



CLIMATE TRANSPARENCY REPORT 2020

Varma Mutual Pension Insurance Company

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-09F3696C-9A1B-47D6-8EA8-67442908170A/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Varma Mutual Pension Insurance Company
Signatory Category	Non-corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US\$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2011
Region	Europe
Country	Finland
Disclosure of Voluntary Indicators	61% from 38 Voluntary indicators

Varma Mutual Pension Insurance Company

Reported Information

Public version

Strategy and Governance

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.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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Varma uses the TCFD-framework to identify climate-related risks and opportunities. The risks are Transition risks, Acute Physical Risks, and Chronic Physical Risks. These risks are further broken down in to more specific risks, eg. regulation, market, reputation.

For **transition risks**, we use the Transition-industry framework and enhanced ESG-monitoring to keep track of the weight of the most carbon intensive industries, our made investments to these industries, the industries contribution to Varma's carbon intensity, and other climate related metrics. The information is updated daily, and findings are reported at least quarterly to the allocation team. We have also done scenario analyses regarding transition risks in listed equity, listed fixed income and real-estate investments. The transition scenario analysis in real-estate resulted in large investments in heat pumps to our current buildings to help mitigate the carbon emissions in order to meet the 1,5 degree target.

We also actively aim to minimize the weighted carbon intensity (WACI) of our investments, as we treat carbon intensity as a proxy for carbon risk, a type of transition risk. We have set a goal of reducing our WACI by 50% in our listed equity and fixed income portfolios by 2027. We have also estimated the carbon intensity of our non-listed portfolios, but have not yet set targets.

Exclusions are also a part of our climate strategy. These exclusions include coal mining companies, and utility companies that produce more than 30% of their revenue/capacity with coal. We have publicly stated our goal of excluding all coal utility companies and oil production companies by 2025, and 2030 respectively, and we actively **Engage** Utility companies that are not meeting the timeline of shutting down their coal plants by 2030.

We have also developed bespoke ETF-products as the market did not provide a solution that would meet our transition-risk criteria. The ETF's aim to minimize the transition risks by excluding the most carbon intensive companies, companies with the biggest stranded asset risks and Utility companies that produce a significant share of the electricity with coal, alongside with other ESG-criteria.

Varma evaluates the **acute physical risks** by doing scenario analyses utilizing flood maps in order to find out the most exposed real-estate investments in our portfolio. Real-estates are not built or bought in the most exposed areas.

Due to the long investment horizon in Private Equity investments, the assessment of physical risks in company and supply chain analysis is emphasized.

Chronic physical risk-evaluation is more pronounced in real-estate investments, where the impact of increased rainfall and temperature changes has a large effect to facade-planning in new buildings and renovation plans in old buildings.

Alongside with these internal analyses, we use third party ESG-analyses where transition and physical risk-analyses are embedded.

No

**SG 01.7
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

In our direct real estate investments, in the assessment of physical risks the scenarios were 10, 50, 100, and 1000 years.

In listed equity and fixed income, our first analysis was done with 2018-2023 timeline.

Our other scenario-analysis in listed investments was done with a timeline of 2015-2060.

No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

Sustainability is a core part of Varma's strategy, and mitigating climate change is one of its key components. The Board of Directors is updated at least twice a year for developments in sustainability. The Chief Investment Officer and Vice president is responsible for all investments and their climate related risks. The Head's of asset classes are responsible for day to day implementation of climate change policy. Varma's climate policy that was launched in 2019 sets out our overall goal of reaching carbon neutral investment portfolio by 2035, and also sets asset class specific targets concerning climate change mitigation and adaptation.

Varma has set up a Transition-Industry and enhanced ESG-monitoring framework. The purpose of this framework is to identify and monitor the most carbon intensive industries on our investments, and be aware of the significant developments within the industries. When portfolio managers are doing investments to these industries, they are required to provide a written rationale behind the investment. The underlying data is fed straight in to our risk management system and is maintained by Varma's Middle office.

We are able track the share, contribution to carbon intensity, performance against the benchmark and other climate specific information of these industries in our listed investments on a daily basis, and the responsible investment analyst reports the findings at least 4 times a year to Varma's allocation team.

Our long term goal is to align our investment operations with the Paris Agreement, while reaching towards carbon neutrality by 2035. We develop our portfolio towards carbon neutrality by:

1. investing in companies whose solutions enable emission reductions and who take the progression of climate change into account in their operations
2. fostering collaboration in the financial markets in order to promote climate change mitigation and adaptation
3. focusing on analysing the financial risk of climate change in the investment portfolio

In our Climate Policy we set a goal of increasing our allocation to climate friendly investments to 20% by 2025. The allocation includes investments whose business benefits from actions to mitigate climate change, whose operations do not cause significant greenhouse gas emissions, who have a clear strategic and science-based target of reducing greenhouse gas emissions or whose operations offer carbon sinks.

We have also exclusions in place in order to manage the climate related risks. These include coal mining companies, and utility companies that produce more than 30% of their revenue/capacity with coal. We also publicly stated our goal of excluding all coal utility companies and oil production companies by 2025, and 2030 respectively, and we actively engage Utility companies that are not meeting the timeline.

We use the TCFD-framework to report on our climate related financial risks and opportunities.

No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Board members or trustees
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Other Chief-level staff or heads of departments
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.6
CC

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Varma's Board of Directors has approved Varma's Responsible Investment Principles, Varma's Climate Policy and Varma's ownership policy.. The Director of Responsible Investment, who is accountable to the CIO reports to the board on a biannual basis on the progress of climate objectives, as a part of responsible investment developments.

SG 07.7
CC

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

The Climate policy, that has been approved by the Board of directors sets out our overall stance towards climate change, and the short and long term portfolio level targets, and also asset class specific objectives. The Chief Investment officer is responsible for the oversight of all of the objectives. The heads of specific asset classes are accountable to the CIO of the progress in climate related issues, and are also part in managing the climate related issues. Dedicated responsible investment personel develop and manage the integration of climate related topics to the investment decision process alongside portfolio managers, Middle-Office, heads of asset classes, and the CIO. Annual objectives for climate change integration are set for all asset classes, and are tracked on a quarterly basis.

Monitoring Varma's exposure to Transition industries is a topic in Allocation Team's meetings quarterly.

**SG 07.8
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other
- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

We have done scenario analysis in listed equity, listed fixed income and real-estate portfolios. The results have been disclosed publicly.

Listed investments were about transition risks, real-estate both transition and physical.

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

Climate policy targets have an effect on company and industry weights.

- We do not consider ESG issues in strategic asset allocation

SG 13 CC

Mandatory to Report Voluntary to Disclose

Public

Descriptive

General

**SG 13.4
CC**

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

The scenario analyses for listed equity and fixed income were made in 2018. The assessments provided information on the composition of our underlying companies' plans for future in certain Co2 intensive industries.

The physical risks of our direct real estate investments were also analyzed by performing scenario analysis regarding flood risks. The transition risks of real-estate investments were also analyzed. Outcome of the transition risk scenario analyses resulted in large investments in heat pumps in order to reduce the carbon intensity of our real-estate portfolio and in order to align it with the 1,5 degree target.

- Incorporation into investment analysis

Describe

The scenario analyses provide information about the most exposed locations for real-estate investments. The information is used when planning new buildings. The transition risk scenario analysis in real-estate also provided information on how to reduce carbon emissions in order to align ourselves with the 1.5 degree target.

In listed equity, in order to meet the 1.5 degree target, the carbon intensity of our investments need to drop significantly. This is now taken into account when making new investments.

A roadmap for electricity generation is used in private equity and hedge fund investments, which is based on BNEF-scenario. We formed our 2030 climate target for private equity based on this scenario. S

- Inform active ownership

Describe

The transition risk scenario analyses provided us with information about the most carbon intensive industries. This, alongside with our own internal scenario analyses regarding our weighted average carbon intensity targets set out in our climate policy, helped us identify those companies that need to have large emission reductions in order for us to reach the objectives of the paris agereement and our own internal targets. We have communicated our plans to exclude some of these companies in the future, but currently are engaging them in hope for them to change.

- Other

**SG 13.5
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

specify

Reporting department, communications

SG 13.6
CC

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

A scenario analysis of physical climate risks was conducted on our real-estate portfolio that included timeframes from 1 to 1000 years.

No

SG 13.7
CC

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

SG 13.8
CC

Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input checked="" type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input checked="" type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input checked="" type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input checked="" type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input checked="" type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (1) please specify:</div> Internal WACI-reduction timeline
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		3	430	000	000
Currency	EUR				
Assets in USD		3	780	893	450

Specify the framework or taxonomy used.

A taxonomy is currently in development internally to classify climate friendly investments in all asset classes. Our target is to have a 20% allocation to climate friendly investments by 2025.

The current low-carbon investments include, Green Bonds, Sustainability Themed Equity portfolio, Bespoke Transition risk reducing ETF's, climate themed equity funds, and direct investments in companies that are using a science based target.

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

Physical scenario analysis as a basis for real-estate renovation

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

SG 14 CC	Voluntary	Public		General
SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.			

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Carbon Neutrality 2035. Climate allocation 20% by 2025.	% of total portfolio	20% of total investment portfolio to be climate friendly by 2025. Portfolio carbon neutral by 2035.
Weighted average carbon intensity	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Reducing our carbon risk in listed investments	tCo2/M€ revenue	-30% by 2023, -40% by 2025, -50% by 2027
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2	tCo2
Portfolio carbon footprint	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2	tCo2
Total carbon emissions	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2	tCo2
Carbon intensity	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Tracking our Co2 emissions in equities and fixed income and real estate	tCo2/M€Revenue	tCo2/M€Revenue
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	To see our exposure to carbon intensive industries. Transition industry-framework.	% of assets	% of portfolio
Other emissions metrics	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Carbon intensity attribution in listed equity: Pure Sector, Security Selection and Interaction Effects	tCo2e/M€	Carbon performance attribution

**SG 14.7
CC**

Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target	2016	2023, 2025, 2027	We have set targets to reduce our weighted carbon intensity by 30%, 40% and 50% in listed equity and fixed income portfolios.	File 1:climate-policy-for-varmas-investments-11-2019 (1).pdf
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target		2035	Carbon neutral investment portfolio by 2035	File 1:climate-policy-for-varmas-investments-11-2019 (1).pdf
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target		2025	Climate allocation to be 20% of our total portfolio by 2025	File 1:climate-policy-for-varmas-investments-11-2019 (1).pdf
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target		2030	50% of Utility investments in non-listed assets in renewables by 2030	File 1:climate-policy-for-varmas-investments-11-2019 (1).pdf
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target		2025 2030	Phasing out Coal and Oil exploration by 2025, and 2030 respectively.	File 1:climate-policy-for-varmas-investments-11-2019 (1).pdf

**SG 14.8
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- ⦿ Processes for climate-related risks are integrated into overall risk management

Please describe

Responsibility is a strategic theme for Varma, and mitigating climate change is one of the company's key responsibility targets. Climate issues are a key focus when CSR issues are annually reported to Varma's Board of Directors. The Executive Group also discusses CSR issues at least once a year. On a company-wide level, the CIO is in charge of monitoring the climate impacts of investments. The head of each asset class is in charge of the practical application of the responsible climate targets. Additionally, Varma's director of responsible investment develops and co-ordinates, together with his/her team, responsible investment and climate change mitigation in different asset classes, and is in charge of investment decisions for the sustainable equity portfolio. The Investment Operations management team regularly discusses matters relating to responsible investments. Climate risks are handled in both the investment plan and the risk and solvency assessment. Investment activities are also steered by the climate policy for investments, in which we have committed to developing our investment operations so that our investments are aligned with the target of the Paris Agreement. We have also set targets for reducing the carbon footprint in our direct investments. Separate climate targets and actions have been set for each asset class, and these are reported on annually in our CSR report. Information on climate-related policies - e.g. exclusions and enhanced ESG monitoring - is also given in Varma's Principles for Responsible Investment, which have been approved by Varma's Board of Directors.

In our ownership policy, we guide companies to report transparently on the current and future impacts of climate change on the company's operations and growth potential. In essence, we are guiding the companies to report according to the TCFD recommendations. They should report on how the impacts of climate change are included in the company's governance, strategy and risk management, especially in emissions-intensive industries. Reporting on the targets and indicators set by the investee company makes it easier to monitor the company's progress.

Varma has set up a Transition-Industry and enhanced ESG-monitoring framework. The purpose of this framework is to identify and monitor the most carbon intensive industries on our investments, and be aware of the significant developments within the industries. When portfolio managers are doing investments to these industries, they are required to provide a written rationale behind the investment. The underlying data is fed straight in to our risk management system and is maintained by Varma's Middle office.

We are able track the share, contribution to carbon intensity, performance against the benchmark and other climate specific information of these industries in our listed investments on a daily basis, and the responsible investment analyst reports the findings atleast 4 times a year to Varma's allocation team.

- Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.
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- Yes

Please describe

We encourage companies to report in line with TCFD recommendations. This may happen in seminars, or presentations that are made by Varma personnel, or in one on one meetings with companies. Our CEO has also publicly stated that TCFD is something that should be adapted.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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%

3

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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Area

- Energy efficiency / Clean technology

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area
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1

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

1

- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Hedge funds
- Fund of hedge funds
- Cash

Brief description and measures of investment

Varma established a sustainability themed portfolio in listed equities in 2016. The portfolio invests in sectors and companies which are well placed to benefit from climate change. Also other sustainability themed investments are included in the portfolio. Varma also has investments in green bonds and in a externally managed climate & environment themed equity fund.

- Renewable energy
- Green buildings

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property

Percentage of AUM (+/-5%) per asset class invested in the area

1

- Infrastructure
- Hedge funds
- Fund of hedge funds
- Cash

Brief description and measures of investment

Our direct real-estate portfolio includes buildings that operate fully with renewable heating and electricity

- Sustainable forestry
- Sustainable agriculture
- Microfinance

Asset class invested

- Listed equity
- Fixed income - SSA

Percentage of AUM (+/-5%) per asset class invested in the area

0

- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Hedge funds
- Fund of hedge funds
- Cash

Brief description and measures of investment

Varma has made investments to Micro finance fund.

- SME financing
 - Social enterprise / community investing
 - Affordable housing
 - Education
 - Global health
 - Water
 - Other area, specify
- No