



## **PUBLIC TRANSPARENCY REPORT**

**2025**

**Varma Mutual Pension Insurance Company**

Generated 24-11-2025

# About this report

PRI reporting is the largest global reporting project on responsible investment.

It was developed with investors, for investors. PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders. This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2025 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

## Disclaimers

### Legal Context

PRI recognises that the laws and regulations to which signatories are subject differ by jurisdiction. We do not seek or require any signatory to take an action that is not in compliance with applicable laws. All signatory responses should therefore be understood to be subject to and informed by the legal and regulatory context in which the signatory operates.

### Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

### Data accuracy

This document presents information reported directly by signatories in the 2025 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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# SENIOR LEADERSHIP STATEMENT (SLS)

## SENIOR LEADERSHIP STATEMENT

### SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

#### Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

As a pension fund, Varma's core task is to invest pension assets profitably and securely. We acknowledge that ESG issues have a major impact on long-term returns and that making allowances for sustainability does not conflict with return expectations. At Varma, the goal of responsible investment (RI) 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 RI cover all of Varma's AUM and are applied differently depending on the asset class and type of investment.

In analysing responsibility, Varma focuses on the most material responsibility aspects related to the specific industry and asset class. RI at Varma is guided not only by our strategy, sustainability programme and principles for RI, but also by Varma's Environmental Policy, Ownership Policy, Active Ownership and Engagement Principles, Annual Investment Plan and our annual RI targets that are defined for each asset class. 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.

Mitigating climate change is one of the main goals of Varma's responsible investment.

We update our climate policy at least every three years and continuously monitor the best practices in the industry. In 2022, we updated our climate policy and set a target of reducing the investment portfolio's absolute emissions by 25 % by 2025 and 50 % by 2030, compared to 2021 level. The updated climate targets cover all asset classes in Varma's investment portfolio, including unlisted investments. Varma received validation for its Science based targets in 2023, that covers listed equity, listed fixed income and real-estate funds. We are committed to exiting from direct thermal coal investments by the end of 2025 and from oil exploration by 2030. We do not make new investments in companies with coal- or lignite-based operations accounting for more than 10% of their net sales, production or production capacity.

We do not finance coal-based projects, nor do we invest in companies that are planning new coal-based investments. Additionally, we have defined the areas that Varma will not invest in as well as the kind of companies that are subject to enhanced ESG monitoring on environmental and other sustainability issues. For ethical reasons, we have excluded from our direct investments companies that concentrate on the manufacture of tobacco and controversial weapons in certain regions. In government bonds, Varma does not invest in countries that are ranked in the bottom 25 % of the UN's Sustainable Development Goals (SDG) index. Varma has a socially significant role in determining the future direction of the companies it invests in.

Through its engagement, Varma strives to promote sustainability and sustainability reporting to investors. We require our investees to operate responsibly, and especially to take climate change into account in their operations. In addition to local legislation, we expect our investees to comply with international norms and standards. This means compliance with the principles of the UN Global Compact initiative on sustainability and social responsibility, to which we are also committed. Monitoring investees' compliance with international agreements and national laws is part of identifying sustainability risks. We influence the operations of our portfolio companies, and we encourage them to make more sustainable choices.

We demand climate reporting from companies, and we require them to take sustainability into account in their strategic decision-making. We may also exit from an investment if our sustainability requirements are not met. We regularly meet with the management and boards of directors of the companies in which we have a holding, especially companies in which Varma is a large shareholder. We also participate in general meetings of shareholders and shareholders' nomination boards; in some cases, Varma is represented in the company's Board of Directors. Varma acts lawfully and with integrity and in compliance with legal and regulatory requirements. Varma will not enter transactions with the main purpose of securing a tax advantage contrary to the intention of the legislator in enacting the relevant tax legislation.

## Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
  - refinement of ESG analysis and incorporation
  - stewardship activities with investees and/or with policymakers
  - collaborative engagements
  - attainment of responsible investment certifications and/or awards

In the reporting year, we launched our Environmental policy, and updated some of our climate targets. The updated climate targets cover all asset classes in Varma's investment portfolio, including unlisted investments. We set a target of reducing the investment portfolio's absolute emissions by 25 % by 2025 and 50 % by 2030. We actively continued to pursue the goal we set in 2019 of increasing our climate-friendly investment allocation. The target is that the allocation represents 50 % of the investment portfolio by 2027, which was updated in 2024. Our goal is to reduce the carbon dioxide emissions of our direct real estate investments by switching to fossil-free heating and electricity by 2030 and 2025 respectively.

Furthermore, in 2023, Varma received validation for its Science Based Targets (SBTi). Our target is to increase the exposure of companies that have set their own SBT-targets to 51% in listed investments and real-estate funds. The exposure at the end of 2023 was 47.5% of covered asset classes. Our current climate allocation target is to have 50% of investments in climate allocation by 2027, with 37% of our investments being in the allocation in the end of 2024. Our financed emissions decreased by 21% compared to 2023, although the largest driver for decarbonization in recent years has been the development of emission factors and estimation methodologies. Varma released an attribution analysis of our carbon footprint for the second time, that improves the transparency of carbon emission calculations.

Our carbon intensity for listed equities has decreased by 65% compared to 2016, and 41% for corporate bonds. Varma's weighted average electricity generation mix across all classes was 9% in Fossil Fuels, 60% Renewables, and 31% in Others. We continued our stewardship work especially in active ownership. We have improved our transparency in proxy voting disclosure, and we are currently reporting both our voting intentions and votes publicly on our website. Varma participated in 103 annual general meetings in Finland, and 597 meetings in companies abroad. During 2024 we voted in favour of 39 proposals that were promoting Greenhouse gas emission calculation and climate change reporting, 79 proposals promoting Human or Labour rights improvement, and 19 proposals that were promoting reporting on political contributions.

We were also part of the PRI-award winning Methane engagement lead by Nordea. During 2024, we took part in several engagements globally. 43% of our engagements were focused on Human Rights, 27% on Labour rights, 28% on Environment and 3% specifically corruption. In the most severe and significant issues, we have engaged the companies directly. As of 2024, 7 companies are currently involved in Varma's direct engagement process. As of 2024 Varma has a member in the PRI listed equity advisory committee.

## Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

Our goal is to reduce the absolute scope 1 and 2 emissions of the investment portfolio by 25 % by 2025. Furthermore, we aim to reduce the weighted carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue, from the 2016 level as follows 40 % by 2025 and 50 % by 2027. We are committed to exiting from direct investments in thermal coal by 2025. Our goal is to increase the share of funds that take climate change into account to 50 % by 2025. We encourage our investees to set science-based emission reduction targets in accordance with the Science Based Targets initiative (SBTi). We regularly monitor the proportion of our SBT investments in the different asset classes.

We received validation for our SBT-targets in 2023, where our target is to increase the exposure of companies that have set their own SBT-targets to 51% in listed investments and real-estate funds. In 2022, Varma continued its biodiversity work by creating a Biodiversity Roadmap, with the purpose of creating a framework for responsible investment requirements, policies and goals that prevent biodiversity loss. Our goal is to ensure that the biodiversity and climate targets carry equal weight in the near future and that they together promote our environmental responsibility. How the climate and biodiversity work is applied depends on the asset class and type of investment. Our goal is to systematically assess the risks and impacts of our investments in terms of biodiversity loss.

Our Biodiversity Roadmap applies to the entire investment portfolio. The roadmap is divided into five focus areas: industry risk assessment, impact analysis, the real estate portfolio's biodiversity guidelines, engagement, and external and internal reporting. We have assessed the industry-specific impacts of our investments on biodiversity, and, in the future, our goal is to shift our focus from general industry-specific impacts to the kinds of impacts individual companies have on biodiversity in different asset classes. Our goal is to first take a deeper look into higher-risk sectors and develop Varma's investment policy by integrating biodiversity awareness into negative screening, norm violation monitoring, selection criteria, active ownership and targeted engagement.

#### Section 4. Endorsement

'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.

Name

Risto Murto

Position

CEO, President

Organisation's Name

Varma Mutual Pension Insurance Company

A

'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.

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# OTHER RESPONSIBLE INVESTMENT REPORTING OBLIGATIONS (ORO)

## OTHER RESPONSIBLE INVESTMENT REPORTING OBLIGATIONS

### OTHER RESPONSIBLE INVESTMENT REPORTING OBLIGATIONS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ORO 1	CORE	N/A	N/A	PUBLIC	Other Responsible Investment Reporting Obligations	6

During the reporting year, to which international or regional ESG-related legislation(s) and/or regulation(s) did your organisation report?

- (A) Corporate Sustainability Reporting Directive (CSRD) [European Union]
- (B) Directive on AIFM (2011/61/EU) [European Union]
- (C) Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers (PS21/24) [United Kingdom]
- (D) EU Taxonomy Regulation [European Union]
- (E) Improving shareholder engagement and increasing transparency around stewardship (PS19/13) [United Kingdom]
- (F) IORP II (Directive 2016/2341) [European Union]
- (G) Law on Energy and Climate (Article 29) [France]
- (H) MiFID II (2017/565) [European Union]
- (I) Modern Slavery Act [United Kingdom]
- (J) PEPP Regulation (2019/1238) [European Union]
- (K) PRIIPS Regulation (2016/2340 and 2014/286) [European Union]
- (L) Regulation on the Integration of Sustainability Risks in the Governance of Insurance and Reinsurance Undertakings (2021/1256) [European Union]
- (M) SFDR Regulation (2019/2088) [European Union]
- (N) SRD II (Directive 2017/828) [European Union]
- (O) The Occupational Pension Schemes Regulation on Climate Change Governance and Reporting [United Kingdom]
- (P) Climate Risk Management (Guideline B-15) [Canada]
- (Q) Continuous Disclosure Obligations (National Instrument 51-102) [Canada]
- (R) Disposiciones de Carácter General Aplicables a los Fondos de Inversión y a las Personas que les Prestan Servicios (SIEFORE) [Mexico]
- (S) Instrucciones para la Integración de Dactores ASG en Los Mecanismos de Revelación de Información para FIC (External Circular 005, updated) [Colombia]
- (T) Provides for the creation, operation, and disclosure of information of investment funds, as well as the provision of services for the funds, and revokes the regulations that specifies (CVM Resolution No. 175) [Brazil]
- (U) SEC Expansion of the Names Rule [United States of America]
- (V) SEC Pay Ratio Disclosure Rule [United States of America]
- (W) ASIC RG65 Section 1013DA Disclosure Guidelines [Australia]
- (X) Circular to Licensed Corporations: Management and Disclosure of Climate-related Risks by Fund Managers [Hong Kong SAR]
- (Y) Financial Investment Services and Capital Markets Act (FSCMA) [Republic of Korea]
- (Z) Financial Instruments and Exchange Act (FIEA) [Japan]
- (AA) Financial Markets Conduct Act [New Zealand]
- (AB) Guiding Opinions on Regulating the Asset Management Business of Financial Institutions [China]
- (AC) Guidelines on Environmental Risk Management for Asset Managers [Singapore]
- (AD) Guidelines on Sustainable and Responsible Investment Funds [Malaysia]
- (AE) Modern Slavery Act (2018) [Australia]

- (AF) Stewardship Code for all Mutual Funds and All Categories of AIFs [India]
- (AG) ADGM Sustainable Finance Regulatory Framework [United Arab Emirates]
- (AH) JSE Limited Listings Requirements [South Africa]

**(AI) Other**

Specify:

TNFD

**(AJ) Other**

Specify:

ISSB S2

- (AK) Other
- (AL) Other
- (AM) Other

(AN) Not applicable; our organisation did not report to any ESG-related legislation and/or regulation during the reporting year.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ORO 2	CORE	N/A	N/A	PUBLIC	Other Responsible Investment Reporting Obligations	6

**During the reporting year, to which voluntary responsible investment/ESG frameworks did your organisation report?**

- (A) Asset Owners Stewardship Code [Australia]
- (B) Código Brasileiro de Stewardship [Brazil]
- (C) New Zealand Stewardship Code
- (D) Principles for Responsible Institutional Investors (Stewardship Code) [Japan]
- (E) Stewardship Code [United Kingdom]
- (F) Stewardship Framework for Institutional Investors [United States of America]
- (G) CFA Institute ESG Disclosure Standards for Investment Products [Global]
- (H) Guidelines on Funds' Names using ESG or Sustainability-related Terms [European Union]
- (I) Luxflag ESG Label [Luxembourg]
- (J) RIAA Responsible Investment Certification Program [Australia]
- (K) SRI Label [France]
- (L) ANBIMA Code of Regulation and Best Practices of Investment Funds [Brazil]
- (M) Code for Institutional Investors 2022 [Malaysia]
- (N) Code for Responsible Investing in South Africa (CRISA 2) [South Africa]
- (O) Corporate Governance Guidelines [Canada]
- (P) Defined Contribution Code of Practice [United Kingdom]
- (Q) European Association for Investors in Non-Listed Real Estate Vehicles (INREV) Guidelines [Global]
- (R) **Global ESG Benchmark for Real Assets (GRESB) [Global]**
- (S) Global Impact Investing Network (GIIN) Impact Reporting and Investment Standards (IRIS+) [Global]
- (T) OECD Guidelines for MNES - Responsible Business Conduct for Institutional Investors [Global]
- (U) **UN Guiding Principles (UNGPs) on Business and Human Rights [Global]**
- (V) Net Zero Asset Managers (NZAM) Initiative [Global]
- (W) Net-Zero Asset Owner Alliance (NZAOA) [Global]
- (X) **Recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) [Global]**
- (Y) The Net Zero Investment Framework (NZIF) 2.0 [Global]
- (Z) **Recommendations of the Taskforce for Nature-related Financial Disclosure (TNFD) [Global]**
- (AA) Global Reporting Initiative (GRI) Standards [Global]
- (AB) IFC Performance Standard [Global]
- (AC) **International Sustainability Standards Board (ISSB) Standards [Global]**
- (AD) Sustainability Accounting Standards Board (SASB) Standards [Global]
- (AE) Other
- (AF) Other

- (AG) Other
- (AH) Other
- (AI) Other
- (AJ) Not applicable; our organisation did not report to any voluntary responsible investment/ESG frameworks during the reporting year.

# ORGANISATIONAL OVERVIEW (OO)

## ORGANISATIONAL INFORMATION

### REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	31	12	2024

## SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- (A) Yes
- (B) No

# ASSETS UNDER MANAGEMENT

## ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries not part of row (B), and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 66,857,578,000.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

### Additional context to your response(s): (Voluntary)

The AUM is converted in USD exchange rate of 1€ = 1,0389 USD. This exchange rate is provided by the European Central Bank per December 31, 2024: [https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/euro\\_reference\\_exchange\\_rates/html/eurofxref-graph-usd.fi.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-usd.fi.html)

## ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	>10-50%	>10-50%
(B) Fixed income	>0-10%	>0-10%
(C) Private equity	>0-10%	>10-50%
(D) Real estate	>0-10%	>0-10%
(E) Infrastructure	>0-10%	>0-10%
(F) Hedge funds	0%	>10-50%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	0%	0%
(J) Off-balance sheet	>0-10%	0%

### (J) Off-balance sheet - (1) Percentage of Internally managed AUM - Specify:

(1) Derivatives (2) Cash, cash equivalents or overlays

## ASSET BREAKDOWN: EXTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.1	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Externally managed assets	GENERAL

Provide a further breakdown of your organisation's externally managed listed equity and/or fixed income AUM.

	(1) Listed equity	(2) Fixed income - SSA	(3) Fixed income - corporate	(4) Fixed income - securitised	(5) Fixed income - private debt
(A) Active	>10-50%	>0-10%	>10-50%	0%	>10-50%
(B) Passive	>75%	>0-10%	>10-50%		

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2	CORE	OO 5, OO 5.1	SAM 3, SAM 8	PUBLIC	Asset breakdown: Externally managed assets	GENERAL

Provide a breakdown of your organisation's externally managed AUM between segregated mandates and pooled funds or investments.

	(1) Segregated mandate(s)	(2) Pooled fund(s) or pooled investment(s)
(A) Listed equity - active	0%	>75%
(B) Listed equity - passive	0%	>75%
(C) Fixed income - active	>50-75%	>10-50%
(D) Fixed income - passive	0%	>75%
(E) Private equity	0%	>75%
(F) Real estate	0%	>75%
(G) Infrastructure	0%	>75%
(H) Hedge funds	0%	>75%

## ASSET BREAKDOWN: INTERNALLY MANAGED LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 LE	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed listed equity	GENERAL

Provide a further breakdown of your internally managed listed equity AUM.

(A) Passive equity	>10-50%
(B) Active – quantitative	0%
(C) Active – fundamental	>75%
(D) Other strategies	0%

## ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

Provide a further breakdown of your internally managed fixed income AUM.

(A) Passive – SSA	0%
(B) Passive – corporate	0%
(C) Active – SSA	>10-50%
(D) Active – corporate	>10-50%
(E) Securitised	0%
(F) Private debt	>10-50%

## ASSET BREAKDOWN: INTERNALLY MANAGED PRIVATE EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 PE	CORE	OO 5	N/A	PUBLIC	Asset breakdown: Internally managed private equity	GENERAL

Provide a further breakdown of your internally managed private equity AUM.

(A) Venture capital	>0-10%
(B) Growth capital	>10-50%
(C) (Leveraged) buy-out	>75%
(D) Distressed, turnaround or special situations	0%
(E) Secondaries	0%
(F) Other	0%

## ASSET BREAKDOWN: INTERNALLY MANAGED REAL ESTATE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 RE	CORE	OO 5	N/A	PUBLIC	Asset breakdown: Internally managed real estate	GENERAL

Provide a further breakdown of your internally managed real estate AUM.

(A) Retail	>10-50%
(B) Office	>10-50%
(C) Industrial	>0-10%
(D) Residential	>10-50%
(E) Hotel	>0-10%

(F) Lodging, leisure and recreation 0%

(G) Education 0%

(H) Technology or science 0%

(I) Healthcare 0%

(J) Mixed use 0%

(K) Other >10-50%

**(K) Other - Specify:**

Includes for example parking premises and unbuilt sites

## ASSET BREAKDOWN: INTERNALLY MANAGED INFRASTRUCTURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 INF	CORE	OO 5	N/A	PUBLIC	Asset breakdown: Internally managed infrastructure	GENERAL

### Provide a further breakdown of your internally managed infrastructure AUM.

(A) Data infrastructure >10-50%

(B) Diversified 0%

(C) Energy and water resources 0%

(D) Environmental services >10-50%

(E) Network utilities >0-10%

(F) Power generation (excl. renewables) >0-10%

(G) Renewable power >10-50%

(H) Social infrastructure 0%

(I) Transport >10-50%

(J) Other

0%

## MANAGEMENT BY PRI SIGNATORIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6	CORE	OO 5	N/A	PUBLIC	Management by PRI signatories	GENERAL

**What percentage of your organisation's externally managed assets are managed by PRI signatories?**

>75%

## GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

**How much of your AUM in each asset class is invested in emerging markets and developing economies?**

### AUM in Emerging Markets and Developing Economies

(A) Listed equity	(3) >10 to 20%
(B) Fixed income – SSA	(4) >20 to 30%
(C) Fixed income – corporate	(2) >0 to 10%
(E) Fixed income – private debt	(2) >0 to 10%
(F) Private equity	(2) >0 to 10%
(G) Real estate	(2) >0 to 10%
(H) Infrastructure	(2) >0 to 10%
(I) Hedge funds	(2) >0 to 10%

## STEWARDSHIP

### STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL
<b>Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?</b>						
		(1) Listed equity - active	(2) Listed equity - passive	(3) Fixed income - active	(4) Fixed income - passive	
(A) Yes, through internal staff		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, through service providers		<input checked="" type="checkbox"/>				
(C) Yes, through external managers		<input checked="" type="checkbox"/>				
(D) We do not conduct stewardship		<input type="radio"/>				
		(5) Private equity	(6) Real estate	(7) Infrastructure	(8) Hedge funds	
(A) Yes, through internal staff		<input checked="" type="checkbox"/>				
(B) Yes, through service providers		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers		<input checked="" type="checkbox"/>				
(D) We do not conduct stewardship		<input type="radio"/>				

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 HF	CORE	OO 5	OO 9	PUBLIC	Stewardship: (Proxy) voting	GENERAL

**Does your organisation have direct investments in listed equity across your hedge fund strategies?**

- (A) Yes
- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship: (Proxy) voting	GENERAL

**Does your organisation conduct (proxy) voting activities for any of your listed equity holdings?**

**(1) Listed equity - active**

**(2) Listed equity - passive**

(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) Yes, through service providers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Yes, through external managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) We do not conduct (proxy) voting	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9.1	CORE	OO 9	PGS 10.1, PGS 31	PUBLIC	Stewardship: (Proxy) voting	GENERAL

**For each asset class, on what percentage of your listed equity holdings do you have the discretion to vote?**

**Percentage of your listed equity holdings over which you have the discretion to vote**

(A) Listed equity – active	(11) >90 to <100%
(B) Listed equity - passive	(5) >30 to 40%

# ESG INCORPORATION

## INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1
<b>For each internally managed asset class, does your organisation incorporate ESG factors, to some extent, into your investment decisions?</b>						
<b>(1) Yes, we incorporate ESG factors into our investment decisions</b>				<b>(2) No, we do not incorporate ESG factors into our investment decisions</b>		
(A) Listed equity - passive		<input checked="" type="radio"/>			<input type="radio"/>	
(C) Listed equity - active - fundamental		<input checked="" type="radio"/>			<input type="radio"/>	
(E) Fixed income - SSA		<input checked="" type="radio"/>			<input type="radio"/>	
(F) Fixed income - corporate		<input checked="" type="radio"/>			<input type="radio"/>	
(H) Fixed income - private debt		<input checked="" type="radio"/>			<input type="radio"/>	
(I) Private equity		<input checked="" type="radio"/>			<input type="radio"/>	
(J) Real estate		<input checked="" type="radio"/>			<input type="radio"/>	
(K) Infrastructure		<input checked="" type="radio"/>			<input type="radio"/>	

## EXTERNAL MANAGER SELECTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 12	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager selection	1
<b>For each externally managed asset class, does your organisation incorporate ESG factors, to some extent, when selecting external investment managers?</b>						
<b>(1) Yes, we incorporate ESG factors when selecting external investment managers</b>				<b>(2) No, we do not incorporate ESG factors when selecting external investment managers</b>		
(A) Listed equity - active		<input checked="" type="radio"/>			<input type="radio"/>	
(B) Listed equity - passive		<input checked="" type="radio"/>			<input type="radio"/>	
(C) Fixed income - active		<input checked="" type="radio"/>			<input type="radio"/>	
(D) Fixed income - passive		<input checked="" type="radio"/>			<input type="radio"/>	
(E) Private equity		<input checked="" type="radio"/>			<input type="radio"/>	
(F) Real estate		<input checked="" type="radio"/>			<input type="radio"/>	
(G) Infrastructure		<input checked="" type="radio"/>			<input type="radio"/>	
(H) Hedge funds		<input checked="" type="radio"/>			<input type="radio"/>	

## EXTERNAL MANAGER APPOINTMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 13	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager appointment	1

**For each externally managed asset class, does your organisation incorporate ESG factors, to some extent, when appointing external investment managers?**

	(1) Yes, we incorporate ESG factors when appointing external investment managers	(2) No, we do not incorporate ESG factors when appointing external investment managers
(A) Listed equity - active	<input checked="" type="radio"/>	<input type="radio"/>
(B) Listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>
(C) Fixed income - active	<input checked="" type="radio"/>	<input type="radio"/>
(D) Fixed income - passive	<input checked="" type="radio"/>	<input type="radio"/>
(E) Private equity	<input checked="" type="radio"/>	<input type="radio"/>
(F) Real estate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Infrastructure	<input checked="" type="radio"/>	<input type="radio"/>
(H) Hedge funds	<input checked="" type="radio"/>	<input type="radio"/>

## EXTERNAL MANAGER MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager monitoring	1
<b>For each externally managed asset class, does your organisation incorporate ESG factors, to some extent, when monitoring external investment managers?</b>						
<b>(1) Yes, we incorporate ESG factors when monitoring external investment managers</b>				<b>(2) No, we do not incorporate ESG factors when monitoring external investment managers</b>		
(A) Listed equity - active		<input checked="" type="radio"/>			<input type="radio"/>	
(B) Listed equity - passive		<input checked="" type="radio"/>			<input type="radio"/>	
(C) Fixed income - active		<input checked="" type="radio"/>			<input type="radio"/>	
(D) Fixed income - passive		<input checked="" type="radio"/>			<input type="radio"/>	
(E) Private equity		<input checked="" type="radio"/>			<input type="radio"/>	
(F) Real estate		<input checked="" type="radio"/>			<input type="radio"/>	
(G) Infrastructure		<input checked="" type="radio"/>			<input type="radio"/>	
(H) Hedge funds		<input checked="" type="radio"/>			<input type="radio"/>	

## ESG STRATEGIES

### LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 LE	CORE	OO 11	OO 17.1 LE, LE 12	PUBLIC	Listed equity	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active listed equity?**

**Percentage out of total internally managed active listed equity**

(A) Screening alone	0%
(B) Thematic alone	0%
(C) Integration alone	0%
(D) Screening and integration	>75%
(E) Thematic and integration	0%
(F) Screening and thematic	0%
(G) All three approaches combined	0%
(H) None	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 LE	CORE	OO 17 LE	LE 9	PUBLIC	Listed equity	1

**What type of screening does your organisation use for your internally managed active listed equity assets where a screening approach is applied?**

**Percentage coverage out of your total listed equity assets where a screening approach is applied**

(A) Positive/best-in-class screening only 0%

(B) Negative screening only >75%

(C) A combination of screening approaches 0%

## FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?**

**(1) Fixed income - SSA** **(2) Fixed income - corporate**

(A) Screening alone 0% 0%

(B) Thematic alone 0% 0%

(C) Integration alone 0% 0%

(D) Screening and integration >75% >75%

(E) Thematic and integration 0% 0%

(F) Screening and thematic 0% 0%

(G) All three approaches combined	>0-10%	>10-50%
(H) None	0%	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 FI	CORE	OO 17 FI	N/A	PUBLIC	Fixed income	1

**What type of screening does your organisation use for your internally managed active fixed income where a screening approach is applied?**

	(1) Fixed income - SSA	(2) Fixed income - corporate
(A) Positive/best-in-class screening only	0%	0%
(B) Negative screening only	>75%	>75%
(C) A combination of screening approaches	0%	0%

## ESG/SUSTAINABILITY FUNDS AND PRODUCTS

### LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

**Do you explicitly market any of your products and/or funds as ESG and/or sustainable?**

- (A) Yes, we market products and/or funds as ESG and/or sustainable
- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- (C) Not applicable; we do not offer products or funds

## PASSIVE INVESTMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 19	CORE	OO 5.3 FI, OO 11	LE 8, FI 10	PUBLIC	Passive investments	1

**What percentage of your total internally managed passive listed equity and/or fixed income passive AUM utilise an ESG index or benchmark?**

Percentage of AUM that utilise an ESG index or benchmark

(A) Listed equity - passive >75%

## THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 17 FI	FI 15, FI 17	PUBLIC	Thematic bonds	1

**What percentage of your total environmental and/or social thematic bonds are labelled by the issuers in accordance with industry-recognised standards?**

Percentage of your total environmental and/or social thematic bonds labelled by the issuers

(A) Green or climate bonds >75%

(B) Social bonds >0-10%

(C) Sustainability bonds 0%

(D) Sustainability-linked bonds >10-50%

(E) SDG or SDG-linked bonds 0%

(F) Other 0%

(G) Bonds not labelled by the issuer 0%

# SUMMARY OF REPORTING REQUIREMENTS

## SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(T) External manager selection, appointment and monitoring (SAM) – listed equity - active	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(U) External manager selection, appointment and monitoring (SAM) – listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(V) External manager selection, appointment and monitoring (SAM) – fixed income - active	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(W) External manager selection, appointment and monitoring (SAM) – fixed income - passive	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(X) External manager selection, appointment and monitoring (SAM) – private equity	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(Y) External manager selection, appointment and monitoring (SAM) – real estate	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

(Z) External manager selection, appointment and monitoring (SAM) – infrastructure	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(AA) External manager selection, appointment and monitoring (SAM) – hedge funds	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

## SUBMISSION INFORMATION

### REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- (A) Publish as absolute numbers
- (B) Publish as ranges

# POLICY, GOVERNANCE AND STRATEGY (PGS)

## POLICY

### RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Guidelines on sustainability outcomes
- (F) Guidelines tailored to the specific asset class(es) we hold
- (G) Guidelines on exclusions
- (H) Guidelines on managing conflicts of interest related to responsible investment
- (I) Stewardship: Guidelines on engagement with investees
- (J) Stewardship: Guidelines on overall political engagement
- (K) Stewardship: Guidelines on engagement with other key stakeholders
- (L) Stewardship: Guidelines on (proxy) voting
- (M) Other responsible investment elements not listed here
- (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- (C) Specific guidelines on other systematic sustainability issues

Specify:

In 2022, we created a Biodiversity Roadmap with the purpose of creating a framework for responsible investment requirements, policies and goals that prevent biodiversity loss. Our goal is to ensure that the biodiversity and climate targets carry equal weight in the near future and that they together promote our environmental responsibility. How the climate and biodiversity work is applied depends on the asset class and type of investment. Our goal is to systematically assess the risks and impacts of our investments in terms of biodiversity loss. Our Biodiversity Roadmap applies to the entire investment portfolio.

The roadmap is divided into five focus areas: industry risk assessment, impact analysis, the real estate portfolio's biodiversity guidelines, engagement, and external and internal reporting. In 2023, we continued our biodiversity work by creating an environmental policy. The policy includes a description of our biodiversity-related actions. The policy helps us carry out systematic biodiversity assessments covering the entire investment portfolio. This includes target setting and reporting. Active monitoring and policy updates based on the development of global anti-biodiversity loss measures are also essential.

These actions help promote the protection of biodiversity and reduce the related risks to finances and business operations. In 2023, we updated the roadmap in line with the updated guidelines and requirements. In addition, in 2024, we conducted a biodiversity survey of risk industries as part of an analysis of the impacts of our investments and a risk survey for the second time. The survey looked into the portfolio companies' attitudes and preparedness for risks linked to biodiversity loss. The survey included 318 (282) companies in high-risk sectors from around the world and covered listed equity investments and exchange-traded funds (ETFs). The survey covered our listed equity investments.

- (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

#### Which elements of your formal responsible investment policy(ies) are publicly available?

- (A) Overall approach to responsible investment

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/principles-for-responsible-investment/>

- (B) Guidelines on environmental factors

Add link:

<https://www.varma.fi/globalassets/tama-on-varma/varmas-environmental-policy.pdf>

- (C) Guidelines on social factors

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/principles-for-human-rights/>

- (D) Guidelines on governance factors

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/varmas-ownership-policy/>

- (E) Guidelines on sustainability outcomes

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/active-ownership-and-engagement-principles/>

- (F) Specific guidelines on climate change (may be part of guidelines on environmental factors)

Add link:

<https://www.varma.fi/globalassets/tama-on-varma/varmas-environmental-policy.pdf>

- (G) Specific guidelines on human rights (may be part of guidelines on social factors)

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/principles-for-human-rights/>

- (H) Specific guidelines on other systematic sustainability issues

Add link:

<https://www.varma.fi/globalassets/tama-on-varma/varmas-environmental-policy.pdf>

- (I) Guidelines tailored to the specific asset class(es) we hold

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/principles-for-responsible-investment/>

**(J) Guidelines on exclusions**

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/active-ownership-and-engagement-principles/>

**(K) Guidelines on managing conflicts of interest related to responsible investment**

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/code-of-conduct/>

**(L) Stewardship: Guidelines on engagement with investees**

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/active-ownership-and-engagement-principles/>

**(N) Stewardship: Guidelines on engagement with other key stakeholders**

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/code-of-conduct/>

**(O) Stewardship: Guidelines on (proxy) voting**

Add link:

<https://www.varma.fi/en/this-is-varma/about-us/how-we-do-things/varmas-ownership-policy/>

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

**Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?**

**(A) Yes**

Elaborate:

Varma's core task is to invest pension assets profitably and securely. As a long-term investor, sustainability is an important target for Varma, as the investment decisions made influence the operating conditions of companies and other investees. 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. In addition to expected returns, the key criteria for selecting investments are compliance with legislation, respect for human rights, awareness of social and working conditions, and climate change and environmental considerations. From Varma's perspective, making allowances for sustainability does not conflict with expected returns. For us, sustainability is a means of securing long-term return on investments while ensuring that risks and opportunities are considered broadly in investment decisions.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?**

- (A) Overall stewardship objectives
- (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- (D) How different stewardship tools and activities are used across the organisation
- (E) Approach to escalation in stewardship
- (F) Approach to collaboration in stewardship
- (G) Conflicts of interest related to stewardship
- (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- (I) Other
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 6	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Does your policy on (proxy) voting include voting principles and/or guidelines on specific ESG factors?**

- (A) Yes, it includes voting principles and/or guidelines on specific environmental factors
- (B) Yes, it includes voting principles and/or guidelines on specific social factors
- (C) Yes, it includes voting principles and/or guidelines on specific governance factors
- (D) Our policy on (proxy) voting does not include voting principles or guidelines on specific ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 7	CORE	OO 9	N/A	PUBLIC	Responsible investment policy elements	2

**Does your organisation have a policy that states how (proxy) voting is addressed in your securities lending programme?**

- (A) We have a publicly available policy to address (proxy) voting in our securities lending programme
- (B) We have a policy to address (proxy) voting in our securities lending programme, but it is not publicly available
- (C) We rely on the policy of our external service provider(s)
- (D) We do not have a policy to address (proxy) voting in our securities lending programme
- (E) Not applicable; we do not have a securities lending programme

## RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

### Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment  
 (B) Guidelines on environmental factors  
 (C) Guidelines on social factors  
 (D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?

### AUM coverage

(A) Specific guidelines on climate change  
 (1) for all of our AUM

(B) Specific guidelines on human rights  
 (1) for all of our AUM

(C) Specific guidelines on other systematic sustainability issues  
 (1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?**

**(A) Listed equity**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

**(B) Fixed income**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

**(C) Private equity**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

**(D) Real estate**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%

- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(E) Infrastructure

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%

- (11) 100%

(F) Hedge funds

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%

- (11) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10.1	CORE	OO 9.1, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**What percentage of your listed equity holdings is covered by your guidelines on (proxy) voting?**

(A) Actively managed listed equity

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(2) If your AUM coverage is below 100%, explain why: (Voluntary)

We do not have discretion to vote in externally managed listed equity investments.

(B) Passively managed listed equity

# GOVERNANCE

## ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

**Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?**

**(A) Board members, trustees, or equivalent**  
 **(B) Senior executive-level staff, or equivalent**

Specify:

CEO, CIO

**(C) Investment committee, or equivalent**

Specify:

CEO, CIO, Chief Risk Officer, Head of Listed Securities, Head of Private Equity, Infrastructure, Private Debt and Real Estate Funds, Head of Real Estate, Head of Hedge Funds and Credit Investments and Senior Vice President, Sustainability & Communications

**(D) Head of department, or equivalent**

Specify department:

Senior Vice President, Sustainability & Communications

**(E) None of the above bodies and roles have oversight over and accountability for responsible investment**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

**Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?**

**(1) Board members, trustees, or equivalent**

**(2) Senior executive-level staff, investment committee, head of department, or equivalent**

(A) Overall approach to responsible investment

(B) Guidelines on environmental, social and/or governance factors

(C) Guidelines on sustainability outcomes

(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific guidelines on other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Guidelines on managing conflicts of interest related to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(L) Stewardship: Guidelines on engagement with other key stakeholders	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

**Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?**

- (A) Yes
- (B) No
- (C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

**In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?**

**(A) Internal role(s)**

Specify:

Portfolio Managers, Investment Analysts, Portfolio Analysts, Risk Analysts, Responsible Investment Specialists

**(B) External investment managers, service providers, or other external partners or suppliers**

Specify:

Fund Managers, Service providers, Proxy voting services, ESG data providers, Engagement service providers

**(C) We do not have any internal or external roles with responsibility for implementing responsible investment**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?**

**(A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent**

**(B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent**

Explain why: (Voluntary)

The Finnish Act on Earnings-Related Pension Insurance Companies regulates Varma's Board of Directors' obligations and responsibilities. Under the Finnish Act on Earnings-Related Pension Insurance Companies, the Board of Directors shall manage the company in a professional manner, in accordance with sound and prudent business principles and sound governance principles, draw up an investment plan on the investment of the company's assets, and perform together with the executive management a risk and solvency assessment as part of strategic decision-making and risk management.

The main tasks of the Audit Committee include the supervision of internal company control, risk management and financial and other reporting, as well as the monitoring of the work and observations of the auditors and the internal audit. The Committee does not have the power to make decisions independently. The Committee reports on its work and observations to the Board of Directors.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?**

**(A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)**

Indicate whether these responsible investment KPIs are linked to compensation

**(1) KPIs are linked to compensation**

- (2) KPIs are not linked to compensation as these roles do not have variable compensation
- (3) KPIs are not linked to compensation even though these roles have variable compensation

Describe: (Voluntary)

Varma has responsible investment KPIs for employees of the investments function, including its senior executive-level staff. Varma also has asset specific yearly targets for the investment teams.

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

## EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?**

- (A) Any changes in policies related to responsible investment
- (B) Any changes in governance or oversight related to responsible investment
- (C) Stewardship-related commitments
- (D) Progress towards stewardship-related commitments
- (E) Climate-related commitments
- (F) Progress towards climate-related commitments
- (G) Human rights-related commitments
- (H) Progress towards human rights-related commitments
- (I) Commitments to other systematic sustainability issues
- (J) Progress towards commitments on other systematic sustainability issues
- (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?**

- (A) Yes, including governance-related recommended disclosures
- (B) Yes, including strategy-related recommended disclosures
- (C) Yes, including risk management-related recommended disclosures
- (D) Yes, including applicable metrics and targets-related recommended disclosures
- (E) None of the above

Add link(s):

<https://www.varma.fi/globalassets/tama-on-varma/review-of-responsible-investment-2024.pdf>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?**

(A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)  
 (B) Disclosures against the European Union's Taxonomy

Link to example of public disclosures

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

(C) Disclosures against the CFA's ESG Disclosures Standard  
 (D) Disclosures against other international standards, frameworks or regulations

Specify:

Taskforce on Nature-related Financial Disclosures (TNFD)

Link to example of public disclosures

<https://www.varma.fi/globalassets/tama-on-varma/review-of-responsible-investment-2024.pdf>

(E) Disclosures against other international standards, frameworks or regulations  
Specify:

Partnership for Carbon Accounting Financials (PCAF) Standard

Link to example of public disclosures

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

(F) Disclosures against other international standards, frameworks or regulations  
Specify:

Task Force on Climate-Related Financial Disclosures (TCFD)

Link to example of public disclosures

<https://www.varma.fi/globalassets/tama-on-varma/review-of-responsible-investment-2024.pdf>

(G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?**

(A) Yes, we publicly disclosed all of our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

- (B) Yes, we publicly disclosed some of our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

**● (C) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement**

Explain why:

This information was previously disclosed as part of our Annual and Sustainability Report, but this year, as we transitioned to CSRD reporting, it was excluded from the reporting requirements

- (D) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year

## STRATEGY

### CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

- (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services
- (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- (D) Exclusions based on our organisation's climate change commitments
- (E) Other elements
- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

How does your responsible investment approach influence your strategic asset allocation process?

- (A) We incorporate ESG factors into our assessment of expected asset class risks and returns

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

- (B) We incorporate climate change-related risks and opportunities into our assessment of expected asset class risks and returns

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

- (C) We incorporate human rights-related risks and opportunities into our assessment of expected asset class risks and returns

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation
- (2) for a majority of our AUM subject to strategic asset allocation

- (3) for a minority of our AUM subject to strategic asset allocation
- (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- (F) Not applicable; we do not have a strategic asset allocation process

## STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2
<b>For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?</b>						
		(1) Listed equity	(2) Fixed income	(3) Private equity	(4) Real estate	(5) Infrastructure (6) Hedge funds
(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.		●	○	○	○	○
(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.		○	○	○	○	○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?**

The focus of Varma's stewardship efforts depends on the objectives of the stewardship activities, the size of the holdings in the entity, and whether the issue involves taking action on a violation or promoting sustainability themes. Our activities are focused on companies and themes in which we estimate our expertise can be put to the best use and in which we have significant opportunities to exercise influence. For instance, we focus to rectify the situation if the investee company has violated local laws or international agreements. In addition to local legislation, we expect investees to comply with international norms and agreements. This means compliance with, among others, the principles of the UN Global Compact initiative on sustainability and social responsibility. The principles of the Global Compact initiative cover the UN Declaration of Human Rights and Convention against Corruption, ILO labour conventions and the Rio Declaration on Environment and Development. In case of violations, we prioritise stewardship efforts based on the severity of the violation and our ownership share. Through its engagement Varma also strives to promote sustainability and sustainability reporting to investors, especially by focusing stewardship efforts to systematic sustainability issues. In implementing the investor's stewardship efforts, the service provider also plays a role, particularly in cases where norms have been breached.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?**

(A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible

- (B) We collaborate on a case-by-case basis
- (C) Other
- (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.**

To Varma, investor co-operation through different committees and joint initiatives is a major means of engagement. Varma has relatively small ownership in large global companies, even though the absolute investment in the company may be large. Consequently, it is difficult to engage with large corporations directly, and thus, collaborative engagement with peers is efficient and saves internal resources. Our process for selecting collaborative initiatives and engagements depends on the engagement topic, the scope of the engagement, and whether the topic is aligned with Varma's approach. The initiatives are most often related to climate change, but we are increasingly interested in collaborative initiatives concerning social issues as well as biodiversity.

For Varma, collaborative engagement is also important among alternative and fixed income investments, especially when there is no direct ownership. We have joined the International Powering Past Coal Alliance (PPCA), which is working to advance the transition away from coal-based electricity and heat generation in EU and OECD countries by 2030. We have also joined the Climate Action 100+ initiative, in which investors collectively engage on a global scale with the largest corporate greenhouse gas emitters to ensure that the targets of the Paris Agreement are met. In accordance with our environmental policy, we promote collaboration within the financial markets to mitigate and adapt to the effects of climate change, while also taking part in the public debate on the impacts of climate change at events and through collaborative initiatives.

In order to advance the financial market's joint efforts to mitigate climate change, Varma has engaged in co-operation with the Nordic Climate Investment Coalition (CIC). The CIC is a public and private sector coalition. Furthermore, we are a signatory to the CDP, which compiles data on companies' greenhouse gas emissions and other climate change-related data. Varma has joined the Partnership for Carbon Accounting Financials (PCAF) initiative. Its goal is to develop a harmonised approach to assess and disclose the greenhouse gas emissions associated with loans and investments. Varma has joined Nature Action 100, a global investor initiative focused on driving action to reverse biodiversity loss.

The initiative includes 190 investors and 100 companies from various sectors from around the world. Additionally, we have joined the Finance for Biodiversity Pledge, a global initiative of financial institutions to protect and restore biodiversity through their finance activities and investments. In 2023, Varma received validation for its emission reduction targets, which are based on the Science Based Targets initiative (SBTi). In terms of indirect greenhouse gas emissions (Scope 3), a target has been set for fund investments, among other asset classes. Varma's target is to increase the share of companies committed to the SBT initiative to 51 percent by 2027. Furthermore, Varma is actively involved in the work of the co-operation organisation Standards Board for Alternative Investments (SBAI), which aims to develop good governance and best practices, increase transparency, and reduce conflicts of interest in alternative investments.

Through the world's largest corporate sustainability initiative, the UN Global Compact, Varma promotes and develops the environmental, social, and economic sustainability of companies and organisations. Investors' co-engagement initiatives strive to promote the realisation of the UN Global Compact principles by pressuring companies to change their operations, if necessary. In 2024, Varma was involved in a total of 157 engagement processes in which violations of international agreements were addressed together with other investors. Varma is a participant in the global real estate and construction industry initiative Net Zero Carbon Buildings Commitment, which advocates for carbon-neutral buildings, and in the sustainable demolition Green Deal, an agreement between Finland's Ministry of the Environment and the business sector to process and recycle demolition waste from construction projects. We are part of various networks that fight climate change, such as the Climate Leadership Coalition.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Rank the channels that are most important for your organisation in achieving its stewardship objectives.**

**(A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff**

Select from the list:

1

**(B) External investment managers, third-party operators and/or external property managers, if applicable**

Select from the list:

● 3

(C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

Select from the list:

● 4

(D) Informal or unstructured collaborations with investors or other entities

Select from the list:

● 5

(E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar

Select from the list:

● 2

(F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 26	PLUS	OO 8, OO 9, PGS 1	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How does your organisation ensure that its policy on stewardship is implemented by the external service providers to which you have delegated stewardship activities?**

(A) Example(s) of measures taken when selecting external service providers:

Stewardship policy assessment is part of our managers selection process

(B) Example(s) of measures taken when designing engagement mandates and/or consultancy agreements for external service providers:

(C) Example(s) of measures taken when monitoring the stewardship activities of external service providers:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How are your organisation's stewardship activities linked to your investment decision making, and vice versa?**

In 2023, Varma received validation for its emission reduction targets, which are based on the Science Based Targets initiative (SBTi). In terms of indirect greenhouse gas emissions (scope 3), Varma's target is to increase the share of companies committed to the SBT initiative to 51 per cent by 2027. Varma strives to encourage companies to set their own SBT targets for it ensures that their climate targets are aligned with the Paris Agreement. Additionally, setting SBT targets is one of the criteria for qualifying for Varma's climate allocation.

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 29	CORE	OO 9, PGS 1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**When you use external service providers to give recommendations, how do you ensure those recommendations are consistent with your organisation's (proxy) voting policy?**

**(A) Before voting is executed, we review external service providers' voting recommendations for controversial and high-profile votes**

Select from the below list:

- (1) in all cases
- (2) in a majority of cases
- (3) in a minority of cases

**(B) Before voting is executed, we review external service providers' voting recommendations where the application of our voting policy is unclear**

Select from the below list:

- (1) in all cases
- (2) in a majority of cases
- (3) in a minority of cases

(D) We do not review external service providers' voting recommendations

(E) Not applicable; we do not use external service providers to give voting recommendations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 30	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**How is voting addressed in your securities lending programme?**

- (A) We recall all securities for voting on all ballot items
- (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting
- (C) Other
- (D) We do not recall our securities for voting purposes
- (E) Not applicable; we do not have a securities lending programme

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 31	CORE	OO 9.1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**For the majority of votes cast over which you have discretion to vote, which of the following best describes your decision making approach regarding shareholder resolutions (or that of your external service provider(s) if decision making is delegated to them)?**

- (A) We vote in favour of resolutions expected to advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment**
- (B) We vote in favour of resolutions expected to advance progress on our stewardship priorities, but only if the investee company has not already publicly committed to the action(s) requested in the proposal
- (C) We vote in favour of shareholder resolutions only as an escalation measure

- (D) We vote in favour of the investee company management's recommendations by default
- (E) Not applicable; we do not vote on shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 32	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**During the reporting year, how did your organisation, or your external service provider(s), pre-declare voting intentions prior to voting in annual general meetings (AGMs) or extraordinary general meetings (EGMs)?**

- (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system on the Resolution Database
- (B) We pre-declared our voting intentions publicly by other means, e.g. through our website

Add link(s) to public disclosure:

<https://www.varma.fi/globalassets/tama-on-varma/annual-general-meetings-of-finnish-listed-companies-in-2024-and-voting-by-varma.pdf>  
<https://www.varma.fi/globalassets/tama-on-varma/annual-general-meetings-of-foreign-listed-companies-in-2024-and-voting-by-varma2.pdf>

- (C) We privately communicated our voting decision to investee companies prior to the AGM/EGM

- (D) We did not privately or publicly communicate our voting intentions prior to the AGM/EGM
- (E) Not applicable; we did not cast any (proxy) votes during the reporting year

**Additional context to your response(s): (Voluntary)**

In 2024, we have published lists on our website that disclose voting intentions in advance. Additionally, in Finnish general meetings, we directly contact the company regarding votes opposing the board's proposals.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33	CORE	OO 9	PGS 33.1	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, do you publicly disclose your (proxy) voting decisions or those made on your behalf by your external service provider(s), company by company and in a central source?**

- (A) Yes, for all (proxy) votes

Add link(s):

<https://www.varma.fi/globalassets/tama-on-varma/annual-general-meetings-of-finnish-listed-companies-in-2024-and-voting-by-varma.pdf>  
<https://www.varma.fi/globalassets/tama-on-varma/annual-general-meetings-of-foreign-listed-companies-in-2024-and-voting-by-varma2.pdf>

- (B) Yes, for the majority of (proxy) votes
- (C) Yes, for a minority of (proxy) votes
- (D) No, we do not publicly report our (proxy) voting decisions company-by-company and in a central source

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33.1	CORE	PGS 33	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**In the majority of cases, how soon after an investee's annual general meeting (AGM) or extraordinary general meeting (EGM) do you publish your voting decisions?**

- (A) Within one month of the AGM/EGM
- (B) Within three months of the AGM/EGM
- (C) Within six months of the AGM/EGM
- (D) Within one year of the AGM/EGM
- (E) More than one year after the AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 34	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, did your organisation, and/or the external service provider(s) acting on your behalf, communicate the rationale for your voting decisions during the reporting year?**

**(1) In cases where we abstained or voted against management recommendations**      **(2) In cases where we voted against an ESG-related shareholder resolution**

(A) Yes, we publicly disclosed the rationale      (3) for a minority of votes

(B) Yes, we privately communicated the rationale to the company      (3) for a minority of votes

(C) We did not publicly or privately communicate the rationale, or we did not track this information           

(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year           

**(A) Yes, we publicly disclosed the rationale - Add link(s):**

<https://www.varma.fi/globalassets/tama-on-varma/annual-general-meetings-of-finnish-listed-companies-in-2024-and-voting-by-varma.pdf>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 35	PLUS	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

#### How does your organisation ensure vote confirmation, i.e. that your votes have been cast and counted correctly?

In foreign AGM/EGM votes, we receive reports from an external service provider on our voting, which allows us to verify our voting decisions. In Finnish AGM's or EGM's, in cases where we have voted against the board's proposal, it has been verified from the minutes of the meeting that dissenting opinions have been recorded.

## STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 36	CORE	OO 8, OO 9 HF, OO 9	N/A	PUBLIC	Stewardship: Escalation	2

#### For your listed equity holdings, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

##### (1) Listed equity

- (A) Joining or broadening an existing collaborative engagement or creating a new one
- (B) Filing, co-filing, and/or submitting a shareholder resolution or proposal
- (C) Publicly engaging the entity, e.g. signing an open letter
- (D) Voting against the re-election of one or more board directors
- (E) Voting against the chair of the board of directors, or equivalent, e.g. lead independent director
- (F) Divesting
- (G) Litigation

(H) Other



(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

- (A) Joining or broadening an existing collaborative engagement or creating a new one
- (B) Publicly engaging the entity, e.g. signing an open letter
- (C) Not investing
- (D) Reducing exposure to the investee entity
- (E) Divesting
- (F) Litigation
- (G) Other
- (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?

- (A) Yes, we engaged with policy makers directly
- (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?**

- (A) We participated in 'sign-on' letters
- (B) We responded to policy consultations
- (C) We provided technical input via government- or regulator-backed working groups

Describe:

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

- (D) We engaged policy makers on our own initiative
- (E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?**

- (A) We publicly disclosed all our policy positions
- (B) We publicly disclosed details of our engagements with policy makers
- (C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

Explain why:

This information was previously disclosed as part of our Annual and Sustainability Report, but this year, as we transitioned to CSRD reporting, it was excluded from the reporting requirements

## STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

**Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.**

(A) Example 1:  
Title of stewardship activity:

Climate Action 100+

(1) Led by

- (1) Internally led
- (2) **External service provider led**
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) **Environmental factors**
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) **Listed equity**
- (2) **Fixed income**
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Among the initiatives related to mitigating climate change, Climate Action 100+ is an initiative, in which investors collectively engage on a global scale with the largest corporate greenhouse gas emitters to ensure that the targets of the Paris Agreement are met.

(B) Example 2:

Title of stewardship activity:

Net Zero Carbon Buildings Commitment

(1) Led by

- (1) Internally led
- (2) **External service provider led**
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) **Environmental factors**
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) **Real estate**
- (5) **Infrastructure**
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

The Commitment challenges businesses, organizations, cities, states and regions to reach net zero carbon in operation for all assets under their direct control by 2030, and to advocate for all buildings to be net zero carbon in operation by 2050.

(C) Example 3:

Title of stewardship activity:

Nature Action 100

(1) Led by

- (1) Internally led
- (2) **External service provider led**

- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Among the initiatives related to attending to biodiversity, Nature Action 100 is a global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss.

(D) Example 4:

Title of stewardship activity:

Finance for Biodiversity

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Varma has signed the Finance for Biodiversity Pledge for financial institutions. By signing the pledge, financial institutions commit to the next five stages before 2025:

1. Collaborating and sharing knowledge
2. Engaging with companies
3. Assessing impacts
4. Setting targets
5. Reporting publicly

(E) Example 5:

Title of stewardship activity:

Access To Medicine

(1) Led by

- (1) Internally led
- (2) External service provider led

- (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
  - (1) Environmental factors
  - (2) Social factors
  - (3) Governance factors
- (3) Asset class(es)
  - (1) Listed equity
  - (2) Fixed income
  - (3) Private equity
  - (4) Real estate
  - (5) Infrastructure
  - (6) Hedge funds
  - (7) Forestry
  - (8) Farmland
  - (9) Other
- (4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Varma acquires research data from pharmaceutical companies through Bill and Melinda Gates' Access to Medicine Foundation to support its investment decisions. The Foundation stimulates and guides pharmaceutical companies to do more for the people living in low- and middle-income countries without access to medicine. The index initiated by the foundation ranks all pharmaceutical companies in the world according to how well they promote access to medicine.

## CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

### Has your organisation identified climate-related risks and opportunities affecting your investments?

(A) Yes, within our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

Climate change is a key aspect of Varma's asset class specific targets for short and mid term. Especially physical risks due to the climate change may have significant impacts on the short term. For example, heatwaves in Europe during recent years have had significant impact on several companies across sectors. Varma sets its asset class specific targets annually that are progressing Varma's short to mid term targets. These include for example carbon intensity, absolute emissions, climate allocation and low carbon electricity production targets. Varma also uses Climate Value at risk to estimate the potential impacts of both physical and transition risks to our investment portfolio. Climate Value-at-Risk (Climate VaR) is a tool developed by MSCI that is designed to provide an assessment of asset class-specific transition costs and opportunities as well as physical risks brought by climate change. Climate risks have major impacts on companies' business models and profitability, the outlook of which has been challenging to assess using traditional historical analysis. Climate VaR strives to address this problem by depicting the temperature scenario's potential impact on the investment's market value. The analysis of our listed equity investments shows that both negative and positive potential impacts are the greatest in scenarios in which the transition is the strongest. Compared to the global equity market, the largest relative difference is seen in the Carbon neutrality 2050 scenario, in which the impacts on Varma's equity investments would be significantly lower than they would be 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.

(B) Yes, beyond our standard planning horizon

## Specify the risks and opportunities identified and your relevant standard planning horizon:

In 2022–2035 we will develop our portfolio towards carbon neutrality and thus it is our relevant standard planning horizon. As a long-term investor, we aim to make forecasts beyond the standard planning horizon in order to assess the impact of climate change to our portfolio in the long-run. We reach for carbon neutrality by identifying new investment opportunities brought by climate change and by creating a climate-friendly investment allocation. The allocation includes companies whose business benefits from actions to mitigate climate change, whose operations do not cause significant greenhouse gas emissions, who have a clear strategic and science-based target of reducing greenhouse gas emissions and whose operations offer carbon sinks. We use climate value at risk in analysing climate risks.

Climate Value-at-Risk (Climate VaR) is a tool developed by MSCI that is designed to provide an assessment of asset class-specific transition costs and opportunities as well as physical risks brought by climate change. Climate risks have major impacts on companies' business models and profitability, the outlook of which has been challenging to assess using traditional historical analysis. Climate VaR strives to address this problem by depicting the temperature scenario's potential impact on the investment's market value. The analysis of our listed equity investments shows that both negative and positive potential impacts are the greatest in scenarios in which the transition is the strongest. Compared to the global equity market, the largest relative difference is seen in the Carbon neutrality 2050 scenario, in which the impacts on Varma's equity investments would be significantly lower than they would be 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. In addition, we have defined industries that, in terms of climate change, both offer the greatest opportunities for emission reductions through their business and are also significantly exposed to risks caused by climate change mitigation, such as regulation and market risks. These transition industries comprise the oil & gas industry, electricity & heat production, as well as the automotive-, metals & mining-, construction materials-, transportation-, paper & forest products- and chemical industry. We aim to identify companies operating in these industries with a strong willingness to change and an ability to adapt to climate change. We also monitor and analyse the impact that different transition industries have on the climate risks of Varma's investments in different asset classes.

The Climate VaR of the transition industries is negative in every temperature scenario. It indicates that the emission reductions under the temperature scenarios pose major risks to these industries. We updated the analysis focusing on the physical climate risks of our direct real estate investments in autumn 2021. Of the real estate owned by Varma, around 70 % is located in the Helsinki metropolitan area. Practically all the buildings are located within a radius of approximately 10 kilometres from the seashore, and thus their climate burden is higher than average. In addition to the risk of a sea flood, wind-driven rain and strong winds may cause problems in controlling moisture levels in the buildings.

In the climate models, the estimate is that the amount of wind-driven rain on the coastline will increase. We take this into account in building condition surveys and facade solutions for new buildings. In addition to facade material choices, we pay attention to details that are key in terms of weather resistance, such as the design and execution of eaves and joints of different materials. As a result of climate change, precipitation will increase, and rainstorms will become stronger in Finland. At the same time, rainwater floods caused by rain and melting water will become more common. Our real estate portfolio was also analysed for sea flood risk.

Our analysis showed that the sea flood risk in our real estate portfolio is low. In 2100, only five Varma owned sites will be exposed to moderate risks, examined at a frequency of 1/1000 years. Varma takes the sea flood risk into account especially in new development projects and when purchasing new buildings.

- (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

## Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

- (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

Varma's investment activities are steered by the environmental policy, in which Varma commits to develop its investment portfolio towards carbon neutrality in 2022–2035. Since 2016, Varma has been committed to developing investment operations such that Varma's investments are aligned with the target of the Paris Agreement. Varma's portfolio is guided towards carbon neutrality by selecting investees that recognise the opportunities related to climate change mitigation and adaptation, fostering collaboration in the financial markets to promote climate change mitigation and adaptation, focusing on analysing the financial risks of climate change in the investment portfolio, and transparently disclosing the impacts of climate change on Varma's investments and the impacts of investments on the climate. Varma has established absolute emission targets, extending the targets to cover all asset classes, and increasing the proportion of the climate allocation in Varma's portfolio.

We continuously monitor the research on climate change, and we update our climate targets at least every three years. Varma's goal is to cut the entire investment portfolio's absolute emissions by 25 % by 2025 and by 50 % by 2030, and to increase the proportion of the climate allocation to 25 % by 2025. At the end of 2022, the absolute emissions of Varma's investment portfolio were down 11 % compared to 2021 and the climate allocation accounted for 24 % of the portfolio. In 2022, Varma signed the Science Based Targets initiative (SBTi) and committed to set near-term science-based climate targets within the next two years. In 2023, Varma received official validation for its emission reduction targets, which are based on the Science Based Targets initiative (SBTi).

For indirect greenhouse gas emissions (Scope 3), the target has been set for Varma's investment targets in listed stocks, listed bond investments, and real estate funds. In these asset classes, Varma aims to increase the proportion of companies committed to the SBT initiative to 51% by the end of 2027. In 2021, a total of 28% of investees had set their own SBT targets. In the target setting year of 2023, listed stocks, listed bond investments, and real estate funds covered 45% of Varma's investment portfolio. Varma is committed to exiting from thermal coal investments by 2025 and from oil exploration by 2030. Furthermore, in 2022, Varma adopted biodiversity loss mitigation as a sustainability guideline alongside climate work.

The Biodiversity Roadmap, drawn up in 2022, sets the framework for responsible investment requirements to address biodiversity in investment operations. The goal is to ensure that the biodiversity and climate targets carry equal weight in the near future and that together they promote Varma's environmental responsibility. In 2024, we continued our biodiversity work by publishing an environmental policy. The policy includes a description of our biodiversity-related actions. The policy helps us carry out systematic biodiversity assessments covering the entire investment portfolio.

This includes target setting and reporting. Active monitoring and policy updates based on the development of global anti-biodiversity loss measures are also essential. These actions help promote the protection of biodiversity and reduce the related risks to finances and business operations. In 2024, we conducted a second biodiversity survey of risk industries as part of an analysis of the impacts of our investments and a risk assessment. The survey looked into the portfolio companies' attitudes and preparedness for risks linked to biodiversity loss. The survey included 318 (282) companies in high-risk sectors from around the world and covered listed equity investments and exchange-traded funds (ETFs).

Companies with a market value exceeding one million euros were included. Varma addresses climate-change risks in its risk and solvency assessment and in the reports of the Board of Directors and executive management. Every quarter, the allocation group of Varma's Investment Operations reviews the climate change-related financial risks that the investment portfolio is exposed to.

- (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

#### Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

(A) Coal

Describe your strategy:

Varma does not make new investments in companies with coal-based operations accounting for more than 10% of their revenue, electricity generation or generation capacity. The exception to this general rule is companies that have a set science-based target of reducing emissions to help limit global warming to 1.5 degrees Celsius. Varma does not finance coal-based projects, nor invest in companies that are planning new coal-based investments. Varma is committed to exiting from all thermal coal investments by 2025. Investments in coal do not play a strategic role in Varma's investment operations and the commitment covers Varma's entire investment portfolio.

(B) Gas

Describe your strategy:

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

(C) Oil

Describe your strategy:

Varma is committed to exiting from oil exploration from investments by 2030. Investments in oil exploration do not play a strategic role in Varma's investment operations and the commitment covers Varma's entire investment portfolio.

(D) Utilities

Describe your strategy:

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

**(E) Cement**

Describe your strategy:

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

**(F) Steel**

Describe your strategy:

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

**(G) Aviation**

Describe your strategy:

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

**(H) Heavy duty road**

Describe your strategy:

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

**(I) Light duty road**

Describe your strategy:

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

**(J) Shipping**

Describe your strategy:

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

**(K) Aluminium**

Describe your strategy

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

**(L) Agriculture, forestry, fishery**

Describe your strategy:

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

**(M) Chemicals**

Describe your strategy:

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

**(N) Construction and buildings**

Describe your strategy:

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

**(O) Textile and leather**

Describe your strategy:

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

(P) Water  
 (Q) Other

Specify:

Industries significantly exposed to environmental risks, such as food, electricity, pharmaceutical, and cosmetics industries, packaging material manufacturers and waste management companies

Describe your strategy:

(R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

**Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?**

(A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)  
 (B) Yes, using the One Earth Climate Model scenario  
 (C) Yes, using the International Energy Agency (IEA) Net Zero scenario  
 (D) Yes, using other scenarios

Specify:

The temperature scenarios used by Varma are based on the framework published by the NGFS (Network for Greening the Financial System) and the forward-looking REMIND-MAgPIE (Regional Model of Investments and Development & Model of Agricultural Production and its Impact on the Environment) model.

(E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

**Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?**

(A) Yes, we have a process to identify and assess climate-related risks

(1) Describe your process

Responsible investment and mitigating climate change apply to all of Varma's asset classes and investment processes. As a long-term investor, we strive to identify and assess both physical and transition risks, which have an impact on the value of investments. We identify and assess climate-related risks in the investment decision making as well as when monitoring our investees. We incorporate ESG factors into calculations for expected risks and returns of asset classes and incorporate physical, transition and regulatory changes related to climate change into calculations for expected risks and returns of asset classes. Our analysts and portfolio managers consider ESG factors in their investment decision making process. In external investment manager selection and appointment, we assess the fund's and manager's compatibility with Varma's environmental policy and Varma's values. We aim to make our entire investment portfolio carbon neutral by 2035.

To achieve this goal we, for example, set absolute emission and carbon intensity reduction targets, assess portfolio exposure to carbon intensive industries, and monitor the best practices within the industry and update our climate policy accordingly at least every three years. In addition, we also analyse climate change-related transition risks that our real assets are exposed to in order to identify and assess the significance of the key political, technology, market and reputational risks. In our assessments of physical risks, we focus on evaluating the climate burden of our real estate and infrastructure investments, and we look at, among other things, the weather resistance of properties as well as sea flood risks and rainwater run-off risks. The assessments highlight a review of broader geographic areas as well as an analysis of very local climate impacts. We assess the risk of fossil reserves in our investments as part of the climate change risk management since we want to avoid stranded assets that pose significant financial risk for us as an investor. Varma has received official validation for its emission reduction targets, which are based on the Science Based Targets initiative (SBTi).

For indirect greenhouse gas emissions (Scope 3), the target has been set for Varma's investment targets in listed stocks, listed bond investments, and real estate funds. In these asset classes, Varma aims to increase the proportion of companies committed to the SBT initiative to 51% by the end of 2027. In 2021, a total of 28% of investees had set their own SBT targets. In the target setting year of 2023, listed stocks, listed bond investments, and real estate funds covered 45% of Varma's investment portfolio.

(2) Describe how this process is integrated into your overall risk management

The Board of Directors discuss responsible investment issues monthly, current sustainability issues in the annual sustainability review, climate risks on a quarterly basis and sustainability risks, including climate-change risks, as part of the annual risk and solvency assessment. Every quarter, the allocation group of Varma's Investment Operations reviews the climate change-related financial risks that our investment portfolio is exposed to. Risks related to responsibility and sustainability are managed as part of Varma's risk management. A risk co-ordinator, who was appointed to the Responsible Investment & Sustainability department at the beginning of 2023, promotes the assessment of reporting of responsibility and sustainability risks. The Investment Committee addresses and approves the responsible investment principles and policies that are presented to the Board of Directors.

The committee also monitors the investment risks related to responsibility, such as climate change-related risks, and evaluates violations of international agreements and norms. During the reporting year, Varma's sustainability was led by the Senior Vice President, Sustainability & Communications who reported to the CEO. The Responsible Investment & Sustainability department developed and co-ordinated Varma's sustainability. In addition to the Senior Vice President, Sustainability & Communications, the Development Manager for Responsible Investment and three Sustainability Specialists worked in the department. 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.

(B) Yes, we have a process to manage climate-related risks

(1) Describe your process

We have set a target of reducing the investment portfolio's absolute emissions by 25 per cent by 2025 and 50 per cent by 2030. In the reporting year, we also set science-based emission reduction targets in accordance with the international Science Based Targets initiative (SBTi). When setting the SBTs, companies commit to reduce their emissions in line with the Paris Agreement. We are committed to setting long-term SBT targets that cover Varma's own operations and investment portfolio. We aim for a carbon-neutral investment portfolio by 2035. In our Principles for Responsible Investment, we have defined the areas that Varma will not invest in as well as the kind of companies that are subject to enhanced due diligence on environmental and other sustainability issues.

In our climate targets, we have excluded investments in companies with coal- or lignite-based operations accounting for more than 10 per cent of their revenue, production or production capacity. We are committed to exiting from thermal coal investments by 2025 and from oil exploration by 2030. At the end of 2024, only 1.5 per cent of Varma's listed investments were in oil exploration companies. Of listed investments, 0.4 per cent were in companies that rely on coal for more than 5 per cent of their operations. In addition, we have identified industries with a need for enhanced sustainability monitoring. We have defined industries that, in terms of climate change, both offer greater opportunities for mitigating the impacts of climate change through their business and are also significantly exposed to, for example, risks caused by climate change mitigation, such as regulation and market risks.

These high-risk industries are the oil & gas industry, electricity & heat production, and the automotive, mining, construction materials, transportation, forest and chemical industries. Investments in these industries are subject to special scrutiny by our portfolio managers.

(2) Describe how this process is integrated into your overall risk management

Risks and opportunities regarding climate change are addressed quarterly in the allocation group, where progress towards Varma's climate targets is monitored. The management of climate change risks is implemented in the same system as financial risks, which is managed by the middle office.

o (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and publicly disclose?

**(A) Exposure to physical risk**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

**(B) Exposure to transition risk**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

**(C) Internal carbon price**

**(D) Total carbon emissions**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

**(E) Weighted average carbon intensity**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/review-of-responsible-investment-2024.pdf>

**(F) Avoided emissions**

**(G) Implied Temperature Rise (ITR)**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/review-of-responsible-investment-2024.pdf>

**(H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals**

**(I) Proportion of assets or other business activities aligned with climate-related opportunities**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed
- (3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

(J) Other metrics or variables

○ (K) Our organisation did not use or publicly disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

**During the reporting year, did your organisation publicly disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?**

(A) Scope 1 emissions

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed
- (2) Metric and methodology disclosed

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

(B) Scope 2 emissions

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed
- (2) Metric and methodology disclosed

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

(C) Scope 3 emissions (including financed emissions)

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed
- (2) Metric and methodology disclosed

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.varma.fi/globalassets/tama-on-varma/varmas-report-of-the-board-of-directors-and-financial-statements-2024.pdf#page=11>

○ (D) Our organisation did not publicly disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

## SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

**Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?**

- (A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

**Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?**

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The UNFCCC Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other relevant taxonomies
- (G) The International Bill of Human Rights
- (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (I) The Convention on Biological Diversity
- (J) Other international framework(s)

Specify:

Taskforce on Nature-related Financial Disclosures (TNFD)

- (K) Other regional framework(s)
- (L) Other sectoral/issue-specific framework(s)
- (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

**What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?**

- (A) Identify sustainability outcomes that are closely linked to our core investment activities
- (B) Consult with key clients and/or beneficiaries to align with their priorities

- (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- (F) Understand the geographical relevance of specific sustainability outcome objectives
- (G) Other method
  - (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

**Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?**

- (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

**Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?**

- (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- (C) We have been requested to do so by our clients and/or beneficiaries
- (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- (H) Other

## HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

**During the reporting year, what steps did your organisation take to identify and take action on the actual and potential negative outcomes for people connected to your investment activities?**

**(A) We assessed the country level context of our potential and/or existing investments to understand how this could connect our organisation to negative human rights outcomes**

Explain how these activities were conducted:

Varma firmly intervenes in the human rights violations of its investees. Human rights secure the right to a dignified life for everyone, and investors have the power and responsibility to keep a keen eye on how human rights are realised in investee companies. We monitor our investees' realisation of human rights as well as possible human rights violations by screening for norm violations. A violation of international norms can be either a single event that exceeds the threshold in terms of its severity, or numerous separate and less severe events that indicate a lack of overall responsibility in the operations. Varma classifies violations in all asset classes into one of three categories: blacklisted investments, i.e. companies that we do not invest in, investees that are involved in an engagement process and investees that are on an observation list. Various engagement methods are in use for different categories.

In the most severe category, violations in investee companies are automatically blacklisted. If an investee is blacklisted and sufficient progress is not made to rectify the violation, the investment will be divested at the latest within 18 months or based on the market situation. Violations in the second most severe category are included in Varma's engagement process. Further investments cannot be made in an investee that is in an engagement process without a decision by Varma's investment committee. Targets and a schedule are defined for the engagement process, and the progress of the process is monitored. Violations in the third category are placed on an observation list.

We mainly engage with these investees through the service provider. The service provider engages in a dialogue with the company, and during the engagement process the company has the right to know our name. The progress made to rectify violations and the situation is monitored regularly. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. In severe violations, the fund will go through an escalation process that aims to rectify the violation through the fund's management company. In fund investments, the fund management company is responsible for monitoring the sustainability of the portfolio's investments. In index investments, Varma primarily aims to select investments in which companies that have committed serious violations are already excluded.

In index investments, the engagement process is carried out by the investment company. Since Varma does not have direct holdings in index companies, direct engagement is not possible. Varma engages with index companies through collaborative initiatives.

**(B) We assessed the sector context of our potential and/or existing investments to understand how this could connect our organisation to negative human rights outcomes**

Explain how these activities were conducted:

Varma firmly intervenes in the human rights violations of its investees. Human rights secure the right to a dignified life for everyone, and investors have the power and responsibility to keep a keen eye on how human rights are realised in investee companies. We monitor our investees' realisation of human rights as well as possible human rights violations by screening for norm violations. A violation of international norms can be either a single event that exceeds the threshold in terms of its severity, or numerous separate and less severe events that indicate a lack of overall responsibility in the operations. Varma classifies violations in all asset classes into one of three categories: blacklisted investments, i.e. companies that we do not invest in, investees that are involved in an engagement process and investees that are on an observation list. Various engagement methods are in use for different categories.

In the most severe category, violations in investee companies are automatically blacklisted. If an investee is blacklisted and sufficient progress is not made to rectify the violation, the investment will be divested at the latest within 18 months or based on the market situation. Violations in the second most severe category are included in Varma's engagement process. Further investments cannot be made in an investee that is in an engagement process without a decision by Varma's investment committee. Targets and a schedule are defined for the engagement process, and the progress of the process is monitored. Violations in the third category are placed on an observation list.

We mainly engage with these investees through the service provider. The service provider engages in a dialogue with the company, and during the engagement process the company has the right to know our name. The progress made to rectify violations and the situation is monitored regularly. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. In severe violations, the fund will go through an escalation process that aims to rectify the violation through the fund's management company. In fund investments, the fund management company is responsible for monitoring the sustainability of the portfolio's investments. In index investments, Varma primarily aims to select investments in which companies that have committed serious violations are already excluded.

In index investments, the engagement process is carried out by the investment company. Since Varma does not have direct holdings in index companies, direct engagement is not possible. Varma engages with index companies through collaborative initiatives.

**(C) We assessed the human rights performance of our potential and/or existing investments to understand how this could connect our organisation to negative human rights outcomes**

Explain how these activities were conducted:

Varma firmly intervenes in the human rights violations of its investees. Human rights secure the right to a dignified life for everyone, and investors have the power and responsibility to keep a keen eye on how human rights are realised in investee companies. We monitor our investees' realisation of human rights as well as possible human rights violations by screening for norm violations. A violation of international norms can be either a single event that exceeds the threshold in terms of its severity, or numerous separate and less severe events that indicate a lack of overall responsibility in the operations. Varma classifies violations in all asset classes into one of three categories: blacklisted investments, i.e. companies that we do not invest in, investees that are involved in an engagement process and investees that are on an observation list. Various engagement methods are in use for different categories.

In the most severe category, violations in investee companies are automatically blacklisted. If an investee is blacklisted and sufficient progress is not made to rectify the violation, the investment will be divested at the latest within 18 months or based on the market situation. Violations in the second most severe category are included in Varma's engagement process. Further investments cannot be made in an investee that is in an engagement process without a decision by Varma's investment committee. Targets and a schedule are defined for the engagement process, and the progress of the process is monitored. Violations in the third category are placed on an observation list.

We mainly engage with these investees through the service provider. The service provider engages in a dialogue with the company, and during the engagement process the company has the right to know our name. The progress made to rectify violations and the situation is monitored regularly. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. In severe violations, the fund will go through an escalation process that aims to rectify the violation through the fund's management company. In fund investments, the fund management company is responsible for monitoring the sustainability of the portfolio's investments. In index investments, Varma primarily aims to select investments in which companies that have committed serious violations are already excluded.

In index investments, the engagement process is carried out by the investment company. Since Varma does not have direct holdings in index companies, direct engagement is not possible. Varma engages with index companies through collaborative initiatives.

**(D) We monitored severe and emerging human rights controversies to understand how this could connect our organisation to negative human rights outcomes**

Explain how these activities were conducted:

Varma firmly intervenes in the human rights violations of its investees. Human rights secure the right to a dignified life for everyone, and investors have the power and responsibility to keep a keen eye on how human rights are realised in investee companies. We monitor our investees' realisation of human rights as well as possible human rights violations by screening for norm violations. A violation of international norms can be either a single event that exceeds the threshold in terms of its severity, or numerous separate and less severe events that indicate a lack of overall responsibility in the operations. Varma classifies violations in all asset classes into one of three categories: blacklisted investments, i.e. companies that we do not invest in, investees that are involved in an engagement process and investees that are on an observation list. Various engagement methods are in use for different categories.

In the most severe category, violations in investee companies are automatically blacklisted. If an investee is blacklisted and sufficient progress is not made to rectify the violation, the investment will be divested at the latest within 18 months or based on the market situation. Violations in the second most severe category are included in Varma's engagement process. Further investments cannot be made in an investee that is in an engagement process without a decision by Varma's investment committee. Targets and a schedule are defined for the engagement process, and the progress of the process is monitored. Violations in the third category are placed on an observation list.

We mainly engage with these investees through the service provider. The service provider engages in a dialogue with the company, and during the engagement process the company has the right to know our name. The progress made to rectify violations and the situation is monitored regularly. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. In severe violations, the fund will go through an escalation process that aims to rectify the violation through the fund's management company. In fund investments, the fund management company is responsible for monitoring the sustainability of the portfolio's investments. In index investments, Varma primarily aims to select investments in which companies that have committed serious violations are already excluded.

In index investments, the engagement process is carried out by the investment company. Since Varma does not have direct holdings in index companies, direct engagement is not possible. Varma engages with index companies through collaborative initiatives.

**(E) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities**

Specify:

During the reporting year we identified a human rights breach related to a company in our externally managed fund. The case was handled according to our escalation process.

Explain how these activities were conducted:

- (F) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our investment activities during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.1	PLUS	PGS 49	N/A	PUBLIC	Human rights	1, 2

During the reporting year, which stakeholder groups did your organisation include when identifying and taking action on the actual and potential negative outcomes for people connected to your investment activities?

**(A) Workers**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate

**(B) Communities**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate

**(C) Customers and end-users**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate

**(D) Other stakeholder groups**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.2	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, what information sources did your organisation use to identify the actual and potential negative outcomes for people connected to its investment activities?**

**(A) Corporate disclosures**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc.

In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(B) Media reports**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc.

In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(C) Reports and other information from NGOs and human rights institutions**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc.

In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(D) Country reports, for example, by multilateral institutions, e.g. OECD, World Bank**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc.

In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(E) Data provider scores or benchmarks**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc.

In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(F) Human rights violation alerts**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(G) Sell-side research**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

**(H) Investor networks or other investors**

Provide further detail on how your organisation used these information sources:

Varma monitors its investments' norm violations on a quarterly basis through several sources. The sources used are a third party service provider which assesses corporate alignment with global norms on environmental protection, human rights, labor standards, and anti-corruption; and comparing performance to a chosen benchmark and the media, news etc. In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. For severe violations, the fund will go through an escalation process that aims to remediate the violation through the influence of the fund management company.

- (I) Information provided directly by affected stakeholders or their representatives
- (J) Social media analysis
- (K) Other

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 50	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, did your organisation, directly or through influence over investees, enable access to remedy for people affected by negative human rights outcomes connected to your investment activities?**

- (A) Yes, we enabled access to remedy directly for people affected by negative human rights outcomes we caused or contributed to through our investment activities
- (B) Yes, we used our influence to ensure that our investees provided access to remedies for people affected by negative human rights outcomes we were linked to through our investment activities**

Describe:

We have been supporting the Access to Medicine foundation's efforts for access to medicine since 2018. The purpose of the organisation is to guide pharmaceutical companies to do more to give people in low-income countries better access to medicine. An index established by the foundation ranks all the world's largest pharmaceutical companies according to how they strive to address the availability of medicines. Access to Medicine organizes investor meetings where information about the effectiveness and impact of influence is shared with the participating investors.

- (C) No, we did not enable access to remedy directly, or through the use of influence over investees, for people affected by negative human rights outcomes connected to our investment activities during the reporting year

# MANAGER SELECTION, APPOINTMENT AND MONITORING (SAM)

## OVERALL APPROACH

### EXTERNAL INVESTMENT MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 1	CORE	OO 21	N/A	PUBLIC	External investment managers	4
<b>For the majority of your externally managed AUM in each asset class, which responsible investment aspects does your organisation consider important in the assessment of external investment managers?</b>						
		(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(4) Fixed income (passive)	
<b>Organisation</b>						
(A) Commitment to and experience in responsible investment		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(B) Responsible investment policy(ies)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(C) Governance structure and senior-level oversight and accountability		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>People and Culture</b>						
(D) Adequate resourcing and incentives		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(E) Staff competencies and experience in responsible investment		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>Investment Process</b>						
(F) Incorporation of material ESG factors in the investment process		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

(G) Incorporation of risks connected to systematic sustainability issues in the investment process

(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment

### **Stewardship**

(I) Policy(ies) or guidelines on stewardship

(J) Policy(ies) or guidelines on (proxy) voting

(K) Use of stewardship tools and activities

(L) Incorporation of risks connected to systematic sustainability issues in stewardship practices

(M) Involvement in collaborative engagement and stewardship initiatives

(N) Engagement with policy makers and other non-investee stakeholders

(O) Results of stewardship activities

### **Performance and Reporting**

(P) ESG disclosure in regular client reporting

(Q) Inclusion of ESG factors in contractual agreements

(R) We do not consider any of the above responsible investment aspects important in the assessment of external investment managers

### Organisation

(A) Commitment to and experience in responsible investment

(B) Responsible investment policy(ies)

(C) Governance structure and senior-level oversight and accountability

### People and Culture

(D) Adequate resourcing and incentives

(E) Staff competencies and experience in responsible investment

### Investment Process

(F) Incorporation of material ESG factors in the investment process

(G) Incorporation of risks connected to systematic sustainability issues in the investment process

(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment

### Stewardship

(I) Policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Policy(ies) or guidelines on (proxy) voting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(K) Use of stewardship tools and activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(L) Incorporation of risks connected to systematic sustainability issues in stewardship practices	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Involvement in collaborative engagement and stewardship initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(N) Engagement with policy makers and other non-investee stakeholders	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(O) Results of stewardship activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

### Performance and Reporting

(P) ESG disclosure in regular client reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(Q) Inclusion of ESG factors in contractual agreements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(R) We do not consider any of the above responsible investment aspects important in the assessment of external investment managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## SERVICE PROVIDERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 2	CORE	OO 21	N/A	PUBLIC	Service providers	4

Which responsible investment aspects does your organisation consider important when assessing all service providers that advise you in the selection, appointment and/or monitoring of external investment managers?

- (A) Incorporation of their responsible investment policy into advisory services
- (B) Ability to accommodate our responsible investment policy
- (C) Level of staff's responsible investment expertise

(D) Use of data and analytical tools to assess the external investment manager's responsible investment performance

(E) Other

- (F) We do not consider any of the above responsible investment aspects important when assessing service providers that advise us in the selection, appointment and/or monitoring of external investment managers
- (G) Not applicable; we do not engage service providers in the selection, appointment or monitoring of external investment managers

## POOLED FUNDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 3	PLUS	OO 5.2, OO 21	N/A	PUBLIC	Pooled funds	4

If you invest in pooled funds, describe how you incorporate responsible investment aspects into the selection, appointment and/or monitoring of external investment managers.

### Provide example(s) below

(A) Selection	<p>We have engaged closely with our existing real estate investment manager to improve their ESG integration and reporting. They were raising funding for their next real estate fund which had an ESG focus. The manager had honed their ESG strategy, implemented detailed and broad ESG targets and monitoring for the fund and improved significantly the transparency of their ESG reporting. We engaged closely with the manager regarding climate targets and they committed to set Science Based Targets. In investments in listed equity, the emphasis on the voting policy for the manager, as the majority of our investments have been done via bespoke index constructions.</p>
(B) Appointment	<p>We have appointed Private Debt fund managers with specific carve out of certain type of investments, including carbon-intensive investees.</p>
(C) Monitoring	<p>In addition to local legislation, we expect our investees to comply with international norms and standards, including the principles of UN Global Compact initiative, which cover the UN Declaration of Human Rights and Convention against Corruption, ILO labour conventions and the Rio Declaration on Environment and Development. In 2022, we updated our norm violation (escalation) process in order to increase our efficiency in identifying and monitoring possible and likely sustainability risks.</p> <p>Varma has a formal process to engagement and escalation with external investment managers. External investment managers inform Varma about new norm violations which starts a dialogue between the manager and Varma's portfolio manager and sustainability department. The violation and actions taken since are discussed and the case is reported in our internal risk management system. After that, the violation is assessed in Varma's investment committee, followed by an agreement of a reasonable time frame within which the violation should be remedied if the violation is severe. The remedy process includes for instance investigation, action, and process development. There are several possible actions/outcomes in engagement/escalation process with the manager, including the following; put the manager on an internal watch list and engage the manager's top management, contact other LPs and collaborate through LPACs (when we have a seat) or directly, stop making new commitments, actively reduce existing exposure through secondary sales and as a last resort vote on to terminate GP agreement after which the manager is placed on an internal blacklist. If the manager can remediate the violation within a reasonable time frame, the case is closed.</p>

## SELECTION

### RESPONSIBLE INVESTMENT PRACTICES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 4	CORE	OO 12, OO 21	SAM 5, SAM 6, SAM 7	PUBLIC	Responsible investment practices	General

During the reporting year, did your organisation select new external investment managers or allocate new mandates to existing investment managers?

- (A) Yes, we selected external investment managers or allocated new mandates to existing investment managers during the reporting year
- (B) No, we did not select new external investment managers or allocate new mandates to existing investment managers during the reporting year
- (C) Not applicable; our organisation is in a captive relationship with external investment managers, which applies to 90% or more of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 5	CORE	SAM 4	N/A	PUBLIC	Responsible investment practices	4

During the reporting year, what responsible investment aspects did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?

#### Organisation

(A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(B) Responsible investment policy(ies) (e.g. the alignment of their responsible investment policy with the investment mandate)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(C) Governance structure and senior-level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

#### People and Culture

(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates
- (3) for a minority of our mandates

(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**Investment Process**

(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates
- (3) for a minority of our mandates

(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates
- (3) for a minority of our mandates

(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks)

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**Performance and Reporting**

(I) ESG disclosure in regular client reporting

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates
- (3) for a minority of our mandates

(J) Inclusion of ESG factors in contractual agreements

Select from dropdown list

(1) for all of our mandates

(2) for a majority of our mandates

- (3) for a minority of our mandates

(K) We did not review and evaluate any of the above responsible investment aspects when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 6	CORE	OO 8, OO 21, SAM 4	N/A	PUBLIC	Stewardship	4

During the reporting year, which aspects of the stewardship approach did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?

(A) The alignment of their policy(ies) or guidelines on stewardship with the investment mandate

Select from dropdown list

(1) for all of our mandates

- (2) for a majority of our mandates

- (3) for a minority of our mandates

**(B) Evidence of how they implemented their stewardship objectives, including the effectiveness of their activities**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**(C) Their participation in collaborative engagements and stewardship initiatives**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**(D) Details of their engagements with companies or issuers on risks connected to systematic sustainability issues**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**(E) Details of their engagement activities with policy makers**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**(F) Their escalation process and the escalation tools included in their policy on stewardship**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

- (G) We did not review and evaluate any of the above aspects of the stewardship approach when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 7	CORE	OO 9, OO 21, SAM 4	N/A	PUBLIC	Stewardship	4

**During the reporting year, which aspects of (proxy) voting did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?**

**(A) The alignment of their policy(ies) or guidelines on (proxy) voting with the investment mandate**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

- (B) Historical information on the number or percentage of general meetings at which they voted

**(C) Analysis of votes cast for and against**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

**(D) Analysis of votes cast for and against resolutions related to risks connected to systematic sustainability issues**

Select from dropdown list

- (1) for all of our mandates**

- (2) for a majority of our mandates
- (3) for a minority of our mandates

- (E) Details of their position on any controversial and high-profile votes

- (F) Historical information of any resolutions on which they voted contrary to their own voting policy and the reasons why

- (G) Details of all votes involving companies where the external investment manager or an affiliate has a contractual relationship or another potential conflict of interest
- (H) We did not review and evaluate any of the above aspects of (proxy) voting when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year
- (I) Not applicable; our organisation did not select new external investment managers or allocated new mandates to existing investment managers for listed equity and/or hedge funds that hold equity.

## APPOINTMENT

### SEGREGATED MANDATES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 8	CORE	OO 5.2, OO 13, OO 21	N/A	PUBLIC	Segregated mandates	4

Which responsible investment aspects do your organisation, or the service provider acting on your behalf, explicitly include in clauses within your contractual agreements with your external investment managers for segregated mandates?

(A) Their commitment to following our responsible investment strategy in the management of our assets

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(B) Their commitment to incorporating material ESG factors into their investment activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(C) Their commitment to incorporating material ESG factors into their stewardship activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(D) Their commitment to incorporating risks connected to systematic sustainability issues into their investment activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(E) Their commitment to incorporating risks connected to systematic sustainability issues into their stewardship activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(F) Exclusion list(s) or criteria

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(G) Responsible investment communications and reporting obligations, including stewardship activities and results

(H) Incentives and controls to ensure alignment of interests

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

**(I) Commitments on climate-related disclosure in line with internationally-recognised frameworks such as the TCFD**  
 Select from dropdown list
 

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

**(J) Commitment to respect human rights as defined in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights**  
 Select from dropdown list
 

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

**(K) Their acknowledgement that their appointment is conditional on the fulfilment of their agreed responsible investment commitments**  
 Select from dropdown list
 

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(L) Other  

- (M) We do not include responsible investment aspects in clauses within our contractual agreements with external investment managers for segregated mandates

## MONITORING

### RESPONSIBLE INVESTMENT PRACTICES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 9	CORE	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	4
<b>For the majority of your externally managed AUM in each asset class, which aspects of your external investment managers' responsible investment practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?</b>						
		(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(4) Fixed income (passive)	
<b>Organisation</b>						
(A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
(B) Responsible investment policy(ies) (e.g. the continued alignment of their responsible investment policy with the investment mandate)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

(C) Governance structure and senior level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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## People and Culture

(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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## Investment Process

(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
--	-------------------------------------	-------------------------------------	-------------------------------------	-------------------------------------

(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks, their response to ESG incidents)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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## Performance and Reporting

(I) ESG disclosure in regular client reporting (e.g. any changes in their regular client reporting)

(J) Inclusion of ESG factors in contractual agreements

(K) We did not monitor any of the above aspects of our external investment managers' responsible investment practices during the reporting year

**(5) Private equity      (6) Real estate      (7) Infrastructure      (8) Hedge funds**

### **Organisation**

(A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)

(B) Responsible investment policy(ies) (e.g. the continued alignment of their responsible investment policy with the investment mandate)

(C) Governance structure and senior level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)

### **People and Culture**

(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)

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(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)

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### **Investment Process**

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(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)

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(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)

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(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks, their response to ESG incidents)

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### **Performance and Reporting**

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(I) ESG disclosure in regular client reporting (e.g. any changes in their regular client reporting)

---

(J) Inclusion of ESG factors in contractual agreements

---

(K) We did not monitor any of the above aspects of our external investment managers' responsible investment practices during the reporting year

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 10	PLUS	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**During the reporting year, which information did your organisation, or the service provider acting on your behalf, monitor for externally managed ESG passive products and strategies?**

**(1) Listed equity (passive)**

**(2) Fixed income (passive)**

(A) How the external investment managers applied, reviewed and verified screening criteria



(B) How the external investment managers rebalanced the products as a result of changes in ESG rankings, ratings or indexes



(C) Evidence that ESG passive products and strategies meet the responsible investment criteria and process



(D) Other



(E) We did not monitor ESG passive products and strategies



(F) Not applicable; we do not invest in ESG passive products and strategies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 11	PLUS	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**Describe an innovative practice you adopted as part of monitoring your external investment managers' responsible investment practices in a specific asset class during the reporting year.**

Varma's has a holistic approach to taking climate change into account in its investment portfolio. This means that our targets are asset class agnostic, and our aim is to achieve change in not just a specific asset class, but in the portfolio as a whole. Nevertheless, there are significant barriers in place especially in the private market, where a more nuanced approach is required. When it comes to our climate risk mitigation targets, such as portfolio decarbonization, there are significant issues related to data quality, and the quality of reporting for both underlying companies, and investors. Our approach to tackling the issue of reporting quality is to use several engagement tools and transparent reporting practices as a feedback loop to increase the quality of reporting, and at the same time accelerate the decarbonization of our portfolio. In short the process is as described: Varma calculates the financed emissions of alternative asset classes internally -> If a fund does not provide reported figures, we (Portfolio managers) engage the GP and show that due to the lack of good quality reporting, the carbon footprint of the underlying investments are most likely overestimated due to the conservative nature of the emission factors, and in the context of our decarbonization target a change needs to happen. At the same time, we are using collaborative engagements such as ESG Outreach Campaign in order to improve data quality and standardize climate related metrics provided by GPs. Also, we are leveraging side-letters as a way to commit managers to financed emissions reporting, where we are setting contractual clauses for TCFD, or ISSB S2 aligned reporting on climate related risks and opportunities.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 12	CORE	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**For the majority of your externally managed AUM in each asset class, how often does your organisation, or the service provider acting on your behalf, monitor your external investment managers' responsible investment practices?**

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(4) Fixed income (passive)
(A) At least annually	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Less than once a year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) On an ad hoc basis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

	(5) Private equity	(6) Real estate	(7) Infrastructure	(8) Hedge funds
(A) At least annually	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Less than once a year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) On an ad hoc basis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 13	CORE	OO 8, OO 21	N/A	PUBLIC	Stewardship	1, 2
<b>For the majority of your externally managed AUM in each asset class, which aspects of your external investment managers' stewardship practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?</b>						
		(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(4) Fixed income (passive)	
(A) Any changes in their policy(ies) or guidelines on stewardship		<input checked="" type="checkbox"/>				
(B) The degree of implementation of their policy(ies) or guidelines on stewardship		<input checked="" type="checkbox"/>				
(C) How they prioritise material ESG factors		<input checked="" type="checkbox"/>				
(D) How they prioritise risks connected to systematic sustainability issues		<input checked="" type="checkbox"/>				
(E) Their investment team's level of involvement in stewardship activities		<input checked="" type="checkbox"/>				

(F) Whether the results of stewardship actions were fed back into the investment process and decisions

(G) Whether they used a variety of stewardship tools and activities to advance their stewardship priorities

(H) The deployment of their escalation process in cases where initial stewardship efforts were unsuccessful

(I) Whether they participated in collaborative engagements and stewardship initiatives

(J) Whether they had an active role in collaborative engagements and stewardship initiatives

(K) Other

(L) We did not monitor our external investment managers' stewardship practices during the reporting year

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	<b>(5) Private equity</b>	<b>(6) Real estate</b>	<b>(7) Infrastructure</b>	<b>(8) Hedge funds</b>
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(A) Any changes in their policy(ies) or guidelines on stewardship

(B) The degree of implementation of their policy(ies) or guidelines on stewardship

(C) How they prioritise material ESG factors

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(D) How they prioritise risks connected to systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Their investment team's level of involvement in stewardship activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Whether the results of stewardship actions were fed back into the investment process and decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Whether they used a variety of stewardship tools and activities to advance their stewardship priorities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) The deployment of their escalation process in cases where initial stewardship efforts were unsuccessful	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Whether they participated in collaborative engagements and stewardship initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Whether they had an active role in collaborative engagements and stewardship initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(K) Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(L) We did not monitor our external investment managers' stewardship practices during the reporting year	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 14	CORE	OO 9, OO 21	N/A	PUBLIC	Stewardship	1, 2

**For the majority of your AUM in each asset class where (proxy) voting is delegated to external investment managers, which aspects of your external investment managers' (proxy) voting practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?**

	(1) Listed equity (active)	(2) Listed equity (passive)
(A) Any changes in their policy(ies) or guidelines on (proxy) voting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Whether their (proxy) voting decisions were consistent with their stewardship priorities as stated in their policy and with their voting policy, principles and/or guidelines	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Whether their (proxy) voting decisions were consistent with their stated approach on the prioritisation of risks connected to systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Whether their (proxy) voting track record was aligned with our stewardship approach and expectations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) The application of their policy on securities lending and any implications for implementing their policy(ies) or guidelines on (proxy) voting (where applicable)	<input type="checkbox"/>	<input type="checkbox"/>
(F) Other	<input type="checkbox"/>	<input type="checkbox"/>
(G) We did not monitor our external investment managers' (proxy) voting practices during the reporting year	<input type="radio"/>	<input type="radio"/>

## ENGAGEMENT AND ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 15	PLUS	OO 14, OO 21	N/A	PUBLIC	Engagement and escalation	4

**Describe how your organisation engaged with external investment managers to improve their responsible investment practices during the reporting year.**

In addition to local legislation, we expect our investees to comply with international norms and standards, including the principles of UN Global Compact initiative, which cover the UN Declaration of Human Rights and Convention against Corruption, ILO labour conventions and the Rio Declaration on Environment and Development. In 2022, we updated our norm violation (escalation) process in order to increase our efficiency in identifying and monitoring possible and likely sustainability risks. Varma has a formal process to engagement and escalation with external investment managers. External investment managers inform Varma about new norm violations which starts a dialogue between the manager and Varma's portfolio manager and sustainability department. The violation and actions taken since are discussed and the case is reported in our internal risk management system.

After that, the violation is assessed in Varma's investment committee, followed by an agreement of a reasonable time frame within which the violation should be remedied if the violation is severe. The remedy process includes for instance investigation, action, and process development. There are several possible actions/outcomes in engagement/escalation process with the manager, including the following; put the manager on an internal watch list and engage the manager's top management, contact other LPs and collaborate through LPACs (when we have a seat) or directly, stop making new commitments, actively reduce existing exposure through secondary sales and as a last resort vote on to terminate GP agreement after which the manager is placed on an internal blacklist. If the manager can remediate the violation within a reasonable time frame, the case is closed.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 16	CORE	OO 14, OO 21	N/A	PUBLIC	Engagement and escalation	4

**What actions does your organisation, or the service provider acting on your behalf, include in its formal escalation process to address concerns raised during monitoring of your external investment managers' responsible investment practices?**

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(4) Fixed income (passive)
(A) Engagement with their investment professionals, investment committee or other representatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Notification about their placement on a watch list or relationship coming under review	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(C) Reduction of capital allocation to the external investment managers until any concerns have been rectified

(D) Termination of the contract if failings persist over a (notified) period, including an explanation of the reasons for termination

(E) Holding off selecting the external investment managers for new mandates or allocating additional capital until any concerns have been rectified

(F) Other

(G) Our organisation does not have a formal escalation process to address concerns raised during monitoring

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**(5) Private equity      (6) Real estate      (7) Infrastructure      (8) Hedge funds**

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(A) Engagement with their investment professionals, investment committee or other representatives

(B) Notification about their placement on a watch list or relationship coming under review

(C) Reduction of capital allocation to the external investment managers until any concerns have been rectified

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(D) Termination of the contract if failings persist over a (notified) period, including an explanation of the reasons for termination	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Holding off selecting the external investment managers for new mandates or allocating additional capital until any concerns have been rectified	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) Our organisation does not have a formal escalation process to address concerns raised during monitoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## VERIFICATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 17	CORE	OO 14, OO 21	N/A	PUBLIC	Verification	1

**For the majority of your externally managed AUM in each asset class, how did your organisation, or the service provider acting on your behalf, verify that the information reported by external investment managers on their responsible investment practices was correct during the reporting year?**

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(4) Fixed income (passive)
(A) We checked that the information reported was verified through a third-party assurance process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(B) We checked that the information reported was verified by an independent third party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) We checked for evidence of internal monitoring or compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(D) Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(E) We did not verify the information reported by external investment managers on their responsible investment practices during the reporting year

**(5) Private equity      (6) Real estate      (7) Infrastructure      (8) Hedge funds**

(A) We checked that the information reported was verified through a third-party assurance process

(B) We checked that the information reported was verified by an independent third party

(C) We checked for evidence of internal monitoring or compliance

(D) Other

(E) We did not verify the information reported by external investment managers on their responsible investment practices during the reporting year

# SUSTAINABILITY OUTCOMES (SO)

## SETTING TARGETS AND TRACKING PROGRESS

### SETTING TARGETS ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 1	PLUS	PGS 48	SO 2, SO 2.1, SO 3	PUBLIC	Setting targets on sustainability outcomes	1, 2

What specific sustainability outcomes connected to its investment activities has your organisation taken action on?

**(A) Sustainability outcome #1**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Greenhouse gas emissions

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

**(B) Sustainability outcome #2**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Carbon intensity

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(C) Sustainability outcome #3

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Promoting circular economy and reducing waste in real estate

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(D) Sustainability outcome #4

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Actual or potential negative human rights outcomes for people

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(E) Sustainability outcome #5

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Climate change mitigation and adaptation

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(F) Sustainability outcome #6

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Conservation of biodiversity

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

**(G) Sustainability outcome #7**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets**
- (2) The UNFCCC Paris Agreement**
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy**
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental**
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Emission-free heating and electricity in real estate

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets**

**(H) Sustainability outcome #8**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets**
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors**
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)**

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related**
- (4) Other

(3) Sustainability outcome name

Improving investee governance

(4) Number of targets set for this outcome

- (1) No target**
- (2) One target
- (3) Two or more targets

**(I) Sustainability outcome #9**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets**
- (2) The UNFCCC Paris Agreement**
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy**

- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Clean energy

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(J) Sustainability outcome #10

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Reduce corruption and bribery in all their forms

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2	PLUS	SO 1	SO 2.1, SO 4, SO 5	PUBLIC	Setting targets on sustainability outcomes	1

**For each sustainability outcome, provide details of up to two of your nearest-term targets.**

**(A1) Sustainability Outcome #1: Target details**

(A1) Sustainability Outcome #1:	Greenhouse gas emissions
(1) Target name	Reduce portfolio's absolute emissions by 25%
(2) Baseline year	2021
(3) Target to be met by	2025
(4) Methodology	Varma's goal is to cut the entire investment portfolio's absolute emissions by 25 per cent by 2025 and by 50 per cent by 2030. Emissions are calculated according to the PCAF (Partnership for Carbon Accounting Financials) and TCFD recommendations
(5) Metric used (if relevant)	tCO2e
(6) Absolute or intensity-based (if relevant)	(1) Absolute
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	
(9) Percentage of total AUM covered in your baseline year for target setting	100%
(10) Do you also have a longer-term target for this?	

**(A2) Sustainability Outcome #1: Target details**

(A2) Sustainability Outcome #1:	Greenhouse gas emissions
(1) Target name	Science Based Target

(2) Baseline year	2021
(3) Target to be met by	2027
(4) Methodology	Increasing the allocation to investments that have set SBT-validated emission reduction targets to 51% in covered asset classes by 2026
(5) Metric used (if relevant)	
(6) Absolute or intensity-based (if relevant)	(1) Absolute
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	51%
(9) Percentage of total AUM covered in your baseline year for target setting	45%
(10) Do you also have a longer-term target for this?	(2) No
<b>(B1) Sustainability Outcome #2: Target details</b>	
(B1) Sustainability Outcome #2:	Carbon intensity
(1) Target name	Reduce carbon intensity of investments by 40%
(2) Baseline year	2016
(3) Target to be met by	2025
(4) Methodology	<p>The goal is to reduce the carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue. The weighted average carbon intensity of investments is based on the weighting of the investment in the portfolio. The figure is calculated by multiplying the carbon intensity of the companies by their portfolio weight, and adding these up.</p>
(5) Metric used (if relevant)	tCO2e/€ mill.
(6) Absolute or intensity-based (if relevant)	(2) Intensity-based

(7) Baseline level or amount (if relevant):

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(8) Target level or amount (if relevant)

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(9) Percentage of total AUM covered in your baseline year for target setting 35%

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(10) Do you also have a longer-term target for this? (1) Yes

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### **(B2) Sustainability Outcome #2: Target details**

(B2) Sustainability Outcome #2: Carbon intensity

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(1) Target name Reduce carbon intensity of investments by 50%

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(2) Baseline year 2016

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(3) Target to be met by 2025

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(4) Methodology The goal is to reduce the carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue. The weighted average carbon intensity of investments is based on the weighting of the investment in the portfolio. The figure is calculated by multiplying the carbon intensity of the companies by their portfolio weight, and adding these up.

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(5) Metric used (if relevant) tCO2e/€ mill.

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(6) Absolute or intensity-based (if relevant) (2) Intensity-based

---

(7) Baseline level or amount (if relevant):

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(8) Target level or amount (if relevant)

---

(9) Percentage of total AUM covered in your baseline year for target setting 35%

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(10) Do you also have a longer-term target for this? (2) No

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### (C1) Sustainability Outcome #3: Target details

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(C1) Sustainability Outcome #3:	Promoting circular economy and reducing waste in real estate
(1) Target name	Reduce and recycle waste in real estate
(2) Baseline year	
(3) Target to be met by	
(4) Methodology	<p>As regards procurement related to real estate business, we have drawn up circular economy principles for real properties for the processes of new construction and renovation projects as well as maintenance. We also aim to increase the recycling rate of construction and demolition waste as maintenance. We have been monitoring the waste volumes of the commercial premises since 2018. We also started monitoring the waste volumes of residential properties in 2021. We control waste-related impacts through, for example, close co-operation with service providers. Apartments' waste-related data is collected by an external manager, who regularly reports to Varma. In commercial properties, we use a data collection system in which waste management companies directly report the amounts of different waste fractions. Demolition waste is reported to Varma by the demolition contractors. We have drawn up circular economy guidelines for our renovation and new construction sites. Varma has published separate circular economy guidelines for commercial premises, including Varma's own Salmisaari property, which encourage the identification and adoption of practices and arrangements to reduce waste and improve sorting and recycling in the use and maintenance of the premises. In 2022, the guidelines were also expanded to cover residential properties.</p>
(5) Metric used (if relevant)	
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	
(9) Percentage of total AUM covered in your baseline year for target setting	
(10) Do you also have a longer-term target for this?	

### (E1) Sustainability Outcome #5: Target details

(E1) Sustainability Outcome #5:	Climate change mitigation and adaptation
(1) Target name	Increase the climate allocation in our portfolio
(2) Baseline year	2022
(3) Target to be met by	2027
(4) Methodology	<p>We reach for carbon neutrality by identifying new investment opportunities brought by climate change and by creating a climate-friendly investment allocation, in which we include companies and projects:</p> <ul style="list-style-type: none"><li>- whose business benefits from actions to mitigate climate change</li><li>- whose projected emissions from operations are aligned with the Paris Agreement</li><li>- that have a clear strategic and science-based target of reducing emissions to help limit global warming to 1.5 degrees Celsius</li><li>- whose operations offer carbon sinks or carbon capture.</li></ul> <p>Our target is for the allocation to represent 50 % of the investment portfolio by 2025.</p>
(5) Metric used (if relevant)	
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	50%
(9) Percentage of total AUM covered in your baseline year for target setting	100%
(10) Do you also have a longer-term target for this?	

### (E2) Sustainability Outcome #5: Target details

(E2) Sustainability Outcome #5:	Climate change mitigation and adaptation
(1) Target name	50% funds that take climate change into account
(2) Baseline year	2022

(3) Target to be met by	2025
(4) Methodology	In fund investments, our goal is to increase the share of funds that take climate change explicitly into account to 50% of all fund investments by 2025.
(5) Metric used (if relevant)	
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	50%
(9) Percentage of total AUM covered in your baseline year for target setting	
(10) Do you also have a longer-term target for this?	
<b>(G1) Sustainability Outcome #7: Target details</b>	
(G1) Sustainability Outcome #7:	Emission-free heating and electricity in real estate
(1) Target name	Emission-free electricity
(2) Baseline year	2019
(3) Target to be met by	2025
(4) Methodology	<p>Our goal is to use fossil-free heating and electricity in our real estate by 2030 and 2025 respectively. We have carried out energy renovations and renewable energy solutions in 20 of our residential and 13 of our commercial properties. Energy renovation measures include installing geothermal heat pumps, solar panels and air-to-air heat pumps in the properties. At the end of 2022, nearly all residential properties and 22 commercial properties had switched to emission-free electricity. Emission-free district heat, for example recycled heat, had been adopted in one residential property and 21 commercial properties. The waste heat used in recycled heat is a by-product of data centres, substations and industrial processes. In addition, 21 properties use fossil-free real estate electricity, i.e. they are carbon neutral in terms of energy and electricity consumption. Of our residential properties, 14 have switched to geothermal heating systems. They also use emission-free electricity. At the end of 2022, 70 % of real estate electricity and 35 % of heat were emission-free.</p>
(5) Metric used (if relevant)	MWh

(6) Absolute or intensity-based (if relevant)	(1) Absolute
<hr/>	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	100% emission-free electricity in real estate
<hr/>	
(9) Percentage of total AUM covered in your baseline year for target setting	6%
<hr/>	
(10) Do you also have a longer-term target for this?	
<hr/>	
<b>(G2) Sustainability Outcome #7: Target details</b>	
<hr/>	
(G2) Sustainability Outcome #7:	Emission-free heating and electricity in real estate
<hr/>	
(1) Target name	Emission-free heating
<hr/>	
(2) Baseline year	2019
<hr/>	
(3) Target to be met by	2030
<hr/>	
(4) Methodology	<p>Our goal is to use fossil-free heating and electricity in our real estate by 2030 and 2025 respectively. We have carried out energy renovations and renewable energy solutions in 20 of our residential and 13 of our commercial properties. Energy renovation measures include installing geothermal heat pumps, solar panels and air-to-air heat pumps in the properties. At the end of 2022, nearly all residential properties and 22 commercial properties had switched to emission-free electricity. Emission-free district heat, for example recycled heat, had been adopted in one residential property and 21 commercial properties. The waste heat used in recycled heat is a by-product of data centres, substations and industrial processes. In addition, 21 properties use fossil-free real estate electricity, i.e. they are carbon neutral in terms of energy and electricity consumption. Of our residential properties, 14 have switched to geothermal heating systems. They also use emission-free electricity. At the end of 2022, 70 per cent of real estate electricity and 35 per cent of heat were emission-free.</p>
<hr/>	
(5) Metric used (if relevant)	MWh
<hr/>	
(6) Absolute or intensity-based (if relevant)	(1) Absolute
<hr/>	
(7) Baseline level or amount (if relevant):	

(8) Target level or amount (if relevant)	100% emission-free heating in real estate
(9) Percentage of total AUM covered in your baseline year for target setting	6%
(10) Do you also have a longer-term target for this?	
<b>(I1) Sustainability Outcome #9: Target details</b>	
(I1) Sustainability Outcome #9:	Clean energy
(1) Target name	50% renewables of electricity generation
(2) Baseline year	2019
(3) Target to be met by	2030
(4) Methodology	<p>We favour companies that increasingly use renewable energy and whose operations are resource efficient in terms of the use of raw materials and other production inputs. We utilize a low carbon roadmap for electricity generation. This means that investments in fossil-based electricity generation decrease at the same rate or faster than the roadmap requires the share of renewable energy grows in accordance with the roadmap, and our target is for it to account for at least half of electricity generation investments by 2030. The roadmap requires, e.g., that renewables account for 50 % of electricity generation investments by 2030. The roadmap also requires exiting from other forms of fossil production. In the roadmap, we make use of the climate scenarios produced by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).</p>
(5) Metric used (if relevant)	
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	50%
(9) Percentage of total AUM covered in your baseline year for target setting	
(10) Do you also have a longer-term target for this?	

## (I2) Sustainability Outcome #9: Target details

(I2) Sustainability Outcome #9: Clean energy

(1) Target name Low carbon roadmap for electricity production

(2) Baseline year 2019

(3) Target to be met by 2030

We favour companies that increasingly use renewable energy and whose operations are resource efficient in terms of the use of raw materials and other production inputs. We utilize a low carbon roadmap for electricity generation. This means that investments in fossil-based electricity generation decrease at the same rate or faster than the roadmap requires the share of renewable energy grows in accordance with the roadmap, and our target is for it to account for at least half of electricity generation investments by 2030. The roadmap requires that fossil fuels are a maximum of 10% of electricity generation investments by 2030. The roadmap also requires exiting from other forms of fossil production. In the roadmap, we make use of the climate scenarios produced by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

(5) Metric used (if relevant)

(6) Absolute or intensity-based (if relevant)

(7) Baseline level or amount (if relevant):

(8) Target level or amount (if relevant) 10%

(9) Percentage of total AUM covered in your baseline year for target setting

(10) Do you also have a longer-term target for this?

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2.1	PLUS	SO 1, SO 2	N/A	PUBLIC	Setting targets on sustainability outcomes	1

**For each sustainability outcome, provide details of up to two of your long-term targets.**

(1) Target name	(2) Long-term target to be met by	(3) Long-term target level or amount (if relevant)	
(B1) Sustainability Outcome #2: Carbon intensity	Reduce carbon intensity of investments by 40%	2027	Reduce carbon intensity of investments by 50%

## FOCUS: SETTING NET-ZERO TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3	PLUS	SO 1	Multiple, see guidance	PUBLIC	Focus: Setting net-zero targets	General

**If relevant to your organisation, you can opt-in to provide further details on your net-zero targets.**

- (A) Yes, we would like to provide further details on our organisation's asset class-specific net-zero targets
- (B) Yes, we would like to provide further details on our organisation's net-zero targets for high-emitting sectors
- (C) Yes, we would like to provide further details on our organisation's mandate or fund-specific net-zero targets
- (D) **No, we would not like to provide further details on our organisation's asset class, high-emitting sectors or mandate or fund-specific net-zero targets**
- (E) No, our organisation does not have any asset class, high-emitting sectors or mandate or fund-specific net-zero targets

## TRACKING PROGRESS AGAINST TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4	PLUS	SO 2	SO 4.1	PUBLIC	Tracking progress against targets	1

**Does your organisation track progress against your nearest-term sustainability outcomes targets?**

**(A1) Sustainability outcome #1:**

(A1) Sustainability outcome #1: Greenhouse gas emissions

Target name: Reduce portfolio's absolute emissions by 25%

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(A2) Sustainability outcome #1:**

(A2) Sustainability outcome #1: Greenhouse gas emissions

Target name: Science Based Target

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(B1) Sustainability outcome #2:**

(B1) Sustainability outcome #2: Carbon intensity

Target name: Reduce carbon intensity of investments by 40%

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(B2) Sustainability outcome #2:**

(B2) Sustainability outcome #2: Carbon intensity

Target name: Reduce carbon intensity of investments by 50%

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(C1) Sustainability outcome #3:**

(C1) Sustainability outcome #3: Promoting circular economy and reducing waste in real estate

Target name: Reduce and recycle waste in real estate

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(E1) Sustainability outcome #5:**

(E1) Sustainability outcome #5: Climate change mitigation and adaptation

Target name: Increase the climate allocation in our portfolio

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(E2) Sustainability outcome #5:**

(E2) Sustainability outcome #5: Climate change mitigation and adaptation

Target name: 50% funds that take climate change into account

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(G1) Sustainability outcome #7:**

(G1) Sustainability outcome #7: Emission-free heating and electricity in real estate

Target name: Emission-free electricity

Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

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**(G2) Sustainability outcome #7:**

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(G2) Sustainability outcome #7: Emission-free heating and electricity in real estate

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Target name: Emission-free heating

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Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

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**(I1) Sustainability outcome #9:**

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(I1) Sustainability outcome #9: Clean energy

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Target name: 50% renewables of electricity generation

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Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

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**(I2) Sustainability outcome #9:**

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(I2) Sustainability outcome #9: Clean energy

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Target name: Low carbon roadmap for electricity production

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Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4.1	PLUS	SO 4	N/A	PUBLIC	Tracking progress against targets	1

**During the reporting year, what qualitative or quantitative progress did your organisation achieve against your nearest-term sustainability outcome targets?**

**(A1) Sustainability Outcome #1: Target details**

(A1) Sustainability Outcome #1: Greenhouse gas emissions

(1) Target name Reduce portfolio's absolute emissions by 25%

(2) Target to be met by 2025

(3) Metric used (if relevant) tCO2e

(4) Current level or amount (if relevant) 3 551 211 tCo2e

(5) Other qualitative or quantitative progress

(6) Methodology for tracking progress The level of absolute emissions of our portfolio is monitored continuously.

**(A2) Sustainability outcome #1: Target details**

(A2) Sustainability outcome #1: Greenhouse gas emissions

(1) Target name Science Based Target

(2) Target to be met by 2027

(3) Metric used (if relevant)

(4) Current level or amount (if relevant) 36.6% of covered investments had SBT-validated targets

(5) Other qualitative or quantitative progress

(6) Methodology for tracking progress

**(B1) Sustainability Outcome #2: Target details**

(B1) Sustainability Outcome #2: Carbon intensity

(1) Target name Reduce carbon intensity of investments by 40%

(2) Target to be met by 2025

(3) Metric used (if relevant) tCO2e/€ mill.

(4) Current level or amount (if relevant) Listed Equity 102.6 -42% Listed Fixed Income 122.2 -35%

(5) Other qualitative or quantitative progress

(6) Methodology for tracking progress The carbon intensity of our listed equity and corporate bonds investments is monitored.

**(B2) Sustainability Outcome #2: Target details**

(B2) Sustainability Outcome #2: Carbon intensity

(1) Target name Reduce carbon intensity of investments by 50%

(2) Target to be met by 2025

(3) Metric used (if relevant) tCO2e/€ mill.

(4) Current level or amount (if relevant) Listed Equity 102.6 -42% Listed Fixed Income 122.2 -35%

(5) Other qualitative or quantitative progress

(6) Methodology for tracking progress The carbon intensity of our listed equity and corporate bonds investments is monitored.

### **(C1) Sustainability Outcome #3: Target details**

(C1) Sustainability Outcome #3:	Promoting circular economy and reducing waste in real estate
(1) Target name	Reduce and recycle waste in real estate
(2) Target to be met by	
(3) Metric used (if relevant)	
(4) Current level or amount (if relevant)	<ul style="list-style-type: none"><li>- Waste from commercial properties 2216 tonnes</li><li>- Waste from residential properties 1,511 tonnes</li></ul>
(5) Other qualitative or quantitative progress	
(6) Methodology for tracking progress	Apartments' waste-related data is collected by an external manager, who regularly reports to Varma. In commercial properties, we use a data collection system in which waste management companies directly report the amounts of different waste fractions. Demolition waste is reported to Varma by the demolition contractors.

### **(E1) Sustainability Outcome #5: Target details**

(E1) Sustainability Outcome #5:	Climate change mitigation and adaptation
(1) Target name	Increase the climate allocation in our portfolio
(2) Target to be met by	2027
(3) Metric used (if relevant)	
(4) Current level or amount (if relevant)	At the end of 2022, the climate allocation accounted for 37% of the investment portfolio.
(5) Other qualitative or quantitative progress	
(6) Methodology for tracking progress	We regularly (at least annually) monitor the share of climate allocation in our portfolio.

### **(E2) Sustainability Outcome #5: Target details**

(E2) Sustainability Outcome #5:	Climate change mitigation and adaptation
(1) Target name	50% funds that take climate change into account

(2) Target to be met by	2025
(3) Metric used (if relevant)	
(4) Current level or amount (if relevant)	39%
(5) Other qualitative or quantitative progress	
(6) Methodology for tracking progress	We regularly (at least annually) monitor the share of funds that take climate change into account.
<b>(G1) Sustainability Outcome #7: Target details</b>	
(G1) Sustainability Outcome #7:	Emission-free heating and electricity in real estate
(1) Target name	Emission-free electricity
(2) Target to be met by	2025
(3) Metric used (if relevant)	MWh
(4) Current level or amount (if relevant)	77%
(5) Other qualitative or quantitative progress	We have focused on low-emission investments, and in real properties, the share of emission-free electricity has been increased.
(6) Methodology for tracking progress	We regularly (at least annually) monitor the share of emission-free electricity in real properties.
<b>(G2) Sustainability Outcome #7: Target details</b>	
(G2) Sustainability Outcome #7:	Emission-free heating and electricity in real estate
(1) Target name	Emission-free heating
(2) Target to be met by	2030
(3) Metric used (if relevant)	MWh
(4) Current level or amount (if relevant)	62%

(5) Other qualitative or quantitative progress	We have focused on low-emission investments, and in real properties, the share of emission-free heat has been increased.
(6) Methodology for tracking progress	We regularly (at least annually) monitor the share of emission-free heat in real properties.

#### **(I1) Sustainability Outcome #9: Target details**

(1) Target name	Clean energy
(2) Target to be met by	2030
(3) Metric used (if relevant)	
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	<p>The share of renewables and gas of electricity generation investments is monitored regularly. We utilize a low carbon roadmap for electricity generation. This means that investments in fossil-based electricity generation decrease at the same rate or faster than the roadmap requires the share of renewable energy grows in accordance with the roadmap, and our target is for it to account for at least half of electricity generation investments by 2030. The roadmap requires, e.g., that renewables account for 50 of electricity generation investments by 2030, and that gas accounts for 22–25 per cent by 2030. The roadmap also requires exiting from other forms of fossil production. In the roadmap, we make use of the climate scenarios produced by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).</p>
(6) Methodology for tracking progress	

#### **(I2) Sustainability Outcome #9: Target details**

(1) Target name	Low carbon roadmap for electricity production
(2) Target to be met by	2030
(3) Metric used (if relevant)	
(4) Current level or amount (if relevant)	16%

(5) Other qualitative or quantitative progress

(6) Methodology for tracking progress

## INDIVIDUAL AND COLLABORATIVE INVESTOR ACTION ON OUTCOMES

### LEVERS USED TO TAKE ACTION ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 5	PLUS	SO 2	Multiple	PUBLIC	Levers used to take action on sustainability outcomes	1, 2, 5

During the reporting year, which of the following levers did your organisation use to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

- (A) Stewardship with investees, including engagement, (proxy) voting, and direct influence with privately held assets**  
Select from drop down list:
  - (1) Individually
  - (2) With other investors or stakeholders
- (B) Stewardship: engagement with external investment managers**  
Select from drop down list:
  - (1) Individually
  - (2) With other investors or stakeholders
- (C) Stewardship: engagement with policy makers**  
Select from drop down list:
  - (1) Individually
  - (2) With other investors or stakeholders
- (D) Stewardship: engagement with other key stakeholders**  
Select from drop down list:
  - (1) Individually
  - (2) With other investors or stakeholders
- (E) Capital allocation**
- (F) Our organisation did not use any of the above levers to take action on sustainability outcomes during the reporting year

## CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 6	PLUS	SO 5	N/A	PUBLIC	Capital allocation	1

**During the reporting year, how did your organisation use capital allocation to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?**

**(A) Across all sustainability outcomes**

(1) Capital allocation activities used	(1) Asset class allocation (2) Sector allocation (3) Selection of and allocation to third-party funds (4) Divestment from assets or sectors
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(2) Explain through an example	Climate change related risks and opportunities are taken into account in the asset allocation. Majority of Varma's climate targets cover all of Varma's investments
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**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1:	Greenhouse gas emissions
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(1) Capital allocation activities used	(1) Asset class allocation (2) Sector allocation (3) Selection of and allocation to third-party funds (4) Divestment from assets or sectors
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(2) Explain through an example	
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**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:	Carbon intensity
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(1) Capital allocation activities used	(1) Asset class allocation (2) Sector allocation (3) Selection of and allocation to third-party funds (4) Divestment from assets or sectors
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(2) Explain through an example	
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**(D) Sustainability Outcome #3:**

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(D) Sustainability Outcome #3: Promoting circular economy and reducing waste in real estate

(1) Capital allocation activities used

(2) Explain through an example

**(E) Sustainability Outcome #4:**

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(E) Sustainability Outcome #4: Actual or potential negative human rights outcomes for people

(1) Capital allocation activities used

- (2) Sector allocation
- (3) Selection of and allocation to third-party funds
- (5) Other

(2) Explain through an example

In government bonds, Varma does not invest in countries that are ranked in the bottom 25 per cent of the UN's Sustainable Development Goals (SDG) index.

**(F) Sustainability Outcome #5:**

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(F) Sustainability Outcome #5: Climate change mitigation and adaptation

(1) Capital allocation activities used

- (1) Asset class allocation
- (2) Sector allocation
- (3) Selection of and allocation to third-party funds
- (4) Divestment from assets or sectors

(2) Explain through an example

**(G) Sustainability Outcome #6:**

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(G) Sustainability Outcome #6: Conservation of biodiversity

(1) Capital allocation activities used

(2) Explain through an example

**(H) Sustainability Outcome #7:**

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(H) Sustainability Outcome #7: Emission-free heating and electricity in real estate

(1) Capital allocation activities used

(2) Explain through an example

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**(I) Sustainability Outcome #8:**

(I) Sustainability Outcome #8: Improving investee governance

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(1) Capital allocation activities used

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(2) Explain through an example

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**(J) Sustainability Outcome #9:**

(J) Sustainability Outcome #9: Clean energy

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(1) Capital allocation activities used

- (1) Asset class allocation
- (2) Sector allocation
- (3) Selection of and allocation to third-party funds
- (4) Divestment from assets or sectors

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(2) Explain through an example

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**(K) Sustainability outcome #10:**

(K) Sustainability outcome #10: Reduce corruption and bribery in all their forms

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(1) Capital allocation activities used

- (3) Selection of and allocation to third-party funds

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(2) Explain through an example

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 7	PLUS	OO 17 FI, SO 1	N/A	PUBLIC	Capital allocation	1
<b>During the reporting year, did you use thematic bonds to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?</b>						
<b>Thematic bond(s) label</b>						
(A) Sustainability Outcome #1: Greenhouse gas emissions				(A) Green/climate bonds		
(B) Sustainability Outcome #2: Carbon intensity				(A) Green/climate bonds		
(C) Sustainability Outcome #3: Promoting circular economy and reducing waste in real estate						
(D) Sustainability Outcome #4: Actual or potential negative human rights outcomes for people						
(E) Sustainability Outcome #5: Climate change mitigation and adaptation				(A) Green/climate bonds		
(F) Sustainability Outcome #6: Conservation of biodiversity				(A) Green/climate bonds		
(G) Sustainability Outcome #7: Emission-free heating and electricity in real estate						
(H) Sustainability Outcome #8: Improving investee governance						
(I) Sustainability Outcome #9: Clean energy				(A) Green/climate bonds		
(J) Sustainability Outcome #10: Reduce corruption and bribery in all their forms						

## STEWARDSHIP WITH INVESTEES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 8	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**During the reporting year, how did your organisation use stewardship with investees to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

#### (1) Describe your approach

Active ownership is applied differently in different asset classes. In listed equity investments, active ownership includes engagement and voting at annual general meetings of shareholders. Engagement means that an investor requires companies, for instance, to take sustainability issues better into account, or it could mean enhanced reporting. Varma also has an ownership policy, that explains how Varma fulfils its role as an active owner by voting at annual general shareholder meetings and by serving on companies' nomination boards and boards of directors.

Varma's engagement goals are twofold. Firstly, Varma engages with companies in an effort to rectify the situation if the investee company has violated local laws or international agreements. Secondly, through its engagement Varma also strives to promote sustainability and sustainability reporting to investors. Our aim is to promote the implementation of the UN's Sustainable Development Goals, both directly and indirectly.

The engagement focus areas are confirmed annually. In environmental matters, Varma's engagement is guided by both the climate policy for investments and compliance with international agreements and conventions. The Paris Agreement and local environmental laws are key elements in screening the investment portfolio for violations. In addition to the Paris Agreement's emission reductions, biodiversity is one of the engagement themes in environmental matters. Varma uses the data provided by a 3rd party to monitor violations of environment-related norms by its investees. In line with our climate policy, we engage with companies to reduce greenhouse gas emissions both directly and in collaboration with other investors.

In social matters, our key focus areas are identifying, considering, preventing and mitigating human rights risks and impacts, as well as developing working life. Our engagement in social matters is guided by compliance with international agreements and especially taking human rights into account. International agreements address risks that are negative from an investor's perspective, such as child labour, lack of freedom of association, and poor working conditions. Material human rights themes also include occupational health and safety, a living wage and cyber security.

Good governance is built on international guidelines on good governance practices and national corporate governance codes. Varma requires good governance of the companies it owns. Violations of good governance include violations related to money laundering or corruption. The requirements for good governance are also described in Varma's ownership policy.

The objectives of the engagement process, the ownership share and whether the issue involves taking action on a violation or promoting sustainability themes often determine the most sensible means of engagement for the investor. Engagement can take place, for example, in meetings, by phone and via email. In implementing the investor's engagement process, the service provider also plays a role, particularly in cases where norms have been breached. In promoting sustainability themes, we also work collaboratively with other investors.

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(2) Stewardship tools or activities used

- (1) Engagement
- (2) (Proxy) voting at shareholder meetings
- (5) Leveraging roles on the board or board committees (e.g. nomination committees)
- (7) Working directly with portfolio companies and/or real asset management teams

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(3) Example

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1: Greenhouse gas emissions

(1) Describe your approach

We engage with fund manager / investee companies by portfolio managers or ESG team based on Active Ownership and Engagement Policy and based on Climate Policy for better disclosure and transparency eg. TCFD, climate change solutions companies. Voting in Annual General Meetings is one of our tools for promoting climate change mitigation and adaptation and climate-related disclosures. We use our positions on investee boards and board committees to advance environmental matters. We are working to combat climate change on our own, together with other investors and, for instance, through a third party as part of a larger group of investors.

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(2) Stewardship tools or activities used

- (1) Engagement
- (2) (Proxy) voting at shareholder meetings
- (7) Working directly with portfolio companies and/or real asset management teams

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(3) Example

For investees that require enhanced monitoring we create an engagement process to accelerate the decommissioning of coal-based operations. The coal plants of the monitored companies must be decommissioned by 2030.

### **(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:	Carbon intensity
(1) Describe your approach	We engage with fund manager / investee companies by portfolio managers or ESG team based on Active Ownership and Engagement Policy and based on Climate Policy for better disclosure and transparency eg. TCFD, climate change solutions companies. Voting in Annual General Meetings is one of our tools for promoting climate change mitigation and adaptation and climate-related disclosures. We use our positions on investee boards and board committees to advance environmental matters. We are working to combat climate change on our own, together with other investors and, for instance, through a third party as part of a larger group of investors.
(2) Stewardship tools or activities used	(1) Engagement (2) (Proxy) voting at shareholder meetings (7) Working directly with portfolio companies and/or real asset management teams
(3) Example	We engage with our investees to encourage them to disclose their financial risks and opportunities related to climate change in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, to set science-based emission-reduction targets (Science Based Target initiative), and to assess the emissions of their portfolio in accordance with the reporting standards of the Partnership for Carbon Accounting Financials (PCAF) initiative if their emissions data is otherwise unavailable.

### **(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3:	Promoting circular economy and reducing waste in real estate
(1) Describe your approach	Varma has published separate circular economy guidelines for commercial premises, including Varma's own Salmisaari property, which encourage the identification and adoption of practices and arrangements to reduce waste and improve sorting and recycling in the use and maintenance of the premises. In 2022, the guidelines were also expanded to cover residential properties. Waste-related impacts of commercial properties are also monitored through separate control visits and in meetings with tenants, where waste is addressed as part of other environmental responsibility measures. We also improve the processing and recycling of demolition waste from construction projects through the sustainable demolition Green Deal, an agreement between the Ministry of the Environment and the business sector. The main objective of the agreement is to increase the reuse and recycling of demolition materials by promoting the functioning of the markets for demolition materials from repair and demolition projects.
(2) Stewardship tools or activities used	(9) Other
(3) Example	We engage with our residential tenants to provide them with guidance on sustainable living. We share, for example, tips on how to save energy on the info screens in the lobbies of the buildings. We also provide our commercial tenants with tips on energy saving measures.

## (E) Sustainability Outcome #4:

(E) Sustainability Outcome #4:	Actual or potential negative human rights outcomes for people
(1) Describe your approach	<p>In addition to local legislation, we expect investees to comply with international norms and agreements. This means compliance with, among others, the principles of the UN Global Compact initiative on sustainability and social responsibility. The principles of the Global Compact initiative cover the UN Declaration of Human Rights and Convention against Corruption, ILO labour conventions and the Rio Declaration on Environment and Development.</p> <p>At shareholder meetings, we aim to vote in favour of resolutions or proposals that advance our sustainability outcome and vote against all those that undermined them. We monitor our investees' realisation of human rights as well as possible human rights violations by screening for norm violations. A violation of international norms can be either a single event that exceeds the threshold in terms of its severity, or numerous separate and less severe events that indicate a lack of overall responsibility in the operations.</p> <p>Varma classifies violations in all asset classes into one of three categories:</p> <ul style="list-style-type: none"><li>- blacklisted investments, i.e. companies that we do not invest in</li><li>- investees that are involved in an engagement process</li><li>- investees that are on an observation list.</li></ul> <p>Various engagement methods are in use for different categories. In the most severe category, violations in investee companies are automatically blacklisted. If an investee is blacklisted and sufficient progress is not made to rectify the violation, the investment will be divested at the latest within 18 months or based on the market situation.</p> <p>Violations in the second most severe category are included in Varma's engagement process. Further investments cannot be made in an investee that is in an engagement process without a decision by Varma's investment committee.</p> <p>Targets and a schedule are defined for the engagement process, and the progress of the process is monitored.</p> <p>Violations in the third category are placed on an observation list. We mainly engage with these investees through the service provider. The service provider engages in a dialogue with the company, and during the engagement process the company has the right to know our name.</p> <p>The progress made to rectify violations and the situation is monitored regularly.</p> <p>In fund investments, Varma also requires the companies in the funds to comply with laws and international agreements. In the event of a possible violation, the fund's management company contacts Varma and begins an investigation process into the violation. In severe violations, the fund will go through an escalation process that aims to rectify the violation through the fund's management company.</p> <p>In fund investments, the fund management company is responsible for monitoring the sustainability of the portfolio's investments.</p> <p>In index investments, Varma primarily aims to select investments in which companies that have committed serious violations are already excluded. In index investments, the engagement process is carried out by the investment company. Since Varma does not have direct holdings in index companies, direct engagement is not possible. Varma engages with index companies through collaborative initiatives.</p>
(2) Stewardship tools or activities used	<p>(1) Engagement (2) (Proxy) voting at shareholder meetings (7) Working directly with portfolio companies and/or real asset management teams</p>

(3) Example

In 2022, we were involved in an engagement process with two companies. The contacts with these companies related to social matters and, especially, the realisation of human rights or labour rights. As regards the realisation of human rights, we engaged with a food production company, and as regards the realisation of labour rights, we engaged with a company in the automotive industry.

**(F) Sustainability Outcome #5:**

(F) Sustainability Outcome #5:

Climate change mitigation and adaptation

We reach for carbon neutrality by identifying new investment opportunities brought by climate change and by creating a climate-friendly investment allocation, in which we include companies and projects:

- whose business benefits from actions to mitigate climate change
- whose projected emissions from operations are aligned with the Paris Agreement
- that have a clear strategic and science-based target of reducing emissions to help limit global warming to 1.5 degrees Celsius
- whose operations offer carbon sinks or carbon capture.

We promote collaboration within the financial markets in order to mitigate and adapt to the effects of climate change, while also taking part in the public debate on the impacts of climate change at events and through collaborative initiatives. We are involved in developing business and investment strategies that reduce the greenhouse gas emissions of our investments.

(1) Describe your approach

(2) Stewardship tools or activities used

(1) Engagement  
(2) (Proxy) voting at shareholder meetings  
(7) Working directly with portfolio companies and/or real asset management teams

(3) Example

**(G) Sustainability Outcome #6:**

(G) Sustainability Outcome #6:

Conservation of biodiversity

(1) Describe your approach

For an investor, one means of managing risks caused by biodiversity loss is to engage with investee companies. Varma's engagement with climate and environmental issues is steered by both the climate policy for investments and compliance with international agreements. We recommend that companies report transparently on the current and future impacts of biodiversity loss on the company's operations and growth potential. We encourage our investee companies to manage biodiversity risks and to create policies for taking biodiversity into account. In addition, we hope that biodiversity awareness becomes a material aspect of the companies' strategies and risk management. Biodiversity is intrinsic to our engagement practices and ways of operating. We join collaborative initiatives that prevent biodiversity loss through their activities. In 2022, Varma signed the Finance for Biodiversity Pledge for financial institutions.

(2) Stewardship tools or activities used

(1) Engagement  
(7) Working directly with portfolio companies and/or real asset management teams

(3) Example

Taking biodiversity into consideration is part of our norm violation monitoring. In 2022, we engaged, together with other investors, in 41 possible or likely violations linked to the environment. We communicate with risk-industry companies and encourage them to report transparently on the biodiversity impacts and risks of their operations.

**(H) Sustainability Outcome #7:**

(H) Sustainability Outcome #7:

Emission-free heating and electricity in real estate

(1) Describe your approach

Varma participates in the nationwide energy saving campaign 'Down a degree', which was launched in 2022 by Motiva, a sustainable development company. We are also a signatory to the global real estate and construction industry initiative Net Zero Carbon Buildings Commitment, which advocates for carbon-neutral buildings.

(2) Stewardship tools or activities used

(9) Other

(3) Example

**(I) Sustainability Outcome #8:**

(I) Sustainability Outcome #8:

Improving investee governance

(1) Describe your approach

Varma's ownership policy outlines Varma's activities as a major shareholder. Varma's goal is to support and encourage companies to succeed and thus safeguard and improve its long-term investment returns. The ownership policy covers Varma's equity holdings both in Finland and abroad. Our stewardship activities are focused on companies and themes in which we estimate we can best make use of our expertise and have significant opportunities for engagement. Varma is a large shareholder typically in Finnish companies. Application of the share ownership policy varies according to, among other things, the companies' stage of development and ownership structure. In the case of unlisted companies, the special characteristics of each company are taken into account when applying the policy. We report annually on how we have voted in the shareholder meetings of listed companies on our website. In addition, in our Annual and Sustainability Report we disclose possible norm violations in the portfolio, as well as our current engagement projects, and the goals and progress of the projects.

(2) Stewardship tools or activities used

(1) Engagement  
(2) (Proxy) voting at shareholder meetings

(3) Example

We require 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% of the company's share capital. Varma's stance is that a share issue authorisation should not exceed 10% without justifiable grounds.

In addition, Varma requires that the general meeting decide on the renewal of share issue authorisations annually and that the duration of a share issue authorisation does not exceed 18 months, unless there is a particular reason. This ensures that the authorisation given to the board is based on the most current information possible. Varma requires that, where old authorisations are not cancelled, the extent of the valid share issue authorisations must be indicated in full.

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**(J) Sustainability Outcome #9:**

(J) Sustainability Outcome #9:

Clean energy

We are working to combat climate change on our own, together with other investors and, for instance, through a third party as part of a larger group of investors. Voting in Annual General Meetings is one of our tools for promoting climate change mitigation and adaptation and climate-related disclosures.

(1) Describe your approach

We encourage all our investees to disclose their financial risks and opportunities related to climate change in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, to set science-based emission-reduction targets (Science Based Target initiative), and to assess the emissions of their portfolio in accordance with the reporting standards of the Partnership for Carbon Accounting Financials (PCAF) initiative if their emissions data is otherwise unavailable.

(2) Stewardship tools or activities used

- (1) Engagement
- (2) (Proxy) voting at shareholder meetings
- (7) Working directly with portfolio companies and/or real asset management teams

(3) Example

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**(K) Sustainability outcome #10:**

(K) Sustainability outcome #10:

Reduce corruption and bribery in all their forms

We require that our investee companies comply with international norms and agreements in their operations. The most important of these are the UN declarations on human rights, the environment and anti-corruption, which form the basis for the UN Global Compact initiative on corporate responsibility, as well as the ILO labour conventions.

(1) Describe your approach

We monitor norm breaches by regularly screening our portfolio. If a company breaches any of the above-mentioned norms, our priority is to engage with the company in order to change their operating methods. If our efforts to engage with the company are unsuccessful in the long run, we will exclude the company from our portfolio.

Engagement regarding corruption can take place, via direct contact to the company or through service provider or collaboratively.

(2) Stewardship tools or activities used	(1) Engagement (2) (Proxy) voting at shareholder meetings (7) Working directly with portfolio companies and/or real asset management teams
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(3) Example

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 9	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**How does your organisation prioritise the investees you conduct stewardship with to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

**(A) We prioritise the most strategically important companies in our portfolio.**

Describe how you do this:

Varma is a large shareholder in Finnish listed companies, and thus have more leverage in engaging these companies.

Select from the list:

- 2
- 3
- 4

**(B) We prioritise the companies in our portfolio most significantly connected to sustainability outcomes.**

Describe how you do this:

Varma has identified certain industries that are more exposed to risks brought by climate change and biodiversity loss. Practice is to focus on these industries when mitigating risks, and finding opportunities.

Select from the list:

- 1
- 3
- 4

(C) We prioritise the companies in our portfolio to ensure that we cover a certain proportion of the sustainability outcomes we are taking action on.

(D) Other

## STEWARDSHIP WITH EXTERNAL INVESTMENT MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 10	PLUS	OO 5, SO 5	N/A	PUBLIC	Stewardship with external investment managers	2

**During the reporting year, how did your organisation, or the external service providers acting on your behalf, engage with external investment managers to ensure that they take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

Varma engages by meeting with companies in order to rectify the situation and promote responsibility. In its meetings with companies, Varma discusses topics such as sustainable business and taking climate change into account in business operations and encourages companies to report on their climate risks in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Varma strives to promote the sustainability of investees and reporting thereon together with other investors, especially if the investment was made through a fund or, for example, in the case of a bond.

In externally managed funds, our aim is to develop collaboration between investors as a tool for mitigating the effects of climate change. In order to mitigate and adapt to the effects of climate change, we promote collaboration within the financial markets while also taking part in the public debate on the impacts of climate change together with other investors.

Engagement to promote a fund's sustainability and reporting on responsibility issues takes place during the selection phase as part of the fund's due diligence process, with discussions taking place in the fund's advisory committees and in collaboration with the fund's management companies.

### (B) Sustainability Outcome #1:

(B) Sustainability Outcome #1: Greenhouse gas emissions

In externally managed funds, our aim is to develop collaboration between investors as a tool for mitigating the effects of climate change. In order to mitigate and adapt to the effects of climate change, we promote collaboration within the financial markets while also taking part in the public debate on the impacts of climate change together with other investors. We engage with the capital markets to improve ESG reporting.

### (C) Sustainability Outcome #2:

(C) Sustainability Outcome #2: Carbon intensity

(1) Describe your approach

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**(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3: Promoting circular economy and reducing waste in real estate

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(1) Describe your approach

**(E) Sustainability Outcome #4:**

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(E) Sustainability Outcome #4: Actual or potential negative human rights outcomes for people

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In addition to local legislation, we expect our investees to comply with international norms and standards, including the principles of UN Global Compact initiative, which cover the UN Declaration of Human Rights and Convention against Corruption, ILO labour conventions and the Rio Declaration on Environment and Development. In 2022, we updated our norm violation (escalation) process in order to increase our efficiency in identifying and monitoring possible and likely sustainability risks.

Varma has a formal process to engagement and escalation with external investment managers. External investment managers inform Varma about new norm violations which starts a dialogue between the manager and Varma's portfolio manager and sustainability department. The violation and actions taken since are discussed and the case is reported in our internal risk management system. After that, the violation is assessed in Varma's investment committee, followed by an agreement of a reasonable time frame within which the violation should be remedied if the violation is severe. The remedy process includes for instance investigation, action, and process development. There are several possible actions/outcomes in engagement/escalation process with the manager, including the following; put the manager on an internal watch list and engage the manager's top management, contact other LPs and collaborate through LPACs (when we have a seat) or directly, stop making new commitments, actively reduce existing exposure through secondary sales and as a last resort vote on to terminate GP agreement after which the manager is placed on an internal blacklist. If the manager can remediate the violation within a reasonable time frame, the case is closed.

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**(F) Sustainability Outcome #5:**

(F) Sustainability Outcome #5: Climate change mitigation and adaptation

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(1) Describe your approach

**(G) Sustainability Outcome #6:**

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(G) Sustainability Outcome #6: Conservation of biodiversity

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(1) Describe your approach

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**(H) Sustainability Outcome #7:**

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(H) Sustainability Outcome #7: Emission-free heating and electricity in real estate

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(1) Describe your approach

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**(I) Sustainability Outcome #8:**

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(I) Sustainability Outcome #8: Improving investee governance

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(1) Describe your approach

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**(J) Sustainability Outcome #9:**

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(J) Sustainability Outcome #9: Clean energy

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(1) Describe your approach

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**(K) Sustainability Outcome #10:**

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(K) Sustainability Outcome #10: Reduce corruption and bribery in all their forms

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(1) Describe your approach

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## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 11	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, how did your organisation use engagement with policy makers to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?

### (A) Across all sustainability outcomes

We are part of various networks that fight climate change, such as the Climate Leadership Coalition (CLC). In September 2022, we signed the 2022 Global Investor Statement to Governments on the Climate Crisis. The statement calls on political leaders to support action against climate change and promote investments, for example, in clean technologies and environmentally friendly infrastructure. Varma is a participant in the global real estate and construction industry initiative Net Zero Carbon Buildings Commitment, which advocates for carbon-neutral buildings, and in the sustainable demolition Green Deal, an agreement between Finland's Ministry of the Environment and the business sector to process and recycle demolition waste from construction projects.

(1) Describe your approach

(2) Engagement tools or activities used

(1) We participated in 'sign-on' letters  
(5) Other methods

(3) Example(s) of policies engaged on

### (B) Sustainability Outcome #1:

(B) Sustainability Outcome #1: Greenhouse gas emissions

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

### (C) Sustainability Outcome #2:

(C) Sustainability Outcome #2: Carbon intensity

(1) Describe your approach

(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

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**(D) Sustainability Outcome #3:**

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(D) Sustainability Outcome #3: Promoting circular economy and reducing waste in real estate

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(1) Describe your approach

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(2) Engagement tools or activities used

---

(3) Example(s) of policies engaged on

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**(E) Sustainability Outcome #4:**

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(E) Sustainability Outcome #4: Actual or potential negative human rights outcomes for people

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(1) Describe your approach

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(2) Engagement tools or activities used

---

(3) Example(s) of policies engaged on

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**(F) Sustainability Outcome #5:**

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(F) Sustainability Outcome #5: Climate change mitigation and adaptation

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(1) Describe your approach

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(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

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**(G) Sustainability Outcome #6:**

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(G) Sustainability Outcome #6: Conservation of biodiversity

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(1) Describe your approach

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(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

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**(H) Sustainability Outcome #7:**

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(H) Sustainability Outcome #7: Emission-free heating and electricity in real estate

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(1) Describe your approach

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(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

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**(I) Sustainability Outcome #8:**

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(I) Sustainability Outcome #8: Improving investee governance

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(1) Describe your approach

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(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

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**(J) Sustainability Outcome #9:**

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(J) Sustainability Outcome #9: Clean energy

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(1) Describe your approach

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(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

**(K) Sustainability outcome #10:**

(K) Sustainability outcome #10: Reduce corruption and bribery in all their forms

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

## STEWARDSHIP: ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 12	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with other key stakeholders	2, 5

Does your organisation engage with other key stakeholders to support the development of financial products, services, research, and/or data aligned with global sustainability goals and thresholds?

**(A) Across all sustainability outcomes**

(1) Key stakeholders engaged

(2) Provide further detail on your engagement

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1: Greenhouse gas emissions

(1) Key stakeholders engaged  
(1) Standard setters  
(6) External service providers (e.g. proxy advisers, investment consultants, data providers)  
(8) NGOs

(2) Provide further detail on your engagement  
We engage different institutions in order to promote standardization of financed emissions disclosure

**(C) Sustainability Outcome #2:**

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(C) Sustainability Outcome #2: Carbon intensity

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(1) Key stakeholders engaged

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(2) Provide further detail on your engagement

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**(D) Sustainability Outcome #3:**

---

(D) Sustainability Outcome #3: Promoting circular economy and reducing waste in real estate

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

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**(E) Sustainability Outcome #4:**

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(E) Sustainability Outcome #4: Actual or potential negative human rights outcomes for people

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

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**(F) Sustainability Outcome #5:**

---

(F) Sustainability Outcome #5: Climate change mitigation and adaptation

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

---

**(G) Sustainability Outcome #6:**

---

(G) Sustainability Outcome #6: Conservation of biodiversity

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

---

**(H) Sustainability Outcome #7:**

---

(H) Sustainability Outcome #7: Emission-free heating and electricity in real estate

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

---

**(I) Sustainability Outcome #8:**

---

(I) Sustainability Outcome #8: Improving investee governance

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

---

**(J) Sustainability Outcome #9:**

---

(J) Sustainability Outcome #9: Clean energy

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

---

**(K) Sustainability outcome #10:**

---

(K) Sustainability outcome #10: Reduce corruption and bribery in all their forms

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

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## STEWARDSHIP: COLLABORATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 13	PLUS	SO 5	N/A	PUBLIC	Stewardship: Collaboration	2

**During the reporting year, to which collaborative initiatives did your organisation contribute to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Initiative #1

(1) Name of the initiative Climate Action 100+

(2) Indicate how your organisation contributed to this collaborative initiative (C) We publicly endorsed the initiative

(3) Provide further detail on your participation in this collaborative initiative Investors collectively engage on a global scale with the largest corporate greenhouse gas emitters to ensure that the targets of the Paris Agreement are met. As an asset owner, Varma publicly supports the initiative's goals.

### (B) Initiative #2

(1) Name of the initiative Science Based Target Initiative

(2) Indicate how your organisation contributed to this collaborative initiative (B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)  
(C) We publicly endorsed the initiative

(3) Provide further detail on your participation in this collaborative initiative We are part of the initiative, and have set our own SBT-targets

### (C) Initiative #3

(1) Name of the initiative Net Zero Carbon Buildings Commitment

(2) Indicate how your organisation contributed to this collaborative initiative (C) We publicly endorsed the initiative

(3) Provide further detail on your participation in this collaborative initiative

Varma wants to be a forerunner in reducing the energy consumption of the properties it owns and in calling attention to building-related emissions, which play a significant role in climate change. As a major Finnish real estate investor, we have an obligation to focus efforts on reducing emissions and aiming for carbon neutrality. Achieving buildings that are zero carbon in operation calls for actions, and the goals of the commitment are in line with our own climate objectives. One of Varma's climate goals is for the electricity and heating in its properties to be fossil-free by 2025 and 2030, respectively. We commit to only owning and developing net zero carbon assets by 2030.

Varma discloses consumption of energy, water and waste of direct real estate portfolio as well as carbon emissions yearly in annual sustainability report. In addition, we take circular economy aspects into consideration in construction projects targeting to low- or zero-carbon solutions in the future. We advocate for industry wide uptake of built environment decarbonisation and communicate carbon neutrality targets and achievements with employees, third-party managers, tenants, and companies that Varma collaborate with. Varma is active in representing industry leadership in sustainability and ESG related real estate circumstances.

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#### (D) Initiative #4

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(1) Name of the initiative

Climate Leadership Coalition (CLC)

(2) Indicate how your organisation contributed to this collaborative initiative

- (B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)
- (C) We publicly endorsed the initiative
- (F) We provided financial support

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(3) Provide further detail on your participation in this collaborative initiative

Climate Leadership Coalition is the largest non-profit climate business network in Europe. Varma supports the initiative and acts as a collaborating investor. The network participants are committed to taking action to mitigate climate change by measuring, reporting on and reducing their greenhouse gas emissions and by working with stakeholders to reduce their emissions.

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# CONFIDENCE-BUILDING MEASURES (CBM)

## CONFIDENCE-BUILDING MEASURES

### APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- (E) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
  - (F) We did not verify the information submitted in our PRI report this reporting year

### THIRD-PARTY EXTERNAL ASSURANCE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 2	CORE	OO 21, CBM 1	N/A	PUBLIC	Third-party external assurance	6

For which responsible investment processes and/or data did your organisation conduct third-party external assurance?

- (A) Policy, governance and strategy
  - Select from dropdown list:
    - (1) Data assured
    - (2) Processes assured
    - (3) Processes and data assured
- (B) Manager selection, appointment and monitoring
  - Select from dropdown list:
    - (1) Data assured
    - (2) Processes assured
    - (3) Processes and data assured

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 3	PLUS	CBM 1	N/A	PUBLIC	Third-party external assurance	6

**Provide details of the third-party external assurance process regarding the information submitted in your PRI report.**

**(1) Description of the third-party external assurance process**

We have conducted our work in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000). In the context of our limited assurance engagement, we reviewed and assessed the scope of Varma's UN PRI-questionnaire data and the reliability of the data for the Policy, Governance and Strategy (PGS) and Selection, Appointment and Monitoring (SAM) reporting modules. As stated in our assurance report dated 13 February 2025. In order to consider the indicators, we have performed the following procedures: a) an update of our knowledge and understanding of Varma's material sustainability reporting topics, organization and activities, b) an assessment of the suitability and application of the reporting principles regarding the stakeholders' needs for information, c) interviews with senior management to understand Varma's sustainability leadership, d) interviews with personnel responsible for gathering and consolidation of the sustainability information to understand the systems, processes and controls related to gathering and consolidating the information, e) assessing sustainability data from internal and external sources and checking the data to reporting information on a sample basis to check the accuracy of the data, f) performing recalculation of reported information and evaluating the correctness of underlying data and narrative disclosures. We also performed such other procedures as we considered necessary in the circumstances. Based on our work described in our report dated 13 February 2025, nothing has come to our attention that causes us to believe that the sustainability information has not been prepared, in all material respects, in accordance with the reporting principles, or that the information is not reliable, in all material respects, based on the reporting principles.

**(2) Assurance standard(s) used by the third-party assurance provider**

- (A) PAS 7341:2020
- (B) ISAE 3000 and national standards based on this**
- (C) Dutch Standard 3810N (Assurance engagements regarding sustainability reports)
- (D) RevR6 (Assurance of Sustainability)
- (E) IDW AsS 821 (Assurance Standard for the Audit or Review of Reports on Sustainability Issues)
- (F) Accountability AA1000 Assurance Standard (AA1000AS)
- (G) IFC performance standards
- (H) SSAE 18 and SOC 1
- (I) Other national auditing/assurance standard with guidance on sustainability; specify:
- (J) Invest Europe Handbook of Professional Standards
- (K) ISAE 3402 Assurance Reports on Controls at a Service Organisation
- (L) AAF 01/20
- (M) AAF 01/06 Stewardship Supplement
- (N) ISO 26000 Social Responsibility
- (O) ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information
- (P) ASAE 3410 Assurance Engagements on Greenhouse Gas Statements
- (Q) PCAF
- (R) NGER audit framework (National Greenhouse and Energy Reporting)
- (S) Auditor's proprietary assurance framework for assuring RI-related information
- (T) Other greenhouse gas emissions assurance standard; specify:

(3) Third-party external assurance provider's report that contains the assurance conclusion

<https://reporting.unpri.org/file/BEAB290A-908D-4DB8-A888-65DEDC4C0EFB/>

## INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

### Who in your organisation reviewed the responses submitted in your PRI report this year?

(A) Board, trustees, or equivalent

(B) Senior executive-level staff, investment committee, head of department, or equivalent

Sections of PRI report reviewed

(1) the entire report

(2) selected sections of the report

(C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year