



**Report of the Board
of Directors and
Financial Statements**

2021

VARMA

01

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2021 Report of the Board of Directors

By year-end 2021, the market value of the investments rose to EUR 59.0 (50.2) billion. The return on investments was EUR 9.3 billion, or 18.5 (2.8) per cent. Solvency was strong, and at the end of the financial year, solvency capital amounted to EUR 16.9 (11.5) billion. Varma's efficiency was at an excellent level: we used 62 (61) per cent of the amount reserved for operating expenses.

Value of investments

€ **59.0** bn

Solvency

€ **16.9** bn

Investment return

18.5%

Premiums written

€ **5.6** bn

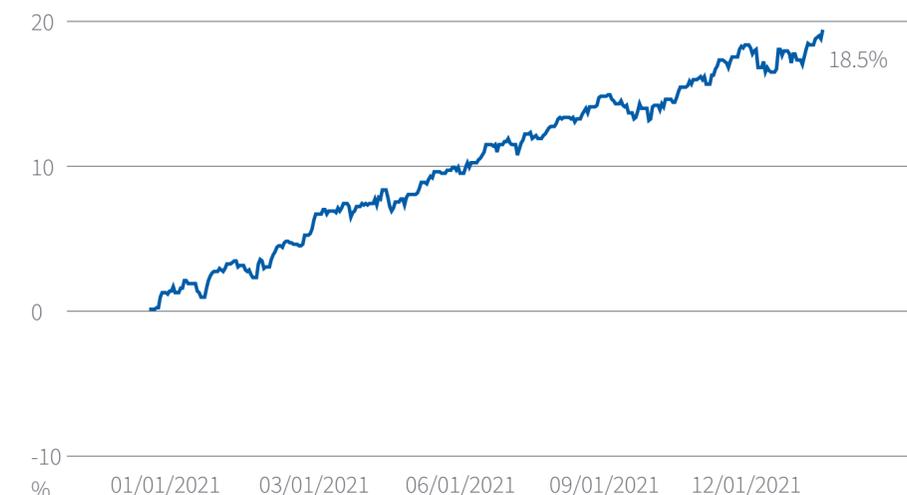
Pensions paid

€ **6.2** bn

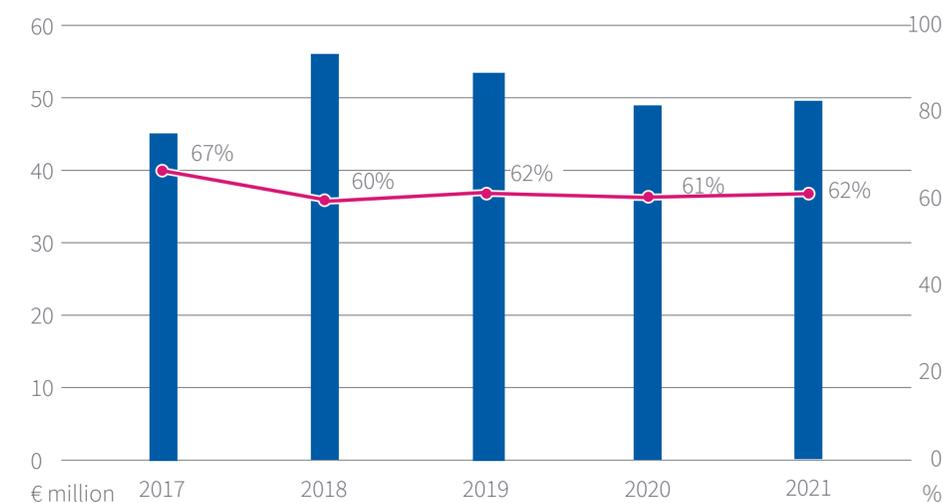
Insured customers

571,000

Investment return, %



Administrative cost efficiency



● Loading profit, € mill.
● Operating expenses as % of loading income

Report of the Board of Directors 2021

The economic operating environment

The global economy continued to recover from the downturn caused by the Covid-19 pandemic, and growth was faster than expected. As the year progressed, Covid-19 vaccinations allowed economies gradually to be opened, in spite of new variants causing waves of infection. The omicron variant, which started to spread fast at the end of 2021, effectively evaded immunity from vaccines and forced several countries to retighten their restrictions.

Bottlenecks in supply and logistics mitigated global economic growth and accelerated inflation to the highest levels in decades. Due to several factors, energy prices rose sharply towards the end of the year, which eroded households' purchasing power especially in Europe. China's growth slowed down clearly, as problems in the country's real estate sector and tighter regulation increased uncertainty and tensions in the financial markets.

In the US, growth was at a record level, while in Europe the recovery took off slower and the economy has grown at a slower pace. In the US, gross domestic product rose to clearly higher levels than before the pandemic, but as regards Europe, the jury is still out.

Monetary policy remained highly expansionary, but several central banks started to gradually nor-

malise their monetary policies. The pandemic is not expected to overshadow economies' production potential in the longer term.

Generally, companies' earnings have been good, thanks to the recovery, and were expected to remain good also at the end of 2021. The positive earnings expectations and economic outlook boosted the strong market development.

The Finnish economy grew strongly in 2021. Its recovery and growth was faster than expected. Supply shortages and problems in the availability of resources influenced global trade and had also repercussions on Finland. Nevertheless, industrial output increased during the year and reached the pre-pandemic level.

The improved economic situation and expectations of increased industrial output strengthened companies' confidence and outlook in all the major sectors during the year.

Capital expenditure is expected to have grown rather significantly during the year. Growth in capital expenditure speeds up the economic structural reform and strengthens the conditions for future growth in output. Inflation picked up also in Finland, and consumer prices rose.

The improved employment rate and increased income levels stimulated strong growth in the private sector's total payroll. Improved employment

The Finnish economy grew strongly in 2021.

and favourable development of asset values have provided advantageous conditions for the financing of pensions. However, the tightening of public finances in the longer term threatens to reduce leeway in the financing of pensions. Stimulus measures during the pandemic have been necessary. At the same time, the deficit in public finances has rapidly increased.

Earnings-related pension system

The legislative reform of survivors' pension was completed and took effect at the start of 2022. The main amendments of the reform were: surviving spouse's pension is paid for a fixed term for those born in 1975 or later, and orphan's pension is paid until the child turns 20, instead of the previous limit of 18.

The Ministry of Social Affairs and Health confirmed the earnings-related pension contributions and their bases for 2022. In the private sector, the average insurance contribution according to the Employees Pensions Act is 24.85 per cent of wages and salaries. The 0.45 percentage point increase in the employer contribution is used to cover the impacts of the temporary reduction in the employer contribution in 2020 due to the Covid-19 pandemic. The labour market organisations have agreed that the deficit in contribution accrual caused by the temporary reduction will be fully compensated by raising the employer contribution in 2022–2025.

Professor Torben M. Andersen prepared a report commissioned by the Finnish Centre for Pensions concerning the outlook of Finland's pension system. Finland's statutory earnings-related pension insurance is stable and robust, but in the long term, it may face financing challenges.

The project to merge Finland's private and public sector pension laws, which had been in preparation for a long time and was included in the government programme, ended with no result, as the working group could not come to an agreement on financing issues.

Pension contributions and return requirement on technical provisions

The TyEL contribution was restored to its usual level at the beginning of 2021, after the temporary reduction granted in 2020 due to the Covid-19 situation. In 2021, the average TyEL contribution was 24.4 per cent of the salaries or wages. Employees under the age of 53 and over the age of 62 contributed 7.15 per cent of their pay, while the rate for employees aged 53–62 was 8.65 per cent. In 2021, entrepreneurs' YEL contribution was 24.1 per cent of the confirmed earnings for those under the age of 53 and over the age of 62, and 25.6 per cent for those aged 53–62.

The return requirement on technical provisions consisted of a 3.00 per cent fund rate, a pension liability supplementary factor and the return on equity component. The value of the supplementary factor was 1.37 per cent on average in 2021. The return on equity component in 2021 was 26.64 per cent, and its effect on the return requirement was approximately 5.3 percentage units. The technical rate of interest, which is used to determine the interest rate of the oldest pension loans to Varma's customers and a number of other items, was 4.75 per cent until the end of June and 5.75 per cent thereafter. The insurance contribution interest rate, used to calculate pension contributions, stood at 2.00 per cent throughout the year.

Varma's economic development

Varma's total result at fair value stood at EUR 5,587 (-231) million.

Varma's solvency was on a strong level throughout the year. Varma's solvency strengthened significantly during the financial year, and solvency capital totalled EUR 16,890 (11,517) million at the end of the financial year. Varma's pension assets in relation to technical provisions (solvency ratio) were 139.4 (129.3) per cent. Solvency capital was at a secure level, i.e. at 2.0 (1.7) times the solvency limit. The solvency limit is changed in accordance with the risk level of the investments. Varma's strategic goal is to maintain the company's strong solvency through stable returns and operational efficiency.

The return on investments was EUR 9,256 (1,372) million at fair value, which was 18.5 (2.8) per cent of the invested capital. The interest credited on the technical provisions was EUR 3,769 (1,681) million. Thus, the investment result for 2021 totalled EUR 5,488 (-309) million. Operating expenses were 38 (39) per cent lower than the expense loading included in the insurance contributions, and the loading profit stood at EUR 51 (49) million. The underwriting result was EUR 48 (22) million and other result was EUR -1 (7) million.

As client bonuses, Varma will pay one per cent of its solvency capital and the entire loading profit for 2021. Thus, Varma's strong solvency and excellent operational efficiency benefit its clients. At the end of 2021, EUR 222 (54) million was transferred to the provision for current bonuses for client bonuses. The transfer represents roughly 1.0 (0.3) per cent of the payroll of the insured. The client bonuses of the comparison year 2020 were reduced by the tempo-

rary reduction in the pension contribution. No client bonuses based on loading profit were paid for this period.

The TyEL payroll of those insured by Varma totalled roughly EUR 22.5 (21.1) billion in 2021. The total payroll increased 6.6 per cent from the previous year. Varma's premiums written totalled EUR 5,635 (4,931) million, of which TyEL insurance accounted for EUR 5,448 (4,746) million and YEL insurance for EUR 186 (185) million.

At the end of the financial year, 571,229 (543,003) individuals were insured by Varma. At the end of 2021, the number of valid insurance policies totalled 70,317 (66,078), covering 40,023 (37,831) self-employed persons and 531,206 (505,172) employees.

In 2021, a total of 3,728 (3,500) new TyEL insurance policies and 6,460 (5,638) YEL insurance policies came into force at Varma.

During the 2021 account transfers, EUR 26 million in net TyEL income was transferred from Varma to other earnings-related pension companies, and EUR 55 million in new TyEL policies were sold. Varma received insurance portfolios from company pension funds during the financial year. Annual TyEL income from these is estimated to be approximately EUR 3 million.

Varma received 9.3 (9.5) million income and employment notifications from the Incomes Register during 2021. Income data is reported to the Incomes Register regularly after earnings are paid.

Varma provides policyholders with services through its own service channels and through the service networks of If P&C Insurance and the Nordea Group.

In 2021, a total gross amount of EUR 6,236 (6,028) million in pensions was paid out. The number of

pension recipients remained at the same level as the previous year, and at year-end, Varma was paying pensions to 346,000 (347,000) people.

Varma's total processing time for pension applications in 2021 was 18.8 days, which was 0.8 days shorter than the average processing time in the earnings-related pension sector.

A total of 21,131 (21,100) new pension decisions were made in 2021. The number of new pension decisions increased 0.1 per cent compared to 2020, and the total number of all pension decisions was 1.1 per cent lower than in 2020. Old-age pension decisions numbered 9,495 (9,173), disability pension decisions 5,672 (6,046) and partial early old-age pension decisions 2,484 (2,464). Continuation decisions on temporary pensions totalled 4,671 (5,108), and other decisions numbered 25,611 (24,894). These include rehabilitation benefit decisions, preliminary decisions and other decisions required as a consequence of the changes in pension rights. The share of rejected new disability pension applications was 39.4 (37.0) per cent. Pension applications filed online accounted for 64 (61) per cent of all pension applications.

Growth in disability pension applications came to a halt in 2020, and in 2021, the number of applications received by Varma was down 4.1 per cent compared to the previous year. The number of new disability pension applications declined by 8.4 per cent. Mental health disorders (34.2 per cent) and musculoskeletal diseases (31.6 per cent) were most often cited as the main reasons for disability.

In 2021, Varma processed 21 cases in which Covid-19 was a main reason for disability. Compared to the total volume of disability pension applications,

this was a low number. On the basis of the applications, two disability pensions, eight cash rehabilitation benefits and one partial rehabilitation benefit were granted. Ten applications were rejected.

The impacts of the pandemic have been sizable, and they have varied significantly among the insured working in different tasks and our client companies. In the early stages of the pandemic, it was discovered that balancing work and other aspects of life was easier for those who shifted to remote work. This improved the experience of well-being at work for many. However, the prolonged pandemic may have weakened work engagement and increased the risk of burnout. Not all types of work can be done remotely, and such work may be linked to extra stress during the pandemic. Varma assesses the impacts of the pandemic and rapid changes in working life in order to forecast customer needs and improve the relevance of the company's services. Our goal is to have the greatest impact on the length of careers in the industry.

Varma has for years been a forerunner in vocational rehabilitation, and the company actively steers those with a work ability risk to rehabilitation. Our forerunner approach was strengthened in 2021 by piloting new vocational rehabilitation practices. The most important of these was the Individual Placement and Support (IPS) model. The monitoring of rehabilitation's effectiveness was developed through more focussed monitoring of work trials and by adopting the Abilitator, a method and tool for enabling self-assessment of work ability and functioning developed by the Finnish Institute of Occupational Health. We created a rehabilitation vision extending to 2025 to steer our future development efforts.

A larger share of Varma's customers use rehabilitation to return to working life than retire on disability pension. Despite the challenges of the Covid-19 times, 80 per cent of Varma's customers who entered and completed the rehabilitation programme returned to the labour market. Among our rehabilitation customers, the greatest disability threat was caused by musculoskeletal diseases, and the second most common cause was mental health disorders.

Rehabilitation applications and rehabilitation programmes were down approximately 4 per cent in 2021. The exceptional conditions that have prevailed for two years now due to the pandemic may have masked work ability challenges. The number of reha-

bilitation decisions issued in conjunction with disability pension decisions was also down 3 per cent. In terms of rehabilitation means, workplace rehabilitation decreased the most. Nevertheless, around 70 per cent of rehabilitation takes place at workplaces as work trials or job coaching. The number of training programmes remained at the previous year's level.

Varma's network of rehabilitation partners covers the whole of Finland. In 2021, approximately 71 per cent of customers who were supported by a rehabilitation partner created a rehabilitation plan and completed the rehabilitation programme. No plan was created for some 9 per cent of rehabilitants, primarily due to reasons related to the rehabilitant's health.

Varma's success rate in rehabilitation was better than average for the private sector pension companies.

The risk-based approach to disability risk management was strengthened by developing the risk assessment tools and renewing our processes and service model. Varma established a new harmonised service model of the management of client companies' disability risk. Varma introduced new digital work ability management services and added new digital content on disability risk management to Varma Academy. Co-creation with customers was increased, and co-operation with occupational health care service providers was deepened in many areas.

In terms of customer service, the Varma Online Service is a key service channel. Through Varma's online services, the insured can obtain the most recent estimate of their pension amount at their planned retirement age. Of these estimates, 98.1 (97.6) per cent were calculated online. Pensions and rehabilitation can also be applied for, and the status of the application can be tracked, online. A total of 16,877 (15,817) applications were submitted electronically during the year.

The insured can see the development of their earnings-related pension in their pension record. As of 2019, information concerning any income paid by the employer has been transferred directly from the Incomes Register to the pension record. Altogether 204,771 people checked their pension records online a total of 253,466 times. Varma sends a pension record to those insured who want to have their information on paper once every three years. In 2021, Varma sent out a total of 175,000 (197,000) pension records.

Technical provisions

Varma's technical provisions grew 11.0 (5.5) per cent to EUR 45,225 (40,726) million. They contain a provision of EUR 222 (54) million for current bonuses reserved for client bonuses, a provision of EUR 2,339 (1,393) million for future bonuses contained in the solvency capital, and EUR 2,434 (775) million in an equity-linked provision for current and future bonuses.

Changes in the insurance portfolio

Varma received insurance portfolios from company pension funds during the financial year. The amount of pension liabilities transferred to Varma totalled EUR 47 million. The total value of pension assets transferred to Varma was EUR 60 million. Varma did not make insurance portfolio transfers to company pension funds during the financial year.

Varma also received insurance portfolios from the pension fund Liikennepalvelualojen Eläkekassa Viabek's bankrupt estate. The pension liabilities transferred to Varma amounted to EUR 61 million. In this context, the assets corresponding to the provision for pooled claims and equity-linked provision for current and future bonuses were not transferred, which resulted in a EUR 3 million loss on the technical account. The pension assets transferred to Varma amounted to EUR 37 million.

Investments

In 2021, the return on Varma's investments reached an all-time high of 18.5 (2.8) per cent. Varma's investments performed strongly throughout the year, although equity market volatility increased towards year-end. The main return drivers were the rise in

	31 Dec 2021	31 Dec 2020	Change
Number of insured			
TyEL	531,206	505,172	26,034
YEL	40,023	37,831	2,192
Total	571,229	543,003	28,226
Number of insurance policies			
TyEL	30,294	28,247	2,047
Number of pensioners			
Part-time pension	15	31	-16
Partial disability pension	3,260	3,279	-19
Partial early old-age pension	6,148	5,522	626
Survivors' pension	50,215	50,518	-303
Disability pension	16,352	17,454	-1,102
Old-age pension	258,445	258,463	-18
Early old-age pension	11,203	11,823	-620
Years-of-service pension	21	21	0
Total ¹⁾	345,659	347,111	-1,452
¹⁾ Those receiving YEL pension	28,699	28,898	-199
Those receiving TEL/YEL supplementary pension	41,895	42,655	-760

share prices and excellent development of unlisted investments all through the year. At year-end, the value of Varma's investments stood at EUR 59,024 (50,157) million, and the solvency ratio increased to 139.4 (129.3) per cent.

2021 was a very strong investment year. Equity returns were exceptionally high as companies' earnings rapidly recovered and capital flowed from fixed-income investments to the equity markets. The number of top performers declined in the equity markets as the year progressed, and the earnings supremacy of major U.S companies was highlighted. The returns on government bonds were negative on many markets on account of the rise in interest rates. The credit risk premiums on corporate bonds remained moderate and within a relatively narrow variation range. In the emerging markets, the return development diverged and the uncertainty related to China's economic growth, in particular, pushed down the financial year's returns in both the equity and fixed-income markets. Raw material prices surged as overall demand recovered and supply kept relatively stable. Fears of inflation caused momentary uncertainty, but the slow normalisation of monetary policies by the central banks did not result in prolonged market volatility in 2021.

Equities were the drivers of Varma's investment returns in 2021, with private equity investments performing exceptionally well. The returns on Varma's hedge funds were also very strong, clearly exceeding the general performance of the asset class. With the exception of loan receivables, the rise in interest rates kept the return on fixed income investments modest. The return on real estate showed positive development despite the uncertainty related to the

real estate sector. The average nominal investment return over five years was 7.6 per cent, and over ten years 7.1 per cent. The corresponding real returns were 6.3 and 5.8 per cent.

The return on Varma's listed equity investments was 26.4 (5.2) per cent. Geographical and industry-dependent differences in returns were great. In terms of regions, US and Finnish equities showed the strongest performance, and emerging market equities the weakest. The reported return on private equity funds reached a record-high 49.6 (7.8) per cent. Unlisted equities also performed exceptionally strongly, yielding 26.3 (8.6) per cent.

The return on fixed income investments was a modest 1.9 (1.9) per cent. Public-sector bonds yielded a negative return of -1.2 (6.1) per cent as a result of the hike in interest rates from the exceptionally low levels. The return on corporate bonds was reasonable, with weaker credit-rating corporate bonds supported by the rapid economic growth and high risk appetite. The total return on other bonds was 4.2 (1.0) per cent. The return on loan receivables developed strongly, yielding a return of 5.4 (0.5) per cent. The return on other money market instruments was negative at -0.9 (-1.0) per cent.

The return on real estate investments rose to 5.9 (2.0) per cent, with real estate investment funds performing again especially well. Direct real estate investments yielded a return of 4.1 (3.4) per cent and real estate investment funds 8.5 (-0.2) per cent. The building permit for Katajanokan Laituri, a wooden office and hotel development to be built in Katajanokka in Helsinki and owned by Varma, became legally valid in December. The building will be home to Stora Enso's head office, a high-quality hotel and

public premises, such as cafés, restaurants and conference premises. So far, 99.5 per cent of the demolition waste at the site has been recycled.

In 2021, the return on other investments was as high as 15.3 (-2.0) per cent, almost entirely reflecting the performance of hedge funds, which were boosted by the recovery of the economy, the rise in housing prices and the positive development of the credit markets.

Varma has US-dollar-denominated investments in hedge funds, equities, corporate bonds and private equity funds. In accordance with Varma's investment policy, part of the currency risk is hedged. In terms of operations, foreign currency risks are managed as a whole, and in financial reporting, the exchange rate impact is included in the returns of various asset classes. The US dollar strengthened against the euro in 2021, which supported investment returns.

Varma's investment activities focussed on maintaining strong solvency, broadly diversifying investments and risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio.

The market risk of investments is the greatest risk affecting the company's result and solvency. Equities constitute by far the greatest market risk. The VaR (Value-at-Risk) figure measuring the total risk of Varma's investments stood EUR 2,242 (3,123) million.

Varma's share ownership policy

The central principles in Varma's ownership policy are high-quality governance in the companies in which it has a holding, transparency of operations, active engagement, and the monitoring of incentive

schemes for key personnel. [The share ownership policy](#) was updated in 2019, and the policy is available on Varma's website. Varma published [active ownership and engagement principles](#) in 2020 to complement its ownership policy. They are a means of promoting responsible business and sustainable value development for the long term.

In 2021, Varma participated in the annual general meetings of 87 Finnish companies and 162 foreign companies, as well as in the work of 27 companies' shareholders' nomination boards. In 2021, we extended our voting practices in accordance with the ownership policy to annual general meetings of foreign companies and voted at the annual general meetings of 162 foreign companies. We voted primarily at the annual general meetings of companies where our holding exceeded 0.5 per cent or was otherwise significant. Additionally, we voted at the annual general meetings of those global companies that are included in our sustainable equity portfolio. At the annual general meetings, we voted in favour of shareholder proposals that advocated reporting in accordance with climate change risks. Varma's website contains a list of the company's memberships on [the Nomination Boards of listed companies](#) and [voting decisions](#).

Operating expenses

Varma's operational efficiency is good. Varma used 62 (61) per cent of the expense loading, included in the insurance contributions, to cover operating expenses. Controlling operating expenses is a key objective for Varma while simultaneously improving operational efficiency. Good operational efficiency benefits Varma's customers by means of client

bonuses. Varma's goal is to manage the assets of both present and future pensioners as efficiently as possible. The intention is to change the accrual of the expense loading component included in earnings-related pension companies' contribution as of the beginning of 2023 such that a company's high operational efficiency reduces the component. Varma is well-prepared for the change, thanks to its strong solvency.

Increasing operational efficiency also requires continuous control of human resources and, in particular, IT system expenses, as these account for most of Varma's operating expenses. Varma's total operating expenses increased by 18 per cent, and stood at EUR 130 (110) million. This was primarily due to the increase in investment management charges and insurance acquisition costs, as well as to the Finnish Centre for Pensions' cost contribution being restored closer to the 2019 level.

Varma is actively involved in the development and administration of the pension sector's joint information systems, and expects from the joint systems transparency and efficiency in terms of costs.

Personnel

The average number of the parent company's personnel and the salaries paid during the financial year are shown in the table below.

Tieto Esy, which is included in the Consolidated Financial Statements using the equity method, had

an average of 36 (38) employees in 2021.

At year-end, Varma's personnel were distributed as follows: pension services 17 (17) per cent, insurance and actuary services 11 (17) per cent, customer service departments 16 (10) per cent, services related to disability risk management 14 (14) per cent, investment operations 14 (14) per cent, and other functions 28 (28) per cent.

In early 2021, Varma re-organised its insurance services and client services functions in order to ensure a smoother customer experience and improve efficiency. The negotiations involved 127 employees, most of whom continued to work at Varma in their old or a new role. As a consequence of the reorganisation, the employment relationships of 12 people ended.

Further information on Varma employees is given in this Report of the Board of Directors, under the section Non-financial information; Responsibility for Varma employees.

Group companies and associates

At the end of 2021, the Varma Group comprised 110 (119) subsidiaries and 19 (20) associates. The most important subsidiaries and associates are Tieto Esy Oy (50.1 per cent), Alcobendas Investments SL (50.0 per cent) and CMCV Kungens Kurva HoldCo AB (45.0 per cent). The Varma Group also owns 50 per cent of the guarantee capital of Kaleva Mutual Insurance Company. Most of the subsidiaries and associate companies are real estate companies.

	2021	2020	2019	2018	2017
Average number of personnel	527	537	537	532	524
Salaries and remunerations, EUR million	43.6	37.7	37.6	40.1	39.3

Governance

Policyholders and the insured have voting rights at Varma's Annual General Meeting. Varma's Annual General Meeting was held on 16 March 2021. The Annual General Meeting appointed six new members to Supervisory Board. The new members elected to the Supervisory Board are Ari Akseli, Kim Forsström, Heljä Misukka, Mika Rautiainen, Eeva Sipilä and Pekka Tiitinen. The Annual General Meeting approved the financial statements and discharged the Board of Directors, the Supervisory Board and the President and CEO from liability for the financial year 2020.

Continuing as Supervisory Board members were Christoph Vitzthum (Chair), Petri Vanhala (Deputy Chair), Satu Wrede (Deputy Chair), Juri Aaltonen, Kari Ahola, Eero Broman, Petri Castrén, Lasse Heinonen, Marko Hovinmäki, Olavi Huhtala, Mika Joukio, Jukka Jäämaa, Risto Kalliorinne, Ilkka Kaukoranta, Mari Keturi, Ville Kopra, Tapio Korpeinen, Pekka Kuusniemi, Päivi Leiwo, Johanna Moisio, Teo Ottola (resigned from the Supervisory Board 31 Dec 2021), Perttu Puro, Jari Suominen, Jorma Vehviläinen, Anssi Vuorio and Sauli Vääntti.

Varma's Supervisory Board held its constitutive meeting on 26 May 2021. Christoph Vitzthum continued as Chair of the Supervisory Board, and Petri Vanhala and Satu Wrede continued as vice chairs.

Ernst & Young Oy, with Authorised Public Accountant Antti Suominen as chief auditor, served as Varma's Auditor.

As of the beginning of 2021, Varma's Board of Directors is composed of Jari Paasikivi (Chair), Jaakko Eskola (Deputy Chair), Antti Palola (Deputy Chair), Riku Aalto, Anu Ahokas (as of 1 April 2021),

Eila Annala (until 31 March 2021), Rolf Jansson, Ari Kaperi, Jyri Luomakoski, Petri Niemisvirta, Pekka Piispanen, Saana Siekkinen and Mari Walls, and deputy members Jouni Hakala, Risto Penttinen and Timo Saranpää.

On 1 December 2021, Varma's Supervisory Board elected Teo Ottola as a new member and Kari Välimäki as a deputy member of the Board of Directors, effective 1 January 2022. Chair of the Board of Directors Jari Paasikivi and member Rolf Jansson resigned from the Board on 31 December 2021. At the Board of Directors' meeting on 14 December 2021, Jaakko Eskola was elected new Chair, effective 1 January 2022. Antti Palola continues as Vice Chair, and Risto Penttinen was elected new Vice Chair.

An up-to-date [Corporate Governance Statement](#) based on the recommendations of the Finnish Corporate Governance Code is presented on Varma's website.

Capital and reserves

Varma's capital of EUR 137 million consists of basic capital (EUR 12 million), other funds (EUR 115 million), profit brought forward from previous financial years (EUR 3 million) and profit for the year (EUR 7 million).

Risk management

The goal of Varma's risk management is to identify and manage, in accordance with the defined risk appetite, risks that the company is subjected to, arising from and centrally linked to its business activities, and to secure continuity of operations. As a responsible operator, Varma considers it vital that the execution of the company's core

task as a provider of statutory pension insurance is guaranteed and adequately efficient under all circumstances.

In accordance with the act on earnings-related pension companies, Varma's Board of Directors draws up an annual risk and solvency assessment. The assessment was updated at the end of 2021. Varma's risk management activities are also guided by the principles for the risk management system, which are annually approved by the Board of Directors. Company-level risk management is an element of the finance and actuary functions in order to ensure that risk reporting and risk management is independent of the risk-taking function.

As a provider of statutory earnings-related pension insurance, Varma's main risk is related to solvency management. The single largest risk factor in terms of solvency management is related to investment performance. When investment returns exceed the return requirement on technical provisions, the company's solvency improves, and if they fall short of the return requirement, solvency declines. The principles for investment risk management are determined in the company's investment plan, which is drawn up by the Board of Directors. The plan documents the general security goals set for investments, the diversification and liquidity goals of investments, and the principles for organising currency risk hedging. The Board of Directors assesses the investment risks in terms of changes in value, expected returns, security and the principles of foreign currency policy, the company's risk-bearing capacity in terms of investments, and the development of the company's solvency.

Other major risks in 2021 continued to apply to changes in business operations due to the Covid-19 pandemic and to ensuring continuity in a situation where all Varma employees switched to working remotely. Ensuring continuity was also highlighted in external IT system services. Risks also applied to developing the business in a changing operating environment. More information about strategic, financial, investment and operative risks, as well as related quantitative data, is provided in the notes to Varma's financial statements.

Sustainability

Varma's most essential sustainability impacts are defined in the company's Sustainability Programme. Focus areas in sustainability are: promoting work ability and good working life, mitigating climate change, ethical business, open communication and responsibility for Varma employees.

Varma has assessed its sustainability risks relating to operations and business relations and has put in place comprehensive management systems and sufficient and appropriate processes, which ensure duty of care as regards these risks.

Varma's sustainability targets and measures are explained more broadly in a separate report conforming to the Global Reporting Initiative (GRI) guidelines. The report is integrated in Varma's online annual report, which will be published in March.

Report on non-financial information

Business model description

Varma has the core responsibility of securing pensions. Sustainability is one of Varma's strategic focus

areas. Taking care of personnel and responsibility for the environment hold the greatest importance in Varma's operations and in the supply chain. The biggest impacts of Varma's investments operations relate to environmental responsibility, social responsibility, responsibility for Varma's employees, respecting human rights and fighting corruption and bribery. The main sustainability risks may, if realised, affect Varma's business through, for example, financial loss or weaker stakeholder trust.

Sustainability in Varma's business operations is steered by, in addition to the strategy and values, sustainability principles, such as [the Code of Conduct](#), Anti-Bribery Policy and Supplier Code of Conduct. In early 2021, Varma published a tax policy outlining its tax strategy and principles.

Varma's operations are also guided by the [sustainability programme](#), which sets out the concrete targets and actions of Varma's sustainability efforts in the shorter term. Responsible investment at Varma is guided by the Principles for Responsible Investment, Active Ownership and Engagement Principles, Climate Policy for Investments, Ownership Policy and annual targets for responsible investment. All the policies, principles and the sustainability programme have been approved by Varma's Board of Directors. The Investment Operations management team approves the annual targets for responsible investments.

Varma's Board of Directors addresses the implementation of the Principles for Responsible Investment twice a year. In 2021, the Board of Directors addressed current sustainability and responsible investment themes, as well as integrating sustainability in the Investment Operation's performance-

based remuneration system. The Board of Directors' Audit Committee reviewed climate scenarios and the related climate risks. Varma's Executive Group discusses all key decisions relating to the development of sustainability, and in 2021, the Executive Group was closely involved in the development of the sustainability programme.

In 2021, sustainability issues were overseen in Varma's Executive Group by the Senior Vice President of HR, Communication and CSR. Varma had a Sustainability Manager, who co-ordinated sustainability measures and communication and was supported by a sustainability expert. Varma's director of responsible investment, who is part of the Investment Operations, develops and co-ordinates responsible investment in different asset classes. As of the beginning of 2022, all sustainability efforts are managed as a whole, headed by the Investment Operations' director of investments and 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. In 2021, the Head of Legal Affairs served as Varma's Compliance Officer. At the beginning of 2022, the role of Compliance Officer was separated from the legal affairs function. The Compliance Officer reports administratively to the President and CEO.

In its sustainability efforts, Varma is committed to the UN Global Compact initiative on corporate sustainability and its principles, the UN's principles concerning business and human rights, and the UN-supported Principles for Responsible Investment (PRI). Varma reports on its responsible investment annually in accordance with the PRI framework.

Social responsibility

For Varma, social responsibility means high-quality and smooth implementation of pension provision, promoting our customers' work ability, responsibility for our employees and respecting human rights in all operations.

Responsibility for customers

Varma has been improving its pension application processing to provide faster pension decisions to its customers. In 2021, the average processing time for all pension applications was 19 (19) days. This is one day quicker than the average for the sector. Varma's goal is to ensure that people who are retiring receive uninterrupted income and that pension is paid to their bank account during the first month of their retirement. In 2021, the first pension was paid within the target period to 86.6 per cent of new pensioners.

Varma's goal is to lengthen careers by reducing disability pensions, developing work ability management and providing effective rehabilitation. In 2021, the average disability pension contribution category of Varma's client companies was 3.4 (3.5). Of Varma's vocational rehabilitation customers who had applied for rehabilitation on their own initiative and completed the rehabilitation process, 80 (83) per cent, i.e. 1,176 (1,170) people, returned to working life during the year.

In 2021, Varma rejected 39.4 (36.9) per cent of new disability pension applications. The share in the private sector was 37.7 (36.4) per cent. The Pension Appeal Board changed Varma's disability pension decisions in 13.1 (12.3) per cent of the cases it handled. The corresponding rate for the entire

private earnings-related pension sector was 10.6 (11.3) per cent.

Responsibility for Varma employees

Varma takes care of the well-being at work, competence, and equal and non-discriminatory treatment of its personnel. In 2021, the varying Covid-19 situation challenged us to develop our ways of working as well as common practices. We shifted to hybrid work at Varma and created conditions for meeting each other face-to-face and remotely. We focused on maintaining Varma employees' work ability, renewed our meeting practices and ensured the availability of comprehensive, up-to-date guidelines. We paid special attention to keeping supervisory work at a good and consistent level. In order to ensure the health security of our premises, we had in place restrictions on the use of our premises and on face-to-face meetings and travel, intensified cleaning, mask recommendations when moving around the premises, and vaccination and testing procedures.

The annual PeoplePower Index, measuring Varma employees' satisfaction and engagement, was 76.8 (78.1). The result propelled Varma to the list of Finland's Most Inspiring Workplaces for the fourth time in a row.

The realisation and experience of equality and non-discrimination are measured in Varma through a separate survey, which is conducted once every two years to identify any areas needing improvement. The next survey will be carried out in 2022.

The areas in need of improvement that are identified in the surveys form the basis for promoting equality and non-discrimination among Varma

employees. In 2021, Varma's equality and non-discrimination work included, for example, training on accessible encounters, an accessibility assessment of the Salmisaari premises and paying attention to the equal treatment of Varma employees working in different locations.

Respect for human rights

Varma's own operations have not been found to entail major human rights risks. In order to deepen its understanding of its human rights impacts and risks, in 2021 Varma continued the process to assess the fulfilment of human rights within the company's operations, supply chain and investments. The assessment helps create practices that guarantee diligence in continuously monitoring the fulfilment of human rights and the related operating principles. In 2021, Varma launched training on the corporate responsibility to respect human rights. The training efforts are targeted to the functions where we have identified potential or actual human rights impacts, for example, in our supply chains and investment activities.

Paying attention to human rights as part of the investment process was a priority of Varma's responsible investment in 2021. As regards hedge fund and real estate fund investments, we determined whether the funds had signed the UN Global Compact initiative, whether their responsible investment policies were aligned with the Global Compact, whether human rights violations had emerged in the funds and how they had responded to possible human rights violations.

Governments' human rights violations may be significant, and Varma has used the UN's SDG index

to monitor them. In the SDG index, the realisation of human rights at the national level, for example, is assessed using sustainable development goals related to the UN's Universal Declaration of Human Rights that governments have set for themselves. In 2021, Varma improved the means for assessing governments' sustainability. This included improving the monitoring of the realisation of sustainable development goals and the monitoring of corruption and political stability.

Ethical business and sustainability of the supply chain

Ensuring ethical operation

In the Code of Conduct, Varma commits to good insurance practices, combating the grey economy and bribery, and following responsible investment principles, among other things.

Varma's Code of Conduct establishes anti-bribery and anti-corruption practices concerning, for example, offering and accepting gifts and hospitality and avoiding conflicts of interest. An online course, which is organised every two years, helps raise awareness of the Code of Conduct. The latest online course, in autumn 2020, was completed by all Varma employees (100 per cent). The Code of Conduct is complemented by other internal guidelines and instructions relating to, for example, data security and data protection, and the identification of money laundering.

Varma has also adopted an independent whistleblowing channel for reporting misconduct anonymously. 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. In 2021, a total of 16 reports were received through the channel. None of these concerned misconduct referred to in the directive. Five reports pertained to customer service and five to disability pensions possibly granted on false pretences. Individual reports were also submitted relating to, for example, Varma's marketing activities.

Responsible supply chain management

Varma has analysed its supply chain in order to identify sustainability issues and established its sustainability requirements, which have been written into [the Supplier Code of Conduct](#). Varma expects its direct service providers to commit to the sustainability requirements, which are attached to agreements. Direct service providers are responsible for their own supply chain, and they are obliged to ensure that Varma's sustainability principles are abided by.

The Supplier Code of Conduct covers, among other things, good business practices, anti-bribery issues, human rights, occupational safety and health, and respect for the environment. As regards environmental aspects, we encourage our suppliers to use a certified environmental system or a documented operating method for managing their environmental matters. The Code also includes a notification requirement and permission for audits.

In 2021, Varma renewed its contract management. The goal is to reduce the contract risk by introducing a harmonised contract management system and providing guidelines for contract and procurement processes. At the same time, we will be better able to ensure that the supply chain sustainability

requirements are taken into account in our contracts. At the end of 2021, Varma's operations were partly within the scope of the new contract management system, and the rest of the operations will transfer to it in early 2022. The company's common procurement principles were also revised in 2021. The principles promote harmonised, transparent and sustainable procurement practices.

In investments, preventing money laundering and complying with sanctions are key to the sustainability of the supply chain. Practices concerning the prevention of money laundering and compliance with international sanctions have been written down in Varma's risk assessment on money laundering. We organise regular training on the theme. In fixed-income, hedge and real estate fund investments, preventing money laundering is addressed in the legal due diligence process and, if necessary, ensured via contracts. Furthermore, continuous monitoring is part of market monitoring. In direct real estate investments, the main means of preventing money laundering relate to identifying the actual beneficiary of tenants and corporate tenants, obtaining information on tenants' activities, reporting suspicious activities to the National Bureau of Investigation, money laundering risk assessment, employees' training and retaining the information.

The first tier of Varma's supply chain mainly covers Finland alone: of our purchases made in 2021, 98.5 per cent originated from Finland. The remaining 1.5 per cent originated from the US, France, the UK, Ireland and other European countries. Varma's most significant purchases are related to construction and the maintenance of buildings, and to information systems.

Varma has drawn up and adopted circular economy principles for real estate properties and implemented them in the processes of new construction and renovation projects as well as in maintenance. The principles are aimed at steering construction and maintenance processes increasingly towards low-carbon and sustainable solutions.

Evaluation of investees' sustainability and active ownership

Active ownership and engagement are cornerstones of responsible investment. Varma expects its investees to comply with local legislation and international standards and agreements, typically the principles of the UN Global Compact initiative on social responsibility, and to respect human rights.

Varma reviews compliance with the standards with the help of an external service provider, which maintains a database of companies and their confirmed and suspected violations. Norms-based screening covered 49 per cent of Varma's listed investments in 2021. The norms-based screening of funds is outsourced to a fund management company.

In direct equity and bond investments, Varma classifies norm violations into one of three categories: blacklisted investments, i.e. companies that are not invested in; investee companies that are involved in an engagement process; and investees that are on an observation list. In 2021, we were involved in an engagement process with four companies. All the contacts with these four companies related to social matters and, especially, the realisation of human rights or labour rights.

For ethical reasons, Varma excludes from its 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.

In the name of climate change mitigation, Varma has excluded investments in companies that rely on coal- or lignite-based operations for more than 30 per cent of their net sales. In direct investments, Varma strives to engage with companies with the aim of having them decommission coal power plants by 2030.

Varma engages with the companies in which it has a holding also, for example, by participating in the work of nomination boards and in annual general meetings. In 2021, Varma was represented in the shareholders' nomination boards of 27 companies and participated in the annual general meetings of 87 Finnish companies and 162 foreign companies.

Environmental ratings are a practical tool for assessing and developing the sustainability of real properties. Varma's goal is to have its most important buildings certified according to the BREEAM environmental rating system by 2025. The quality system is particularly aimed at improving how energy efficiency is monitored and verified. The goal is to achieve a rating of "Good" or "Very Good". We have been certifying commercial premises since 2016, and in 2021, we also started BREEAM certifications of apartment buildings.

In 2021, nine buildings owned by Varma were granted BREEAM In-Use environmental certification. At year-end 2021, a total of 62 of Varma's real properties had environmental certification, representing 50 (42) per cent of the real estate base under the company's direct ownership.

Environmental responsibility

Varma's opportunities to influence the environment can be examined in terms of its operations (Varma's office building and the environmental impact of the work performed in it), its supply chain and its investments. The biggest opportunities for influencing are through Varma's investment operations, and on the other hand, investees' environmental risks may also be reflected in Varma's investment returns.

Environmental impacts of Varma's operations

The environmental impacts of Varma's operations are controlled using WWF's Green Office system. In addition to the Green Office certificate, the Salmisaari head office has the highest environmental rating, i.e. BREEAM Excellent certification.

The carbon footprint of our own operations has declined 84 per cent from the 2015 baseline. In order to reduce the carbon footprint of its own operations, the head office uses emission-free electricity, and a solar power system has been installed on its roof. Varma uses emission-free district heat, which is produced using waste heat. This has helped to reduce the carbon footprint of our own operations significantly. During the Covid-19 pandemic, Varma employees' air travel for business was at a very low level, which has also contributed to the decline in the carbon footprint.

Carbon dioxide emissions of Varma's supply chain

In 2021, Varma performed for the first time scope 3 emissions calculation, i.e. assessed the greenhouse gas emissions of the value chain and formed an overall picture of the company's emissions. The

scope 3 calculation was done in accordance with the Greenhouse Gas (GHG) protocol.

Varma's own direct scope 1 emissions include company cars' fuel, and printers at the Salmisaari office. Scope 2 emissions comprise the energy consumption of Varma-controlled real estate, i.e. indirect emissions from purchased energy, which account for approximately 1.8 per cent of Varma's total emissions.

The calculation showed that approximately 98 per cent of Varma's emissions are caused by the value chain, or scope 3 emissions. Varma's scope 3 emissions in 2021 totalled approximately 1,726 kilotons of carbon dioxide equivalent (ktCO₂e). Of the scope 3 emissions, 95 per cent were caused by the investees' emissions. As terms of investments, the calculation includes Varma's direct equity and fixed income investments. Of these, listed equities accounted for 83 per cent of the emissions. Other major scope 3 emissions are caused by purchased goods and services (1.1 per cent), capital goods (2.3 per cent) and transportation and distribution (0.5 per cent). The category of purchased goods and services included, for example, emissions from maintenance work, for instance repairs, and from IT services. Emissions from capital goods were fairly evenly distributed between basic renovations and new building projects.

Mitigating climate change is one of Varma's key sustainability targets. Climate change also requires investors to prepare for the change and manage the related risks, as climate change is shaping the business opportunities of different sectors and influencing future investment valuations.

Varma's goal is to develop its portfolio towards carbon neutrality in 2020–2035.

Climate risk management and reporting

Varma constantly analyses the financial risks and opportunities and the business impacts brought by climate change. As part of the Sustainability Report, Varma reports on business impacts caused by climate change in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Carbon intensity of equity, corporate bond and real estate investments

One tool for monitoring the management of climate-related risks is carbon intensity, which is measured for direct equity investments, listed corporate bonds and direct real estate investments.

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 and 50 per cent by 2027. Meeting the new climate targets means that the emissions of investees with high emissions must decline annually or, alternatively, Varma needs to reduce its holding in these investees.

At the end of 2021, the carbon intensity of equity investments was down 30 per cent compared to the 2016 level. In equity investments, we are on track to achieve the emission reduction targets set in our climate policy. At year-end 2021, the weighted carbon intensity of Varma's equity portfolio was lower than that of the global equity market. In listed corporate bonds, carbon intensity was also on track with the climate policy's emission reduction target at the end of 2021, with 23 per cent lower carbon intensity than in 2016.

Varma requires its investees to have a plan for reducing their emissions and encourages companies to disclose, in accordance with TCFD, information about how climate change is included in the company's governance, strategy and risk management, especially in emissions-intensive industries.

In its climate policy, Varma has set the goal of switching to emission-free heating and electricity in its real estate by 2030 and 2025 respectively. At the end of 2021, 26 (19) per cent of district heating and 56 (23) per cent of real estate electricity of Varma-owned properties were emission free. In order to achieve the goal, in 2020 Varma launched a series of energy renovations in apartment buildings owned by the company. Heat pumps and solar panels will be installed in 36 apartment buildings, which means the emissions from Varma's total housing stock will decrease by an estimated 48 per cent by 2023. These renovations will turn 1,300 flats carbon-neutral in terms of heating. By the end of 2021, a total of 14 of Varma's business properties had switched to emission-free district heat, such as recycled heat. Seven of these use emission-free real estate electricity generated using wind power or hydropower, i.e. they are carbon neutral in terms of energy and electricity consumption.

Negative screening and enhanced ESG monitoring

Varma is committed to exiting from investments in thermal coal by 2025, and to exclude oil exploration from its investments by 2030. Since 2015, Varma has excluded from its direct investments companies that rely on coal- or lignite-based operations for

more than 30 per cent of their net sales, production capacity or production. Varma does not invest in coal-mining activities. At the end of 2021, 2.7 per cent of Varma's assets in equity investments were invested in companies that rely on coal for more than 5 per cent of their operations. Equities in the oil exploration industry accounted for a minor share, 0.4 per cent, of our equity investments, fund investments included.

In private equity and infrastructure funds, Varma promotes carbon neutrality by investing in funds that recognise the investment opportunities related to climate change mitigation and adaptation. Varma steers away from investees that are significantly exposed to the risks brought by climate change.

Varma has also identified industries with a need for enhanced ESG screening, i.e. with higher environmental, social and governance risks. Enhanced ESG monitoring and analysis concerns, for example, the arms industry, alcohol and gambling industries and so-called transition industries that have a high exposure to climate-related risks.

EU Taxonomy on Sustainable Finance and monitoring of transition industries

In order to reach its carbon neutrality target by 2050, the European Commission has been developing regulation on sustainable finance. The purpose of the set of acts is to guide capital flows towards sustainable investments, while at the same time managing environment-related economic risks and social and governance issues. At the core of the regulation is the EU Taxonomy Regulation, i.e. the sustainability classification of investments.

Reporting on investments' sustainability as required by law

Varma is a large public-interest entity and, therefore, the company discloses non-financial information in the Report of the Board of Directors. The non-financial report also includes information in accordance with the EU Taxonomy on Sustainable Finance. As an earnings-related pension insurance company, Varma belongs to the category of non-financial companies in the Taxonomy Regulation, since earnings-related pension companies are not insurance companies authorised under the Solvency II Directive's Article 18. On the basis of the aforementioned regulation, Varma has identified real estate investment as taxonomy-eligible economic activity. Taxonomy-eligible turnover accounted for 1 per cent of the total turnover. Taxonomy-eligible capitalisations, i.e. the share of real estate investments' net investments of all capitalisations, which include additions to and decreases from property and intangible assets, was 100 per cent. Taxonomy-eligible operating expenses accounted for 2 per cent of total operating expenses.

Voluntary reporting on investments' sustainability

The reporting framework pursuant to the non-financial company category is not as such applicable to earnings-related pension companies, and the aforementioned key performance indicators required by law do not give an accurate picture of the taxonomy-eligible investments of earnings-related pension insurance companies. Therefore, Varma voluntarily reports on the taxonomy-eligibility of its direct listed equities.

The EU has included in the taxonomy system industries with the greatest potential to achieve the CO₂-emission reduction targets set for climate change mitigation. The industries covered by the taxonomy are largely the transition industries that Varma has identified in its investments since 2019. Transition industries comprise the oil & gas industry, electricity & heat production, and the automotive, metals & mining, construction materials, chemical, transport and forest industries. Transition industries offer the greatest opportunities for emission reductions through their business and are also significantly exposed to risks caused by climate change mitigation, such as regulation and market risks. The forest industry also plays a key role in attending to biodiversity.

Of Varma's direct listed equity investments, 66 per cent are estimated to have been taxonomy-eligible at the end of 2021 (companies with taxonomy-covered turnover). Their average taxonomy-eligible turnover was 44 per cent of the total turnover.

Scenario analyses in listed equity and corporate bond investments

Varma has carried out various scenario analyses based on global climate models in order to determine how well the company's investments are aligned with the targets of the Paris Agreement. We use the results to assist in climate target setting, among other things.

In 2021, Varma adopted a new tool for analysing climate risks. The tool has been used to assess asset-class-specific transition costs and opportunities as well as physical risks brought by climate change. Climate risks have major impacts on com-

panies' business models and profitability, the outlook of which has been challenging to assess using traditional historical analysis. With the help of the tool, we have strived to determine the temperature scenario's potential impact on the investment's market value.

When it comes to mitigating climate change, legislation, other political actions and the actions taken by industries and companies affect different sectors in different ways. The biggest impacts naturally apply to sectors that produce a major part of global emissions and which are also significantly exposed to risks caused by climate change mitigation, such as regulation and market risks (transition industries). On the other hand, they may own patents that allow them to benefit from emissions reduction in the coming years.

Varma's scenario analysis for equity investments shows that both negative and positive potential impacts are the greatest in temperature scenarios in which the transition to a low-carbon society is the strongest. Compared to the global equity market, the potential negative impacts of Varma's listed equity investments are smaller and the potential positive impacts are bigger in all scenarios.

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. Furthermore, we have analysed the amount of carbon dioxide emissions that a company could release between 2020 and 2070 in a situation in which the aim is to limit global warming to below two degrees Celsius through international agreements by 2100. Based on the analysis, Varma's listed equity investments are aligned with a 2.3 degree temperature

rise, whereas the corresponding figure for the global equity market is 2.9.

Scenario analyses in real estate investments

Analyses have been performed on Varma-owned real estate from the perspective of both climate-change-related transition risks and physical risks. The development of the greenhouse gas emissions of our real estate portfolio was most recently examined in an analysis carried out in autumn 2021. The analysis covered the carbon dioxide emissions from the heating and electricity of business and residential properties owned by Varma. A baseline scenario was established first, depicting the likely development of emissions without any further actions by Varma, not including the current scope of emission-free electricity purchases. The analysis also included a heat-pump scenario in which 40 per cent of district heat is replaced by different types of heat pumps by 2030.

In the baseline scenario, the CO₂ emissions from Varma's real estate portfolio decline by an estimated 71 per cent from the 2020 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 total emissions of the real estate portfolio will decline nearly 90 per cent by 2035 if emission-free electricity and heat is purchased to the same extent as in 2020.

The analysis shows that the future emissions of Varma's real property are, even in the baseline scenario, in line with the Science Based Targets' (SBT) target of 1.5 degrees Celsius. Varma is well equipped to achieve carbon neutrality in its real estate port-

folio in terms of scope 1 and 2 emissions by 2030. In the short term, the real estate portfolio's emissions can be significantly cut by switching to electricity-based heating, such as geothermal heat, buying carbon-neutral district heat and using emission-free electricity.

Varma updated the analysis focusing on the physical climate risks of its direct real estate investments in autumn 2021. Of the real property owned by Varma, around 70 per cent is 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, slanted 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 slanted 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.

In 2021, a sea flood analysis was also performed on Varma's real estate portfolio, showing that the

sea flood risk is minor. 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.

In 2021, Varma also analysed climate change-related transition risks that its real properties are exposed to in order to identify the key political, technology, market and reputation risks, and to assess their significance. Four high transition risks were identified: impacts of the tighter energy efficiency requirements pursuant to the EU Energy Efficiency Directive which applies to new buildings and basic renovations on investment costs and real properties' value; increasing emission allowance prices and, consequently, higher district heat and electricity prices; and the impact of higher emission allowance prices on the price of materials, such as concrete and steel, and fuel.

Higher emission allowance prices would have a broad impact on buildings' investment and operating costs. Varma can, however, mitigate the impacts of changes in properties' value through long-term ownership. The rise in material costs can be prepared for by actively seeking ways to use low-emission materials, and the rise in energy costs can be abated through own local small-scale production.

Climate-change-related opportunities: climate allocation

Climate change also presents investors with return opportunities. Varma composes from the investments in different asset classes a climate-friendly investment allocation which will include companies

whose business benefits from actions to mitigate climate change, whose operations do not cause significant greenhouse gas emissions or who have a clear target of reducing greenhouse gas emissions. Our target is for the allocation to represent 20 per cent of the investment portfolio by 2025.

In 2021, Varma identified investees that fit the investment allocation on the basis of their sector, produced product or service or established emissions reduction targets. The climate allocation accounted for 18.2 (12.4) per cent of the entire investment portfolio at the end of 2021. The allocation includes companies that have set emission-reduction targets in accordance with the SBT initiative as well as Varma's investments in green bonds. The debt capital raised through the issuance of green bonds is allocated to environmentally friendly investments. The allocation also includes Varma-owned real properties that use emission-free heating and electricity. At the end of 2021, the allocation included 13 (7) business premises and 8 (0) residential premises.

Biodiversity assessments in Varma's investments

A preliminary analysis of the biodiversity of Varma's investment portfolio was carried out in 2020. The focus was on forest industry companies, since they are most directly linked to land use. The analysis showed that all the forest industry companies in which Varma had shareholdings had taken biodiversity into account in their sustainability policies. The analysis also revealed that from an investor's point of view, biodiversity indicators still lack commensurability.

The work was continued in 2021 by exploring the risks, from an investor's perspective, that biodiversity loss presents for different industries, as a consequence of, for example, loss of nature, changes in land use and endangerment of species. We also looked into the measures that companies could use to mitigate loss of nature.

In the assessment, four themes were identified that investors can pay attention to in order to reduce their impacts on biodiversity loss: sustainable use and protection of water and ocean resources, shift to circularity, prevention and reduction of environmental pollution, and protection and restoration of biodiversity and ecosystems.

Attending to biodiversity is more relevant in some industries than others. In 2022, Varma will create a roadmap for attending to biodiversity. It will include indicators for assessing which companies are not exposed to nature loss risks or which are pioneers in their sector in efforts aimed at combatting nature loss, and how different companies produce solutions for stopping nature loss.

The Task Force on Nature-related Financial Disclosures (TNFD) is a global biodiversity-related disclosure framework. In addition to the TNFD framework, the protection of biodiversity comes up in the EU taxonomy, which establishes whether an investment is environmentally sustainable. The protection and restoration of biodiversity is one of the environmental objectives of the taxonomy regulation.

Outlook

Global economic growth will continue, although the fastest growth phase is over. Controlling the global pandemic and opening the bottlenecks in supply chains will have a major impact on the direction of economic development. Inflation has picked up, especially in the US. Monetary policy and curbing inflation are key in terms of the economic outlook for 2022. In Europe, uncertainty may also be caused by the escalation of geopolitical conflicts and economic sanctions.

After the end of the earnings season, the market direction has shifted many times. Tighter monetary policy will also level off companies' outlook while the fastest economic growth is already behind us. Varma's strong solvency provides a strong backrest for the successful investment of pension assets.

The employment rate in Finland has improved, and improving it further will become more challenging as the strongest upturn levels out. Finland's public finances experienced major sustainability challenges, and due to the Covid-19 crisis, government debt has only increased.

Varma's financial situation and solvency position continued to strengthen in 2021. Strong solvency provides protection and leeway for making investment allocation decisions also going forward.

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Income statement

1 Jan–31 Dec, € million	Notes	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Technical account					
Premiums written	1	5,634.6	4,930.9	5,634.6	4,930.9
Investment income	3	8,040.7	7,304.6	8,021.3	7,291.5
Claims incurred					
Claims paid	2	-6,014.9	-5,732.6	-6,014.9	-5,732.6
Total change in provision for claims outstanding		-811.7	-973.0	-811.7	-973.0
Portfolio transfers		50.7	334.0	50.7	334.0
		-6,776.0	-6,371.5	-6,776.0	-6,371.5
Change in provision for unearned premiums					
Total change		-3,691.0	-1,144.6	-3,691.0	-1,144.6
Portfolio transfers		70.5	551.4	70.5	551.4
		-3,620.6	-593.2	-3,620.6	-593.2
Operating expenses	4	-67.1	-58.1	-67.1	-58.1
Investment expenses	3	-3,199.2	-5,204.2	-3,135.3	-5,279.4
Balance on technical account		12.4	8.5	56.9	-79.8
Non-technical account					
Balance on technical account		12.4	8.5	56.9	-79.8
Share of associated companies' profit				-0.9	11.2
Income taxes on ordinary activities					
Taxes for the financial year		-5.6	-2.5	-5.6	-2.6
Profit/loss on ordinary activities after taxes		6.8	6.0	50.4	-71.2
Minority interest in the result for the financial year				0.0	0.0
Profit/loss for the financial year		6.8	6.0	50.5	-71.2

Balance sheet

1 Jan–31 Dec, € million	Notes	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
ASSETS					
Intangible assets					
Other intangible assets	17	0.0	0.1	0.0	0.1
Investments					
Real estate					
Real estate and real estate shares	14	1,709.9	1,524.0	2,287.6	2,042.4
Loans to Group companies	14	662.4	681.0		
		2,372.3	2,205.0	2,287.6	2,042.4
Investments in Group companies and in participating interests					
Shares and participations in Group companies	12, 13	4.3	4.3	0.4	0.5
Shares and participations in participating interests	12, 13	46.8	55.1	58.5	92.1
		51.0	59.3	59.0	92.6
Other investments					
Shares and participations	16	31,356.6	29,283.8	31,371.2	29,298.4
Money-market instruments		5,893.6	4,976.7	5,893.6	4,976.7
Loans guaranteed by mortgages		177.8	205.2	177.8	205.2
Other loan receivables	18	1,610.0	2,093.0	1,610.0	2,093.0
		39,037.9	36,558.7	39,052.5	36,573.3
		41,461.2	38,823.1	41,399.1	38,708.3
Receivables					
Direct insurance operations					
Policyholders		625.4	554.7	625.4	554.7
Other receivables					
Other receivables		1,071.8	618.8	1,075.1	623.5
		1,697.2	1,173.5	1,700.5	1,178.2
Other assets					
Tangible assets					
Equipment	17	1.8	2.2	1.8	2.2
Other tangible assets	17	0.9	0.9	0.9	0.9
		2.7	3.0	2.7	3.0
Cash at bank and in hand		2,738.8	1,799.8	2,739.2	1,800.1
		2,741.5	1,802.8	2,741.9	1,803.1
Prepayments and accrued income					
Accrued interest and rent		55.4	60.9	55.2	61.0
Other prepayments and accrued income		6.7	3.4	8.9	4.8
		62.1	64.3	64.1	65.8
TOTAL ASSETS		45,962.0	41,863.7	45,905.6	41,755.5

Balance sheet

1 Jan–31 Dec, € million	Notes	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
LIABILITIES					
Capital and reserves					
Basic capital		11.9	11.9	11.9	11.9
Other reserves		114.8	109.8	114.8	109.8
Profit/loss brought forward		3.1	2.1	-115.5	-39.4
Profit/loss for the financial year		6.8	6.0	50.5	-71.2
	26	136.6	129.8	61.6	11.2
Minority interest					
				12.5	12.5
Technical provisions					
Provision for unearned premiums	23	25,106.3	21,418.7	25,106.3	21,418.7
Provision for claims outstanding	23	20,118.7	19,307.0	20,118.7	19,307.0
		45,225.0	40,725.7	45,225.0	40,725.7
Liabilities					
Direct insurance operations		79.0	75.0	79.0	75.0
Other liabilities		378.9	854.8	384.8	852.6
		457.8	929.7	463.8	927.6
Accruals and deferred income					
		142.6	78.5	142.7	78.6
TOTAL LIABILITIES		45,962.0	41,863.7	45,905.6	41,755.5

Statement of source and application of funds

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Cash flow from operations				
Profit/loss on ordinary activities	12.4	8.5	56.9	-79.8
Adjustments				
Changes in technical provisions	4,499.3	2,117.6	4,499.3	2,117.6
Impairments and revaluations on investments	-214.9	942.5	-215.0	988.2
Depreciation according to plan	11.1	11.1	32.3	90.2
Capital gain and loss	-3,298.1	-1,447.5	-3,303.6	-1,447.6
Cash flow before change in working capital	1,009.9	1,632.2	1,070.0	1,668.7
Change in working capital:				
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-521.5	436.1	-520.6	439.2
Increase (-) / decrease (+) in non-interest-bearing short-term debts	-407.9	239.3	-399.7	234.6
Cash flow from operations before taxes	80.5	2,307.6	149.7	2,342.4
Direct taxes paid	-5.6	-2.5	-5.6	-2.6
Cash flow from operations	75.0	2,305.0	144.1	2,339.8
Cash flow from investments				
Net investments and proceeds from asset sales	864.1	-1,284.1	795.0	-1,318.9
Investments and gains on intangible, tangible and other assets	0.0	0.0	0.0	0.0
Cash flow from investments	864.1	-1,284.2	795.0	-1,319.0
Cash flow from financing				
Interest paid on guarantee capital and other profit distribution	0.0	-12.7	0.0	-12.7
Cash flow from financing	0.0	-12.7	0.0	-12.7
Change in financial resources	939.1	1,008.2	939.1	1,008.2
Financial resources, 1 Jan	1,799.8	791.6	1,800.1	791.9
Financial resources, 31 Dec	2,738.8	1,799.8	2,739.2	1,800.1

Notes to the financial statements

Accounting principles

These financial statements are prepared in accordance with sound accounting principles, and in compliance with legislation applicable to Varma and with the regulations and guidelines of the Financial Supervisory Authority. The financial statements have been drawn up so as to give a true and fair view of Varma's financial performance and financial position in accordance with the materiality principle.

Consolidated Financial Statements

In addition to the parent company, those companies in which the Group holds more than 50% of the votes (controlling interest) either directly or indirectly have been consolidated in the Consolidated Financial Statements as subsidiaries.

On the closing date, the parent company has 110 (119) subsidiaries. The companies belonging to the Group are listed in the notes to the financial statement.

The Consolidated Financial Statements are compiled as combinations of the income statement, balance sheets and notes. When the Consolidated Financial Statements are compiled, intra-group business transactions and cross-shareholdings are eliminated. However, Tieto Esy Ltd, in which Varma has a 14.4% shareholding but holds over 50% of

the votes from all the shares, is consolidated using the equity method. Intra-group cross-shareholdings are eliminated using the acquisition method. The resulting consolidation difference is allocated to subsidiaries' asset items proportional to their fair values, and depreciated in accordance with the depreciation plans of these asset items. Minority shareholders' share of the result for the financial year and of the Group's capital and reserves is entered as a minority interest.

Subsidiaries acquired during the year are consolidated from the moment of acquisition. Subsidiaries divested during the year are consolidated until the moment of divestment. Minority interest in the profit and loss and in capital and reserves are recognised as a separate item. Revaluations on Group companies' shares are shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary.

Relevant associated companies in which the Group holds 20–50 per cent of all the votes are included in the Consolidated Financial Statements using the equity method. When an associated company draws up its financial statements using fair values, these values are used in the consolidation. Housing and real estate companies are not treated as associated companies. Their non-inclusion has a minimal effect on Group profit and capital and

reserves, since the expenses arising from these companies are covered by the maintenance charges collected from their owners.

The Group owns 50% of the guarantee capital and 25% of the votes of Kaleva Mutual Insurance Company, which is not, however, included in the Consolidated Financial Statements due to limitations concerning controlling interest and distribution of profits.

An amount corresponding to the Group companies' proportion of an associate's profit or loss as well as the change in capital and reserves is also shown in the consolidated financial statements. Associated companies are listed in the notes to the financial statements.

Book value of investments

Investments in land and buildings are entered in the balance sheet at the lower of acquisition cost less depreciation or fair value. The values of real estate have been revaluated in the previous years. Revaluation of buildings entered as income is also depreciated according to plan. No revaluations of real estate book values were made in the financial year 2021.

Shares and participations are entered in the balance sheet at the lower of acquisition cost or fair value. Acquisition cost is calculated by class using the average price.

Money-market instruments are entered in the balance sheet at the lower of acquisition cost or fair value. Changes in value due to interest rate fluctuations are not entered. The difference between the nominal value and acquisition cost of the money-market instruments is allocated to interest income and its reduction over the matu-

rity of the instrument. The counterpart entry for the allocations entered as an increase or decrease in the acquisition cost is shown in the notes to the balance sheet. The acquisition cost is the average price calculated for each instrument.

Loan receivables and other receivables are entered in the balance sheet at the lower of nominal value or probable value.

Value adjustments made to investments in previous financial years are entered in the income statement as value readjustments corresponding to the value appreciation.

Premium receivables and other receivables

Premium receivables and other receivables are valued at the lower of nominal value or probable value.

Derivative contracts

Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value is entered in the income statement for the hedged balance sheet item, no entry is recorded in the income statement for the hedging contract, unless the negative value change exceeds the positive value change in the hedging contract.

Negative value adjustments of derivative financial instruments other than those created for the purposes of hedging are entered in the income statement as an expense. The profits and losses resulting from the termination or expiration of contracts are entered as income or expenses for the financial year.

Income and expenses from interest rate derivatives are entered under interest income.

Depreciation according to plan

The acquisition cost of buildings, including components in buildings, movable property and other expenses with long-term effects, are depreciated according to plan over their useful lives. Revaluation of buildings entered as income is also depreciated according to plan. Either the reducing-balance depreciation method or the straight-line depreciation method is applied to planned depreciation using the following estimated economic useful lives:

Residential, office and business premises, hotels	40–60 yrs
Industrial premises and warehouses	25–50 yrs
Components in buildings	10 yrs

The straight-line depreciation method is applied to planned depreciation of tangible and intangible assets using the following estimated economic useful lives:

Equipment	7–10 yrs
Computer hardware	3 yrs
Transport equipment	5 yrs
Intangible assets	5–10 yrs

Fair values of investments

The fair values of real estate and real estate shares are measured item by item as prescribed in the regulations of the Financial Supervisory Authority and based on the opinions of the company's own and external experts.

The last available buying rates or, if these are not available, closing prices at the balance sheet date are used as fair values for listed securities.

Investments in private equity funds are entered in the balance sheet at fair value estimated by the management company or, if this is not available, at acquisition cost. Investments in mutual funds are entered at the last available value of the share calculated by the management company.

The fair value of other shares and participations is the purchase price or the net realisable value or the net asset value.

The fair value of money-market instruments is primarily based on market value. If the market value is not available and the value of the investment cannot be reliably determined, the fair value is determined by using estimates by external parties or commonly approved calculation models, or the fair value is the purchase price.

Receivables are entered at the lower of nominal value or probable value.

Fair values of derivative contracts, and related liabilities and guarantees

The method for determining the fair values of derivative contracts, the liabilities and the collateral received and given to cover the clearing of derivative transactions are presented in the notes to the financial statement under Contingent liabilities and liabilities not included in the balance sheet.

Loaned securities

Loaned securities are included in the balance sheet. They are presented in the notes to the balance sheet under Guarantees and liabilities, Loaned securities (Note 30).

Profit for the year, and capital and reserves

In an earnings-related pension insurance company, the parent company's profit after taxes in the income statement is determined by calculation bases confirmed in advance by the Finnish Ministry of Social Affairs and Health. The notes include an itemisation of the parent company's capital and reserves.

Technical provisions

The regulations and guidelines of the Ministry of Social Affairs and Health and the Financial Supervisory Authority are adhered to when calculating the technical provisions. Technical provisions comprise a provision for unearned premiums and a provision for claims outstanding. Technical provisions are calculated using the technical bases confirmed for the entire sector by the Ministry of Social Affairs and Health.

The provision for unearned premiums is composed of liabilities for future pension contingencies, a provision for current bonuses and an equity-linked provision for current and future bonuses. The provision for current bonuses includes amounts reserved for client bonuses to be granted to policyholders. The amount of the equity-linked provision for current and future bonuses depends on earnings-related pension companies' average return on equity investments.

The provision for claims outstanding is composed of the liability for current pensions, which includes liabilities funded by the pension company for current pensions, including the reserve for unknown claims, and the pension institution-specific provision for pooled claims serving as a buffer for the clear-

ing system. The reserve for unknown claims is for those pensions in which disability has begun but of which the pension institution is not yet aware.

Varma received two company pension funds' insurance business transfers during the financial year 2020. One of these was the transfer of liabilities to earnings-related pension insurance companies caused by the bankruptcy of the pension fund Liikennepalvelualojen Eläkekassa Viabek.

Solvency capital

Solvency capital is calculated as the difference between the assets and debts valued at fair value. It comprises capital and reserves, accumulated appropriations, valuation differences and the provision for future bonuses. Intangible assets included in the balance sheet and lease liabilities not included in the balance sheet are deducted from solvency capital.

The minimum limit of the solvency capital is one third of the solvency limit. The solvency limit is determined using a risk-theory-based method taking into account the allocation of investments into different asset classes and their mutual correlations as required in legislation. When calculating the limit, investments are classified according to their risk.

The solvency position is the ratio of the solvency capital to the solvency limit. The solvency ratio is the ratio of the solvency capital to the technical provisions, which does not include the provision for future bonuses.

Solvency capital and the solvency limit are presented in the notes to the financial statements.

Taxes

Taxes for the financial year and previous financial years are recognised in the income statement on an accrual basis.

Deferred tax liabilities or assets are not calculated for temporary differences between income statement items and income and expenses approved in taxation, such as confirmed losses or tax credits, because the company's net result is determined by calculation bases confirmed in advance by the Finnish Ministry of Social Affairs and Health. Nor is the deferred tax liability or asset calculated in the mutual real estate companies owned by the Group, because they are not significant for the companies in question or the Group.

Foreign-currency-denominated items

Foreign-currency-denominated items are entered at the lower of the rate on the date of transaction or the rate at the balance sheet date. When determining the investments' book value, the change in both the investment's market price and the exchange rate is taken into account as a whole. Currency conversion differences are entered as adjustments to income and expenses. Currency conversion differences for cash at bank and in hand and deposits and items that cannot be entered as adjustments to income and expenses are entered under investment income and charges. When calculating fair values, the European Central Bank's average rates quoted on the balance sheet date are used.

Operating expenses and depreciation by function

Operating expenses and the depreciation of furniture and fixtures and expenses with long-term effects

are included in the items of the income statement by function. In the income statement, the operating expenses from operations related to compensations and operations for the maintenance of work ability are included in claims paid, and expenses related to investment management are included in investment charges. The expenses of insurance policy acquisition and management and administration are presented as net operating expenses. Statutory fees and payments are included in the administrative expenses. Planned depreciation on buildings is presented as investment expenses.

Pension plans and remuneration statement

Statutory pension coverage for personnel is arranged through TyEL insurance and supplemented by voluntary pension insurance. The pension plans of the President and CEO are explained in the notes to the financial statements (Note 7). A salary and remuneration statement in accordance with the [Financial Supervisory Authority's recommendation](#) has been published on Varma's website and in the Annual and Sustainability Report.

Balance sheet and income statement at fair values

In addition to the information required by the regulations, the parent company's income statement and balance sheet at fair values are presented in the notes to the financial statement. The purpose of this is to improve the transparency of the annual account information of an earnings-related pension insurance company.

The financial statements of an earnings-related pension insurance company are prepared in accord-

ance with sound accounting principles, valid laws and the regulations and guidelines of the Financial Supervisory Authority.

The statutory earnings-related pension scheme is partially fund-based. The technical provisions appearing in the balance sheet of an earnings-related pension insurance company amount to about a quarter of the capital value of the pensions accumulated by the closing date. Furthermore, statutory pension insurance has a guarantee scheme, according to which the earnings-related pension insurance scheme is jointly responsible for securing the benefits of the insured, should a pension institution become insolvent.

The operating expenses of the company are listed under a number of entries in the income statement and key figures. The effect of fair values on the company's investments and their results are presented in the notes to the financial statements under balance sheet and income statement at fair values.

The total result presented in Performance analysis, consisting of investment surplus at fair value, loading profit, technical underwriting result and other result, corresponds to the total result in the note income statement at fair value. In the note, the net investment income is given at fair value. The total result at fair value is also influenced by premiums written, claims paid, change in technical provisions, total operating expenses, other result and taxes. The total result presented in the income statement drawn up at fair values substantially deviates from the result for the financial year in the income statement, drawn up in accordance with calculation bases confirmed in advance by the Finnish Ministry of Social Affairs and Health.

In note 31, i.e. Varma's balance sheet and income statement at fair values, a balance sheet presenting asset items at fair value is given. In the note, valuation differences refer to the difference between the fair values and book values of investments.

The main components of the solvency capital shown separately and measuring solvency in the balance sheet are the capital and reserves, provision for future bonuses and valuation differences of investments. The provision for current bonuses reserved for the payment of client bonuses and equity-linked provision for current and future bonuses are shown on their own lines. Investments and their net return are shown at fair value. The interest credited on technical provisions is included under change in technical provision.

Investments classified according to risk

The notes to the financial statements report investments and their returns classified according to risk. The stipulations of the Financial Supervisory Authority concerning the calculation of the financial key figures are also used in the calculation of the return percentages. The method is described in the section Key figures and analyses.

Key figures and analyses

The key figures and analyses describing financial development are calculated and presented in accordance with the stipulations of the Financial Supervisory Authority concerning notes to the financial statements.

The key figures and analyses for investment operations and solvency are presented at fair values.

Net investment income at fair values over invested

capital has been calculated by type of investment and for the total amount of investments with reference to daily or monthly time-weighted cash or output flow.

The return for the period has been calculated using a modified Dietz formula (time and money weighted formula) so that invested capital has been calculated by adding to the opening market value the cash flow for the period (cash flow/output flow = purchases – sales – income + expenses) weighted by the relative share of the length of the period that is left from the date of the event to the end of the period.

Non-financial information

The Report of the Board of Directors includes non-financial information, and a more detailed report in accordance with the GRI guidelines is published on the company's website together with the Annual and Sustainability Report.

Reporting on investments' sustainability as required by law

Varma is a large public-interest entity and, therefore, the company discloses non-financial information in the Report of the Board of Directors. The non-financial report also includes information in accordance with the EU Taxonomy on Sustainable Finance.

As an earnings-related pension insurance company, Varma belongs to the category of non-financial companies in the Taxonomy Regulation, since earnings-related pension companies are not insurance companies authorised under the Solvency II Directive's Article 18. On the basis of the aforementioned regulation, Varma has identified real estate investment as taxonomy-eligible economic activity.

The key performance indicator related to capital expenditure (CapEx) (CapEx KPI) pursuant to the European Commission Delegated Regulation 2021/2178 is presented in the Report of the Board of Directors under 'The proportion of taxonomy-eligible capitalisations of all capitalisations'. The KPI has been calculated using the Group data as follows: (Additions to real estate investments – decreases from real estate investments not including net capitalisations of real estate shares) / (Additions to real estate investments – decreases from real estate investments not including net capitalisations of real estate shares + additions to intangible and tangible assets – decreases from intangible and tangible assets).

The key performance indicator related to turnover (turnover KPI) pursuant to the European Commission Delegated Regulation 2021/2178 is presented in the Report of the Board of Directors under 'The proportion of taxonomy-eligible turnover of total turnover'. The KPI has been calculated using the Group data as follows: (Revenues from real estate investments – expenses from real estate investments) / (Net revenue from investment activities + premiums written + other revenues).

The key performance indicator related to operating expenditure (OpEx) (OpEx KPI) pursuant to the European Commission Delegated Regulation 2021/2178 is presented in the Report of the Board of Directors under 'The proportion of taxonomy-eligible expenditure of all operating expenses'. The KPI has been calculated using the Group data as follows: Expenses from real estate investments / (Expenses from investment activities + Operating expenses).

Group companies 31 Dec 2021

The following new three companies are included as new subsidiaries in Varma's consolidated financial statements:

Asunto Oy Keravan Terhikintie 1

Kiinteistö Oy Hatsinanpuisto AB

Kiinteistö Oy Hatsinanpuiston pysäköinti AB

The following 107 companies are included as subsidiaries in Varma's consolidated financial statements:

As. Oy Jyväskylän Spinetti

As Oy Kuokkalan Tahkonkartano

As Oy Lahden Vilhon Vaakuna

As. Oy Espoon Amiraali

As. Oy Näkinkuja 4

As. Oy Tampereen Konttilukinkatu 7

As. Oy Vantaan Tellervo

Asunto Oy Espoon Keijumäki

Asunto Oy Espoon Kilonlemmikki

Asunto Oy Espoon Niittysillankulma 2 EF

Asunto Oy Espoon Pyölinpuisto

Asunto Oy Haukikoto

Asunto Oy Helsingin Arabiankatu 4

Asunto Oy Helsingin Arabiankatu 8

Asunto Oy Helsingin Haukilahdenkuja 13

Asunto Oy Helsingin Hiihtäjätien Huippu

Asunto Oy Helsingin Hiihtäjätien Kaarre

Asunto Oy Helsingin Hiihtäjätien Laakso

Asunto Oy Helsingin Kimmontie 3

Asunto Oy Helsingin Klaneettitie

Asunto Oy Helsingin Kruunuvuorenkatu 2

Asunto Oy Helsingin Näyttelijätie 22

Asunto Oy Helsingin Päijänteentie 4–6

Asunto Oy Helsingin Roihuvuorentie 20

Asunto Oy Helsingin Roihuvuorentie 30

Asunto Oy Helsingin Tyynenmerenkatu 5

Asunto Oy Jyväskylän Kiramo 4

Asunto Oy Järvenpään Bjarnenkuja 6

Asunto Oy Korkeavuorenkatu 2 a

Asunto Oy Lahden Kulmakatu 10

Asunto Oy Lahden Kulmakatu 12

Asunto Oy Lahden Massinhovi

Asunto Oy Lahden Massinpoiju

Asunto Oy Oulun Lehmuskuja

Asunto Oy Tampereen Nahkakuja 13

Asunto Oy Tampereen Nahkakuja 9

Asunto Oy Tampereen Näsijärvenkatu 3

Asunto Oy Tampereen Palatsinraitti 1

Asunto Oy Tampereen Satakunnankatu 22

Asunto Oy Tampereen Vihilahdenkontu

Asunto Oy Tervahovinkatu 12

Asunto Oy Turun Itäinen Rantakatu 64

Asunto Oy Turun Itäinen Rantakatu 70

Asunto Oy Turun Laivurinkatu 2

Asunto Oy Turun Vilhonkatu 15

Asunto Oy Vantaan Kärjäkuja 1

Asunto Oy Vantaan Neilikkatie 4 A-F

Asunto Oy Vantaan Neilikkatie 4 G-H

Asunto Oy Vantaan Topaasikuja 9

Asunto Oy Vantaan Unikkotie 8

Asunto Oy Vantaan Vernissakatu 5

Kiint. Oy Helsingin Tapulikaupungintie 13

Kiint. Oy Jyväskylän maalaiskunnan Kotikeskus

Kiinteistö Oy Arabian Parkki

Kiinteistö Oy Avia Prima

Kiinteistö Oy Eerikinkatu 24

Kiinteistö Oy Espoon Komentajan-Varma

Kiinteistö Oy Fredrikinkatu 42

Kiinteistö Oy Helsingin Hiilipiha

Kiinteistö Oy Helsingin Hiiliranta

Kiinteistö Oy Helsingin Itämerenkatu 11–13

Kiinteistö Oy Helsingin Lönnrotinkatu 18

Kiinteistö Oy Helsingin Malminkatu 28

Kiinteistö Oy Helsingin Ratavirtajankatu 5

Kiinteistö Oy Helsingin Valimopolku 4

Kiinteistö Oy Helsingin Valimotie 9–11

Kiinteistö Oy Helsingin Yrjönkatu 17

Kiinteistö Oy Hotelli Torni

Kiinteistö Oy Hyvinkään Hämeenkatu 9

Kiinteistö Oy Hämeentie 135

Kiinteistö Oy Ilmailunkatu 7

Kiinteistö Oy John Stenberginranta 2

Kiinteistö Oy Jyväskylän Kylmälahdentie 6

Kiinteistö Oy Jyväskylän Mattilanniemi

Kiinteistö Oy Jyväskylän Saarijärventie 50–52

Kiinteistö Oy Jyväskylän Sorastajantie 1

Kiinteistö Oy Keskustahotelli

Kiinteistö Oy Kotkan Jumalniementie 8

Kiinteistö Oy Lappeenrannan Patria

Kiinteistö Oy Lönnrotinkatu 12

Group companies 31 Dec 2021

Kiinteistö Oy Lönnrotinkatu 13

Kiinteistö Oy Mannerheimintien Pysäköintilaitos

Kiinteistö Oy Menotie 1

Kiinteistö Oy Metsäpojankuja 1

Kiinteistö Oy Nokian Nuijamiestentie 5

Kiinteistö Oy Ornant

Kiinteistö Oy Partolan Kauppajätti

Kiinteistö Oy Pirkkalan Myllyhaantie

Kiinteistö Oy Porin Itsenäisyydenkatu 5

Kiinteistö Oy Rajalla

Kiinteistö Oy Rajasampaanranta 2

Kiinteistö Oy Salmisaaren Liikuntakeskus

Kiinteistö Oy Sompasaaren Tukoeka

Kiinteistö Oy Tampereen Kalevanpaasi

Kiinteistö Oy Tampereen Harjuntausta 7

Kiinteistö Oy Tampereen Sarankulmankatu 20 A

Kiinteistö Oy Tampereen Sarankulmankatu 20 B

Kiinteistö Oy Vaasan Sampotalo

Kiinteistö Oy Varmantalo

Kiinteistöosakeyhtiö Varma

Old Mill Oy

Osakevarma Oy

Pitäjänmäen Kiinteistöt Oy

P-Turkuparkki Oy

Saimaan Kylpyläkiinteistöt Oy

Tampereen Kiinteistö Invest Oy

Tieto Esy Oy

The following three real estate companies exited the Group during the year under review:

Asunto Oy Kokkovouri

Kiinteistö Oy Helsingin Suolakivenkatu 1

Kiinteistö Oy Seinäjoen Puskantie 13

The following nine companies merged to the Group:

Asunto Oy Siltavoudintie 1

Asunto Oy Tampereen Puuvillatehtaankatu 6

Kiinteistö Oy Atomitalo

Kiinteistö Oy Espoon Riihitonttu

Kiinteistö Oy Helsingin Valimotie 16

Kiinteistö Oy Hotelli Levihovi

Kiinteistö Oy Juhana Herttua 3

Kiinteistö Oy Lappeenrannan Kodinkeskus

Kiinteistö Oy Tavastkulla

The following associate exited the Group during the year under review:

Serena Properties AB

In addition, the Group comprises the following 19 associates:

Alcobendas Investments SL

Aros Bostad III AB

Aros Sundbyberg Holding AB

CMCV Kungens Kurva Holdco AB

Herding Yard Properties GP Oy

Kiinteistö Oy Elocinkulma 1

Kiinteistö Oy Pyynikin Parkki

Kiinteistö Oy Selloparkki

Kiinteistö Oy Suursuon Ostoskeskus

Leineläntien pysäköintikiinteistö Oy

NV Kiinteistösijoitus Oy

Näkin Pihapuistikko II Oy

Oulun Lehmusparkki Oy

Ruohoparkki Oy

Salmiparkki Oy

Spektri Kiinteistöt GP Oy

Vaasan Toripysäköinti Oy

Vantaan Valo GP Oy

WT Kiinteistösijoitus Oy

Notes to the income statement

1. Premiums written

1 Jan-31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Direct business				
Basic insurance under TyEL				
Employer's share	3,762.0	3,164.7	3,762.0	3,164.7
Employee's share	1,687.5	1,583.9	1,687.5	1,583.9
	5,449.6	4,748.6	5,449.6	4,748.6
Supplementary pension insurance under TEL	0.0	0.0	0.0	0.0
Insurance under minimum YEL cover	186.3	184.8	186.3	184.8
	5,635.9	4,933.4	5,635.9	4,933.4
Transition payment to the State Pension Fund	-1.3	-2.5	-1.3	-2.5
Premiums written before reinsurance	5,634.6	4,930.9	5,634.6	4,930.9
Premiums written ¹⁾	5,634.6	4,930.9	5,634.6	4,930.9
Credit loss on premium receivables				
TyEL	7.6	20.0	7.6	20.0
YEL	1.9	2.2	1.9	2.2
	9.5	22.3	9.5	22.3

¹⁾ Less credit loss

The amount of basic insurance under TyEL for 2020 was influenced by the temporary 2.6 percentage point reduction granted to employers's contribution in May-December 2020.

2. Claims paid

1 Jan-31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Direct business				
Paid to pensioners				
Basic insurance under TyEL	5,848.4	5,642.9	5,848.4	5,642.9
Supplementary pension insurance under TEL	82.2	85.1	82.2	85.1
Insurance under minimum YEL cover	304.2	299.5	304.2	299.5
Supplementary pension insurance under YEL	0.8	0.8	0.8	0.8
	6,235.6	6,028.3	6,235.6	6,028.3
Compensation paid/received as regards clearing of PAYG pensions ¹⁾				
TyEL pensions	93.2	9.6	93.2	9.6
YEL pensions	6.9	5.9	6.9	5.9
Share of the Unemployment Insurance Fund contribution and cost distribution of pension components accrued on no-pay periods	-236.2	-225.7	-236.2	-225.7
YEL state share	-117.7	-114.4	-117.7	-114.4
VEKL state compensation	-1.7	-1.4	-1.7	-1.4
	-255.6	-326.0	-255.6	-326.0
	5,980.0	5,702.3	5,980.0	5,702.3
Claims handling expenses	25.8	25.2	25.8	25.2
Administrative costs for disability risk management ²⁾	9.2	5.1	9.2	5.1
Claims paid before reinsurance	6,014.9	5,732.6	6,014.9	5,732.6
Total claims paid	6,014.9	5,732.6	6,014.9	5,732.6

¹⁾ Paid/received cost-division compensation does not include the share of the Unemployment Insurance Fund contribution, the cost division of pension components accrued on unsalaried periods, the YEL state share, or VEKL compensation.

²⁾ In 2021, the administrative cost components totalled EUR 6.9 million, and EUR 6.9 million were transferred to claims incurred.

3. Breakdown of net investment return

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Investment return				
Returns on investments in Group companies				
Dividend	0.3	0.3		
	0.3	0.3		
Returns on investments in participating interests				
Dividend	0.2	0.6		
	0.2	0.6		
Returns on investments in real estate				
Interest				
Group companies	22.2	21.8		
Other than Group companies			0.4	0.5
Other returns				
Other than Group companies	175.0	175.3	183.2	187.1
	197.2	197.1	183.6	187.6
Returns on other investments				
Dividend	1,541.1	804.1	1,541.3	804.2
Interest	307.5	467.8	307.5	467.8
Other returns	845.2	1,741.4	845.2	1,741.4
	2,693.8	3,013.2	2,694.0	3,013.4
	2,891.4	3,211.2	2,877.6	3,200.9
Reversed impairment	548.3	42.7	537.3	41.1
Sales proceeds	4,601.0	4,050.7	4,606.5	4,049.5
Total	8,040.7	7,304.6	8,021.3	7,291.5
Investment expenses				
On real estate	-154.0	-136.1	-80.0	-89.1
On other investments	-1,212.5	-1,195.6	-1,212.5	-1,195.6
Interest and other expenses on debt capital	-185.7	-273.5	-185.7	-273.8
	-1,552.2	-1,605.2	-1,478.2	-1,558.5
Impairment and depreciation				
Impairment	-333.4	-985.2	-322.3	-1,029.3
Planned depreciation on buildings	-10.6	-10.6	-31.9	-89.7
	-344.1	-995.8	-354.2	-1,119.0
Sales losses	-1,303.0	-2,603.2	-1,303.0	-2,601.9
Total	-3,199.2	-5,204.2	-3,135.3	-5,279.4
Net investment return in the income statement	4,841.5	2,100.4	4,886.0	2,012.1
Net investment return in the income statement includes other foreign exchange gains and losses of investment operations	-54.8	224.0	-54.8	224.0

4. Operating expenses in the income statement

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Insurance policy acquisition costs				
Direct business commissions	1.6	1.2	1.6	1.2
Other insurance policy acquisition costs	14.4	8.5	14.4	8.5
	16.1	9.7	16.1	9.7
Portfolio administration expenses	24.0	27.4	24.0	27.4
Administrative expenses				
Statutory charges				
Finnish Centre for Pensions' share	9.1	3.5	9.1	3.5
Judicial administration fee	0.9	0.9	0.9	0.9
Financial Supervisory Authority supervision fee	1.0	0.9	1.0	0.9
	11.0	5.3	11.0	5.3
Other administrative expenses	16.0	15.7	16.0	15.7
	67.1	58.1	67.1	58.1

5. Overall operating expenses by function

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Claims paid				
Claims handling expenses	25.8	25.2	25.8	25.2
Disability risk management expenses	9.2	5.1	9.2	5.1
	34.9	30.3	34.9	30.3
Operating expenses	67.1	58.1	67.1	58.1
Investment management charges				
Expenses on real estate	6.9	2.9	6.9	2.9
Expenses on other investments	20.7	18.4	20.7	18.4
	27.6	21.3	27.6	21.3
Total operating expenses	129.6	109.6	129.6	109.6

6. Personnel expenses

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Salaries and remunerations	43.6	37.7	45.8	40.2
Pension expenses	7.1	5.3	7.5	5.7
Other personnel-related expenses	2.1	2.1	2.2	2.1
Total	52.8	45.1	55.5	48.0

7. Management salaries and remunerations

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
President and CEO	0.7	0.9	0.7	0.9
Members and deputy members of the Board of Directors	0.5	0.5	0.5	0.5
Members of the Supervisory Board	0.2	0.2	0.2	0.2
Total	1.4	1.6	1.4	1.6
Average number of personnel during the financial year	527	537	563	575

President & CEO Risto Murto was paid EUR 716 261.98 in salary and fringe benefits. President & CEO Murto's retirement age will be 65 years.

8. Auditors' fees

1 Jan–31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Ernst & Young Oy				
Audit fees	0,2	0,2	0,2	0,2
Taxation advice	0,0	0,1	0,0	0,1
Other fees	0,1	0,0	0,1	0,0
Other audit firms				
Taxation advice	0,4	0,6	0,4	0,6
Other fees	0,6	0,2	0,6	0,2

9. Income taxes

Deferred tax liabilities or assets based on accumulated appropriations or other temporary differences between book value and taxable values have not been entered in the balance sheet, because such deferred tax liabilities or assets are unlikely to be realised in the financial statements of a company engaged in the statutory pension insurance business or of its Group.

Notes to the balance sheet

10. Investments at fair value and valuation differences, Parent Company

31 Dec, € million	Remaining acquisition cost 2021	Book value 2021	Fair value 2021	Remaining acquisition cost 2020	Book value 2020	Fair value 2020
Real estate investments						
Real estate	467.0	477.1	634.0	334.7	344.8	472.2
Real estate shares in Group companies	1,224.6	1,224.6	1,808.0	1,171.0	1,171.0	1,734.1
Other real estate shares	8.2	8.2	8.3	8.2	8.2	8.3
Loans to Group companies	448.6	448.6	448.6	463.8	463.8	463.8
Loans to real estate companies	213.7	213.7	213.7	217.2	217.2	217.2
Investments in Group companies						
Shares and participations	4.3	4.3	4.3	4.3	4.3	4.3
Investments in participating interests						
Shares and participations	46.8	46.8	47.7	55.1	55.1	86.9
Other investments						
Shares and participations	31,356.6	31,356.6	44,750.5	29,283.8	29,283.8	38,132.3
Money-market instruments	5,893.6	5,893.6	6,108.7	4,976.7	4,976.7	5,261.6
Loans guaranteed by mortgages	177.8	177.8	177.8	205.2	205.2	205.2
Other loan receivables	1,610.0	1,610.0	1,610.9	2,093.0	2,093.0	2,094.9
	41,451.1	41,461.2	55,812.5	38,813.0	38,823.1	48,680.9
The remaining acquisition cost of money-market instruments includes:						
The difference between the nominal value and acquisition cost, released (+) or charged (-) to interest income	-37.6			-42.3		
Book value includes						
Revaluations entered as income		10.1			10.1	
Valuation difference (difference between fair value and book value)			14,351.3			9,857.8
Non-hedging derivatives		-74.0	-9.3		-112.8	24.7
Valuation difference (difference between fair value and book value)			64.7			137.5

11. Investments at fair value and valuation differences, Group

31 Dec, € million	Remaining acquisition cost 2021	Book value 2021	Fair value 2021	Remaining acquisition cost 2020	Book value 2020	Fair value 2020
Real estate investments						
Real estate	2,269.3	2,279.4	3,093.1	2,024.1	2,034.2	2,876.1
Other real estate shares	8.2	8.2	8.3	8.2	8.2	8.3
Investments in Group companies						
Shares and participations	0.4	0.4	0.9	0.5	0.5	0.9
Investments in participating interests						
Shares and participations	58.5	58.5	47.7	92.1	92.1	86.9
Other investments						
Shares and participations	31,371.2	31,371.2	44,765.1	29,298.4	29,298.4	38,146.9
Money-market instruments	5,893.6	5,893.6	6,108.7	4,976.7	4,976.7	5,261.6
Loans guaranteed by mortgages	177.8	177.8	177.8	205.2	205.2	205.2
Other loan receivables	1,610.0	1,610.0	1,610.9	2,093.0	2,093.0	2,094.9
	41,389.0	41,399.1	55,812.5	38,698.2	38,708.3	48,680.9
The remaining acquisition cost of money-market instruments includes:						
The difference between the nominal value and acquisition cost, released (+) or charged (-) to interest income	-37.6			-42.3		
Book value includes						
Revaluations entered as income		10.1			10.1	
Valuation difference (difference between fair value and book value)			14,413.4			9,972.6
Non-hedging derivatives		-74.0	-9.3		-112.8	24.7
Valuation difference (difference between fair value and book value)			64.7			137.5

12. Investments in Group companies and participating interests, Parent Company

31 Dec 2021, € million

Shares and participations in Group companies	
Acquisition cost, 1 Jan	4.3
Acquisition cost, 31 Dec	4.3
Shares and participations in Group companies	
Acquisition cost, 1 Jan	55.1
Increase	3.7
Decrease	-12.0
Acquisition cost, 31 Dec	46.8

Shares and participations in Group companies

31 Dec 2021	Domicile	Shares	Votes	Book value € million
Tieto Esy Oy	Helsinki	14.4%	50.1%	0.9
Osakevarma Oy	Helsinki	100.0%	100.0%	3.3
				4.3
Housing associations and real estate companies				1,224.6

Shares and participations in participating interests

31 Dec 2021	Domicile	Shares	Votes	Book value € million
Alcobendas Investments SL	Madrid	50.0%	50.0%	31.6
Aros Bostad III AB	Stockholm	35.1%	35.1%	0.0
Aros Sundbyberg Holding AB	Stockholm	48.4%	48.4%	5.2
CMCV Kungenskurva HoldCo AB	Stockholm	45.0%	45.0%	10.0
Herding Yard Properties GP Oy	Helsinki	31.0%	31.0%	0.0
NV Kiinteistösjointus Oy	Helsinki	45.0%	45.0%	0.0
Spektri Kiinteistöt GP Oy	Helsinki	24.7%	24.7%	0.0
Vantaan Valo GP Oy	Helsinki	50.0%	50.0%	0.0
VVT Kiinteistösjointus Oy	Helsinki	45.0%	45.0%	0.0
				46.8
Housing associations and real estate companies				5.1

13. Investments in Group companies and participating interests, Group

31 Dec 2021, € million

Shares and participations in Group companies	
Acquisition cost, 1 Jan	0.5
Increase	0.0
Decrease	0.0
Acquisition cost, 31 Dec	0.4
Shares and participations in participating interests	
Acquisition cost, 1 Jan	92.1
Increase	3.7
Decrease	-37.2
Acquisition cost, 31 Dec	58.5

Shares and participations in Group companies

31 Dec 2021	Domicile	Shares	Votes	Book value € million
Tieto Esy Oy	Helsinki	14.4%	50.1%	0.4
				0.4

Shares and participations in participating interests

31 Dec 2021	Domicile	Shares	Votes	Book value € million
Alcobendas Investments SL	Madrid	50.0%	50.0%	29.6
Aros Bostad III AB	Stockholm	35.1%	35.1%	12.7
Aros Sundbyberg Holding AB	Stockholm	48.4%	48.4%	5.2
CMCV Kungenskurva HoldCo AB	Stockholm	45.0%	45.0%	11.1
Herding Yard Properties GP Oy	Helsinki	31.0%	31.0%	0.0
NV Kiinteistösjointus Oy	Helsinki	45.0%	45.0%	0.0
Spektri Kiinteistöt GP Oy	Helsinki	24.7%	24.0%	0.0
Vantaan Valo GP Oy	Helsinki	50.0%	50.0%	0.0
VVT Kiinteistösjointus Oy	Helsinki	45.0%	40.0%	0.0
				58.5
Housing associations and real estate companies				10.6

14. Changes in investments in real estate

31 Dec 2021, € million	Parent Company Real Estate and real estate shares	Parent Company Loans to Group companies	Group Real Estate and real estate shares
Acquisition cost, 1 Jan	1,999.8	681.0	3,280.5
Increase	223.5	28.3	311.1
Decrease	-48.7	-46.9	-105.5
Acquisition cost, 31 Dec	2,174.6	662.4	3,486.0
Accumulated depreciation, 1 Jan	-207.8		-944.2
Accumulated depreciation on deductions and transfers	1.1		36.4
Depreciation for the financial year	-10.6		-76.3
Accumulated depreciation, 31 Dec	-217.3		-984.1
Impairments, 1 Jan	-278.1		-304.0
Impairments on deductions and transfers	20.9		35.2
Impairments for the financial year	-12.4		42.1
Reversed impairment	12.1		2.2
Impairments, 31 Dec	-257.4		-224.5
Revaluations, 1 Jan	10.1		10.1
Revaluations, 31 Dec	10.1		10.1
Book value, 31 Dec	1,709.9	662.4	2,287.6

15. Real estate investments in own use

31 Dec 2021, € million	Parent Company	Group
Remaining acquisition cost	59.4	59.4
Book value	59.4	59.4
Fair value	71.8	71.8

16. Parent Company's other investments, shares and participations

31 Dec 2021	Shares %	Book value € million	Market value € million
Listed equities			
Finland			
Administer Plc	2.4	1.4	1.4
Aktia Pankki plc	1.6	6.7	14.4
Alma Media Corporation	6.5	23.0	57.6
Anora Group Plc	3.2	18.2	23.1
Aspo Plc	4.5	6.0	16.2
Atria Plc	1.9	6.0	6.0
Bittium Corporation	3.8	7.2	7.2
CapMan Plc	2.3	9.0	11.2
Cargotec Corporation	1.8	45.7	50.4
Caverion Corporation	7.0	52.4	62.0
Componenta Corporation	4.4	1.4	1.4
Consti Plc	2.2	1.6	2.1
Detection Technology Plc	3.5	2.7	14.6
Digia Plc	4.6	4.8	8.8
Digital Workforce Services Plc	2.9	2.1	2.1
Duell Corporation	3.6	5.3	6.7
Elisa Corporation	2.2	46.5	199.0
Emento Group Plc	1.4	10.8	11.2
Etteplan Oyj	3.9	3.3	16.6
FIFAX Plc	3.1	1.0	1.0
Finnair Plc	3.6	29.7	29.7
Fiskars Corporation	2.1	12.8	39.5
Fortum Corporation	1.7	312.5	403.5
F-Secure Corporation	2.2	7.5	17.2
Glaston Corporation	7.5	7.2	7.2
Gofore Plc	3.4	3.3	12.4
HKScan Corporation	4.9	8.1	8.1
Honkarakenne Oyj	3.6	0.6	1.6
Huhtamaki Oyj	2.5	91.7	106.6
Kemira Oyj	3.0	59.6	62.0
Kempower Corporation	3.1	10.0	19.9
Kesko Corporation	1.1	30.3	134.0
Kesla Oyj	4.4	0.9	0.9

31 Dec 2021	Shares %	Book value € million	Market value € million
Kojamo plc	7.8	21.1	410.5
Konecranes Plc	2.8	58.9	76.7
KONE Corporation	1.2	292.0	406.3
Kreate Group Plc	4.0	3.1	4.1
Lamor Corporation Plc	1.7	2.2	2.2
Lassila & Tikanoja Plc	1.9	9.8	9.8
Leaddesk Plc	3.2	3.3	3.6
Lifeline SPAC I Plc	9.0	9.0	11.6
Marimekko Corporation	4.7	3.4	32.4
Metsä Board Corporation	4.9	41.1	150.0
Modulight Corporation	7.7	23.4	37.0
Musti Group Plc	2.2	8.8	23.0
Nanoform Finland Plc	3.9	15.8	18.6
Neles Corporation	0.1	1.7	2.2
Neste Corporation	1.4	203.1	456.6
Next Games Corporation	2.1	0.7	0.7
Nixu Corporation	3.5	1.2	1.8
NoHo Partners Plc	1.4	1.2	2.1
Nokian Tyres Plc	1.8	55.0	83.4
Nokia Corporation	1.7	439.7	546.3
Nordea Bank Abp	1.6	567.8	702.1
Olvi Plc	4.0	17.6	42.2
Oma Savings Bank Plc	0.7	1.4	3.4
Oriola Corporation	4.2	12.9	15.1
Orion Corporation	0.6	23.1	32.4
Orthex Corporation	3.6	5.0	7.0
Outokumpu Oyj	3.8	89.8	94.3
Outotec Oyj	3.7	180.4	283.4
Ponsse Plc	1.4	1.6	16.4
Raisio Plc	3.2	17.7	17.7
Raute Plc	1.2	0.6	1.0
Remedy Entertainment Plc	1.1	6.0	6.0
Robit Plc	9.7	8.2	8.2
Rovio Entertainment Corporation	0.5	2.5	2.5
Sampo Plc	4.0	174.9	982.3

31 Dec 2021	Shares %	Book value € million	Market value € million
Sanoma Corporation	1.6	33.6	34.5
Siili Solutions Plc	3.6	1.9	3.7
Sitowise Group Plc	1.8	5.1	5.1
Solteq Plc	8.0	3.2	7.2
Solwers Plc	4.4	2.9	3.2
Spinova Plc	1.0	4.0	7.0
SRV Group Plc	0.5	0.8	0.8
SSH Communications Security Corporation	1.9	2.0	2.3
Stockmann Plc	8.0	26.6	26.6
Stora Enso Oyj	0.8	73.8	103.1
Suominen Corporation	2.9	3.8	8.7
Teleste Corporation	2.7	2.7	2.7
Terveystalo Plc	17.3	186.6	262.3
TietoEVRY Corporation	0.5	13.8	15.2
Tokmanni Group Corporation	3.1	13.0	36.2
UPM-Kymmene Corporation	1.5	216.0	273.6
Uponor Corporation	4.0	28.7	61.8
Valmet Corporation	1.4	17.9	78.4
Verkkokauppa.com Oyj	8.6	16.5	27.6
Viafin Service Oyj	3.3	0.8	1.7
Vincit Plc	5.3	4.0	5.4
Wärtsilä Corporation	5.4	151.1	393.3
YIT Corporation	7.6	68.7	68.7
Other		1.2	109.2
Finnish equities, total		4,011.5	7,386.6
Foreign equities, other countries			
Australia			
Commonwealth Bank of Australia	0.0	1.4	2.1
CSL Ltd	0.0	1.4	1.5
National Australia Bank Ltd	0.0	1.1	1.9
Transurban Group	0.0	6.2	6.2
Wesfarmers Limited	0.0	1.7	2.4
Westpac Banking Corporation	0.0	1.1	1.4
Bangladesh			
AutoStore Holdings Ltd	0.3	31.1	32.0

31 Dec 2021	Shares %	Book value € million	Market value € million
Belgium			
Anheuser-Busch InBev SA/NV	0.0	6.1	6.2
Azelis Group NV	0.2	13.9	13.9
Barco NV	0.8	14.8	14.8
UCB SA	0.0	1.9	2.0
Bermuda			
IHS Markit Ltd	0.0	13.5	15.9
Canada			
Algonquin Power & Utilities Corp	0.0	2.0	2.1
AltaGas Ltd	0.0	2.1	2.2
Bausch Health Cos Inc	0.0	2.1	2.4
Canadian Imperial Bank of Commerce	0.0	1.4	2.2
Canadian National Railway Co	0.0	13.7	13.7
Franco-Nevada Corporation	0.0	2.0	2.2
Royal Bank of Canada	0.0	1.8	2.6
Shopify Inc	0.0	1.5	2.4
Thomson Reuters Corporation	0.0	4.0	5.3
Toromont Industries Ltd	0.1	4.4	4.8
Cayman Islands			
SITC International Holdings Co Ltd	0.0	2.9	3.2
Tencent Holdings Ltd	0.0	20.7	20.7
Curacao			
Schlumberger Limited	0.0	2.3	3.5
Denmark			
Ambu A/S	0.0	0.7	0.7
AP Moeller - Maersk A/S	0.0	15.2	19.2
Bavarian Nordic A/S	0.1	2.5	3.1
Carlsberg A/S	0.0	1.3	1.7
Coloplast A/S	0.0	2.9	3.1
DSV Miljo Group A/S	0.0	11.3	14.5
Genmab A/S	0.0	4.9	5.3
GN Store Nord A/S	0.0	3.1	3.1
Netcompany Group A/S	0.8	28.5	36.1
Novo Nordisk A/S	0.0	16.7	26.3
Orsted A/S	0.0	2.2	2.2

31 Dec 2021	Shares %	Book value € million	Market value € million
Royal Unibrew A/S	0.6	21.2	27.3
SimCorp A/S	0.5	19.2	20.7
Vestas Wind Systems A/S	0.0	4.0	4.0
France			
Air Liquide SA	0.0	1.4	1.7
Atos Origin SA	0.4	15.0	15.0
BNP Paribas	0.0	8.5	9.1
Bureau Veritas SA	0.0	4.9	5.0
Carmila SA	0.5	9.3	9.3
Cie de St-Gobain	0.0	12.2	14.6
Danone SA	0.0	3.3	3.3
Eiffage SA	0.0	1.9	2.0
Elis SA	0.3	10.9	11.4
EssilorLuxottica	0.0	3.6	3.7
Hermes International	0.0	3.1	3.1
Kering SA	0.0	4.9	5.3
Legrand SA	0.0	1.3	2.1
L'Oreal SA	0.0	5.3	6.1
LVMH Moet Hennessy Louis Vuitton SE	0.0	13.1	15.6
Orpea SA	0.7	41.8	41.8
Renault SA	0.1	4.6	4.6
Rexel SA	0.2	9.5	9.8
Sanofi SA	0.0	11.4	12.0
Schneider Electric SA	0.0	26.0	30.2
Teleperformance SA	0.1	16.2	20.0
Ubisoft Entertainment SA	0.3	13.8	13.8
Veolia Environnement SA	0.0	6.6	8.0
Vinci SA	0.0	11.7	12.4
Germany			
Adidas AG	0.0	3.8	3.8
Aixtron SE	3.7	43.0	74.9
Allianz SE	0.0	1.6	1.8
Alstria Office REIT-AG	0.7	10.9	23.4
Atoss Software AG	0.6	8.0	10.8
Aumann AG	1.0	2.2	2.2

31 Dec 2021	Shares %	Book value € million	Market value € million
BASF SE	0.0	1.8	2.0
Bayerische Motoren Werke AG	0.0	4.0	4.4
Bilfinger Berger SE	0.1	1.5	1.5
BioNTech SE	0.0	1.1	3.4
Brenntag AG	0.1	8.0	8.0
Carl Zeiss Meditec AG	0.0	1.7	2.8
Daimler International Finance BV	0.0	5.2	7.4
Dermapharm Holding SE	1.2	23.0	57.8
Deutsche Pfandbriefbank AG	1.5	21.6	21.6
Deutsche Post AG	0.0	21.5	24.3
Jenoptic AG	0.8	8.4	16.0
Lanxess AG	0.1	3.0	3.3
Merck KGaA	0.0	4.5	6.8
Porsche Automobil Holding SE	0.0	1.7	2.8
SAP SE	0.0	1.7	1.7
Sartorius AG	0.0	2.0	3.0
Siemens AG	0.0	1.5	2.0
Siemens Healthineers AG	0.0	5.0	6.6
Stroer SE & Co KGaA	0.4	15.4	16.6
Varta AG	0.5	19.6	24.1
Volkswagen AG	0.0	9.4	10.8
Vonovia SE	0.1	8.0	37.3
Hong Kong			
AIA Group Limited	0.0	1.4	1.5
Hong Kong Exchanges and Clearing Ltd	0.0	1.6	2.0
Techtronic Industries Co Ltd	0.0	5.3	5.3
Hungary			
Akko Invest Nyrt	2.0	0.8	0.8
Delta Technologies Nyrt	2.8	1.2	1.2
Ireland			
Accenture PLC	0.0	1.7	3.2
Allegion plc	0.1	5.8	5.8
CRH plc	0.0	1.2	1.8
Eaton Corporation PLC	0.0	18.1	25.9
Horizon Therapeutics Plc	0.0	2.5	3.8

31 Dec 2021	Shares %	Book value € million	Market value € million
Johnson Controls Inc	0.0	14.0	19.4
Linde Plc	0.0	6.9	9.6
Medtronic PLC	0.0	10.8	10.8
Ryanair Holdings PLC	0.0	9.0	9.3
STERIS Plc	0.0	2.9	3.2
Trane Technologies plc	0.0	10.3	10.7
Italy			
Autogrill SpA	1.2	29.1	29.1
De'Longhi SpA	0.6	23.8	26.7
Hera SpA	0.8	31.6	42.1
Prysmian SpA	0.1	6.3	6.6
Technogym SpA	0.8	14.4	14.4
Japan			
AGC Inc	0.0	4.6	4.6
Astellas Pharma Inc	0.0	1.6	1.7
Chugai Pharmaceutical Co Limited	0.0	2.9	2.9
Dai-ichi Life Holdings	0.0	1.3	1.8
Daiichi Sankyo Co Ltd	0.0	3.6	3.6
Daikin Industries Ltd	0.0	11.1	15.1
East Japan Railway Company	0.0	1.4	1.4
FANUC Corp	0.0	10.0	10.0
Fast Retailing Co Ltd	0.0	6.0	6.0
Hamamatsu Photonics KK	0.0	1.4	1.7
Hitachi Ltd	0.0	11.3	11.3
Honda Motor Co Ltd	0.0	3.9	4.0
Hoya Corporation	0.0	2.0	2.6
ITOCHU Corp	0.0	11.1	12.2
Keyence Corporation	0.0	1.5	1.9
Kintetsu World Express Inc	0.2	3.0	3.0
Komatsu Ltd	0.0	6.2	6.2
Kubota Corp	0.0	4.1	4.5
Kyowa Kirin Co Ltd	0.0	1.1	1.2
Marubeni Corporation	0.0	2.0	2.2
Misumi Group Inc	0.1	7.0	9.6
Mitsubishi Corporation	0.0	6.3	7.0

31 Dec 2021	Shares %	Book value € million	Market value € million
Mitsubishi Electric Corp	0.0	8.6	8.6
Mitsui & Co Ltd	0.0	7.6	8.6
Mizuho Financial Group Inc	0.0	1.8	1.9
Nippon Express Holdings Co Ltd	0.1	5.3	5.3
Nippon Yusen Kabushiki Kaisha	0.1	6.1	6.9
NSK Ltd	0.2	6.1	6.1
Recruit Holdings Co Ltd	0.0	24.4	33.0
Sekisui House Ltd	0.0	2.0	2.3
SG Holdings Co Ltd	0.0	4.1	4.1
Shionogi & Company Limited	0.0	1.8	2.5
SMC Corporation	0.0	7.3	9.3
Sony Group Corporation	0.0	8.4	12.1
Sumitomo Corporation	0.1	8.8	9.0
Sumitomo Electric Industries Ltd	0.0	1.8	2.0
Takeda Pharmaceutical Co Ltd	0.0	2.6	2.6
Tokyo Electron Limited	0.0	3.4	5.1
Toyota Motor Corp	0.0	10.9	13.8
Jersey C.I.			
Aptiv PLC	0.0	1.0	2.1
Experian PLC	0.0	7.6	10.9
Ferguson plc	0.0	8.8	11.7
Lithuania			
AB Ignitis Grupe	0.2	3.8	3.8
Luxembourg			
Befesa SA	0.1	2.9	3.4
Eurofins Scientific SE	0.0	5.4	5.4
InPost SA	0.1	4.3	4.3
Solutions 30 SE	2.9	22.2	22.2
Tenaris SA	0.0	1.2	2.3
Norway			
Atlantic Sapphire AS	1.8	6.7	6.7
Hofseth BioCare ASA	0.7	0.9	1.7
Komplett Group AS	3.9	16.3	18.1
Leroey Seafood Group ASA	0.3	10.8	12.9
Nordic Semiconductor ASA	0.6	20.0	36.9

31 Dec 2021	Shares %	Book value € million	Market value € million
Norwegian Air Shuttle AS	3.0	21.2	28.9
Protector Forsikring ASA	0.9	1.6	7.9
Salmar ASA	0.4	24.6	29.5
Storebrand ASA	0.5	11.0	18.7
Telenor ASA	0.0	2.0	2.0
Panama			
Carnival Corp	0.0	1.2	1.2
Spain			
Banco Santander SA	0.0	1.5	2.4
Bankinter S.A.	0.3	7.9	11.8
EDP Renovaveis SA	0.0	2.2	2.6
Ferrovial SA	0.0	7.0	8.8
Grifols SA	0.0	1.7	1.7
Linea Directa Aseguradora S.A.	0.2	1.8	2.7
Melia Hotels International SA	0.1	1.8	1.8
Solaria Energia y Medio Ambiente SA	0.1	2.1	2.1
Sweden			
AarhusKarlshamn AB	0.3	12.2	13.3
Assa Abloy AB	0.0	12.6	13.5
Atlas Copco AB	0.0	16.5	18.3
Atrium Ljungberg AB	6.1	82.9	158.3
BHG Group AB	0.3	4.0	4.0
Boliden AB	0.0	6.3	6.8
Bufab Group	0.4	6.0	6.3
Cint Group AB	1.0	13.5	21.2
Cloetta AB	0.7	4.5	5.1
Elekta AB	0.0	1.7	1.7
Embracer Group AB	0.1	4.8	5.2
Epiroc AB	0.0	4.2	4.5
Fastighets AB Balder	0.4	14.8	50.8
Getinge AB	0.0	3.8	3.8
Hennes & Mauritz AB	0.0	5.2	5.2
Hufvudstaden AB	0.6	10.0	16.9
Husqvarna AB	0.0	1.5	2.4
Instalco AB	0.3	6.4	6.4

31 Dec 2021	Shares %	Book value € million	Market value € million
Inwido AB	0.5	3.8	5.1
Lindab International AB	0.2	5.0	5.3
Medicover AB	0.3	2.0	7.6
Mycronic AB	0.7	11.3	13.8
NIBE Industrier AB	0.0	5.1	5.3
Nordnet AB	0.3	9.2	13.5
Renewcell AB	0.4	0.9	2.5
Sandvik AB	0.0	13.5	14.8
Securitas AB	0.2	9.7	9.7
Storskogen Group AB	0.1	7.9	9.2
Swedish Orphan Biovitrum AB	0.0	1.0	1.1
Synsam Group AB	0.4	2.9	4.3
Thunderful Group AB	1.0	3.7	3.9
Viva Wine Group AB	0.8	3.2	3.9
Switzerland			
ABB Ltd	0.0	20.7	24.6
Alcon Inc	0.0	3.5	5.5
BELIMO Holding AG	0.1	5.7	6.1
Credit Suisse Group AG	0.0	1.7	1.7
Kuehne + Nagel International AG	0.0	10.6	11.3
Lonza Group AG	0.0	7.3	9.7
Nestle SA	0.0	24.3	26.5
Novartis AG	0.0	20.4	21.0
Roche Holding AG	0.0	27.3	32.2
SIG Combibloc Group AG	0.1	3.9	4.9
Sika AG	0.0	9.5	13.0
Sonova Holding AG	0.0	4.2	5.2
Straumann Holding AG	0.0	3.0	5.6
VAT Group AG	0.0	3.5	3.5
Vifor Pharma AG	0.0	1.2	1.5
The Netherlands			
Aalberts NV	0.1	2.8	3.5
Alfen Beheer BV	0.1	2.0	2.6
ASML Holding NV	0.0	35.9	61.4
Just Eat Takeaway.com NV	0.0	3.6	3.6

31 Dec 2021	Shares %	Book value € million	Market value € million
Koninklijke Philips NV	0.0	4.3	4.3
Qiagen NV	0.1	5.6	5.9
Stellantis NV	0.0	7.8	10.8
Wolters Kluwer NV	0.0	9.0	9.8
United Kingdom			
Ashtead Group PLC	0.0	9.8	12.4
AstraZeneca PLC	0.0	25.3	27.8
British Land Co PLC	0.0	2.5	2.5
Cineworld Group plc	0.2	1.2	1.2
Croda International PLC	0.1	8.0	10.8
Diageo PLC	0.0	7.1	8.0
Genuit Group PLC	0.3	5.9	5.9
GlaxoSmithKline PLC	0.0	11.0	12.4
Inchcape PLC	0.8	21.5	33.3
Reckitt Benckiser Group PLC	0.0	7.0	7.1
Relx PLC	0.0	12.4	15.7
Royal Mail PLC	0.1	7.0	7.2
Smith & Nephew PLC	0.0	3.8	3.8
Unilever PLC	0.0	8.7	8.8
Volution Group plc	0.1	1.0	1.3
WH Smith PLC	0.5	12.3	12.3
United States			
3M Company	0.0	9.1	9.4
Abbott Laboratories	0.0	15.0	20.9
AbbVie Inc	0.0	14.6	20.9
Adobe Inc	0.0	16.9	25.5
Advanced Micro Devices Inc	0.0	9.4	11.6
Agilent Technologies Inc	0.0	14.8	18.5
Alexandria Real Estate Equities Inc	0.0	1.6	2.2
Align Technology Inc	0.0	5.4	5.8
Alnylam Pharmaceuticals Inc	0.0	3.0	3.0
Alphabet Inc	0.0	43.8	64.6
Amazon.com Inc	0.0	9.1	10.7
Amedisys Inc	0.0	0.7	0.7
American Express Co	0.0	1.9	2.8

31 Dec 2021	Shares %	Book value € million	Market value € million
American Tower Corp	0.0	1.5	1.8
AMETEK Inc	0.0	5.6	7.0
Amgen Inc	0.0	9.1	9.4
Analog Devices Inc	0.0	1.5	2.1
Anthem Inc	0.0	4.4	6.1
A.O. Smith Corporation	0.1	5.3	6.8
Apple Inc	0.0	100.5	188.2
Atmos Energy Corporation	0.0	1.6	1.9
AT&T Inc	0.0	2.1	2.1
Autodesk Inc	0.0	6.1	6.2
Bank of America Corp	0.0	2.2	3.8
Becton Dickinson and Company	0.0	5.1	5.6
Biogen Inc	0.0	4.2	4.2
BioMarin Pharmaceutical Inc	0.0	1.9	2.0
Bio-Rad Laboratories Inc	0.0	4.7	6.7
BlackRock Inc	0.0	1.5	2.5
Block Inc	0.0	27.5	27.5
Booking Holdings Inc.	0.0	1.2	1.5
Boston Scientific Corp	0.0	5.0	5.6
Bristol-Myers Squibb Co	0.0	11.9	12.1
Broadcom Inc	0.0	10.1	21.1
Camden Property Trust	0.0	1.7	3.0
Carrier Global Corporation	0.0	7.7	7.7
Catalent Inc	0.0	0.9	1.1
Caterpillar Inc	0.0	25.2	27.3
Centene Corporation	0.0	4.1	5.1
Charter Communications Inc	0.0	1.6	1.7
Chipotle Mexican Grill Inc	0.0	1.3	1.8
Cigna Corp	0.0	5.1	5.6
Cintas Corporation	0.0	10.5	13.7
Cisco Systems Inc	0.0	1.6	2.3
Citigroup Inc	0.0	1.7	1.9
Coca-Cola Co/The	0.0	15.1	15.9
Colgate-Palmolive Co	0.0	5.3	5.7
Comcast Corp	0.0	1.7	2.0

31 Dec 2021	Shares %	Book value € million	Market value € million
Copart Inc	0.0	8.7	8.8
Costco Wholesale Corporation	0.0	1.5	2.4
CSX Corp	0.0	16.1	18.3
Cummins Inc	0.0	4.8	4.8
CVS Health Corp	0.0	7.1	10.0
Danaher Corp	0.0	17.5	23.5
Datadog Inc	0.1	8.7	31.5
Deere & Co	0.0	25.7	26.2
Dexcom Inc	0.0	1.8	2.8
Dollar General Corp	0.0	3.9	4.2
Dover Corporation	0.0	8.7	9.6
Ecolab Inc	0.0	4.4	5.2
Edwards Lifesciences Corp	0.0	4.9	6.9
Elanco Animal Health Inc	0.1	6.3	6.3
Eli Lilly and Company	0.0	22.7	31.8
Emerson Electric Co	0.0	22.6	24.1
Equifax Inc	0.0	8.2	9.8
Estee Lauder Companies Inc	0.0	3.0	3.3
Expeditors International of Washington Inc	0.1	11.2	12.1
FedEx Corp	0.0	23.0	25.8
Ford Motor Co	0.0	2.7	2.7
Freshpet Inc	0.1	4.2	4.2
Generac Holdings Inc	0.0	8.4	8.4
General Motors Company	0.0	5.0	6.2
Gilead Sciences Inc	0.0	7.3	7.7
Halliburton Co	0.0	1.3	1.6
Hasbro Inc	0.0	4.0	4.5
HCA Holdings Inc	0.0	3.6	4.5
Hologic Inc	0.0	3.7	4.1
Home Depot Inc/The	0.0	26.5	29.7
Humana Inc	0.0	3.5	4.1
Idexx Laboratories Inc	0.0	3.4	4.1
Illinois Tool Works Inc	0.0	1.4	1.9
Intel Corp	0.0	1.9	1.9
International Business Machines Corp	0.0	1.3	1.5

31 Dec 2021	Shares %	Book value € million	Market value € million
International Paper Co	0.0	1.3	1.4
Intuit Inc	0.0	1.3	2.7
Intuitive Surgical Inc	0.0	11.3	15.3
IQVIA Holdings Inc	0.0	5.1	7.5
J.B. Hunt Transport Services Inc	0.0	5.2	5.2
Johnson & Johnson	0.0	33.2	37.6
JPMorgan Chase & Co	0.0	3.4	5.1
Kimberly-Clark Corporation	0.0	6.1	6.3
Kinder Morgan Inc	0.0	1.5	1.5
Lowe's Companies Inc	0.0	9.8	11.3
Lyft Inc	0.0	5.2	5.7
Marriott International Inc/DE	0.0	1.5	2.2
Masco Corporation	0.0	4.8	5.8
Mastercard Incorporated	0.0	20.6	22.0
McDonald's Corp	0.0	1.9	2.6
McKesson Corp	0.0	6.4	8.8
Merck & Co Inc	0.0	18.2	18.6
Meta Platforms Inc.	0.0	27.6	33.6
Microsoft Corp	0.0	82.1	181.9
Mid-America Apartment Communities Inc	0.0	2.1	4.1
Moderna Inc	0.0	5.9	9.0
Mondelez International Inc	0.0	5.5	5.9
Morgan Stanley	0.0	1.5	2.9
Netflix Inc	0.0	1.9	2.5
NextEra Energy Inc	0.0	4.6	5.8
Nike Inc	0.0	12.1	14.6
Nordson Corporation	0.0	4.5	4.7
Norfolk Southern Corp	0.0	17.8	21.0
Novavax Inc	0.0	0.5	0.6
NVIDIA Corporation	0.0	15.5	20.0
Organon & Co	0.0	0.9	0.9
Otis Worldwide Corporation	0.0	9.7	13.1
Parker-Hannifin Corp	0.1	16.2	18.5
Paychex Inc	0.0	1.3	2.2
PayPal Holdings Inc	0.0	2.3	2.5

31 Dec 2021	Shares %	Book value € million	Market value € million
Pepsico Inc	0.0	15.2	16.1
Petco Health and Wellness Company Inc	0.1	3.5	3.5
Pfizer Inc	0.0	26.0	36.9
Phillips 66	0.0	2.0	2.3
Planet Fitness Inc	0.1	3.2	4.0
Plug Power Inc	0.1	10.6	10.6
Procter & Gamble Co/The	0.0	24.2	26.8
Prudential Financial Inc	0.0	2.1	3.4
Qualcomm Inc	0.0	1.4	2.2
Quest Diagnostics Inc	0.0	3.5	4.6
Regeneron Pharmaceuticals Inc	0.0	5.2	5.6
Republic Services Inc	0.0	10.1	12.3
ResMed Inc	0.0	1.1	1.1
Rockwell Automation Inc	0.0	6.2	7.7
Roper Technologies Inc	0.0	6.2	6.5
Salesforce.com Inc	0.0	21.5	25.3
Sarepta Therapeutics Inc	0.0	2.0	2.0
Seagen Inc	0.0	4.0	4.1
ServiceNow Inc	0.0	17.5	25.1
SolarEdge Technologies Inc	0.0	5.5	6.2
Stanley Black & Decker Inc	0.0	8.3	8.3
Starbucks Corporation	0.0	1.8	2.4
Stryker Corp	0.0	7.5	8.9
Tapestry Inc	0.0	3.9	3.9
Target Corp	0.0	4.1	4.1
Teladoc Health Inc	0.0	0.8	0.8
Teleflex Inc	0.0	2.9	2.9
Tesla Inc	0.0	45.0	55.4
Texas Instruments Inc	0.0	1.5	2.0
The Cooper Companies Inc	0.0	3.4	3.7
The Goldman Sachs Group Inc	0.0	1.7	2.9
Thermo Fisher Scientific Inc	0.0	24.5	35.6
The TJX Companies Inc	0.0	5.6	7.1
Tractor Supply Company	0.0	3.8	5.3
TransUnion	0.1	11.1	12.4

31 Dec 2021	Shares %	Book value € million	Market value € million
Trimble Inc	0.0	3.8	5.4
Uber Technologies Inc	0.0	16.3	17.6
Union Pacific Corp	0.0	1.3	1.7
UnitedHealth Group Inc	0.0	32.8	46.9
United Parcel Service Inc	0.0	29.5	33.1
United Rentals Inc	0.0	9.9	10.4
Veeva Systems Inc	0.0	1.1	1.1
Verisk Analytics Inc	0.0	9.2	12.3
Verizon Communications Inc	0.0	2.1	2.1
Vertex Pharmaceuticals Inc	0.0	5.7	5.7
Visa Inc	0.0	22.1	22.4
Walt Disney Co/The	0.0	2.2	2.6
Waste Management Inc	0.0	10.6	16.2
Waters Corporation	0.0	4.9	4.9
West Pharmaceutical Services Inc	0.0	7.4	8.3
Xylem Inc	0.0	8.1	9.5
Zions Bancorporation	0.0	1.3	2.7
Zoetis Inc	0.0	9.8	15.1
Other		1.5	2.5
Foreign equities, total		3,588.2	4,664.9
Listed equities, total		7,599.7	12,051.6
Unlisted equities			
Finland			
Ahlström Capital Oy	3.8	8.4	35.4
HappySpace Oy	16.7	2.0	14.2
Havator Group Oy	9.7	5.4	5.6
Keskinäinen Vakuutusyhtiö Kaleva	30.0	2.6	2.6
Mehiläinen Konserni Oy	7.8	75.0	109.3
Sponff Oy	15.3	2.1	2.6
Swappie Oy	1.0	4.0	4.0
Tornator Oyj	15.3	24.4	192.9
Other		0.1	0.1
Finnish equities, total		124.0	366.6
Unlisted equities, total		124.0	366.6

31 Dec 2021	Book value € million	Fair value € million
Hedge funds		
Cayman Islands		
Axonix Special Opportunities SBL Overseas Fund Ltd	89.7	96.8
Bayview MSR Opportunity Offshore L.P.	154.1	236.9
Bayview Opportunity Offshore IV a L.P.	106.5	232.4
Black Diamond Credit Strategies Offshore Ltd	66.9	68.9
Blackstone First Avenue Offshore Fund Ltd	406.0	605.5
Capula Global Relative Value Fund Ltd	12.0	22.9
CarVal Credit Value Fund B II L.P.	2.0	4.6
Carval Credit Value Fund B IV L.P.	103.3	127.2
Chenavari European Deleveraging Opportunities Fund II L.P.	11.8	18.1
CS Iris V Fund Ltd	3.7	4.9
CVI Credit Value Fund B III L.P.	41.4	57.2
Double Black Diamond Ltd	12.0	26.8
EJF Debt Opportunities Offshore Fund Ltd	185.8	340.0
Elan Feeder Fund Ltd	55.3	113.6
Element Capital Feeder Fund Ltd	25.2	178.8
Elliot International B Ltd	148.9	182.0
Glenview Capital Partners Ltd	10.1	27.0
Golden Tree Credit Opportunities Ltd	2.7	17.8
Golden Tree Distressed Debt Fund (Cayman) LP	15.7	34.3
Golden Tree Distressed Fund 2014 (Cayman) L.P.	30.5	63.9
Golden Tree Distressed Fund III L.P.	60.9	101.9
Golden Tree Distressed Fund IV	9.6	9.8
Golden Tree Offshore Fund II Ltd	1.7	1.7
Golden Tree Offshore Fund Ltd	96.5	154.0
GSA Quantitative Futures Master Fund Ltd	24.0	43.3
Hetta Fund Limited	126.4	126.4
Kaamanen Fund L.P.	202.4	234.7
King Street Capital Ltd	0.9	1.9
Kitka Fund LP	239.2	282.6
Kuttura Fund L.P.	20.5	53.2
Mortality Fund I	69.3	73.9
NWI Emerging Market Currency Fund	32.2	49.5
Oaktree REDF III	29.3	29.3

31 Dec 2021	Book value € million	Fair value € million
Pentwater Event Fund Ltd	29.6	70.2
Raattama Fund LP	127.5	127.5
Reservoir Capital Overseas Partners II L.P.	2.9	4.7
Soroban Opportunities Cayman Fund Ltd	68.5	145.9
Systematica 73 Fund	50.9	59.2
Third Point Offshore Fund Ltd	44.4	112.0
Whippoorwill Distressed Opportunity Fund Ltd	2.6	6.8
Zais Opportunity Fund Ltd	15.0	54.0
ZP Offshore Utility Fund Ltd	42.7	81.1
Ireland		
Kirakka ICAV	239.1	243.7
Partakko Fund L.P.	207.6	261.6
Jersey C.I.		
Pharo Gaia	67.9	78.9
Pharo Macro Fund Ltd	14.2	25.1
Luxembourg		
Mandatum Life Managed Futures Fund Class X USD	4.6	5.0
United States		
Aviator Capital End-Of-Life Offshore Feeder Fund L.P.	32.4	42.6
Aviator Capital Mid-Life Offshore Feeder Fund L.P.	58.7	76.8
Aviator Fund IV	165.8	187.7
Aviator Fund V	4.7	4.7
Bayview Liquid Credit Strategies Domestic L.P.	23.2	33.9
Bayview Opportunity Domestic V L.P.	206.3	258.0
Bayview Opportunity V Oceanview L.P.	166.3	166.3
Five Mile Capital Partners L.L.C.	1.6	1.6
H/2 Special Opportunities II L.P.	1.4	1.4
H/2 Special Opportunities III L.P.	40.2	46.5
H/2 Special Opportunities IV L.P.	156.1	202.5
Inari Fund LP	326.3	444.5
Ivalo Fund L.P.	484.5	893.6
Koitere Fund L.P.	122.7	236.3
Sevetti Fund L.P.	1,040.9	2,041.4
Other	0.5	1.6
Hedge funds, total	6,146.1	9,536.7

31 Dec 2021	Book value € million	Fair value € million
Real estate funds		
Caymansaaret		
Ares Pan-European Logistics Partnership L.P.	26.3	29.5
BGO Europe III Co-Investment, LP	20.3	20.3
Finland		
Alandsbanken Lunastustontti I Ky	24.4	26.5
CapMan RE II Ky	0.9	0.9
Helsingin Lyyra Ky	19.8	19.8
Herding Yard Properties Ky	60.0	65.7
ICECAPITAL Housing Fund V Ky	14.4	19.5
NV Property Fund I Ky	5.4	8.9
Pegasos Real Estate Ky	7.6	7.6
Vantaan Valo Ky	278.4	278.4
VVT Project Fund I Ky	18.4	20.8
VVT Property Fund I Ky	39.0	46.3
VVT Property Fund II Ky	1.0	1.0
Jersey C.I.		
DRC European Real Estate Debt Fund III L.P.	44.0	44.0
Luxembourg		
Ares European Property Enhancement Partners III SCSp	14.5	15.5
Ares European Real Estate Fund V SCSp	30.2	35.3
AXA Logistics Europe Fund S.C.A. SICAV-RAIF	100.0	115.3
Baumont Real Estate One SCSp	26.1	27.8
Blackstone Real Estate Partners Europe VI SCSp	29.9	39.0
CapMan Hotels II FCP-RAIF	69.7	69.7
CapMan Nordic Real Estate FCP-SIF	8.1	15.9
CapMan Nordic Real Estate II FCP-RAIF	40.7	46.9
CBRE GIP Global Alpha Fund FCP-SIF	62.5	70.3
CCP IV SCSp	13.9	13.9
CM III Feeder SCA SICAV-RAIF	9.2	9.6
ECE European Prime Shopping Centre II A SCSp SIF	70.4	74.0
ECE Progressive Income Growth Fund SCA SICAV-RAIF	83.2	83.2
Encore	75.0	77.1
EQT Real Estate II Co-Investment (A) SCSp	8.0	8.0
European Property Investors Special Opportunities 5 SCSp	32.4	33.7

31 Dec 2021	Book value € million	Fair value € million
EVP M Campus Lux SCSp	2.5	11.0
GreenOak Europe (Lux) III SCSp	36.0	36.8
Greystar Equity Partners Europe Fund I SCSp	17.8	17.8
KKR Real Estate Partners Europe II (EUR) SCSp	34.2	37.0
Northern Horizon Aged Care IV SCSp SICAV-RAIF	3.0	3.2
Northern Horizon Aged Care SCSp SICAV-SIF	30.8	42.9
Oreima III	37.1	45.6
Oreima IV	32.1	32.1
Patrizia Living Cities Residential Fund	100.0	103.0
Prologis European Logistics Fund FCP-FIS	125.1	175.1
TS Saltire II Holdings SCSp	8.2	11.8
TT Holdings SCSp	65.0	97.0
Spain		
Azora European Hotel & Lodging F.C.R.	17.3	17.3
Sweden		
Aros Bostad III AB	2.0	2.0
Aros Bostadskapital 12 AB	8.5	12.1
Aros Bostadskapital 8 AB	1.6	1.6
United Kingdom		
Ares European Real Estate Fund III (Euro) L.P.	0.7	0.7
Benson Elliot Real Estate Partners IV L.P.	24.9	37.9
Benson Elliot Real Estate Partners V L.P.	27.3	27.3
Blackstone Real Estate Partners Europe III L.P.	6.8	6.8
Clearbell II L.P.	2.3	17.0
Clearbell III L.P.	23.9	30.9
Clearbell Property Partners IV LP	5.4	5.4
Curzon Capital Partners 5 Long-Life L.P.	75.0	92.2
Curzon Capital Partners IV L.P.	24.1	24.1
Lumiere Holdings L.P.	0.7	0.7
Moorfield Audley Real Estate Fund B L.P.	30.2	30.2
Retail Centres V (Sweden) Limited Partnership	56.7	56.7
Other	0.9	1.1
Real estate funds, total	2,033.5	2,301.5

31 Dec 2021	Book value € million	Fair value € million
Fixed-income funds		
Cayman Islands		
Apollo Total Return Fund (Offshore) Ltd. A-1	215.2	263.3
EJF Funding Offshore L.P.	425.2	532.3
H/2 Targeted Return Strategies II L.P.	133.6	180.1
Finland		
Mandatum Life Nordic HY Total return Fund I Eur	50.0	56.4
Mandatum Private Debt III B	0.6	0.6
Ireland		
Wellington Emerging Local Debt USD Class G Accumulating Unhe	116.2	119.1
Luxembourg		
BGF Emerging Markets Bond Fund I2 USD	87.5	100.0
Broad Street Teno Partners, SLP	850.0	870.4
Direct Lending Fund II SLP	4.5	4.7
GS Growth & Emerging markets Debt Local I USD Fund	133.2	137.8
SSGA Emerging Markets ESG Local Ccy Gov Bond Index Fund	86.5	87.2
State Street Sustainable Climate EUR Corporate Bond Fund	125.0	125.0
State Street Sustainable Climate US Corporate Bond Fund	102.4	113.2
Symbiotics-Seb Micro Fd V A/C-NH	25.3	28.7
Norway		
Pareto Nordic Corporate Bond I NOK SICAV	69.8	79.1
United States		
iShares China CNY Bond UCITS ETF D	117.8	130.8
iShares EUR Corp ESG UCITS	52.3	52.3
iShares iBoxx USD HY Corp ETF	76.8	76.8
iShares JP Morgan EM Local Government Bond UCITS ETF Dist	94.3	94.3
iShares JP Morgan USD EM Bond ETF	274.6	279.8
OHA Finlandia Credit Fund L.P.	419.6	626.7
Vanguard Intermediate-Term Corporate Bond ETF	165.0	167.9
Other	0.4	0.4
Fixed-income funds, total	3,625.7	4,127.1

31 Dec 2021	Book value € million	Fair value € million
Equity funds		
Cayman Islands		
L1 Capital Long Short Offshore Feeder Fund Main Series	81.3	172.0
Finland		
Mandatum European Small & Mid Cap Equity S3 Fund	9.0	12.5
Nordea 1 Emerging Stars Fund	195.4	195.4
Nordea 1 Global Climate and Environment Fund BI EUR	152.0	313.8
Nordea 1 Global Sustainable Enhanced Eq Fund BI EUR	100.0	147.8
Germany		
DB X-trackers harvest CSI 300 China A-shares ETF	19.6	20.7
iShares EURO STOXX 50 UCITS ETF DE	20.8	21.5
iShares EURO STOXX Banks 30-15 ETF	16.9	20.0
iShares EURO STOXX UCITS ETF DE	2.2	2.6
iShares STOXX Europe 600 UCITS ETF DE	5.0	6.8
Xtrackers Emerg Mark Carb Re ETF	400.4	400.4
Ireland		
Vanguard Emerging Markets Stock Index Fund	205.9	297.1
Vanguard Japan Stock Index Fund JPY	101.0	137.5
Japan		
Next Funds NIKKEI 225 ETF	144.3	144.3
NEXT FUNDS TOPIX BANKS ETF	96.5	102.3
Next Funds TOPIX ETF	0.9	1.0
Luxembourg		
Handelsbanken Global Index Criteria Fund A1 EUR SE	202.3	343.6
United Kingdom		
L&G Europe Equity Responsible Exclusions UCITS ETF	35.5	46.4
L&G US Equity Responsible Exclusions UCITS ETF	989.9	1,437.8
United States		
BlackRock US Carbon Transition Readiness ETF	316.9	360.5
Consumer Staples Select Sector SPDR Fund	90.3	102.2
First Trust Nasdaq Cybersecurity ETF	14.9	37.3
Health Care Select Sector SPDR	72.0	77.4
Invesco KBW Bank ETF	60.7	62.6
Invesco QQQ Trust Series 1 ETF	22.4	27.3
iShares Core S&P 500 ETF	595.7	660.1

31 Dec 2021	Book value € million	Fair value € million
iShares MSCI Canada ETF	17.9	21.9
iShares MSCI India ETF	7.2	9.2
iShares MSCI USA ESG Screened ETF	348.9	419.8
iShares MSCI USA ESG Select Social Index Fund	274.3	288.9
Ishares S&P 500 Value ETF	123.9	134.8
SPDR S&P Regional Banking ETF	113.6	127.3
Vanguard FTSE 250 UCITS ETF	5.8	6.5
Vanguard Information Technology ETF	384.3	440.8
Vanguard Institutional Index Fund Plus shares	265.9	816.3
Vanguard S&P 500 ETF	541.2	579.1
Other	0.7	1.0
Equity funds, total	6,035.5	7,996.4
Private equity funds		
Australia		
CPEC 8 TRUST C	17.1	42.4
CPEC 9 Trust B	6.1	6.2
Canada		
ISQ Global Infrastructure Fund II (EU) L.P.	80.8	97.7
KKR Azur Co-invest L.P.	10.0	11.0
KKR Charlie Co-Invest L.P.	13.0	13.0
KKR Planets Co-Invest GBP L.P.	22.0	51.0
KKR Precise Co-Invest (EUR) LP	24.0	45.3
KKR Sunrise Co-Invest L.P.	25.0	32.5
Cayman Islands		
1901 (Offshore) Partners I L.P.	3.5	3.5
Affinity Asia Pacific Fund V L.P.	10.9	14.4
Alinda Infrastructure Parallel Fund II L.P.	18.7	18.7
Apollo Infra Equity Fund	7.3	22.5
Auda Asia II L.P.	8.1	8.1
Auda Secondary II Feeder Fund L.P.	1.3	1.3
BCP Braavos Aggregator (Cayman) LP	20.8	20.8
BDCM Offshore Opportunity Fund IV Ltd	56.4	82.9
BDCM Offshore Opportunity Fund V, Ltd.	7.2	8.6
Bellwether Co-Invest L.P.	17.3	24.9

31 Dec 2021	Book value € million	Fair value € million
CDH Fund V L.P.	15.6	42.8
CDH Fund VI L.P.	12.9	14.5
Dragon Co-Invest L.P.	6.2	6.2
Elbrus Capital Fund I L.P.	2.4	2.4
Gamut Investment Overseas Fund I L.P.	42.6	61.6
GPE IX TKE Co-Investment Limited Partnership	18.4	23.8
Hamilton Lane Co-Investment Feeder Fund IV L.P.	65.5	109.6
I Squared Nautilus Partners L.P.	15.4	24.0
I Squared Transportation Europe L.P.	22.9	37.1
ISQ Apollo Co-invest Fund III, LP.	12.7	13.2
JPW TopCo L.P.	11.8	21.1
KKR CK Co-Invest L.P.	14.6	14.6
KKR Sigma Co-Invest II L.P.	20.0	34.0
K-P Co-Investment L.P.	18.0	28.5
MBK Partners Fund II L.P.	3.6	3.6
MBK Partners Fund III L.P.	38.7	60.6
MBK Partners Fund IV L.P.	65.9	122.1
MBK Partners Fund V, L.P.	20.1	26.0
Navis Asia Fund VII L.P.	66.5	90.7
Onex Partners V L.P.	47.7	59.5
Onex Richmond Co-Investment L.P.	13.5	22.0
Platinum Equity Luna Co-Investors Offshore (Cayman), L.P.	17.3	17.7
Platinum Equity Olympus Co-Investors (Cayman), L.P.	21.3	22.1
Primavera Capital Fund II L.P.	48.1	87.4
Primavera Capital III L.P.	38.4	66.0
Strategic Value Special Situations Feeder Fund III L.P.	28.2	81.3
Strategic Value Special Situations Feeder Fund IV L.P.	77.7	130.2
Strategic Value Special Situations Feeder Fund V L.P.	16.1	16.3
TA XIV-B, L.P.	23.7	23.7
TPG Asia VI L.P.	55.6	100.2
TPG Asia VII (B) L.P.	62.5	89.3
TPG Wireman Co-Invest L.P.	13.1	13.5
VEPP Co-Invest 1-A, L.P.	22.9	23.8
Vista Equity Partners Fund VI-A L.P.	72.3	133.5
Vista Equity Partners Fund VII-A, L.P.	62.2	80.7

31 Dec 2021	Book value € million	Fair value € million
Vista Equity Partners Perennial A, L.P.	63.7	66.7
VMPIC I L.P.	109.5	173.9
Finland		
AC Cleantech Growth Fund I KY	8.3	8.3
Icebreaker Fund I Ky	1.8	4.1
Icebreaker Fund II Ky	2.2	2.4
IPR.VC Fund II Ky	1.8	1.8
Lifeline Ventures Fund IV Ky	3.7	4.6
MAKI.VC Fund II Ky	1.5	1.6
MAKI.VC Fund I Ky	3.7	7.8
MB Equity Fund IV Ky	1.1	1.1
MB Equity Fund V Ky	25.5	45.8
MB Equity Fund VI Ky	2.2	2.2
Oltavan Tuulipuisto Holding Ky	1.3	4.7
Posion Tuulipuisto Ky	2.8	2.8
Power Fund II Ky	4.9	4.9
Power Fund III Ky	7.4	7.4
Siikajoen Tuulipuisto Ky	3.2	3.2
Sponsor Fund IV Ky	4.9	18.0
Sponsor Fund V Ky	4.6	4.6
Vaaka Partners Buyout Fund III Ky	14.1	17.2
Verso Fund III Ky	1.4	1.4
France		
Asmodée Co-Invest S.L.P.	10.8	27.3
Ethypharm Co-Invest FPCI	14.9	25.3
PAI Europe VII-1	49.0	67.8
Guernsey		
CapMan Buyout IX Fund A L.P.	6.8	6.8
CapMan Buyout X Fund A L.P.	4.2	4.2
Cinven Cullinan L.P.	3.4	30.4
Partners Group Client Access 32, L.P. Inc	29.3	38.9
Partners Group Client Access 33, LP. Inc.	14.4	14.9
Partners Group Client Access 34, L.P. Inc.	15.7	21.9
Permira Europe IV L.P.2	5.1	17.2
Permira VI L.P. 1	72.5	132.8

31 Dec 2021	Book value € million	Fair value € million
The Fifth Cinven Fund (No. 1) L.P.	19.4	19.4
The Seventh Cinven Fund (No. 1) L.P.	38.3	44.0
The Sixth Cinven Fund (No. 1) L.P.	56.2	95.7
Jersey C.I.		
Alpha Private Equity Fund 5 - JABBAH CI L.P.	1.2	1.2
CapVest Equity Partners III L.P.	6.1	7.3
NC Aida Co-Invest Alpha, L.P.	11.8	18.7
Luxembourg		
Advent Global Technology A SCSP	7.8	13.2
Advent International GPE IX-A SCSP	26.6	71.8
Antin Infrastructure Partners IV-B SCSP	56.4	56.4
Apollo Infrastructure Opportunities Fund II (Lux) SCSP	10.5	12.1
Apollo Overseas Partners (Lux) IX SCSP	42.7	51.3
Atos Medical Co-Invest SCSP	15.0	48.7
Blackstone Capital Partners VIII (Lux) SCSP	25.3	33.6
CapMan Buyout XI SCSP	1.9	1.9
CapMan Nordic Infrastructure I SCSP	1.5	1.5
CapVest Strategic Opportunities 6 SCSP	11.4	12.2
EQT Growth (No.1) SCSP	4.7	5.0
EQT Growth Co-Investment (A) SCSP	10.0	10.4
EQT Infrastructure Fund III (No.1) SCSP	61.6	100.0
EQT Infrastructure III Co-Investment (A) SCSP	40.0	52.4
EQT Infrastructure IV (EUR) (No.1) SCSP	74.0	84.7
EQT Infrastructure IV Co-Investment (D) SCSP	56.6	65.4
EQT Infrastructure IV Co-Investment (F) SCSP	33.7	38.7
EQT Infrastructure V (No.1) EUR SCSP	40.4	41.2
EQT Infrastructure V Co-Investment (B) SCSP	35.0	35.3
EQT Infrastructure V Co-Investment (D) SCSP	21.1	22.1
EQT IX (No.1) EUR SCSP	68.0	81.6
EQT IX Co-Investment (C) SCSP	8.4	12.0
EQT IX Co-Investment (D) SCSP	19.7	20.0
EQT IX Co-Investment (F) SCSP	21.5	22.1
EQT Prime Co-Investment SCSP	2.5	3.7
EQT Ventures II (No.1) SCSP	5.4	7.1
EQT VIII (No.1) SCSP	90.2	177.0

31 Dec 2021	Book value € million	Fair value € million
EQT VIII Co-Investment (A) SCSP	17.4	58.5
EQT VIII Co-Investment (C) SCSP	8.9	15.9
Feline SLP (SCSp)	20.4	20.4
Gauss Co-invest SCSp	24.9	27.8
Hygee International S.a.r.l.	14.9	15.5
IK IX Fund No.2 SCSp	18.5	19.4
IK Small Cap II Fund No2 SCSp	14.6	20.9
Islay New Group Holding S.A.	37.1	38.2
ISQ Global Infrastructure Fund III (EU) L.P.	6.7	6.7
KKR Asian Fund IV SCSp	11.5	12.2
KKR Global Infrastructure Investors III EEA	55.9	55.9
KKR Next Generation Technology Growth Fund II SCSp	11.1	17.4
Mirage Co-Invest SCSp.	11.9	20.8
MTN Infrastructure Co-Invest 1 SCSP	2.6	4.5
Nordic Capital X Alpha SCSp	9.1	11.8
Partners Group Direct Infrastructure 2020	20.3	20.3
Permira VII L.P. 2 SCSp	70.2	82.3
Refresco Co-Invest SCSp	20.0	58.8
SEB Private Equity Opportunity Fund IV	18.4	20.1
Stonepeak Global Renewables Fund (Lux) SCSp	4.4	4.4
Taaleri SolarWind II SCSp-RAIF	15.4	15.8
Singapore		
Bellini Synergy Pte LTD	13.1	26.9
United Kingdom		
CapVest Equity Partners IV (Feeder) SCSp	21.3	23.8
EQT Deck Co-Investment L.P.	2.7	5.6
EQT Infrastructure II No. 2 L.P.	8.8	8.8
EQT Kiwi Co-Investment L.P.	17.0	24.5
EQT V No 1 L.P.	1.3	1.3
EQT VII No 1 L.P.	44.6	56.4
Hg Capital Mercury 2 L.P.	12.9	32.9
Hg Dreamstart Co-Invest L.P.	15.7	20.4
Hg Genesis 9 B L.P.	36.0	45.0
Hg Mercury 3 B L.P.	2.0	2.0
Hg Saturn 2 B L.P.	25.9	45.3

31 Dec 2021	Book value € million	Fair value € million
Hg Saturn B L.P.	35.9	80.7
Hg Vivaldi 2 Co-Invest LP	9.6	31.6
IK VII L.P.	14.5	14.5
IK VIII Fund No.3 L.P.	49.7	64.5
Macquarie European Infrastructure Fund II L.P.	10.5	10.5
NB Crossroads XXII Asset Allocation Offshore LP	37.5	58.3
PAI Europe VI-1 L.P.	68.9	102.3
Permira Growth Opportunities 1 L.P.	26.5	42.2
United States		
ACIP Apex Co-Investment, L.P.	50.8	51.8
ACIP Parallel Fund A, L.P.	15.8	15.8
AIOF II Electra Co-Invest B, L.P.	22.1	22.1
AIOF II Njord Co-Invest, L.P.	19.5	25.2
AIOF II Vanir Co-Invest B, L.P.	7.5	7.6
AP DSB Co-Invest II, L.P.	24.8	28.5
AP IX Tiger Co-Invest (ML Parent), L.P.	12.1	31.3
AP Socrates Co-Invest L.P.	4.9	5.5
Apollo Investment Fund VII Euro Holdings L.P.	2.1	2.1
Apollo Overseas Partners (Delaware) VIII L.P.	31.7	50.3
Behrman Capital IV L.P.	21.5	27.3
Biloxi Co-Investment Partners, L.P.	18.5	19.3
Blackstone Capital Partners IV L.P.	0.6	0.6
Blackstone Capital Partners V L.P.	2.1	2.1
Blackstone Capital Partners VI L.P.	50.8	60.7
Blackstone Capital Partners VII L.P.	78.7	125.2
Blackstone TN Partners L.P.	13.9	13.9
BlueRun Ventures L.P.	0.5	0.5
Clearlake Capital Partners VI (USTE) L.P.	40.1	57.5
Genstar Capital Partners IX BL (EU), L.P.	76.8	108.0
Genstar Capital Partners VII L.P.	26.7	42.5
Genstar Capital Partners VIII BL (EU) L.P.	68.9	156.4
Hamilton Lane Co-Investment Feeder Fund III L.P.	46.6	54.3
Hamilton Lane Co-Investment Fund L.P.	0.7	0.7
Hamilton Lane Co-Investment Fund II L.P.	13.0	13.0
Hamilton Lane Equity Opportunities Fund V-B LP	19.9	20.1

31 Dec 2021	Book value € million	Fair value € million
Hamilton Lane Parallel Investors L.P.	108.1	182.7
Hg Isaac Co-Invest L.P.	17.2	18.0
Infinite Co-Invest, L.P.	16.5	19.4
IRi Parent L.P.	22.1	63.2
K5 Private Investors L.P.	9.9	9.9
Kelso Investment Associates IX L.P.	37.8	53.1
Kelso Investment Associates VIII L.P.	12.8	12.8
Kelso Investment Associates X, L.P.	62.0	92.9
Kelso X Pie Co-Investment, L.P.	17.1	20.7
Kelso X RSC Co-Investment, L.P.	16.5	25.8
KKR Banff Co-Invest L.P.	31.0	50.6
KKR Neon Co-Invest L.P.	55.2	60.1
MHR Institutional Partners IV L.P.	66.4	86.6
Moelis Capital Partners Opportunity Fund I-B L.P.	1.1	1.1
New Mountain Partners IV L.P.	21.4	42.1
New Mountain Partners V L.P.	65.7	113.0
New Mountain Partners VI L.P.	18.1	20.3
NexPhase Capital Fund III L.P.	21.6	48.1
NexPhase Capital Partners IV L.P.	21.3	29.9
NM Z Topco L.L.C.	4.2	8.2
NP Clearway Holdings LP	13.5	22.5
NP/MCM Holdings, L.P.	12.4	12.4
NP/OWC Holdings, L.P.	9.9	14.1
Onex Partners III L.P.	14.2	14.2
Onex Partners IV L.P.	62.0	68.9
Pelican Co-Invest Holdings L.P.	26.9	35.7
Platinum Equity Capital Partners II L.P.	9.6	9.6
Platinum Equity Capital Partners III L.P.	18.1	18.1
Platinum Equity Capital Partners IV L.P.	63.0	96.5
Platinum Equity Capital Partners V L.P.	88.8	109.9
Platinum Equity Imola Co-Investors Holdings, L.P.	11.1	22.9
Platinum Equity SCRS Co-Investors L.L.C.	8.5	25.4
Platinum Equity Small Cap Fund L.P.	15.8	15.8
RCM Co-Investment Blocker Corp.	7.6	18.9
Saw Mill Capital Partners L.P.	1.4	1.4

31 Dec 2021	Book value € million	Fair value € million
Surgent NPC Holdco, LP	12.0	23.5
TA XII-B L.P.	17.6	57.6
TA XIII-B L.P.	37.8	66.4
TPG Growth III (B) L.P.	26.8	35.5
TPG GROWTH IV L.P.	32.5	44.0
Warburg Pincus China L.P.	27.0	52.9
Warburg Pincus China-Southeast Asia II-E L.P.	11.5	16.2
Warburg Pincus Energy L.P.	58.8	58.8
Warburg Pincus Global Growth-E, L.P.	89.7	113.9
Warburg Pincus Private Equity XI L.P.	23.2	59.7
Warburg Pincus Private Equity XII-E L.P.	60.2	133.7
Other	2.3	193.1
Private equity funds, total	5,792.0	8,735.7
Funds, total	23,632.9	32,697.4
Currency hedging of shares and participations		-365.1
Parent Company, total	31,356.6	44,750.5
The Group's shareholding deviates from the Parent Company's as follows:		
Keskinäinen Vakuutusyhtiö Kalevan takuupääoma	3.3	3.3
Ruohoparkki Oy	4.8	4.8
Vaasan Toripysäköinti Oy	2.3	2.3
Other	4.2	4.2
Group, total	31,371.2	44,765.1

17. Changes in tangible and intangible assets, Parent Company

31 Dec 2021, € million	Intangible assets Other intangible assets	Tangible assets Equipment	Tangible assets Other tangible assets	Total
Acquisition cost, 1 Jan	0.9	3.7	0.9	5.4
Completely depreciated in the previous year	-0.5	-0.2	0.0	-0.7
Increase	0.0	0.0	0.0	0.0
Acquisition cost, 31 Dec	0.4	3.4	0.9	4.6
Accumulated depreciation, 1 Jan	-0.7	-1.5	0.0	-2.2
Completely depreciated in the previous year	0.5	0.2	0.0	0.7
Depreciation for the financial year	-0.1	-0.4	0.0	-0.4
Accumulated depreciation, 31 Dec	-0.3	-1.6	0.0	-1.9
Book value 31 Dec 2021	0.0	1.8	0.9	2.7
Book value 31 Dec 2020	0.1	2.2	0.9	3.1

Group figures are the same as those of the Parent Company.

18. Loan receivables itemised by guarantee

31.12., milj. €	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Bank guarantee	54.9	185.2	54.9	185.2
Guarantee insurance	114.2	177.4	114.2	177.4
Other guarantee	38.9	48.2	38.9	48.2
Remaining acquisition cost, total	208.0	410.8	208.0	410.8
Unsecured, remaining acquisition cost, total	1,401.9	1,682.2	1,401.9	1,682.2

19. Total pension loan receivables itemised by balance sheet item

31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Loans guaranteed by mortgages	144.1	176.1	144.1	176.1
Other loan receivables	154.1	342.2	154.1	342.2
Remaining acquisition cost, total	298.2	518.3	298.2	518.3

20. Loans to related parties

31 Dec, € million	Parent Company 2021	Parent Company 2020
Loans to Group companies	448.6	463.8

The loan period is usually at most 15 years, and the interest rate is mainly tied to a fixed interest rate or technical interest rate.

21. Derivatives

31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Other receivables				
Advance payments for option contracts	111.1	151.3	111.1	151.3
Other liabilities				
Advance payments for option contracts	132.4	166.7	132.4	166.7
Value adjustments of derivatives	-74.0	-112.8	-74.0	-112.8
Accruals and deferred income				
Net interest expenses from derivatives	-66.2	-14.2	-66.2	-14.2

22. Liabilities to Group companies, other liabilities

31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Other liabilities	0.2	0.3	0.2	0.3

23. Technical provisions

31 Dec, € million	Parent Company 2021	Parent Company 2020	Group 2021	Group 2020
Provision for unearned premiums				
Future pensions	20,111.6	19,196.2	20,111.6	19,196.2
Provision for future bonuses	2,338.8	1,393.1	2,338.8	1,393.1
Provision for current bonuses	222.4	54.2	222.4	54.2
Equity-linked provision for current and future bonuses	2,433.6	775.2	2,433.6	775.2
Total provision for unearned premiums	25,106.3	21,418.7	25,106.3	21,418.7
Provision for claims outstanding				
Current pensions	20,118.7	19,307.0	20,118.7	19,307.0
Total provision for claims outstanding	20,118.7	19,307.0	20,118.7	19,307.0
Total technical provisions	45,225.0	40,725.7	45,225.0	40,725.7

24. Solvency capital

31 Dec, € million	2021	2020
Capital and reserves	136.6	129.8
Valuation difference between fair values on assets and book values of balance sheet items	14,416.0	9,995.3
Provision for future bonuses	2,338.8	1,393.1
Off-balance sheet commitments	-1.1	-1.3
Intangible assets	0.0	-0.1
	16,890.3	11,516.8
Minimum solvency capital as required under the Employment Pension Insurance Companies Act, Section 17	2,824.3	2,244.8

25. Guarantees and liabilities, Parent Company

31 Dec, € million	2021	2020
Guarantees given on own behalf		
Assets pledged as security for derivatives ¹⁾	574.2	3.8
Guarantees received		
Assets pledged as security for derivatives ²⁾	4.3	385.4
Asset pledged as security for security loans	0.0	0.0

¹⁾ Given cash guarantees required for the clarification of derivative contracts to the value of EUR 574.17 million are included in the cash at bank and in hand balance sheet item.

²⁾ Received cash guarantees required for the clarification of derivative contracts to the value of EUR 4.28 million are included in the Other liabilities balance sheet item.

26. Capital and reserves

31 Dec, € million	Parent Company 2021	Group 2021
Basic capital, 1 Jan	11.9	11.9
Basic capital, 31 Dec	11.9	11.9
Other reserves, 1 Jan	109.8	109.8
Profit brought forward from 2020	5.0	5.0
Other reserves, 31 Dec	114.8	114.8
Profit/loss brought forward	8.1	-115.5
Transfer to contingency fund	-5.0	0.0
	3.1	-115.5
Profit/loss for the financial year	6.8	50.5
Total capital and reserves	136.6	61.6

27. Capital and reserves after proposed profit distribution

31 Dec, € million	Parent Company 2021
Policyholders	136.6
Total	136.6

28. Distributable profits

31 Dec, € million	Parent Company 2021
Profit for the financial year	6.8
Other capital and reserves	
Other reserves	114.8
Profit brought forward	3.1
Total distributable profits	124.7

29. Guarantees and liabilities, Parent Company

31 Dec, € million	2021	2020
Contingent liabilities and liabilities not included in the balance sheet		
Derivatives		
Derivatives for hedging purposes		
Currency derivatives		
Forward contracts		
Underlying instrument, absolute value	1,871.2	318.1
Underlying instrument, risk-adjusted value	-1,772.6	-318.1
Fair value	-62.6	2.1
Currency swap contracts		
Underlying instrument, absolute value	15,970.8	12,141.0
Underlying instrument, risk-adjusted value	-15,176.8	-11,843.1
Fair value	-405.3	299.6
CTM derivatives		
Value of underlying instrument	17,842.0	12,459.1
Fair value	-467.9	301.7
Derivatives for other than hedging purposes		
Interest rate derivatives		
Forward and futures contracts		
Underlying instrument, absolute value	10,645.1	181.5
Underlying instrument, risk-adjusted value	121.2	-220.1
Fair value	-3.8	1.2
Option contracts		
Bought		
Underlying instrument, absolute value	2,114.9	2,900.0
Underlying instrument, risk-adjusted value	819.4	-207.1
Fair value	6.3	47.0
Sold		
Underlying instrument, absolute value	3,554.8	1,475.0
Underlying instrument, risk-adjusted value	-787.9	-387.8
Fair value	13.5	-2.1
Credit risk derivatives		
Underlying instrument, absolute value	50.0	500.0
Underlying instrument, risk-adjusted value	-50.0	200.0
Fair value	-6.0	24.1
Interest rate swap contracts		
Underlying instrument, absolute value	1,700.0	600.0
Underlying instrument, risk-adjusted value	900.0	200.0
Fair value	-8.0	-6.2
STM derivatives		
Value of underlying instrument	10,645.1	581.5
Cumulative amount of daily payments	-3.8	1.7
CTM derivatives		
Value of underlying instrument	7,419.6	5,075.0
Fair value	5.8	62.2

31 Dec, € million	2021	2020
Currency derivatives		
Option contracts		
Bought		
Underlying instrument, absolute value	2,030.7	2,806.1
Underlying instrument, risk-adjusted value	-762.1	-1,557.6
Fair value	8.3	-0.8
Sold		
Underlying instrument, absolute value	1,942.4	449.2
Underlying instrument, risk-adjusted value	-232.7	146.4
Fair value	-3.6	-1.0
Forward and futures contracts		
Underlying instrument, absolute value	749.1	719.5
Underlying instrument, risk-adjusted value	-66.2	-43.6
Fair value	0.7	1.3
Currency swap contracts		
Underlying instrument, absolute value	631.7	328.7
Underlying instrument, risk-adjusted value	303.6	-31.0
Fair value	2.6	0.9
STM derivatives		
Value of underlying instrument	93.6	
Cumulative amount of daily payments	0.7	
CTM derivatives		
Value of underlying instrument	5,260.4	4,303.4
Fair value	7.2	0.5
Equity derivatives		
Option contracts		
Bought		
Underlying instrument, absolute value	825.0	2,606.2
Underlying instrument, risk-adjusted value	160.6	-220.1
Fair value	-25.3	-17.5
Sold		
Underlying instrument, absolute value	558.5	2,540.3
Underlying instrument, risk-adjusted value	29.4	-957.6
Fair value	7.7	-21.4
STM derivatives		
Value of underlying instrument	1,383.5	5,146.5
Cumulative amount of daily payments	-17.6	-38.9
Total		
Underlying instrument, absolute value	42,644.2	27,565.5
Underlying instrument, risk-adjusted value	-16,514.2	-15,239.5
Fair value	-475.6	327.2

STM derivatives refer to derivatives which are centrally cleared, and the clearing is primarily based on the Settled-to-Market (STM) approach specified in the central clearing counterparty's rules. CTM derivatives refer to bilateral derivatives in which the clearing and collateral transfers are based on the Collateralized-to-Market (CTM) approach. The fair values of quoted derivatives have been calculated using the price quoted on the stock exchange. The fair values of other derivatives are based on market prices of corresponding quoted contracts or on estimates of the fair values presented by outside parties. Most of the derivative contracts will mature in 2022. Swap contracts have longer durations and will mature between 2022 and 2049.

Currency hedging

Currency hedging is used to protect against a fall in the value of foreign-currency-denominated investments due to the strengthening of the euro. Varma hedges its open exchange rate risks in all other asset classes except equity investments. The hedge accounting model used is fair value hedge. The risk that is hedged is the exchange rate risk. Varma hedges its foreign-currency-denominated investment position, and the amount of the position changes according to the investment decisions and the market situation. The hedging instruments used are foreign currency forwards, foreign currency swaps and foreign currency options, used to sell the currency risks that are included in Varma's investment portfolio. Approximately two thirds of the financial instruments hedging against the exchange rate risk will mature in 2022. The rest will mature in a maximum of five years.

The hedged item and the hedging instrument can be considered to have an inverse correlation in terms of the hedged amount and the currency. The effectiveness of hedging is assessed day by day and currency by currency by means of hedge effectiveness testing. The hedge effectiveness testing shows the negative correlation between the hedged item and hedging instrument. Hedge effectiveness (negative correlation) must be within the range of 80–125 per cent.

Accounting treatment complies with chapter 5, section 2 of the Accounting Act. Derivative contracts for hedging purposes are treated as items not included in the balance sheet when the fair value of the derivative contract is positive on the closing date. Derivative contracts with a negative fair value that are used for hedging purposes are treated as items not included in the balance sheet when their volume at any given moment is below the maximum hedging ratio established in the derivatives policy.

Varma applies continuous retrospective assessment of the effectiveness of derivative contracts. Furthermore, as part of its risk management activities Varma dynamically recalibrates currency hedges on a daily basis, if needed.

Currencies that made up a significant part of investments' currency distribution on 31 December:

31 Dec, € million	USD 2021	JPY 2021	GBP 2021	USD 2020	JPY 2020	GBP 2020
Foreign-currency-denominated investments	28,718.7	633.1	766.5	22,536.7	1,348.4	668.7
of which investments left unhedged against currency risk	11,895.0	633.1	480.3	10,711.8	1,348.4	461.7
of which investments hedged against currency risk	16,823.7	0.0	286.2	11,824.9	0.0	207.0
Hedging currency derivatives	-15,969.3	0.0	-296.3	-11,416.3	0.0	-207.4
Non-hedging currency derivatives	-1,088.2	0.0	303.8	-1,593.9	0.0	107.0
Open currency position	11,661.1	633.1	774.0	9,526.4	1,348.4	568.2
Hedging ratio according to the hedging policy	95%	100%	104%	97%	100%	100%

The principles applied to the use of derivative contracts and the risk management strategy for derivatives are described in the note on risk management.

30. Guarantees and liabilities, Parent Company

31 Dec, € million	2021	2020
Investment commitments		
Private equity funds	3,630.3	3,489.5
Other funds	2,380.6	1,515.7
Pension liabilities		
Pension commitments (recognised as debt)	0.9	0.9
Other pension commitments	0.4	0.5
Leasing and renting liabilities		
Expiring next year	0.6	0.6
Expiring later	0.5	0.7
Other liabilities		
Varma Mutual Pension Insurance Company belongs to a value-added tax liability group together with Veritas Pension Insurance, Tieto Esy Oy and real estate companies owned by the aforementioned companies.		
Group members are collectively responsible for the value-added tax payable by the group.	-0.2	-1.0
Obligation to verify VAT allowances of real estate investments	91.0	63.0
Security to meet shareholder agreements' terms and conditions	10.0	10.0

31. Balance sheet and income statement at fair values

Balance sheet at fair value, Parent Company

31 Dec, € million	2021	2020	2019	2018	2017
ASSETS					
Investments	59,024	50,157	48,709	44,015	45,409
Receivables	1,173	1,130	1,161	858	747
Equipment	3	3	4	4	5
	60,200	51,289	49,873	44,878	46,161
LIABILITIES					
Capital and reserves	137	130	136	130	124
Valuation differences	14,416	9,995	10,721	8,004	9,147
Provision for future bonuses	2 339	1 393	790	1 486	2 265
Other liabilities not included in the balance sheet	-1	-1	-1	-1	-1
Total solvency capital	16,890	11,517	11,646	9,619	11,534
Provision for current bonuses (for client bonuses)	222	54	171	154	162
Equity-linked provision for current and future bonuses	2,434	775	1,424	-255	769
Actual technical provision	40,230	38,503	36,223	35,137	33,501
Total	42,664	39,278	37,647	34,882	34,270
Other liabilities	423	440	409	224	195
	60,200	51,289	49,873	44,878	46,161

Income statement at fair value, Parent Company

1 Jan–31 Dec, € million	2021	2020	2019	2018	2017
Premiums written	5,635	4,931	5,286	5,118	4,867
Claims paid	-5,980	-5,702	-5,623	-5,404	-5,248
Change in technical provisions	-3,222	-749	-2,610	-446	-1,324
Net investment income	9,290	1,395	5,268	-872	3,373
Total operating expenses	-130	-110	-124	-125	-129
Other result	-1	7	8	-4	-8
Taxes	-6	-3	-7	-8	-7
Total result ¹⁾	5,587	-231	2,197	-1,741	1,524

¹⁾ Result at fair value before change in provision for current and future bonuses and equalisation provision.

Risk management

Risk management as an element of internal control

Varma's internal control is a process that aims to ensure:

- the achievement of the goals and objectives set,
- economical, efficient and productive use of resources,
- sufficient management of operations-related risks,
- reliability of reporting and other management information,
- compliance with the decisions of the Board and other bodies and with internal rules, regulations and practices.

Risk management is an element of internal control and involves the identification, assessment, limitation and control of risks arising from and closely connected with the company's business operations. Internal control is a management tool that helps the company to function efficiently, economically and reliably.

Varma is managed in a professional manner and in accordance with sound and cautious business principles. Written procedures as well as quantitative and qualitative goals guide the company's key functions. Varma's risk management plan takes into account what the Board of Directors decides on the content and organisation of internal control, on implementation of the internal control sectors and principles and on the joint guidelines for the internal control of the Group.

The Board of Directors follows a charter, which defines its core tasks and operating principles. As part of the company's internal control function, the Board deals with such matters as the company's strategy, basic strategies connected with business development and management, risks, financial reporting, budgets, investments, pension insurance business, action plans, and key development projects.

Risk management – organisation, responsibilities, supervision and reporting

The Supervisory Board's task is to supervise the administration of Varma, which is entrusted to the Board of Directors and the President and CEO.

The Board of Directors annually approves the risk management system that covers all operations, the principles of internal control, the risk and solvency assessment, and the contingency plan. The Board also assesses whether the company's internal control is appropriately arranged. The Board of Directors' Audit Committee supervises financial and other reporting and the status of internal control, e.g. by tracking the work in progress of internal and external auditing and by reviewing a variety of audit reports. The President and CEO monitors the company's risks in accordance with the principles of the risk management system, and the principles laid down in investment and contingency plans approved by the Board of Directors.

The Executive Group monitors the risk management processes and maintains and develops guidelines for risk management and contingency planning.

Material risks that are realised are reported to the Board of Directors quarterly and, if the risks have changed significantly, without delay.

The company's supervisory auditors and the person in charge of the internal audit take part, if necessary, in the meetings of the Audit Committee.

Line managers and other supervisors are responsible for organising internal control, risk management, Compliance activities and good governance in their areas of responsibility, in accordance with the company-level operating principles (risk and solvency assessment). The detailed plans and guidelines of each business function supplement the plans and principles approved by the Board of Directors. Risk-taking limits and the indicators used are laid down and monitored separately by each function. Each function is responsible for implementing action plans and budgets, and for operating efficiently, the supervision of outsourced operations and preparing for unsettled conditions. Information Management provides the expertise for the development, maintenance, project management, infrastructure and risk management of systems that are the responsibility of the business functions. The targets, responsibilities and means of information security management are defined in the information security policy approved by Varma's Board of Directors. Information Management maintains a separate recovery plan relating to IT disruption.

The function responsible for preparing and implementing investment decisions (Investment Opera-

tions) and the supervisory and reporting function (Financial Administration and Actuaries) have been separated. The decision-making powers and the maximum limits for investments are presented as separate risk limits in the investment plan. The risk control function, which is independent of the Investment Operations, is responsible for monitoring investment risks in accordance with the limits set by the Board of Directors, including a financial-theory- and risk-theory-based assessment of investment risks and the reporting of results. The independent risk control function is involved in reviewing the changes in the investment plan and in the implementation process of new investment products, controls through random inspections instrument pricing, is in charge of calculating the solvency limit and reports on the impact of derivatives on the solvency position.

The Chief Financial Officer is responsible for the independent monitoring of investment positions and risks, and for overseeing operative, financial, investment and strategic risks. Financial Administration reports monthly to the Board of Directors on observations relating to investment risk management. Major observations are reported to the management without delay.

According to the Act on Insurance Companies, the company's responsible actuary must prepare, for the purpose of arranging risk management and investment operations, a statement for the company's Board of Directors on the requirements posed by the nature of and return requirement on technical provisions and maintaining the company's solvency and liquidity, and on the appropriateness of the company's underwriting risk management,

taking into account the nature and scope of the company's operations. Pursuant to the Finnish Employee Pension Insurance Companies Act, the company's actuary must provide a written statement on whether the drafted investment plan meets the requirements posed by the nature of technical provisions on the company's investment operations. The tasks of the investment risk management within the Actuaries include the identification of the risks contained in the investments, measurement of risk levels and reporting on these. The officer responsible for investment risk management within Actuaries reports to the Investment Committee on a monthly basis.

Investment risks and the impacts their realisation would have on Varma's risk-bearing capacity are monitored in a monthly report by the officer responsible for investment risk management in the Actuaries function. The Actuaries function also reports to the Board of Directors on Varma's risk level in relation to the risk level of the earnings-related pension system.

Investment management is responsible for arranging the handling of the investment portfolio and operative investment risk management. The risk management function of Investment Operations monitors the trends in the portfolio position vis-à-vis the risk limits defined in the investment plan and the basic allocation, and reports on them on a daily basis. Adherence to decision-making powers and allocation and investment assignments are monitored by the Investment Operations on a daily basis.

The Financial Administration coordinates the identification and management of operational,

strategic, financial and investment risks in different functions. It also prepares a summary of the risk assessments drawn up by the functions.

The Compliance Officer reports to the Board of Directors on compliance with the insider guidelines. In order to manage the risks relating to malpractice, Varma emphasises the continuous observing of ethical operating principles and applies different control methods for protection against malpractice risks. Each function bears responsibility for managing risks relating to malpractice. Varma has specific guidelines in place to prevent money laundering and the financing of terrorism.

Varma complies with the Finnish Corporate Governance Code for listed companies where applicable.

Goals and general risk management principles

Risk management aims to secure the rights of pensioners and policyholders. Risks relating to the company's operations are identified, assessed, limited and supervised, taking a long-term perspective. Risk management ensures that if risks are realised, they will not cause significant financial losses, or endanger Varma's customer service and other services, the continuity of operations, the attainment of the company's business targets, or affect trust in the company. Varma applies efficient and reliable processes both internally and when co-operating with its partners.

In order to ensure efficient risk management, the company relies on, among other things, the careful preparation of decisions, use of experts, risk insurance, detailed job descriptions, approval routines, decentralisation of functions and tasks,

physical control, data protection and security, personnel training, planning process, maintenance of different backup arrangements, distribution of necessary information and limiting access to confidential information to those who need it. As tasks, power of decision and responsibility are divided, no one person is allowed to deal with a single matter throughout the handling chain, whereupon potentially dangerous combinations have been separated. Actions are subject to independent supervision and approval mechanisms. Personnel are not allowed to participate in the preparation of or decision-making on a matter concerning themselves, their family or friends. IT systems are assigned owners from the line organisation, and the functioning of the IT systems is monitored by the business functions and the IT Executive Group.

When agreeing on the terms of outsourcing, Varma's responsibility for the outsourced functions, e.g. for conforming to regulations, continuous and disturbance-free business operations and contingency planning, are taken into account. The function in charge of outsourcing must take into consideration clear contracts and processes, supervision of the outsourced activities and risks relating to the outsourcing.

Varma also observes good insurance principles and treats all policyholders in a fair manner. All business transactions with policyholders are on market terms. Particular attention is paid to transactions covering the financing of a policyholder's operations, real estate and other transactions, and leases.

The Corporate Governance Report drawn up by the Board and the Salary and Remuneration Statement are published on Varma's website.

Business risks

The company's core processes comprise insuring entrepreneurs and employees, managing the disability risk, securing pensions and retirement. Essential risks are related to investments, information management, the networked operation of the pension system, and to adjusting the control system and operating models to changes in the operating environment and legislation.

Varma's most important operational requirement is to manage all pension benefits and insurance transactions correctly and on time. Financially the most important risks are those concerning investment operations.

The pension system may also be affected by risks connected with its structure and functioning, and the country's economy. These are discussed in more detail in the section 'Strategic risks'.

Strategic risks

Varma has one head office, a simple group structure, statutory products, a small number of staff relative to its turnover, and a low number of transactions relative to its investment volume. Varma analyses its risks from bottom to top and from top to bottom so that it can ensure that all company risks are comprehensively covered from different perspectives.

Financial and investment risks

Varma's main risk is related to solvency management. The main factors relating to solvency are insurance and investment risks, each of which is discussed separately in the section 'Financial and investment risks'.

Insurance risks

The Finnish earnings-related pension system functions on a partially funded basis with respect to the Employees Pensions Act (TyEL). Around one fifth of the pensions paid each year is previously funded, while the remaining part is a pooled component, which is covered by annually collected insurance contributions. The funded parts of the pension are the responsibility of individual pension institutions, while the pooled components are the joint responsibility of all the pension institutions.

The provision for pooled claims contained in the technical provisions acts as a buffer for jointly managed insurance business. The amount of the provision for pooled claims in the entire earnings-related pension system is estimated to correspond to nearly 66% of the following year's PAYG pension expenditure. The clearing system eliminates the effects caused by the varying development of the number and age structure of employees insured by different pension insurance institutions. Thus the cost of the pooled components presents no risk for the individual pension institution.

Basic pensions under the Self-employed Persons Pensions Act YEL are financed in full by the insurance contributions collected annually in accordance with the pay-as-you-go system and by the State's contribution and do not present a risk for the individual pension institution.

The level of earnings-related pension cover is based on a defined benefit pension scheme, and is therefore not based directly on the return on funded pension assets. Earnings-related pension benefits are secured for the insured and pensioners by a statutory joint and several liability for bankruptcy that applies

to all earnings-related pension insurance institutions. The costs of pension provision are borne by employers and employees together. The Ministry of Social Affairs and Health annually confirms the common calculation bases concerning the technical provisions for earnings-related pension insurance companies. The calculation bases include issues such as actuarial assumptions used in the calculation of technical provisions, for example, mortality and disability incidence rate. Under the TyEL act, the calculation bases must be secure and, should the base for technical provisions prove insufficient for all earnings-related pension insurance institutions, the technical provisions can be supplemented with a clearing system.

The risks of Varma's insurance business are linked to the sufficiency of the insurance contributions collected and the technical provisions accumulated from them in relation to the pensions that are the company's responsibility. Because common calculation bases can be changed annually, and the clearing system acts as a buffer for all insurance risks concerning earnings-related pension insurance institutions, the risk for the individual pension institution lies in its deviation from the average of the pension system. Insurance risks are carried by the provision for future bonuses, which is a component of the solvency capital, and they are also taken into account in the calculation of the solvency limit.

Technical provisions are calculated per person and insurance after the financial year in an annual calculation, after employers have provided the required earnings data. The Finnish Centre for Pensions carries out the clearing in the autumn following the financial year, at which time the remaining components of the technical provisions can be calculated.

According to the calculation, the structure of Varma's technical provisions on 31 December 2021 was as follows:

Technical provisions 31 Dec 2021	€ million	%
TyEL basic insurance		
Provision for unearned premiums:		
Future pension liabilities	20,089.5	44.4%
Provision for future bonuses	2,338.8	5.2%
Equity-linked provision for current and future bonuses	2,433.6	5.4%
Provision for current bonuses	222.4	0.5%
Total provision for unearned premiums	25,084.3	55.5%
Provision for claims outstanding:		
Current pension liabilities	19,694.4	43.5%
Total provision for claims outstanding	19,694.4	43.5%
TyEL basic pension insurance, total	44,778.7	99.0%
TEL compliant supplementary pension insurance, total	424.3	0.9%
YEL basic pension insurance, total	22.0	0.1%
YEL compliant supplementary pension insurance, total	0.0	0.0%
Total technical provisions	45,225.0	100.0 %

Neither the age structure of the employees insured by Varma nor the employers' size or lines of business deviate significantly from the average for all earnings-related pension institutions. Thus Varma carries little risk relating to an atypical insurance portfolio.

Risk management in insurance business applies insurance technique analyses. Insurance risks are analysed using, for example, a risk assumption analysis (mortality, disability intensity), financial statements and business result analyses (insurance technique, distribution of responsibility) and, e.g., by compiling statistics on contribution losses and disability pension expenditure.

The risks involved in technical provisions and the assets covering technical provisions, i.e. insurance and investment risks, are provided for by the solvency capital. The amount of solvency capital is monitored in relation to the technical provisions and to the solvency limit calculated on the basis of investment allocation. The calculation of the solvency limit also takes into account the insurance risk. Thus, solvency capital provides the company with a buffer especially for years in which the return on the assets covering the technical provisions is below the interest credited on technical provisions.

A part of the interest credited on technical provisions (20 per cent) is determined retroactively

and is based on the pension insurance companies' actual equity returns. An equity-linked provision for current and future bonuses, which is between -20 per cent and +1 per cent of the technical provisions, helps the insurance companies to carry the risks involved.

If a pension institution's equity returns differ from the average, it must employ its solvency capital to carry the risks that this involves. When the average equity return is calculated, the weight of the largest pension institutions is limited.

Investment Risks

Investment risk definitions

Varma's investment risks are described as follows.

Market risk is the fluctuation of the value of investments. The greatest market risk relates to equities. Other market risks are the interest rate risk, foreign currency risk, and the value change risk of real estate. Interest rate risk can be realised as a price risk, or as a reinvestment risk.

Inflation risk means the decrease of the real value or return of assets.

Credit risk refers to a danger of loss caused by the inability of the counterparty to honour its commitment.

Liquidity risk refers to the realisation of cash flow at a different amount than expected. A risk is also constituted by investments that cannot be converted into cash at all or can only be converted at a major loss.

Concentration risk refers to the increase in market, credit and liquidity risks as a result of insufficient diversification of the portfolio.

The model risk is constituted by the risks involved in risk measurement. In measurement it is necessary to make assumptions and simplifications concerning calculation methods and data, which may deviate from reality. There may also be risks related to the valuation of investments, and some of the investments' values are available with a delay.

General risk management principles for investments

Management of investment risks involves the determination of acceptable risk levels for different investment categories within the framework approved by the Board of Directors, continuous risk measurement using selected methods, comparison with acceptable levels, and reporting. Risk management also involves adaptation of the investment portfolio so that a correct risk/return ratio can be maintained. The nature of technical provisions and their return requirement are also taken into account when the time span and liquidity of investments are considered.

The investment plan approved by the Board of Directors defines, among other things, the following:

- the general security goals set for investments,
- the general principles for investment allocation,
- the return, diversification and liquidity goals of investments,
- the criteria for using derivative contracts, and
- the principles for arranging currency risk hedging.

At least once a year, the Board of Directors assesses the status and outlook of Varma's operating environment, the investment risks in terms of changes in value, expected returns, security, and the principles of foreign currency policy. The Board also assesses the requirements imposed by the nature of technical provisions on investment returns and liquidity, and on the foreign currency policy. The company's short-term and long-term risk-bearing capacity and the development of the company's solvency is also assessed by the Board at least once a year.

The basic allocation of the investment portfolio laid down in the investment plan approved by the Board of Directors also determines the basic level for the total portfolio risk. The investment portfolio may differ from the target allocation within the allocation limits specifically defined in the investment plan.

Varma aims to maximise the yield expectation at the selected total risk level, which means that investments will have optimum profitability to the extent allowed by the company's risk-bearing capacity. The portfolio's realised market risks and returns generated by investments are regularly monitored and reported in Investment Operations.

Furthermore, Varma takes into account the social responsibility principles of investment allocation, the ownership policy and principles of responsible investment, in which key factors related to environmental, social and governance matters are taken into account in investment decisions.

Varma's investment portfolio's risk structure

Varma's investment portfolio's structure by asset class and returns by asset class for 2021 are presented in the Notes to the Financial Statements.

Geographical allocation of investments in listed equities:

	Risk position 31 Dec 2021 € million	%	Risk position 31 Dec 2020 € million	%
American equities	8,252	40.8	4,014	23.9
European equities	2,583	12.8	2,781	16.5
Other areas	1,947	9.6	4,205	25.0
Finnish equities	7,436	36.8	5,808	34.6
Listed equities	20,217	100.0	16,807	100.0

Direct investments in real estate according to purpose of use:

	Risk position 31 Dec 2021 € million	%	Risk position 31 Dec 2020 € million	%
Residential premises	961	31.1	908	31.6
Business premises	317	10.3	335	11.7
Other premises	601	19.5	665	23.1
Industrial and warehouse premises	43	1.4	43	1.5
Office premises	1,163	37.7	925	32.2
Direct real estate investments	3,086	100.0	2,875	100.0

The vacancy rate of business premises was 8.9 (6.5) per cent.

Bonds according to credit rating:

	Market value (excl. derivatives) 31 Dec 2021 € million	%	Market value (excl. derivatives) 31 Dec 2020 € million	%
AAA	292	3.2	181	2.2
AA	2,575	27.8	1,391	17.3
A	1,222	13.2	1,081	13.4
BBB+ – BBB-	2,123	22.9	2,191	27.2
BB+ or worse	2,157	23.3	2,254	28.0
Not rated	895	9.7	967	12.0
	9,264	100.0	8,064	100.0

Loans itemised by guarantee are presented in the Notes to the Financial Statements under 'Loan receivables'.

Varma's foreign-currency-denominated investments amount to EUR 31,937 (25,966) million, accounting for 54 (52) per cent of all investments. The investments' currency risk is partly hedged through currency derivatives. The open currency position amounted to EUR 14,230 (12,343) million on 31 December 2021.

Varma's largest individual corporate risk position is in Sampo Plc, the market value of which was EUR 994 (800) million on the closing date.

The table below shows how falls in equity prices and real estate values and increases in interest rates would affect return and solvency in the financial statements:

	Value 31 Dec 2021	Share prices -30%	Effect Interest rates +1 pp	Real estate value -10%
Solvency capital, € million	16,890	10,133	16,480	16,347
of technical provisions, %	139.4	125.1	138.4	138.1
in relation to solvency limit	2.0 times	1.63 times	1.95 times	1.93 times
Investment return, % 1 Jan 2021–31 Dec 2021	18.5	0.0	17.7	17.4

As regards the calculation of the solvency limit, the Board of Directors decides on the criteria concerning how indirect investments' risks are taken into account, the criteria for applying other essential investment risks, i.e. risk category 18, and the criteria for calculating the duration of investments exposed to interest and credit margin risk.

Investment risk measurement and mitigation

The market risk of investments, mainly equities, constitutes the biggest risk relating to the result and solvency. The VaR (Value-at-Risk) figure, which measures the total risk of Varma's investments, stood at EUR 2,242 million (EUR 3,123 million) at year-end 2021. The figure indicates the greatest possible fall in the market value of the company's investment portfolio over a period of one month at a confidence level of 97.5 per cent. The CVaR (Conditional Value at Risk) figure refers to expected losses exceeding VaR, and this figure amounted to EUR 2,675 (3,725) million.

The general security goals for investments are catered for by ensuring that the total risk caused

by fluctuating portfolio returns remains within the risk-bearing capacity. The total portfolio risk in relation to the risk-bearing capacity is dynamically limited using an internal risk indicator defined in the investment plan. The indicator is used to determine the maximum risk-management weight for listed equities. By determining the maximum risk level, the company strives to ensure disruption-free operation also after capital market shocks. Furthermore, investments are diversified in accordance with diversification objectives.

The maximum risk level is measured such that even after a 25 per cent drop in the value of listed equity investments and certain hedge fund investments, the solvency capital still exceeds the minimum solvency capital (1/3 of the solvency limit) by at least the amount of the VaR and is, in any case, always at least at the solvency limit.

The different maximum limits of investments are presented as separate risk limits in the investment plan. The diversification of the investment portfolio is based on allocation that takes into account the return correlations of asset classes.

Investment risks can be abated and eliminated, for example,

- by diversifying investments by asset class and item,
- by analysing the investment portfolio and items,
- by avoiding risk concentrations,
- by limiting the amount of unlisted securities,
- through a securing guarantee policy,
- through careful valuation practices,
- by integrating assets and liabilities,
- by using derivatives,
- by applying adequate and on-time supervision and monitoring arrangements, and
- by minimising counterparty risks.

The risk limits and authorisations laid down in the investment plan are regularly monitored. In addition to analyses of investment markets, Varma monitors matters such as investment duration, credit rating and liquidity. In real estate investments, Varma pays special attention to technical and location risks, among others.

New investment instruments with return and risk profiles that are significantly different from the instruments contained in Varma's present portfolio are examined by the Investment Committee and are also presented to the Board of Directors before the investments are made.

Principles for using derivative contracts

Here we describe the principles applied to the use of derivative contracts and the risk management strategy for derivatives. The Board of Directors decides on the principles for the use of derivative contracts. In the investment portfolio, derivative contracts are considered equal with their underlying instru-

ments and are allocated to the asset class in question. Limits by asset class are examined in terms of the overall position, combining cash instruments and derivative instruments. The value change risk inherent in cash instruments and derivative contracts is made commensurable by converting derivative contracts mainly into delta-adjusted risk positions.

The main purposes for the use of derivatives are:

- currency hedging
- managing overall portfolio risk
- increasing or reducing equity risk through index derivatives
- reducing or increasing the fixed-income portfolio's interest risk (duration) through interest rate futures or swaps
- managing the fixed-income portfolio's credit risk through credit default swaps
- commodity and factor investing is mainly implemented through derivative instruments.

In terms of risk management, derivative contracts are classified in risk-decreasing and other than risk-decreasing derivatives. In the investment organisation, authorisations to use derivatives are laid down in the investment plan. They have been set in euro amounts by contract type and by underlying instrument, separately for risk-decreasing and other derivatives.

Operational risks

Operational risks entail

- a danger of loss,
- a threat to the continuity of operations, or
- a diminishing of trust in the company, caused either by the company's internal processes or by unanticipated external events.

Operational risks are related to processes and methods, information systems, possible malpractice, property damage and staff competence.

The company makes every effort to eliminate any defects in its supervision systems that would permit unintentional or intentional errors or misuse concerning such matters as insurance or claims handling, investments, reporting, payment transactions, register details, data processing, division of work, partners' operations, or documentation.

Operational risks are charted on a regular basis. The potential impacts and likelihood of identified risks are assessed on a risk-specific basis, and the risks are linked to strategic aims and processes. Identified risks are compiled in a risk chart in which risks are classified on the basis of an overall evaluation and in accordance with their potential to threaten Varma's success and the goals approved by the Board of Directors. Overall consideration of the impacts of the risks and deciding on measures take place in accordance with Varma's standard planning and decision-making system. A continuity plan is drawn up for functions that may involve substantial risks. The preparation of the plan is at the discretion of the line management.

Strategic risks

The earnings-related pension system is based on insuring work carried out in Finland. The financing of statutory earnings-related pensions is dependent on economic growth, a high employment rate, the development of the population's age structure and investment returns. The majority of pensions that are currently being paid are financed directly through contributions paid by employers and

employees. Successful investment activities help offset the need to raise pension contributions.

The Covid-19 pandemic has made its mark on the global economy for nearly two years now. After the shock at the beginning of the pandemic, the economy has recovered, owing partly to strong central bank refinancing. The duration of the crisis caused by the pandemic is yet to be seen, and its multiplier effects are expected to last well into the future. Financial intermediation and the banking system have remained stable during the pandemic – a crisis in these would be the biggest risk in terms of recovery.

The employment rate has improved, but the expected slower economic growth makes raising the employment rate more difficult. The labour market also faces issues caused by a mismatch between supply and demand. The strong economic growth after the initial phase of the pandemic improved public finances but was not sufficient to bridge the sustainability gap. The pandemic has led to increased indebtedness. Public finance problems will be highlighted, as the ageing of the population increases pension and care expenditure.

Varma's strong competence in the careful diversification of investment assets and investment risk management gives the company an edge in a challenging competitive environment.

Varma's preparation for unsettled and exceptional circumstances

Earnings-related pension institutions are under statutory obligation to ensure their tasks can be handled with minimum disruption, even under exceptional circumstances. According to the National Security Strategy, the pension and book

entry systems, among others, are functions that must be secured.

Principal threat types and their concomitant special circumstances related to pension payments and funding include serious perturbations in the infrastructure required by the networked operating model, citizens' health and income security, and society's economic capacity. Due to the distributed management of pension cover, there is a lot of co-operation within the earnings-related pension system. This increases mutual dependency and vulnerability. The globalisation of information technology services and bank services creates challenges for contingency operations.

Contingency operations secure critical activities in exceptional circumstances and in serious disturbances within normal circumstances. Contingency measures were also used to organise operations during the pandemic. Also in exceptional circumstances or when threatened by them, Varma will fulfil its statutory and contractual obligations as comprehensively and for as long as possible. In co-operation with other operators, banks, authorities, and the emergency supply organisation, priority will be given to securing services connected with citizens' income security.

Varma has a recovery plan for situations where IT is disrupted and a contingency plan approved by the Board of Directors, which is supplemented by detailed plans prepared by different functions. A contingency unit, consisting of the supervisors of core functions, coordinates the activities in possible contingencies.

The contingency unit is responsible for preparing the contingency plan, for preparing for unsettled

situations, for preparing and maintaining other plans (such as the recovery plan and the security and rescue plan) and instructions based on it, for managing unsettled situations, for contingency actions, for building, maintaining and testing contingency systems, and for taking into account the experiences gained from exercises organised within the sector in the company's operations. The members of the contingency unit, in their own area of responsibility, take care of emergency planning, construction and testing of contingency systems, providing timely information and securing information storage.

Significant risks in exceptional circumstances include

- the payment of pensions is jeopardised,
- the financing of pensions and liquidity management become more difficult,
- the implementation of processes during exceptional circumstances does not happen quickly enough,
- bank systems, investment trading systems or other societal infrastructures fail to work,
- the earnings-related pension systems, telecommunication lines or co-ordination within the sector fail to work
- our own IT applications or networks fail to work, stoppage of services provision,
- counterparty risks and the invalidity of contracts under exceptional circumstances, and
- risks related to the availability of data at the onset of a crisis.

Varma participates in operational exercises together with other pension insurance institutions, insurance companies, banks and financial operators.

Compliance

Compliance activities are an element of Varma's internal control. It refers to internal activities which aim to ensure compliance with laws, decrees and regulations that apply to Varma, as well as with internal guidelines and the decisions of governance bodies. The purpose of Compliance activities is to identify situations where Varma could be exposed to various legal risks, and to ensure sufficient controls to mitigate these risks. They also involve assessing the sufficiency of measures taken to prevent and rectify any compliance shortcomings. Compliance activities are headed by the Compliance officer, who reports on the activities to the Board of Directors and its Audit Committee.

Internal audit

Internal audit operates in accordance with the principles defined in the professional standards of internal audit. It comprises independent and objective assessment, assurance and consulting activities whose purpose is to support the organisation in achieving its goals by producing assessments and development proposals concerning the status of risk management and other internal controls. The organisational status, tasks, responsibilities and powers of the internal audit are laid down in the instructions approved by the Board of Directors. The areas to be audited are set out in an annual audit plan, which is approved by the Board of Directors after it has been discussed by the Executive Group and the Audit Committee. The audit observations are reported to the company management, the Audit Committee and the Board of Directors. The internal audit is administratively subordinate to the CEO.

Supervision by authorities

In addition to laws and decrees, Varma's operations are governed by the instructions and regulations of the Financial Supervisory Authority. Varma provides the Financial Supervisory Authority with information and reports on a regular basis or as required. The supervising authority carries out appropriate inspections related to administration, solvency, investment operations and operational risks, among other things.

Key figures and analyses

32. Summary

31 Dec, € million	2021	2020	2019	2018	2017
Premiums written, € million	5,634.6	4,930.9	5,285.6	5,118.0	4,867.4
Pensions paid and other payments made, € million	5,980.0	5,702.3	5,623.0	5,404.1	5,247.8
Net investment income at fair value, € million	9,256.5	1,371.6	5,240.6	-902.2	3,342.7
Net return on invested capital, %	18.5	2.8	12.0	-2.0	7.8
Turnover, € million	10,485.6	7,053.6	7,828.1	5,383.2	8,707.7
Total operating expenses, € million	129.6	109.6	124.0	124.8	129.3
Total operating expenses of turnover, %	1.2	1.6	1.6	2.3	1.5
Operating expenses covered by the expense loading (% of TyEL and YEL payroll)	0.4	0.4	0.4	0.4	0.4
Total result, € million	5,586.5	-230.6	2,197.5	-1,741.0	1,523.8
Technical provisions, € million	45,225.0	40,725.7	38,608.0	36,521.4	36,696.2
Solvency capital, € million	16,890.3	11,516.8	11,646.3	9,618.6	11,534.4
in relation to solvency limit	2.0	1.7	1.8	1.6	1.7
Pension assets, € million	59,754.4	50,828.6	49,444.7	44,636.0	45,947.7
of technical provisions, %	139.4	129.3	130.8	127.5	133.5
Transfer to client bonuses of TyEL payroll, %	0.99	0.26	0.81	0.75	0.83
TyEL payroll, € million	22,535.3	21,142.4	21,083.9	20,384.8	19,366.7
YEL payroll, € million	815.4	806.7	811.5	797.0	802.0
TyEL policies	30,300	28,250	27,590	26,030	25,575
TyEL insured persons	531,200	505,170	504,131	523,270	501,320
YEL policies	40,000	37,800	37,800	36,700	35,900
Pensioners	345,700	347,100	343,700	343,400	342,600

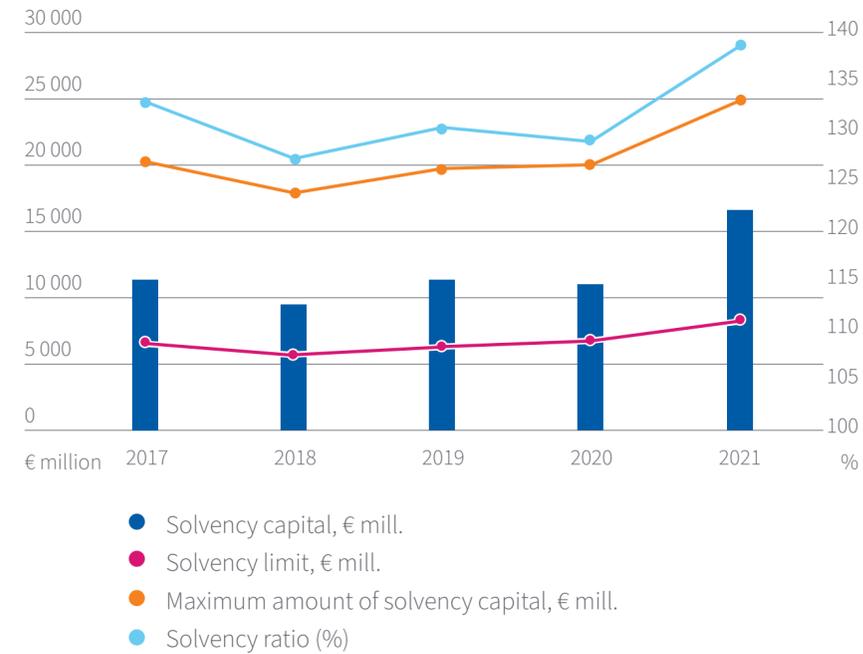
33. Performance analysis

31 Dec, € million	2021	2020	2019	2018	2017
Sources of profit					
Technical underwriting result	48.3	22.2	-1.9	22.9	33.8
Investment surplus at fair value	5,487.8	-308.9	2,138.7	-1,815.7	1,453.2
+ Net investment income at fair value	9,256.5	1,371.6	5,240.6	-902.3	3,342.7
- Return requirement on technical provisions	-3,768.7	-1,680.5	-3,101.9	-913.4	-1,889.5
Loading profit	51.2	49.3	52.9	55.9	44.7
Other result	-0.9	6.8	7.9	-4.1	-7.9
Total result	5,586.5	-230.6	2,197.5	-1,741.0	1,523.8
Appropriation of profit					
Change in solvency	5,364.1	-284.8	2,026.5	-1,894.0	1,362.8
Change in equalisation provision included in the solvency capital	0.0	0.0	0.0	0.0	0.0
Change in provision for future bonuses	936.6	435.5	-697.4	-757.1	1,834.8
Change in difference between fair value and book value	4,420.7	-726.2	2,717.2	-1,143.7	-477.9
Profit for the financial year	6.8	6.0	6.7	6.8	5.9
Other change in the equalisation provision	0.0	0.0	0.0	0.0	0.0
Transfer to client bonuses	222.4	54.2	171.0	153.0	161.0
Total	5,586.5	-230.6	2,197.5	-1,741.0	1,523.8

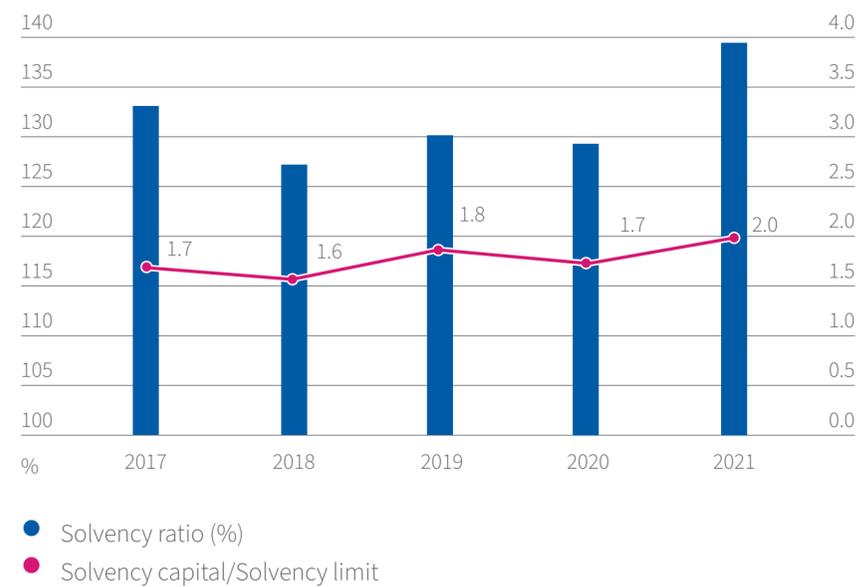
34. Solvency

Solvency capital and limits	2021	2020	2019	2018	2017
Solvency limit, € million	8,472.8	6,734.4	6,633.5	5,972.8	6,819.8
Maximum amount of solvency capital, € million	25,418.4	20,203.3	19,900.5	17,918.5	20,459.4
Solvency capital, € million	16,890.3	11,516.8	11,646.3	9,618.5	11,534.4
Solvency capital (solvency ratio), %	139.4	129.3	130.8	127.5	133.5
Solvency capital/Solvency limit	2.0	1.7	1.8	1.6	1.7

Solvency capital and limits



Solvency capital/Solvency limit



35. Investment allocation at fair value

	Market value 2021 € million	%	Market value 2020 € million	%	Risk position ⁸⁾ 2021 € million	% ¹⁰⁾	Risk position ⁸⁾ 2020 % ¹⁰⁾	Risk position ⁸⁾ 2019 % ¹⁰⁾	Risk position ⁸⁾ 2018 % ¹⁰⁾	Risk position ⁸⁾ 2017 % ¹⁰⁾
Fixed-income investments	15,250.9	25.8	12,279.2	24.5	15,401.5	26.1	22.7	26.8	24.0	27.7
Loan receivables	2,710.8	4.6	2,711.1	5.4	2,710.8	4.6	5.4	4.8	4.1	3.2
Bonds	9,268.7	15.7	8,128.4	16.2	10,281.4	17.4	14.9	22.0	20.5	23.1
Other money-market instruments and deposits	3,271.4	5.5	1,439.7	2.9	2,409.4	4.1	2.5	0.1	-0.6	1.4
Equity investments	29,143.9	49.4	24,222.1	48.3	29,351.5	49.7	46.0	46.1	41.4	45.6
Listed equities	20,009.9	33.9	17,946.1	35.8	20,217.4	34.3	33.5	35.4	31.2	36.9
Private equities	8,662.7	14.7	5,957.8	11.9	8,662.7	14.7	11.9	10.2	9.7	6.1
Unlisted equities	471.3	0.8	318.2	0.6	471.3	0.8	0.6	0.6	0.6	2.6
Real estate investments	5,441.6	9.2	4,828.4	9.6	5,441.6	9.2	9.6	9.1	8.8	7.9
Direct real estates	3,085.9	5.2	2,875.4	5.7	3,085.9	5.2	5.7	5.7	6.6	6.2
Real estate funds	2,355.8	4.0	1,953.1	3.9	2,355.8	4.0	3.9	3.3	2.2	1.8
Other investments	9,187.1	15.6	8,826.9	17.6	9,187.1	15.6	17.6	19.6	22.8	19.6
Hedge funds	9,183.8	15.6	8,817.6	17.6	9,183.8	15.6	17.6	18.2	19.8	17.4
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4
Other investments	3.3	0.0	9.3	0.0	3.3	0.0	0.0	1.4	3.0	1.9
Investments	59,023.6	100.0	50,156.6	100.0	59,381.8	100.6	96.0	101.6	97.0	100.8
Impact of derivatives					-358.2	-0.6	4.0	-1.6	3.0	-0.8
Investments at fair value, total	59,023.6	100.0	50,156.6	100.0	59,023.6	100.0	100.0	100.0	100.0	100.0
Modified duration of the bond portfolio	4.18									

36. Investment return breakdown and result

	Net return on invested capital, market value ⁸⁾ 2021 € million	Invested capital ⁹⁾ 2021 € million	Return on invested capital 2021 %	Return on invested capital 2020 %	Return on invested capital 2019 %	Return on invested capital 2018 %	Return on invested capital 2017 %
Return on invested capital, €/%							
Fixed-income investments	251.7	13,500.6	1.9	1.9	4.5	-1.8	3.7
Loan receivables	149.2	2,763.1	5.4	0.5	4.0	3.7	2.2
Bonds	122.3	8,458.3	1.4	3.0	5.1	-2.9	5.4
Other money-market instruments and deposits	-19.7	2,279.3	-0.9	-1.0	0.4	-0.1	-1.9
Equity investments	7,470.0	23,178.4	32.2	5.9	22.8	-3.6	11.4
Listed equities	4,477.5	16,980.3	26.4	5.2	25.4	-8.3	11.6
Private equities	2,903.2	5,858.5	49.6	7.8	15.1	17.5	7.9
Unlisted equities	89.4	339.6	26.3	8.6	16.9	3.8	18.5
Real estate investments	293.9	4,947.1	5.9	2.0	4.1	5.5	4.9
Direct real estates	118.5	2,886.5	4.1	3.4	3.9	3.9	2.9
Real estate funds	175.3	2,060.5	8.5	-0.2	4.7	10.6	12.0
Other investments	1,279.7	8,374.9	15.3	-2.0	4.5	-1.4	9.3
Hedge funds	1,279.0	8,364.5	15.3	-1.0	5.0	1.6	8.5
Commodities	1.5	-0.6					
Other investments	-0.8	11.0					
Investments	9,295.3	50,000.9	18.6	2.9	12.1	-1.9	7.8
Unallocated income, costs and operating expenses from investment activities	-38.8	24.3					
Net investment income at fair value	9,256.5	50,025.3	18.5	2.8	12.0	-2.0	7.8

37. Loading profit

€ million	2021	2020	2019	2018	2017
Expense loading components included in contributions	128.8	120.5	131.4	133.1	127.6
Components available to cover operating expenses arising from compensation decisions	6.5	6.8	7.0	6.9	6.1
Other income	0.0	0.0	0.5	1.2	0.4
Total loading income	135.3	127.3	138.9	141.2	134.1
Operating expenses covered by loading income ¹⁾	-84.1	-78.0	-86.1	-85.4	-89.4
Total operating expenses	-84.1	-78.0	-86.1	-85.4	-89.4
Loading profit	51.2	49.3	52.9	55.9	44.7
Operating expenses in relation to loading income, %	62	61	62	60	67

¹⁾ Excluding operating expenses related to investments, costs covered by the disability risk administrative cost component and statutory charges.

38. Workability maintenance expenses

31 Dec, € million	2021	2020	2019	2018	2017
Premiums written; the administrative cost component of the disability risk	6.9	6.5	6.4	6.3	5.9
Expenses covered by the administrative cost component of the disability risk, entered under claims incurred, %	6.9	5.1	6.4	6.3	5.9
Expenses arising from the management of the disability risk, entered under operating expenses and covered by the expense loading	2.2	0.0	0.2	0.1	4.6
Expenses covered by the administrative cost component of workability maintenance/The administrative cost component of the disability risk, %	100.0	78.5	100.0	100.0	100.0

39. Technical underwriting result

million €	2021	2020	2019	2018	2017
Premium income from underwriting business under the company's own account	1,189.1	1,646.0	956.5	945.0	759.9
Interest rate on the technical provisions of the underwriting business under the company's own account	1,053.4	977.1	947.9	892.3	839.3
Underwriting income	2,242.5	2,623.1	1,904.4	1,837.3	1,599.2
Pensions paid out of funds	1,492.5	1,368.4	1,320.8	1,227.7	1,137.2
Contribution losses	7.9	20.4	10.8	14.1	10.4
Change in the technical provisions of the underwriting business under the company's own account	693.8	1,212.2	574.8	572.7	417.9
Total claims incurred	2,194.2	2,600.9	1,906.3	1,814.4	1,565.4
Technical underwriting result	48.3	22.2	-1.9	22.9	33.8

Distribution of profit

Distributable profits as presented in the notes to the financial statements	124,666,492.01 euros
The Board of Directors proposes that the profit for the year be distributed as follows:	6,812,703.00 euros
to be transferred to the contingency fund (optional reserve)	6,000,000.00 euros
to be carried over on the Profit and Loss Account	812,703.00 euros

Helsinki, 17 February 2022

Jaakko Eskola, Chairman of the Board

Riku Aalto	Anu Ahokas	Ari Kaperi
Jyri Luomakoski	Petri Niemisvirta	Teo Ottola
Antti Palola	Risto Penttinen	Pekka Piispanen
Saana Siekkinen	Mari Walls	Risto Murto, President & CEO

Auditor's report

To the Annual General Meeting of Varma Mutual Pension Insurance Company

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Varma Mutual Pension Insurance Company (business identity code 0533297-9) for the year ended 31 December, 2021. The financial statements comprise the balance sheet, income statement, cash flow statement and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.2 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most significant assessed risks of material misstatement

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below,

provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

As for the financial statements there are no significant risks of material misstatements referred to in Article 10 section 2c of regulation (EU) 537/2014.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going con-

cern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 15, 2018, and our appointment represents a total period of uninterrupted engagement of four years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the

report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other opinions based on assignment of the Annual General Meeting

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Finnish Insurance Companies Act. We support that the members of the Supervisory Board and the Board of Directors and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 17 February 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Antti Suominen
Authorized Public Accountant

VARMA

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