10
<b>Economic performance</b>					
<b>GRI 3: Material topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1–10
<b>GRI 201: Economic performance 2016</b>					
201-1	Direct economic value generated and distributed	Key figures 2023, p. 8 Tax responsibility, p. 31–32			
201-2	Financial implications and other risks and opportunities due to climate change	Environmental risks and opportunities, p. 71–72		We have assessed sustainability-related impacts, risks and opportunities using the double-materiality analysis in accordance with sustainability reporting. Key risks and opportunities related to climate change are linked to our investment activities. We monitor the costs of managing these risks and opportunities as part of our investment expenses.	7-9
201-3	Defined benefit plan obligations and other retirement plans		Information not available		
201-4	Financial assistance received from government		Information not available		
<b>Market presence</b>					
<b>GRI 3: Material topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	
<b>GRI 202: Market Presence 2016</b>					
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Information is not applicable	Finland has no local minimum wages, so comparison is not possible.	
202-2	Proportion of senior management hired from the local community		Information not available	Not reported	

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>Indirect economic impacts</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 203: Indirect Economic Impacts 2016</b>					
203-1	Infrastructure investments and services supported	<a href="#">Report of the Board of Directors and Financial Statements, p. 43–45, 61–62</a>		Notes to the Financial Statements	
203-2	Significant indirect economic impacts	Responsible investment, p. 49–55 How Varma creates value, p. 17			10
<b>Procurement practices</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 204: Procurement Practices 2016</b>					
204-1	Proportion of spending on local suppliers	Sustainability of our own operations and the value chain, p. 43–47			
<b>Anti-corruption</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1–10
<b>GRI 205: Anti-corruption 2016</b>					
205-1	Operations assessed for risks related to corruption	<a href="#">Corporate Governance Report, p. 19–20</a>	Information is incomplete	Public reporting does not specify the operations which have been assessed for risks related to corruption, so not all the criteria of GRI 205: 205-1 are met.	10
205-2	Communication and training about anti-corruption policies and procedures	<a href="#">Ethical and sustainable business, p. 9 (Report of the Board of Directors)</a>			10
205-3	Confirmed incidents of corruption and actions taken	<a href="#">Ethical and sustainable business, p. 9 (Report of the Board of Directors)</a>	Information is incomplete	The compliance officer reports on compliance activities to the Board of Directors and its Audit Committee, and administratively to the President and CEO.	10

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>Anti-competitive behavior</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 206: Anti-competitive Behavior 2016</b>					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<a href="#">Corporate Governance Report, p. 19–20</a>	Information is incomplete	Public reporting does not specify the legal actions, so not all the criteria of GRI 205: 206-1 are met.	10
<b>Tax</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 207: Tax 2019</b>					
207-1	Approach to tax	Tax responsibility, p. 31–32			
207-2	Tax governance, control, and risk management	Tax responsibility, p. 31–32			
207-3	Stakeholder engagement and management of concerns related to tax	Tax responsibility, p. 31–32			
207-4	Country-by-country reporting	Tax responsibility, p. 31–32		Varma is liable to pay income tax only to Finland.	
<b>Materials</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
301-1	Materials used by weight or volume		Information not available	We have not been able to collect this information on our real estate construction projects	
301-2	Recycled input materials used	Waste monitoring and influencing waste volumes, p. 76		We improve the processing and recycling of demolition waste from construction projects through the sustainable demolition Green Deal, an agreement between the Ministry of the Environment and the business sector. The main objective of the agreement is to increase the reuse and recycling of demolition materials by promoting the functioning of the markets for demolition materials from repair and demolition projects.	7-8
301-3	Reclaimed products and their packaging materials		Information not available	We have not been able to collect this information on our real estate construction projects	

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>Energy</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 302: Energy 2016</b>					
302-1	Energy consumption within the organization	Environmental aspects of our own operations, p. 46–47			7-9
302-2	Energy consumption outside of the organization	Overall picture of Varma’s climate impacts, p. 57–58			7-9
302-3	Energy intensity	Environmental aspects of our own operations, p. 46–47			7-9
302-4	Reduction of energy consumption	Environmental aspects of our own operations, p. 46–47			7-9
302-5	Reductions in energy requirements of products and services		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
<b>Water and effluents</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 303: Water and Effluents 2018</b>					
303-1	Interactions with water as a shared resource		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
303-2	Management of water discharge-related impacts		Information not available	All our facilities are covered by Helsinki Region Environmental Services HSY’s or other municipalities’ effluent treatment services.	
303-3	Water withdrawal		Information not available	All our facilities are covered by Helsinki Region Environmental Services HSY’s or other municipalities’ effluent treatment services.	
303-4	Water discharge		Information not available	All our facilities are covered by Helsinki Region Environmental Services HSY’s or other municipalities’ effluent treatment services.	
303-5	Water consumption	Environmental information on Varma’s operations, p. 47			7-9

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>Biodiversity</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 304: Biodiversity 2016</b>					
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Attending to biodiversity in investments, p. 68–70	Information is incomplete	We report our investments in companies with major operations in areas prone to biodiversity loss.	7-9
304-2	Significant impacts of activities, products and services on biodiversity	Attending to biodiversity in investments, p. 68–70		We have assessed the sector-specific impacts of our investments on biodiversity. We conducted a biodiversity survey of high-risk industries as part of an analysis of the impacts of our investments and a risk survey. The survey looked into the portfolio companies' preparedness for and assessment of the impacts and risks linked to biodiversity loss.	7-9
304-3	Habitats protected or restored		Information not available	We report our investments in companies with major operations in areas prone to biodiversity loss.	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Information not available	We report our investments in companies with major operations in areas prone to biodiversity loss.	
<b>Emissions</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 305: Emissions 2016</b>					
305-1	Direct (Scope 1) GHG emissions	Overall picture of Varma's climate impacts, p. 57–58 Reporting principles, p. 98–99			7-9
305-2	Energy indirect (Scope 2) GHG emissions	Overall picture of Varma's climate impacts, p. 57–58 Reporting principles, p. 98–99			7-9
305-3	Other indirect (Scope 3) GHG emissions	Overall picture of Varma's climate impacts, p. 57–58 Reporting principles, p. 98–99			7-9
305-4	GHG emissions intensity	The carbon footprint of Varma's investments, p. 118 Climate risks and opportunities, p. 71 Reporting principles, p. 98–99			7-9

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
305-5	Reduction of GHG emissions	Roadmap for Varma’s climate targets, p. 60 Responsible investment, p. 61 Responsible investment, p. 49–55 Sustainability of our own operations and the value chain, p. 43–47			7-9
305-6	Emissions of ozone-depleting substances (ODS)		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
<b>Waste</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 306: Waste 2020</b>					
306-1	Waste generation and significant waste-related impacts	Environmental impacts of real estate investments, p. 76–78 Environmental aspects of our own operations, p. 46–47			7-9
306-2	Management of significant waste-related impacts	Environmental impacts of real estate investments, p. 76–78 Environmental aspects of our own operations, p. 46–47			7-9
306-3	Waste generated	Environmental impacts of real estate investments, p. 76–78 Environmental aspects of our own operations, p. 46–47			7-9
306-4	Waste diverted from disposal	Waste monitoring and influencing waste volumes in maintenance p. 76			7-9
306-5	Waste directed to disposal	Waste monitoring and influencing waste volumes in maintenance p. 76			7-9
<b>Supplier environmental assessment</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 308: Supplier Environmental Assessment 2016</b>					
308-1	New suppliers that were screened using environmental criteria	Sustainability of our own operations and the value chain, p. 43–47		SBTs and carbon risk reporting for 2022	7-9

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability requirements of the supply chain, p. 44		Varma’s Supplier Code of Conduct calls for respect for the environment. We require our suppliers to be aware of their environmental impacts and to take them into account in their operations. We also encourage them to develop environmentally friendly solutions. Especially in emission-intensive industries, suppliers should pay special attention to monitoring their carbon footprint and to targets related to minimising future environmental impacts.	7-9
<b>Employment</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 401: Employment 2016</b>					
401-1	New employee hires and employee turnover	Personnel, p. 121			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Information not available	Benefits exceeding the statutory level have not been reported in detail.	
401-3	Parental leave		Information not available	Arrangements based on legislation.	
<b>Labor/management relations</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 402: Labor/Management Relations 2016</b>					
402-1	Minimum notice periods regarding operational changes		Information not available	Arrangements based on legislation. Legislation does not specify the minimum notice periods with the same level of detail required by the GRI.	
<b>Occupational health and safety</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 403: Occupational Health and Safety 2018</b>					
403-1	Occupational health and safety management system	Work ability and safety, p. 83–84			1-2
403-2	Hazard identification, risk assessment, and incident investigation	Work ability and safety, p. 83–84			1-2
403-3	Occupational health services	Work ability and safety, p. 83–84			1-2, 6

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
403-4	Worker participation, consultation, and communication on occupational health and safety	Work ability and safety, p. 83–84			6
403-5	Worker training on occupational health and safety	Work ability and safety, p. 83–84			6
403-6	Promotion of worker health	Work ability and safety, p. 83–84			1-2, 6
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Work ability and safety, p. 83–84			1-2, 6
403-8	Workers covered by an occupational health and safety management system	Work ability and safety, p. 83–84			6
403-9	Work-related injuries	Work ability and safety, p. 83–84			
403-10	Work-related ill health		Information not available	Information is not reported	
<b>Training and education</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 404: Training and Education 2016</b>					
404-1	Average hours of training per year per employee	Personnel, p. 121	Information is incomplete	Information is incomplete as breaking down information by gender is not considered material.	6
404-2	Programs for upgrading employee skills and transition assistance programs	Competence development, p. 89–90			6
404-3	Percentage of employees receiving regular performance and career development reviews	Personnel, p. 121			6
<b>Diversity and equal opportunity</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 405: Diversity and Equal Opportunity 2016</b>					
405-1	Diversity of governance bodies and employees	Diversity, equality and non-discrimination, p. 91–94			6
405-2	Ratio of basic salary and remuneration of women to men	Pay and career development at Varma is non-discriminatory, p. 93–94			6
<b>Non-discrimination</b>					

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 406: Non-discrimination 2016</b>					
406-1	Incidents of discrimination and corrective actions taken	Instructions and steadfast intervention promote a harassment-free work community, p. 94		Whistleblowing reporting channel	6
Freedom of association and collective bargaining					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>					
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability of our own operations and the value chain, p. 43–47	Information is incomplete	98% of our procurement made from Finnish suppliers and are thus covered by Finnish legislation. We have looked into the responsibility of our contractual suppliers by conducting a human rights and environmental sustainability survey among our suppliers. The survey looked into the human rights due diligence practices of the suppliers, how they take into account health and safety and labour rights in their operations, and how the companies manage their own supply chains.	3
Child labor					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 408: Child Labor 2016</b>					

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
408-1	Operations and suppliers at significant risk for incidents of child labor	Sustainability of our own operations and the value chain, p. 43–47	Information is incomplete	98% of our procurement made from Finnish suppliers and are thus covered by Finnish legislation. We have looked into the responsibility of our contractual suppliers by conducting a human rights and environmental sustainability survey among our suppliers. The survey looked into the human rights due diligence practices of the suppliers, how they take into account health and safety and labour rights in their operations, and how the companies manage their own supply chains.	
<b>Forced or compulsory labor</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 409: Forced or Compulsory Labor 2016</b>					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Sustainability of our own operations and the value chain, p. 43–47	Information is incomplete	98% of our procurement made from Finnish suppliers and are thus covered by Finnish legislation. We have looked into the responsibility of our contractual suppliers by conducting a human rights and environmental sustainability survey among our suppliers. The survey looked into the human rights due diligence practices of the suppliers, how they take into account health and safety and labour rights in their operations, and how the companies manage their own supply chains.	4
<b>Security practices</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 410: Security Practices 2016</b>					
410-1	Security personnel trained in human rights policies or procedures		Information not available		
<b>Rights of indigenous peoples</b>					

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 411: Rights of Indigenous Peoples 2016</b>					
411-1	Incidents of violations involving rights of indigenous peoples	Attending to biodiversity in investments, p. 69	Information is incomplete	In 2023, we engaged, together with other investors, in 11 possible or likely violations linked to indigenous peoples.	1-2
<b>Local communities</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 413: Local Communities 2016</b>					
413-1	Operations with local community engagement, impact assessments, and development programs		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
413-2	Operations with significant actual and potential negative impacts on local communities		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
<b>Supplier social assessment</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 414: Supplier Social Assessment 2016</b>					
414-1	New suppliers that were screened using social criteria	Respect for human rights in the value chain, p. 44		98% of our procurement made from Finnish suppliers and are thus covered by Finnish legislation. We have looked into the responsibility of our contractual suppliers by conducting a human rights and environmental sustainability survey among our suppliers. The survey looked into the human rights due diligence practices of the suppliers, how they take into account health and safety and labour rights in their operations, and how the companies manage their own supply chains. The survey also covered our goods suppliers.	1-6

Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
414-2	Negative social impacts in the supply chain and actions taken	Sustainability of our own operations and the value chain, p. 43–47	Information is incomplete	98% of our procurement made from Finnish suppliers and are thus covered by Finnish legislation. We have looked into the responsibility of our contractual suppliers by conducting a human rights and environmental sustainability survey among our suppliers. The survey looked into the human rights due diligence practices of the suppliers, how they take into account health and safety and labour rights in their operations, and how the companies manage their own supply chains.	1-6
<b>Public policy</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 415: Public Policy 2016</b>					
415-1	Political contributions	Stakeholder co-operation and sustainability networks, p. 34			
<b>Customer health and safety</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 416: Customer Health and Safety 2016</b>					
416-1	Assessment of the health and safety impacts of product and service categories		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	
<b>Marketing and labeling</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 417: Marketing and Labeling 2016</b>					
417-1	Requirements for product and service information and labeling		Information is not applicable	Not material in the context of provision of earnings-related pension insurance	



Disclosure	Contents	Location	Omissions	Comment	UN Global Compact principles
417-2	Incidents of non-compliance concerning product and service information and labeling		Information is not applicable	Not material in the context of provision of earnings-related pension nsurance	
417-3	Incidents of non-compliance concerning marketing communications	Varma’s Compliance function, p. 32		Through our Compliance function we ensure adherence to regulations, the Code of Conduct and other guidelines, and prevent compliance risks from materialising at Varma. The compliance officer reports to the CEO and Board of Directors.	
<b>Customer privacy</b>					
<b>GRI 3: Material Topics 2021</b>					
3-3	Management of material topics	Sustainability Programme guided our work, p. 21–22 Sustainability management and governance, p. 28–29		The assessment of material topics does not meet all the criteria in GRI 2021 3-3.	1-10
<b>GRI 418: Customer Privacy 2016</b>					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data protection and data security, p. 32–33		The EU’s general data protection regulation (GDPR) requires that Varma as a controller identifies data security threats and is able to take preventive measures. In 2023, Varma employees reported 103 data security events related to personal data. Of these, 21 concerned minor data security violations under the GDPR. Three cases were reported to the data protection ombudsman.	1-2

# Independent practitioner’s assurance report

**(Translated from the original report in Finnish language)**

## To the Management of Varma Mutual Pension Insurance Company

### Scope

We have been engaged by Varma Mutual Pension Insurance Company (hereafter “Varma”) to perform a ‘limited assurance engagement,’ as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on sustainability on Varma’s Annual and Sustainability Report 2023 (the “Subject Matter”) for the period 1.1.-31.12.2023.

### Criteria applied by Varma

In preparing the Subject Matter, Varma applied the Global Reporting Initiative (GRI) and Varma’s own internal reporting principles (the “Criteria”). As a result, the Subject Matter information may not be suitable for another purpose.

### Varma’s responsibilities

Varma’s management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### EY’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (‘ISAE 3000’), and the terms of reference for this engagement as agreed with Varma on 3.10.2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been

obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Development of our knowledge and understanding of Varma’s material sustainability reporting topics, organization and activities,
- Interview with senior management to understand Varma’s sustainability management,

- Interviews with personnel responsible for gathering and consolidation of the Subject Matter to understand the systems, processes and controls related to gathering and consolidating the information,
- Assessing sustainability data from internal and external sources and checking the data to reporting information on a sample basis to check the accuracy of the data

We also performed such other procedures as we considered necessary in the circumstances.

### Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter in Varma’s sustainability report for the period 1.1.-31.12.2023, in order for it to be in accordance with the Criteria.

Helsinki, 11.3.2024

Ernst & Young Oy  
Authorized Public Accountant Firm

Antti Suominen  
Authorized Public Accountant

Nathalie Clément  
Leader of Sustainability Services

# Attachment: tables

## Customer satisfaction on a scale of 1–4

**2023**

Phone service for insurance customers	3.7
Phone service for pension and rehabilitation customers	3.8
Processing of pension and rehabilitation applications	3.6
Digital services	3.2
Customer care meetings	3.8
Work ability management meetings	3.8

## Consumption data for Varma’s real estate

	2023	2022	2021
<b>Residential</b>			
Heat, MWh	36,240	34,369	36,183
Water, m <sup>3*</sup>	323,205	312,575	330,356
Electricity, MWh	6,505	6,275	6,178
District cooling, MWh	605		
Number of sites included in the calculation	58	63	57
<b>Commercial**</b>			
Heat, MWh	91,557	84,097	100,503
Water, m <sup>3*</sup>	185,552	165,828	142,629
Electricity, MWh	66,339	69,726	68,931
District cooling, MWh	6,781		
Number of sites included in the calculation	43	44	42
<b>Commercial** and residential, total</b>			
Heat, MWh	127,797	118,466	136,686
Water, m <sup>3*</sup>	508,756	478,403	472,985
Electricity, MWh	72,844	76,001	75,110
District cooling, MWh	7,386		
Number of sites included in the calculation, total	101	107	99

As of 2022, heat consumption is given in absolute terms and before that, it is weather adjusted.

\*Water consumption includes tenants’ household water.

\*\*Commercial properties’ consumption figures do not include sites under the tenant’s maintenance responsibility.

**Distribution of Varma's scope 1-3 emissions**

Emission category	CO <sub>2</sub> emissions 2021	CO <sub>2</sub> emissions 2022	CO <sub>2</sub> emissions 2023	Share of total emissions (market-based)
<b>Scope 1</b>	<b>209</b>	<b>157</b>	<b>184</b>	<b>0.0%</b>
Vehicles	209	157	143	0.0%
Heat generated in real estate			41	0.0%
<b>Scope 2, market-based</b>	<b>27,023</b>	<b>17,981</b>	<b>16,922</b>	<b>0.5%</b>
Purchased electricity, vehicles			12	0.0%
Purchased energy, commercial premises	20,945	13,504	12,777	0.4%
Purchased energy, residential premises	6,078	4,477	4,134	0.1%
<b>Scope 2, location-based</b>			<b>17,455</b>	
Purchased electricity, own vehicles			2	
Purchased energy, commercial premises			13,692	
Purchased energy, residential premises			3,760	
<b>Scope 3</b>	<b>5,981,843</b>	<b>5,319,010</b>	<b>3,631,833</b>	<b>99.5%</b>
Category 1: purchased goods and services	18,520	19,646	17,870	0.5%
Category 2: capital goods	51,424	50,529	36,241	1.0%
Category 3: fuel- and energy-related activities	12,610	8,213	9,387	0.3%
Category 4	not material			
Category 5: waste generated in operations	124	131	362	0.0%
Category 6: business travel	34	182	279	0.0%
Category 7: employee commuting	111	93	146	0.0%
Category 8	not material			
Category 9: downstream transportation and distribution	13,575	8,028	8,621	0.2%
Category 10	not material			
Category 11	not material			
Category 12	not material			
Category 13: downstream leased assets	8,341	8,291	7,717	0.2%
Category 14	not material			
Category 15: investments (not incl. direct real estate)	5,877,104	5,223,897	3,551,211	97.3%
<b>Total scope 1-3, market-based</b>	<b>6,009,075</b>	<b>5,337,148</b>	<b>3,648,939</b>	<b>100.0%</b>
<b>Total scope 1-3, location-based</b>			<b>3,649,471</b>	

**The carbon footprint of Varma's investments**

Listed equity investments	31 Dec 2023	31 Dec 2016	Change
Market value (€ bn)	20.5	11.8	74%
Weighted carbon intensity (tCO <sub>2</sub> e/€ million)	102.6	177	-42%
<b>Corporate bonds</b>	<b>31 Dec 2023</b>	<b>31 Dec 2016</b>	<b>Change</b>
Market value (€ bn)	3.0	2.5	18%
Weighted carbon intensity (tCO <sub>2</sub> e/€ million)	122.2	188	-35%

The carbon footprint of Varma's investments	Market value (€ bn)	Share of the portfolio	Scope 1 + 2 (tCO <sub>2</sub> e)	vs. 2022	Scope 3 (tCO <sub>2</sub> e)	Weighted carbon intensity (tCO <sub>2</sub> e/€ million revenue)	Carbon intensity (tCO <sub>2</sub> e/€ million invested)	Quality of data (1 best - 5 worst)*
Listed equity investments	20.5	35%	934,286	-9%	14,424,118	102.6	45.5	1.41
Corporate bonds	3.0	5%	220,328	37%	1,121,244	122.2	74.6	2.08
Hedge funds	11.3	19%	850,428	0%	1,591,437	117.7	75.5	5.00
Real estate funds	2.6	4%	57,423	-32%	-	-	23.1	3.98
Private equity investments	8.6	15%	823,742	-57%	1,180,661	108.1	95.2	4.29
Infrastructure investments	2.5	4%	361,509	-59%	437,776	265.5	142.1	4.60
Private debt	2.6	4%	303,494	-5%	905,251	92.4	116.4	4.86
Deposits	1.5	3%	-	-	-	-	-	-
<b>Total</b>	<b>52.7</b>	<b>89%</b>	<b>3,551,211</b>	<b>-32%</b>	<b>19,660,487</b>	<b>110.3</b>	<b>69.5</b>	<b>3.19</b>

\*The emissions of real estate investments have been reported as part of Varma's scope 2 emissions.

**NGFS scenarios' assumptions**

NGFS scenarios	Carbon-neutrality by 2050	Below 2°C	Delayed transition	Nationally determined contributions (NDCs)
	Fast and orderly	Fast and orderly	Delayed and disorderly	No transition
Transition type	Fast	Moderate	Slow/fast	Slow
Technology change	Fast	Moderate	Slow/fast	Slow
Geographical differences	Moderate	Low	High	Low
<b>Energy production capacity 2030</b>				
Renewables	85%	77%	66%	73%
Fossil	12%	21%	31%	24%
Others	3%	3%	3%	3%
<b>Energy production capacity 2050</b>				
Renewables	95%	95%	95%	94%
Fossil	0%	3%	1%	5%
Others	5%	2%	4%	2%
CO <sub>2</sub> emissions 2030 vs 2020	-43%	-22%	-5%	-15%
CO <sub>2</sub> emissions 2050 vs 2020	-102%	-78%	-85%	-51%
tCO <sub>2</sub> price in 2050, USD	590.43	135.73	349.57	61.14
Temperature change 2100 vs. 1850–1900 10 pct	1.02	1.30	1.23	1.65
Temperature change 2100 vs. 1850–1900 50 pct	1.33	1.69	1.62	2.17
Temperature change 2100 vs. 1850–1900 90pct	1.81	2.30	2.22	2.91
Likelihood of exceeding a 2-degree change 2100	4%	21%	17%	65%
Likelihood of exceeding a 1.5-degree change 2100	28%	71%	63%	97%

We are committed to low-carbon electricity generation in our investment portfolio in accordance with the Network for Greening the Financial System's (NGFS) Net Zero 2050 scenario. The table shows NGFS scenarios' assumptions for the transition.

**In-use carbon footprint of direct real estate investments' energy consumption**

	31 Dec 2023	31 Dec 2015	Change
Carbon footprint (tCO <sub>2</sub> )	16,951	58,050	
Share of residential properties	24%	18%	
Share of commercial properties	76%	82%	
Carbon footprint in relation to gross square metres (CO <sub>2</sub> kg/gross m <sup>2</sup> )	12.2	33.8	-63.9%
Carbon footprint of residential properties in relation to gross square metres (CO <sub>2</sub> kg/gross m <sup>2</sup> )	10.8	27.2	-60.3%
Carbon footprint of commercial premises in relation to gross square metres (CO <sub>2</sub> kg/gross m <sup>2</sup> )	12.7	35.6	-64.3%
Market value of real estate portfolio included in the calculation (€ bn)	2.2	2.2	
Sites included in the calculation as % of the market value of the entire direct real estate portfolio	72%	66%	

**Waste from commercial premises**

	2023	2022
Amount of waste (t/a)	2,216	2,240
Biowaste	637	534
Waste utilised as energy	353	229
Glass	49	45
Metal	51	50
Plastic	40	17
Paperboard/cardboard	510	537
Paper	67	71
Combustible waste	492	658
Wood-based waste	2	7
Construction waste		60
Fats, grease and sludge	6	25
Electronic waste	2	2
Confidential waste	6	4
Hazardous waste	1	0.4
Total gross area of sites monitored for waste, gross m <sup>2</sup>	633,810	621,467
Utilised as material	61%	60%
Utilised as energy	38%	40%
Sites monitored	36	35

**Waste from residential premises**

	2023	2022
Amount of waste (t/a)	1,511	1,503
Biowaste	147	141
Waste utilised as energy	5	14
Glass	27	29
Metal	21	22
Plastic	59	59
Paperboard/cardboard	167	179
Paper	142	162
Combustible waste	945	897
Wood-based waste	-	-
Construction waste	-	-
Fats, grease and sludge	-	-
Electronic waste	-	-
Confidential waste	-	-
Hazardous waste	-	-
Total gross area of sites monitored for waste, gross m <sup>2</sup>	357,217	344,272
Utilised as material	36%	39%
Utilised as energy	64%	61%
Sites monitored	53	53

**Personnel**

	2023	2022	2021
Personnel	589	559	543
permanent	563	538	524
women/men (%)	67% / 33%	67% / 33%	69% / 31%
fixed-term	26	21	19
women/men (%)	73% / 27%	52% / 48%	63% / 37%
full time	550	522	510
women/men (%)	67% / 33%	66% / 34%	68% / 32%
part-time	39	36	33
women/men (%)	85% / 15%	81% / 19%	79% / 21%
Personnel covered by collective bargaining agreements (%)	92%	89%	89%
Average age	47 y 4 m	47 y 3 m	47 y 1 m
Average age of retirement on old-age pension	65 y 1 m	64 y 2 m	63 y 10 m
Average service period	12 y 8 m	12 y 11 m	13 y 4 m
Sick days/employee	5.2	6.1	4.2
Training days/employee	1.6	1.3	1.1
Employees covered by performance and development reviews (%)	100%	100%	100%

	2023		2022		2021	
	amt	%	amt	%	amt	%
<b>Exit turnover rate*</b>	34	6.0%	40	7.4%	54	10.3%
<b>Ended employment relationships by gender and age group*</b>						
women	20	59%	32	80%	39	72%
men	14	41%	8	20%	15	28%
under 30 years	4	12%	4	10%	6	11%
30–50 years	14	41%	15	38%	18	33%
over 50 years	16	47%	21	53%	30	56%
<b>New employment relationships by gender and age group**</b>						
women	35	63%	32	56%	25	57%
men	21	38%	25	44%	19	43%
under 30 years	15	27%	17	30%	12	27%
30–50 years	35	63%	30	53%	22	50%
over 50 years	6	11%	10	18%	10	23%

\*The calculation includes permanent employees.

\*\*The calculation includes new permanent employees and employees who were made permanent.

**Women’s salaries in relation to men’s at Varma in 2023**

**Women’s average salary as %  
of men’s salary**

Executive Group (excl. the CEO)	84%
Rest of personnel, excluding the Executive Group	76%
Middle management	84%
Team leaders	98%
Salaried employees and specialists	80%

A comparison of pay by location is not possible, since 96 per cent of Varma employees work at the Salmisaari premises in Helsinki and the remaining 4 per cent are scattered around Finland such that the number of representatives of different gender groups does not allow statistical comparison.

# VARMA

[www.varma.fi/annualreport](http://www.varma.fi/annualreport)