



# Report of the Board of Directors and Financial Statements

# 2022

VARMA

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# 2022 Report Of The Board Of Directors

Solvency was strong throughout the year, and at the end of the financial year, solvency capital amounted to EUR 13.3 (16.9) billion. The market value of the investments was EUR 56.2 (59.0) billion. The return on investments was EUR -4.9 (18.5) billion. We used 70 (62) per cent of the amount reserved for operating expenses.

Value of investments

€ **56.2** bn

Solvency

€ **13.3** bn

Investment return

**-4.9%**

Premiums written

€ **6.1** bn

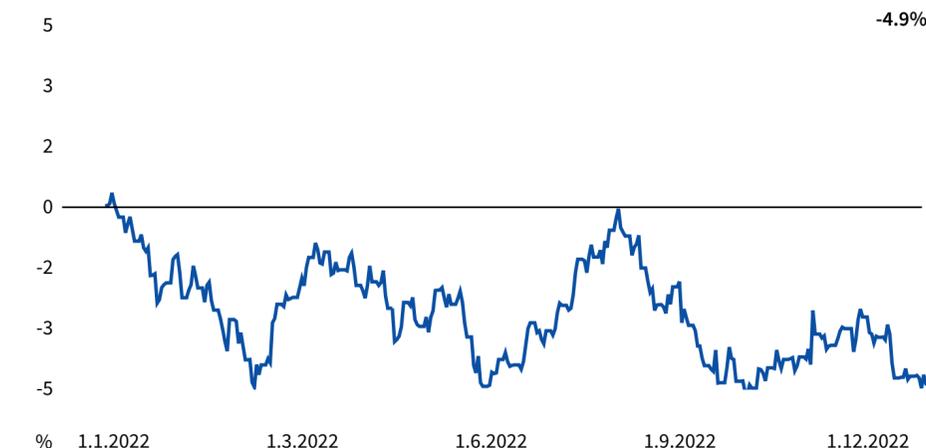
Pensions paid

€ **6.5** bn

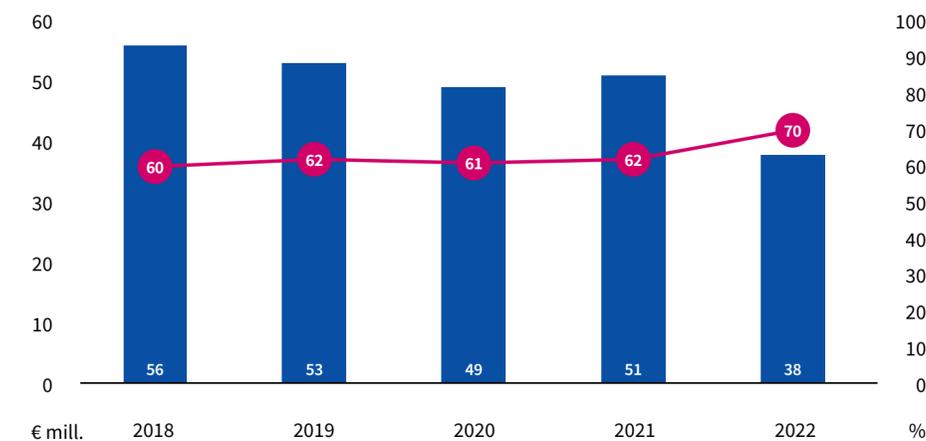
Insured customers

**590,200**

Investment return (%)



Administrative cost efficiency



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

# Report of the Board of Directors 2022

## The economic operating environment

The main themes of 2022 were accelerating inflation and weakening economic growth. The most rapid inflation seen in over 40 years forced the central banks to make an exceptionally fast change in monetary policy and raise interest rates. Russia's war of aggression against Ukraine also accelerated inflation and undermined growth, which initially caused energy prices to rise globally and pushed Europe into an energy crisis. This has caused households' purchasing power and economic activity to erode. The impact of economic policy on growth has been twofold: Monetary policy has aimed to reduce aggregate demand in order to combat inflation, while fiscal policy's goal has been to alleviate the impacts of higher energy costs on companies and households.

Of the different segments of the global economy, the labour market kept going strong, reacting very moderately to tighter monetary policy and eroding purchasing power. While the number of job openings declined from the peak figures at the start of the year, companies faced both a labour shortage and weaker demand. Monetary policy has a delayed

effect on the economy and employment rates, however, and the full impact of the implemented tightening on the economy will probably not be seen until 2023–2024. In the course of 2022, China's economic development diverged strongly from the rest of the world due to Covid-19 shutdowns and problems in the real estate sector, but the turn in its Covid policy is likely to stimulate economic growth once the first major wave of infections passes. In Finland, consumer confidence has been at an all-time low, and the economy is headed towards a recession or at least a slowdown in the wake of the rest of Europe.

Inflation fell towards the end of the year, but it will take time for core inflation to drop to the central banks' target level. The primary goal of the central banks is to fight inflation through tighter monetary policy.

The main risks for economic development and investment markets are connected to prolonged inflation, possible recession and problems in the financial markets due to the higher interest rate level. If inflation does not slow down quickly enough and the central banks have to maintain tight monetary policy for a long time, the risk of a

**Varma's solvency was on a strong level throughout the year.**

deeper and longer-lasting recession increases. The rapid tightening of monetary policy has already lowered market liquidity significantly and added to the distress of heavily indebted operators. The increased interest rates and longstanding growth in debt also set businesses', households' and governments' ability to sustain debt in a new light as debt service costs have risen strongly.

## Earnings-related pension system

The amendments to the Self-Employed Persons' Pensions Act (YEL), which were in preparation for the whole of 2022, entered into force at the start of 2023. The objective of the changes is for a self-employed person's YEL income to better reflect the value of their work input. In autumn, Varma adopted a service for calculating self-employed persons' income. The calculator provides an income recommendation for both the self-employed person and the pension insurance provider. Based on this and after consulting the entrepreneur, Varma confirms self-employed persons' YEL income equally for all self-employed persons.

The Ministry of Social Affairs and Health confirmed the earnings-related pension contributions and their bases for 2023. The average insurance contribution according to the Employees Pensions Act (TyEL) is on average 24.84 per cent of wages and salaries, whereas in 2022 it was 24.85 per cent. A share of 0.44 percentage points of 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. A structural change in the bases is that as of 2023, the expense

loading component included in the TyEL insurance contribution is determined separately for each earnings-related pension company. The pension contributions of the self-employed will remain at the same level in 2023 as they were in 2022.

The Finnish pension system ranked fifth in the international Mercer CFA Institute Global Pension Index comparison. Finland's ranking improved by two places from the previous year, as the comparison's calculation method was adjusted to give more weight to countries with strong earnings-related pensions. Finland's pension system was once again ranked as the world's most reliable and transparent.

In October, the Finnish Centre for Pensions published the updated long-term pension financing projections, which indicate that the outlook has improved considerably due to favourable investment returns and higher retirement ages. In 2009, the goal was set for the expected effective retirement age of a 25-year-old to be 62.4 in 2025, but that target age was reached already in 2021. In the long term, however, there is major uncertainty in the level of the pension contribution related, in particular, to the development of the birth rate, life expectancy and investment returns.

An earnings-related pension index is used to adjust pensions in payment annually in January to ensure pensions' purchasing power. The Ministry of Social Affairs and Health confirmed that the earnings-related pension index for 2023 will rise by 6.8 per cent. This was also reflected in Varma's operations as a substantial increase in old-age pension applications towards the end of 2022, since the change in the wage co-efficient was much lower.

## Pension contributions and return requirement on technical provisions

In 2022, the average TyEL contribution was 24.85 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. The average contribution included a 0.45 percentage point increase, which is used to cover the impacts of the temporary reduction in the employer contribution in 2020 due to the Covid-19 pandemic. In 2022, 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 1.87 per cent on average in 2022. The return on equity component in 2022 was -15.65 per cent, and its effect on the return requirement was approximately -3.13 percentage points (0.2 × return on equity component). Thus, the return requirement on technical provisions was 1.74 per cent. 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 6.25 per cent until the end of June and 6.00 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 -3,466 (5,587) million.

Varma's solvency was on a strong level throughout the year. Varma's solvency declined during the financial year, but remained at a strong level. Solvency capital totalled EUR 13,344 (16,890) million at the end of the financial year. Varma's pension assets in relation to technical provisions (solvency ratio) were 130.5 (139.4) per cent. Solvency capital was at a secure level, i.e. at 1.8 (2.0) 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 -2,868 (9,256) million at fair value, which was -4.9 (18.5) per cent of the invested capital. The return credited on the technical provisions was EUR 768 (3,769) million. Thus, the investment result for 2022 totalled EUR -3,636 (5,488) million. Operating expenses were 30 (38) per cent lower than the expense loading included in the insurance contributions, and the loading profit stood at EUR 38 (51) million. Loading income and consequently loading profit decreased as a result of the lowering of the premium rate in the TyEL insurance contribution's administrative cost component at the beginning of the year. The underwriting result was EUR 115 (48) million and other result was EUR 16 (-1) million. The underwriting result is explained by the increase in mortality and lower than expected disability pension expenditure and stronger than expected increase in the payroll.

As client bonuses, Varma will pay one per cent of its solvency capital and the entire loading profit for 2022. Thus, Varma's strong solvency and good operational efficiency benefit its clients. At the end of 2022, EUR 173 (222) million was transferred to the provision for current bonuses reserved for client bonuses. The transfer represents roughly 0.7 (1.0) per cent of the payroll of the insured.

The TyEL payroll of those insured by Varma totalled roughly EUR 24.1 (22.5) billion in 2022. The total payroll increased 7.0 per cent from the previous year. Varma's premiums written totalled EUR 6,119 (5,635) million, of which TyEL insurance accounted for EUR 5,919 (5,448) million and YEL insurance for EUR 199 (186) million.

At the end of the financial year, 590,218 (571,229) individuals were insured by Varma. At the end of 2022, the number of valid insurance policies totalled 72,427 (70,317), covering 42,494 (40,023) self-employed persons and 547,724 (531,206) employees.

In 2022, a total of 4,197 (3,728) new TyEL insurance policies and 7,517 (6,460) YEL insurance policies came into force at Varma.

During the 2022 account transfers, EUR 35 million in net TyEL income was transferred to Varma from other earnings-related pension companies, and EUR 59 million in new TyEL policies were sold. Varma received the insurance portfolio of one company pension fund during the financial year, the impact of which on annual TyEL income is estimated to be approximately EUR 20 million.

Varma received 9.8 (9.3) million income and employment notifications from the Incomes

Register during 2022. 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 2022, a total gross amount of EUR 6,492 (6,236) million in pensions was paid out. The number of pension recipients slightly increased, and at year-end, Varma was paying pensions to 352,000 (346,000) people.

Varma's total processing time for pension applications in 2022 was 16 days, which equals the average processing time in the earnings-related pension sector.

A total of 28,472 (21,131) new pension decisions were made in 2022. The number of new pension decisions increased 34.7 per cent compared to 2021, and the total number of all pension decisions was 13.4 per cent higher than in 2021. Of the new decisions, old-age pension decisions numbered 11,812 (9,495), disability pension decisions 5,821 (5,672) and partial early old-age pension decisions 7,011 (2,484). Continuation decisions on temporary pensions totalled 4,667 (4,671), and other decisions numbered 25,165 (25,611). 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 40.4 (39.4) per cent. Pension applications filed online accounted for 71 (64) per cent of all pension applications.

The number of disability pension applications took a slight upward trajectory in 2022. The number

of disability pension applications received by Varma stood at 12,399, which is 1.6 per cent more than in the previous year. New disability pension applications numbered 5,370, up 6.8 per cent.

In 2022, Varma processed 29 new cases in which Covid-19 was a key reason for disability. Compared to the total volume of disability pension applications, this was a low number. On the basis of the applications, two cash rehabilitation benefits and one partial rehabilitation benefit were granted. Rejected applications totalled 26.

The Covid pandemic has had substantial impacts on society, working life and the occupational health care system. These impacts were expected to be

reflected in mental health disorders and subsequent disability. Contrary to expectations, this has not happened, as mental health-based sickness allowance periods or disability pension applications did not increase in 2022, and disability due to musculoskeletal diseases is not on the rise. In new disability pensions, mental health disorders were, however, the main reason for disability. Among women, they accounted for more than 40 per cent of all new disability pensions. While the share of mental health disorders was significantly lower among men (30), they were the most common reason for disability also among men.

The amount of rehabilitation applications plummeted early in the year, but took an upward turn in the autumn. The number of applications for the whole of 2022 remained 9.1 per cent lower than in the previous year. Of Varma's customers who entered and participated in a rehabilitation programme, 82.4 per cent 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.

Varma has for years been a forerunner in vocational rehabilitation, and the company actively steers those with a work ability risk to rehabilitation. In 2022, we expanded our Individual Placement and Support (IPS) project, which has produced good results. Of the rehabilitants participating in the pilot project, 59 per cent have been gainfully employed, which clearly exceeds the results of the reference group (28). The pilot proves that the IPS approach is useful in vocational rehabilitation and an effective means of getting mental health rehabilitants employed.

The approaches and systems for disability risk management were further developed in terms of the financial support process for risk management, and the digital risk survey and action plan, among other things. As new content, Varma's research unit generated sector-specific reports, which were utilised to a great extent in service development and customer work. We also expanded and actively developed other services related to work ability risks in response to the change in working life and disability risks. Varma also continued active co-development

with customers and other stakeholders and partners throughout the year.

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, 98.2 (98.1) 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 24,505 (16,877) applications were submitted electronically during the year.

The insured can see the development of their earnings-related pension in their pension record. Altogether 142,275 (118,463) people checked their pension records online. Varma sends a pension record to those insured who want to have their information on paper once every three years. In 2022, Varma sent out a total of 197,000 (175,000) pension records.

### Technical provisions

Varma's technical provisions grew 0.3 (11.0) per cent to EUR 45,373 (45,225) million. In addition to the increased actual provisions for unearned premiums and outstanding claims, the technical provisions contain a provision of EUR 174 (222) million for current bonuses reserved for client bonuses, a provision of EUR 1,573 (2,339) million for future bonuses contained in the solvency capital, and EUR -950 (2,434) million in an equity-linked buffer.

	31 Dec 2022	31 Dec 2021	Change
<b>Number of insured</b>			
TyEL	547,724	531,206	16,518
YEL	42,494	40,023	2,471
Total	590,218	571,229	18,989
<b>Number of insurance policies</b>			
TyEL	29,933	30,294	-361
<b>Number of pensioners</b>			
Part-time pension	3	15	-12
Partial disability pension	3,144	3,260	-116
Partial early old-age pension	10,430	6,148	4,282
Survivors' pension	50,429	50,215	214
Disability pension	15,679	16,352	-673
Old-age pension	261,930	258,445	3,485
Early old-age pension	10,549	11,203	-654
Years-of-service pension	33	21	12
Total <sup>1)</sup>	352,197	345,659	6,538
<sup>1)</sup> Those receiving YEL pension	28,709	28,699	10
Those receiving TEL/YEL supplementary pension	41,747	41,895	-148

## Changes in the insurance portfolio

Varma received the insurance portfolio of one company pension fund during the financial year. The amount of pension liabilities transferred to Varma totalled EUR 345 million. The total value of pension assets transferred to Varma was EUR 440 million. Varma did not make insurance portfolio transfers to company pension funds during the financial year.

## Investments

In 2022, the return on Varma's investments was negative at -4.9 (18.5) per cent. The total value of investments at year-end fell to EUR 56,204 (59,024) million. Varma's solvency remained at a strong level, considering the circumstances, and stood at 130.5 (139.4) per cent at year-end.

In 2022, the combination of weakened economic outlook, high inflation and quickly tightening monetary policy hit most asset classes, pushing their values down. The impacts were the strongest in the listed equity and fixed income markets, which performed the weakest since the financial crisis. The performance of fixed income investments in particular was exceptionally poor as inflation forced the central banks to resort to major tightening of monetary policy.

The differences between the returns on Varma's listed and unlisted investments remained substantial. The positive returns of the latter supported Varma's overall returns in 2022 and dampened the impact of the very challenging market environment. Main reasons behind the relatively stable performance of, for example, private equity funds are the reasonable earnings performance, more

stable valuation ratios and strong US dollar. On the other hand, the returns on listed fixed income and equity investments were exceptionally low, and fixed income investments were not able to diversify the equity risk. The clearly better performance of unlisted fixed income investments is explained by the more moderate interest rate risk.

The return on equities was -8.7 (32.2) per cent. The return on listed equities was -16.8 (26.4) per cent. The differences between geographical areas and business sectors were great. The stronger dollar partially compensated for the very low returns on US equities. Main performance drivers for equities were weaker expectations concerning economic and earnings growth and especially spiking interest rates. The returns on fixed income investments were, however, strong, at 7.9 (49.6) per cent. This is explained by the slower reaction of unlisted investments to the equity market volatility. Private equity investments include infrastructure investments, which also hedged against inflation. The very strong return on unlisted equities, 40.7 (26.3) per cent, was especially influenced by a change in the asset valuation principles made by a single investee.

The strong rise in interest rates and widening of risk premiums pushed the return on fixed income investments into negative territory, at -5.2 (1.9) per cent. The return on public-sector bonds was exceptionally low, at -13.7 (-1.2) per cent. The weak performance reflects the historic surge in inflation and the aggressive tightening of monetary policy by central banks. The return on corporate bonds suffered from the dramatic rise in interest rates and the increase in credit risk premiums, driven by fears of recession. The return on other bonds fell to -6.5 (4.2) per cent.

The return on loan receivables developed more consistently, thanks to their moderate interest rate risk, and they yielded 3.9 (5.4) per cent.

The return on real estate investments remained stable throughout the year, despite the sustained market turbulence. The return on direct real estate investments was 4.2 (4.1) per cent and the return on real estate investment funds was 7.6 (8.5) per cent. The values of real estate investments reacted more slowly to the equity market fluctuations while also hedging against inflation. Foreign real estate investment funds performed especially well.

The return on other investments developed steadily and reached 2.7 (15.3) per cent. The returns relied on the fairly favourable return development of hedge funds. The hedge fund investments successfully diversified the risks involved in Varma's investments and significantly compensated for the weak performance of listed investments and especially fixed income investments.

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 clearly against the euro during the year, which supported Varma's investment returns.

Varma's investment activities focussed on maintaining the company's secure solvency position, broadly diversifying investments and strongly emphasising 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 describing the total risk of Varma's investments stood at EUR 2,727 (2,242) million.

## Operating expenses

Varma's operational efficiency is good. Varma used 70 (62) 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 has benefited Varma's customers through client bonuses. Varma's goal is to manage the assets of both present and future pensioners as efficiently as possible. As of the beginning of 2023, the determination of the expense loading component included in the TyEL contribution was changed such that the earnings-related pension company's operational efficiency has a direct impact on the customer's insurance contribution. Thanks to its strong solvency, Varma is prepared for the change. Client bonus that accrues in 2023 is solely based on 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 5.2 per cent, and stood at EUR 136 (130) million. The increase was primarily due to the claims operations' system project and the moderate increase in investment

management charges and insurance acquisition costs.

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.

	2022	2021	2020	2019	2018
Average number of personnel	531	527	537	537	532
Salaries and remunerations, EUR million	46.3	43.6	37.7	37.6	40.1

Tieto Esy, which is included in the Consolidated Financial Statements using the equity method, had an average of 28 (36) employees in 2022.

At year-end, Varma's personnel were distributed as follows: pension services 17 (17) per cent, insurance and actuary services 11 (11) per cent, customer service departments 17 (16) per cent, services related to disability risk management 13 (14) per cent, investment operations 14 (14) per cent, and other functions 28 (28) per cent.

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 2022, the Varma Group comprised 103 (110) subsidiaries and 17 (19) 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.

**Governance**

Policyholders and the insured have voting rights at Varma's Annual General Meeting. Varma's Annual General Meeting was held on 15 March 2022. The Annual General Meeting appointed three new members to the Supervisory Board. The new members elected to the Supervisory Board were Pasi Pesonen, Markku Varis and Lauri Sipponen. 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 2021.

Continuing as Supervisory Board members were Christoph Vitzthum (Chair), Petri Vanhala (Deputy Chair), Juri Aaltonen, Kari Ahola, Ari Akseli, Eero Broman, Petri Castrén, Kim Forsström, Lasse Heinonen, Marko Hovinmäki, Olavi Huhtala, Mika Joukio, Jukka Jäämaa, Risto Kalliorinne, Ilkka

Kaukoranta (resigned from the Supervisory Board 2 Sep 2022), Mari Keturi, Ville Kopra, Tapio Korpeinen, Pekka Kuusniemi, Päivi Leiwo, Johanna Moisio, Perttu Puro, Mika Rautiainen, Eeva Sipilä, Jari Suominen, Pekka Tiitinen, Jorma Vehviläinen, Anssi Vuorio and Sauli Väntti.

Varma's Supervisory Board held its constitutive meeting on 18 May 2022. Christoph Vitzthum continued as Chair of the Supervisory Board, and Petri Vanhala continued as Deputy Chair. Päivi Leiwo was elected as a new Deputy Chair.

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

As of the beginning of 2022, Varma's Board of Directors is composed of Jaakko Eskola (Chair), Antti Palola (Deputy Chair), Risto Penttinen (Deputy Chair), Riku Aalto, Anu Ahokas, Ari Kaperi, Jyri Luomakoski, Petri Niemisvirta, Teo Ottola, Pekka Piispanen, Saana Siekkinen and Mari Walls, and deputy members Jouni Hakala, Timo Saranpää and Kari Välimäki.

In its meeting on 30 November 2022, Varma's Supervisory Board elected Jari Elo as a new deputy member of the Board of Directors as of 1 January 2023. The deputy membership of Timo Saranpää in the Board of Directors ended on 31 December 2022. At the Board of Directors' meeting on 15 December 2022, Jaakko Eskola was re-elected Chair, and Antti Palola and Risto Penttinen as Deputy Chairs for the term beginning 1 January 2023.

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 145 million consists of basic capital (EUR 12 million), other funds (EUR 121 million), profit brought forward from previous financial years (EUR 4 million) and profit for the year (EUR 8 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 2022. 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 2022 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.

## Outlook

The outlook for the economic operating environment is muted. The biggest risks to the global economy and the investment markets relate to the risk of a recession, inflation and the development of purchasing power and the impacts of the central banks' monetary policy tightening. The higher interest rate level and indebtedness reduce financial policy leeway. Higher interest rates and the tightened financial market conditions create challenges

for some businesses and households and threaten the stability of the financial market.

High inflation and the support measures to reduce its impacts weaken the sustainability of financial policy and put the unity of EU member states to the test. Expenditure pressures related to the aging population converge with shorter term challenges related to security and energy policy, creating major challenges for sustainable economic policy over the coming years.

Varma's strong solvency position and careful risk management ensure good conditions for favourable returns development and secure the pension benefits of the insured. Varma continues to effectively implement the earnings-related pension system.

## 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. According to the materiality assessment carried out in 2021, sustainable business means for Varma first and foremost taking care of pension assets and pension payments, investing responsibly and promoting sustainable working life. The role of Varma's Investment Operations is essential with respect to environmental responsibility, social responsibility, such as responsibility for Varma's employees and respect for human rights, and anti-corruption and anti-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, Supplier Code of Conduct and the Tax Policy. Our operations are also steered by the Sustainability Programme, which is based on the materiality assessment. The programme defines our sustainability focus areas and the related objectives and measures. 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 these principles and the Sustainability Programme have been approved by Varma's Board of Directors. The oversight responsibility for sustainability at Varma is exercised by Varma's Board of Directors. The Board of Directors discusses responsible investment issues on a monthly basis, current sustainability issues in the annual sustainability review, climate risks on a quarterly basis and sustainability risks as part of the risk and solvency assessment. Varma's Executive Group addresses all key decisions relating to the development of sustainability. Sustainability issues are represented in Varma's Executive Group by the chief investment officer. Sustainability is led by the sustainability director, who reports to the chief investment officer. The Responsible Investment & Sustainability department, which is part of the Investment Operations, develops and co-ordinates Varma's sustainability. The department works in cooperation with the sustainability coordinators of Varma's various functions, developing sustainability

in accordance with external requirements and the sustainability programme.

The sustainability of Varma's own operations is closely linked to the compliance function to the extent that, for example, the Code of Conduct stems from legislation applicable to the organisation. The Responsible Investment & Sustainability department and compliance function work in close co-operation. The compliance officer reports on compliance activities to the Board of Directors and its Audit Committee, and 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's sustainability targets and measures are explained more broadly in a separate report conforming to the Global Reporting Initiative (GRI) standards. The report is integrated in Varma's online annual report, which will be published in March.

### Ethical and sustainable business

In its Code of Conduct, Varma commits to, among other things, operating responsibly and sustainably, promoting human rights, combating the grey economy and bribery, and avoiding conflicts of interest. The Code of Conduct establishes anti-bribery and anti-corruption practices concerning, for example, offering and accepting gifts and hospitality. An online course, which is organised every two years, helps assimilate the Code of Conduct. The online

course that was organised at the end of 2022 was completed by 92 per cent of Varma employees.

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. The reports are processed confidentially by the Whistleblowing team, which is made up of the representatives of the compliance function and Internal Audit. In 2022, a total of nine reports were received through the channel. None of these concerned misconduct referred to in the directive. Three of the reports concerned disability pensions that were possibly granted on false grounds, and in two reports, investment decisions by Varma were criticised. Individual reports were also submitted relating to, for example, the insurance physician activities.

### 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 the processing of pension applications so that its customers receive a decision on their pension as quickly as possible. In 2022, the average processing time for all pension applications was 16 (19) days. 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 2022, the first pension was paid within the target period to 89.3 (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 2022, the average disability pension contribution category of Varma's client companies was 3.4 (3.4). Of Varma's vocational rehabilitation customers who have started a rehabilitation programme, 82 (80) per cent returned to working life during the year.

In 2022, Varma rejected 40.4 (39.4) per cent of new disability pension applications. The corresponding rate for the private earnings-related pension sector was 38.1 (37.7) per cent. The Pension Appeal Board changed Varma's disability pension decisions in 10.3 (13.1) per cent of the cases it handled. The corresponding rate for the entire private sector was 9.4 (10.6) per cent.

### Responsibility for Varma employees

Varma takes care of the work ability, competence, and equal and non-discriminatory treatment of its personnel. In 2022, we brought together Varma's HR practices and guidelines. They describe areas such as leadership, HR planning, recruiting, pay and rewards, competence and development, diversity, equality and non-discrimination, as well as occupational safety, work ability and employer-employee co-operation.

In 2022, we shifted to hybrid work at Varma which means meeting each other face-to-face and remotely. Varma developed an agile operating

culture, offered Varma employees good conditions for maintaining their work ability and ensured that supervisory work is at a good, consistent level.

The annual PeoplePower Index, measuring Varma employees' satisfaction and engagement, was 78.5 (76.8) in 2022. With its best-ever result, Varma made it onto the list of Finland's Most Inspiring Workplaces for the fifth time in a row.

Varma focusses on occupational safety and maintaining its employees' work ability. We manage the disability risk identification process through occupational health and safety (OHS) activities and the OHS organisation, comprehensive occupational health care and co-operation between supervisors and HR. OHS work focusses on leadership, the workplace atmosphere, work management and adapting to change through measures to prevent psychological stress. In the 2022 employee survey, the work ability index of Varma employees was 80.1 (79.7).

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 results of the survey conducted late in 2022 were excellent, indicating consistent improvement in the experience of equality and non-discrimination. The biggest positive development can be seen in gender equality as regards pay, career opportunities, and training and study opportunities. Our active, continuous work to promote equality and non-discrimination, along with Pride co-operation and promoting the rights of sexual and gender minorities received special recognition. Areas in need of improvement include attending to the equality of employees of different ages and

in different family situations. A new equality and non-discrimination plan for 2023–2024 will be drawn up on the basis of the survey results.

### Respect for human rights

Varma is committed to respecting human rights and operating in accordance with the United Nations Guiding Principles on Business and Human Rights. Varma requires the same from its supply chain. Varma's operations have a key impact on the realisation of human rights with respect to three groups: the company's investees, personnel and supply chain.

In 2022, Varma carried out a survey on the realisation of human rights in its investments, its own operations and the supply chain with the aim of comprehensively identifying, preventing and mitigating any negative human rights impacts from Varma's operations and addressing them more effectively. As the outcome of the assessment, we drew up Principles for Human Rights in which we commit to address violations of human rights.

In our investments, we assessed human rights risks and impacts on different continents, in various industries, and particularly in private equity, infrastructure and hedge funds, and real estate funds. In the fund survey we looked into whether the fund's sustainability policy is aligned with the UN Global Compact and whether the fund has a human rights policy or human rights-related principles. We also determined how the funds take human rights into account when investment decisions are made. Various human rights risks and impacts are highlighted in different industries and geographical areas. We examined possible

and actual human rights violations in terms of the location of the companies' main office and the incident in question. Russia's war of aggression against Ukraine brought the sustainability of governments' actions under scrutiny in a new way. Varma took an even closer look at human rights risks related to geographical areas and governments. Governments' human rights violations are monitored using the UN's SDG index.

In our human rights assessment, we also identified human rights risks and impacts affecting our own personnel. Varma has practices and processes in place for addressing violations concerning the company's own personnel.

The value chain human rights survey was carried out by sector, because Varma's purchases are focussed on Finland. The first tier of Varma's supply chain mainly covers Finland alone: of our purchases made in 2022, 98 per cent originated from Finland. The remaining 2 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 IT systems. Varma determined the sector distribution of the company's total purchases and used this information to assess the share of suppliers in sectors with high human rights risks, which was 0.3 per cent. The suppliers' compliance with the principles of the UN Global Compact was also surveyed.

The construction-related purchases required for Varma's real estate investments account for a major proportion of the total purchases, and therefore a separate human rights survey was carried out for real estate investments. The survey examined

the human rights risks related to raw materials, purchases and construction phase in the upstream supply and value chain of the real estate business. Significant human rights risks identified included aspects related to the origin of raw materials and the realisation of employees' human rights in the construction phase. Furthermore, the long supply and value chains related to construction increase the likelihood of human right risks being realised.

Besides assessing human rights, we have provided Varma employees with training in human rights responsibilities. The training efforts were targeted to functions where we have identified major human rights impacts.

### Responsible value chain management

Varma has analysed its value 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.

Varma has adopted a harmonised contract management system, which helps ensure that the supply chain sustainability requirements are taken into account in our contracts.

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, infrastructure 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.

### Evaluation of investees' responsibility and sustainability

Responsible investment takes key factors related to environmental (E), social (S) and governance (G) matters into account in investment decisions. From an investor's perspective, making allowances for sustainability does not conflict with return expectations. At Varma, the goal of responsible investment is to reduce risks and to identify investees that benefit from responsible operations as well as the

return potential of such investments. Responsibility influences our investment decisions alongside financial factors. Varma's principles for responsible investment cover all asset classes and are applied differently depending on the asset class and type of investment. In analysing responsibility, Varma focusses on the most material responsibility aspects related to the specific industry and asset class.

Varma expects its investees to comply with local legislation and international standards and agreements, typically the principles of the UN Global Compact initiative on corporate sustainability, and to respect human 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 investments other than direct investments, such as in index funds, Varma requires that they do not contain companies that operate in those industries or strives to engage with them with the aim of excluding such industries. In our climate policy for investments, we have excluded investments in companies with coal- or lignite-based operations accounting for more than 10 per cent of their net sales, production or production capacity.

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. Varma's share ownership policy was updated in 2022. The policy describes Varma's action as a shareholder in both Finnish and foreign companies. In the updated policy, Varma

encourages transparent remuneration practices and appropriate reward systems. Additionally, Varma encourages our investees to report their remuneration metrics in a way that clearly shows what the remuneration is based on. Varma also expects the relative weights of the different metrics to be reported. Furthermore, Varma sees it as a positive development that material and measurable sustainability criteria are adopted.

The policy highlights the importance of the controlled renewal and continuity planning of the board. Successor planning is particularly important when it comes to the board's chair. The normal recommended term for a member of the board of directors is six to ten years.

Varma requires that share issue authorisations which are significant in terms of size and are sought for general use do not, as a general rule, include authorisation for a directed share issue without more precise specification of the intended use of the directed share issue. The share issue authorisation is significant if it covers more than 10 per cent of the company's share capital. Varma's stance is that a share issue authorisation should not exceed 10 per cent without justifiable grounds.

In 2022, Varma was represented in the shareholders' nomination boards of 25 companies and participated in the annual general meetings of 100 Finnish companies and 266 foreign companies.

In 2022, Varma continued to develop the systematic identification and monitoring of sustainability risks. We started to enter possible and likely sustainability risks into our risk management system. Sustainability risks are discussed four times a year by the Investment Operations' management

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

Climate change is one of the most significant sustainability risks that investors must prepare for. Climate change entails both physical and transition risks, which have an impact on the value of investments. Physical risks are divided into acute and chronic risks. These include the challenges that climate change poses to companies and society, such as unexpected damage caused by extreme weather events or the depletion of natural resources in the longer term. Transition risks refer to changes, for example, in regulation, technology and consumer behaviour that the transition to a lower-carbon economy entails.

In addition to analysing climate-related risks, Varma monitors other sustainability risks by striving to identify adverse business interests and violations of international agreements and norms. In 2022, Varma updated the company's norm violation process in order to increase the efficiency of identifying and monitoring possible and likely sustainability risks.

### 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 value 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.

Mitigating climate change is one of the main goals of Varma's responsible investment. The goal is that, in future, taking biodiversity into consideration will guide Varma's environmental sustainability on an equal footing with climate targets.

### Overall picture of Varma's climate impacts

Varma's goal is to develop its portfolio towards carbon neutrality in 2020–2035. In 2022, Varma performed for the second time a scope 3 emissions calculation, i.e. assessed the emissions of the value chain and formed an overall picture of the emissions. Varma's scope 3 calculation complies with the Greenhouse Gas (GHG) protocol, and it covers the years 2021 and 2022.

Varma's own direct scope 1 emissions include company cars' fuel. 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 greenhouse gas emissions are caused by the value chain, or scope 3 emissions.

Varma's scope 3 emissions included in the calculation were dominated by category 15, i.e. the emissions of the investment portfolio, and the weight of the other emission categories was as a whole low, below 5 per cent. Of the scope 3 emissions, 98 per cent were caused by the investees' emissions. As regards investments, the calculation included Varma's listed equities, listed corporate bond investments, private equity and infrastructure investments, hedge funds, real estate funds and unlisted corporate bonds. Direct real estate investments

have been reported as part of Varma's scope 1 + 2 emissions.

### Climate-change-related opportunities: climate-friendly investment 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, who have a clear strategic and science-based target of reducing greenhouse gas emissions and whose operations offer carbon sinks or carbon capture. Our target is for the climate allocation to represent 25 per cent of the investment portfolio by 2025. The allocation accounted for 24.2 (18.2) per cent of the entire investment portfolio at the end of 2022.

### 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).

In 2022, all asset classes, with the exception of government bonds and derivatives, were included in the carbon footprint calculation of investments, which covered 93 per cent of the market value of our investment portfolio.

In accordance with the climate policy that was updated in 2022, Varma's goal is to reduce the

absolute scope 1 and 2 emissions of the investment portfolio by 25 per cent by 2025. At the end of 2022, the absolute emissions were down 11 per cent compared to 2021.

We also aim to reduce the weighted carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue, from the 2016 level as follows: 30 per cent by 2023, 40 per cent by 2025 and 50 per cent by 2027. The carbon intensity of listed equity investments was down 16 per cent compared to the 2016 level, but in comparison to 2021, the carbon intensity was up 19 per cent. The carbon intensity significantly increased as a result of an M&A, carried out in 2022, by a single carbon-intensive investee company that increased the company's calculated emissions in relation to its turnover. Without this M&A, the weighted carbon intensity of listed equity investments would have been down 33 per cent compared to 2016. At year-end 2022, the weighted carbon intensity of Varma's equity portfolio was lower than that of the global equity market. In listed corporate bonds, the carbon intensity was down 8 per cent compared to 2016 but was up 19 per cent compared to 2021. The main reason for the increase in the weighted carbon intensity is an improvement in the emissions data for listed corporate bonds, especially in higher risk bond investments. The indicator used by Varma, weighted carbon intensity, is sensitive to individual emission-intensive companies. Therefore, a single company causing significant emissions may have a major impact on the entire portfolio's indicator. For us to reach our climate targets, such investee companies need to implement significant emission

reductions or, alternatively, we need to reduce our holding in them.

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.

### **Negative screening and enhanced ESG monitoring**

For ethical reasons, Varma has excluded 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 investments other than direct investments, such as in index funds, Varma requires that they do not contain companies that operate in those industries or strives to engage with them with the aim of excluding such industries.

In our climate targets, which were tightened in 2022, we exclude investments in companies with coal- or lignite-based operations accounting for more than 10 per cent of their net sales, production or production capacity. Varma is committed to exiting from thermal coal investments by 2025 and from oil exploration by 2030. At the end of 2022, 0.3 per cent of Varma's listed investments was in oil exploration companies, and 2 per cent was in companies that rely on coal for more than 5 per cent of their operations.

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.

In 2022, Varma started to prepare for the exclusion of intermediaries that finance fossil fuels. This means that Varma monitors the amount of financing that banks acting as our intermediaries provide to companies that rely on coal or oil in their operations. Through monitoring and possibly negative screening, our objective is to persuade banks to stop financing polluting forms of energy.

### **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 2 (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 (100) per cent. Taxonomy-eligible operating expenses accounted for 1 (2) per cent of total operating expenses.

Earnings-related pension insurance companies provide taxonomy-related information in a table. Varma's reporting on taxonomy eligibility covers technical screening criteria for contributing substantially to climate change mitigation, drawing on real properties' energy certificates, which is not sufficient evidence of taxonomy eligibility. In the coming years, Varma will expand the assessment to cover compliance with the safeguards and will carry out a climate risk review on a number of real properties.

Proportion of turnover from products or services related to taxonomy-aligned economic activities – information for 2022



**Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022**

Economic activities (1)	Codes (2)	Absolute CapEx (3) Million €	Proportion of CapEx (4) %	Substantial contribution criteria							DNSH Criteria (DNSH:Does not Significantly Harm)							Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of CapEx, year 2022 (18) Percent	Taxonomy-aligned proportion of CapEx, year 2021 (19) Percent	Category (enabling activity) (20) E	Category (enabling activity) (21) T
				Climate change of mitigation (5) %	Climate change adaption (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosys-tems (10) %	Climate change miti-gation (11) Y/N	Climate change adoption (12) Y/N	Water and marine re-sources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosys-tems (16) Y/N							
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																						
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																						
Real estate business	L68	0	0%																			
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>	L68	0	0%																0%			
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																						
Real estate business	L68	71	100%																			
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>	L68	71	100%																			
<b>Total (A.1 + A.2)</b>		71	100%																0%			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																						
Turnover of Taxonomy-non-eligible activities (B)	L68	0	0%																			
<b>Total (A + B)</b>	L68	71	100%																			

(1) Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore Activity 1 may be reported under both A1 and A2. However, only to proportion reported under A1 may be counted as Taxonomy-aligned in the CapEx KPI of the non-financial undertaking.

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.



### 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. The results are used, for instance, to help set climate targets.

In the climate risk analysis, a tool is 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 companies' business models and profitability. Assessing these impacts has been challenging using 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.

The analysis of Varma's equity investments shows that both negative and positive potential impacts are the greatest in scenarios in which the transition to a low-carbon society is the strongest. Compared to the global equity market, the largest relative difference is created in the 1.5-degree scenario (Carbon neutrality 2050), in which the impacts on Varma's equity investments would be significantly lower than on the global equity market. In a scenario in which the positive measures in terms of climate change are the smallest, the potential negative impacts on Varma's equity portfolio are larger than on the global equity market.

Varma has also made use of forward-looking data by analysing the estimated future scope 1, 2 and 3 emissions of its listed equity investments. Furthermore, Varma has analysed the amount of carbon dioxide emission companies can afford

to release in 2020–2070 in order to limit global temperature rise to below two degrees Celsius compared to the pre-industrial era by 2100. Based on the analysis, Varma's listed equity investments are aligned with a 2.40 degree temperature rise, whereas the corresponding figure for the global equity market is 2.88.

### 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.

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.

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.

### Attending to biodiversity

A preliminary analysis of the biodiversity of Varma's investment portfolio was carried out in 2020. The work was continued in 2021 by exploring the risks,

from an investor's perspective, that biodiversity loss presents for different industries. We also looked into the measures that companies could employ to mitigate biodiversity loss.

In 2022, Varma created a Biodiversity Roadmap, with the purpose of creating a framework for responsible investment requirements, policies and goals that prevent biodiversity loss. The roadmap applies to the entire investment portfolio, and it is divided into five focus areas: sector risk assessment, impact analysis, real estate portfolio's biodiversity guidelines, engagement, and external and internal reporting.

In 2023, Varma will create a policy that will steer the company's biodiversity work and complement its climate policy. The policy will include qualitative and quantitative targets, asset-class-specific principles, means of engagement and reporting practices.

Varma aims to report according to the Task Force on Nature-related Financial Disclosures' (TNFD) global biodiversity-related disclosure framework for the first time for 2024.

# Financial Statements 31 Dec 2022

## Income statement

1 Jan–31 Dec, € million	Notes	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
<b>Technical account</b>					
Premiums written	1	<b>6,118.6</b>	5,634.6	<b>6,118.6</b>	5,634.6
Investment income	3	<b>8,552.1</b>	8,040.7	<b>8,526.1</b>	8,021.3
Claims incurred					
Claims paid	2	<b>-6,275.2</b>	-6,014.9	<b>-6,275.2</b>	-6,014.9
Total change in provision for claims outstanding		<b>-2,898.1</b>	-811.7	<b>-2,898.1</b>	-811.7
Portfolio transfers		<b>206.8</b>	50.7	<b>206.8</b>	50.7
		<b>-8,966.4</b>	-6,776.0	<b>-8,966.4</b>	-6,776.0
Change in provision for unearned premiums					
Total change		<b>2,771.9</b>	-3,691.0	<b>2,771.9</b>	-3,691.0
Portfolio transfers		<b>233.4</b>	70.5	<b>233.4</b>	70.5
		<b>3,005.3</b>	-3,620.6	<b>3,005.3</b>	-3,620.6
Operating expenses	4	<b>-68.9</b>	-67.1	<b>-68.9</b>	-67.1
Investment expenses	3	<b>-8,627.8</b>	-3,199.2	<b>-8,600.2</b>	-3,135.3
<b>Balance on technical account</b>		<b>12.8</b>	12.4	<b>14.4</b>	56.9
<b>Non-technical account</b>					
Balance on technical account		<b>12.8</b>	12.4	<b>14.4</b>	56.9
Share of associated companies' profit				<b>-4.4</b>	-0.9
Income taxes on ordinary activities					
Taxes for the financial year		<b>-4.4</b>	-5.6	<b>-4.4</b>	-5.6
<b>Profit/loss on ordinary activities after taxes</b>		<b>8.4</b>	6.8	<b>5.6</b>	50.4
Minority interest in the result for the financial year				<b>0.0</b>	0.0
<b>Profit/loss for the financial year</b>		<b>8.4</b>	6.8	<b>5.6</b>	50.5

**Balance sheet**

31 Dec, € million	Notes	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
<b>ASSETS</b>					
<b>Intangible assets</b>					
Other intangible assets	17	0.0	0.0	0.0	0.0
<b>Investments</b>					
Real estate					
Real estate and real estate shares	14	1,886.8	1,709.9	2,363.6	2,287.6
Loans to Group companies	14	522.9	662.4		
		2,409.7	2,372.3	2,363.6	2,287.6
Investments in Group companies and in participating interests					
Shares and participations in Group companies	13	4.3	4.3	0.4	0.4
Shares and participations in participating interests	13	35.9	46.8	34.7	58.5
		40.2	51.0	35.1	59.0
Other investments					
Shares and participations	16	32,185.8	31,356.6	32,200.0	31,371.2
Money-market instruments		5,357.4	5,893.6	5,357.4	5,893.6
Loans guaranteed by mortgages		159.2	177.8	159.2	177.8
Other loan receivables	18	1,564.5	1,610.0	1,564.5	1,610.0
		39,267.0	39,037.9	39,281.1	39,052.5
		41,716.9	41,461.2	41,679.9	41,399.1
<b>Receivables</b>					
Direct insurance operations					
Policyholders		690.3	625.4	690.3	625.4
Other receivables					
Other receivables		1,677.4	1,071.8	942.7	1,075.1
		2,367.6	1,697.2	1,633.0	1,700.5
<b>Other assets</b>					
Tangible assets					
Equipment	17	1.5	1.8	1.5	1.8
Other tangible assets	17	0.9	0.9	0.9	0.9
		2.4	2.7	2.4	2.7
Cash at bank and in hand					
		2,479.7	2,738.8	3,217.5	2,739.2
		2,482.1	2,165.5	3,219.8	2,165.9
<b>Prepayments and accrued income</b>					
Accrued interest and rent					
		60.5	55.4	59.3	55.2
Other prepayments and accrued income					
		52.9	6.7	54.1	8.9
		113.4	62.1	113.5	64.1
<b>TOTAL ASSETS</b>		<b>46,680.0</b>	45,962.0	<b>46,646.2</b>	45,905.6

**Balance sheet**

31 Dec, € million	Notes	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Basic capital					
		11.9	11.9	11.9	11.9
Other reserves					
		120.8	114.8	120.8	114.8
Profit/loss brought forward					
		3.9	3.1	-71.1	-115.5
Profit/loss for the financial year					
		8.4	6.8	5.6	50.5
	26	145.0	136.6	67.2	61.6
<b>Minority interest</b>					
				12.4	12.5
<b>Technical provisions</b>					
Provision for unearned premiums					
	23	22,355.9	25,106.3	22,355.9	25,106.3
Provision for claims outstanding					
	23	23,016.8	20,118.7	23,016.8	20,118.7
		45,372.7	45,225.0	45,372.7	45,225.0
<b>Liabilities</b>					
Direct insurance operations					
		34.4	79.0	34.4	79.0
Other liabilities					
		900.0	378.9	931.2	384.8
		934.4	457.8	965.6	463.8
<b>Accruals and deferred income</b>					
		227.9	142.6	228.2	142.7
<b>TOTAL LIABILITIES</b>		<b>46,680.0</b>	45,962.0	<b>46,646.2</b>	45,905.6

**Statement of source and application of funds**

1 Jan–31 Dec, € million	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
<b>Cash flow from operations</b>				
Profit/loss on ordinary activities	12.8	12.4	14.4	56.9
Adjustments				
Changes in technical provisions	147.7	4,499.3	147.7	4,499.3
Impairments and revaluations on investments	1,633.1	-214.9	1,621.9	-215.0
Depreciation according to plan	17.0	11.1	80.9	32.3
Capital gain and loss	-504.4	-3,298.1	-514.9	-3,303.6
Cash flow before change in working capital	1,306.2	1,009.9	1,350.1	1,070.0
Change in working capital:				
"Increase (-) / decrease (+) in non-interest-bearing short-term receivables"	-145.8	-1,097.5	594.1	-1,096.6
"Increase (-) / decrease (+) in non-interest-bearing short-term debts"	561.9	-407.9	587.3	-399.7
Cash flow from operations before taxes	1,722.3	-495.5	2,531.5	-426.3
Direct taxes paid	-4.4	-5.6	-4.4	-5.6
<b>Cash flow from operations</b>	<b>1,717.9</b>	<b>-501.0</b>	<b>2,527.1</b>	<b>-431.9</b>
<b>Cash flow from investments</b>				
Net investments and proceeds from asset sales	-1,401.0	864.1	-1,472.8	795.0
Investments and gains on intangible, tangible and other assets	0.0	0.0	0.0	0.0
<b>Cash flow from investments</b>	<b>-1,401.0</b>	<b>864.1</b>	<b>-1,472.9</b>	<b>795.0</b>
<b>Cash flow from financing</b>				
Interest paid on guarantee capital and other profit distribution	0.0	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Change in financial resources</b>	<b>316.9</b>	<b>363.1</b>	<b>1,054.3</b>	<b>363.1</b>
<b>Financial resources, 1 Jan</b>	<b>2,162.8</b>	<b>1,799.8</b>	<b>2,163.2</b>	<b>1,800.1</b>
<b>Financial resources, 31 Dec</b>	<b>2,479.7</b>	<b>2,162.8</b>	<b>3,217.5</b>	<b>2,163.2</b>

# 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 per cent 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 103 (110) 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 per cent shareholding but holds over 50 per cent 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 per cent of the guarantee capital and 25 per cent 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 2022.

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 maturity 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.

## Change in the presentation of the balance sheet

The presentation of the balance sheet in terms of collateral given in relation to derivative transactions has been changed during the financial year. They were previously entered under the item 'Cash at bank and in hand'. Now, given collateral is presented under the item 'Other receivables'. The change does not affect the assessment of the company's result and financial position. The breakdown of the previous year's balance sheet has been changed to match the breakdown for 2022.

## 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 25).

**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 clearing 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 the insurance portfolio of one company pension fund during the financial year. Varma did not make insurance portfolio transfers to company pension funds during the financial year.

**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 and pension 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. 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 accordance 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 current 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 the note '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 2022

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

Asunto Oy Helsingin Kutomotie 7

Asunto Oy Helsingin Pitskun Ateljee

As. Oy Helsingin Pitäjänmäen Asunnot

## The following 100 companies are included as subsidiaries in Varma's consolidated financial statements:

As Oy Lahden Vilhon Vaakuna

As. Oy Espoon Amiraali

As. Oy Jyväskylän Spinetti

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 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 Järvenpään Bjarnenkuja 6

Asunto Oy Keravan Terhikintie 1

Asunto Oy Korkeavuorenkatu 2 a

Asunto Oy Lahden Massinhovi

Asunto Oy Lahden Massinpoiju

Asunto Oy Tampereen Nahkakuja 9

Asunto Oy Tampereen Nahkakuja 13

Asunto Oy Tampereen Näsijärvenkatu 3

Asunto Oy Tampereen Palatsinraitti 1

Asunto Oy Tampereen Satakunnankatu 22

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 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 Hatsinanpuisto AB

Kiinteistö Oy Hatsinanpuiston pysäköinti AB

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 Ratavartijankatu 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

Kiinteistö Oy Lönnrotinkatu 13

Kiinteistö Oy Mannerheimintien Pysäköintilaitos

Kiinteistö Oy Menotie 1

Kiinteistö Oy Nokian Nuijamiestentie 5

Kiinteistö Oy Ornant

# Group companies 31 Dec 2022

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

P-Turkuparkki Oy

Saimaan Kylpyläkiinteistöt Oy

Tampereen Kiinteistö Invest Oy

Tieto Esy Oy

## The following 10 real estate companies exited the Group during the year under review:

As Oy Kuokkalan Tahkonkartano

Asunto Oy Helsingin Kimmontie 3

Asunto Oy Jyväskylän Kiramo 4

Asunto Oy Lahden Kulmakatu 10

Asunto Oy Lahden Kulmakatu 12

Asunto Oy Oulun Lehmuskuja

Asunto Oy Tampereen Vihilahdenkontu

Asunto Oy Vantaan Kärjäkuja 1

Kiinteistö Oy Metsäpojankuja 1

Pitäjänmäen Kiinteistöt Oy

## The following two associates exited the Group during the year under review:

AlKiinteistö Oy Elocinkulma 1

Oulun Lehmusparkki Oy

## In addition, the Group comprises the following 17 associates:

Alcobendas Investments SL

Aros Bostad III AB

Aros Sundbyberg Holding AB

CMCV Kungens Kurva Holdco AB

Herding Yard Properties GP Oy

Kiinteistö Oy Pynnikin Parkki

Kiinteistö Oy Selloparkki

Kiinteistö Oy Suursuon Ostoskeskus

Leineläntien pysäköintikiinteistö Oy

NV Kiinteistösijoitus Oy

Näkin Pihapuistikko II 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 2022	Parent Company 2021	Group 2022	Group 2021
Direct business				
Basic insurance under TyEL				
Employer's share	<b>4,116.8</b>	3,762.0	<b>4,116.8</b>	3,762.0
Employee's share	<b>1,804.6</b>	1,687.5	<b>1,804.6</b>	1,687.5
	<b>5,921.4</b>	5,449.6	<b>5,921.4</b>	5,449.6
Supplementary pension insurance under TEL	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Insurance under minimum YEL cover	<b>199.2</b>	186.3	<b>199.2</b>	186.3
	<b>6,120.6</b>	5,635.9	<b>6,120.6</b>	5,635.9
Transition payment to the State Pension Fund	<b>-2.0</b>	-1.3	<b>-2.0</b>	-1.3
Premiums written before reinsurance	<b>6,118.6</b>	5,634.6	<b>6,118.6</b>	5,634.6
Premiums written <sup>1)</sup>	<b>6,118.6</b>	5,634.6	<b>6,118.6</b>	5,634.6
Credit loss on premium receivables				
TyEL	<b>8.2</b>	7.6	<b>8.2</b>	7.6
YEL	<b>1.9</b>	1.9	<b>1.9</b>	1.9
	<b>10.2</b>	9.5	<b>10.2</b>	9.5

<sup>1)</sup> Less credit loss

## 2. Claims paid

1 Jan–31 Dec, € million	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
Direct business				
Paid to pensioners				
Basic insurance under TyEL	<b>6,095.5</b>	5,848.4	<b>6,095.5</b>	5,848.4
Supplementary pension insurance under TEL	<b>80.9</b>	82.2	<b>80.9</b>	82.2
Insurance under minimum YEL cover	<b>314.7</b>	304.2	<b>314.7</b>	304.2
Supplementary pension insurance under YEL	<b>0.7</b>	0.8	<b>0.7</b>	0.8
	<b>6,491.9</b>	6,235.6	<b>6,491.9</b>	6,235.6
Compensation paid/received as regards clearing of PAYG pensions <sup>1)</sup>				
TyEL pensions	<b>8.8</b>	93.2	<b>8.8</b>	93.2
YEL pensions	<b>13.0</b>	6.9	<b>13.0</b>	6.9
Share of the Unemployment Insurance Fund contribution and cost distribution of pension components accrued on no-pay periods	<b>-153.7</b>	-236.2	<b>-153.7</b>	-236.2
YEL state share	<b>-120.4</b>	-117.7	<b>-120.4</b>	-117.7
VEKL state compensation	<b>-2.0</b>	-1.7	<b>-2.0</b>	-1.7
	<b>-254.2</b>	-255.6	<b>-254.2</b>	-255.6
	<b>6,237.6</b>	5,980.0	<b>6,237.6</b>	5,980.0
Claims handling expenses	<b>30.0</b>	25.8	<b>30.0</b>	25.8
Administrative costs for disability risk management <sup>2)</sup>	<b>7.5</b>	9.2	<b>7.5</b>	9.2
Claims paid before reinsurance	<b>6,275.2</b>	6,014.9	<b>6,275.2</b>	6,014.9
Total claims paid	<b>6,275.2</b>	6,014.9	<b>6,275.2</b>	6,014.9

<sup>1)</sup> 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.

<sup>2)</sup> In 2022, the administrative cost components totalled EUR 7.4 million, and EUR 7.4 million were transferred to claims incurred.

**3. Breakdown of net investment return**

<b>1 Jan–31 Dec, € million</b>	<b>Parent Company 2022</b>	Parent Company 2021	<b>Group 2022</b>	Group 2021
<b>Investment return</b>				
Returns on investments in Group companies				
Dividend	<b>0.3</b>	0.3		
	<b>0.3</b>	0.3		
Returns on investments in participating interests				
Dividend	<b>8.5</b>	0.2		
	<b>8.5</b>	0.2		
Returns on investments in real estate				
Interest				
Group companies	<b>20.9</b>	22.2		
Other than Group companies			<b>0.2</b>	0.4
Other returns				
Other than Group companies	<b>197.2</b>	175.0	<b>201.6</b>	183.2
	<b>218.1</b>	197.2	<b>201.8</b>	183.6
Returns on other investments				
Dividend	<b>1,439.8</b>	1,541.1	<b>1,439.9</b>	1,541.3
Interest	<b>340.6</b>	307.5	<b>340.6</b>	307.5
Other returns	<b>2,524.2</b>	845.2	<b>2,524.2</b>	845.2
	<b>4,304.6</b>	2,693.8	<b>4,304.8</b>	2,694.0
	<b>4,531.5</b>	2,891.4	<b>4,506.6</b>	2,877.6
Reversed impairment	<b>115.0</b>	548.3	<b>112.8</b>	537.3
Sales proceeds	<b>3,905.6</b>	4,601.0	<b>3,906.7</b>	4,606.5
Total	<b>8,552.1</b>	8,040.7	<b>8,526.1</b>	8,021.3
<b>Investment expenses</b>				
On real estate	<b>-147.6</b>	-154.0	<b>-78.8</b>	-80.0
On other investments	<b>-3,049.5</b>	-1,212.5	<b>-3,049.5</b>	-1,212.5
Interest and other expenses on debt capital	<b>-264.8</b>	-185.7	<b>-264.8</b>	-185.7
	<b>-3,461.9</b>	-1,552.2	<b>-3,393.1</b>	-1,478.2
Impairment and depreciation				
Impairment	<b>-1,748.1</b>	-333.4	<b>-1,734.7</b>	-322.3
Planned depreciation on buildings	<b>-16.7</b>	-10.6	<b>-80.5</b>	-31.9
	<b>-1,764.7</b>	-344.1	<b>-1,815.3</b>	-354.2
Sales losses	<b>-3,401.2</b>	-1,303.0	<b>-3,391.8</b>	-1,303.0
Total	<b>-8,627.8</b>	-3,199.2	<b>-8,600.2</b>	-3,135.3
<b>Net investment return in the income statement</b>	<b>-75.7</b>	4,841.5	<b>-74.1</b>	4,886.0
Net investment return in the income statement includes other foreign exchange gains and losses of investment operations	<b>-669.0</b>	-54.8	<b>-669.0</b>	-54.8

**4. Operating expenses in the income statement**

<b>1 Jan–31 Dec, € million</b>	<b>Parent Company 2022</b>	Parent Company 2021	<b>Group 2022</b>	Group 2021
Insurance policy acquisition costs				
Direct business commissions	<b>2.0</b>	1.6	<b>2.0</b>	1.6
Other insurance policy acquisition costs	<b>11.9</b>	14.4	<b>11.9</b>	14.4
	<b>13.8</b>	16.1	<b>13.8</b>	16.1
Portfolio administration expenses	<b>26.0</b>	24.0	<b>26.0</b>	24.0
Administrative expenses				
Statutory charges				
Finnish Centre for Pensions' share	<b>8.7</b>	9.1	<b>8.7</b>	9.1
Judicial administration fee	<b>0.8</b>	0.9	<b>0.8</b>	0.9
Financial Supervisory Authority supervision fee	<b>1.0</b>	1.0	<b>1.0</b>	1.0
	<b>10.6</b>	11.0	<b>10.6</b>	11.0
Other administrative expenses	<b>18.4</b>	16.0	<b>18.4</b>	16.0
	<b>68.9</b>	67.1	<b>68.9</b>	67.1

**5. Overall operating expenses by function**

<b>1 Jan–31 Dec, € million</b>	<b>Parent Company 2022</b>	Parent Company 2021	<b>Group 2022</b>	Group 2021
Claims paid				
Claims handling expenses	<b>30.0</b>	25.8	<b>30.0</b>	25.8
Disability risk management expenses	<b>7.5</b>	9.2	<b>7.5</b>	9.2
	<b>37.6</b>	34.9	<b>37.6</b>	34.9
Operating expenses	<b>68.9</b>	67.1	<b>68.9</b>	67.1
Investment management charges				
Expenses on real estate	<b>7.6</b>	6.9	<b>7.6</b>	6.9
Expenses on other investments	<b>22.3</b>	20.7	<b>22.3</b>	20.7
	<b>29.9</b>	27.6	<b>29.9</b>	27.6
Total operating expenses	<b>136.4</b>	129.6	<b>136.4</b>	129.6

**6. Personnel expenses**

<b>1 Jan–31 Dec, € million</b>	<b>Parent Company 2022</b>	Parent Company 2021	<b>Group 2022</b>	Group 2021
Salaries and remunerations	<b>46.3</b>	43.6	<b>48.1</b>	45.8
Pension expenses	<b>8.2</b>	7.1	<b>8.5</b>	7.5
Other personnel-related expenses	<b>2.3</b>	2.1	<b>2.3</b>	2.2
Total	<b>56.8</b>	52.8	<b>58.9</b>	55.5

**7. Management salaries and remunerations**

<b>1 Jan–31 Dec, € million</b>	<b>Parent Company 2022</b>	Parent Company 2021	<b>Group 2022</b>	Group 2021
President and CEO	<b>0.9</b>	0.7	<b>0.9</b>	0.7
Members and deputy members of the Board of Directors	<b>0.5</b>	0.5	<b>0.5</b>	0.5
Members of the Supervisory Board	<b>0.2</b>	0.2	<b>0.2</b>	0.2
Total	<b>1.6</b>	1.4	<b>1.6</b>	1.4
Average number of personnel during the financial year	<b>531</b>	527	<b>559</b>	563

President & CEO Risto Murto was paid EUR 923 176 in salary and fringe benefits. President & CEO Murto's retirement age will be 65 years.

**8. Auditors' fees**

<b>1 Jan–31 Dec, € million</b>	<b>Parent Company 2022</b>	Parent Company 2021	<b>Group 2022</b>	Group 2021
<b>Ernst &amp; Young Oy</b>				
Audit fees	<b>0.3</b>	0.2	<b>0.3</b>	0.2
Taxation advice	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Other fees	<b>0.0</b>	0.1	<b>0.0</b>	0.1
<b>Other audit firms</b>				
Taxation advice	<b>0.6</b>	0.4	<b>0.6</b>	0.4
Other fees	<b>0.2</b>	0.6	<b>0.2</b>	0.6

**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 2022	Book value 2022	Fair value 2022	Remaining acquisition cost 2021	Book value 2021	Fair value 2021
Real estate investments						
Real estate	574.3	584.4	756.7	467.0	477.1	634.0
Real estate shares in Group companies	1,295.0	1,295.0	1,897.3	1,224.6	1,224.6	1,808.0
Other real estate shares	7.5	7.5	7.5	8.2	8.2	8.3
Loans to Group companies	445.7	445.7	445.7	448.6	448.6	448.6
Loans to real estate companies	77.2	77.2	77.2	213.7	213.7	213.7
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	35.9	35.9	35.9	46.8	46.8	47.7
Other investments						
Shares and participations	32,185.8	32,185.8	42,880.7	31,356.6	31,356.6	44,750.5
Money-market instruments	5,357.4	5,357.4	5,297.3	5,893.6	5,893.6	6,108.7
Loans guaranteed by mortgages	159.2	159.2	159.2	177.8	177.8	177.8
Other loan receivables	1,564.5	1,564.5	1,565.4	1,610.0	1,610.0	1,610.9
	41,706.8	41,716.9	53,127.2	41,451.1	41,461.2	55,812.5
<b>The remaining acquisition cost of money-market instruments includes:</b>						
The difference between the nominal value and acquisition cost, released (+) or charged (-) to interest income	-37.7			-37.6		
Book value includes						
Revaluations entered as income		10.1			10.1	
Valuation difference (difference between fair value and book value)			11,410.3			14,351.3
Non-hedging derivatives		-205.0	13.2		-74.0	-9.3
Valuation difference (difference between fair value and book value)			218.2			64.7

## 11. Investments at fair value and valuation differences, Group

31 Dec, € million	Remaining acquisition cost 2022	Book value 2022	Fair value 2022	Remaining acquisition cost 2021	Book value 2021	Fair value 2021
Real estate investments						
Real estate	2,346.0	2,356.2	3,166.0	2,269.3	2,279.4	3,093.1
Other real estate shares	7.5	7.5	7.5	8.2	8.2	8.3
Investments in Group companies						
Shares and participations	0.4	0.4	0.9	0.4	0.4	0.9
Investments in participating interests						
Shares and participations	34.7	34.7	35.9	58.5	58.5	47.7
Other investments						
Shares and participations	32,200.0	32,200.0	42,894.9	31,371.2	31,371.2	44,765.1
Money-market instruments	5,357.4	5,357.4	5,297.3	5,893.6	5,893.6	6,108.7
Loans guaranteed by mortgages	159.2	159.2	159.2	177.8	177.8	177.8
Other loan receivables	1,564.5	1,564.5	1,565.4	1,610.0	1,610.0	1,610.9
	41,669.8	41,679.9	53,127.2	41,389.0	41,399.1	55,812.5
<b>The remaining acquisition cost of money-market instruments includes:</b>						
The difference between the nominal value and acquisition cost, released (+) or charged (-) to interest income	-37.7			-37.6		
Book value includes						
Revaluations entered as income		10.1			10.1	
Valuation difference (difference between fair value and book value)			11,447.3			14,413.4
Non-hedging derivatives		-205.0	13.2		-74.0	-9.3
Valuation difference (difference between fair value and book value)			218.2			64.7

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

31 Dec 2022, € million

<b>Shares and participations in Group companies</b>	
Acquisition cost, 1 Jan	4.3
Acquisition cost, 31 Dec	4.3
<b>Shares and participations in Group companies</b>	
Acquisition cost, 1 Jan	46.8
Increase	1.1
Decrease	-12.0
Acquisition cost, 31 Dec	35.9

**Shares and participations in Group companies**

31 Dec 2022	Domicile	Shares	Votes	Book value € million
Tieto Esy Ltd	Helsinki	14.36%	50.10%	0.9
Osakevarma Oy	Helsinki	100.0%	100.0%	3.3
				4.3
Housing associations and real estate companies				1,295.0

**Shares and participations in participating interests**

31 Dec 2022	Domicile	Shares	Votes	Book value € million
Alcobendas Investments SL	Madrid	50.00%	50.00%	29.4
Aros Bostad III AB	Stockholm	35.09%	35.09%	0.0
Aros Sundbyberg Holding AB	Stockholm	48.40%	48.40%	6.3
CMCV Kungenskurva HoldCo AB	Stockholm	44.95%	45.00%	0.1
Herding Yard Properties GP Oy	Helsinki	31.00%	31.00%	0.0
NV Kiinteistösjointus Oy	Helsinki	45.00%	45.00%	0.0
Spektri Kiinteistöt GP Oy	Helsinki	24.70%	24.70%	0.0
Vantaan Valo GP Oy	Helsinki	50.00%	50.00%	0.0
VVT Kiinteistösjointus Oy	Helsinki	45.00%	45.00%	0.0
				35.9
Housing associations and real estate companies				5.1

**13. Investments in Group companies and participating interests, Group**

31 Dec 2022, € million

<b>Shares and participations in Group companies</b>	
Acquisition cost, 1 Jan	0.4
Increase	0.0
Decrease	0.0
Acquisition cost, 31 Dec	0.4
<b>Shares and participations in participating interests</b>	
Acquisition cost, 1 Jan	58.5
Increase	1.1
Decrease	-25.0
Acquisition cost, 31 Dec	34.7

**Shares and participations in Group companies**

31 Dec 2022	Domicile	Shares	Votes	Book value € million
Tieto Esy Ltd	Helsinki	14.36%	50.10%	0.4
				0.4

**Shares and participations in participating interests**

31 Dec 2022	Domicile	Shares	Votes	Book value € million
Alcobendas Investments SL	Madrid	50.00%	50.0%	24.7
Aros Bostad III AB	Stockholm	35.09%	35.1%	12.7
Aros Sundbyberg Holding AB	Stockholm	48.40%	48.4%	6.3
CMCV Kungenskurva HoldCo AB	Stockholm	44.95%	45.0%	-9.0
Herding Yard Properties GP Oy	Helsinki	31.00%	31.0%	0.0
NV Kiinteistösjointus Oy	Helsinki	45.00%	45.0%	0.0
Spektri Kiinteistöt GP Oy	Helsinki	24.70%	24.0%	0.0
Vantaan Valo GP Oy	Helsinki	50.00%	50.0%	0.0
VVT Kiinteistösjointus Oy	Helsinki	45.00%	40.0%	0.0
				34.7
Housing associations and real estate companies				10.6

**14. Changes in investments in real estate**

<b>31 Dec 2022, € million</b>	<b>Parent Company Real Estate and real estate shares</b>	<b>Parent Company Loans to Group companies</b>	<b>Group Real Estate and real estate shares</b>
Acquisition cost, 1 Jan	<b>2,174.6</b>	<b>662.4</b>	<b>3,486.0</b>
Increase	<b>262.1</b>	<b>57.2</b>	<b>198.6</b>
Decrease	<b>-85.6</b>	<b>-196.7</b>	<b>-128.6</b>
Acquisition cost, 31 Dec	<b>2,351.0</b>	<b>522.9</b>	<b>3,556.0</b>
Accumulated depreciation, 1 Jan	<b>-217.3</b>		<b>-984.1</b>
Accumulated depreciation on deductions and transfers	<b>10.0</b>		<b>79.9</b>
Depreciation for the financial year	<b>-16.7</b>		<b>-74.8</b>
Accumulated depreciation, 31 Dec	<b>-224.0</b>		<b>-979.1</b>
Impairments, 1 Jan	<b>-257.4</b>		<b>-224.5</b>
Impairments on deductions and transfers	<b>20.3</b>		<b>8.9</b>
Impairments for the financial year	<b>-17.0</b>		<b>-15.6</b>
Reversed impairment	<b>3.8</b>		<b>7.8</b>
Impairments, 31 Dec	<b>-250.3</b>		<b>-223.4</b>
Revaluations, 1 Jan	<b>10.1</b>		<b>10.1</b>
Revaluations, 31 Dec	<b>10.1</b>		<b>10.1</b>
Book value, 31 Dec	<b>1,886.8</b>	<b>522.9</b>	<b>2,363.6</b>

**15. Real estate investments in own use**

<b>31 Dec 2022, € million</b>	<b>Parent Company</b>	<b>Group</b>
Remaining acquisition cost	<b>59.4</b>	<b>59.4</b>
Book value	<b>59.4</b>	<b>59.4</b>
Fair value	<b>74.4</b>	<b>74.4</b>

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

31 Dec 2022	Shares %	Book value € million	Market value € million
<b>Listed equities</b>			
<b>Finland</b>			
Administer Plc	2.4	0.9	0.9
Aktia Pankki plc	1.6	6.7	12.0
Alma Media Corporation	6.8	26.0	51.8
Anora Group Plc	3.0	14.9	14.9
Aspo Plc	4.5	6.0	11.6
Atria Plc	1.9	4.8	4.8
Bittium Corporation	3.8	5.4	5.4
CapMan Plc	2.3	9.0	9.9
Cargotec Corporation	1.0	25.8	26.9
Caverion Corporation	6.5	48.7	62.6
Componenta Corporation	4.3	1.0	1.0
Consti Plc	2.2	1.6	1.9
Detection Technology Plc	3.5	2.7	8.6
Digia Plc	4.6	4.8	7.1
Digital Workforce Services Plc	2.9	1.2	1.2
Duell Corporation	4.6	2.5	2.5
Elisa Corporation	1.9	39.2	153.0
Enento Group Plc	1.4	7.4	7.4
Etteplan Oyj	3.9	3.3	14.3
Faron Pharmaceuticals Ltd	3.2	3.5	6.4
Finnair Plc	2.2	12.0	12.0
Fiskars Corporation	2.0	12.4	25.6
Fortum Corporation	1.6	226.5	226.5
Glaston Corporation	7.5	5.7	5.7
Gofore Plc	3.3	3.3	11.7
Harvia Plc	0.4	1.4	1.4
HKScan Corporation	4.9	4.2	4.2
Honkarakenne Oyj	3.6	0.6	1.0
Huhtamaki Oyj	3.7	128.9	128.9
Kemira Oyj	2.3	45.0	50.6
Kempower Corporation	4.1	18.4	48.7
Kesko Corporation	1.1	28.5	88.8
Kesla Oyj	4.4	0.6	0.6

31 Dec 2022	Shares %	Book value € million	Market value € million
Kojamo plc	7.8	21.1	268.2
Konecranes Plc	2.3	48.1	51.6
KONE Corporation	1.5	356.4	374.7
Koskisen Corporation	3.5	5.0	5.1
Kreate Group Plc	4.0	2.9	2.9
Lamor Corporation Plc	1.7	2.1	2.1
Lassila & Tikanoja Plc	1.9	7.8	7.8
Leaddesk Plc	3.1	1.4	1.4
Lifeline SPAC I Plc	7.2	9.0	9.0
Marimekko Corporation	4.7	3.4	17.0
Metsä Board Corporation	4.9	41.1	154.6
Modulight Corporation	7.7	6.1	6.1
Musti Group Plc	4.5	23.8	23.8
Nanoform Finland Plc	3.9	9.5	9.5
Neste Corporation	1.4	277.3	470.9
Nixu Corporation	3.5	1.2	1.9
NoHo Partners Plc	1.3	1.2	1.8
Nokian Tyres Plc	2.7	35.9	35.9
Nokia Corporation	1.3	326.3	326.3
Nordea Bank Abp	1.1	349.4	401.5
Nordic Lights Ltd	1.9	1.7	1.7
Olvi Plc	4.0	17.6	27.3
Oma Savings Bank Plc	0.7	1.4	3.7
Oriola Corporation	4.2	12.9	13.6
Orion Corporation	1.9	108.0	139.4
Orthex Corporation	3.6	3.0	3.0
Outokumpu Oyj	4.8	104.1	104.1
Metso Outotec Oyj	2.7	135.2	219.9
Ponsse Plc	1.4	1.6	9.8
Purmo Group Plc	2.3	8.2	8.2
Raisio Plc	3.3	13.1	13.1
Remedy Entertainment Plc	1.1	3.3	3.3
Robit Plc	9.7	5.4	5.4
Rovio Entertainment Corporation	0.5	2.3	2.3
Sampo Plc	4.3	174.9	1,088.6

31 Dec 2022	Shares %	Book value € million	Market value € million
Sanoma Corporation	1.7	27.5	27.5
Siili Solutions Plc	4.0	2.8	5.2
Sitowise Group Plc	1.8	3.3	3.3
Solteq Plc	8.0	1.9	1.9
Solwers Plc	4.3	1.8	1.8
Spinnova Plc	1.0	2.9	2.9
SRV Group Plc	2.9	1.8	1.8
SSH Communications Security Corporation	1.9	1.7	1.7
Stockmann Plc	8.1	24.9	24.9
Stora Enso Oyj	0.8	72.8	86.6
Suominen Corporation	2.9	3.8	5.0
Teleste Corporation	2.8	1.8	1.8
Terveystalo Plc	17.4	138.4	138.4
TietoEVRY Corporation	0.5	13.8	14.7
Tokmanni Group Corporation	4.2	20.0	27.8
UPM-Kymmene Corporation	1.9	288.7	351.8
Uponor Corporation	3.2	22.5	38.6
Valmet Corporation	3.6	135.3	169.4
Verkkokauppa.com Oyj	8.5	11.0	11.0
Viafin Service Oyj	3.3	0.8	1.6
Vincit Plc	6.0	4.2	4.2
Wärtsilä Corporation	5.4	151.1	250.9
WithSecure Corporation	2.3	4.9	5.4
YIT Corporation	5.7	29.4	29.4
<b>Other</b>		1.8	41.2
<b>Finnish equities, total</b>		3,793.4	6,073.9
<b>Foreign equities, other countries</b>			
<b>Australia</b>			
CSL Ltd	0.0	3.8	3.9
National Australia Bank Ltd	0.0	4.3	4.8
Newcrest Mining Limited	0.0	3.6	3.6
Wesfarmers Limited	0.0	3.5	3.5
<b>Bangladesh</b>			
AutoStore Holdings Ltd	0.2	8.8	8.8

31 Dec 2022	Shares %	Book value € million	Market value € million
<b>Belgium</b>			
Azelis Group NV	0.2	13.6	14.0
Barco NV	0.6	11.1	12.3
<b>Canada</b>			
Algonquin Power & Utilities Corp	0.1	3.1	3.1
AltaGas Ltd	0.1	3.7	3.7
Canadian Imperial Bank of Commerce	0.0	3.3	3.3
Nutrien Ltd	0.0	3.4	3.4
Royal Bank of Canada	0.0	3.3	3.9
Toronto-Dominion Bank/The	0.0	3.5	3.5
<b>Denmark</b>			
Coloplast A/S	0.0	3.3	3.3
DSV Miljo Group A/S	0.0	6.0	6.1
Genmab A/S	0.0	5.7	7.9
Netcompany Group A/S	0.4	8.7	8.7
Novo Nordisk A/S	0.0	29.5	41.7
Orsted A/S	0.0	8.5	8.5
Royal Unibrew A/S	0.2	7.3	7.3
Vestas Wind Systems A/S	0.0	12.8	13.7
<b>France</b>			
Alstom SA	0.1	5.7	5.7
Atos Origin SA	0.6	6.3	6.3
Carmila SA	0.5	9.0	9.0
Cie de St-Gobain	0.0	8.1	8.1
LVMH Moet Hennessy Louis Vuitton SE	0.0	2.6	3.5
Ubisoft Entertainment SA	0.1	4.6	4.6
Vinci SA	0.0	3.4	3.5
<b>Germany</b>			
Aixtron SE	1.9	24.0	59.3
BASF SE	0.0	3.6	3.6
Bilfinger Berger SE	0.1	1.4	1.4
Covestro AG	0.1	10.3	10.3
Dermapharm Holding SE	0.9	16.9	17.8
Merck KGaA	0.0	5.4	5.4
Nordex SE	0.3	7.6	7.9

31 Dec 2022	Shares %	Book value € million	Market value € million
Porsche Automobil Holding SE	0.0	1.7	1.7
Siemens AG	0.0	3.1	3.6
Stroer SE & Co KGaA	0.3	7.0	7.0
Volkswagen AG	0.0	2.7	2.7
<b>Hong Kong</b>			
AIA Group Limited	0.0	3.6	4.3
<b>Hungary</b>			
Akko Invest Nyrt	3.1	0.7	0.7
<b>Ireland</b>			
Accenture PLC	0.0	19.2	19.5
Eaton Corporation PLC	0.0	14.5	14.7
Jazz Pharmaceuticals PLC	0.1	10.1	10.5
Johnson Controls Inc	0.0	11.7	13.2
Linde Plc	0.0	3.4	4.2
Medtronic PLC	0.0	10.9	10.9
<b>Italy</b>			
Autogrill SpA	0.4	9.7	9.7
De'Longhi SpA	0.4	13.6	13.6
Hera SpA	0.2	6.0	6.0
Technogym SpA	0.7	10.4	10.4
UniCredit SpA	0.0	2.9	3.9
<b>Japan</b>			
Daiichi Sankyo Co Ltd	0.0	5.2	6.9
ITOCHU Corp	0.0	3.4	4.2
Kao Corporation	0.0	4.0	4.0
Keyence Corporation	0.0	3.7	3.7
Makita Corp	0.1	6.6	6.6
Mitsui Chemicals Inc	0.1	3.6	3.6
Mizuho Financial Group Inc	0.0	4.2	5.0
Subaru Corp	0.0	3.3	3.3
Toyota Motor Corp	0.0	3.4	3.4
TSUGAMI CORPORATION	1.4	5.8	5.8
<b>Jersey C.I.</b>			
Aptiv PLC	0.0	2.8	2.8
Ferguson plc	0.0	6.1	6.1

31 Dec 2022	Shares %	Book value € million	Market value € million
<b>Luxembourg</b>			
Solutions 30 SE	2.0	3.6	3.6
<b>Norway</b>			
Atlantic Sapphire AS	1.6	1.7	1.7
Hofseth BioCare ASA	0.6	0.8	0.8
Komplett Group AS	1.9	4.5	4.5
Nordic Semiconductor ASA	0.1	2.3	2.3
Norwegian Air Shuttle AS	3.0	19.2	19.2
Protector Forsikring ASA	0.9	1.6	8.9
Storebrand ASA	0.5	11.0	17.5
Tomra Systems ASA	0.3	13.5	13.5
<b>Spain</b>			
EDP Renovaveis SA	0.0	9.5	9.7
Melia Hotels International SA	0.1	1.4	1.4
<b>Sweden</b>			
AarhusKarlshamn AB	0.2	8.0	8.0
Atrium Ljungberg AB	6.1	82.9	124.9
Bufab Group	0.9	7.1	7.1
Cint Group AB	0.5	3.8	3.8
ENGCON AB	0.9	6.3	6.3
Fastighets AB Balder	0.4	14.8	21.0
Hufvudstaden AB	0.6	10.0	17.1
Mycronic AB	0.4	5.9	6.2
NIBE Industrier AB	0.0	7.5	7.8
Telia Co Ab	0.0	1.0	1.0
Trelleborg AB	0.1	7.6	7.6
Viva Wine Group AB	0.9	3.3	3.3
<b>Switzerland</b>			
Alcon Inc	0.0	6.3	6.4
Lonza Group AG	0.0	8.8	8.8
Novartis AG	0.0	7.7	7.7
Roche Holding AG	0.0	4.4	4.4
TE Connectivity Ltd	0.0	10.8	10.8
<b>The Netherlands</b>			
AerCap Holdings NV	0.0	3.9	4.7

31 Dec 2022	Shares %	Book value € million	Market value € million
Alfen Beheer BV	0.3	5.6	5.9
ASML Holding NV	0.0	5.0	5.0
NXP Semiconductors	0.0	2.7	2.7
Qiagen NV	0.1	7.5	8.0
Stellantis NV	0.0	3.5	4.6
<b>United Kingdom</b>			
AstraZeneca PLC	0.0	25.3	29.7
British Land Co PLC	0.0	1.7	1.7
Coca-Cola Europacific Partners PLC	0.0	4.7	5.4
Dr. Martens Plc	0.2	4.7	4.7
Inchcape PLC	0.1	3.5	4.6
Rotork PLC	0.4	9.5	11.2
Smith & Nephew PLC	0.0	4.9	5.0
<b>United States</b>			
3M Company	0.0	6.2	6.2
Abbott Laboratories	0.0	18.5	18.5
AbbVie Inc	0.0	34.4	46.8
Adobe Inc	0.0	40.4	40.4
Advanced Micro Devices Inc	0.1	54.2	54.2
Agilent Technologies Inc	0.0	14.1	16.8
Alphabet Inc	0.0	128.0	129.5
Amazon.com Inc	0.0	55.2	55.2
American Express Co	0.0	2.7	3.4
AMETEK Inc	0.0	3.2	4.3
Amgen Inc	0.0	9.6	11.1
Amphenol Corporation	0.0	2.9	2.9
Analog Devices Inc	0.0	8.8	9.5
A.O. Smith Corporation	0.1	4.8	4.8
Apple Inc	0.0	192.3	197.2
Applied Materials Inc	0.0	13.7	13.7
Archer-Daniel-Midlands Company	0.0	4.4	4.4
Autodesk Inc	0.2	58.1	58.1
Automatic Data Processing Inc	0.0	5.6	5.6
AutoZone Inc	0.0	4.0	4.0
Baker Hughes Company	0.0	3.7	3.7

31 Dec 2022	Shares %	Book value € million	Market value € million
Bank of America Corp	0.0	2.7	3.5
Becton Dickinson and Company	0.0	6.3	7.2
BioMarin Pharmaceutical Inc	0.1	10.8	13.6
Bio-Rad Laboratories Inc	0.1	6.3	6.3
BlackRock Inc	0.0	3.4	3.9
Booz Allen Hamilton Inc	0.1	8.3	8.3
Boston Scientific Corp	0.0	20.3	23.0
Box Inc	0.9	34.9	36.8
Bristol-Myers Squibb Co	0.0	20.5	23.4
Broadcom Inc	0.0	25.5	30.2
Brown-Forman Corp	0.0	3.4	3.4
Cadence Design Systems Inc	0.0	3.0	3.0
Camden Property Trust	0.0	3.4	3.4
Carrier Global Corporation	0.0	14.0	14.0
Caterpillar Inc	0.0	31.9	35.7
Cigna Corp	0.0	20.1	24.9
Cintas Corporation	0.0	11.3	11.8
Cisco Systems Inc	0.0	44.3	44.3
Coca-Cola Co/The	0.0	24.3	25.0
Cognex Corp	0.4	28.9	28.9
Colgate-Palmolive Co	0.0	5.2	5.2
Comcast Corp	0.0	3.5	3.5
Concentrix Corporation	0.2	14.0	14.0
Constellation Brands Inc	0.0	3.3	3.3
Copart Inc	0.1	13.6	13.6
CoStar Group	0.0	11.7	11.7
Costco Wholesale Corporation	0.0	3.2	3.5
CSX Corp	0.0	22.1	22.1
CVS Health Corp	0.0	4.6	5.2
Danaher Corp	0.0	30.6	32.6
Datadog Inc	0.1	29.4	29.4
Deere & Co	0.0	33.6	40.2
Dexcom Inc	0.0	7.8	10.2
DocuSign Inc	0.2	24.4	24.4
Dollar General Corp	0.0	13.0	13.4

31 Dec 2022	Shares %	Book value € million	Market value € million
Dollar Tree Inc.	0.0	3.3	3.3
Dover Corporation	0.0	6.3	6.3
DR Horton Inc	0.0	2.8	2.9
Dropbox Inc	0.4	26.1	26.1
Dynatrace Inc	0.3	27.2	27.2
Ecolab Inc	0.0	3.4	3.4
Elevance Health Inc	0.0	13.5	16.8
Eli Lilly and Company	0.0	29.9	47.7
Emerson Electric Co	0.0	19.7	20.8
Enphase Energy Inc	0.0	12.2	12.2
Equifax Inc	0.0	9.1	9.1
Estee Lauder Companies Inc	0.0	4.7	4.7
Expeditors International of Washington Inc	0.0	6.8	6.8
F5 Inc	0.2	16.1	16.1
Fair Isaac Corporation	0.2	20.0	27.0
Fastenal Company	0.0	10.5	10.5
FedEx Corp	0.0	17.4	17.4
Fidelity National Information Services Inc	0.0	2.5	2.5
Fiserv Inc	0.0	2.4	2.4
Ford Motor Co	0.0	3.8	3.8
Fortinet Inc	0.0	13.7	13.7
Fortune Brands Innovations	0.1	6.3	6.4
F-Secure Corp	2.3	5.1	11.1
Gartner Inc	0.2	29.9	39.4
General Mills Inc	0.0	4.3	4.3
General Motors Company	0.0	3.9	3.9
Genpact Ltd	0.3	27.4	27.4
Genuine Parts Company	0.0	2.6	2.6
Gilead Sciences Inc	0.0	7.0	9.7
GoDaddy Inc	0.2	18.3	18.3
Home Depot Inc/The	0.0	38.3	39.2
Humana Inc	0.0	8.4	9.6
IDEX Corporation	0.0	6.3	6.5
Idexx Laboratories Inc	0.0	3.8	3.8
Illinois Tool Works Inc	0.0	6.1	6.2

31 Dec 2022	Shares %	Book value € million	Market value € million
Intel Corp	0.0	6.2	6.2
International Business Machines Corp	0.0	8.6	8.6
Intuit Inc	0.0	17.9	18.0
Intuitive Surgical Inc	0.0	20.1	20.9
IQVIA Holdings Inc	0.0	6.7	6.7
Jabil Inc	0.3	19.8	23.3
J.B. Hunt Transport Services Inc	0.0	6.4	6.4
Johnson & Johnson	0.0	37.7	45.3
JPMorgan Chase & Co	0.0	3.4	4.5
Keurig Dr Pepper Inc	0.0	2.5	2.5
Keysight Technologies Inc	0.2	39.9	44.2
Kimberly-Clark Corporation	0.0	3.8	3.8
KLA Corporation	0.1	51.9	56.3
Lam Research Corporation	0.0	7.2	7.2
Lowe's Companies Inc	0.0	19.1	19.9
Lululemon Athletica Inc	0.0	3.9	3.9
Marriott International Inc/DE	0.0	3.1	3.6
Marvell Technology Inc	0.1	24.2	24.2
Mastercard Incorporated	0.0	34.5	36.6
McCormick & Company Inc	0.0	2.5	2.5
McDonald's Corp	0.0	3.3	4.2
McKesson Corp	0.0	10.0	17.6
Merck & Co Inc	0.0	37.4	51.3
Meta Platforms Inc	0.0	51.9	51.9
Microchip Technology Inc	0.0	2.3	2.3
Micron Technology Inc	0.1	38.2	38.2
Microsoft Corp	0.0	223.6	231.4
Mid-America Apartment Communities Inc	0.0	3.2	3.9
Moderna Inc	0.0	11.5	11.8
Mondelez International Inc	0.0	7.8	8.1
Monster Energy Company	0.0	3.3	3.3
Morgan Stanley	0.0	3.0	4.1
Motorola Solutions Inc	0.1	22.0	22.0
National Instruments Corporation	0.6	28.3	28.3
NetApp Inc	0.3	33.0	33.0

31 Dec 2022	Shares %	Book value € million	Market value € million
Netflix Inc	0.1	91.9	133.3
NextEra Energy Inc	0.0	7.5	8.2
Nike Inc	0.0	18.7	18.7
Nordson Corporation	0.1	10.0	10.0
Norfolk Southern Corp	0.0	15.0	15.0
NVIDIA Corporation	0.0	88.8	91.6
Okta Inc	0.2	18.9	18.9
Oracle Corp	0.0	8.4	8.4
O'Reilly Automotive Inc	0.0	4.2	4.7
Palo Alto Networks Inc	0.1	35.1	35.1
Parker-Hannifin Corp	0.0	8.8	9.4
Paychex Inc	0.0	5.2	5.6
Paycom Software Inc	0.2	28.7	28.7
PayPal Holdings Inc	0.1	49.4	49.4
Pepsico Inc	0.0	23.7	24.6
Pfizer Inc	0.0	16.1	17.0
Pinterest Inc	0.3	29.9	36.3
Plug Power Inc	0.1	4.6	4.6
Procter & Gamble Co/The	0.0	31.7	33.0
Prudential Financial Inc	0.0	2.5	3.7
Qualcomm Inc	0.0	39.1	39.1
Rapid7 Inc	0.5	9.0	9.0
Regeneron Pharmaceuticals Inc	0.0	8.6	10.1
Republic Services Inc	0.0	4.0	4.0
Robert Half International Inc	0.1	6.6	6.6
Roper Technologies Inc	0.0	3.0	3.0
Ross Stores Inc	0.0	4.4	4.4
Salesforce Inc	0.0	39.7	39.7
Seagen Inc	0.0	8.4	8.4
ServiceNow Inc	0.0	5.1	5.1
Shoals Technologies Group	0.1	4.6	4.6
Skyworks Solutions Inc	0.1	12.2	12.2
Snap Inc	0.2	24.0	24.0
Snowflake Inc	0.1	28.9	28.9
SolarEdge Technologies Inc	0.1	18.8	19.9

31 Dec 2022	Shares %	Book value € million	Market value € million
S&P Global Inc	0.0	3.5	3.7
Splunk Inc	0.3	33.1	33.1
Starbucks Corporation	0.0	6.6	7.4
Stryker Corp	0.0	6.6	6.9
Synopsys Inc	0.1	32.6	32.6
Take-Two Interactive Software Inc	0.1	23.8	23.8
Target Corp	0.0	5.6	5.6
Tenable Holdings Inc	0.2	7.0	7.0
Tesla Inc	0.0	61.0	61.0
Texas Instruments Inc	0.0	13.5	13.8
The Goldman Sachs Group Inc	0.0	3.2	4.4
The Hershey Company	0.0	3.3	3.3
The Kraft Heinz Company	0.0	2.8	2.9
Thermo Fisher Scientific Inc	0.0	42.8	48.3
The TJX Companies Inc	0.0	11.7	14.6
Tractor Supply Company	0.0	3.0	4.2
Trimble Inc	0.3	34.4	34.4
Ulta Beauty Inc	0.0	2.8	3.5
Union Pacific Corp	0.0	23.3	23.3
UnitedHealth Group Inc	0.0	53.8	73.1
United Parcel Service Inc	0.0	35.4	35.4
Veeva Systems Inc	0.0	3.8	3.8
Verisk Analytics Inc	0.0	9.1	9.1
Vertex Pharmaceuticals Inc	0.0	15.6	16.2
Visa Inc	0.0	34.7	35.0
Voya Financial Inc	0.1	5.8	5.8
Walt Disney Co/The	0.0	3.2	3.2
Waste Connections Inc	0.0	6.3	6.3
Workday Inc	0.1	29.9	32.7
Xylem Inc	0.0	5.1	6.7
Zebra Technologies Corporation	0.2	20.9	20.9
Zoetis Inc	0.0	19.9	19.9
Zscaler Inc	0.1	20.1	20.1
Other		0.0	0.0
<b>Foreign equities, total</b>		<b>4,516.1</b>	<b>4,931.6</b>
<b>Listed equities, total</b>		<b>8,309.5</b>	<b>11,005.6</b>

31 Dec 2022	Shares %	Book value € million	Market value € million
<b>Unlisted equities</b>			
<b>Finland</b>			
eBrands Holdings Oy	0.0	3.1	3.1
Fundu Oy	18.5	4.7	4.7
HappySpace Oy	0.0	2.0	21.3
Havator Group Oy	9.6	5.4	5.6
IQM Finland Oy	0.4	1.8	1.8
Keskinäinen Vakuutusyhtiö Kaleva	30.0	2.6	2.6
Mehiläinen Konserni Oy	7.7	75.0	136.9
Sponff Oy	15.3	2.1	4.5
Swappie Oy	1.0	4.0	4.0
Tornator Oyj	16.4	46.0	320.4
Other		0.1	0.1
<b>Finnish equities, total</b>		<b>146.8</b>	<b>505.0</b>
<b>Unlisted equities, total</b>		<b>146.8</b>	<b>505.0</b>

31 Dec 2022	Book value € million	Fair value € million
<b>Hedge funds</b>		
<b>Cayman Islands</b>		
Aviator Capital End-Of-Life Offshore Feeder Fund L.P.	30.8	44.2
Aviator Capital Fund IV Global Feeder LP	145.7	176.3
Aviator Capital Fund V Global Feeder LP	37.6	43.1
Aviator Capital Mid-Life Offshore Feeder Fund L.P.	55.5	71.3
Axonic Special Opportunities SBL Overseas Fund Ltd	89.7	106.8
Bayview MSR Opportunity Offshore L.P.	154.1	280.7
Bayview Opportunity Offshore VII L.P.	31.0	31.0
Black Diamond Credit Strategies Offshore Ltd	66.9	74.2
Blackstone First Avenue Offshore Fund Ltd	343.4	574.4
CarVal Credit Value Fund B II L.P.	2.0	4.2
Carval Credit Value Fund B IV L.P.	95.5	128.6
Chenavari European Deleveraging Opportunities Fund II L.P.	5.0	8.3
CS Iris V Fund Ltd	3.7	5.4
CVI Credit Value Fund B III L.P.	31.9	49.6
Double Black Diamond Ltd	1.5	7.7
EJF Debt Opportunities Offshore Fund Ltd	160.9	230.7
Elan Feeder Fund Ltd	55.3	155.9
Element Capital Feeder Fund Ltd	0.0	94.5
Elliot International B Ltd	148.9	203.1
Hetta Fund Limited	136.7	136.7
Kaamanen Fund L.P.	280.8	315.2
Kevo Fund LP	197.9	344.3
Kitka Fund LP	278.0	351.8
Kuttura Fund L.P.	18.8	67.3
Mortality Fund I	20.7	24.8
NWI Emerging Market Currency Fund	32.2	52.3
Oaktree Real Estate Debt Fund III LP	67.1	68.8
Raattama Fund LP	148.6	158.1
Reservoir Capital Overseas Partners II L.P.	2.8	6.6
Soroban Opportunities Cayman Fund Ltd	68.5	148.1

31 Dec 2022	Book value € million	Fair value € million
Systematica 73 Fund	150.9	167.2
Third Point Offshore Fund Ltd	44.4	93.5
Whippoowill Distressed Opportunity Fund Ltd	2.6	6.0
Zais Opportunity Fund Ltd	15.0	51.9
<b>Ireland</b>		
Kirakka ICAV	273.4	274.0
Partakko Fund L.P.	364.4	409.2
<b>Luxembourg</b>		
Kultala Fund	53.9	55.6
Mandatum Life Managed Futures Fund Class X USD	4.6	5.9
Pulju Fund LP	6.4	6.4
Rocade Capital Fund IV LP	28.8	28.8
<b>Virgin Islands</b>		
King Street Capital Ltd	0.8	2.0
<b>United States</b>		
Armadillo Litigation Funding Partners LP	107.0	108.1
Bayview Liquid Credit Strategies Domestic L.P.	23.2	35.8
Bayview Opportunity Domestic V L.P.	128.4	191.2
Bayview Opportunity V Oceanview L.P.	167.6	186.0
H/2 Special Opportunities III L.P.	38.6	45.5
H/2 Special Opportunities II L.P.	1.5	1.5
H/2 Special Opportunities IV L.P.	149.7	179.4
H/2 Special Opportunities V	74.2	74.2
H/2 Special Opportunities V Co-Investment Parallel Fund L.P.	32.9	32.9
Inari Fund LP	178.8	243.3
Ivalo Fund L.P.	289.7	684.1
Koitere Fund L.P.	93.8	224.2
Luomus Fund LP	62.7	62.7
Sevetti Fund L.P.	770.9	1,959.9
Other	0.4	8.3
<b>Hedge funds, total</b>	<b>5,776.4</b>	<b>9,101.6</b>

31 Dec 2022	Book value € million	Fair value € million
<b>Real estate funds</b>		
<b>Cayman Islands</b>		
Ares Pan-European Logistics Partnership L.P.	44.9	51.5
BentallGreenOak Europe Fund IV LP	4.5	4.5
BGO Europe III Co-Investment, LP	20.3	22.8
<b>Finland</b>		
Alandsbanken Lunastustontti I Ky	25.2	27.8
Helsingin Lyyra Ky	25.8	25.8
Herding Yard Properties Ky	60.0	65.7
Hyperco Data Center Strategies I Ky	5.5	5.5
ICECAPITAL Housing Fund V Ky	25.6	34.1
NV Property Fund I Ky	5.4	8.9
Vantaan Valo Ky	280.6	280.6
VVT Project Fund I Ky	18.4	22.8
VVT Property Fund II Ky	2.5	2.5
VVT Property Fund I Ky	31.5	40.0
<b>Jersey C.I.</b>		
DRC European Real Estate Debt Fund III L.P.	32.8	32.8
<b>Luxembourg</b>		
Ares European Property Enhancement Partners III SCSp	18.5	22.9
Ares European Real Estate Fund V SCSp	34.1	39.1
Ares Horizon Pan-European Logistics Partnership SCSp	13.9	13.9
AXA Logistics Europe Fund S.C.A. SICAV-RAIF	104.7	131.5
Baumont Real Estate One SCSp	35.4	39.7
Benson Elliot Real Estate Partners VI SCSp	1.0	1.0
BGO Europe IV Tiger Co-investment SCSp	14.4	14.4
Blackstone Real Estate Partners Europe VI SCSp	30.2	34.6
CapMan Hotels II FCP-RAIF	75.0	78.2
CapMan Nordic Real Estate FCP-SIF	4.6	8.9
CapMan Nordic Real Estate II FCP-RAIF	37.2	44.9
CBRE GIP Global Alpha Fund FCP-SIF	62.5	74.9
CCP IV SCSp	18.0	18.0
CM III Feeder SCA SICAV-RAIF	16.6	18.1
ECE European Prime Shopping Centre II A SCSp SIF	70.2	77.5
ECE Progressive Income Growth Fund SCA SICAV-RAIF	80.1	80.1

31 Dec 2022	Book value € million	Fair value € million
Encore	69.1	69.1
EQT Real Estate II Co-Investment (A) SCSp	14.9	15.2
European Property Investors Special Opportunities 5 SCSp	36.9	44.0
GreenOak Europe (Lux) III SCSp	32.3	37.0
Greystar Equity Partners Europe Fund I SCSp	13.1	13.8
KKR Real Estate Partners Europe II (EUR) SCSp	45.5	49.8
Northern Horizon Aged Care IV SCSp SICAV-RAIF	23.0	23.0
Northern Horizon Aged Care SCSp SICAV-SIF	32.4	45.8
Oreima III	37.1	48.7
Oreima IV	39.0	39.9
Patrizia Living Cities Residential Fund	100.0	113.0
Prologis European Logistics Fund FCP-FIS	125.1	211.9
TS Saltire II Holdings SCSp	11.4	16.3
TT Holdings SCSp	65.0	99.5
<b>Spain</b>		
Azora European Hotel & Lodging F.C.R.	25.9	33.1
<b>Sweden</b>		
Aros Bostad III AB	1.6	1.6
Aros Bostadskapital 12 AB	8.5	11.5
Aros Bostadskapital 8 AB	1.4	1.4
<b>United Kingdom</b>		
Benson Elliot Real Estate Partners IV L.P.	22.9	37.8
Benson Elliot Real Estate Partners V L.P.	37.3	39.6
Blackstone Real Estate Partners Europe III L.P.	5.5	5.5
Clearbell III L.P.	23.5	33.4
Clearbell Property Partners IV LP	3.3	3.3
Curzon Capital Partners 5 Long-Life L.P.	77.6	92.1
Curzon Capital Partners IV L.P.	18.6	18.6
Moorfield Audley Real Estate Fund B L.P.	18.9	18.9
MREF V B Limited Partnership	5.9	5.9
Retail Centres V (Sweden) Limited Partnership	57.4	57.4
Other	0.6	14.4
<b>Real estate funds, total</b>	<b>2,153.1</b>	<b>2,524.4</b>

31 Dec 2022	Book value € million	Fair value € million
<b>Fixed-income funds</b>		
<b>Cayman Islands</b>		
Apollo Total Return Fund (Offshore) Ltd. A-1	215.2	272.7
EJF Funding Offshore L.P.	425.2	510.7
H/2 Targeted Return Strategies II L.P.	133.6	199.4
<b>Finland</b>		
Mandatum Life Nordic HY Total return Fund I Eur	50.0	55.1
Mandatum Private Debt III B	0.8	0.8
Mandatum Private Debt IV B	0.6	0.6
<b>Luxembourg</b>		
BGF Emerging Markets Bond Fund I2 USD	87.8	89.2
Broad Street Teno Partners, SLP	940.0	958.2
Direct Lending Fund II SLP	2.3	2.3
HSBC Global Emerging Markets Corporate Sustainable Bond Fund	49.7	49.7
Pareto Nordic Corporate Bond I NOK SICAV	69.8	75.0
Permira Credit Solutions Muotka SCSp	77.5	78.3
SSGA Emerging Markets ESG Local Ccy Gov Bond Index Fund	81.8	81.8
State Street Sustainable Climate EUR Corporate Bond Fund	107.6	107.6
State Street Sustainable Climate US Corporate Bond Fund	101.5	101.5
<b>Singapore</b>		
iShares USD Asia High Yield Bond Index ETF	72.3	72.3
<b>United States</b>		
iShares EUR Corp Bond ESG Paris-Aligned Climate UCITS ETF	48.3	48.3
iShares EUR Corp ESG UCITS	45.1	45.1
iShares Euro HY Corp Bond ETF	103.1	103.1
iShares iBoxx USD HY Corp ETF	48.3	48.3
iShares JP Morgan EM Local Government Bond UCITS ETF Dist	298.1	298.1
iShares JP Morgan USD EM Bond ETF	87.7	87.7
OHA Finlandia Credit Fund L.P.	419.6	673.2
VANGUARD EMERG MKTS GOV BOND ETF	74.3	74.3
Vanguard Intermediate-Term Corporate Bond ETF	112.6	112.6
Vanguard Short-Term Corp Bond ETF	93.8	93.8
Other	0.5	0.9
<b>Fixed-income funds, total</b>	<b>3,747.1</b>	<b>4,240.6</b>

31 Dec 2022	Book value € million	Fair value € million
<b>Equity funds</b>		
<b>Cayman Islands</b>		
L1 Capital Long Short Offshore Feeder Fund Main Series	81.3	205.4
<b>Finland</b>		
Mandatum European Small & Mid Cap Equity S3 Fund	8.0	8.0
<b>Germany</b>		
DB X-trackers harvest CSI 300 China A-shares ETF	187.5	187.5
iShares EURO STOXX 50 UCITS ETF DE	429.4	436.2
iShares EURO STOXX Banks 30-15 ETF	102.1	110.5
iShares EURO STOXX UCITS ETF DE	2.2	2.3
iShares MDAX UCITS DE EUR A ETF	247.6	247.6
iShares STOXX Europe 600 UCITS ETF DE	5.0	5.9
Xtrackers Emerg Mark Carb Re ETF	427.2	427.2
<b>Ireland</b>		
Vanguard Emerging Markets Stock Index Fund	205.9	251.3
Vanguard Japan Stock Index Fund JPY	101.1	121.7
<b>Japan</b>		
Next Funds NIKKEI 225 ETF	243.7	243.7
NEXT FUNDS Solactive Japan ESG Core Index ETF	380.8	380.8
NEXT FUNDS TOPIX BANKS ETF	146.6	182.3
Next Funds TOPIX ETF	33.8	33.8
<b>Luxembourg</b>		
Handelsbanken Global Index Criteria Fund A1 EUR SE	203.3	290.5
Nordea 1 Global Climate and Environment Fund BI EUR	152.0	267.7
Nordea 1 Global Sustainable Enhanced Eq Fund BI EUR	100.0	124.7
<b>United Kingdom</b>		
L&G Europe ESG Exclusions Paris Aligned	35.5	40.7
L&G US ESG Exclusions Paris Aligned	593.4	702.0
<b>United States</b>		
BlackRock US Carbon Transition Readiness ETF	191.5	191.5
Consumer Staples Select Sector SPDR Fund	13.4	14.8
Health Care Select Sector SPDR	3.1	3.1
Invesco QQQ Trust Series 1 ETF	20.5	20.5
iShares Core MSCI Emerging Markets ETF	481.2	481.2
iShares MSCI Canada ETF	17.9	19.8

31 Dec 2022	Book value € million	Fair value € million
iShares MSCI Emerging Markets ETF	304.1	304.1
iShares MSCI Hong Kong ETF	34.2	34.2
iShares MSCI USA ESG Screened ETF	91.5	92.0
iShares S&P 500 Value ETF	6.7	6.7
KraneShares CSI China Internet ETF	10.1	10.1
SPDR S&P China ETF	50.4	50.8
Vanguard FTSE 250 UCITS ETF	303.5	303.5
Vanguard Information Technology ETF	352.9	352.9
Vanguard S&P 500 ETF	32.5	32.5
Other	0.7	0.8
<b>Equity funds, total</b>	<b>5,600.4</b>	<b>6,188.0</b>
<b>Private equity funds</b>		
<b>Australia</b>		
CPEC 8 TRUST C	13.1	16.2
CPEC 9 Trust B	11.0	11.3
<b>Canada</b>		
ISQ Global Infrastructure Fund II (EU) L.P.	92.9	117.3
KKR Azur Co-invest L.P.	10.0	12.0
KKR Charlie Co-Invest L.P.	13.0	14.3
KKR Ear Co-Invest L.P.	14.6	14.6
KKR Gem Co-Invest L.P.	23.8	28.1
KKR Planets Co-Invest GBP L.P.	20.4	48.9
KKR Precise Co-Invest (EUR) LP	24.0	61.9
KKR Sprint Co-Invest L.P.	25.0	25.0
KKR Sunrise Co-Invest L.P.	25.0	33.3
<b>Cayman Islands</b>		
1901 (Offshore) Partners I L.P.	3.3	3.3
Affinity Asia Pacific Fund V L.P.	19.0	23.0
Apollo Infra Equity Fund	0.3	18.1
Auda Asia II L.P.	7.8	7.8
Auda Secondary II Feeder Fund L.P.	1.5	1.5
BCP Braavos Aggregator (Cayman) LP	20.8	29.6
BDCM Offshore Opportunity Fund IV Ltd	50.3	96.7
BDCM Offshore Opportunity Fund V, Ltd.	24.6	28.3

31 Dec 2022	Book value € million	Fair value € million
Bellwether Co-Invest L.P.	17.3	29.2
CDH Fund V L.P.	8.6	23.9
CDH Fund VI L.P.	13.0	21.5
Gamut Investment Overseas Fund I L.P.	50.3	81.0
GPE IX TKE Co-Investment Limited Partnership	18.4	22.0
Hamilton Lane Co-Investment Feeder Fund IV L.P.	63.9	107.2
I Squared Nautilus Partners L.P.	15.3	26.3
I Squared Transportation Europe L.P.	24.1	48.5
ISQ Apollo Co-invest Fund III, LP.	12.7	15.1
ISQ KIO Co-Invest Fund, L.P.	9.3	11.3
JPW TopCo L.P.	11.8	22.5
KKR CK Co-Invest L.P.	12.1	12.1
KKR Sigma Co-Invest II L.P.	20.0	30.0
K-P Co-Investment L.P.	17.7	30.7
MBK Partners Fund III L.P.	15.2	15.2
MBK Partners Fund IV L.P.	62.2	101.7
MBK Partners Fund V, L.P.	24.9	26.3
Navis Asia Fund VII L.P.	57.7	64.1
Onex Partners V L.P.	68.0	92.0
Onex Richmond Co-Investment L.P.	13.5	13.8
Platinum Equity Luna Co-Investors Offshore (Cayman), L.P.	17.3	29.3
Platinum Equity Olympus Co-Investors (Cayman), L.P.	21.3	25.9
Primavera Capital Fund II L.P.	48.4	83.9
Primavera Capital III L.P.	38.2	59.9
Strategic Value Special Situations Feeder Fund III L.P.	17.0	75.0
Strategic Value Special Situations Feeder Fund IV L.P.	60.0	116.1
Strategic Value Special Situations Feeder Fund V L.P.	26.9	29.0
TA XIII-B L.P.	42.0	80.7
TA XIV-B, L.P.	50.2	50.2
TPG Asia VI L.P.	51.3	106.0
TPG Asia VII (B) L.P.	63.8	96.4
TPG Wireman Co-Invest L.P.	7.8	9.1
VEPP Co-Invest 1-A, L.P.	22.9	29.1
Vista Equity Partners Fund VI-A L.P.	72.9	129.5
Vista Equity Partners Fund VII-A, L.P.	67.9	99.7

31 Dec 2022	Book value € million	Fair value € million
Vista Equity Partners Perennial A, L.P.	63.7	75.4
VMPIC I L.P.	85.5	183.5
<b>Finland</b>		
Icebreaker Fund I Ky	1.8	4.6
Icebreaker Fund II Ky	4.6	6.1
Icebreaker Opportunity Fund I Ky	3.5	3.6
Inventure IV	1.4	1.4
IPR.VC Fund II Ky	2.8	3.3
Lifeline Ventures Fund IV Ky	7.2	9.8
MAKI.VC Fund II Ky	3.9	4.5
MAKI.VC Fund I Ky	4.0	7.4
MB Equity Fund IV Ky	1.1	1.1
MB Equity Fund V Ky	0.0	18.0
MB Equity Fund VI Ky	3.4	3.7
Oltavan Tuulipuisto Holding Ky	1.3	9.1
Posion Tuulipuisto Ky	2.8	13.4
Power Fund II Ky	4.1	4.1
Power Fund III Ky	7.0	7.0
Siikajoen Tuulipuisto Ky	3.2	13.6
Sponsor Fund IV Ky	2.9	17.7
Sponsor Fund V Ky	13.0	13.0
Vaaka Partners Buyout Fund III Ky	15.8	20.1
Vaaka Partners Buyout Fund IV Ky	2.6	2.7
Verso Fund III Ky	1.8	1.8
<b>France</b>		
Ethypharm Co-Invest FPCI	14.6	21.9
PAI Europe VII-1	61.9	94.2
<b>Guernsey</b>		
Adagio Co-Invest L.P.	0.0	10.9
CapMan Buyout IX Fund A L.P.	6.0	6.0
CapMan Buyout X Fund A L.P.	6.0	6.0
Cinven Cullinan L.P.	3.4	10.8
Enak Aggregator Limited Partnership	20.0	20.0
Kool Investment L.P.	0.0	10.2
Partners Group Client Access 32, L.P. Inc	29.3	47.9

31 Dec 2022	Book value € million	Fair value € million
Partners Group Client Access 33, LP. Inc.	14.0	15.8
Partners Group Client Access 34, L.P. Inc.	15.7	24.4
Permira Europe IV L.P.2	5.1	14.0
Permira Growth Opportunities 1 L.P.	34.8	34.8
Permira VI L.P. 1	71.8	121.1
The Fifth Cinven Fund (No. 1) L.P.	9.9	9.9
The Seventh Cinven Fund (No. 1) L.P.	56.2	70.6
The Sixth Cinven Fund (No. 1) L.P.	46.0	82.2
<b>Jersey C.I.</b>		
CapVest Equity Partners III L.P.	6.1	10.0
NC Aida Co-Invest Alpha, L.P.	17.8	26.5
<b>Luxembourg</b>		
Advent Global Technology A SCSP	8.1	10.8
Advent Global Technology II A SCSP	7.0	7.0
Advent International GPE IX-A SCSP	41.5	70.6
Advent International GPE X-A SCSP	2.1	2.9
Antin Infrastructure Partners IV-B SCSP	69.8	86.8
Antin Infrastructure Partners V-B SCSP	1.3	1.3
Antin NextGen Infrastructure Fund I-B SCSP	0.9	0.9
Apollo Infrastructure Opportunities Fund II (Lux) SCSP	17.1	17.7
Apollo Overseas Partners (Lux) IX SCSP	59.8	80.6
Bengal Co-Invest SCSP	16.2	18.3
Blackstone Capital Partners VIII (Lux) SCSP	39.6	50.4
CapMan Buyout XI SCSP	9.9	10.6
CapMan Nordic Infrastructure I SCSP	1.5	1.8
CapVest Equity Partners IV (Feeder) SCSP	27.6	37.7
CapVest Strategic Opportunities 6 SCSP	11.4	12.6
EQT Growth (No.1) SCSP	3.8	3.8
EQT Growth Co-Investment (A) SCSP	9.7	9.7
EQT Growth Co-Investment (E) SCSP	10.0	10.0
EQT Infrastructure Fund III (No.1) SCSP	31.2	41.5
EQT Infrastructure III Co-Investment (A) SCSP	40.0	69.6
EQT Infrastructure IV (EUR) (No.1) SCSP	74.1	104.1
EQT Infrastructure IV Co-Investment (D) SCSP	56.6	75.9
EQT Infrastructure IV Co-Investment (F) SCSP	35.5	56.9

31 Dec 2022	Book value € million	Fair value € million
EQT Infrastructure V (No.1) EUR SCSP	71.4	86.1
EQT Infrastructure V Co-Investment (B) SCSP	37.9	44.3
EQT Infrastructure V Co-Investment (D) SCSP	21.1	24.4
EQT Infrastructure V Co-Investment (H) SCSP	28.0	28.0
EQT IX (No.1) EUR SCSP	75.4	104.8
EQT IX Co-Investment (C) SCSP	7.5	11.0
EQT IX Co-Investment (D) SCSP	28.2	31.2
EQT IX Co-Investment (F) SCSP	21.5	26.5
EQT Ventures II (No.1) SCSP	8.9	14.4
EQT Ventures III (No.2) SCSP (Luxembourg)	1.6	1.9
EQT VIII (No.1) SCSP	87.8	150.4
EQT VIII Co-Investment (A) SCSP	17.4	23.7
EQT VIII Co-Investment (C) SCSP	8.9	20.6
Feline SLP (SCSP)	21.7	21.7
Gator Co-invest SCSP	10.0	14.2
Gauss Co-invest SCSP	24.9	35.4
Guarantee Co-Invest SCSP	8.7	8.7
Hygee International S.a.r.l.	15.0	15.0
IK IX Fund No.2 SCSP	32.7	36.2
IK IX Luxco 12 S.à.r.l.	31.1	32.8
IK Small Cap II Fund No2 SCSP	9.1	19.2
IK Small Cap III DC Fund No.2 SCSP	1.3	1.3
IK Small Cap III Fund No.2 SCSP	5.7	5.7
Islay New Group Holding S.A.	37.1	42.6
ISQ Global Infrastructure Fund III (EU) L.P.	10.2	11.4
KKR Asian Fund IV SCSP	23.3	26.7
KKR Global Infrastructure Investors III EEA	75.6	84.6
KKR Global Infrastructure Investors IV (EUR) SCSP	44.4	45.6
KKR Next Generation Technology Growth Fund II SCSP	15.6	21.1
KKR North America Fund XIII SCSP	18.7	18.7
Mirage Co-Invest SCSP.	11.9	15.4
MTN Infrastructure Co-Invest 1 SCSP	4.6	6.6
Nordic Capital X Alpha SCSP	25.1	32.5
Partners Group Direct Infrastructure 2020	38.0	40.0
Permira Growth Opportunities II SCSP	7.5	7.5

31 Dec 2022	Book value € million	Fair value € million
Permira VII L.P. 2 SCSp	77.5	85.2
Refresco 2 Co-Invest SCSp	8.3	8.3
Refresco Co-Invest SCSp	1.8	4.7
SEB Private Equity Opportunity Fund IV	16.4	21.9
Stonepeak Global Renewables Fund (Lux) SCSp	8.8	13.3
Taaleri SolarWind II SCSp-RAIF	17.3	21.0
<b>Singapore</b>		
Bellini Synergy Pte LTD	13.1	16.2
<b>United Kingdom</b>		
EQT Infrastructure II No. 2 L.P.	5.1	5.1
EQT Kiwi Co-Investment L.P.	9.0	9.0
EQT VII No 1 L.P.	41.5	41.5
Equitix MA Thor LP	50.0	50.0
Hg Capital Mercury 2 L.P.	12.3	25.9
Hg Dreamstart Co-Invest L.P.	13.0	13.0
Hg Genesis 9 B L.P.	45.0	55.9
Hg Mercury 3 B L.P.	8.5	11.1
Hg Parity Co-Invest L.P.	5.3	5.3
Hg Saturn 2 B L.P.	31.4	38.1
Hg Saturn B L.P.	30.4	62.4
Hg Vibranium Co-Invest L.P.	18.8	18.8
Hg Vivaldi 2 Co-Invest LP	8.3	24.5
IK VII L.P.	13.6	13.5
IK VIII Fund No.3 L.P.	33.7	55.8
Macquarie European Infrastructure Fund II L.P.	7.9	7.9
NB Crossroads XXII Asset Allocation Offshore LP	32.1	58.7
PAI Europe VI-1 L.P.	47.2	73.3
<b>United States</b>		
ACIP Apex Co-Investment, L.P.	63.5	100.1
ACIP Parallel Fund A, L.P.	48.4	54.5
AIOF II Electra Co-Invest B, L.P.	26.7	30.6
AIOF II Njord Co-Invest, L.P.	28.0	38.2
AIOF II Pomodoro Co-Invest, L.P.	38.7	38.7
AIOF II Vanir Co-Invest B, L.P.	9.1	11.3
AIOF II Woolly Co-Invest, L.P.	6.8	6.8

31 Dec 2022	Book value € million	Fair value € million
AP DSB Co-Invest II, L.P.	19.0	33.3
AP IX Connect Co-Invest Holdings, L.P.	10.0	10.0
AP IX Tiger Co-Invest (ML Parent), L.P.	7.3	12.8
AP Socrates Co-Invest L.P.	4.4	4.4
Apollo Investment Fund VII Euro Holdings L.P.	1.5	1.1
Apollo Overseas Partners (Delaware) VIII L.P.	25.6	36.5
Ares SB Co-Invest, L.P.	27.5	27.5
Behrman Capital IV L.P.	7.0	7.0
Biloxi Co-Investment Partners, L.P.	18.5	22.4
Blackstone Capital Partners IV L.P.	0.6	0.6
Blackstone Capital Partners V L.P.	0.7	0.7
Blackstone Capital Partners VI L.P.	45.6	52.3
Blackstone Capital Partners VII L.P.	74.8	106.0
Blackstone TN Partners L.P.	13.0	13.0
BlueRun Ventures L.P.	0.6	0.6
Clearlake Capital Partners VI (USTE) L.P.	49.8	79.2
Clearlake Capital Partners VII (USTE) L.P.	21.9	21.9
Falcon Co-Investment Partners, L.P.	19.5	20.4
Genstar Capital Partners IX BL (EU), L.P.	68.2	118.3
Genstar Capital Partners VII L.P.	27.2	53.1
Genstar Capital Partners VIII BL (EU) L.P.	61.7	159.2
Hamilton Lane Co-Investment Feeder Fund III L.P.	34.6	35.1
Hamilton Lane Co-Investment Fund L.P.	0.7	0.7
Hamilton Lane Co-Investment Fund II L.P.	10.7	11.5
Hamilton Lane Equity Opportunities Fund V-B LP	24.1	26.9
Hamilton Lane Parallel Investors L.P.	94.8	140.5
Hg Isaac Co-Invest L.P.	17.5	21.3
Infinite Co-Invest, L.P.	16.5	25.4
IRI-NPD Co-Invest Aggregator II, L.P.	29.4	29.4
K5 Private Investors L.P.	20.2	22.6
Kelso Investment Associates IX L.P.	27.0	48.3
Kelso Investment Associates VIII L.P.	6.8	6.8
Kelso Investment Associates X, L.P.	60.7	121.7
Kelso Investment Associates XI, L.P.	11.8	12.5
Kelso X Pie Co-Investment, L.P.	17.1	22.9

31 Dec 2022	Book value € million	Fair value € million
Kelso X RSC Co-Investment, L.P.	16.5	36.2
KKR Banff Co-Invest L.P.	31.0	57.6
KKR Cavalry Co-Invest Blocker Parent L.P.	38.5	39.8
KKR Neon Co-Invest L.P.	55.2	65.6
MHR Institutional Partners IV L.P.	75.0	113.8
Moelis Capital Partners Opportunity Fund I-B L.P.	0.8	2.1
New Mountain Partners IV L.P.	15.7	30.0
New Mountain Partners V L.P.	66.3	160.8
New Mountain Partners VI L.P.	40.8	48.0
NexPhase Capital Fund III L.P.	0.0	43.3
NexPhase Capital Partners IV L.P.	39.8	54.9
NM Z Topco L.L.C.	4.2	4.8
NP Clearway Holdings LP	13.5	31.6
NP/MCM Holdings, L.P.	12.4	14.5
NP/OWC Holdings, L.P.	9.9	17.5
NPC/TT Holdings, L.P.	9.4	9.4
Onex Partners III L.P.	14.7	14.7
Onex Partners IV L.P.	58.0	58.0
Pelican Co-Invest Holdings L.P.	26.9	42.7
Platinum Equity Capital Partners II L.P.	9.3	9.3
Platinum Equity Capital Partners III L.P.	14.3	14.3
Platinum Equity Capital Partners IV L.P.	62.2	120.6
Platinum Equity Capital Partners V L.P.	88.9	137.9
Platinum Equity Capital Partners VI, L.P.	5.5	5.5
Platinum Equity Imola Co-Investors Holdings, L.P.	8.4	22.7
Platinum Equity SCRS Co-Investors L.L.C.	8.5	24.8
Platinum Equity Small Cap Fund L.P.	20.7	33.5
RCM Co-Investment Blocker Corp.	7.6	24.5
Saw Mill Capital Partners L.P.	1.5	1.5
Surgent NPC Holdco, LP	12.0	32.7
TA XII-B L.P.	15.2	53.7
TPG Growth III (B) L.P.	25.1	30.5
TPG GROWTH IV L.P.	32.5	46.3
VEPF VII Co-Invest 5-A, L.P.	23.8	27.2
Warburg Pincus China L.P.	25.3	50.4

<b>31 Dec 2022</b>	<b>Book value € million</b>	<b>Fair value € million</b>
Warburg Pincus China-Southeast Asia II-E L.P.	18.7	19.9
Warburg Pincus Energy L.P.	38.0	59.2
Warburg Pincus Global Growth 14-E, L.P.	22.7	22.7
Warburg Pincus Global Growth-E, L.P.	92.8	136.9
Warburg Pincus Private Equity XI L.P.	19.5	43.0
Warburg Pincus Private Equity XII-E L.P.	46.5	129.0
Other	8.4	16.7
<b>Private equity funds, total</b>	<b>6,452.5</b>	<b>9,594.3</b>
<b>Funds, total</b>	<b>23,729.6</b>	<b>31,649.0</b>
Currency hedging of shares and participations		-278.8
Parent Company, total	32,185.8	42,880.7
<b>The Group's shareholding deviates from the Parent Company's as follows:</b>		
Keskinäinen Vakuutusyhtiö Kalevan takuupääoma	3.3	3.3
Ruohoparkki Oy	4.8	4.8
Vaasan Toripysäköinti Oy	2.3	2.3
Other	3.7	3.7
<b>Group, total</b>	<b>32,200.0</b>	<b>42,894.9</b>

**17. Changes in tangible and intangible assets, Parent Company**

<b>31 Dec 2022, € million</b>	<b>Intangible assets Other intangible assets</b>	<b>Tangible assets Equipment</b>	<b>Tangible assets Other tangible assets</b>	<b>Total</b>
Acquisition cost, 1 Jan	0.4	3.4	0.9	4.6
Completely depreciated in the previous year	-0.1	0.0	0.0	-0.1
Acquisition cost, 31 Dec	0.3	3.4	0.9	4.6
Accumulated depreciation, 1 Jan	-0.3	-1.6	0.0	-1.9
Completely depreciated in the previous year	0.1	0.0	0.0	0.1
Depreciation for the financial year	0.0	-0.4	0.0	-0.4
Accumulated depreciation, 31 Dec	-0.3	-1.9	0.0	-2.2
Book value 31 Dec 2022	0.0	1.5	0.9	2.4
Book value 31 Dec 2021	0.0	1.8	0.9	2.7

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

**18. Loan receivables itemised by guarantee**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>	<b>Parent Company 2021</b>	<b>Group 2022</b>	<b>Group 2021</b>
Bank guarantee	46.1	54.9	46.1	54.9
Guarantee insurance	106.6	114.2	106.6	114.2
Other guarantee	18.9	38.9	18.9	38.9
Remaining acquisition cost, total	171.5	208.0	171.5	208.0
Unsecured, remaining acquisition cost, total	1,393.0	1,401.9	1,393.0	1,401.9

**19. Total pension loan receivables itemised by balance sheet item**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>	<b>Parent Company 2021</b>	<b>Group 2022</b>	<b>Group 2021</b>
Loans guaranteed by mortgages	136.5	144.1	136.5	144.1
Other loan receivables	137.4	154.1	137.4	154.1
Remaining acquisition cost, total	274.0	298.2	274.0	298.2

**20. Loans to related parties**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>	<b>Parent Company 2021</b>
Loans to Group companies	445.7	448.6

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**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>	<b>Parent Company 2021</b>	<b>Group 2022</b>	<b>Group 2021</b>
Other receivables				
Advance payments for option contracts	56.0	111.1	56.0	111.1
Other liabilities				
Advance payments for option contracts	67.5	132.4	67.5	132.4
Value adjustments of derivatives	-205.0	-74.0	-205.0	-74.0
Accruals and deferred income				
Net interest expenses from derivatives	-138.9	-66.2	-138.9	-66.2

**22. Liabilities to Group companies, other liabilities**

31 Dec, € million	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
Other liabilities	0.2	0.2	0.2	0.2

**23. Technical provisions**

31 Dec, € million	Parent Company 2022	Parent Company 2021	Group 2022	Group 2021
Provision for unearned premiums				
Future pensions	21,559.8	20,111.6	21,559.8	20,111.6
Provision for future bonuses	1,572.5	2,338.8	1,572.5	2,338.8
Provision for current bonuses	173.8	222.4	173.8	222.4
Equity-linked provision for current and future bonuses	-950.2	2,433.6	-950.2	2,433.6
Total provision for unearned premiums	22,355.9	25,106.3	22,355.9	25,106.3
Provision for claims outstanding				
Current pensions	23,016.8	20,118.7	23,016.8	20,118.7
Total provision for claims outstanding	23,016.8	20,118.7	23,016.8	20,118.7
Total technical provisions	45,372.7	45,225.0	45,372.7	45,225.0

**24. Solvency capital**

31 Dec, € million	2022	2021
Capital and reserves	145.0	136.6
Valuation difference between fair values on assets and book values of balance sheet items	11,628.5	14,416.0
Provision for future bonuses	1,572.5	2,338.8
Off-balance sheet commitments	-1.5	-1.1
Intangible assets	0.0	0.0
	13,344.4	16,890.3
Minimum solvency capital as required under the Employment Pension Insurance Companies Act, Section 17	2,494.1	2,824.3

**25. Guarantees and liabilities, Parent Company**

31 Dec, € million	2022	2021
Guarantees given on own behalf		
Assets pledged as security for derivatives <sup>1)</sup>	737.3	574.2
Guarantees received		
Assets pledged as security for derivatives <sup>2)</sup>	441.7	4.3
Asset pledged as security for security loans	1,133.9	0.0

<sup>1)</sup> Given cash guarantees required for the clarification of derivative contracts to the value of EUR 737.34 million are included in the Other receivables balance sheet item.

<sup>2)</sup> Received cash guarantees required for the clarification of derivative contracts to the value of EUR 441.74 million are included in the Other liabilities balance sheet item.

**26. Capital and reserves**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>	<b>Group 2022</b>
Basic capital, 1 Jan	11.9	11.9
Basic capital, 31 Dec	11.9	11.9
Other reserves, 1 Jan	114.8	114.8
Profit brought forward from 2022	6.0	6.0
Other reserves, 31 Dec	120.8	120.8
Profit/loss brought forward	9.9	-65.1
Transfer to contingency fund	-6.0	-6.0
	3.9	-71.1
Profit/loss for the financial year	8.4	5.6
Total capital and reserves	145.0	67.2

**27. Capital and reserves after proposed profit distribution**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>
Policyholders	145.0
Total	145.0

**28. Distributable profits**

<b>31 Dec, € million</b>	<b>Parent Company 2022</b>
Profit for the financial year	8.4
Other capital and reserves	
Other reserves	120.8
Profit brought forward	3.9
Total distributable profits	133.0

**29. Guarantees and liabilities, Parent Company**

<b>31 Dec, € million</b>	<b>2022</b>	<b>2021</b>
<b>Contingent liabilities and liabilities not included in the balance sheet</b>		
<b>Derivatives</b>		
<b>Derivatives for hedging purposes</b>		
<b>Currency derivatives</b>		
Forward contracts		
Underlying instrument, absolute value	<b>4,656.1</b>	1,871.2
Underlying instrument, risk-adjusted value	<b>-2,468.0</b>	-1,772.6
Fair value	<b>41.8</b>	-62.6
Currency swap contracts		
Underlying instrument, absolute value	<b>21,724.1</b>	15,970.8
Underlying instrument, risk-adjusted value	<b>-15,695.6</b>	-15,176.8
Fair value	<b>-303.3</b>	-405.3
CTM derivatives		
Value of underlying instrument	<b>26,380.3</b>	17,842.0
Fair value	<b>-261.6</b>	-467.9
<b>Derivatives for other than hedging purposes</b>		
<b>Interest rate derivatives</b>		
Forward and futures contracts		
Underlying instrument, absolute value	<b>100.0</b>	10,645.1
Underlying instrument, risk-adjusted value	<b>132.9</b>	121.2
Fair value	<b>-6.1</b>	-3.8
Option contracts		
Bought		
Underlying instrument, absolute value	<b>1,950.0</b>	2,114.9
Underlying instrument, risk-adjusted value	<b>1,288.8</b>	819.4
Fair value	<b>-167.9</b>	6.3
Sold		
Underlying instrument, absolute value	<b>2,800.0</b>	3,554.8
Underlying instrument, risk-adjusted value	<b>-693.3</b>	-787.9
Fair value	<b>134.7</b>	13.5
Credit risk derivatives		
Underlying instrument, absolute value	<b>0.0</b>	50.0
Underlying instrument, risk-adjusted value	<b>0.0</b>	-50.0
Fair value	<b>0.0</b>	-6.0
Interest rate swap contracts		
Underlying instrument, absolute value	<b>1,089.3</b>	1,700.0
Underlying instrument, risk-adjusted value	<b>-421.2</b>	900.0
Fair value	<b>31.7</b>	-8.0
STM derivatives		
Value of underlying instrument	<b>300.0</b>	10,645.1
Cumulative amount of daily payments	<b>-8.3</b>	-3.8

<b>31 Dec, € million</b>	<b>2022</b>	<b>2021</b>
<b>CTM derivatives</b>		
Value of underlying instrument	<b>5,639.3</b>	7,419.6
Fair value	<b>0.7</b>	5.8
<b>Currency derivatives</b>		
Option contracts		
Bought		
Underlying instrument, absolute value	<b>0.0</b>	2,030.7
Underlying instrument, risk-adjusted value	<b>0.0</b>	-762.1
Fair value	<b>0.0</b>	8.3
Sold		
Underlying instrument, absolute value	<b>0.0</b>	1,942.4
Underlying instrument, risk-adjusted value	<b>0.0</b>	-232.7
Fair value	<b>0.0</b>	-3.6
Forward and futures contracts		
Underlying instrument, absolute value	<b>822.6</b>	749.1
Underlying instrument, risk-adjusted value	<b>8.2</b>	-66.2
Fair value	<b>6.5</b>	0.7
Currency swap contracts		
Underlying instrument, absolute value	<b>520.1</b>	631.7
Underlying instrument, risk-adjusted value	<b>0.0</b>	303.6
Fair value	<b>-0.6</b>	2.6
STM derivatives		
Value of underlying instrument	<b>0.0</b>	93.6
Cumulative amount of daily payments	<b>0.0</b>	0.7
CTM derivatives		
Value of underlying instrument	<b>1,342.8</b>	5,260.4
Fair value	<b>5.9</b>	7.2
<b>Equity derivatives</b>		
Option contracts		
Bought		
Underlying instrument, absolute value	<b>296.2</b>	825.0
Underlying instrument, risk-adjusted value	<b>62.2</b>	160.6
Fair value	<b>7.8</b>	-25.3
Sold		
Underlying instrument, absolute value	<b>440.6</b>	558.5
Underlying instrument, risk-adjusted value	<b>29.5</b>	29.4
Fair value	<b>10.2</b>	7.7
STM derivatives		
Value of underlying instrument	<b>736.8</b>	1,383.5
Cumulative amount of daily payments	<b>18.0</b>	-17.6

31 Dec, € million	2022	2021
<b>Total</b>		
Underlying instrument, absolute value	34,399.1	42,644.2
Underlying instrument, risk-adjusted value	-17,756.6	-16,514.2
Fair value	-245.2	-475.6

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 2023. Swap contracts have longer durations and will mature between 2023 and 2037.

### 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 2022	JPY 2022	GBP 2022	USD 2021	JPY 2021	GBP 2021
Foreign-currency-denominated investments	26,792.6	1,009.4	904.3	28,718.7	633.1	766.5
of which investments left unhedged against currency risk	9,907.5	1,009.4	618.7	11,895.0	633.1	480.3
of which investments hedged against currency risk	16,885.1	0.0	285.7	16,823.7	0.0	286.2
Hedging currency derivatives	-17,479.3	0.0	-298.9	-15,969.3	0.0	-296.3
Non-hedging currency derivatives	-34.9	0.0	0.0	-1,088.2	0.0	303.8
Open currency position	9,278.4	1,009.4	605.4	11,661.1	633.1	774.0
Hedging ratio according to the hedging policy	104%	100%	105%	95%	100%	104%

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	2022	2021
<b>Investment commitments</b>		
Private equity funds	3,915.6	3,630.3
Other funds	3,255.2	2,380.6
<b>Pension liabilities</b>		
Pension commitments (recognised as debt)	0.9	0.9
Other pension commitments	0.4	0.4
<b>Leasing and renting liabilities</b>		
Expiring next year	0.6	0.6
Expiring later	0.6	0.5
<b>Other liabilities</b>		
Varma Mutual Pension Insurance Company belongs to a value-added tax liability group together with Veritas Pension Insurance (until 31 Dec 2022), 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.	2.7	-0.2
Obligation to verify VAT allowances of real estate investments	83.6	91.0
Security to meet shareholder agreements' terms and conditions	10.0	10.0

**30. Guarantees and liabilities, Parent Company**

31 Dec, € million	2022	2021
<b>Loaned securities</b>		
Bonds		
Nominal value	<b>1,081.2</b>	0
Remaining acquisition cost	<b>1,058.7</b>	0
Fair value	<b>1,007.5</b>	0
Equities		
Remaining acquisition cost	<b>78.7</b>	0
Fair value	<b>78.9</b>	0

Loaned securities are included in the balance sheet. The counterparty to the lending operations is the custodian bank, Northern Trust Co. London, with which borrowers post collateral. The collateral of the loans are securities. The loans can be cancelled at any time.

**31. Balance sheet and income statement at fair values**

**Balance sheet at fair value, Parent Company**

31 Dec, € million	2022	2021	2020	2019	2018
<b>ASSETS</b>					
Investments	<b>56,204</b>	59,024	50,157	48,709	44,015
Receivables	<b>1,235</b>	1,173	1,130	1,161	858
Equipment	<b>2</b>	3	3	4	4
	<b>57,441</b>	60,200	51,289	49,873	44,878
<b>LIABILITIES</b>					
Capital and reserves	<b>145</b>	137	130	136	130
Valuation differences	<b>11,628</b>	14,416	9,995	10,721	8,004
Provision for future bonuses	<b>1,573</b>	2,339	1,393	790	1,486
Other liabilities not included in the balance sheet	<b>-2</b>	-1	-1	-1	-1
Total solvency capital	<b>13,344</b>	16,890	11,517	11,646	9,619
Provision for current bonuses (for client bonuses)	<b>174</b>	222	54	171	154
Equity-linked provision for current and future bonuses	<b>-950</b>	2,434	775	1,424	-255
Actual technical provision	<b>44,577</b>	40,230	38,503	36,223	35,137
Total	<b>43,626</b>	42,664	39,278	37,647	34,882
Other liabilities	<b>297</b>	423	440	409	224
	<b>57,441</b>	60,200	51,289	49,873	44,878

**Income statement at fair value, Parent Company**

1 Jan–31 Dec, € million	2022	2021	2020	2019	2018
Premiums written	<b>6,119</b>	5,635	4,931	5,286	5,118
Claims paid	<b>-6,238</b>	-5,980	-5,702	-5,623	-5,404
Change in technical provisions	<b>-390</b>	-3,222	-749	-2,610	-446
Net investment income	<b>-2,833</b>	9,290	1,395	5,268	-872
Total operating expenses	<b>-136</b>	-130	-110	-124	-125
Other result	<b>16</b>	-1	7	8	-4
Taxes	<b>-4</b>	-6	-3	-7	-8
Total result <sup>1)</sup>	<b>-3,466</b>	5,587	-231	2,197	-1,741

<sup>1)</sup> 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.

## 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. In order to fulfil its supervisory task, the Supervisory Board has established a supervisory function, whose

meetings address issues that are material with respect to Varma's task and governance.

The Board of Directors annually approves the risk management system that covers all operations, the principles of internal control, and the contingency plan. The Board also assesses whether the company's internal control is appropriately arranged. The Board makes, together with the Executive Group, a risk and solvency assessment. 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 efficiency, 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 Operations) and the supervisory and reporting function (Financial Administration and the actuarial function) 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 instrument pricing through random inspections, 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 actuarial function 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 the actuarial

function 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 actuarial function. The actuarial 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.

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. The Compliance Officer reports to the Board of Directors on compliance with the insider guidelines.

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.

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.

### Risk and solvency assessment

Under Section 12 k of the Finnish Act on Earnings-Related Pension Insurance Companies the board of directors and the executive management of an earnings-related pension insurance company must carry out, as part of strategic decision-making and risk management, a risk and solvency assessment that assesses the impact of the relevant risks on the operations of the company and the measures that are necessary to manage the risks that have arisen in the assessment.

Varma updated its risk and solvency assessment in August and December 2022.

### Business risks

The company's core processes comprise insuring employees and entrepreneurs, 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. As of 2023, the companies must cover their operating expenses with an expense loading component, which they determine themselves and the Ministry of Social Affairs and Health confirms. The sufficiency of the component can thus also be considered a business risk. The impact of this is, however, fairly small, as the deficit or surplus in the expense loading component will be taken

into account when the expense loading component for the following years is determined.

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'.

### 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 73 per cent 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.

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 primarily common calculation bases concerning the insurance contribution and 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 bases for technical provisions prove insufficient for all earnings-related pension insurance institutions, the technical provisions can be supplemented with a clearing system. The TyEL calculation bases specific to each earnings-related pension insurance company have, since 2018, included the distribution of client bonuses and, since 2023, the expense loading component of the insurance contribution.

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. The Finnish Centre for Pensions carries out the clearing in the year following the end of the financial year, at which time the remaining components of the technical provisions can be calculated.

Neither the age structure of the employees insured by Varma nor the employers' 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 in terms of the actual insurance business.

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 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

The structure of Varma's technical provisions on 31 December 2022 was as follows:

<b>Technical provisions 31 Dec 2022</b>	<b>€ million</b>	<b>%</b>
<b>TyEL basic insurance</b>		
Provision for unearned premiums:		
Future pension liabilities	21,535.0	47.4%
Provision for future bonuses	1,572.5	3.5%
Equity-linked provision for current and future bonuses	-950.2	-2.1%
Provision for current bonuses	173.8	0.4%
Total provision for unearned premiums	22,331.1	49.2%
Provision for claims outstanding:		
Current pension liabilities	22,606.2	49.8%
Total provision for claims outstanding	22,606.2	49.8%
TyEL basic pension insurance, total	44,937.3	99.0%
TEL compliant supplementary pension insurance, total	410.5	0.9%
YEL basic pension insurance, total	24.9	0.1%
YEL compliant supplementary pension insurance, total	0.0	0.0%
Total technical provisions	45,372.7	100.0%

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 – +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 weights of the largest pension institutions are 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 2022 are presented in the Notes to the Financial Statements.

Geographical allocation of investments in listed equities:

	Risk position 31 Dec 2022 € million	%	Risk position 31 Dec 2021 € million	%
American equities	5,965	34.4	8,252	40.8
European equities and shares	2,078	12.0	2,583	12.8
Other areas	3,172	18.3	1,947	9.6
Finnish equities	6,127	35.3	7,436	36.8
<b>Listed equities</b>	<b>17,342</b>	<b>100.0</b>	20,217	100.0

Direct investments in real estate according to purpose of use:

	Risk position 31 Dec 2022 € million	%	Risk position 31 Dec 2021 € million	%
Residential premises	968	30.5	961	31.1
Business premises	327	10.3	317	10.3
Other premises	652	20.6	601	19.5
Industrial and warehouse premises	11	0.4	43	1.4
Office premises	1,212	38.2	1,163	37.7
<b>Direct real estate investments</b>	<b>3,171</b>	<b>100.0</b>	3,086	100.0

The vacancy rate of business premises was 8.1 (8.9) per cent.

Bonds according to credit rating:

	Market value (excl. derivatives) 31 Dec 2022 € million	%	Market value (excl. derivatives) 31 Dec 2021 € million	%
AAA	190	2.2	292	3.2
AA	2,953	34.5	2,575	27.8
A	723	8.4	1,222	13.2
BBB+ – BBB-	1,581	18.5	2,123	22.9
BB+ or worse	2,302	26.9	2,157	23.3
Not rated	821	9.6	895	9.7
	<b>8,570</b>	<b>100.0</b>	9,264	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 29,584 (31,937) million, accounting for 53 (54) per cent of all investments. The investments' currency risk is partly hedged through currency derivatives. The open currency position amounted to EUR 11,428 (14,230) million on 31 December 2022.

Varma's largest individual corporate risk position is in Sampo Plc, the market value of which was EUR 1,098 (994) 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 2022	Share prices -30%	Effect Interest rates +1 pp	Real estate value -10%
Solvency capital, € million	13,344	7,744	12,970	12,771
of technical provisions, %	130.5	118.9	129.7	129.3
in relation to solvency limit	1.8 times	1.4 times	1.7 times	1.7 times
Investment return, % 1 Jan 2022–31 Dec 20	4.9	18.8	5.5	5.8

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 2,727 million (EUR 2,242 million) at year-end 2022. 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 3,253 (2,675) 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 CVaR 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 instruments 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.

Varma's strategic risks mean risks that, when realised, would jeopardise the achievement of Varma's strategic goals. Executing the strategy is part of normal business.

Varma's strategic risks are regularly assessed by identifying and evaluating the risks from the perspective of business development, the operating model, operating environment, business restructuring and co-operation partners. Summaries of the assessments are presented to Varma's Executive Group. Following the approval of the Executive Group, the risks are reported to the Board of Directors' Audit Committee and the Board of Directors.

In order to control strategic risks, Varma co-operates closely with its stakeholders and other players in the field and is developing its processes so that it can react to any changes in the earnings-related pension system on time.

### Sustainability risks

In 2022, Varma continued to develop the systematic identification and monitoring of sustainability risks. We started to enter possible and likely sustainability risks into our risk management system. Sustainability risks are discussed four times a year by the Investment Operations' management team and at least once a year by the Investment Committee. Sustainability risks are also addressed in the Board of Directors' risk and solvency assessment.

### 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 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.

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	2022	2021	2020	2019	2018
Premiums written, € million	<b>6,118.6</b>	5,634.6	4,930.9	5,285.6	5,118.0
Pensions paid and other payments made, € million	<b>6,237.6</b>	5,980.0	5,702.3	5,623.0	5,404.1
Net investment income at fair value, € million	<b>-2,867.7</b>	9,256.5	1,371.6	5,240.6	-902.2
Net return on invested capital, %	<b>-4.9</b>	18.5	2.8	12.0	-2.0
Turnover, € million	<b>6,053.0</b>	10,485.6	7,053.6	7,828.1	5,383.2
Total operating expenses, € million	<b>136.4</b>	129.6	109.6	124.0	124.8
Total operating expenses of turnover, %	<b>2.3</b>	1.2	1.6	1.6	2.3
Operating expenses covered by the expense loading (% of TyEL and YEL payroll)	<b>0.4</b>	0.4	0.4	0.4	0.4
Total result, € million	<b>-3,466.3</b>	5,586.5	-230.6	2,197.5	-1,741.0
Technical provisions, € million	<b>45,372.7</b>	45,225.0	40,725.7	38,608.0	36,521.4
Solvency capital, € million	<b>13,344.4</b>	16,890.3	11,516.8	11,646.3	9,618.6
in relation to solvency limit	<b>1.8</b>	2.0	1.7	1.8	1.6
Pension assets, € million	<b>57,119.7</b>	59,754.4	50,828.6	49,444.7	44,636.0
of technical provisions, %	<b>130.5</b>	139.4	129.3	130.8	127.5
Transfer to client bonuses of TyEL payroll, %	<b>0.72</b>	0.99	0.26	0.81	0.75
TyEL payroll, € million	<b>24,103.2</b>	22,535.3	21,142.4	21,083.9	20,384.8
YEL payroll, € million	<b>867.3</b>	815.4	806.7	811.5	797.0
TyEL policies	<b>29,900</b>	30,300	28,250	27,590	26,030
TyEL insured persons	<b>547,700</b>	531,200	505,170	504,131	523,270
YEL policies	<b>42,500</b>	40,000	37,800	37,800	36,700
Pensioners	<b>352,200</b>	345,700	347,100	343,700	343,400

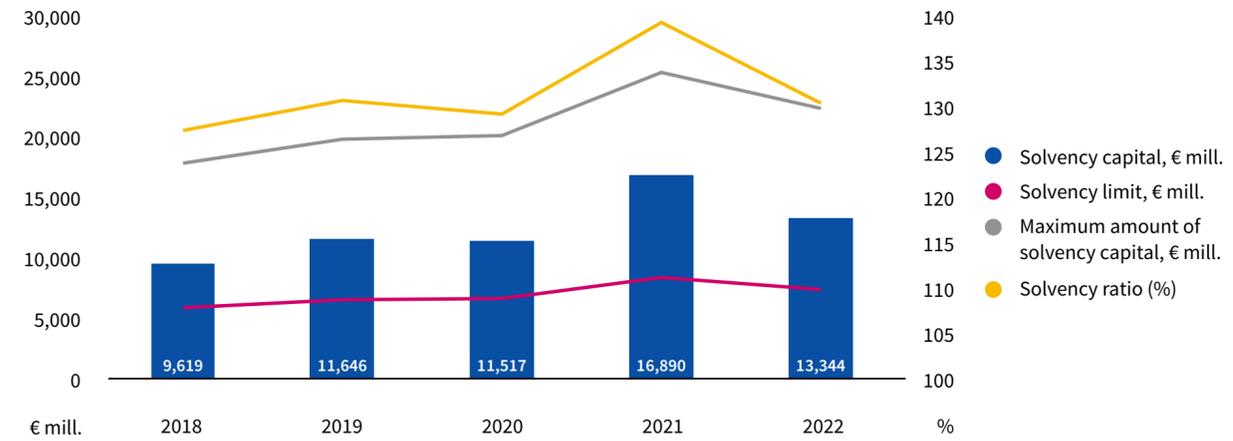
## 33. Performance analysis

31 Dec, € million	2022	2021	2020	2019	2018
<b>Sources of profit</b>					
Technical underwriting result	<b>114.9</b>	48.3	22.2	-1.9	22.9
Investment surplus at fair value	<b>-3,635.9</b>	5,487.8	-308.9	2,138.7	-1,815.7
+ Net investment income at fair value	<b>-2,867.7</b>	9,256.5	1,371.6	5,240.6	-902.3
- Return requirement on technical provisions	<b>-768.2</b>	-3,768.7	-1,680.5	-3,101.9	-913.4
Loading profit	<b>38.2</b>	51.2	49.3	52.9	55.9
Other result	<b>16.5</b>	-0.9	6.8	7.9	-4.1
Total result	<b>-3,466.3</b>	5,586.5	-230.6	2,197.5	-1,741.0
<b>Appropriation of profit</b>					
Change in solvency	<b>-3,640.1</b>	5,364.1	-284.8	2,026.5	-1,894.0
Change in equalisation provision included in the solvency capital	<b>0.0</b>	0.0	0.0	0.0	0.0
Change in provision for future bonuses	<b>-860.9</b>	936.6	435.5	-697.4	-757.1
Change in difference between fair value and book value	<b>-2,787.5</b>	4,420.7	-726.2	2,717.2	-1,143.7
Profit for the financial year	<b>8.4</b>	6.8	6.0	6.7	6.8
Other change in the equalisation provision	<b>0.0</b>	0.0	0.0	0.0	0.0
Transfer to client bonuses	<b>173.8</b>	222.4	54.2	171.0	153.0
Total	<b>-3,466.3</b>	5,586.5	-230.6	2,197.5	-1,741.0

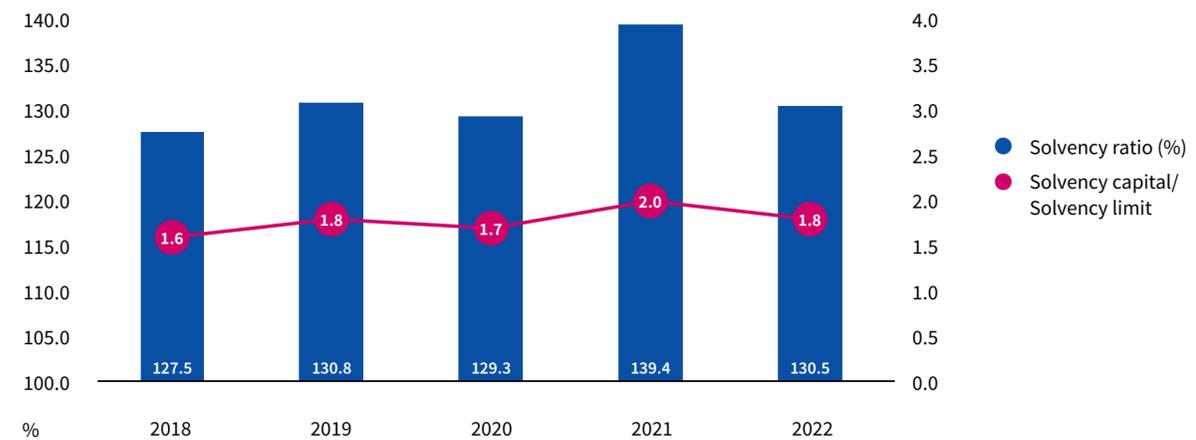
**34. Solvency**

<b>Solvency capital and limits</b>	<b>2021</b>	2021	2020	2019	2018
Solvency limit, € million	<b>7,482.3</b>	8,472.8	6,734.4	6,633.5	5,972.8
Maximum amount of solvency capital, € million	<b>22,446.9</b>	25,418.4	20,203.3	19,900.5	17,918.5
Solvency capital, € million	<b>13,344.4</b>	16,890.3	11,516.8	11,646.3	9,618.5
Solvency capital (solvency ratio), %	<b>130.5</b>	139.4	129.3	130.8	127.5
Solvency capital/Solvency limit	<b>1.8</b>	2.0	1.7	1.8	1.6

**Solvency capital and limits**



**Solvency capital/Solvency limit**



**35. Investment allocation at fair value**

	Market value 2022 € million	%	Market value 2021 € million	%	Risk position 2022 € million	%	Risk position 2021 € million	Risk position 2020 %	Risk position 2019 %	Risk position 2018 %
<b>Fixed-income investments</b>	<b>14,565.8</b>	<b>25.9</b>	15,250.9	25.8	<b>15,301.8</b>	<b>27.2</b>	26.1	22.7	26.8	24.0
Loan receivables	<b>2,829.2</b>	<b>5.0</b>	2,710.8	4.6	<b>2,829.2</b>	<b>5.0</b>	4.6	5.4	4.8	4.1
Bonds	<b>8,562.8</b>	<b>15.2</b>	9,268.7	15.7	<b>8,877.6</b>	<b>15.8</b>	17.4	14.9	22.0	20.5
Other money-market instruments and deposits	<b>3,173.8</b>	<b>5.6</b>	3,271.4	5.5	<b>3,595.1</b>	<b>6.4</b>	4.1	2.5	0.1	-0.6
<b>Equity investments</b>	<b>27,459.3</b>	<b>48.9</b>	29,143.9	49.4	<b>27,532.9</b>	<b>49.0</b>	49.7	46.0	46.1	41.4
Listed equities	<b>17,268.4</b>	<b>30.7</b>	20,009.9	33.9	<b>17,342.0</b>	<b>30.9</b>	34.3	33.5	35.4	31.2
Private equities	<b>9,498.5</b>	<b>16.9</b>	8,662.7	14.7	<b>9,498.5</b>	<b>16.9</b>	14.7	11.9	10.2	9.7
Unlisted equities	<b>692.4</b>	<b>1.2</b>	471.3	0.8	<b>692.4</b>	<b>1.2</b>	0.8	0.6	0.6	0.6
<b>Real estate investments</b>	<b>5,740.8</b>	<b>10.2</b>	5,441.6	9.2	<b>5,740.8</b>	<b>10.2</b>	9.2	9.6	9.1	8.8
Direct real estates	<b>3,171.0</b>	<b>5.6</b>	3,085.9	5.2	<b>3,171.0</b>	<b>5.6</b>	5.2	5.7	5.7	6.6
Real estate funds	<b>2,569.8</b>	<b>4.6</b>	2,355.8	4.0	<b>2,569.8</b>	<b>4.6</b>	4.0	3.9	3.3	2.2
<b>Other investments</b>	<b>8,438.5</b>	<b>15.0</b>	9,187.1	15.6	<b>8,438.5</b>	<b>15.0</b>	15.6	17.6	19.6	22.8
Hedge funds	<b>8,432.6</b>	<b>15.0</b>	9,183.8	15.6	<b>8,432.6</b>	<b>15.0</b>	15.6	17.6	18.2	19.8
Commodities	<b>0.0</b>	<b>0.0</b>	0.0	0.0	<b>0.0</b>	<b>0.0</b>	0.0	0.0	0.0	0.1
Other investments	<b>5.9</b>	<b>0.0</b>	3.3	0.0	<b>5.9</b>	<b>0.0</b>	0.0	0.0	1.4	3.0
<b>Investments</b>	<b>56,204.4</b>	<b>100.0</b>	59,023.6	100.0	<b>57,014.0</b>	<b>101.4</b>	100.6	96.0	101.6	97.0
Impact of derivatives					<b>-809.6</b>	<b>-1.4</b>	-0.6	4.0	-1.6	3.0
<b>Investments at fair value, total</b>	<b>56,204.4</b>	<b>100.0</b>	59,023.6	100.0	<b>56,204.4</b>	<b>100.0</b>	100.0	100.0	100.0	100.0
<b>Modified duration of the bond portfolio</b>	<b>3.9</b>									

**36. Investment return breakdown and result**

<b>Return on invested capital, €/%</b>	<b>Net return on invested capital, market value 2022 € million</b>	<b>Invested capital 2022 € million</b>	<b>Return on invested capital 2022 %</b>	<b>Return on invested capital 2021 %</b>	<b>Return on invested capital 2020 %</b>	<b>Return on invested capital 2019 %</b>	<b>Return on invested capital 2018 %</b>
<b>Fixed-income investments</b>	<b>-789.0</b>	<b>15,047.8</b>	<b>-5.2</b>	1.9	1.9	4.5	-1.8
Loan receivables	104.9	2,657.9	3.9	5.4	0.5	4.0	3.7
Bonds	-890.8	8,773.0	-10.2	1.4	3.0	5.1	-2.9
Other money-market instruments and deposits	-3.0	3,616.9	-0.1	-0.9	-1.0	0.4	-0.1
<b>Equity investments</b>	<b>-2,582.4</b>	<b>29,807.3</b>	<b>-8.7</b>	32.2	5.9	22.8	-3.6
Listed equities	-3,466.8	20,603.3	-16.8	26.4	5.2	25.4	-8.3
Private equities	687.3	8,719.9	7.9	49.6	7.8	15.1	17.5
Unlisted equities	197.1	484.1	40.7	26.3	8.6	16.9	3.8
<b>Real estate investments</b>	<b>309.8</b>	<b>5,438.8</b>	<b>5.7</b>	5.9	2.0	4.1	5.5
Direct real estates	128.5	3,057.4	4.2	4.1	3.4	3.9	3.9
Real estate funds	181.3	2,381.3	7.6	8.5	-0.2	4.7	10.6
<b>Other investments</b>	<b>233.4</b>	<b>8,805.6</b>	<b>2.7</b>	15.3	-2.0	4.5	-1.4
Hedge funds	204.2	8,753.2	2.3	15.3	-1.0	5.0	1.6
Commodities	4.7	-4.6					
Other investments	24.4	56.9					
<b>Investments</b>	<b>-2,828.3</b>	<b>59,099.4</b>	<b>-4.8</b>	18.6	2.9	12.1	-1.9
Unallocated income, costs and operating expenses from investment activities	-39.4	20.6					
<b>Net investment income at fair value</b>	<b>-2,867.7</b>	<b>59,119.9</b>	<b>-4.9</b>	18.5	2.8	12.0	-2.0

**37. Loading profit**

€ million	2022	2021	2020	2019	2018
Expense loading components included in contributions	<b>121.0</b>	128.8	120.5	131.4	133.1
Components available to cover operating expenses arising from compensation decisions	<b>5.6</b>	6.5	6.8	7.0	6.9
Other income	<b>0.0</b>	0.0	0.0	0.5	1.2
Total loading income	<b>126.6</b>	135.3	127.3	138.9	141.2
Operating expenses covered by loading income <sup>1)</sup>	<b>-88.4</b>	-84.1	-78.0	-86.1	-85.4
Total operating expenses	<b>-88.4</b>	-84.1	-78.0	-86.1	-85.4
<b>Loading profit</b>	<b>38.2</b>	51.2	49.3	52.9	55.9
Operating expenses in relation to loading income, %	<b>70</b>	62	61	62	60

<sup>1)</sup> 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	2022	2021	2020	2019	2018
Premiums written; the administrative cost component of the disability risk	<b>7.4</b>	6.9	6.5	6.4	6.3
Expenses covered by the administrative cost component of the disability risk, entered under claims incurred, %	<b>7.4</b>	6.9	5.1	6.4	6.3
Expenses arising from the management of the disability risk, entered under operating expenses and covered by the expense loading	<b>0.1</b>	2.2	0.0	0.2	0.1
Expenses covered by the administrative cost component of workability maintenance/The administrative cost component of the disability risk, %	<b>100.0</b>	100.0	78.5	100.0	100.0

**39. Technical underwriting result**

€ million	2022	2021	2020	2019	2018
Premium income from underwriting business under the company's own account	<b>1,459.8</b>	1,189.1	1,646.0	956.5	945.0
Interest rate on the technical provisions of the underwriting business under the company's own account	<b>1,106.3</b>	1,053.4	977.1	947.9	892.3
Underwriting income	<b>2,566.1</b>	2,242.5	2,623.1	1,904.4	1,837.3
Pensions paid out of funds	<b>1,578.2</b>	1,492.5	1,368.4	1,320.8	1,227.7
Contribution losses	<b>8.3</b>	7.9	20.4	10.8	14.1
Change in the technical provisions of the underwriting business under the company's own account	<b>864.7</b>	693.8	1,212.2	574.8	572.7
Total claims incurred	<b>2,451.2</b>	2,194.2	2,600.9	1,906.3	1,814.4
<b>Technical underwriting result</b>	<b>114.9</b>	48.3	22.2	-1.9	22.9

# Distribution of profit

Distributable profits as presented in the notes to the financial statements	133,033,621.23 euros
The Board of Directors proposes that the profit for the year be distributed as follows:	8,367,129.22 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	2,367,129.22 euros

Helsinki, 16 February 2023

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

(Translation of the Finnish original)

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, 2022. 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 8 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

concern 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 five 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, 16 February 2023

Ernst & Young Oy  
Authorized Public Accountant Firm

Antti Suominen  
Authorized Public Accountant

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