



# Principles for Human Rights

Varma is committed to respecting human rights. We comply with, for example, Code of Conduct, Principles for Responsible Investment, Supplier Code of Conduct and Active ownership and engagement principles. Our human rights efforts are also reinforced by our participation in the UN Global Compact.

The United Nations Guiding Principles on Business and Human Rights include a human rights due diligence process, which means that companies must identify, prevent, mitigate and address the negative human rights impacts of their operations.

Work related to human rights is carried out in different parts of Varma and especially in the responsible investment, compliance and sustainability department, as well as in procurement-related tasks.

## Impacts of Varma's operations on human rights

We are committed to operating in accordance with the UN Guiding Principles on Business and Human Rights, and we expect the same from our supply chain. We have identified three groups that Varma's operations have a particularly key impact on in terms of realising human rights: *our investees, personnel and supply chain*.

In order for us to be able to identify, address, prevent and mitigate negative human rights impacts, we commit to:

- **Identify and assess** the actual or potential adverse human rights impacts and risks of our operations in all three identified groups.
- **Address** activities that are in breach of guidelines, values, international agreements and the law.
- **Survey, monitor and update** plans regularly. Guidelines, principles and policies are updated as needed or according to a regular review schedule.

- **Analyse and plan** measures to minimise problems. Plans are updated regularly.
- **Monitor** the realisation of human rights and the implementation of human rights policies throughout the organisation.
- **Report** internally and externally on the human rights impacts and risks of our own operations.
- **Cascade** the Principles for Human Rights to all Varma units and every employee through supervisors, communication and training.

The principles of the Global Compact initiative cover the UN Declaration of Human Rights, the UN Convention against Corruption, the ILO labour conventions and the Rio Declaration on Environment and Development.

We have furthermore identified actual or potential adverse human rights impacts and risks affecting our personnel by conducting human rights surveys of our employees.

We also require our supply chain to comply with the principles. Suppliers must be able to demonstrate, upon request, the controls they have in place to ensure that human rights are realised in their operations and supply chain. Suppliers must ensure that neither they nor their supply chain are complicit in human rights abuses. Human rights abuses must be addressed, and corrective measures must be taken without delay.

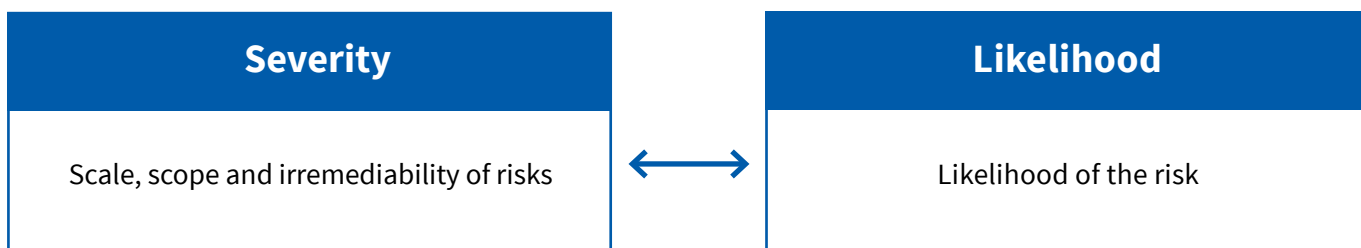
## Principles

### We identify

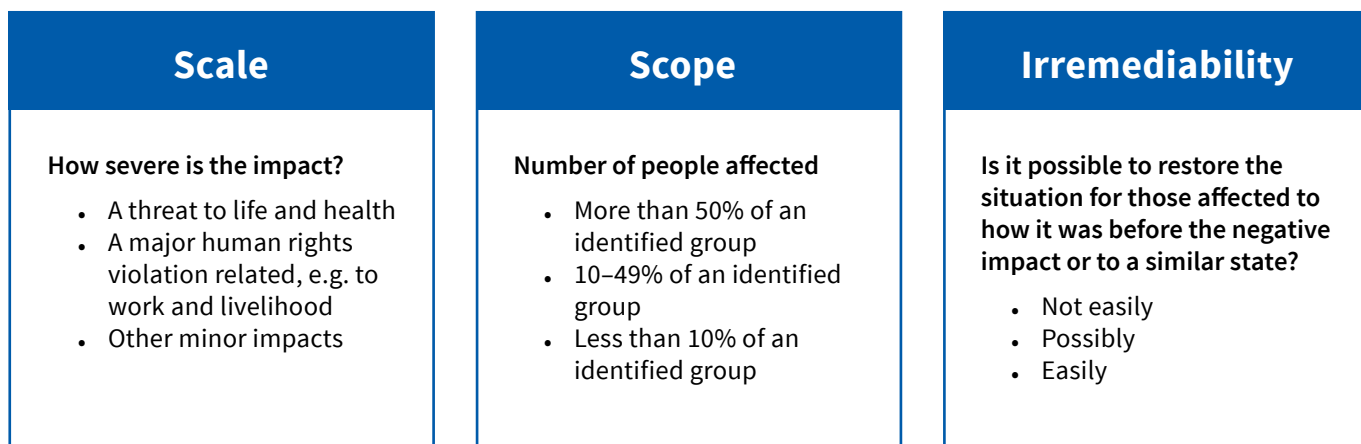
Our task is to identify the human rights impacts and risks of our investments. In addition to various fund surveys, human rights risks are identified in investees by screening for norm violations. We have identified industries and geographical areas with increased risks of human rights violations. We expect our investees to comply with international norms and agreements, in addition to local legislation. This means compliance with the principles of the UN Global Compact initiative on sustainability and social responsibility, which we are also committed to.

### We assess

In human rights surveys, we assess the human rights risks of our operations, supply chain and investments using a framework that takes the severity and likelihood of human rights risks into consideration.



Once we have evaluated the severity of the identified human rights risks, our objective is to pay special attention to the scope and severity of the impacts, as well as to the ability to remedy the situation if there are human rights violations.



## We address & monitor

We address activities that violate guidelines, values, international agreements and the law by means of escalation processes. By escalation process we mean a framework for rectifying violations.

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. Human rights violations relate to, among other things, the use of child labour in developing countries, but occupational health and safety, a living wage and cyber security are also human rights issues.

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
- 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.

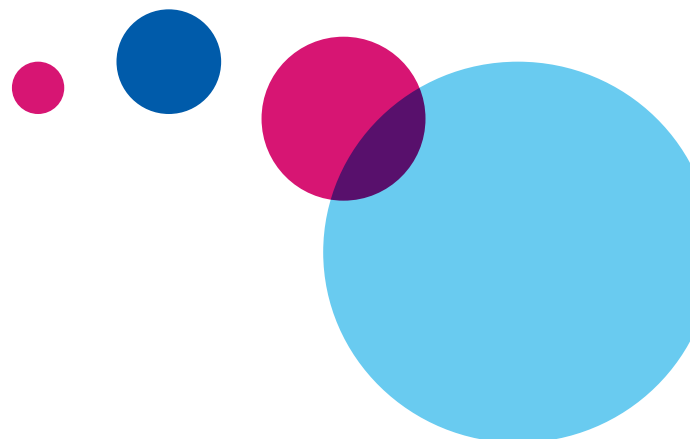
Violations in the third category are placed on an observation list. We mainly engage with these investees through the service provider. The service provider engages in a dialogue with the company, and during the engagement process the company has the right to know our name. The progress made to rectify 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.

Practices and processes for addressing violations of Varma's own personnel are in place. Guidelines and steadfast intervention promote a work community that is free from harassment or other inappropriate conduct. Varma employees' observations and experiences of inappropriate conduct are regularly examined through surveys. Varma has a zero-tolerance policy towards inappropriate conduct, and harassment and discrimination. This means inappropriate treatment or conduct is not permitted under any circumstances and that HR and supervisors steadfastly intervene in all cases that are brought to their attention. Guidelines on how to proceed if one experiences or observes inappropriate conduct are available on our intranet, and the guidelines have been reviewed together by each function or department. Varma's online course on the practical application of our Code of Conduct also includes information and instructions on what to do in harassment situations. The course is compulsory for all Varma employees. Varma has a [Whistleblowing channel](#) for employees for the anonymous reporting of violations.

We also require our supply chain to abide by the UN Guiding Principles on Business and Human Rights and [Varma's Supplier Code of Conduct](#). When making purchases, we collect background information and references on our supply chain. Suppliers must be able to demonstrate, upon request, the controls they have in place to ensure that human rights are realised in their operations and supply chain. Suppliers must ensure that neither they nor their supply chain are complicit in human rights abuses. Human rights abuses must be addressed, and corrective measures must be taken without delay. Varma may conduct audits, either on its own or with the assistance of a third party, to determine compliance with the Supplier Code of Conduct. Possible audits are always conducted co-operatively, which means the supplier assists Varma in the audit, for example, by permitting inspections at the workplace.





### **We monitor and update**

We monitor the realisation of human rights by our employees, investees and supply chain. We are committed to continuously assessing and updating our business processes and management and communication systems, raising awareness and continuing to include human rights aspects to our existing risk management processes.

In terms of our own personnel's human rights, we survey, monitor and update plans annually. Guidelines and policies are updated as needed or according to a regular review schedule. Examples of our regular surveys and discussions: a personnel survey every two years on the realisation of equality and non-discrimination at Varma; an annual survey of all employees concerning satisfaction with their own work, with the performance of their team and supervisor, and with the company as a whole (personnel survey); pulse surveys that keep track of the sentiment at work; work ability and health surveys by function; supervisor evaluations; annual performance evaluations and goal-setting discussions; competence discussions; salary discussions; active support discussions to address work ability and performance problems; a process for addressing inappropriate behaviour; a whistleblowing channel; and entry and exit surveys.

### **We report**

We report on the human rights impacts and risks of our own operations both externally and internally. Realised risks, as well as the measures taken to reduce or prevent a risk in future, are entered in the risk management system. We publish our codes of conduct, guidelines and policies internally, and we report the results of company-level surveys and action plans.

### **We cascade**

We are committed to cascading the Principles for Human Rights to all Varma units through supervisors, joint communication and training.

## **Implementation of the Principles for Human Rights**

Varma's Executive Group approves the Principles for Human Rights.