



RI TRANSPARENCY REPORT

2013/14

Varma Mutual Pension Insurance Company



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	-	n/a							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	-	n/a		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	🔒	n/a	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	🔒	n/a		✓					

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PR 07	Formal commitments to RI	🔒	n/a				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	-	n/a		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	🔒	n/a		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

Varma Mutual Pension Insurance Company

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☒ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation or endowment
- ☐ Development bank
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Finland

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

558

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
- ☒ No

OO 04	Mandatory	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		37	700	000	000
Currency	EUR				
Assets in USD		49	658	217	161

OO 04.3

Indicate the level of detail you would like to provide about your asset class mix.

- ☐ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ☒ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06**Mandatory****Descriptive****General****OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☒ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	<10%
Fixed income – corporate	<10%	<10%
Fixed income – government	10-50%	0
Fixed income – other	<10%	0
Private debt	0	0
Private equity	<10%	<10%
Property	<10%	<10%
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	10-50%
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0

Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report	Voluntary to Disclose	Peering	General
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OO 07.1

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

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

OO 07.2

Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08	Mandatory to Report	Voluntary to Disclose	Peering	General
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OO 08.1

Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1 Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 10.2 Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.

- ☒ Yes, our total listed equities are 10% or more of our total AUM
- ☐ No, our total listed equities are less than 10% of our total AUM

OO 11	Mandatory	Gateway	General
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OO 11.1 Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- ☒ Fixed income – corporate
- ☐ Fixed income – government
- ☐ Fixed Income – other
- ☐ Private equity
- ☒ Property
- ☐ Cash
- ☐ None of the above

OO 11.2

Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- ☐ Fixed income – corporate
- ☒ Private equity
- ☐ Property
- ☒ Hedge funds
- ☐ None of the above

OO 12**Mandatory****Gateway****General****OO 12.1**

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers**Direct - Listed Equity incorporation**

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed Income - Corporate

Direct - Other asset classes with dedicated modules

- ☒ Property

RI implementation via external managers**Indirect - Selection, Appointment and Monitoring of External Managers**

- ☒ Listed Equities
- ☒ Private Equity
- ☒ Hedge funds

Closing module

☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Varma's Board of Directors approved Varma's Responsible Investment Principles in February 2014 and the Principles were released in March 2014. Before this, Varma's Responsible Investment Principles were included in Varma's investment policy which is not published.

The key element of our Responsible Investment Principles are the following:

Varma recognizes that Environmental, Social and Governance (ESG) issues impact on business value. Varma is committed to taking ESG issues into account in its investment decision making and ownership practices. The ultimate objective of Varma's general investment policy is the return on investments which has to be taken into account in implementation of Varma's Responsible Investment Principles and allocation of resources.

Varma's Responsible Investment Principles cover all Varma's investments. The Principles set out the general guidelines which are implemented in asset class level based on our assessment of the ESG factors relevant to each asset class.

We take into account in our investment operations internationally recognized conventions and norms like the UN Global Compact, OECD guidelines for Multinational Enterprises and ILO's conventions.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1 Indicate if your responsible investment policy is publicly available.

☐ Yes

☒ No

OA 02.3

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes☐ Yes, all☒ Yes, some**OA 02.4**

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Varma's share ownership policy	https://www.varma.fi/en/tietoavarmasta/tulostiedot%20ja%20sijoitukset/omistajaohjaus/pages/default.aspx

☐ No**OA 02.5**

Additional information. [Optional]

Varma's Responsible Investment Principles were published in March 2014. Varma published also Responsible Investment Policies for the asset classes. The principles and policies for Varma's asset classes are available at Varma's website. The URL is:

<https://www.varma.fi/en/tietoavarmasta/tulostiedot%20ja%20sijoitukset/responsibleinvestment/pages/default.aspx>

OA 03**Mandatory****Core Assessed****PRI 1,2****OA 03.1**

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Varma's Responsible Investment Principles cover Varma's all assets under management with the exception of TyEL premium loans. With regard to TyEL premium loans Varma's Responsible Investment Principles are not applicable. TyEL premium loans are loans Varma lends to a client company according to the principles laid down by the Ministry of Social Affairs and Health. The amount Varma can lend to a company is based on a part of the insurance contributions paid by the client company to Varma.

OA 04

Mandatory

Core Assessed

General

OA 04.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☐ Yes

☒ No

OA 04.3

Additional information. [Optional]

Varma is a mutual pension insurance company owned by its clients, i.e. entrepreneurs and companies providing earnings-related pension to their employees. We do not have a comprehensive conflict of interest policy regarding our investment process. In those cases where a member of Varma's staff is involved in governance of a company, investment and divestment decisions regarding such a company's securities is made by Varma's Board of Directors.

Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

OA 05.2 Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
☐ Less than once per year

OA 05.3 Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☐ Quarterly
☐ Biannually
☒ Annually
☐ Every two years or less
☐ It is not reviewed
☐ No

OA 06	Voluntary	Descriptive	General
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OA 06.1 List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Further development of Varma's Responsible Investment Principles and creating a publishable version of the principles
Key performance indicators	Written principles by the end of 2013
Describe the progress achieved	Principles were approved by the Board in Q12014 and released on Varma's website in Q12014 and in 2013 annual report.

☒ Add responsible investment objective 2

Objective 2	Asset class specific guidelines for responsible investment, based on Varma's Responsible Investment Principles.
Key performance indicators	Written policies by the end of 2013
Describe the progress achieved	Most policies were written in 2013 but some were finalised in the beginning of 2014. The policies were published in March 2014.

☒ Add responsible investment objective 3

Objective 3	Arranging ESG training
Key performance indicators	Delivery of training
Describe the progress achieved	We arranged several events during the year. We had one larger seminar about sustainability megatrends and smaller ones about more specific issues.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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- ☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Varma's asset class specific Responsible Investment Policies: further implementation and development of more detailed reporting
Key performance indicators	Further development of policies and internal guidelines

- ☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Communication of Varma's expectations and policies regarding responsibility to our investment targets
Key performance indicators	Number of companies and funds spoken with

- ☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Arranging ESG training
Key performance indicators	Delivery of training

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

Varma's Board of Directors approves Varma's Responsible Investment Principles and receive annual reporting on the implementation of the Principles. Varma's CIO is responsible for the oversight and general implementation of the Principles. Varma's Director for Capital Markets has the day-to-day responsibility for responsible investment activities. The directors for asset classes are responsible for the asset class specific policies and implementation of the policies. The portfolio managers have the responsibility for taking ESG issues into account in their investment decision-making. Varma has one full-time responsible investment specialist, who coordinates the responsible investment activities.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
Director for Capital Markets

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investment analysts
- ☒ Dedicated responsible investment staff
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify
- ☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
----------------	---

	Number
--	--------

1

OA 09	Voluntary	Additional Assessed	General
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OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
----------------	---

Board members/Board of trustees

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other C-level staff or head of department

Director for Capital Markets

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.
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☒ Yes

OA 10.2	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- ☐ Asian Corporate Governance Association
- ☐ Association for Sustainable & Responsible Investment in Asia
- ☐ Australian Council of Superannuation Investors
- ☐ CDP Climate Change
- ☐ CDP Forests
- ☐ CDP Water
- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period
(see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA),
specify

FINSIF, Finlands sustainable investment forum

Your organisation's role in the initiative during the reporting period
(see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Varma's responsible investment specialist was member of Finsif's Board of Directors and leader of Finsif's PRI working group in 2013 .

- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☐ United Nations Global Compact
- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

☒ Yes

OA 11.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☐ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☐ Spoke publicly at events and conferences to promote responsible investment
- ☐ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☐ Other, specify

☐ No

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1 Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

☐ Yes

☒ No

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☐ Yes

☒ No

OA 14	Voluntary	Descriptive	PRI 1
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OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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☐ Yes

☒ No

Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.
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☐ Yes

☒ No

Varma Mutual Pension Insurance Company

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1	Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.
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Varma invests indirectly through listed equity funds, private equity funds and hedge funds. This module covers equity and private fund investments in detail. Hedge funds are covered quite briefly as PRI's questionnaire does not yet have a separate section for hedge funds.

When investing in actively managed equity funds, Varma includes responsible investment criteria in its manager selection, appointment and monitoring process. The focus is on the manager's ESG policy and process and these issues are discussed carefully with the managers. The managers are also asked to answer in written form to our ESG questionnaire.

Varma usually requires that the manager has a responsible investment policy. Exceptions can, however, be made depending on the profile of the fund. In these cases the manager should be able to show that even without a formal policy they take environmental, social and governance issues into account when making investment decisions. Varma always encourages managers to create their own responsible investment policy if they do not yet have one.

We consider ESG issues regularly in the fund monitoring and discuss ESG issues in every fund review meeting or more frequently when needed. In addition, a service provider screens all Varma's external equity funds twice a year for breaches of international norms and conventions.

Varma Private Equity team manages a portfolio of Private Equity and Infrastructure Funds and is also actively doing coinvestments with the funds. Evaluation and assessment of the Fund Managers' Responsible Investment Principles and policies has been incorporated into our investment and portfolio management procedures.

Varma is actively working with the existing managers to encourage them sign up to the PRI or to have a comparable set of principles adopted in their operations, including reporting these activities to their investors, preferably as a fundamental part of regular Fund reporting.

When considering new investments and/or commitments, Varma only wants to work with managers respecting high ethical standards and who are committed to sign up to PRI or adopt respective principles.

As a large investor, Varma often has the opportunity to be represented in the Advisory Boards or Investor Committees of the Funds. This channel is actively used to promote the importance of ESG matters.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1	Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.
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☐ Yes

☒ No

SAM 03	Mandatory	Gateway	General
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SAM 03.1	Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring
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Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Hedge funds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
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SAM 04.1	Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.
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	Listed equity (LE)
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Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporatefixed income
Passive	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

SAM 05

Mandatory

Gateway

PRI 1,2

**SAM
05.1**

Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:

Active investment strategies

Active investment strategies	LE		
Screening	<input type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Passive investment strategies

Passive investment strategies	LE		
Screening	<input type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

SAM 05.2

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	
We engage directly or via service providers on our externally managed assets	<input type="checkbox"/>	
We require our external managers to engage on our behalf	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	

SAM 05.3

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>

SAM 05.4	Additional information. [Optional]
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Varma invests only in pooled equity funds. We cannot thus ask managers to implement our own ESG strategies in the funds but we encourage them to integrate ESG issues in their investment process. For the same reason, we do not require the funds to do engagement or proxy voting on our behalf. We cover these issues in the fund selection process and prefer to invest in funds which actively implement their own responsible investment policies.

Selection			
SAM 06	Mandatory	Core Assessed	PRI 1-6
SAM 06.1	Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:		
	General		

	LE		
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>		
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>		
Discuss the type of ESG reporting you expect	<input type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>		
Other general aspects in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>		
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>		
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>		
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>		
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

**SAM
06.2**

Provide additional information relevant to your organisation's selection approach for listed assets. [Optional]

We discuss ESG issues (process, case examples, reporting etc.) with the fund manager/ investment team and ESG team (if there is one) during the selection process. We assess managers' ESG incorporation strategies, ability to identify and manage ESG issues and discuss how ESG issues are covered in the investment process. Managers are also sent a detailed ESG questionnaire before we invest in the fund.

Varma prefers to invest in funds managed by managers with an extensive and integrated responsible investment policy. Usually we require an responsible investment policy. Exceptions can be made in some cases, however then the manager should be able to show that even without a formal policy they take environmental, social and governance issues into account in their investment process.

Appointment

SAM 07

Voluntary

Additional Assessed

PRI 4

**SAM
07.1**

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:

General

	LE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input type="checkbox"/>		
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

ESG incorporation

	LE		
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input type="checkbox"/>		
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

Reporting

	LE		
Reporting on the agreed responsible investment activities	<input type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>		
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

SAM 07.2	Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed assets.
-----------------	---

Varma only invests in pooled funds where the agreements/contracts are standardized. However, Varma can make an informal agreement with managers on the ESG reporting depending on the profile of the fund. Varma screens the holdings of its equity funds regularly.

Monitoring

SAM 08	Mandatory	Core Assessed	PRI 1
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SAM 08.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:
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General

	LE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>		
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>		
Other general aspects of your monitoring, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Request information on ESG incorporation in specific investment decisions	<input type="checkbox"/>		
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

We discuss the manager's process of ESG incorporation and case examples, especially with portfolio managers.

**SAM
08.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

Managers who do not have an ESG policy are strongly encouraged to implement their own responsible investment policy and integrate it into their investment processes. They are also encouraged to join ESG initiatives/organisations. Varma does not require ESG incorporation, engagements or proxy voting on its behalf as the investments are made only in pooled funds. However, ESG criteria are an important but informal part of the overall evaluation. We discuss with the managers how they have included responsible investing in their investment decisions and ask them to present concrete examples as well. We also discuss engagement cases if any have progressed.

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10

Mandatory

Core Assessed

PRI 1-6

**SAM
10.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	PE		
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>		
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input type="checkbox"/>		
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>		
Other general aspects in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>		
Other pre-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>		
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input type="checkbox"/>		
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>		
Other post-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

In the selection process, we require the manager to have a credible ESG policy in place.

**SAM
10.2**

Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

In Private Equity, no new commitments are made unless the manager has convinced Varma's Private Equity team that the manager has a prudent approach to ESG.

Appointment

SAM 11

Voluntary

Additional Assessed

PRI 4

**SAM
11.1**

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Other general RI considerations in your agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input type="checkbox"/>		
Other RI considerations relating to investment selection in your agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input type="checkbox"/>		
Other RI considerations relating to investment monitoring in your agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

Reporting

	PE		
Reporting on the agreed ESG implementation activities	<input type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>		
Reporting on company incidents relating to ESG issues	<input type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>		
Other RI considerations relating to reporting in your agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

If you select any 'Other' option(s), specify

In general considerations, we require an ESG clause to be incorporated into the Limited Partner Agreement (LPA) or as a side letter to the LPA.

**SAM
11.2**

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for non-listed assets.

With regard to the reporting requirement, we have discussed possible reporting requirements with the PE funds we have invested in. Most of the funds have an ESG policy but do not report on ESG issues with the exception of PRI signatories and a couple of other funds. We will continue to discuss development of appropriate reporting with the funds but at this stage the situation does not allow for contractual agreements for reporting.

Monitoring

SAM 12

Mandatory

Core Assessed

PRI 1-6

**SAM
12.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>		
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>		
Other general aspects of your monitoring, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>		
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input type="checkbox"/>		
Request examples of ESG issues identified within the portfolio and action taken in response	<input type="checkbox"/>		
Request details of how ESG factors were considered when preparing to exit from investments	<input type="checkbox"/>		
Other ways ESG issues are monitored in the post-investment process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

In the post -investment process, ESG issues are monitored as a part of regular reporting and annual meetings.

**SAM
12.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

We have requested ESG to be part of regular fund reporting or a separate topic at the annual meeting.

Other asset classes

SAM 13	Voluntary	Descriptive	PRI 1-6
SAM 13.1	Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:		

Asset Class	Description
Hedge funds	Varma has a recently designed specific Responsible Investment policy for hedge fund investments. The policy covers key areas such as asset management firm governance, fund governance, underlying investments and hedge fund investment strategy & techniques specific topics. Varma will start to use a questionnaire based on the policy to map out the compliance and ESG status of the current hedge fund portfolio in 2014. As well, Varma will start to use the questionnaire to check the compliance and ESG status of the new prospective hedge funds before making new investments in 2014. ESG monitoring will be part of normal on-going monitoring process (calls, on-site meetings etc) and Varma expects the managers to include ESG issues to normal fund reporting in the future.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
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SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.
-----------------	--

	%
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20

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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- ☐ Yes, we disclose information publicly
- ☐ Yes, we disclose information to clients/beneficiaries only
- ☒ We do not proactively disclose information to the public and/or clients/beneficiaries

SAM 16.4	Additional information. [Optional]
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The PRI Reporting for 2013 will be published during the first half of 2014 on Varma's website.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 02	Voluntary	Descriptive	PRI 1
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LEI 02.1

Provide a brief overview of how you incorporate ESG issues in listed equity investments.

We consider ESG issues in our investment process in two ways. Firstly, our goal is take financially material ESG criteria into account our investment process. The relevant criteria vary a lot depending on the sector and company in question. The main challenge with regard to using ESG criteria is the availability and comparability of data. We try to actively improve this ia by encouraging the companies to publish ESG data alongside financial information.

Secondly, we expect Varma's investee companies to act in accordance with international norms and conventions defined in Varma's Responsible Investment Principles. We screen our direct equity portfolio regularly to ensure that we have up to date information about possible breaches against the norms. We go through the results of the screening in regular meetings with the portfolio managers and Varma's Director for Capital Markets and discuss further actions based on the portfolio managers' recommendations.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☒ Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)

%
100

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

Our aim is to integrate financially relevant ESG criteria into our investment process to improve the risk-return ratio of our active equity investments. Our goal with norm based screening is to ensure that our investee companies fulfill our minimum criteria for corporate conduct.

LEI 04

Voluntary

Additional Assessed

PRI 1

LEI 04.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- ☐ Raw ESG company data
- ☒ Company-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Country-related analysis or ratings
- ☒ Screened stock list

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Issue-specific analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☐ Other, specify

LEI 04.3

Indicate if you incentivise brokers to provide ESG research.

☒ Yes

**LEI
04.4**

Describe how you incentivise brokers.

Brokers who provide us with high quality ESG research are compensated with higher commissions.

☐ No

LEI 05

Voluntary

Additional Assessed

PRI 1

LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

☒ (Proxy) voting

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

LEI 05.2	Additional information. [Optional]
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We conduct both internal and external engagements. Internal engagements are done by our investment team, we do not have separate staff for engagements. Our external engagements are usually based on the results of our norm based screening. Information about external engagements is shared in regular meetings with our portfolio managers where the portfolio managers present the relevant cases and recommend further actions.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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Type of screening

- ☒ Negative/exclusionary screening

Screened by

- ☒ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☐ Environmental and social practices and performance
- ☐ Corporate governance

Description

We exclude tobacco and nuclear weapons companies from our direct investments.

- ☐ Positive/best-in-class screening
- ☒ Norms-based screening

Screened by

- ☒ UN Global Compact Principles
- ☒ Universal Declaration of Human Rights
- ☒ International Labour Organization Conventions
- ☒ United Nations Convention Against Corruption
- ☒ OECD Guidelines for Multinational Enterprises
- ☐ Other, specify

Description

We screen our direct equity and corporate bond investments by a detailed list of norms and conventions. The list includes in addition to the ones mentioned above for example several environmental conventions.

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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In our norm based screening the screening criteria are based on a list of relevant norms and conventions based on conventions and guidelines by OECD and the UN, among others. We have discussed the relevant criteria internally and decided to use a detailed list provided by our external service provider. In 2013 our external service provider was Swedish GES who provides us with both screening and engagement services .

The criteria are reviewed when needed, for example if new significant conventions are signed and ratified by the UN member countries, especially Finland.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 08**Voluntary****Additional Assessed****PRI 1****LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
 - ☒ Systematic
 - ☐ Occasional
- ☐ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

LEI 08.2

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

We discuss the reasons for the breach to determine how to improve our processes and avoid further breaches. The shares are sold within a short period of time.

(C) Implementation: Integration of ESG issues**LEI 10****Voluntary****Descriptive****PRI 1**

LEI 10.1

Describe how you integrate ESG factors into investment decision making processes.

Our portfolio managers are responsible for taking financially material ESG issues into consideration in their investment decision making. The portfolio managers use varying sources of information, depending in the sector and the type of company they invest in. So far the integration has concentrated on more on the risk side of ESG issues and ESG has become especially in some sectors a part of the investment risk analysis.

LEI 11**Mandatory****Core Assessed****PRI 1****LEI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 11.2

Additional information. [Optional]

The analysis of ESG factors depends on the company and sector in question as the materiality of ESG issues can be company and sector specific.

In addition to this, systematic integration of ESG issues has so far been difficult. There are several reasons to this, the lack of financially material and comparable indicators being the main one. In addition to the lack of data, the coverage of available ESG research is a problem. We have a large portfolio of small and medium sized companies in especially in Finland but also in other Scandinavian countries. These companies are usually not covered either by ESG research houses nor by sell side ESG analysts.

LEI 12**Voluntary****Descriptive****PRI 1**

LEI 12.1

Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 12.2

Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☐ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

LEI 13**Voluntary****Additional Assessed****PRI 1****LEI 13.1**

Indicate into which aspects of investment analysis you integrate ESG information.

- ☒ (Macro) economic analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Industry analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Analysis of company strategy and quality of management
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Idea generation
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Portfolio construction
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Fair value/fundamental analysis
 - ☐ Systematically
 - ☒ Occasionally

LEI 13.2	Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.
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- ☐ Adjustments to income forecasts (sales, earnings, cash flows)
☒ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
☐ Other adjustments to fair value projections, specify
☐ Other, specify

Outputs and outcomes

LEI 15	Voluntary	Descriptive	PRI 1
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LEI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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- ☒ Screening

	Describe any reduction in your starting investment universe or other effects.
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We have excluded tobacco and nuclear weapon companies from our direct investments. In addition, we have excluded some companies based on continuous and severe breaches against international norms and conventions.

- ☒ Integration of ESG issues

	Select which of these effects followed your ESG integration:
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- ☒ Reduce or prioritise the investment universe
☐ Overweight/underweight at sector level
☒ Overweight/underweight at stock level
☒ Buy/sell decisions
☐ Other, specify

LEI 16	Voluntary	Descriptive	PRI 1
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LEI 16.1	Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.
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	a) Impacted funds' financial performance
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Screening	Integration of ESG issues
<input type="radio"/> Yes	<input type="radio"/> Yes
<input checked="" type="radio"/> No	<input checked="" type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Integration of ESG issues	
<input type="radio"/> Yes <input checked="" type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance

Screening	Integration of ESG issues	
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

LEI 16.2

Describe how you are able to determine these outcomes and your actual performance.

With regard to our investments' financial performance, neither screening nor integration of ESG issues has so far had any discernible effect on the return of our investments. This is mainly due to two factors. Firstly, we have a large proportion of our equity portfolio invested in Scandinavian companies, especially Finnish ones. Severe breaches against international norms are quite rare in Scandinavia. Thus the effect of excluded companies on our portfolio's return is small. Exclusion of tobacco and nuclear weapon companies does not have a meaningful impact either. Secondly, the integration of ESG issues has so far mostly concentrated on the risk side of ESG. The ESG analysis has positively influenced the risk rate of our investments but the effect is noticeable only on the level of individual stocks.

Incorporation of ESG issues has improved our investments' ESG performance, especially with regard to our screening process. The information we get from our service provider provides a different viewpoint to the companies' activities which has occasionally been valuable. The integration of ESG issues in our investment process has also improved our understanding of the ESG risks, for example in cases where we have analysed companies' supply chain in more detail.

Our assessment of how ESG incorporation has impacted our investments' financial performance, risk or ESG performance is based on a qualitative analysis. We have not conducted any detailed quantitative studies of how ESG has affected our investments.

Communication

LEI 18

Mandatory

Core Assessed

PRI 2,6

LEI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- ☐ We disclose it publicly
- ☐ We disclose it to clients and/or beneficiaries only
- ☒ We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.5

Additional information. [Optional]

The PRI Reporting for 2013 will be published during the first half of 2014 on Varma's website.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Listed Equity Active Ownership

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Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

Varma's goal with engagement is to improve corporate ESG performance. We meet companies regularly and bring ESG items on the meeting agenda if needed. In the past, we have typically discussed mainly corporate governance issues but lately we have also discussed also environmental and employee matters.

Shareholders' nomination committees form a significant part of our engagements. ESG issues like diversity are among the criteria we consider when participating in the committee's work. Varma participated in the 2014 AGM season in 17 shareholder nomination committees. The companies are listed on our website.

We engage with companies regularly on the basis of the results of our norm based screening. Our goal is to engage with companies with severe and long term violations of international norms and conventions. We discuss with the companies in question directly if we are a significant and long term shareholder in the company. In companies where our ownership stake is small the discussions are usually carried out by an external service provider. The service provider we use represents on most cases several other shareholders in addition to Varma and can thus influence company behavior better (and more cost effectively) than we could on our own. If after a longer time period the engagement process is not successful, Varma will consider selling its holdings in the company.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
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We have not participated in collaborative engagements in 2013. We are, however, quite willing to participate in collaborative engagements in the future if and when suitable opportunities arise.

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.		

☉ Yes

**LEA
03.2**

Describe how you identify and prioritise engagements.

Varma's process with engagement depends on the type of engagement. Our processes are quite simple as Varma's investment team does the engagements internally with no separate staff for engagement. Our investment staff meets companies regularly and often identify possibilities for engagement during the discussions. In these cases the person responsible for the company -with further help if needed- discusses the matter further with the company and reports to Varma's investment management. If the initiative come directly from the companies, we decide how to proceed on a case by case basis.

If the subject concerns corporate governance, we usually do the engagements fully ourselves. If the subject concerns environmental matters, for example, we may use external research as the basis for the discussion.

☐ No

LEA 04**Mandatory****Core Assessed****PRI 2****LEA
04.1**

Indicate if you define specific objectives for your engagement activities.

☒ Yes

☐ Yes, for all engagement activities

☒ Yes, for the majority of engagement activities

☐ Yes, for a minority of engagement activities

☐ No

**LEA
04.2**

Indicate if you monitor the actions that companies take following your engagements.

☒ Yes

☐ Yes, in all cases

☒ Yes, in the majority of cases

☐ Yes, in the minority of cases

**LEA
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

The person responsible for an engagement case is responsible for the whole process. The engagement results are reported to our Investments Director for Capital Markets and the most important and comprehensive cases to our CIO.

☐ No

Process for engagements conducted with/on your behalf by service providers

LEA 07	Mandatory	Core Assessed	PRI 2,4
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LEA
07.1

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

☒ Yes

LEA
07.2

Indicate what role you play in engagements that your service provider conducts on your behalf.

- ☐ Specify the issues for the engagement
- ☐ Specify the objectives for the engagement
- ☒ Select the companies to be engaged with
- ☐ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☐ Other, specify

☐ No

LEA
07.3

Additional information. [Optional]

We use an external service provider to engage with companies in cases where a company has severely breached international norms for an extended period of time and our ownership stake in the company is small. We actively select the companies to be engaged with and our equity portfolio managers are responsible for presenting the cases and making a recommendation for further action in regular meetings with our Investments Director for Capital Markets. We monitor and review the cases a few times a year.

We do not specify the issues or objectives for engagement as these are determined on the basis of the type of norm the company has breached.

LEA 08	Mandatory	Core Assessed	PRI 2,6
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LEA
08.1

Indicate whether you monitor and/or discuss the following information provided to you by your service provider

Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☒ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
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LEA 09.1

Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Service provider engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2

Additional information.

We do not have separate staff for engagements but the engagements are conducted by our investment team. The service provider engagements are reviewed in regular meetings.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1

Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA 10.2	Additional information. [Optional]
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In case of internal staff engagements, we discuss especially the corporate governance cases in meetings held by our CIO. The smaller engagements done by our portfolio managers are not formally tracked but are part of their normal meetings with the companies concerned.

The service provider engagements are fully tracked and discussed in regular meetings.

Outputs and outcomes

LEA 11	Mandatory to Report	Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1	Indicate the number of companies with which your organisation engaged during the reporting year.
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	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	20
Service provider engagements	6

LEA 11.2	Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]
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Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.4 Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 12	Voluntary	Additional Assessed	PRI 2
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LEA 12.1 Indicate if your engagements in the reporting year covered E, S and/or G issues.

Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Service provider engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2 Provide an estimated breakdown by E, S and/or G issues.

	Individual / Internal staff engagements
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100%

	Service provider engagements
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100%

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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- ☐ Yes
☒ No

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.
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- ☐ We disclose it publicly
☐ We disclose it to clients and/or beneficiaries only
☒ We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 15.6	Additional information. [Optional]
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The PRI reporting for 2013 is to be published during the first half of 2014 on Varma's website.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
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LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
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Varma published its share ownership policy a couple of years ago. The policy focuses on exercise of voting rights; appointment of the nomination committee and election of the Board of Directors; composition of the Board of Directors; remuneration system for key personnel; capital structure and transparency. The policy concerns Finnish listed companies. Outside of Finland Varma supports compliance with local governance codes and best practices.

We vote both by attending the AGMs and by proxy. In Finland, we vote by attending the AGM as Varma's representant usually attends annual general meetings of our investee companies. Outside of Finland we vote by proxy or by attending the AGM in companies where our ownership stake is close to five per cent or we are among the ten largest owners.

In most cases we discuss controversial agenda items with the company before voting against management proposals.

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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	Approach
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☒ We use our own research or voting team and make our own voting decisions without the use of service providers.

	Based primarily on
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- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain
- ☐ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☐ Obtain confirmation that votes have been lodged:
- ☐ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☒ None of the above

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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- ☐ Yes
- ☒ No

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
-----------------	---

- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- ☐ We do track or collect this information
- ☒ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
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LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
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- ☐ Yes, we track this information
- ☒ No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2
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LEA 24.1	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.
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☐ Yes

☒ No

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
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☐ We disclose it publicly

☐ We disclose it to clients/beneficiaries only

☒ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LEA 26.6	Additional information. [Optional]
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The PRI Reporting for 2013 will be published during the first half of 2014 on Varma's website.

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Corporate	
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate	
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	

ESG incorporation in actively managed fixed income

FI 03	Voluntary	Descriptive	PRI 1
FI 03.1	Provide a brief overview of how you incorporate ESG issues in fixed income investments.		
	Fixed Income - Corporate		

Varma incorporates ESG issues in its active fixed income investments globally and in all sectors.

Our aim is to take into account ESG issues when analyzing the risks of potential investment target, i.e. the corporate issuing bonds. For a credit investor assessing the default risk of a company including the potential risks of ESG issues is crucial. Portfolio managers assess the ESG related risks for the company when they make the investment decision and follow the development of the ESG issues in the companies.

Varma also uses an external service provider for screening companies on breaching international norms and conventions. Credit portfolio managers regularly have meetings with equity portfolio managers to discuss the results of the screening and engagement processes.

Fixed Income - Corporate

Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
FI 04.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.		

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☒ Screening + Integration strategies

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div><div></div><div>%</div></div> <div>100</div>
---	---

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed fixed income - corporate

100%

FI 04.2	Describe your primary reasons for choosing a particular incorporation strategy.
---------	---

Our aim is to integrate financially relevant ESG criteria into our investment process to improve the risk-return ratio of our active equity investments. Our goal with norm based screening is to ensure that our investee companies fulfill our minimum criteria for corporate conduct.

FI 05	Voluntary	Additional Assessed	PRI 1
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FI 05.1	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
---------	---

Type of ESG information

- ☐ Raw ESG company data
- ☒ Issuer-related analysis or ratings

Describe who provides this information.

The investment banks' credit research teams provide us with ESG related research. In addition we use external research providers.

- ☒ Sector-related analysis or ratings

	Describe who provides this information.
--	---

The investment banks' credit research teams provide ESG related research. In addition, we use an external research provider.

- ☐ Country-related analysis or ratings
- ☒ Screened bond list

	Describe who provides this information.
--	---

The information underlying our screened bond list is provided by an external service provider.

- ☐ Issue-specific analysis or ratings
- ☐ Other, specify

FI 05.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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We use mainly investment banks' credit research and complement it with external research provider services.

(A) Implementation: Screening

FI 06	Mandatory	Descriptive	PRI 1
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FI 06.1	Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.
----------------	---

Type of screening

- ☒ Negative/exclusionary screening

Screened by

- ☒ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☐ Environmental and social practices and performance
- ☐ Corporate governance

Description

We exclude tobacco and nuclear weapons companies from our direct investments.

- ☐ Positive/best-in-class screening
- ☒ Norms-based screening

Screened by

- ☒ UN Global Compact Principles
- ☒ Universal Declaration of Human Rights
- ☒ International Labour Organization Conventions
- ☒ United Nations Convention Against Corruption
- ☒ OECD Guidelines for Multinational Enterprises
- ☐ Other, specify

Description

We screen our direct equity and corporate bond investments by a detailed list of norms and conventions. The list includes in addition to the ones mentioned above for example several environmental conventions.

FI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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In our norm based screening the screening criteria are based on a list of relevant norms and conventions based on conventions and guidelines by OECD and the UN, among others. We have discussed the relevant criteria internally and decided to use a detailed list provided by our external service provider. In 2013 our external service provider was Swedish GES who provides us with both screening and engagement services .

The criteria are reviewed when needed, for example if new significant conventions are signed and ratified by the UN member countries, especially Finland.

FI 07	Mandatory	Core Assessed	PRI 1
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FI 07.1

Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

- ☒ Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- ☒ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

FI 08**Voluntary****Additional Assessed****PRI 1****FI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached in corporate fixed income investments.

- ☒ Checks are performed to ensure that issuers meet the funds' screening criteria. These checks are:
 - ☒ Systematic
 - ☐ Occasional
- ☐ Automated IT systems prevent investment managers from investing in excluded bonds or those that do not meet positive screening criteria
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

FI 08.2

If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

We discuss the reasons for the breach to determine how to improve our processes and avoid further breaches. The holdings are sold within a short period of time.

(C) Implementation: Integration of ESG factors

FI 10**Voluntary****Descriptive****PRI 1**

FI 10.1

Describe how you integrate ESG issues into investment decision-making processes.

Our aim is to take into account ESG issues when analyzing the risks of potential investment target, i.e. the corporate issuing bonds. For a credit investor assessing the default risk of a company including the potential risks of ESG issues is crucial. Portfolio managers assess the ESG related risks for the company when they make the investment decision and follow the development of the ESG issues in the companies.

The information is sourced mainly from investment banks' credit research team and complemented with external research provider services.

FI 11**Mandatory****Core Assessed****PRI 1****FI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 11.2

Additional information. [Optional]

The analysis of ESG factors depends on the company and sector in question as the materiality of ESG issues can be company and sector specific.

In addition to this, systematic integration of ESG issues has so far been difficult. There are several reasons to this, the lack of financially material and comparable indicators being the main one. The quality and usefulness of the research services we use are dependent on the quality of the data available. The coverage of available ESG research is also often a problem, especially when it comes to smaller Scandinavian companies.

FI 12	Voluntary	Descriptive	PRI 1
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FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

FI 12.2	Describe how ESG information is held and used by your portfolio managers.
---------	---

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify

Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
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FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
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Fixed Income - Corporate

- ☒ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☐ Other, specify

FI 16	Voluntary	Descriptive	PRI 1
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FI 16.1	Indicate if you believe (by applicable strategy) that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.
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Fixed Income - Corporate

a) Impacted funds' financial performance
--

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input type="radio"/> Yes
<input checked="" type="radio"/> No	<input checked="" type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input checked="" type="radio"/> No	<input type="radio"/> No

c) Improved funds' ESG performance

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

FI 16.2

Describe how you are able to determine these outcomes and your actual performance.

With regard to our investments' financial performance, neither screening nor integration of ESG issues has so far had any discernible effect on the return of our investments. This is mainly due to two factors. Firstly, there has not been many companies in our corporate bond portfolio who have severely breached against international norms. Thus we have not excluded many companies on the basis of our norm based screening. Exclusion of tobacco and nuclear weapon does not have a meaningful impact either. Secondly, the integration of ESG issues has so far mostly concentrated on the risk side of ESG. The ESG analysis has positively influenced the risk rate of our investments but the effect is small and noticeable only on the level of individual bonds.

Incorporation of ESG issues has improved our investments' ESG performance, especially with regard to the screening process. The information we get from our service provider provides a different viewpoint to the companies' activities which has occasionally been valuable. The integration of ESG issues in our investment process has also improved our understanding of the ESG risks we have analysed companies' environmental risks in more detail, for example.

FI 17	Voluntary	Descriptive	PRI 1
FI 17.1	Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.		

☒ ESG issue 1

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
	ESG issue and explanation
Global mining company. When analysing the company found out potential breach of international norms (environmental and human rights issues).	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
We made the decision not to invest in the company's bonds.	

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
	ESG issue and explanation
Aerospace and defence company. When analysing the company found out that the also produce parts for nuclear weapons. Varma has policy of not investing in nuclear weapon producers for ethical reasons.	
	ESG incorporation strategy applied
<input checked="" type="checkbox"/> Screening <input type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
We made the decision not to participate in new issue for the company's bond.	

☒ ESG issue 3

	Fixed Income - Corporate and/or Government
<input type="checkbox"/>	Corporate
	ESG issue and explanation
	Forest and paper company. Potential breach of international norms (human rights issues) in a portfolio company.
	ESG incorporation strategy applied
<input type="checkbox"/>	Screening
<input type="checkbox"/>	Integration
<input checked="" type="checkbox"/>	Combination of ESG incorporation strategies
	Impact on investment view or performance
	Our external service provider engages with the company on our behalf. We follow closely the development of the process.

☐ ESG issue 4

☐ ESG issue 5

Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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FI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
	<input type="radio"/> We disclose it publicly <input type="radio"/> We disclose it to clients/beneficiaries only <input checked="" type="radio"/> We do not proactively disclose it to the public and/or clients/beneficiaries
FI 18.5	Additional information. [Optional]

The PRI Reporting for 2013 will be published during the first half of 2014 on Varma's website.

Engagement in fixed income investments

Fixed Income - Corporate

FI 19	Voluntary	Descriptive	PRI 2
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FI 19.1

Indicate if you engage with corporate issuers.

☒ Yes

FI 19.2

Describe your organisation's approach to engagement in corporate fixed income.

Our goal with engagement is to improve corporate ESG performance. In corporate fixed income, the engagement cases have so far been based on the results of our norm based screening process and thus concentrated on companies with severe breaches against international norms and conventions.

When a company violates the international norms, Varma's objective is to first try to communicate with the company and influence the way it operates. The engagement process can be done internally or in some cases we use an external service provider. If the engagement process is not successful after a prolonged period of time, Varma will as a last step take measures to sell its holdings in the company.

Our corporate bond team always cooperates with Varma's equity team and participates in cases where the company in question is relevant to both the corporate bond and equity portfolio of Varma. The reason for this is that equity investors as owners of the company have more possibilities to influence on the company, e.g. voting in shareholder meetings. Credit investors do not usually have the same possibilities to influence the company. For credit investors, the best opportunity to discuss with company representatives is when meeting with them on a bond new issue roadshow. This is not practical when it comes to an engagement process.

☐ No

Varma Mutual Pension Insurance Company

Reported Information

Public version

Direct - Property

PRI disclaimer

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Overview

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☒ a majority stake (>50%)
- ☐ a 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a limited minority stake (<10%)
- ☐ a mix of ownership stakes

☐ Debt investments

Total 100%

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 02.1

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total	100%

PR 02.2 Additional information. [Optional]

We have a responsible property manager for each of our properties. Internal manager's responsibilities depend on the type of property in question.

In residential properties our property manager has close contact with the third-party manager, who takes care of the technical management and letting. We consider residential properties to be managed via third-party property manager.

In commercial properties our property managers are responsible for the letting of the properties. In addition, they keep close contact with third-party manager who takes care of technical management. We consider commercial properties to be managed by our own organization.

We take care of accounting and bigger renovations ourselves in all properties.

PR 03	Voluntary	Descriptive	General
PR 03.1	Indicate up to three of your largest property types by AUM.		

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input checked="" type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 03.2 Additional information.

Varma's property portfolio includes also industrial, hotel and some mixed use properties and sites in addition to the ones mentioned above.

PR 04	Voluntary	Descriptive	PRI 1-6
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PR 04.1 Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.

Varma's goal is to integrate environmental and social issues in our property investment processes and property management. Environmental issues like energy efficiency are generally the most important ones. As for social issues, we work to take responsibility into account also with the tenants, for example.

PR 05	Mandatory	Core Assessed	PRI 1-6
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PR 05.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.
<input type="radio"/> Yes <input checked="" type="radio"/> No	

PR 05.3	Additional information. [Optional]
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We created our Responsible Policy for Properties in 2013. The policy was approved in the beginning of 2014 and published in March 2014. At the end of 2013 we did not have a specific responsibility policy for properties.

Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
<input checked="" type="radio"/> Yes	

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
----------------	--

The location of the property is one of most important criteria in our property selection. The property should be located so that it is easily reached even by public transportation and is close to services. Good location has a positive effect on environment if the property is reached by public transportation but also the risk of high vacancy of the building is lower in the long run in the property with good location.

We conduct a due diligence -process (DD) before buying the property. The DD includes technical, environmental, financial/tax and legal aspects. For example, in environmental DD we inspect the risk that the site might be contaminated. In technical DD we check the condition of the building and consider the risk of for example indoor air quality problems which might have harmful effects on occupiers.

☐ No

PR 09	Voluntary	Descriptive	PRI 1,4
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PR 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.
----------------	--

- ☒ Internal staff
- ☒ Specify role
- Legal
- ☒ Specify role
- Technical (building, construction)

☒ Specify role

Valuation

☒ External resources

☒ Environmental advisors

☐ Social advisors

☐ Corporate governance advisors

☐ Regulatory and/or legal advisors

☒ Other, specify type of advisors/roles

Technical (building)

☐ No use of internal or external advice on ESG issues

PR 09.2

Additional information.

We have internal legal, technical and valuation professionals. If needed, we use external technical and environmental advisers to find out technical condition of the building and also the possibility of contaminated site.

PR 10

Mandatory

Core Assessed

PRI 1,3

PR 10.1

Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.

ESG issues

☒ Environmental

List up to three typical examples of environmental issues

Location of the property near to public transportation and services

Clean site, no contamination or possibility to clean the site

Condition of the building (for example indoor air quality and technical systems used)

☒ Social

List up to three typical examples of social issues

Tenant background and tenant's satisfaction considering the spaces their rented

Health and safe spaces of the building

☒ Governance

List up to three typical examples of governance issues

Financial and legal issues of MREC

Legal issues of the property like land owning

PR 11

Voluntary

Additional Assessed

PRI 1,3

PR 11.1	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
----------------	--

- ☐ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☐ Benchmarks/ratings against similar property asset
- ☐ Country level data/benchmarks
- ☐ Data aligned with established property reporting standards, industry codes and certifications
- ☐ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

PR 11.2	Additional information.
----------------	-------------------------

We use external environmental reports as well as reports of the condition of the building if needed. We benchmark the maintenance costs of the property. We check the satisfaction of the tenant and the basic information of the tenant's (if a company) financial background.

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☐ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☐ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

PR 12.2	Additional information.
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External condition report of the building helps to identify the risks of the building and especially the indoor air quality issues. This was taken into account in the purchase agreement.

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
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PR 13.1

Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.

☒ Yes

PR 13.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- ☒ Selection process of property managers incorporated ESG issues
 - ☐ For all third party property managers
 - ☒ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
 - ☐ For all third party property managers
 - ☒ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
 - ☐ For all third party property managers
 - ☒ For a majority of property managers
 - ☐ For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

We choose property managers either via tendering process or through negotiation. We favour candidates which are well known and reputable companies. Both invitation for tenders and signed contracts include ESG themes, such as:

- Special knowledge in energy efficiency matters, e.g., references in energy saving projects.
- Targets and indicators for tenant satisfaction and energy efficiency.
- Environment, safety and quality control systems' scope and certifications are documented.

We meet third party property managers regularly and follow their work.

☐ No

Post-investment (monitoring and active ownership)

Overview

PR 14

Mandatory

Gateway

PRI 2

PR 14.1

Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

☒ Yes

PR 14.2

Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☐ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

PR 14.3

Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]

We participate in an energy efficiency program where the target is to reduce the energy consumption by six per cent from 2011 to 2016. About 70 of our commercial properties participate the program. Progress of the program is monitored on an annual basis. A third-party consultant supports us with the program. The consultant suggests actions to reduce the properties' energy consumption, follows up and reports the results. We keep close contact with the third party consultant and we have several meetings during the year to keep us updated on the situation.

Our third party technical managers measures regularly the consumption of water, heating and electricity of our properties and they should react on possible abnormalities. Our goal is to seek energy efficient ways in day-to-day actions.

We consider energy efficient solutions when repairing and refurbishing existing properties and constructing new buildings.

Varma also informs tenants about its energy saving actions of properties and encourages tenants to consider possibilities to save energy in their own action.

☐ No

Property monitoring and management

PR 15**Mandatory****Core Assessed****PRI 2,3****PR 15.1**

Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.

- ☐ >90% of property assets
- ☐ 51-90% of property assets
- ☒ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 15.2

Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

ESG issues

☒ Environmental

List up to three example targets per issue

Energy consumption is monitored and the target is to reduce energy consumption 6 % in six years.

Consumption of water, heating and electricity is monitored monthly by third party managers.

☒ Social

List up to three example targets per issue

Occupier satisfaction is measured through survey and internal target is set every year.

☐ Governance

☐ We do not set and/or monitor against targets

PR 15.3

Additional information. [Optional]

The property managers monitor the consumption of water, heating and electricity monthly. We do not usually set a target consumption level but the property managers responsibility is to react on increased consumption.

Property developments and refurbishments

PR 17

Mandatory

Core Assessed

PRI 2

PR 17.1

Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.

- ☒ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.
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- ☐ Minimum environmental site selection requirements
- ☐ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☐ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

PR 17.3	Additional information. [Optional]
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When we do property developments and refurbishments we consider for example the following issues concerning the construction work and site:

The construction waste is mainly recycled in construction sites.

We demand a plan of safety systems on site at least in bigger construction sites.

The energy and water efficient construction materials and systems are considered and also used if good solution is found.

The biggest construction companies we also use have sustainability guidelines.

We have an internal professionals whose responsibility is to monitor the construction work and site. They keep close contact with construction companies and consultants working with the development and refurbishment projects.

Occupier engagement

PR 18	Mandatory	Core Assessed	PRI 2
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PR 18.1	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
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- ☐ >90% of occupiers
- ☐ 51-90% of occupiers
- ☒ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2

Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- ☐ Distribute a sustainability guide to occupiers
- ☐ Organise occupier events focused on increasing sustainability awareness
- ☐ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☐ Provide feedback on energy and water consumption and/or waste generation
- ☐ Provide feedback on waste generation
- ☒ Carry out occupier satisfaction surveys
- ☒ Other, specify

Tenants are informed on energy efficiency issues via newsletters.

PR 19**Voluntary****Additional Assessed****PRI 2****PR 19.1**

Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.

- ☐ >90% of leases or MoUs
- ☐ 51-90% of leases or MoUs
- ☐ 10-50% of leases or MoUs
- ☐ <10% of leases or MoUs
- ☒ 0% of leases or MoUs
- ☐ N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

Outputs and outcomes

PR 21**Voluntary****Additional Assessed****PRI 1,2****PR 21.1**

Indicate whether your organisation measures how your approach to ESG issues in property investments has affected financial and/or ESG performance.

Financial performance

- ☒ We measure how ESG issues affect financial performance

PR 21.2

Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your property investments' financial performance.

We measure how the reduction of energy consumption affects the maintenance costs on yearly basis.

- ☐ We do not measure how ESG issues affect financial performance

	ESG performance
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☒ We measure changes in ESG performance

PR 21.3	Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.
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We measure how the energy efficiency improvements affect the energy consumption levels of our properties on yearly basis.

☐ We do not measure changes in ESG performance

PR 22	Voluntary	Descriptive	PRI 1,3
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PR 22.1	Provide examples of ESG issues that affected your property investments during the reporting year.
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☒ Add Example 1

ESG issue	Reduction of energy consumption
Types of properties affected	Commercial properties with companies as tenants
Impact (or potential impact) on investment	Environmental and financial including the cost of energy efficient improving equipment and the lower costs of maintenance in the future
Activities undertaken to influence the investment and the outcomes	We achieved earlier reductions mostly by adjustments of technical systems. We decided to start to look actively new energy efficient devices and alternatives to reduce energy consumption of the building.

☒ Add Example 2

ESG issue	Reduction of energy (heating) consumption
Types of properties affected	Residential with private tenants
Impact (or potential impact) on investment	Environmental and financial including the cost of energy efficient improving equipment and the lower costs of maintenance in the future
Activities undertaken to influence the investment and the outcomes	We are expecting the reduction of energy (heating) consumption by installing heating control devices. The monitoring and reporting is done at least once a year.

☒ Add Example 3

ESG issue	Environmental and social
Types of properties affected	Residential
Impact (or potential impact) on investment	Clean site and safe apartments
Activities undertaken to influence the investment and the outcomes	We find out before the construction work that the site was contaminated. The decision was made that the site has to be cleaned up before construction work to make sure that the apartments are safe for future tenants.

☐ Add Example 4

☐ Add Example 5

Communication

PR 23	Mandatory	Core Assessed	PRI 6
PR 23.1	Indicate if your organisation proactively discloses ESG information on your property investments.		
	<input type="radio"/> Disclose publicly <input type="radio"/> Disclose to clients/beneficiaries only <input checked="" type="radio"/> No proactive disclosure to the public or to clients/beneficiaries		
PR 23.7	Additional information. [Optional]		

The PRI Reporting for 2013 will be published during the first half of 2014 on Varma's website.