

Report of the Board of Directors 2024

The economic operating environment

The global economy continued to grow unevenly in 2024. Growth was fuelled by the service sector, while the manufacturing industry was stuck in recession mode in several economic regions. Activity in the real estate sector has also been low, although there have been major differences in the development between regions. Regional differences in employment development have also been great. Unemployment in Finland grew considerably, while employment remained relatively strong in the USA and EU countries.

The USA continued to drive the global economy. Private consumer demand remained at a healthy level. Finland's economic growth suffered from weak external demand and tight financial policy. In spite of long-held expectations of a recovery in Finland's economy, a more permanent turn is yet to be achieved.

Global inflation slowed considerably, which enabled the start of a cycle of lighter global monetary policy. The central banks of the USA and Europe cut their policy rates by a percentage point. Several other large central banks, with the only exception being Japan's, also eased their monetary policy.

Geopolitical uncertainty also remained high. In the USA, the republicans won both the presidential elections and congress, which increased tensions especially in trade and security policy. Military actions and unrest in the Middle East continued while the war in Ukraine intensified and Russia seized new areas. The situation in the Taiwan strait remained tense.

Earnings-related pension system

In 2023, the Ministry of Social Affairs and Health and the Ministry of Finance set up a working group to look into reforming the earnings-related pension system. The objective of the working group was to identify the changes that are needed to ensure the financial sustainability of the earnings-related pension system, secure an adequate level of benefits and stabilise the pension insurance contribution level through a rule-based stabilisation mechanism in the long term. The objective is also to strengthen public finances in the long term by approximately 0.4 percentage points in relation to the GDP. The working group completed its work in January 2025, and on the basis of its work the Finnish Government committed to begin drafting the legislation.

The Finnish Government launched an assessment of the need to develop the Self-employed Persons' Pensions Act (YEL). At the end of 2024, the Ministry of Social Affairs and Health appointed a person to lead the assessment. His term started at the beginning of 2025, and the assessment is expected to be completed by the end of November 2025. The assessment will seek solutions for developing the determination of self-employed persons' earned income that forms the basis for the pension contribution and the pension. In connection with the assessment, other necessary amendments for developing the YEL system will also be considered.

The amendments to the contribution category model, which is used in financing disability pensions, that were confirmed at the end of 2023 entered into force at the beginning of 2024. The amendments include a long transition period, however. The amendments will affect the determination of the pension contribution for the first time in 2025, when companies' deductible on the disability pension contribution based on the contribution category will be reduced to 90 per cent from the previous level.

The Ministry of Social Affairs and Health confirmed the earnings-related pension contributions for 2025. The average pension insurance contribution according to the Employees Pensions Act (TyEL) is 24.85 per cent of wages and salaries, whereas in 2024 it was 24.81 per cent. The employer contribution includes a 0.45 percentage point increment, which is used to cover the impacts of the temporary reduction in the employer contribution in 2020 due to the Covid pandemic. The increment will be included in the employer contribution for the last time in 2025. The pension contributions of the self-employed will remain at the same level in 2025 as they were in 2024. An earnings-related pension index is used to adjust pensions in payment annually in January to ensure pensions' purchasing power. The Ministry of Social Affairs and Health confirmed that the earnings-related pension index for 2025 will rise by 1.3 per cent.

Pension contributions and return requirement on technical provisions

The average TyEL contribution in 2024 was 24.81 per cent of the wages and salaries. Of this, the employee contribution was 7.15 per cent for those under 53 and over 62, and 8.65 per cent for those between the ages of 53 and 62. The average contribution included a 0.41 percentage point increase, which was used to cover the impacts of the temporary reduction in the employer contribution in 2020 due to the Covid pandemic. In 2024, entrepreneurs' YEL contribution was 24.10 per cent of the confirmed earnings for those under the age of 53 and over the age of 62, and 25.60 per cent for those aged 53–62.

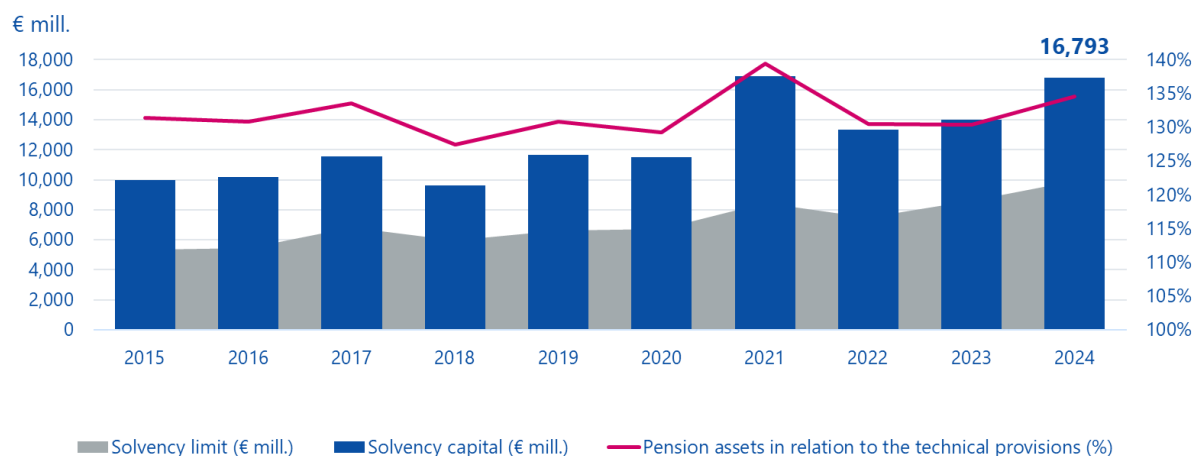
The return requirement on technical provisions in 2024 was 6.84 per cent, which consisted of a 3.00 per cent fund rate, a pension liability supplementary factor and the return on equity component. The supplementary factor was 0.76 per cent on average in 2024. The return on equity component in 2024 was 15.39 per cent, and its effect on the return requirement was approximately 3.08 percentage units (a fifth of the return on equity component).

The insurance contribution interest rate, used to calculate pension contributions, stood at 4.10 per cent until 30 June, and at 3.75 per cent for the second half of the year. The insurance contribution interest rate fell to 2.65 per cent at the start of 2025. The technical rate of interest, which is used to determine the interest rate of the oldest pension loans to customers and a number of other items, was 4.50 per cent until 30 June, and 5.00 per cent the rest of the year.

Varma's economic development

Varma's total result at fair value stood at EUR 2,956 (815) million.

Varma's solvency was on a strong level throughout the year. Solvency capital totalled EUR 16,793 (14,010) million at the end of the financial year. Varma's pension assets in relation to technical provisions (solvency ratio) were 134.6 (130.4) per cent. Solvency capital was at a secure level, i.e. at 1.7 (1.6) times the solvency limit. The solvency limit is changed in accordance with the risk level of the investments. Varma's strategic goal is to maintain the company's strong solvency through stable returns.



The return on investments was EUR 6,026 (3,363) million at fair value, which was 10.2 (6.0) per cent of the invested capital. The return credited on the technical provisions was EUR 3,112 (2,624) million. Thus, the investment result for 2024 totalled EUR 2,914 (739) million. Varma's total operating expenses were EUR 135 (137) million. The loading profit was EUR 2 (4) million. Following the introduction of the company-specific administrative cost component, the administrative cost component included in the insurance contribution has been adjusted to reflect Varma's costs. The underwriting result was EUR 38 (70) million and other result was EUR 2 (2) million. The underwriting result is explained mainly by the disability pension expenditure, which was lower than predicted.

As client bonuses, Varma will pay one per cent of its solvency capital. At the end of 2024, EUR 170 (142) million was transferred to the provision for current bonuses reserved for client bonuses. The transfer represents roughly 0.6 (0.6) per cent of the payroll of the insured. Until 2022, loading profit was also included in the transfer. Varma's strong solvency ensures competitive client bonuses, and good operational efficiency lowers the administrative cost component included in the pension contribution. Thus, strong solvency and operational efficiency benefit Varma's clients.

Insurance business

The TyEL payroll of those insured by Varma totalled roughly EUR 26.1 (25.4) billion in 2024. The total payroll increased 2.9 per cent from the previous year. Varma's premiums written totalled EUR 6,656 (6,466) million, of which TyEL insurance accounted for EUR 6,416 (6,254) million and YEL insurance for EUR 240 (213) million.

At the end of the financial year, 620,592 (607,535) individuals were insured by Varma. At the end of 2024, the number of valid insurance policies totalled 82,381 (77,797), covering 45,799 (43,955) self-employed persons and 574,793 (563,580) employees.

In 2024, a total of 4,639 (4,651) new TyEL insurance policies and 6,843 (7,011) YEL insurance policies came into force at Varma.

During the year, Varma reviewed the incomes of 7,000 self-employed persons in accordance with the Self-employed Persons Pensions Act (YEL), which requires the reviews to be performed every three years. In the first phase, in 2023, the income of self-employed persons whose YEL income was less than 15,000 euros and whose

income had not been significantly adjusted in the past three years was reviewed. In 2024, the income of self-employed people whose income was at least EUR 15,000 but not more than EUR 25,000 was reviewed according to the same principles.

During the 2024 account transfers, EUR 130 (21) million in net TyEL income was transferred to Varma from other earnings-related pension companies, and EUR 57 (77) million in new TyEL policies were sold. The corresponding impact on YEL premiums written was EUR 28 (33) million.

Varma received 10.3 (10.1) million income and employment notifications from the Incomes Register during 2024. Income data is reported to the Incomes Register regularly after earnings are paid.

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

	31 Dec 2024	31 Dec 2023	Change
<hr/>			
Number of insured			
TyEL	574,793	563,580	11,213
YEL	45,799	43,955	1,844
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Total	620,592	607,535	13,057
Number of insurance policies			
TyEL	36,582	33,842	2,740

In terms of customer service, the Varma Online Service is a key service channel. Through Varma's online services, the insured can obtain the most recent estimate of their pension amount at their planned retirement age. Of these estimates, 98.7 (98.1) per cent were calculated online. Pensions and rehabilitation can also be applied for and the status of the application can be tracked online. A total of 24,513 (20,856) applications were submitted electronically during the year.

The insured can see the development of their earnings-related pension in their pension record. Altogether 195,809 (168,615) people checked their pension records online. Every three years Varma sends a pension record to insured persons who do not view their pension record in the online service. In 2024, Varma sent out a total of 161,661 (180,890) pension records.

Pensions

In 2024, a total gross amount of EUR 7,529 (7,073) million in pensions was paid out. The number of pension recipients increased slightly, and at year-end, Varma was paying pensions to 351,000 (350,000) people.

	31 Dec 2024	31 Dec 2023	Change
Number of pensioners			
Old-age pension	259,639	260,393	-754
Early old-age pension	9,240	9,894	-654
Partial early old-age pension	14,549	11,663	2,886
Disability pension	14,876	15,165	-289
Partial disability pension	2,970	3,066	-96
Survivors' pension	49,841	50,255	-414
Years-of-service pension	70	52	18
Total ¹⁾	351,185	350,488	697
¹⁾ Those receiving YEL pension	28,385	28,425	-40
Those receiving TEL/YEL supplementary pension	39,950	40,814	-864

Varma has been improving the processing of pension applications so that its customers receive a decision on their pension as quickly as possible. In 2024, the average processing time for all pension applications was 13 (15) days. Varma's goal is to ensure that people who are retiring receive uninterrupted income and that pension is paid to their bank account during the first month of their retirement. In 2024, the first pension was paid within the target period to 89.7 (89.2) per cent of new pensioners.

A total of 25,985 (23,687) new pension decisions were made in 2024. The number of new pension decisions increased 10 per cent compared to 2023, and the total number of all pension decisions was 4 per cent higher than in 2023. Of the new decisions, old-age pension decisions numbered 10,661 (10,126), disability pension decisions 5,513 (5,350) and partial early old-age pension decisions 6,298 (4,320). Continuation decisions on temporary pensions totalled 4,754 (4,838), and other decisions numbered 21,676 (21,941). These include rehabilitation benefit decisions, payment decisions and other decisions required as a consequence of the changes in pension rights. The 2023 comparison figures have changed due to a reporting reform. Pension applications filed online accounted for 73 (69) per cent of all pension applications.

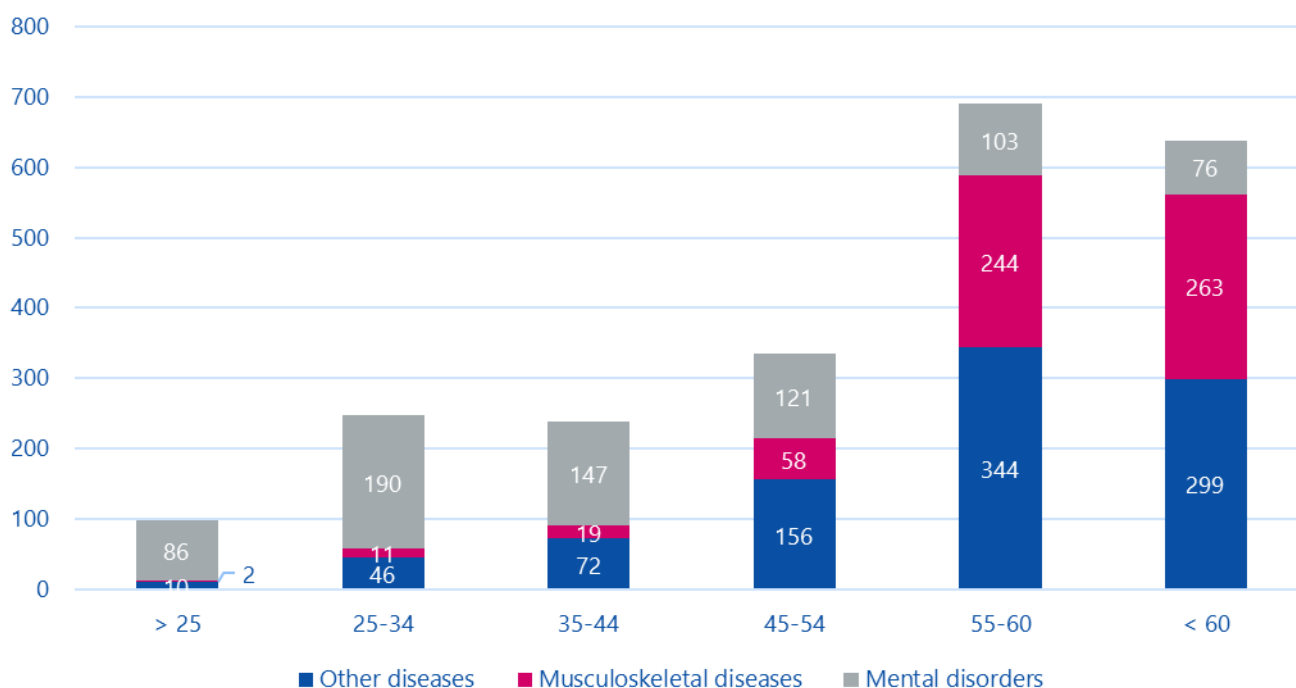
Varma's goal is to lengthen careers by reducing disability pensions, developing work ability management and providing effective rehabilitation. In 2024, the average disability pension contribution category of Varma's client companies was 3.5 (3.5).

The number of disability pension applications continued to increase in 2024. The number of disability pension applications received by Varma stood at 13,631, which is 2.4 per cent more than in the previous year. New disability pension applications numbered 6,038, up 6.5 per cent. In keeping with 2023, the majority of the growth stemmed from the older age groups. The average starting age of new full disability pensions was 52.4 years. Men accounted for 63.5 per cent of the granted disability pensions, which reflects Varma's insurance portfolio. Preliminary

applications for partial disability pension increased in 2024 compared to the previous year (3.2 per cent). Women in particular applied more often for a preliminary decision concerning partial disability pension than in the previous year. The increase was 5.1 per cent. In 2024, Varma rejected 46.7 (41.1) per cent of new disability pension applications. The corresponding rate for the private earnings-related pension sector was 43.3 (40.8) per cent. The Pension Appeal Board changed Varma's disability pension decisions in 11.1 (10.1) per cent of the cases it handled. The corresponding rate for the entire private sector was 11.2 (10.3) per cent.

Mental health disorders were the main reason for new disability pensions. They accounted for 32.2 per cent of new disability pensions. Among women, their share was as high as 40.3 per cent, whereas among men the figure was much lower, at 27.6 per cent. The second most common reason for disability pension was musculoskeletal diseases, at 26.6 per cent. The largest number of disability pensions was granted to employees in the construction and transport sectors. The dominant reason was musculoskeletal diseases. The second-largest number of disability pensions was granted to employees in the care and social services sectors. The numbers reflect not only the strenuous nature of these sectors but also the significant proportion of care and social sectors in Varma's insurance portfolio. As in previous years, the share of rejected new disability pension applications was very high. Reasons behind the high rejection rate are the higher-than-average rejection rates of young people's applications and applications for mental health reasons.

New disability pensions by age group in 2024



Disability risk management and rehabilitation

The number of rehabilitation applications fell in 2024 after the increase in the previous year. The number of applications received by Varma stood at 2,099, which is 7.6 per cent less than in the previous year. Men accounted for 51 per cent of applicants. The rejection rate for rehabilitation applications remained similar to that of the previous year. The average age of new rehabilitants was 48. Men account for 59 per cent of the new rehabilitants. The effectiveness of rehabilitation remained at a good level in 2024. Of the participants in the rehabilitation

program, 82 (86) percent returned to the labor market. Among our rehabilitation customers, the greatest disability threat was caused by musculoskeletal diseases, and the second most common cause was mental health disorders.

Digital disability risk management services for corporate customers were developed by renewing the Varma Academy platform, releasing a new knowledge-based management tool, and supporting customer needs arising from the new contribution category model. The assessment of the effectiveness of disability risk management was improved through analytics. The range of expert services was streamlined, and a new concept was designed for small customers. In terms of research, a report on the work ability and mental health of young people, as well as a report on future work ability management, prepared together with clients, were published. Varma also continued active co-development and dialogue on the theme of work ability with clients and other stakeholders and partners.

Technical provisions

Varma's technical provisions grew 7.0 (3.5) per cent to EUR 50,261 (46,966) million. In addition to the increased actual provisions for unearned premiums and outstanding claims, the technical provisions contain a provision of EUR 170 (142) million for current bonuses reserved for client bonuses, a provision of EUR 1,657 (892) million for future bonuses contained in the solvency capital, and EUR 1,334 (-17) million in an equity-linked buffer.

Changes in the insurance portfolio

During the financial year, no insurance portfolio transfers to Varma took place, nor did Varma make portfolio transfers to others.

Capital and reserves

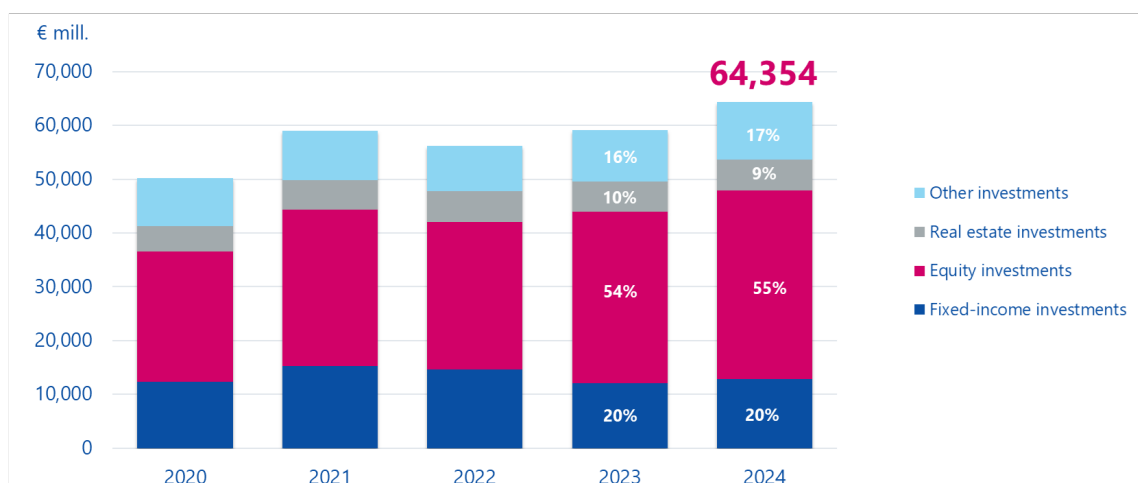
Varma's capital of EUR 159 million consists of basic capital (EUR 12 million), other funds (EUR 134 million), profit brought forward from previous financial years (EUR 7 million) and profit for the year (EUR 7 million).

Investments

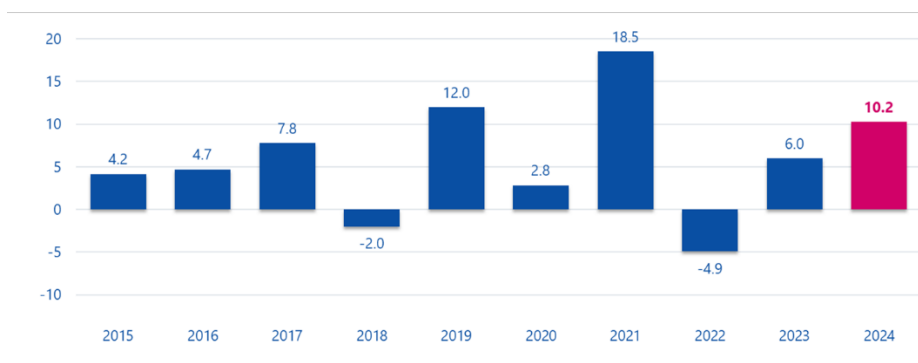
The investment year was characterised by the US market's strong positive development. Market nervousness increased periodically, however, as US economic statistics showed momentary uncertainty. Of Varma's investment assets, listed equities performed the best. Private equity funds fell short of them for the second year in a row. Returns on the fixed income market were reasonable. The rise in interest rates at the end of the year dampened their performance. The strong returns on hedge investments offset the weak performance of real estate.

In 2024, the return on Varma's investments reached 10.2 (6.0) per cent, and the fair value of investments amounted to EUR 64,354 (59,078) million at year-end. Varma's solvency ratio strengthened to 134.6 per cent (130.4 per cent on 31 Dec 2023).

Investment portfolio (€ million)



Investment returns (%)



Equity investments yielded 14.9 (8.6) per cent. Boosted by US equities, listed equities reached 16.5 (10.3) per cent. The differences between geographical areas and business sectors continued to be great, however, and the return on Finnish equities hovered at around zero. Returns on European, Japanese and emerging market equities were reasonable throughout 2024, although their performance was clearly more sluggish in the fourth quarter of the year. Private equity investments were outperformed by listed equities but nevertheless yielded 12.0 (5.5) per cent.

Expectations tied to the US central bank's monetary policy caused interest rates to fluctuate during the year. Government bond yields remained modest due to the rise in interest rates towards the end of the year, but corporate bonds were boosted by a significant narrowing of credit spreads. Investment loans yielded the best returns among fixed income investments, mainly due to their lower interest rate risk.

The return on real estate investments was negative, at -2.8 (-4.3) per cent. The low real estate transaction volume continues to place pressure on return expectations, as buyers and sellers seek a shared view on return requirements, despite the slight fall in interest rates. The vacancy rate remained relatively high, but the inflation

hedge provided by real estate investments has contributed to offsetting the change in value, and rents have followed the development of inflation. In accordance with Varma's normal practice, an external fair value assessment of Varma's entire directly owned real estate assets was carried out in December, resulting in a EUR 139 million write-down in the fair values of the properties.

The return on other investments reached 10.5 (5.6) per cent. Hedge investments developed steadily and strongly during the year, benefiting from high money market interest rates and higher credit spreads than the listed corporate bond market. Due to the low duration, the fluctuating interest rates had much more moderate impacts on hedge investments than they did on fixed income investments.

Varma has US-dollar-denominated investments in all asset classes. In accordance with Varma's investment policy, part of the currency risk is hedged. In terms of operations, foreign currency risks are managed as a whole, and in financial reporting, the exchange rate impact is included in the returns of various asset classes. The US dollar strengthened against the euro during the year, which supported Varma's investment returns. The dollar strengthened against the euro the most in the fourth quarter of 2024.

Varma's investment activities focussed on maintaining the company's secure solvency position, broadly diversifying investments and strongly emphasising risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio. The market risk of investments is the greatest risk affecting the company's result and solvency. Equity investments are the biggest source of market risk. The VaR (Value-at-Risk) figure describing the total risk of Varma's investments stood at EUR 2,331 (2,311) million.

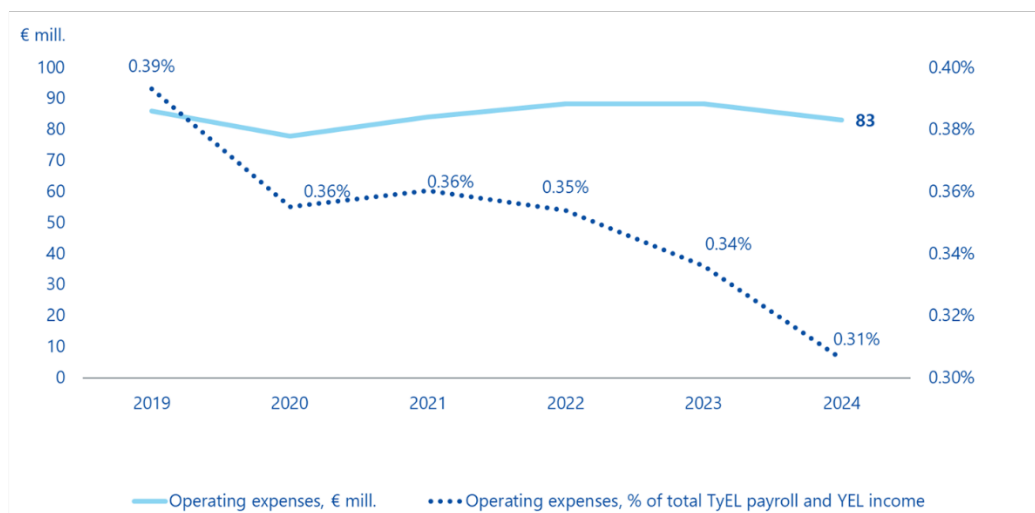
Operating expenses

Controlling operating expenses is a key objective for Varma while simultaneously improving operational efficiency. The determination of the expense loading component included in the TyEL contribution was changed in 2023 such that the earnings-related pension company's operational efficiency has a direct impact on the customer's insurance contribution. The administrative cost component included in the insurance contribution was adjusted to reflect Varma's operating expenses.

Increasing operational efficiency also requires continuous control of human resources and, in particular, IT system expenses, as these account for most of Varma's operating expenses. Total operating expenses decreased 2.0 per cent, totalling EUR 135 (137) million. The operating expenses (administrative expenses) for Varma's TyEL and YEL activities fell 5.9 per cent, i.e. EUR 5 million, and totalled EUR 83 (88) million.

Varma is actively involved in the development and administration of the pension sector's joint information systems, and expects from the joint systems both cost effectiveness and cost transparency.

Efficiency (operating expenses of total TyEL payroll and YEL income)



Personnel

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

	2024	2023	2022	2021	2020
Average number of personnel	578	584	551	544	554
Salaries and remunerations, EUR mill.	49.7	49.3	46.3	43.6	37.7

At year-end, Varma's personnel were distributed as follows: pension services 14 (16) per cent, insurance and actuary services 13 (12) per cent, customer service departments 16 (17) per cent, services related to disability risk management 13 (13) per cent, investment operations 14 (13) per cent, and other functions 29 (30) per cent.

Further information on Varma employees is given in Sustainability Statement section of the Report the Board of Directors, under 'Own workforce'.

Group companies and associates

At the end of 2024, the Varma Group comprised 108 (107) subsidiaries and 16 (16) associates. The most important associates are Alcobendas Investments SL (50.0 per cent) and Aros Sundbyberg Holding AB (48.4 per cent). The Varma Group also owns 50 per cent of the guarantee capital of Kaleva Mutual Insurance Company. Most of the subsidiaries and associate companies are real estate companies.

Governance

Policyholders and the insured have voting rights at Varma's Annual General Meeting. Varma's Annual General Meeting was held on 15 March 2024. The Annual General Meeting appointed two new members to the Supervisory Board: Simo Pöyhönen and Janne-Olli Järvenpää. The Annual General Meeting approved the financial statements and discharged the Board of Directors, the Supervisory Board and the President and CEO from liability for the financial year 2023.

Continuing as Supervisory Board members were Christoph Vitzthum (Chair), Päivi Leiwo (Deputy Chair), Petri Vanhala (Deputy Chair), Juri Aaltonen, Ari Akseli, Eero Broman, Petri Castrén, Kim Forsström, Lasse Heinonen, Marko Hovinmäki, Olavi Huhtala, Mika Joukio, Jukka Jäämaa, Risto Kalliorinne, Anne Karjalainen, Ville Kopra, Tapio Korpeinen, Katariina Kravi, Pekka Kuusniemi, Elisa Markula, Maria Mäkynen, Pasi Pesonen, Marko Piirainen, Perttu Puro, Mika Rautiainen, Eeva Sipilä, Pekka Tiitinen, Jorma Vehviläinen, Anssi Vuorio and Sauli Vântti (resigned from the Supervisory Board as of 1 January 2025).

Varma's Supervisory Board held its constitutive meeting on 22 May 2024. Christoph Vitzthum continues as Chair of the Supervisory Board, and Päivi Leiwo and Petri Vanhala continue as Deputy Chairs.

Varma's auditor and sustainability reporting assurer was Ernst & Young Oy, who appointed Kristina Sandin to act as the chief auditor and key sustainability partner.

In 2024, Varma's Board of Directors was composed of Jaakko Eskola (Chair), Antti Palola (Deputy Chair), Risto Penttinen (Deputy Chair), Riku Aalto, Anu Ahokas, Anja Frada, Ari Kaperi, Kristiina Mäkelä, Teo Ottola, Pekka Piispanen, Merja Ranta-aho and Saana Siekkinen, and deputy members Jari Elo, Jouni Hakala and Ville Talasmäki.

In its meeting on 27 November 2024, Varma's Supervisory Board elected Nina Arkilahti, Eveliina Dahl and Simon-Erik Ollus as new members of the Board of Directors as of 1 January 2025. The memberships of Ari Kaperi, Risto Penttinen and Merja Ranta-aho on Varma's Board of Directors ended on 31 December 2024. The Board of Directors elected in its meeting on 16 January 2025 the presiding officers for the 2025 term. Jaakko Eskola was re-elected as Chair of the Board of Directors, Antti Palola was re-elected as Deputy Chair, and Anu Ahokas was elected as a new Deputy Chair.

As of the beginning of 2025, Varma's Board of Directors is composed of Jaakko Eskola (Chair), Antti Palola (Deputy Chair), Anu Ahokas (Deputy Chair), Riku Aalto, Nina Arkilahti, Eveliina Dahl, Anja Frada, Kristiina Mäkelä, Simon-Erik Ollus, Teo Ottola, Pekka Piispanen and Saana Siekkinen, and the deputy members are Jari Elo, Jouni Hakala and Ville Talasmäki.

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

Risk Management

The goal of Varma's risk management is to identify and manage, in accordance with the defined risk appetite, risks that the company is exposed to, arising from and centrally linked to its business activities, and to secure continuity of operations. Risk management also secures business continuity. As a responsible operator, Varma considers it vital that the execution of the company's core task as a provider of statutory pension insurance is guaranteed and adequately efficient under all circumstances.

In accordance with the act on earnings-related pension companies, Varma's Board of Directors draws up an annual risk and solvency assessment. The assessment was updated at the end of 2024. Varma's risk management activities are also guided by the principles for the risk management system, which are annually approved by the Board of Directors. Company-level risk management is an element of the finance and actuary functions in order to ensure that risk reporting and risk management are independent of the risk-taking function.

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

The most significant operational risks in 2024 related to ensuring business continuity in possible external and internal information system failures. Risks also applied to developing the business in a changing operating environment. More information about strategic, financial, investment and operative risks, as well as related quantitative data, is provided in the notes to Varma's financial statements.

Outlook

The outlook for the economic operating environment is uncertain. Global economic growth is likely to remain moderate, and inflation appears to be gradually slowing towards the central banks' inflation targets. There are major regional differences in growth and inflation, however, which is also likely to lead to different monetary policy measures in the largest economic regions. The higher interest rate level than in the last decade will likely limit the room for financial stimulus measures, and households' purchasing power is likely to recover slowly from the inflation shock that followed the Covid pandemic. Market risk pricing is moderate, and the valuations of several asset classes are historically high. Central banks' looser monetary policy is easing the situation for indebted companies and households, but uncertainty about the interest rate in the coming years, especially in the USA, may keep long-term interest rates significantly higher than in the decade following the financial crisis. In an environment of sluggish economic growth, higher capital costs are still a challenge for the debt service capacity of certain sectors and companies. The situation is particularly challenging for debt-financed and poorly adaptable office properties.

Geopolitical risks remain high, which, combined with the uncertain economic outlook, could stall companies' investment decisions. Inflation has started to decline, but there is still uncertainty related to its future development, especially considering the USA's future economic policy. Expenditure pressures related to the aging population, challenges related to security and energy policy, and higher debt service costs than in the last few years make pursuing sustainable economic policy challenging. International co-operation suffers from increased polarisation while at the same time, carrying out economic policy reforms geared to strengthening productivity growth is very challenging in an environment of slow growth and an unstable political atmosphere. The rapid development of artificial intelligence may boost future development of productivity, but its impacts on global growth, employment and productivity are still difficult to assess.

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