

CORPORATE GOVERNANCE 2020

VARMA



01

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VARMA CORPORATE GOVERNANCE

Varma’s central executive bodies are the Annual General Meeting, the Supervisory Board, the Board of Directors and the President and CEO.

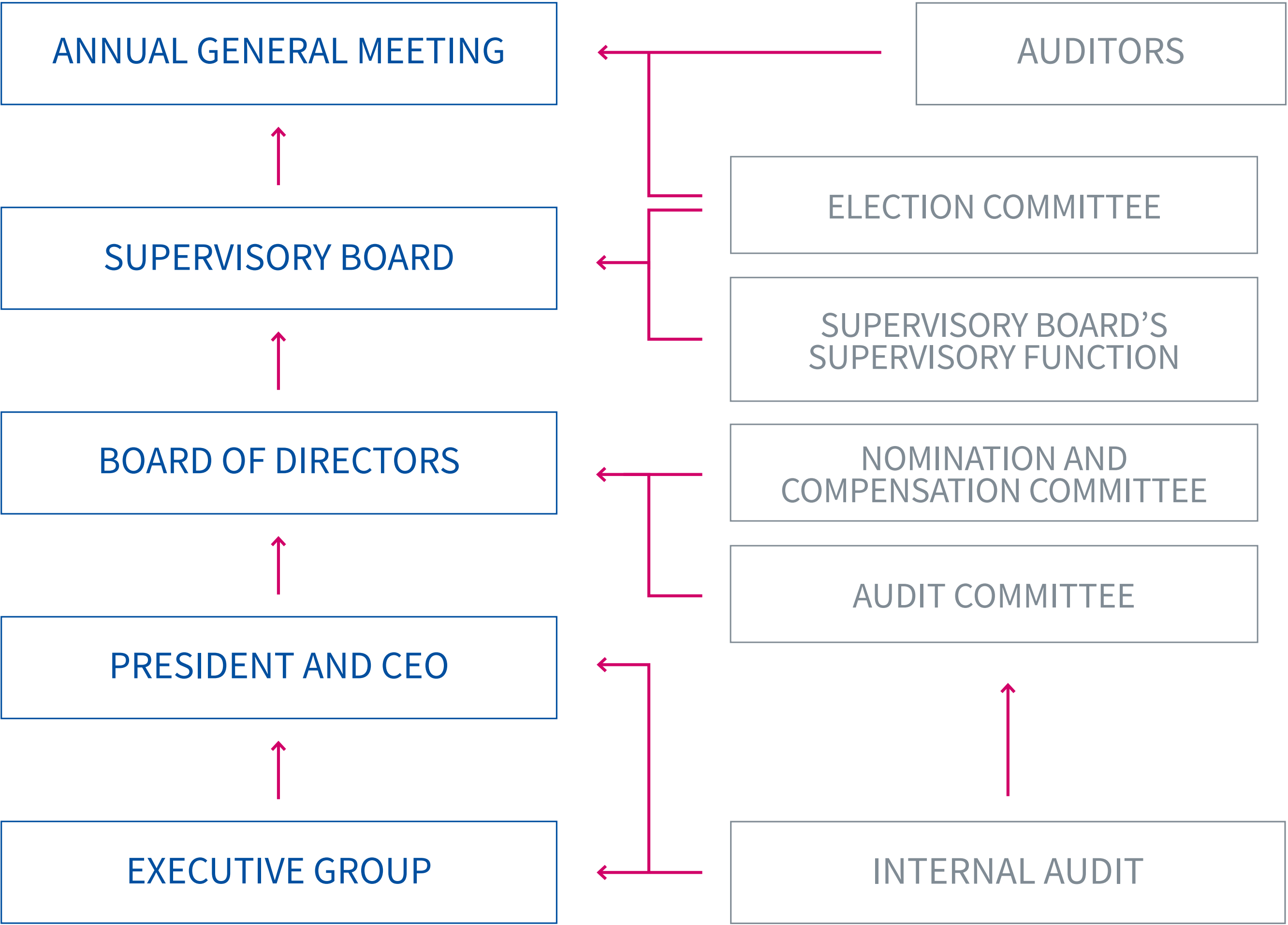
Varma’s governance is based on the Finnish Act on Earnings-Related Pension Insurance Companies. Varma also complies with the applicable provisions of the Finnish Corporate Governance Code.

The starting point for Varma’s corporate governance is the company’s core task, that of securing pensions. The statutory earnings-related pension scheme was created by an agreement concluded between the government and labour market organisations, and the tripartite model still plays a key role in the development of the system. Labour market organisations also participate in the administration of earnings-related pension companies.

A key objective is to ensure the transparency of the company’s operations and administration, which in turn will contribute to strengthening public confidence in the earnings-related pension scheme.

Read more about [Varma’s governance and management and about the company itself](#) on our website.

Corporate governance structure



CORPORATE GOVERNANCE REPORT

Varma's corporate governance system is based on the Finnish Act on Earnings-Related Pension Insurance Companies. This report is drawn up pursuant to Finnish Corporate Governance Code 2020 as applicable to the operations of earnings-related pension insurance companies. The report is published separately from the company's Report of the Board of Directors. Deviations from the Code are presented below. The Code is available on [the Securities Market Association's website](#). This report describes the situation on 31 December 2020.

Deviations from the Finnish Corporate Governance Code

The following is a summary of the deviations from the recommendations of the Finnish Corporate Governance Code at Varma.

- Recommendations 1, 3 and 5 – Election of the Board of Directors: Varma deviates from the recommendation as, under the Act on Earnings-Related Pension Insurance Companies, all members of an earnings-related pension insurance company's Board of Directors must be appointed by the Supervisory Board.
- Recommendation 6 – Term of Office of the Board of Directors: The term of office of the members of Varma's Board of Directors deviates from the recommended one year. Under the Articles of Association, the term of each member lasts three years so that the terms of four members expire each year.

- Recommendations 10, 16, 17 and 18a – Number of independent Board and Committee members: The composition of Varma's Board of Directors and its committees is assessed on the basis of the Finnish Act on Earnings-Related Pension Insurance Companies. Varma is a mutual earnings-related pension insurance company, and its Board of Directors and the Board's committees may have persons who belong to the operative management of its client companies as members.
- Recommendation 22 – Decision-Making Relating to Remuneration: according to the Finnish Act on Earnings-Related Pension Insurance Companies, the Supervisory Board is responsible for decision-making relating to the remuneration of the Board of Directors and its committees.

Annual General Meeting

At Varma, the supreme power of decision is exercised in the General Meeting by the shareholders, who are:

- policyholders with a valid insurance contract with Varma pursuant to the legislation concerning employees' pensions,
- self-employed persons with a valid insurance contract with Varma pursuant to the legislation concerning self-employed persons' pensions,
- those persons jointly insured under one insurance policy who are covered by basic insurance valid with Varma pursuant to the legislation concerning employees' pensions.

The number of votes that a shareholder can exercise in the General Meeting is based on paid insurance contributions as specified in the [Articles of Association](#). The Annual General Meeting shall be held annually before the end of May. An Extraordinary General Meeting shall be held when the Board of Directors or the Supervisory Board considers it necessary, or when it must be held pursuant to the Insurance Companies Act.

According to the Articles of Association, the Annual General Meeting shall confirm the Financial Statements and the Consolidated Financial Statements and decide on the disposal of profit, on discharging the responsible persons from liability and on the remuneration payable to the members of the Supervisory Board and the Auditors. The Annual General Meeting shall elect the members of the Supervisory Board and the Auditor and Deputy Auditor.

Supervisory Board

As laid down in the Finnish Act on Earnings-Related Pension Insurance Companies, Varma has a Supervisory Board that oversees the administration of the company by the Board of Directors and the CEO. In addition to this, the Supervisory Board:

- elects the members and deputy members of the Board of Directors,
- approves the remuneration of the Board of Directors' members, and
- appoints the Election Committee from among its own members or from the members of the Board of Directors.

The 32 members of the Supervisory Board are elected by the Annual General Meeting. Under the Articles of Association, the Annual General Meeting

elects seven members from among candidates put forward by major employer organisations, eleven members from among candidates put forward by major employee organisations and fourteen other members.

Each member is elected for a term of three years so that each year the terms of a maximum of eleven members expire. The Supervisory Board elects the Chairman and the Deputy Chairmen from among its members each year. Under the Act on Earnings-Related Pension Insurance Companies, one of them must be elected on the proposal of the members representing the insured.

In order to fulfil its supervisory task, the Supervisory Board has established a supervisory function where the chairmen and three members (four as of 1 Jan 2021) of the Supervisory Board, the chairmen of the Board of Directors and the CEO discuss current issues in the company and the earnings-related pension system.

Election Committee

The Supervisory Board appoints the Election Committee from among its members or from the members of the Board of Directors. Under the Finnish Act on Earnings-Related Pension Insurance Companies, the Chairman or the Deputy Chairman of the Committee must be elected on the proposal of the Supervisory Board members representing the insured.

In addition to the Chairman and the Deputy Chairman, Varma's Election Committee also has four other members, two of whom are elected on the proposal of the Supervisory Board members representing the policyholders and two on the proposal of the Supervisory Board members representing the insured.

Chairman of the Supervisory Board Christoph Vitz-

hum acted as the Chairman of the Election Committee, and Deputy Chairman of the Supervisory Board Petri Vanhala acted as the Deputy Chairman of the Election Committee. Of the members, Antti Palola (Deputy Chairman of the Board of Directors), Pekka Piispanen (member of the Board of Directors) and Petri Vanhala represented the insured, while Chairman Christoph Vitzthum, Jari Paasikivi (Chairman of the Board of Directors) and Kai Telanne (Deputy Chairman of the Board of Directors) represented the policyholders in 2020. In its meeting on 2 December 2020, the Supervisory Board elected Jaakko Eskola (Deputy Chairman of the Board of Directors) as a member of the Election Committee as of 1 January 2021. He replaced Kai Telanne.

The Election Committee submits a proposal to the Annual General Meeting on the election of Supervisory Board members and on the members' remunerations, and submits a similar proposal to the Supervisory Board concerning the members of the Board of Directors.

MEMBERS OF THE SUPERVISORY BOARD 31 DECEMBER 2020

Chairman
Christoph Vitzthum

b. 1969
President & CEO, Fazer Group
Term expires in 2022

Deputy Chairman
Petri Vanhala

b. 1963
President, Finnish Paperworkers' Union
Term expires in 2021

Deputy Chairman
Satu Wrede

b. 1954
Chairman of the Board of Directors,
Metroauto Group Oy
Term expires in 2021

Juri Aaltonen

b. 1969
Chairman,
Federation of Special Service and
Clerical Employees ERTO
Term expires in 2021

Anu Ahokas

b. 1979
CEO, StaffPoint Group
Term expires in 2023

Kari Ahola

b. 1960
Chairman, Trade Union Ammattiliitto
Unio ry
Term expires in 2023

Eero Broman

b. 1963
Chairman of the Board of Directors,
Broman Group Oy
Term expires in 2023

Petri Castrén

b. 1962
Chief Financial Officer, Kemira Oy
Term expires in 2022

Lasse Heinonen

b. 1968
President and CEO, Ahlström Capital Oy
Term expires in 2023

Marko Hovinmäki

b. 1969
Chairman of MMA, the Union of Sales
and Marketing Professionals
Term expires in 2023

Olavi Huhtala

b. 1962
EVP & Head of SSAB Europe Oy
Term expires in 2021

Mika Joukio

b. 1964
CEO, Metsä Board Corporation
Term expires in 2022

Jukka Jäämaa

b. 1965
Country Manager Finland, ISS Palvelut Oy
Term expires in 2023

Risto Kalliorinne

b. 1971
Organisation Manager, Service Union United PAM
Term expires in 2021

Ilkka Kaukoranta

b. 1986
Chief Economist, Central Organisation of Finnish
Trade Unions SAK
Term expires in 2022

Mari Keturi

b. 1978
Head of Bargaining, Trade Union for
the Public and Welfare Sectors JHL
Term expires in 2023

Ville Kopra

b. 1977
CEO, Versowood Oy
Term expires in 2021

Tapio Korpeinen

b. 1963
Chief Financial Officer,
UPM-Kymmene Corporation
Executive Vice President, UPM Energy
Term expires in 2023

Timo Koskinen

b. 1968
Senior Vice President,
Human Resources, VR Group Ltd.
Term expires in 2022

Pekka Kuusniemi

b. 1968
CEO, Raisio Plc
Term expires in 2022

Päivi Leiwo

b. 1964
Deputy Chair of the Board of Directors,
Oilon Group Oy
Term expires in 2021

Olli Luukkainen

b. 1957
President, Trade Union
of Education in Finland, OAJ
Term expires in 2022
Resigned from the Supervisory Board
effective 1 January 2021

Johanna Moisio

b. 1977
Executive Director, Finnish Union of
University Researchers and Teachers
Term expires in 2021

Teo Ottola

b. 1968
CFO, Konecranes Oyj
Term expires in 2022

Perttu Puro

b. 1971
CFO, Konecranes Plc
Term expires in 2022

Jari Suominen

b. 1969
Executive Vice President,
Division Head, Stora Enso Oyj
Term expires in 2023

Jorma Vehviläinen

b. 1967
Executive Vice President,
SOK Corporation
Term expires in 2021

Anssi Vuorio

b. 1965
Director of Industry Sector,
Trade Union Pro
Term expires in 2023

Sauli Väätti

b. 1961
Chairman, Finnish Electrical
Workers Union
Term expires in 2022

Leena Vainiomäki resigned from the Supervisory Board on 1 May 2020 and Jukka Erlund on 22 October 2020. The memberships of Erkki Etola and Juha Häkkinen ended at the Annual General Meeting on 19 March 2020. An up-to-date [list of the members of the Supervisory Board](#) is available on Varma's website. The Supervisory Board convened three times in 2020, and the average attendance rate of the members was 91 per cent.

Composition and duties of the Board of Directors

The task of the Board of Directors is to see to Varma's administration and the appropriate organisation of its operations. 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 carry out together with the executive management a risk and solvency assessment as part of strategic decision-making and risk management.

In accordance with the Act on Earnings-Related Pension Insurance Companies and by virtue of its own charter, the Board approves the description of Varma's corporate governance system and the continuity plan, as well as the operating principles for internal control, the risk management system, the arrangement of internal auditing, the identification and prevention of conflicts of interest, employee rewards, the outsourcing of functions and the ownership policy. The Board of Directors evaluates the corporate governance system, written operating principles and continuity plan on an annual basis.

The Board of Directors appoints and dismisses the President and CEO. In accordance with its charter, the Board of Directors also:

- annually elects the members of the Audit Committee and the Nomination and Compensation Committee,
- appoints an actuary and senior physician, as well as the directors that report directly to the CEO,
- decides on the terms of employment and remuneration systems for the CEO and the directors that report directly to the CEO,

• appoints, if necessary, a deputy CEO, appoints the members of the consultative committees and approves the rules and remuneration for the committees,

- evaluates the activities of the CEO, the deputy CEO and the directors who report directly to the CEO, and the management resources and their adequacy,
- decides on personnel compensation systems,
- approves the company's values,
- decides on the strategic targets and overall strategy,
- approves the plan of action and the operating expenses budget,
- exercises the supreme power of decision related to investment operations, approves the powers of decision in investment operations,
- decides on the authorisations to sign for the company,
- approves the financial statements and signs the financial statement documents,
- convenes the Annual General Meeting,
- prepares the agenda for the Annual General Meeting and the Supervisory Board meetings,
- decides on compliance operations,
- determines the contents and guidelines for internal control, oversees the organisation of internal control, annually assesses whether internal control is arranged appropriately and, if necessary, initiates corrective measures,
- decides on bonus policies and calculation bases applications, and
- decides on the transfers of insurance portfolios.

Pursuant to the Finnish Act on Earnings-Related Pension Insurance Companies, electing members to the Board of Directors is the responsibility of the Supervisory Board. The Board of Directors has 12 members and three deputy members. The election procedure is as follows:

- Two members and one deputy member are elected from among the persons put forward by the main employers' central organisations.
- Four members and one deputy member are elected from among the persons put forward by the main employees' central organisations.
- Six further members and one deputy member are also elected.

The terms of four members of the Board of Directors expire each year. The Board will select a Chairman and two deputy chairmen from among its members. There are no members of Varma's Executive Group on the Board of Directors. None of the Board members had an employment relationship with or held a position at Varma in 2020 or in the two years prior to that, nor do any of them receive compensation from Varma for services rendered or other advice not connected with the duties of the Board. Members and the companies under their control do not have equity holdings or equity-based rights in Varma's Group companies. [Information on the remuneration paid](#) to the Board of Directors is presented in a separate statement on remuneration at Varma.

MEMBERS OF THE BOARD OF DIRECTORS

31 DECEMBER 2020

Ordinary members



Chairman Jari Paasikivi

b. 1954
M.Sc. (Econ.)
Chairman of the Board, Oras Invest Ltd
Member since 2014
Term expires in 2021



Deputy Chairman Antti Palola

b. 1959
Sea Captain
Chairman, Finnish Confederation of Salaried
Employees STTK
Member since 2014
Term expires in 2021



Deputy Chairman Kai Telanne

b. 1964
M.Sc. (Econ.)
President and CEO, Alma Media Corporation
Member since 2009
Term ended 31 December 2020



Riku Aalto

b. 1965
M.Sc. (Admin.)
President, Industrial Union
Member since 2012
Term expires in 2023

Ordinary members



Eila Annala
b. 1962
M.Sc. (Econ.)
Chair of the Board, Hammake Oy
Member since 2018,
deputy member 2017–2018
Term expires in 2022



Rolf Jansson
b. 1969
M.Sc. (Eng.),
M.Sc. (Econ.)
President & CEO, VR Group
Member since 2017
Term expires in 2021



Ari Kaperi
b. 1960
M.Sc. (Econ.)
Head of Group Credit Risk Management and
Country
Senior Executive in Finland, Nordea Bank Abp
Member since 2010
Term expires in 2021



Jyri Luomakoski
b. 1967
MBA
President & CEO, Uponor
Member since 2015
Term expires in 2023

Ordinary members



Petri Niemisvirta
b. 1970
LL.M.
Managing Director, Mandatum Life Insurance
Company Ltd.
Member since 2014
Term expires in 2023



Pekka Piispanen
b. 1960
M.A.
Director, Akava ry
Member since 2017
Term expires in 2022



Saana Siekkinen
b. 1972
M.Soc.Sc.
Director, Central Organisation
of Finnish Trade Unions SAK
Member since 2020
Term expires in 2022



Mari Walls
b. 1961
Ph.D.
President, Tampere University
Member since 2020
Term expires in 2022

Deputy members



Ilkka Oksala
b. 1965
LL.M.
Director, Confederation of Finnish
Industries EK
Deputy member since 2020
(member 2015–2019)
Deputy membership ended 31 December 2020



Risto Penttinen
b. 1968
M.Sc. (Econ.)
SVP, Strategy, People and Performance,
Fortum Oyj
Deputy member since 2018
Term expires in 2022



Timo Saranpää
b. 1965
M.Sc. (Econ.)
Chairman, the Finnish Business School
Graduates
Deputy member since 2020
Term expires in 2022

NEW BOARD MEMBERS AS OF 1 JANUARY 2021

Ordinary member



Jaakko Eskola

b. 1958
M.Sc. (Eng.)
President & CEO, Wärtsilä Corporation
Term expires in 2023

Deputy member



Jouni Hakala

Jouni Hakala
b. 1961
LL.M., MBA
Director, Confederation of Finnish Industries EK
Term expires in 2022

An up-to-date [list of the members of the Board of Directors](#) is available on Varma’s website. [Board members’ positions of trust](#) are presented on Varma’s website. The Board of Directors convened 13 times in 2020, and the average attendance rate, including deputy members, was 97.4 per cent.

Composition and duties of the Board of Directors' committees

Audit Committee

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.

In 2020, Ari Kaperi (Chairman), Jyri Luomakoski, Antti Palola and Kai Telanne were members of the Audit Committee. Jaakko Eskola was elected as a member of the Audit Committee to replace Kai Telanne in 2021.

The Committee convened eight times in 2020, and the attendance rate of the members was 100 per cent.

Nomination and Compensation Committee

The Nomination and Compensation Committee prepares Varma's compensation and incentive schemes and the employment terms and conditions of the company management. The proposals of the Committee are submitted to the Board of Directors for decision.

In 2020, the Nomination and Compensation Committee was composed of the Chairman of the Board of Directors Jari Paasikivi and Deputy Chairmen Antti Palola and Kai Telanne. Jaakko Eskola was elected as a member of the Nomination and Compensation Committee to replace Kai Telanne in 2021.

The Committee convened six times in 2020, and the attendance rate of the members was 94 per cent.

President and CEO

The CEO takes care of the administration of Varma according to the regulations and instructions of the Board of Directors. The CEO sees to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

It is the duty of the CEO to promote the interests of the company. The CEO shall manage the company in a professional manner, in accordance with sound and prudent business principles and sound governance principles. The CEO represents Varma in matters that fall within the sphere of tasks laid down in legislation.

Varma's President and CEO is Risto Murto. The CEO is assisted by Varma's Executive Group, which has, in addition to the CEO, seven management representatives and two staff representatives as members. The task of the Executive Group is to steer and develop Varma's operations so that the strategic objectives approved by the company's Board of Directors are met.

Decisions on the salaries and benefits of the CEO and the other members of the Executive Group are made by the Board of Directors. Information on these is presented in a separate [statement on remuneration](#) at Varma.

When deciding on new representation in Boards of Directors or Supervisory Boards of the President and CEO, the decision is made by the Chairman of the Board of Directors. The chairman of the Board of Directors decides on an executive group member's new representation in the board of directors or supervisory board of an entity that is not Varma's

subsidiary on the CEO's proposal, whereas representation in Varma's subsidiary's board of directors or supervisory board and Varma's representation in the earnings-related pension sector's co-operative bodies is decided by the CEO.

When deciding on representation, the decision-maker assesses:

- whether the representation is, due to possible conflicts of interest, likely to undermine trust in the realisation of the independence requirements of an earnings-related pension company, which are highlighted in legislation,
- whether the representation will have adverse effects on the decision-making of Varma's investment operations,
- whether the representation will have other adverse effects on the person's work tasks at Varma.

The Investment Committee deals with major investment issues that are submitted to the CEO for decision.

The Committee has the CEO and the executives responsible for investment operations as its members. The Committee prepares the investment proposals for the Board of Directors and makes decisions on matters in which it is authorised under the investment plan approved each year by the Board of Directors, and which have not been delegated to a lower level. The Committee also monitors investment risks.

EXECUTIVE GROUP ON 1 JANUARY 2021



Risto Murto
President and CEO
b. 1963
Ph.D. (Econ.)
President and CEO since 2014
Member of the Executive Group since 2006
Joined Varma in 2006



Pauli Forma
Director, Work Ability Services
b. 1970
Doctor of Political Science, Adjunct Professor,
Executive MBA
Member of the Executive Group since 2020
Joined Varma in 2019



Suvi Hintsanen
Senior Vice-President, Client Services
b. 1967
M.Sc. (Econ.)
Member of the Executive Group since 2019
Joined Varma in 2019



Tiina Kurki
Senior Vice-President, Pension Services and IT
b. 1961
Master of Business Administration
Member of the Executive Group since 2012
Joined Varma in 2012



Pasi Mustonen
Senior Vice-President, Actuaries
b. 1964
M.Sc., FASF
Member of the Executive Group since 2004
Joined Varma in 1989



Pekka Pajamo
Senior Vice-President, Finance and
Internal Services
b. 1962
M.Sc. (Econ.)
Member of the Executive Group since 2012
Joined Varma in 2012



Reima Rytsölä
Executive Vice-President, Investments
b. 1969
M.Soc.Sc., CEFA, AMP
Member of the Executive Group since 2014
Joined Varma in 2014



Katri Viippola
Senior Vice-President, HR, Communications and
Corporate Social Responsibility
b. 1976
Executive MBA, Master of Arts
Member of the Executive Group since 2016
Joined Varma in 2016



Eeva Hautala
Employee Representative since 2016
b. 1963
B.Soc.Serv.
Joined Varma in 2006



Mikael Kullström
Employee Representative since 2020
b. 1989
BBA
Joined Varma in 2016

Secretary for the Executive Group is Head of Legal Affairs Tuula Kallio. Pasi Mustonen serves as Varma’s Chief Actuary. Jan Schugk is Varma’s Senior Physician. [Executive Group members’ positions of trust](#) are presented on Varma’s website.

Medical Affairs and Consultant Physicians

Medical Affairs:

Jan Schugk
Senior Physician
b. 1966, MD

Consultant Physicians:

Kirsi Karvala
Mervi Fearnley
Aki Karhunen
Tiia Reho
Sari Siivola
Minna Sadeniemi
Tuula Kieseppä
Heikki Nikkilä
Otto Lindberg
Mikael Ojala
Sami Riekk

Internal control and risk management

Varma's Board of Directors decides on the content and organisation of internal company control and on the implementation of the internal control sectors and principles, approves both the joint guidelines for the internal control and the risk-management plan, and decides on compliance operations. Internal control is part of the normal management of the company, good governance and daily operations. The Board of Directors makes an annual assessment of whether the company's internal control is appropriately organised.

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

The Compliance function is an element of internal control. Its task is to ensure that decrees, official regulations, the decisions of governance bodies, and internal guidelines are complied with. The activities are risk-based and focus on information flow, advising, drawing up instructions and organising training. The Head of Legal Affairs acts as Varma's Compliance Officer.

The President and CEO is in charge of the day-to-day administration of the company according to the instructions and orders given by the Board. The CEO sees to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner, and monitors risks in accordance with the principles established in risk management and investment plans, and other plans.

Line managers and other supervisors are responsible for organising internal control, risk management, the compliance function and good governance in their areas of responsibility as part of normal operations.

The Chief Financial Officer is responsible for the independent monitoring of investment positions and risks, and for overseeing operative risks. The Financial Administration coordinates the identification and management of operational risks in different functions and draws up a summary of the risk assessments drawn up by the functions. As regards investments, the Financial Administration monitors compliance with the risk limits, authorisations, and allocations. Monitoring ensures that the decisions of the investment organisation and the President and CEO adhere to the framework of the investment plan.

The tasks of the independent investment risk management within the Actuaries include the identification of the risks contained in the investments, measurement of risk levels and reporting on these.

The company's actuary must prepare a statement for the company's Board of Directors on the requirements posed by the nature of technical provisions on Varma's investment operations and risk management. The actuary must also provide a written statement on whether the investment plan meets the aforementioned requirements.

Insider administration

Varma follows [insider guidelines](#) approved by the Board of Directors. The purpose of the guidelines is to promote the public reliability of the company's investment operations and ensure personnel's knowledge of insider regulations, so that they are not unintentionally violated. Varma has, pursuant

to the Act on Earnings-Related Pension Insurance Companies, a public insider register in place. Varma also maintains a non-public insider register in order to improve the management of insider information and monitoring of the personnel's trading.

The Compliance Officer upholds the insider registers and is in charge of training and consultation on insider matters, as well as for monitoring insiders' trading. The public insider register can be accessed through [Euroclear Finland's NetSire service](#).

Related party transactions

Varma's related parties include the members of the Supervisory Board and the Board of Directors, the President and CEO, members of the Executive Group, auditors, and the spouses and wards, and companies under the control of the aforementioned persons.

Transactions carried out with the related parties are handled in accordance with the related party guidelines such that Varma's Board of Directors decides on major business transactions in cases which involve a related party. [Related party transactions](#) are reported on Varma's website. There were no related party transactions during the 2020 calendar year. The Compliance Officer upholds Varma's related party list and the list on related party transactions.

Internal audit

Varma's internal audit operates in accordance with the principles laid down in the professional internal auditing standards. It comprises independent and objective assessment, assurance and consulting activities whose purpose is to support the organisation in achieving its goals by producing assessments and development proposals concerning the status of risk management and

other internal controls.

The organisational status, tasks, responsibilities and powers of the internal audit are laid down in the instructions approved by the Board of Directors. The areas to be audited are set out in an annual audit plan, which is approved by the Board of Directors after it has been discussed by the Executive Group and the Audit Committee. The audit observations are reported to the company management, the Audit Committee and the Board of Directors.

The internal audit is administratively subordinate to the CEO.

Main features of the internal control and risk management systems connected with the financial reporting process

Varma's financial reporting is governed by the Act on Earnings-Related Pension Insurance Companies, the Insurance Companies Act, the Limited Liability Companies Act, the Act on the Calculation of the Pension Provider's Solvency Border and the Diversification of Investments, the Accounting Act, the Ministry of Social Affairs and Health's decree on (the) financial statements and consolidated financial statements of insurance companies, the Accounting Decree, the technical bases approved by the Ministry of Social Affairs and Health and the regulations issued by the Financial Supervisory Authority.

Operational risks connected with Varma's financial reporting are charted on a regular basis. The potential impacts and likelihood of identified risks are assessed on a risk-specific basis.

The contents of the financial reporting presented to the Board of Directors are laid down in the Board of Directors' charter. All financial reporting to

the Board of Directors, company management and the authorities is carried out by Varma's Financial Administration independently of the function to be reported on. The company's result and solvency position are calculated daily.

The Board of Directors receives regular reports on, among other things, the total result, the balance sheet and the income statement at fair value, sales result, solvency position, details of investments classified according to risk, investment returns, derivative and foreign currency positions, and risk concentrations. Financial Administration also provides reports on the monitoring of risk limits laid down in the investment plan and on the use of authorisations, and carries out controls on the valuation of investments. In addition to the above, Investment Operations also submits reports on its activities to the Board of Directors.

Adherence to authorisations and allocation, and investment assignments are monitored on a daily basis.

Actuaries see to it that the insurance contributions and the technical provisions are calculated in accordance with legislation and the technical bases, and according to the regulations issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority. The division of responsibility between earnings-related pension companies is handled via the Finnish Centre for Pensions each year.

In addition to the information required under the provisions, Varma also reports on its financial performance on a quarterly basis. In order to increase transparency, Varma publishes its balance sheet and income statement at fair value and its investments and their returns, grouped in accordance with risks.

From the point of view of Varma's financial reporting, the most important elements are the valuation of the investments, the investment return at fair value, the interest credited on technical provisions, and the company's solvency capital in relation to the solvency limit, which in turn is determined on the basis of the risks involved in each investment (solvency classification). The risk-bearing capacity of the investment operations is determined on the basis of the solvency indicators.

The tasks of the investment risk management within the Actuaries, which is independent of the risk-taking operations, include the identification of the risks contained in the investments, measurement of risk levels and reporting.

As regards the calculation of the solvency limit, the Board of Directors decides on the criteria concerning how the risks of indirect investments are taken into account, the criteria for using derivative contracts, the criteria for applying other essential investment risks, i.e. the risk category 18, in accordance with the guidelines on solvency calculation, and the criteria for calculating the duration of investments exposed to interest and credit margin risk. The Board monitors the up-to-dateness and application of the principles.

The company has drawn up detailed work descriptions and instructions for financial reporting. The reliability of financial reporting is supported by the principle that the company's business accounting is always periodised and kept up to date at fair value and that the figures contained in it match the investment category ledger systems used as ledgers and the data warehouse used in reporting.

Calculations of the technical provisions are made each year. The calculations of the technical provisions during the year are made using pension-insu-

rance register information and insurance technique analyses. Insurance risks are analysed using, for example, a risk assumption analysis (mortality, disability intensity), financial statements and business result analyses (insurance technique, distribution of responsibility) and, for example, when compiling statistics on contribution losses and disability pension expenditure.

Auditing

In accordance with Varma's Articles of Association, the General Meeting elects an Auditor and, unless the Auditor is an audit company, a Deputy Auditor. In accordance with Varma's Articles of Association, the 2020 General Meeting elected one Auditor, which is an audit company, for the Company.

The Auditors' term ends at the end of the next Annual General Meeting following their election.

Under the legislation in force concerning auditing, the Auditors' duty is to audit Varma's accounting records, Financial Statements, Consolidated Financial Statements and governance. Auditing shall be carried out in accordance with good auditing practice.

The Auditor reports on its work, observations and conclusions in the Auditors' Report addressed to the Annual General Meeting. In addition to this, the Auditor reports on its observations concerning internal control, financial reporting and other auditing measures to the Board of Directors' Audit Committee, to the Board of Directors, to the Supervisory Board, to executive management and to the supervisory authority.

The Auditor provides the Board of Directors annually with written confirmation of its independence, required under the legislation in force. The Company's Board of Directors assesses the independence of the Auditor each year.

In accordance with the decision made by the Annual General Meeting on 19 March 2020, Ernst & Young Oy, with Authorised Public Accountant Antti Suominen as chief auditor, served as Varma's Auditor during the financial year 2020.

Remuneration paid to the Auditor for statutory auditing in 2020 amounted to EUR 235,600. Remuneration paid to Ernst & Young Oy for expert services other than those related to auditing totalled EUR 100,837 in 2020.

STATEMENT ON REMUNERATION AT VARMA

This statement describes Varma’s valid remuneration principles and, as part of it, the remuneration policy for the CEO, other executives and personnel. This statement can also be viewed on Varma’s website, and it is based on the situation on 31 December 2020.

The statement is based on the Finnish Act on Earnings-Related Pension Insurance Companies and the Financial Supervisory Authority’s guide-lines on the basis of the act. Varma also complies with the provisions of the Finnish Corporate Gover-nance Code as applicable to earnings-related pen-sion insurance companies. These provisions which are legally binding on listed companies serve as recommendations for earnings-related pension companies.

1 Remuneration principles

The starting point for remuneration is Varma’s purpose as a provider of statutory earnings-related pension insurance and manager of pension assets as part of social security, securing the benefits of those insured with Varma, Varma’s long-term inter-ests and the achievement of strategic targets.

- The main principles steering remuneration are:
1. All remuneration is based on performance, equality and competitiveness.
 2. The aim is to reward for concrete results in terms of implementing the company’s strategy and achieving targets.

3. Remuneration takes into account excellent performance and encourages behaviour that is in accordance with Varma’s values.
4. The goals and rewards in the remuneration schemes are in balance with long-term value creation and the achievement of short-term targets, and in harmony with risk management.
5. Remuneration within the company is competitive in the relevant markets.
6. Through remuneration, the goal is to ensure that Varma as an employer attracts skilled and motivated experts.
7. These remuneration principles apply equally to all Varma employees, including executive management.

2 Decision-making process

The Board of Directors approves Varma’s remuneration principles and, as part of it, the remuneration policy, and follows and monitors its implemen-tation on the basis of preparatory work carried out by the Nomination and Compensation Committee.

Decision making concerning the company’s re-muneration follows principles that aim to ensure the prevention and control of conflicts of interest. The basic principle is that the executive body that elects a given executive body also decides on the remuneration of the executive body in question. The purpose of this principle is to ensure fair and equal decisions.

Decision-making process for remuneration

Annual General Meeting

- decides on the remuneration of the members of the Supervisory Board.

Supervisory Board

- decides on the remuneration of the members of the Board of Directors and its committees.

Election Committee

- prepares annually a proposal for the Annual General Meeting concerning the remuneration of the members of the Supervisory Board, and
- prepares annually a proposal for the Supervisory Board

Board of Directors

- approves Varma’s remuneration principles and, as part of it, the remuneration policy, and follows and monitors its implementation on the basis of preparatory work carried out by the Nomination and Compensation Committee,
- decides on all of Varma’s remuneration schemes and the related targets on the basis of preparatory work carried out by the Nomination and Compensation Committee, and
- decides on the remuneration of the President and CEO and those who report directly to the President and CEO on the basis of the preparatory work carried out by the Nomination

The Board’s Nomination and Compensation Committee

- prepares for the Board of Directors matters related to remuneration, the remuneration principles and the remuneration policy,
- prepares all of Varma’s remuneration schemes, and
- prepares the remuneration principles, salaries and other areas of remuneration of the President and CEO and of those who report directly to the President and CEO.

President and CEO

- participates in the meetings of the Nomination and Compensation Committee, except when the terms of employment and remuneration of the CEO are discussed,
- monitors, in accordance with his/her role, that the remuneration schemes are followed and applied pursuant to the principles approved by the Board of Directors,
- decides on personnel’s salaries, with the exception of persons reporting directly to him/her.

2.1 Annual General Meeting

- decides on the remuneration of the members of the Supervisory Board.

2.2 Supervisory Board

- decides on the remuneration of the members of the Board of Directors and its committees

2.3 Election Committee

- prepares annually a proposal for the Annual General Meeting concerning the remuneration of the members of the Supervisory Board, and
- prepares annually a proposal for the Supervisory Board concerning the remuneration of the members of the Board of Directors.

2.4 Board of Directors

- approves Varma’s remuneration principles and, as part of it, the remuneration policy, and follows and monitors its implementation on the basis of preparatory work carried out by the Nomination and Compensation Committee,
- decides on all of Varma’s remuneration schemes and the related targets on the basis of preparatory work carried out by the Nomination and Compensation Committee, and
- decides on the remuneration of the President and CEO and those who report directly to the President and CEO on the basis of the preparatory work carried out by the Nomination and Compensation Committee.

2.5 The Board’s Nomination and Compensation Committee

- prepares for the Board of Directors matters related to remuneration, the remuneration principles and the remuneration policy,
- prepares all of Varma’s remuneration schemes, and
- prepares the remuneration principles, salaries and other areas of remuneration of the President and CEO and of those who report directly to the President and CEO.

2.6 President and CEO

- participates in the meetings of the Nomination and Compensation Committee, except when the terms of employment and remuneration of the CEO are discussed,
- monitors, in accordance with his/her role, that the remuneration schemes are followed and applied pursuant to the principles approved by the Board of Directors, and decides on personnel’s salaries, with the exception of persons reporting directly to him/her.

3 Description of remuneration of the Supervisory Board and Board of Directors

Remuneration of the Supervisory Board

Annual remuneration	<ul style="list-style-type: none">• Chairman: EUR 8,000• Deputy Chairman: EUR 6,000• Other members: EUR 4,000
Meeting fees	<ul style="list-style-type: none">• The members of the Supervisory Board are paid a meeting fee of EUR 600 per meeting for Supervisory Board, Election Committee and the Supervisory Board’s supervisory function meetings.
TyEL contribution	<ul style="list-style-type: none">• Members of the Supervisory Board are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.
Travel expenses	<ul style="list-style-type: none">• As compensation for travel and accommodation costs and a daily allowance, the maximum amounts according to the Tax Administration guidelines are paid.

Remuneration of the Board of Directors as of 1 Jan 2021

Annual remuneration	<ul style="list-style-type: none">• Chairman: EUR 48,195• Deputy Chairman: EUR 34,272• Chairman of the Audit Committee: EUR 34,272• Other members: EUR 19,278• Deputy members: EUR 13,923
Meeting fees	<ul style="list-style-type: none">• Members of the Board of Directors are also paid a fee of EUR 612 for the meetings of the Board of Directors and the Board of Directors’ committees, for the separate meetings of the presiding officers, and for the meetings of the Election Committee and the Supervisory Board’s supervisory function. The same meeting fee is also paid for participation in the meetings of the Supervisory Board.
TyEL contribution	<ul style="list-style-type: none">• Members of the Board of Directors are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.
Travel expenses	<ul style="list-style-type: none">• As compensation for travel and accommodation costs and a daily allowance, the maximum amounts according to the Tax Administration guidelines are paid.

4 Remuneration policy
4.1 Remuneration of the President and CEO

- The Board of Directors appoints the President and CEO and decides on his/her remuneration and the terms of his/her executive employment contract.
- At Varma, the starting point for the President and CEO’s remuneration is that the remuneration be aligned with the interests of the CEO and of the company.
- Varma employs different remuneration components to attract, motivate and engage to the task a person who has excellent knowledge of the earnings-related pension insurance business, investment activities and business management, as required by legislation.
- The remuneration level correlates with the level of performance, which promotes sustainable financial performance and focus on Varma’s targets and the implementation of its strategy.
- The structure and level of the remuneration must be in line with sector reference values, and the remuneration must be competitive. A substantial part of the remuneration is based on performance. In order to assess the level of the CEO’s overall remuneration, the Nomination and Compensation Committee compares it with the remuneration level of corresponding operators in the financial and employment pension sectors. The reference salaries are for informational purposes, and the CEO’s salary is not directly determined on the basis of them. Other factors taken into account include the person’s responsibilities and experience, personal performance and Varma’s financial performance.
- The President and CEO has a period of notice of six

Remuneration of the President and CEO

Basic salary	<ul style="list-style-type: none">• Based on the demands, responsibilities, experience and performance related to the task.• Lunch money is paid on top of regular salary.
Other benefits	<ul style="list-style-type: none">• Possibility for a phone benefit• Possibility for a car benefit (tax value included in the fixed monthly salary)• Health insurance (tax value included in the fixed monthly salary)• Other benefits for all personnel
Performance-based remuneration	<ul style="list-style-type: none">• The President and CEO is included in the remuneration scheme for key persons, and his/her maximum performance pay is equal to 12 months’ salary and the phone benefit. Seven months of the remuneration are tied to the targets of the key persons’ scheme, and five months to the targets of the Investment Operations’ scheme.• For a weighty reason, the Board of Directors has the right to change the amount of the performance pay or cancel or postpone its payment.
Supplementary pension	<ul style="list-style-type: none">• Defined-contribution supplementary pension

months, in addition to which he is entitled to severance pay equal to six months’ salary.

4.2 Remuneration of Executive Group members

- The Board of Directors decides on the remuneration and other terms of employment of the members of Varma’s Executive Group.
- At Varma, the starting point for the remuneration of the Executive Group is that the remuneration must be aligned with the interests of the Executive Group members and the company.
- Varma employs different remuneration components to attract, motivate and engage to the task a person who has the required skills, abilities and competence.
- The remuneration level correlates with the level of performance, which promotes sustainable financial performance and focus on Varma’s targets and the implementation of its strategy.
- The structure and level of the remuneration must be in line with sector reference values, and the remuneration must be competitive. A substantial part of the remuneration is based on performance.
- In order to assess the level of the Executive Group members’ overall remuneration, the Nomination and Compensation Committee compares it with the remuneration level of corresponding Finnish operators. The reference salaries are for informational purposes, and the CEO’s salary is not directly determined on the basis of them. Other factors taken into account include the person’s responsibilities and experience, personal performance and Varma’s financial performance.

Remuneration of Executive Group members

Basic salaries	<ul style="list-style-type: none">• Based on the demands, responsibilities, experience and performance related to the task.• Lunch money is paid on top of regular salary.
Other benefits	<ul style="list-style-type: none">• Possibility for a phone benefit• Possibility for a car benefit (tax value included in the fixed monthly salary)• Health insurance (tax value included in the fixed monthly salary)• Other benefits for all personnel
Performance-based remuneration	<ul style="list-style-type: none">• The Chief Investment Officer is included in the remuneration scheme for Investment Operations. His/her maximum performance pay is equal to 12 months’ salary and the phone benefit.• Other Executive Group members belong to the key persons’ scheme. Their maximum performance pay is equal to 6.5 months’ salary and the phone benefit.• For weighty reasons, the Board of Directors has the right to change the amount of the performance pay or cancel or postpone its payment.
Supplementary pension	<ul style="list-style-type: none">• Contribution-based supplementary pension for those employed before 2019.

4.3 Personnel’s remuneration

At Varma, job grading and personal performance are used as the basis for determining the remuneration level of all personnel, including executive management. Job grades are based on the requirements and responsibilities of the role, which enables a consistent and competitive salary level to be specified both internally and in relation to external markets. In addition to the job requirements, salaries and their development are influenced by personal performance, as well as labour legislation and the collective bargaining agreement for the insurance sector.

The principles and implementation of personnel’s salaries and remuneration are described in more detail in the separate remuneration policy.

4.4 Varma's remuneration schemes in 2021

Varma has three performance-based remuneration schemes in use:

- remuneration scheme for key persons
- remuneration scheme for Investment Operations
- remuneration scheme for personnel.

Each Varma employee is included in one of the three remuneration schemes, i.e. all employees are covered by performance-based remuneration.

Key principles of the remuneration schemes:

- For all remuneration schemes, the targets and indicators are based on the company’s strategy-based financial performance and its supporting measures.
- The remuneration schemes support Varma’s long-term objectives, which include solvency development and operating cost efficiency.
- The indicators reflect especially the efficient

implementation of the pension system, solvency and sustainability of operations as part of the implementation of social security.

- The remuneration schemes are planned to prevent unhealthy risk-taking. The schemes have pre-defined maximum amounts of remuneration. The Board of Directors has the right to discontinue the schemes before the end of the period if the company’s economic position is jeopardised.
- The key components of the remuneration indicators are the same for the schemes for both personnel and key persons.
- The extent to which the objectives set for the schemes are achieved linearly determines how large a part of the maximum sum is realised and paid.
- Performance-based remuneration in relation to overall remuneration is determined on the basis of the role of each Varma employee. As the role’s responsibilities and direct impact on financial performance increase, the proportion of performance-based remuneration and maximum remuneration increase.
- The Board of Directors decides on the payment of performance pay annually after the end of the remuneration period. Decisions on remuneration are made according to the ‘one-over-one’ principle.
- Compliance with the norms regulating the activities is also considered when making remuneration decisions. Performance-based remuneration is not paid, or it may be recovered as an unjustified benefit, if it is discovered that the person in question has behaved contrary to Varma’s internal guidelines or ethical principles, legislation or official regulations or guidelines.

Remuneration schemes

Remuneration scheme for key persons	<ul style="list-style-type: none">• In the remuneration scheme for key persons, common target setting is emphasised by setting the remuneration scheme’s maximum remuneration according to the realisation of the company’s targets.• At the beginning of each year, the Board of Directors identifies the persons covered by the scheme, i.e. the remuneration pools, as well as their maximum remuneration and the scheme criteria and principles.• The maximum amount of remuneration paid out from the remuneration pool is based on the realisation of targets, the number of key persons, monthly salaries and maximum remuneration months.• The individual remuneration level is based on the achievement of the targets in the area under the key person’s responsibility as well as personal performance.• In the remuneration scheme for key persons, the maximum performance pay paid to the CEO corresponds to his 7 months’ salary, the maximum performance pay paid to members of the Executive Group corresponds to their 6.5 months’ salary, and the maximum performance pay paid to middle management corresponds to their 4.5 months’ salary.• A share of the CEO’s remuneration that corresponds to no more than 6 months’ salary is paid within one month following the granting of the remuneration. An exceeding share equalling one full month’s salary is paid after one year, and an exceeding share of less than one month’s salary is paid in conjunction with the previous payment
Remuneration scheme for Investment Operations	<ul style="list-style-type: none">• The aim of the Board-approved remuneration scheme for Investment Operations is to benefit from added value that is created by the development of Varma’s solvency and better long-term development of Varma’s solvency and return on investments than those of a peer group of competitors.• The scheme involves a pool model similar to the key persons’ scheme.• The individual remuneration level is based on the achievement of the targets in the area of responsibility as well as personal performance.• The Investment Operations’ remuneration scheme covers, in addition to the CEO and Chief Investment Officer, key persons in Investment Operations.• Personal maximum remuneration corresponds to a maximum of 12 or 6 months’ salary. The CEO’s maximum remuneration under this scheme is equal to 5 months’ salary.• A share of remuneration that corresponds to no more than 6 months’ salary is paid within one month following the granting of the remuneration, and the remainder within three years in three equal instalments (1st year: 1/3; 2nd year: 1/3; and 3rd year: 1/3).
Remuneration scheme for personnel	<ul style="list-style-type: none">• The remuneration scheme for personnel includes all Varma employees (excluding persons belonging to the key persons’ and Investment Operations’ schemes, hourly employees and persons whose employment has lasted less than 6 months during the remuneration period).• Maximum remunerations equal 1–4 months’ salary.• The review period for the remuneration scheme is one calendar year, and it involves company-level targets or company-level targets and targets from one other level (function, department, team or individual level).• The weighing of targets varies between personnel groups.• Targets at the function or department level are confirmed by the Executive Group, while individual targets are decided by the head of the function. The targets support the implementation of the strategy and aim for work performance above the basic level.• Actual results at the function and department level are confirmed by the Executive Group, and at the individual level by the head of the function.

5 Remuneration report 2020
5.1 Remuneration of Supervisory Board members

The Supervisory Board convened three times in 2020. The average attendance rate was 91 per cent.

- The annual remuneration of the Chairman of the Supervisory Board is EUR 8,000, that of the Deputy Chairmen is EUR 6,000 and that of other members is EUR 4,000. In addition, the members of the Supervisory Board receive a meeting fee of EUR 600. A meeting fee is also paid for meetings of the Election Committee and the Supervisory Board’s supervisory function.
- Members of the Supervisory Board are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.

Supervisory Board

Meetings in 2020	<ul style="list-style-type: none">• The Supervisory Board convened three (3) times• The average attendance rate was 91 per cent
Annual remuneration	<ul style="list-style-type: none">• chairman: EUR 8,000• deputy chairman: EUR 6,000• other members: EUR 4,000
Meeting fees	<ul style="list-style-type: none">• In addition, the members of the Supervisory Board receive a meeting fee of EUR 600
TyEL earnings	<ul style="list-style-type: none">• Members of the Supervisory Board are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.

5.2 Remuneration of the members of the Board of Directors

- The Board of Directors convened 13 times in 2020.
- The average attendance rate, including deputy members, was 97.4 per cent.
- In 2020, the annual remunerations were: EUR 47,250 for the Chairman of the Board, EUR 33,600 for the Deputy Chairmen, EUR 33,600 for the Chairman of the Audit Committee, EUR 18,900 for the members, and EUR 13,650 for the deputy members. A meeting fee of EUR 600 per meeting was also paid.
- The same meeting fee is also paid for the meetings of the Board of Directors’ committees, the separate meetings of the presiding officers of the Board of Directors, and for the meetings of Ele-

ction Committee and the Supervisory Board’s supervisory function, and for participation in the Supervisory Board’s meetings.

- Members of the Board of Directors are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.
- In its meeting on 2 December 2020, the Supervisory Board decided to raise the fees by two per cent. Thus, the annual remunerations in 2021 will be: EUR 48,195 for the Chairman of the Board, EUR 34,272 for the Deputy Chairmen, EUR 34,272 for the Chairman of the Audit Committee, EUR 19,278 for the members, and EUR 13,923 for the deputy members. A meeting fee of EUR 612 per meeting will also be paid.

Board of Directors

Meetings in 2020	<ul style="list-style-type: none">• The Board of Directors convened 13 times in 2020.• The average attendance rate, including deputy members, was 97.4 per cent
Annual remuneration	<ul style="list-style-type: none">• Chairman: EUR 47,250• Deputy Chairman: EUR 33,600• Chairman of the Audit Committee: EUR 33,600• Other members: EUR 18,900• Deputy members: EUR 13,650
Meeting fees	<ul style="list-style-type: none">• A meeting fee of EUR 600 per meeting was also paid to the members of the Board of Directors.• The same meeting fee was also paid for the meetings of the Board of Directors’ committees, the separate meetings of the presiding officers of the Board of Directors, the meetings of the Supervisory Board’s supervisory function, and for participation in the Supervisory Board’s meetings.
TyEL earnings	<ul style="list-style-type: none">• Members of the Board of Directors are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.

Varma’s Supervisory Board 2020 – attendance and remunerations

Name	Supervisory Board meetings, attendance	Election Committee	Supervisory Boards’ supervisory function	Annual remuneration, €	Meeting and Committee remunerations, €	Total, €
Chairman Christoph Vitzthum	3/3	2/2	3/3	8,000	4,800	12,800
Deputy Chairmen						
Petri Vanhala	3/3	2/2	2/3	6,000	4,200	10,200
Satu Wrede	3/3		3/3	6,000	3,600	9,600
Members						
Juri Aaltonen	3/3			4,000	1,800	5,800
Anu Ahokas	2/2			3,000	1,200	4,200
Kari Ahola	2/3			4,000	1,200	5,200
Eero Broman	3/3			4,000	1,800	5,800
Petri Castrén	3/3			4,000	1,800	5,800
Jukka Erlund	2/2			3,333	1,200	4,533
Erkki Etola	0/1			1,000	0	1,000
Lasse Heinonen	3/3			4,000	1,800	5,800
Marko Hovinmäki	2/2			3,000	1,200	4,200
Olavi Huhtala	2/3			4,000	1,200	5,200
Juha Häkkinen	1/1			1,000	600	1,600
Mika Joukio	3/3		3/3	4,000	3,600	7,600
Jukka Jäämaa	3/3		3/3	4,000	3,600	7,600
Risto Kalliorinne	3/3			4,000	1,800	5,800
Ilkka Kaukoranta	2/2			3,000	1,200	4,200
Kari Kauniskangas	3/3			4,000	1,800	5,800
Mari Keturi	3/3			4,000	1,800	5,800
Ville Kopra	3/3			4,000	1,800	5,800
Tapio Korpeinen	3/3			4,000	1,800	5,800
Timo Koskinen	3/3			4,000	1,800	5,800
Pekka Kuusniemi	3/3			4,000	1,800	5,800
Päivi Leiwo	3/3			4,000	1,800	5,800
Olli Luukkainen	2/3		2/3	4,000	2,400	6,400
Johanna Moisio	3/3			4,000	1,800	5,800
Teo Ottola	2/2			3,000	1,200	4,200
Perttu Puro	2/2			3,000	1,200	4,200
Jari Suominen	2/3			0	0	0
Leena Vainiomäki	0/1			1,333	0	1,333
Jorma Vehviläinen	2/3			4,000	1,200	5,200
Anssi Vuorio	3/3			4,000	1,800	5,800
Sauli Väätti	2/3			4,000	1,200	4,200

Varma’s Board of Directors 2020 – attendance and remunerations

Name	Board of Directors’ meetings, attendance	Nomination and Compensation Committee	Audit Committee	Election Committee	Supervisory Board’s supervisory function	Supervisory Board	Annual remunera- tion, €	Meeting and Committee remunerations, €	Total, €
Chairman Jari Paasikivi	13/13	6/6		2/2	3/3	3/3	47,250	16,200	63,450
Deputy Chairmen									
Antti Palola	13/13	6/6	8/8	2/2	3/3	3/3	33,600	21,000	54,600
Kai Telanne	12/13	5/6	8/8	1/2	3/3	1/3	33,600	18,000	51,600
Members									
Riku Aalto	13/13					3/3	18,900	9,600	28,500
Eila Annala	13/13					2/3	18,900	9,000	27,900
Rolf Jansson	13/13					1/3	18,900	8,400	27,300
Ari Kaperi	12/13		8/8			1/3	33,600	12,600	46,200
Jyri Luomakoski	13/13		8/8			2/3	18,900	13,800	32,700
Petri Niemisvirta	13/13					3/3	18,900	9,600	28,500
Pekka Piispanen	13/13			2/2		3/3	18,900	10,800	29,700
Saana Siekkinen	13/13					2/3	18,900	9,000	27,900
Mari Walls	12/13					1/3	18,900	7,800	26,700
Deputy members									
Ilkka Oksala	12/13					0/3	13,650	7,200	20,850
Risto Penttinen	12/13					2/3	13,650	8,400	22,050
Timo Saranpää	13/13					3/3	13,650	9,600	23,250

5.3 Remuneration and other benefits of the President and CEO

President and CEO Risto Murto’s remuneration and fringe benefits in 2020 amounted to EUR 563,720.58, his performance pay for 2019 was EUR 264,120.00, and his deferred performance pay for 2017 was EUR 52,586.00, amounting to a total taxable income of EUR 880,426.58.

Under the remuneration scheme for key persons, Murto’s maximum performance pay corresponds to 12 months’ salary and the phone benefit. Seven months of the remuneration are tied to the targets of the key persons’ scheme, and five months to the targets of the Investment Operations’ scheme. The schemes for key persons and Investment Operations are described above in section 4.4.

President and CEO Risto Murto’s fixed monthly salary is EUR 44,000. The President and CEO does not have a company flat. In 2020, the value of his company car benefit was EUR 860/month, the value of his mobile phone benefit was EUR 20/month, and the value of his lunch benefit was EUR 142.80/month. The tax value of his health insurance was EUR 53.86/month.

The tax values of the car benefit and health insurance are included in the fixed monthly salary. In 2019, President and CEO Murto’s retirement age was raised from 63 to 65 in connection with the pension reform.

Murto is included in the Executive Group’s defined-contribution supplementary pension arrangement. Murto’s supplementary pension payments amounted to EUR 158,400 in 2020.

5.4 Remuneration and other benefits of the members of the Executive Group

Members of the Executive Group are covered by the remuneration scheme for key persons as described above (see 4.4). The Chief Investment Officer is included in the remuneration scheme for Investment Operations (see 3.2). In 2020, the salaries, remuneration and fringe benefits of the members of the Executive Group, excluding the President and CEO, totalled EUR 1,476,997.52 (taxable income) and performance pay EUR 547,585.07 (for 2019).

The payments for the members of the Executive Group’s contribution-based supplementary pension agreements amounted to EUR 293,021 in 2020.

The members of the Executive Group do not have a company flat. The members of the Executive Group have the possibility of a company car benefit and health insurance benefit, and they have a mobile phone benefit and lunch benefit. The tax values of the car benefit and health insurance are included in the fixed monthly salary.

President and CEO

Taxable income	<ul style="list-style-type: none">In 2020, salary and fringe benefits totalled €563,720.58
Fixed monthly salary	<ul style="list-style-type: none">€44,000/month
Benefits	<ul style="list-style-type: none">Lunch benefit €142.80/monthPhone benefit €20/monthCar benefit €860/month (included in the fixed monthly salary)Health insurance €53.86/month (included in the fixed monthly salary)No company flat
Performance-based remuneration	<ul style="list-style-type: none">Scheme for key persons (max. remuneration 7 months)Scheme for Investment Operations (max. remuneration 5 months)Deferred remuneration for 2017 €52,586Total: €316,706
Supplementary pension	<ul style="list-style-type: none">Included in the defined-contribution supplementary pension arrangementSupplementary pension payments in 2020 totalled €158,400
Retirement age	<ul style="list-style-type: none">65 years

Executive Group

Taxable income (Executive Group total)	<ul style="list-style-type: none">In 2020, salary and fringe benefits totalled €1,476,997.52
Benefits	<ul style="list-style-type: none">Lunch benefit €142.80/monthPhone benefit €20/monthCar benefit (included in the fixed monthly salary)Health insurance (included in the fixed monthly salary)No company flat
Performance-based remuneration	<ul style="list-style-type: none">CIO included in the scheme for Investment Operations, max. remuneration 12 monthsOther Executive Group members included in key persons’ scheme, maximum remuneration 6.5 monthsDeferred remunerations: noneTotal: €547,585.07
Supplementary pension	<ul style="list-style-type: none">Included in the contribution-based supplementary pension arrangementSupplementary pension payments in 2020 totalled €293,021

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