CONTENTS

3  Corporate Governance

4  Corporate Governance Report
   4  Deviations from the Finnish Corporate Governance Code
   4  Annual General Meeting
   5  Supervisory Board
   5  Election Committee
   6  Members of the Supervisory Board
   8  Composition and duties of the Board of Directors
   9  Members of the Board of Directors
  14  Board of Directors’ Committees
  14  President and CEO
  15  Executive Group
  17  Medical Affairs and Consultant Physicians
  18  Internal control and risk management

20  Salary and Remuneration Statement
   20  Decision-making procedure and remuneration principles
   22  Remuneration of Supervisory Board members
   23  Remuneration of the members of the Board of Directors
   24  Remuneration scheme for the President & CEO and members of the Executive Group
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, 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 on our website.
This report is based on the Finnish Corporate Governance Code 2020. Varma complies with the Code provisions that apply to the statutory activities of earnings-related pension insurance companies. The deviations from the Code are detailed below in the section “Deviations from the Finnish Corporate Governance Code.” The Code is available on the Securities Market Association’s website. This report describes the situation on 31 December 2019.

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 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 owners of guarantee capital.

The determination of the number of votes that a shareholder can exercise in the General Meeting is described in more detail 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 Auditors and Deputy Auditors.
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 election procedure is as follows:
• seven members are elected from among the persons put forward by the Election Committee members representing the main employers’ central organisations,
• eleven members are elected from among the persons put forward by the Election Committee members representing the main employees’ central organisations,
• fourteen members are elected on the basis of a joint proposal by the Election Committee.

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 established a supervisory function where the chairmen and three members of the Supervisory Board and the chairmen of the Board of Directors 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, of whom
• two are elected on the proposal of the Supervisory Board members representing the policyholders,
• two are elected on the proposal of the Supervisory Board members representing the insured.

Chairman of the Supervisory Board Kari Jordan acted as the Chairman of the Election Committee until 28 March 2019 and, as of 28 March 2019, Christoph Vitzthum served as Chairman of the Election Committee. Deputy member of the Board of Directors Eija Hietanen acted as the Deputy Chairman of the Election Committee until 31 December 2019 and, as of 1 January 2020, Deputy Chairman of the Supervisory Board Petri Vanhala served 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), Eija Hietanen and Petri Vanhala represented the insured, while Chairman Kari Jordan, Christoph Vitzthum, Jari Paasikivi (Chairman of the Board of Directors) and Kai Telanne (Deputy Chairman of the Board of Directors) represented the policyholders in 2019.

The Election Committee submits a proposal to the Annual General Meeting on the election of new Supervisory Board members as successors to those with expiring terms and on the members’ remunerations, and a similar proposal to the Supervisory Board concerning members of the Board of Directors. The Committee does not have other tasks.
MEMBERS OF THE SUPERVISORY BOARD 31 DECEMBER 2019

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

Deputy Chairman
Saana Siekkinen
b. 1972
Director, Central Organisation of Finnish Trade Unions SAK
Term ended 31 December 2019

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

Kari Ahola
b. 1960
Chairman, Trade Union Ammattiliitto Unio ry
Term expires in 2020

Eero Broman
b. 1963
Chairman of the Board of Directors,
Broman Group Oy
Term expires in 2020

Petri Castrén
b. 1962
Chief Financial Officer, Kemira Oyj
Term expires in 2022

Jukka Erlund
b. 1974
CFO, Executive Vice President,
Kesko Corporation
Term expires in 2022

Erkki Etola
b. 1945
Chairman of the Board of Directors,
Etola Oy and Etra Oy
Managing Director, Tiiviste-Group Oy
Term expires in 2020

Lasse Heinonen
b. 1968
President and CEO, Ahlström Capital Oy
Term expires in 2020

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

Juha Hämäkkinen
b. 1966
Term expires in 2020

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

Jukka Jämämaa
b. 1965
Country Manager Finland, ISS Palvelut Oy
Term expires in 2020

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

Kari Kauniskangas
b. 1974
President & CEO, YIT Corporation
Term expires in 2021

Mari Keturi
b. 1978
Head of Bargaining, Trade Union for the Public and Welfare Sectors JHL
Term expires in 2020

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 2020

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  
Chair of the Board of Directors, Oillon Group Oy  
Term expires in 2021

Olli Luukkainen  
b. 1957  
President, Trade Union  
of Education in Finland, OAJ  
Term expires in 2022

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

Panu Routila  
b. 1964  
Term expires in 2022

Jari Suominen  
b. 1969  
Executive Vice President,  
Division Head, Stora Enso Oyj  
Term expires in 2020

Leena Vainiomäki  
b. 1961  
Country Manager, Danske Bank A/S,  
Danske Bank Finland  
Term expires in 2022

Petri Vanhala  
b. 1963  
President, Finnish Paperworkers’ Union  
Term expires in 2021

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 2020

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

Kari Jordan resigned from the Supervisory Board on 28 March 2019. Stig Gustavson’s term ended at the Annual General Meeting on 14 March 2019. 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 2019. The attendance rates of the members of Supervisory Board are reported in the salary and remuneration statement.
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 performs 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:
- elects the members of the Audit Committee and those of 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 2019 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 salary and remuneration statement.
MEMBERS OF THE BOARD OF DIRECTORS 31 DECEMBER 2019

Ordinary members

Chairman Jari Paasikivi  
b. 1954  
M.Sc. (Econ.)  
Chairman of the Board, Oras Invest Ltd  
Member since 2014  
Term expires in 2021  
Chairman of the Boards of Kemira Oyj and Tikkurila Oyj, and member of the Supervisory Boards of the Finnish Business and Policy Forum EVA and the Research Institute of the Finnish Economy ETLA.

Deputy Chairman Antti Palola  
b. 1959  
Sea Captain  
President, Finnish Confederation of Salaried Employees STTK  
Member since 2014  
Term expires in 2021  
Member of the Economic Council; member of the Boards of Soprano Plc and the Employment Fund; member of the Representatives of the Finnish Centre for Pensions; member of the Supervisory Board of Kaleva Mutual Insurance Company.

Deputy Chairman Kai Telanne  
b. 1964  
M.Sc. (Econ.)  
President and CEO, Alma Media Corporation  
Member since 2009  
Term expires in 2020  
Deputy Chairman of the Board of Altia Plc, member of the Boards of Teleste Corporation and Tampere Chamber of Commerce and Industry.

Riku Aalto  
b. 1965  
M.Sc. (Admin.)  
President, Industrial Union  
Member since 2012  
Term expires in 2020  
Member of the Board of the Central Organisation of Finnish Trade Unions SAK; Chairman of the Supervisory Board of the Employment Fund.
Ordinary members

Eila Annala  
b. 1962  
M.Sc. (Econ.)  
Managing Director, PlusTerveys Oy  
Member since 2018,  
deputy member 2017–2018  
Term expires in 2022  
Member of the Board of Lääkäripalveluyrityskset ry.

Johanna Ikäheimo  
b. 1968  
Dr. h.c., M.Sc. (Admin.)  
Chairman of the Board,  
Lappset Group Oy  
Member since 2009  
Term ended 31 December 2019  
Chairman of the Board of FEPI – Federation of the European Play Industry; member of the Boards of Directors of Metsähallitus and Perheyritysten liitto.

Rolf Jansson  
b. 1969  
M.Sc. (Eng.), M.Sc. (Econ.)  
President & CEO, VR Group  
Member since 2017  
Term expires in 2021  
Member of the Boards of ContainerTrans Scandinavia Ltd Oy, NRC Group ASA, Sarlin Group Oy Ab, the East Office of Finnish Industries; the Service Sector Employers PALTA and Freight One Scandinavia Ltd.

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  
Chairman of the Board of Finance Finland; member of the Boards of the Confederation of Finnish Industries EK and European Banking Federation; member of the Supervisory Boards of the Finnish Business and Policy Forum EVA and the ETIA Research Institute of the Finnish Economy; and member of the delegation of the Foundation for Economic Education’s Supporters’ Association.
Ordinary members

Jyri Luomakoski
b. 1967
MBA
President & CEO, Uponor
Member since 2015
Term expires in 2020

Deputy Chairman of the Board of Fiskars Oyj Abp, member of the Board of the European Plastic Pipes and Fittings Association.

Petri Niemisvirta
b. 1970
LL.M.
Managing Director, Mandatum Life Insurance Company Limited
Member since 2014
Term expires in 2020

Chairman of the Board of Kaleva Mutual Insurance Company; Deputy Chairman of the Board and member of the Audit Committee of Alma Media Corporation; member of the Boards of Mandatum Life Insurance Company Ltd., Topdanmark A/S, the Finland Chamber of Commerce and BenCo Insurance Holding B.V. (Netherlands); member of the Supervisory Board of WWF Finland, member of the Economy and Tax Committee of the Confederation of Finnish Industries EK, and Chairman of the Life Insurance Executive Committee of FFI, the Federation of Finnish Financial Services.

Ilkka Oksala
b. 1965
LL.M.
Director, Confederation of Finnish Industries EK
Member since 2015
Term ended 31 December 2019, deputy member since 1 January 2020

Member of the Board of the Finnish Centre for Pensions.

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

Deputy Chairman of Kaleva Mutual Insurance Company’s Supervisory Board.
Deputy members

Eija Hietanen
b. 1961
M. Soc. Sc.
Administrative Director, Central Organisation of Finnish Trade Unions SAK
Deputy member since 2015
Term ended 31 December 2019

Member of the Board of Kansan Sivistysrahasto; Vice Chairman of the delegation of Asuntosäätiö.

Liisa Leino
b. 1960
M.A. (Educ.)
Chairman of the Board and Managing Director, Leino Group Oy
Deputy member since 2011
Term ended 31 December 2019

Vice Chairman of the Board of Yrityssalo Oy; member of the Boards of Metsä Board Corporation, Elomatic Oy, Cadmatic Oy and Turku Chamber of Commerce.

Risto Penttinen
b. 1968
M.Sc. (Econ.)
SVP, Strategy, People and Performance, Fortum Oy
Deputy member since 2018
Term expires in 2022
NEW BOARD MEMBERS AS OF 1 JANUARY 2020

Ordinary members

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

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

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

Deputy member

An up-to-date list of the members of the Board of Directors is available on Varma's website. The Board of Directors convened 10 times in 2019. The attendance rates of the members of the Board of Directors are reported in the salary and remuneration statement.
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 2019, Ari Kaperi (Chairman), Jyri L uomakoski, Antti Palola and Kai Telanne were members of the Audit Committee.

The Committee convened 7 times in 2019, and the attendance rate of the members was 96%.

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 2019, 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.

The Committee convened 6 times in 2019, and the attendance rate of the members was 100%.

President and CEO
The President and 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, six management representatives and one staff representative 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 salary and remuneration statement.

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 2020

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

Key work experience:
Executive Vice-President, Investments, Varma 2010–2013
Chief Investment Officer, Varma 2006–2010
Managing Director, Opstock Ltd 2000–2005
Director, Opstock Ltd 1997–2000

Key positions of trust:
Member of the Board of the Finnish PensionAlliance TELA
Member of the Board of Sampo plc
Member of the Board of Wärtsilä Corporation
Member of the Board of Finance Finland
Member of the Financial Committee of the Finnish Cultural Foundation
Member of the Supervisory Board of Finnish National Opera and Ballet

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

Key work experience:
OP Financial Group 2001–2018:
Head of Payments and Daily Banking, Banking
Head of Cash Management and Trade Finance, OP Corporate Bank plc
Senior Vice President, Business Development, Pohjola Bank plc and OP-Services Ltd
Senior Vice President, Customer Relations and Marketing, Pohjola Bank plc and Pohjola Group
Business Area Director, Development Director and Consultant, TNS Sifo, Sweden, 1998–2001

Key positions of trust:
Member of the Board of Kaleva Mutual Insurance Company

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

Key work experience:
BCIO International Banking, Nordea Bank Finland Plc 2011–2012
Group IT management positions, Nordea Bank Finland Plc 2008–2011
Vice President, TietoEnator Oyj 2002–2008
Department Manager and Specialist, TietoEnator Oyj 1986–2002

Key positions of trust:
Chairman of the Board of Tieto Esy Ltd
Deputy Member of the Board of Arek Oy

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

Key work experience:
Actuary, Sampo Pension 1996–1998

Key positions of trust:
Member of the Board of Suomen Vakuutusyhdistys
Deputy member of the Board of the Finnish Centre for Pensions
Member of the Financial and Administrative Committee of the Mannerheim League for Child Welfare
Delegate of Asuntosäätiö
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

Key work experience:
Employment with KPMG Oy Ab 1988–2012:

Key positions of trust:
Member of the Board of Ahlström Capital Oy
Vice Chairman of the Board of Arek Oy
Vice Chairman of the Board of Leino Group Oy
Vice Chairman of the Board of LeinoCast Oy
Chairman of the Board of the Finnish National Theatre Ltd.
Member of the Board of the Finnish National Opera and Ballet
Chairman of the Finnish Audit Board
Member of the Board of Varman Kiinteistöyhtiöt

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

Key work experience:
Senior Executive Vice President, Head of Banking,
Pohjola Bank plc, 2008–2013

Key positions of trust:
Member of the Board of YLVA Palvelut Oy
Member of the Board of Kojamo Plc
Member of the Board of Nordea Funds Oy
Member of the Board of the Foundation for the Finnish Cancer Institute

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

Key work experience:
Keva 2013–2015
HR and Administrative Director, HR Manager Yle (Finnish Broadcasting Company) 2008–2013
Head of Personnel Development, HR Manager HR Consultant, Journalist and News Anchor Yle, Yle News and Aamu-tv morning show 2002–2008
Journalist, Yle, Kuningaskuluttaja programme 2002–2003
Radio host and journalist, Radio YsiYsi 1996–1999
Journalist, Etelä-Suomen Sanomat 1995

Key positions of trust:
Vice Chairman of the Board of Yle
Member of the Board of Terveystalo Oy
Member of the Board of Talous ja nuoret TAT

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.

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

Key work experience:
Pension Adjudication Specialist, Varma 2006–
Medical Affairs and Consultant Physicians

Medical Affairs:

Jan Schugk
Senior Physician
b. 1966, MD

Consultant Physicians

Minna Sadeniemi
Tuula Kieseppä
Mervi Fearnley
Jukka Kivekas
Otto Lindberg
Heikki Nikkilä
Mikael Ojala
Ritva-Liisa Peltomäki
Sami Riekki
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 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 administrative 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 the 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 & 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 2019 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 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 publishes quarterly interim reports. 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 indirect investments’ risks are taken into account, the criteria for using derivative contracts, the criteria for using risk category 18, 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-insurance 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 2019 General Meeting elected two Auditors and two Deputy Auditors 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 Auditors report on their work, observations and conclusions in the Auditors’ Report addressed to the Annual General Meeting. In addition to this, the Auditors report on their 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 Auditors provide the Board of Directors annually with written confirmation of their independence, required under the legislation in force. The Company’s Board of Directors assesses the independence of the Auditors each year.

In accordance with the decision made by the Annual General Meeting on 14 March 2019, Authorised Public Accountants Antti Suominen and Jenni Smedberg served as Varma’s Auditors during the 2019 financial year. Authorised Public Accountant Robert Söderlund and Ernst & Young Oy, with Authorised Public Accountant Tuija Korpelainen as chief auditor, served as the deputy auditors.

Remuneration paid to the Auditors for statutory auditing in 2019 amounted to EUR 212,553. Remuneration paid to Ernst & Young Oy for expert services other than those related to auditing totalled EUR 47,368 in 2019.
The statement is based on the Finnish Corporate Governance Code. Varma complies with the Code provisions that apply to the statutory activities of earnings-related pension insurance companies. This statement can also be viewed on Varma’s website, and it is based on the situation on 31 December 2019.

Decision-making procedure and remuneration principles

1 Decision-making procedure
Varma’s Board of Directors decides on the remuneration of the President & CEO and, on the basis of the CEO’s proposal, of those who answer directly to the President & CEO, according to the ‘one-over-one’ principle. The Board of Directors also annually decides on the principles and maximum amounts of the company’s performance-based remuneration, as well as the personnel groups that are included in the schemes.

2 Composition and authority of the Nomination and Compensation Committee
The preparation of remuneration matters to be discussed by the Board of Directors is the responsibility of the Nomination and Compensation Committee, appointed by the Board of Directors. In 2019, the Committee consisted of Chairman of the Board of Directors Jari Paasikivi and the vice chairmen of the Board of Directors, Antti Palola and Kai Telanne. Remuneration decisions are made by the Board of Directors.

3 Contents of the performance-based remuneration schemes
Varma has three performance-based remuneration schemes in use:
- the incentive scheme for key persons (see 3.1),
- the incentive scheme for Investment Operations (see 3.2), and
- the incentive scheme for personnel (see 3.3).

All Varma employees are covered by performance-based remuneration. Each employee is covered by only one of the above-mentioned schemes.

The key principles of performance-based remuneration are as follows:
- The remunerations schemes take into account Varma’s purpose as a provider of statutory earnings-related pension insurance as part of social security.
- Remuneration is planned to prevent unhealthy risk-taking. The schemes have pre-defined maximum amounts of remuneration. A force majeure clause gives the Board of Directors the right to discontinue the schemes before the end of the period if the company’s economic position is jeopardised (see section 5 for more details).
- The metrics reflect especially the efficient implementation of the pension system, solvency and sustainability of operations as part of the implementation of social security.
- The schemes support Varma’s long-term objectives, which include solvency development and operating cost efficiency.
- The key components of the remuneration metrics are the same for the schemes for both personnel and key personnel.
- 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-based remuneration annually after the end of the incentive 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 will be recovered as an unjustified gain, 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.

3.1 Incentive scheme for key persons
The purpose of the incentive scheme is, in addition to manage performance, to commit key persons to Varma and its objectives. Common target setting is emphasised by setting the incentive scheme’s maximum remunerations according to the realisation of the company’s targets.

At the beginning of each incentive 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 of the unit under the key person’s responsibility as well as personal performance.

In the incentive scheme for key persons, the maximum performance pay paid to the CEO corresponds to his 12 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 other designated key persons corresponds to their 4.5 or 3.5 months’ salary. The scheme covers a maximum of 40 Varma employees.

A share of the CEO’s performance pay, and that of other members of the Executive Group, that corresponds to no more than 6 months’ salary is paid within one month following the granting of the performance pay, and the remainder within three years in three equal instalments (1st year: 1/3; 2nd year: 1/3; and 3rd year: 1/3).

3.2 Incentive scheme for Investment Operations
The aim of the Board-approved incentive 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 Investment Operations’ scheme covers, in addition to the Chief Investment Officer, a maximum of 50 key persons in Investment Operations.

Personal maximum remuneration corresponds to a maximum of 12 or 6 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).

3.3 Incentive scheme for personnel
The maximum annual remuneration under the incentive scheme for personnel is based on the person’s monthly salary. Maximum performance pay under the scheme correspond to 1–4 months’ salary, depending on the role.

The realised incentive remuneration is based on the company’s financial performance and the realisation of personal or unit-level targets and indicator weighting, depending on the role.

4 Remuneration in relation to performance
For all incentive schemes, the targets and indicators are based on the company’s strategy-based financial performance and its supporting measures. 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.

5 Basis for performance measurement and risk weighting
In all of Varma’s incentive schemes, performance measurement is based on objective criteria, the realisation of which can be independently verified.

Apart from maximum remuneration determined in advance, the risk inherent in the incentive schemes is managed such that the Board of Directors has reserved the right to discontinue the schemes before the end of the incentive period. The discontinuation can be based on the Board of Directors’ assessment that Varma’s economic position is seriously jeopardised due to a reason inside or outside the company.

Excessive risk-taking is also prevented by a maximum risk level confirmed by the Board of Directors.
## Remuneration of Supervisory Board members

The Supervisory Board convened three times in 2019. The average attendance rate was 76%.

Remuneration of the Supervisory Board is decided by the Annual General Meeting. The annual remuneration of the Chairman of the Supervisory Board is EUR 8,000, of the Deputy Chairmen EUR 6,000 and of other members, EUR 4,000. In addition, the members of the Supervisory Board receive a meeting fee of EUR 600.

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.

### Varma’s Supervisory Board 2019 – attendance and remunerations

<table>
<thead>
<tr>
<th>Name</th>
<th>Supervisory Board meetings, attendance</th>
<th>Election Committee</th>
<th>Supervisory Board’s supervisory function</th>
<th>Annual remuneration, €</th>
<th>Meeting and Committee remunerations, €</th>
<th>Total, €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman (as of 16 May 2019)</td>
<td>3/3</td>
<td>1/1</td>
<td>2/2</td>
<td>6,667</td>
<td>3,600</td>
<td>10,267</td>
</tr>
<tr>
<td>Kari Jordan (term ended 28 March 2019)</td>
<td>1/1</td>
<td>1/1</td>
<td>2,000</td>
<td>1,200</td>
<td>3,200</td>
<td>3,200</td>
</tr>
<tr>
<td>Deputy Chairmen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saana Siikkinen</td>
<td>2/3</td>
<td>1/2</td>
<td>6,000</td>
<td>1,800</td>
<td></td>
<td>7,800</td>
</tr>
<tr>
<td>Satu Wrede</td>
<td>3/3</td>
<td>2/2</td>
<td>6,000</td>
<td>3,000</td>
<td></td>
<td>9,000</td>
</tr>
<tr>
<td>Members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jari Aaltonen</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Kari Ahola</td>
<td>2/2</td>
<td></td>
<td>3,333</td>
<td>1,200</td>
<td></td>
<td>4,533</td>
</tr>
<tr>
<td>Eero Broman</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Petri Castrén</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Jukka Erlund</td>
<td>1/3</td>
<td></td>
<td>4,000</td>
<td>600</td>
<td></td>
<td>4,600</td>
</tr>
<tr>
<td>Erkki Etola</td>
<td>1/3</td>
<td></td>
<td>4,000</td>
<td>600</td>
<td></td>
<td>4,600</td>
</tr>
<tr>
<td>Stig Gustavsson</td>
<td>0/1</td>
<td></td>
<td>667</td>
<td>0</td>
<td></td>
<td>667</td>
</tr>
<tr>
<td>Lasse Heinonen</td>
<td>1/2</td>
<td></td>
<td>3,333</td>
<td>600</td>
<td></td>
<td>3,933</td>
</tr>
<tr>
<td>Olavi Huhtala</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Juha Häkkiläinen</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Mika Jouko</td>
<td>2/2</td>
<td>1/3</td>
<td>3,333</td>
<td>1,800</td>
<td></td>
<td>5,133</td>
</tr>
<tr>
<td>Jukka Jalmaa</td>
<td>3/3</td>
<td>2/2</td>
<td>4,000</td>
<td>3,000</td>
<td></td>
<td>7,000</td>
</tr>
<tr>
<td>Risto Kalliorinne</td>
<td>2/2</td>
<td></td>
<td>3,333</td>
<td>1,200</td>
<td></td>
<td>4,533</td>
</tr>
<tr>
<td>Kari Kauniskangas</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Matti Keturu</td>
<td>2/2</td>
<td></td>
<td>3,333</td>
<td>1,200</td>
<td></td>
<td>4,533</td>
</tr>
<tr>
<td>Niina Koivuniemi</td>
<td>0/0</td>
<td></td>
<td>333</td>
<td>0</td>
<td></td>
<td>333</td>
</tr>
<tr>
<td>Ville Kopra</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Tapio Körpeinen</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Timo Koskinen</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Pekka Kuusniemi</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Päivi Leivo</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Olli Luukkainen</td>
<td>2/3</td>
<td>1/2</td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Johanna Moisio</td>
<td>2/2</td>
<td></td>
<td>3,333</td>
<td>1,200</td>
<td></td>
<td>4,533</td>
</tr>
<tr>
<td>Panu Routila</td>
<td>0/2</td>
<td></td>
<td>3,333</td>
<td>0</td>
<td></td>
<td>3,333</td>
</tr>
<tr>
<td>Jari Suominen</td>
<td>1/3</td>
<td></td>
<td>333</td>
<td>0</td>
<td></td>
<td>333</td>
</tr>
<tr>
<td>Leena Vainiomäki</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Pentti Varhala</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Jouma Vehviläinen</td>
<td>2/3</td>
<td></td>
<td>4,000</td>
<td>1,200</td>
<td></td>
<td>5,200</td>
</tr>
<tr>
<td>Antti Vuorio</td>
<td>3/3</td>
<td></td>
<td>4,000</td>
<td>1,800</td>
<td></td>
<td>5,800</td>
</tr>
<tr>
<td>Sauli Vänttinen</td>
<td>0/2</td>
<td></td>
<td>3,333</td>
<td>0</td>
<td></td>
<td>3,333</td>
</tr>
</tbody>
</table>
Remuneration of the members of the Board of Directors

The Board of Directors convened 10 times in 2019. The average attendance rate, including deputy members, was 89%.

Remuneration of Varma’s Board of Directors is decided by the Supervisory Board. In 2019, 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 separate meetings of the Board of Directors’ committees, as well as for the meetings of the presiding officers and the Supervisory Board.

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 Board of Directors 2019 – attendance and remunerations

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors’ meetings, attendance</th>
<th>Nomination and Compensation Committee</th>
<th>Audit Committee</th>
<th>Election Committee</th>
<th>Supervisory Board’s supervisory function</th>
<th>Supervisory Board</th>
<th>Annual remuneration, €</th>
<th>Meeting and Committee remunerations, €</th>
<th>Total, €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman Jari Paasikivi</td>
<td>9/10</td>
<td>6/6</td>
<td>2/2</td>
<td>1/2</td>
<td>2/3</td>
<td>47,250</td>
<td>12,000</td>
<td>59,250</td>
<td></td>
</tr>
<tr>
<td>Deputy Chairmen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antti Palola</td>
<td>10/10</td>
<td>6/6</td>
<td>7/7</td>
<td>2/2</td>
<td>1/2</td>
<td>2/3</td>
<td>33,600</td>
<td>16,800</td>
<td>50,400</td>
</tr>
<tr>
<td>Kai Telanne</td>
<td>8/10</td>
<td>6/6</td>
<td>6/7</td>
<td>2/2</td>
<td>2/2</td>
<td>1/3</td>
<td>33,600</td>
<td>15,000</td>
<td>48,600</td>
</tr>
<tr>
<td>Members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Riku Aalto</td>
<td>9/10</td>
<td>2/3</td>
<td>18,900</td>
<td>6,600</td>
<td>25,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eila Annala</td>
<td>10/10</td>
<td>1/3</td>
<td>18,900</td>
<td>6,600</td>
<td>25,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johanna Ilkäheimo</td>
<td>10/10</td>
<td>1/3</td>
<td>18,900</td>
<td>6,600</td>
<td>25,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rolf Jansson</td>
<td>9/10</td>
<td>7/7</td>
<td>0/3</td>
<td>18,900</td>
<td>5,400</td>
<td>24,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ari Kaperi</td>
<td>9/10</td>
<td>7/7</td>
<td>0/3</td>
<td>33,600</td>
<td>9,600</td>
<td>43,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jyri Luomakoski</td>
<td>10/10</td>
<td>7/7</td>
<td>1/3</td>
<td>18,900</td>
<td>10,800</td>
<td>29,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petri Niemisvirta</td>
<td>10/10</td>
<td>7/7</td>
<td>1/3</td>
<td>18,900</td>
<td>10,800</td>
<td>29,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ilkka Oksala</td>
<td>9/10</td>
<td>0/3</td>
<td>18,900</td>
<td>5,400</td>
<td>24,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pekka Piispanen</td>
<td>10/10</td>
<td>2/2</td>
<td>3/3</td>
<td>18,900</td>
<td>9,000</td>
<td>27,900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eija Hietanen</td>
<td>8/10</td>
<td>2/2</td>
<td>0/3</td>
<td>13,650</td>
<td>6,000</td>
<td>19,650</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liisa Leino</td>
<td>6/10</td>
<td>0/3</td>
<td>13,650</td>
<td>3,600</td>
<td>17,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risto Penttinen</td>
<td>6/10</td>
<td>2/3</td>
<td>13,650</td>
<td>4,800</td>
<td>18,450</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Remuneration scheme for the President & CEO and members of the Executive Group

Remuneration and other benefits of the President and CEO
The Board of Directors appoints the President and CEO and decides on the terms of his/her employment relationship.

President & CEO Risto Murto’s remuneration and fringe benefits in 2019 amounted to EUR 563,918.22, his performance pay for 2018 was EUR 226,600, and his deferred performance pay for 2017 was EUR 26,294, amounting to a total taxable income of EUR 816,812.22.

Under the incentive scheme for key persons, Murto’s maximum performance pay is no more than 12 months’ worth of salary. The incentive scheme for key persons is described above in section 3.1.

President & CEO Risto Murto’s fixed monthly salary is EUR 44,000. The President & CEO does not have a company flat. In 2019, the value of his company car benefit was EUR 975/month, the value of his mobile phone benefit was EUR 20/month, and the value of his lunch benefit was EUR 138.60/month. The tax value of the health insurance was EUR 56/month. The tax values of the car benefit and health insurance are included in the fixed monthly salary.

Murto is included in the Executive Group’s contribution-based supplementary pension arrangement.

Murto’s supplementary pension payments amounted to EUR 158,400 in 2019.

The President and CEO has a period of notice of six months, in addition to which he is entitled to severance pay equal to six months’ salary.

Remuneration and other benefits of the members of the Executive Group
The Board of Directors decides on the remuneration and other terms of employment of the members of Varma’s Executive Group.

Members of the Executive Group are covered by the incentive scheme for key persons as described above (see 3.1). The Chief Investment Officer belongs to the incentive scheme for Investment Operations (see 3.2). In 2019, the salaries, remuneration and fringe benefits of the members of the Executive Group, excluding the President and CEO, were EUR 1,514,125.45 (taxable income) and performance pay EUR 173,600 (for 2018).

The payments for the members of the Executive Group’s contribution-based supplementary pension agreements amounted to EUR 260,638 in 2019.

The members of the Executive Group do not have a company flat. The members of the Executive Group have the option 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.