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Corporate Governance



VARMA

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# Corporate Governance

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

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

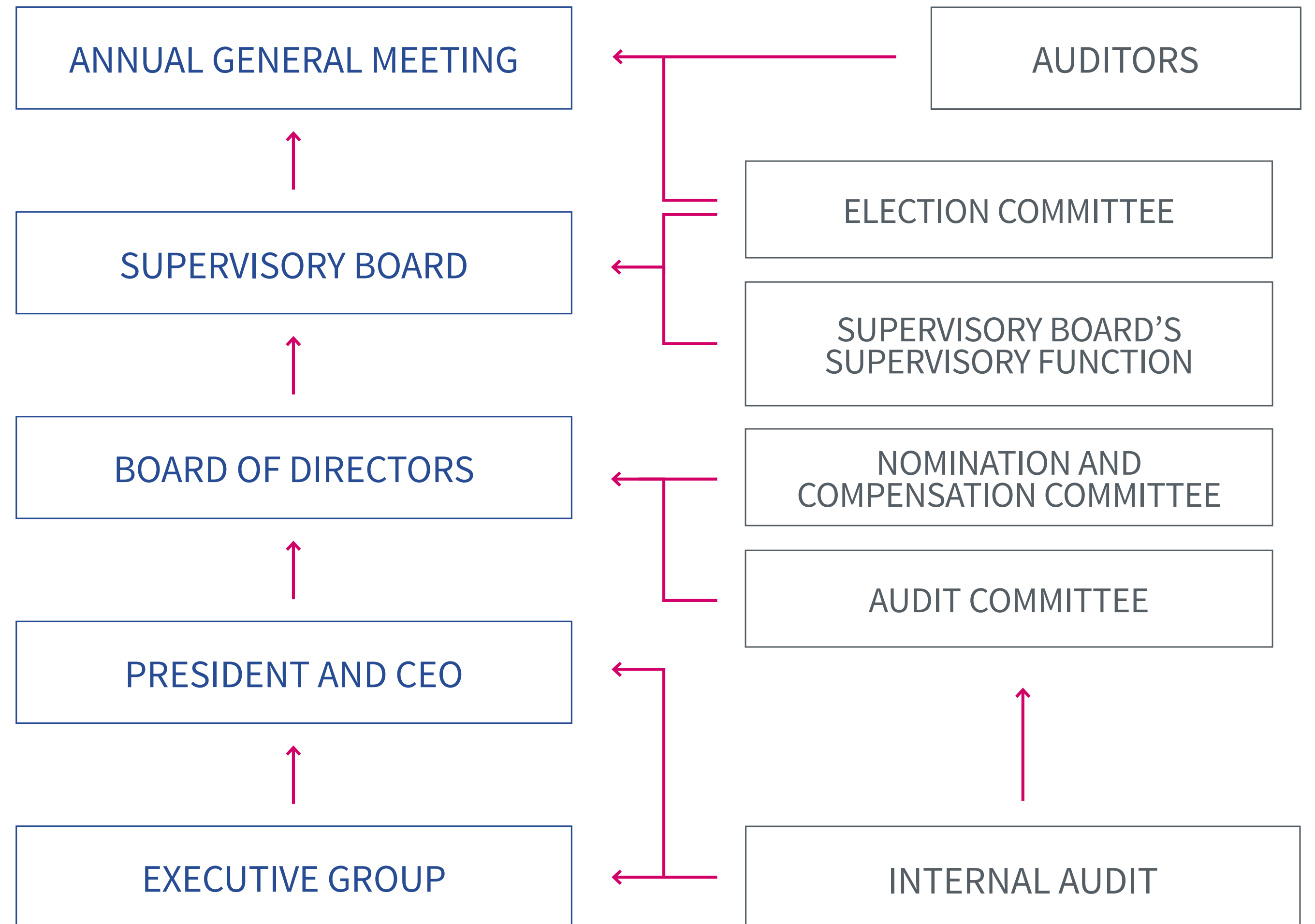
The starting point for Varma’s corporate governance is the company’s core task, which is the implementation of statutory earnings-related pension security. The statutory earnings-related pension scheme was created by an agreement concluded between the government and labour market organisations, and the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

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

Good governance is also part of the sustainability of Varma’s operations.

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

## Corporate governance structure



# Corporate Governance Report

Varma’s corporate governance system is based on the Finnish Act on Earnings-Related Pension Insurance Companies. This report is drawn up pursuant to Finnish Corporate Governance Code 2020 as applicable to the operations of earnings-related pension insurance companies. The report is published separately from the company’s Report of the Board of Directors. Deviations from the Code are presented below. The Code is available on the Securities Market Association’s website. This report describes the situation on 31 December 2023.

## Deviations from the Finnish Corporate Governance Code

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

- Recommendations 1, 3 and 5 – Election of the Board of Directors: Varma deviates from the recommendation as, under the Act on Earnings-Related Pension Insurance Companies, the Annual General Meeting elects the members of the earnings-related pension company’s Supervisory Board, which in turn appoints all members of the earnings-related pension insurance company’s Board of Directors.

- Recommendation 6 – Term of Office of the Board of Directors: The term of office of the members of Varma’s Board of Directors deviates from the recommended one year. Under the Articles of Association, the term of each member lasts three years, such that the terms of four members expire each year.
- Recommendations 10, 16, 17 and 18 – Number of independent Board and Committee members: The composition of Varma’s Board of Directors and its committees is assessed on the basis of the Finnish Act on Earnings-Related Pension Insurance Companies. Therefore at least half of the Board members are elected on the proposal of the labour market central organisations. Since Varma is a mutual earnings-related pension insurance company, other members are persons who belong to the operative management of its client companies. The members of the Board of Directors’ committees are elected from among the Board members.
- Recommendation 22 – Decision-Making Relating to Remuneration: according to the Finnish Act on Earnings-Related Pension Insurance Companies, the Supervisory Board is responsible for decision-making relating to the remuneration of the Board of Directors and its committees.

## Annual General Meeting

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

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

The number of votes that a shareholder can exercise in the General Meeting is based on paid insurance contributions as specified in the Articles of Association.

The Annual General Meeting shall be held annually before the end of May. An Extraordinary General Meeting shall be held when the Board of Directors or the Supervisory Board considers it necessary, or when it must be held pursuant to the Insurance Companies Act.

According to the Articles of Association, the Annual General Meeting shall confirm the Financial Statements and the Consolidated

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

## Supervisory Board

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

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

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

- seven members from among candidates put forward by major employer organisations;

- eleven members from among candidates put forward by major employee organisations;
- fourteen other members.

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

In order to fulfil its supervisory task, the Supervisory Board has established a supervisory function in which the presiding officers and four members of the Supervisory Board, the presiding officers of the Board of Directors and the CEO discuss current issues in the company and the earnings-related pension system.

### Election Committee

The Supervisory Board appoints the Election Committee from among its members, or from the members of the Board of Directors. Under the Finnish Act on Earnings-Related Pension Insurance Companies, the Chair or the Deputy Chair of the Committee must be elected on the proposal of the Supervisory Board members representing the insured. In addition to the Chair and the Deputy Chair, Varma's Election Committee also has four other members, of whom:

- two are elected on the proposal of the Supervisory Board members representing the policyholders;
- two are elected on the proposal of the Supervisory Board members representing the insured.

Chair of the Supervisory Board, Christoph Vitzthum, acted as the Chair of the Election Committee, and Deputy Chair of the Supervisory Board, Petri Vanhala, acted as the Deputy Chair of the Election Committee. Of the members, Antti Palola (Deputy Chair of the Board of Directors), Pekka Piispanen (member of the Board of Directors) and Petri Vanhala represented the insured, while Chair Christoph Vitzthum, Jaakko Eskola (Chair of the Board of Directors) and Risto Penttinen (Deputy Chair of the Board of Directors) represented the policyholders in 2023.

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

# Members of the Supervisory Board 31 December 2023

## Chair

### Christoph Vitzthum

b. 1969  
President & CEO, Fazer Group  
Term expires in 2025

## Deputy Chair

### Päivi Leiwo

b. 1964  
Deputy Chair of the Board of  
Directors,  
Oilon Group Oy  
Term expires in 2024

## Deputy Chair

### Petri Vanhala

b. 1963  
President, Finnish Paperworkers'  
Union  
Term expires in 2024

## Juri Aaltonen

b. 1969  
Chairman,  
Federation of Special Service and Clerical  
Employees (Erto)  
Term expires in 2024

## Ari Akseli

b. 1972  
President, grocery trade,  
Kesko Corporation  
Term expires in 2025

## Eero Broman

b. 1963  
Deputy Chairman of the Board of  
Directors,  
Broman Group Oy  
Term expires in 2026

## Petri Castrén

b. 1962  
Interim CEO until 12 February 2024  
Chief Financial Officer, Kemira Oyj  
Term expires in 2025

## Kim Forsström

b. 1976  
Head of Large Corporates & Institutions  
Finland, Danske Bank A/S, Finland Branch  
Term expires in 2025

## Lasse Heinonen

b. 1968  
Senior Advisor, A. Ahlström Oy  
Term expires in 2026

## Marko Hovimäki

b. 1969  
Chairman of MMA, the Union of Sales and  
Marketing Professionals  
Term expires in 2026

## Olavi Huhtala

b. 1962  
EVP & Head of SSAB Europe Oy  
Term expires in 2024

## Mika Joukio

b. 1964  
CEO, Metsä Board Corporation  
Term expires in 2025

## Jukka Jäämaa

b. 1965  
Country Manager Finland, ISS Palvelut Oy  
Term expires in 2026

## Risto Kalliorinne

b. 1971  
Organisation Manager,  
Service Union United PAM  
Term expires in 2024

**Anne Karjalainen**

b. 1970  
Financial Director, Trade Union for the  
Public and Welfare Sectors JHL  
Term expires in 2026

**Ville Kopra**

b. 1977  
CEO, Versowood Oy  
Term expires in 2024

**Tapio Korpeinen**

b. 1963  
Chief Financial Officer, UPM-  
Kymmene Corporation; and Executive  
Vice President, UPM Energy  
Term expires in 2026

**Katariina Kravi**

b. 1967  
Executive Vice President, People and  
Culture, Stora Enso Oyj  
Term expires in 2026

**Pekka Kuusniemi**

b. 1968  
CEO, Raisio Plc  
Term expires in 2025

**Elisa Markula**

b. 1966  
CEO, VR-Group Plc  
Term expires in 2025

**Johanna Moisio**

b. 1977  
Executive Director, Finnish Union of  
University Researchers and Teachers  
Term expires in 2024

**Maria Mäkyänen**

b. 1988  
Director of Public Affairs,  
Trade Union Pro  
Term expires in 2026

**Pasi Pesonen**

b. 1981  
Organisation Director, Trade Union of  
Education in Finland, OAJ  
Term expires in 2025

**Perttu Puro**

b. 1971  
CEO, Osuuskunta Tradeka  
Term expires in 2024

**Mika Rautiainen**

b. 1962  
CEO, Tokmanni Group  
Term expires in 2026

**Eeva Sipilä**

b. 1973  
CFO and Deputy CEO, Metso Outotec  
Corporation  
Term expires in 2025

**Pekka Tiitinen**

b. 1967  
Managing Director, ABB Oy  
Term expires in 2024

**Markku Varis**

b. 1958  
Term expires in 2024

**Jorma Vehviläinen**

b. 1967  
CFO, SOK Corporation  
Term expires in 2024

**Anssi Vuorio**

b. 1965  
Director of Industry Sector, Trade Union Pro  
Term expires in 2026

**Sauli Väntti**

b. 1961  
Chairman, Finnish Electrical Workers Union  
Term expires in 2025

The term of Kari Ahola, Mari Keturi, Lauri Sipponen and Jari Suominen ended at the Annual General Meeting of 14 March 2023. An up-to-date [list of the members of the Supervisory Board](#) is available on Varma's website.

The Supervisory Board convened three times in 2023, and the average attendance rate of the members was 87 per cent.

## Composition and duties of the Board of Directors

The task of the Board of Directors is to see to Varma’s administration and the appropriate organisation of its operations. Under the Finnish Act on Earnings-Related Pension Insurance Companies, the Board of Directors shall manage the company in a professional manner, in accordance with sound and prudent business principles and sound governance principles, draw up an investment plan on the investment of the company’s assets, and perform together with the executive management a risk and solvency assessment as part of strategic decision-making and risk management.

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

The Board of Directors appoints and dismisses the President and CEO.

In accordance with its charter, the Board of Directors also:

- appoints the directors that report directly to the CEO;
- decides on the terms of employment and remuneration systems for the CEO and members of the Executive Group;
- appoints, if necessary, a deputy CEO;
- appoints an actuary and senior physician;
- evaluates the activities of the CEO, the deputy CEO and the directors who report directly to the CEO, and the management resources and their adequacy;
- approves the basic organisation of the company and composition of the Executive Group;
- arranges the company’s administration such that the Board of Directors is able to efficiently and independently monitor the President and CEO, other executive management and the rest of the organisation;
- ensures that the company has a corporate governance system in place in which the areas of responsibility are defined and which enables compliance with healthy and prudent business principles in the operations;
- decides on personnel compensation systems;
- approves the company’s values;
- decides on the strategic targets and overall strategy;
- approves the operating expenses budget;
- exercises the supreme power of decision related to investment operations, approves the powers of decision in investment operations;
- draws up an investment plan and follows up on its implementation;
- carries out, together with the executive management, a risk and solvency assessment as part of strategic decision-making and risk management, and keeps the assessment updated;
- approves the financial statements, signs the financial statements and the Report of the Board of Directors, and sees to it that control of the company’s accounting and financial affairs is appropriately arranged;
- oversees the arrangement and organisation of internal control at all organisational and operational levels, and annually assesses whether the company’s internal control is arranged appropriately and, if necessary, initiates corrective measures;
- decides on compliance operations;
- decides on the client bonus policy;
- decides on both incoming and outgoing insurance portfolio transfers (company pension fund transfers);
- decides on the company’s calculation bases applications;
- appoints the members of the consultative committees and approves the rules and remuneration for the committees;
- decides on the authorisations to sign for the company;
- convenes the Annual General Meeting and prepares the agenda for the Annual General Meeting and the Supervisory Board meetings;
- approves, if necessary, company-wide guidelines on key topics;

- elects the members of the Audit Committee and those of the Nomination and Compensation Committee, and approves their rules.

In its annual self-assessment, the Board of Directors assesses the conditions of its operation, the method of discussion and decision-making at its meetings, the division of work and co-operation between the Board and the executive management, and the company’s internal controls and risk management.

Pursuant to the Finnish Act on Earnings-Related Pension Insurance Companies, electing members to the Board of Directors is the responsibility of the Supervisory Board. The election is prepared by the Election Committee with the aim of ensuring a composition that is necessary for Varma’s operation and competitiveness and meets the eligibility criteria as a whole and in terms of each individual member. Members of the Board of Directors of an earnings-related pension insurance company must be of good reputation with expert knowledge of the business. There must also be a good understanding of investment operations within the Board of Directors as a whole.

The eligibility criteria concerning the members of the Board of Directors are laid down in the Act on Earnings-Related Pension Insurance Companies.

The composition of Varma’s Board of Directors is planned for the long term. Efficient work requires sufficient and diverse expertise,

competence and experience and sufficient representation of both genders.

The Board of Directors has 12 members and three deputy members. The election procedure is as follows:

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

The terms of four members of the Board of Directors expire each year. The Board will select a chair and two deputy chairs from among its members. There are no members of Varma’s Executive Group on the Board of Directors. None of the Board members had an employment relationship with or held a position at Varma in 2023 or in the two years prior to that, nor do any of them receive compensation from Varma for services rendered or other advice not connected with the duties of the Board. Members and the companies under their control do not have equity holdings or equity-based rights in Varma’s Group companies. Information on the remuneration paid to the Board of Directors is presented in a separate [statement on remuneration](#) at Varma.



# Members of the Board of Directors 31 December 2023

## Ordinary members



**Chair Jaakko Eskola**

b. 1958  
M.Sc. (Eng.)  
Member since 2021  
Term expires in 2026



**Deputy Chair Antti Palola**

b. 1959  
Sea Captain  
Chairman, Finnish Confederation of  
Salaried Employees STTK  
Member since 2014  
Term expires in 2024



**Deputy Chair Risto Penttinen**

b. 1968  
M.Sc. (Econ.)  
Senior Advisor, Fortum Corporation  
Member since 2018  
Term expires in 2024



**Riku Aalto**

b. 1965  
M.Sc. (Admin.)  
President, Industrial Union  
Member since 2012  
Term expires in 2026

**Ordinary members**



**Anu Ahokas**  
b. 1979  
M. Soc. Sc.  
CEO, StaffPoint Group  
Member since 2021  
Term expires in 2025



**Ari Kaperi**  
b. 1960  
M.Sc. (Econ.)  
Member since 2010  
Term expires in 2024



**Jyri Luomakoski**  
b. 1967  
MBA  
Member since 2015  
Term ended 31 December 2023



**Petri Niemisvirta**  
b. 1970  
LL.M.  
Managing Director, Mandatum Group  
Member since 2014  
Term ended 31 December 2023

**Ordinary members**



**Teo Ottola**  
b. 1968  
M.Sc. (Econ.)  
CFO, Konecranes Plc  
Member since 2022  
Term expires in 2024



**Pekka Piispanen**  
b. 1960  
M.A.  
Director, Akava ry  
Member since 2017  
Term expires in 2025



**Saana Siekkinen**  
b. 1972  
M.Soc.Sc.  
Director, Central Organisation of Finnish Trade  
Unions SAK  
Member since 2020  
Term expires in 2025



**Mari Walls**  
b. 1961  
Ph.D.  
Director, CSC – IT Center for Science Ltd  
Member since 2020  
Term ended 31 December 2023

**Deputy members**



**Jari Elo**  
b. 1969  
M.Sc. (Econ.)  
CEO, Suomen Ekonomit ry (the Finnish Business School Graduates)  
Term expires in 2025



**Jouni Hakala**  
b. 1961  
LL.M., MBA  
Secretary General  
Foundation of the Confederation of Finnish Industry and Employers (TT),  
Confederation of Finnish Industries EK  
Member since 2021  
Term expires in 2025



**Kari Välimäki**  
b. 1954  
M.A.  
Member since 2022  
Term ended 31 December 2023

# New members of the Board of Directors on 1 January 2024:

## Ordinary members



**Anja Frada**  
b. 1981  
M.Sc. (Econ.)  
Vice President Finance & Control, Wärtsilä Energy  
Term expires in 2026



**Kristiina Mäkelä**  
b. 1966  
Ph.D. (Econ.)  
Professor, Provost, Aalto University  
Term expires in 2025



**Merja Ranta-aho**  
b. 1966  
Lic.Tech., M.A. (Psychology)  
EVP, HR, Elisa Corporation  
Term expires in 2026

## Deputy member



**Ville Talasmäki**  
b. 1975  
M.Sc. (Econ.)  
Chief Investment Officer, Sampo Group  
Term expires in 2025

An up-to-date [list of the members of the Board of Directors](#) is available on Varma's website. [Board members' positions of trust](#) are presented on Varma's website. The Board of Directors convened 11 times in 2023, and the average attendance rate of ordinary members was 97.7 per cent. When taking into account deputy members' attendance, the attendance rate was 100 per cent.

## Composition and duties of the Board of Directors' committees

### Audit Committee

The main tasks of the Audit Committee include the supervision of internal company control, risk management and financial and other reporting, as well as the monitoring of the work and observations of the auditors and the internal audit. The Committee does not have the power to make decisions independently. The Committee reports on its work and observations to the Board of Directors. In 2023, Ari Kaperi (Chair), Jyri Luomakoski, Teo Ottola and Antti Palola were members of the Audit Committee. The Committee convened eight times in 2023, and the attendance rate of the members was 100 per cent. The aforementioned members were elected to the Audit Committee on 18 January 2024, with the exception of Jyri Luomakoski, who was replaced by Anja Frada.

### Nomination and Compensation Committee

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

In 2023, the Nomination and Compensation Committee was composed of the Chair of the Board of Directors, Jaakko Eskola, and Deputy Chairs Antti Palola and Risto Penttinen. The

Committee convened six times in 2023, and the attendance rate of the members was 100 per cent.

### President and CEO

The CEO takes care of the administration of Varma according to the regulations and instructions of the Board of Directors. The CEO sees to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. It is the duty of the CEO to promote the interests of the company. The CEO shall manage the company in a professional manner, in accordance with sound and prudent business principles and sound governance principles. The CEO represents Varma in matters that fall within the sphere of tasks laid down in legislation.

Varma's President and CEO is Risto Murto. The CEO is assisted by Varma's Executive Group, which had, in addition to the CEO, eight management representatives and two staff representatives as members. The task of the Executive Group is to steer and develop Varma's operations so that the strategic objectives approved by the company's Board of Directors are met. Decisions on the salaries and benefits of the CEO and the other members of the Executive Group are made by the Board of Directors. Information on these is presented in a [separate statement on remuneration](#) at Varma.

Decisions on new representation in Boards of Directors or Supervisory Boards of the

President and CEO are made by the Chair of the Board of Directors. The Chair of the Board of Directors decides on an Executive Group member's new representation on the board of directors or supervisory board of an entity that is not Varma's subsidiary on the CEO's proposal. Decisions on memberships on the boards of directors or supervisory boards of Varma's subsidiaries and on Varma's memberships in the earnings-related pension sector's co-operative bodies are made by the President and CEO. When deciding on representation, the decision-maker assesses:

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

The Investment Committee deals with major investment issues that are submitted to the CEO for decision. The Committee has the CEO and the executives responsible for investment operations as its members. The Committee prepares the investment proposals for the Board of Directors and makes decisions on matters in which it is authorised under the

investment plan approved each year by the Board of Directors, and which have not been delegated to a lower level. The Committee also monitors investment risks.

# Executive Group 31 December 2023



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



**Markus Aho**  
Chief Investment Officer  
b. 1980  
M.Sc. (Eng.)  
Member of the Executive Group since 2022  
Joined Varma in 2014



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



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



**Tuula Kallio**  
Senior Vice-President, Pension Services and  
Legal Affairs  
b. 1961  
LL.M.  
Member of the Executive Group since 2022  
Joined Varma in 2018



**Hanna Kaskela**  
Senior Vice-President, Sustainability &  
Communications  
b. 1979  
M.Sc. (Econ.)  
Member of the Executive Group since 2023  
Joined Varma in 2003



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



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





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



**Katri Viippola**  
Senior Vice-President, People, Communications and Development  
b. 1976  
Executive MBA, Master of Arts  
Member of the Executive Group until 31 May 2023



**Mikaela Öberg**  
Senior Vice-President, People and Development  
b. 1979  
M.A.  
Member of the Executive Group since 3 November 2023  
Joined Varma in 2023



**Eva Hautala**  
Pension Adjudication Specialist  
b. 1963  
B.Soc.Serv.  
Employee representative since 2016  
Joined Varma in 2006



**Hanna Laitinen**  
Pension specialist  
b. 1978  
B.Soc.Serv.  
Employee representative until 30 September 2023



**Jonna Suomilammi**  
Pension Adjudication Specialist  
b. 1978  
B.Soc.Serv.  
Employee representative 1 October–31 December 2023  
Joined Varma in 2019



**Lasse Lindholm**  
Account Manager  
b. 1963  
M.Sc. (Econ.)  
Employee representative since 2024  
Joined Varma in 1999

Pasi Mustonen serves as Varma’s Chief Actuary. Jan Schugk is Varma’s Senior Physician.  
[Executive Group members’ positions of trust](#) are presented on Varma’s website.

## Medical Affairs and Consultant Physicians

### Medical Affairs:

**Jan Schugk**  
Senior Physician  
b. 1966, MD

Senior consultant physician

**Kirsi Karvala**

Consultant Physicians

**Mervi Fearnley**

**Aki Karhunen**

**Tiia Reho**

**Sari Siivola**

**Minna Sadeniemi**

**Tuula Kiesseppä**

**Mikael Ojala**

**Sami Riekkö**

**Laura Häkkinen**

**Annika Jalli**

**Mika Saarela (from 1 January 2024)**

**Päivi Pohjavaara (from 1 January 2024)**

## Internal control and risk management

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

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

The Compliance function is an element of internal control. Its task is to ensure that decrees, official regulations, the decisions of governance bodies, and internal guidelines are complied with. The activities are risk-based and focus on information flow, advising, drawing up instructions and organising training. The Compliance Officer reports directly to the President and CEO.

The President and CEO is in charge of the day-to-day administration of the company according to the instructions and orders given

by the Board. The CEO sees to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner, and monitors risks in accordance with the principles established in risk management and investment plans, and other plans.

Line managers and other supervisors are responsible for organising internal control, risk management, the compliance function and good governance in their areas of responsibility as part of normal operations. The Chief Financial Officer is responsible for the independent monitoring of investment positions and risks, and for overseeing operative risks. The Financial Administration coordinates the identification and management of operational risks in different functions and draws up a summary of the risk assessments drawn up by the functions. Regarding investments, the Financial Administration monitors compliance with the risk limits, authorisations, and allocations. Monitoring ensures that the decisions of the investment organisation and the President and CEO adhere to the framework of the investment plan.

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

The company's actuary must prepare a statement for the company's Board of Directors on the requirements posed by the

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

## Insider administration

Varma follows insider guidelines approved by the Board of Directors. The purpose of the guidelines is to promote the public reliability of the company's investment operations and ensure personnel's knowledge of insider regulations, so that they are not unintentionally violated. Varma has, pursuant to the Act on Earnings-Related Pension Insurance Companies, a public insider register in place. Varma also maintains a non-public insider register in order to improve the management of insider information and monitoring of the personnel's trading.

Varma's legal affairs upholds the insider registers and is in charge of training and consultation on insider matters, as well as for monitoring insiders' trading. The public insider register can be accessed through Euroclear Finland's NetSire service. The Compliance Officer monitors compliance with legislation and guidelines in insider matters.

## Related party transactions

Varma's related parties include the members of the Supervisory Board and the Board of Directors, the President and CEO, the other members of the Executive Group, the chief auditor, and the spouses and wards, and

companies under the control of the aforementioned persons.

Transactions carried out with the related parties are handled in accordance with the related party guidelines such that Varma's Board of Directors decides on major business transactions in cases which involve a related party. Related party transactions are reported on Varma's website. There were no related party transactions during the 2023 calendar year.

## Internal audit

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

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

The internal audit is administratively subordinate to the CEO.

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

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

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

The contents of the financial reporting presented to the Board of Directors are laid down in the Board of Directors' charter. All financial reporting to the Board of Directors, company management and the authorities is carried out by Varma's Financial Administration independently of the function to be reported on. The company's result and solvency position are calculated daily.

The Board of Directors receives regular reports on, among other things, the total result, the balance sheet and the income

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

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

Actuaries see to it that the insurance contributions and the technical provisions are calculated in accordance with the applicable legislation, technical bases and the regulations issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

The division of responsibility between earnings-related pension companies is handled via the Finnish Centre for Pensions each year. In addition to the information required under the provisions, Varma also reports on its financial performance on a quarterly basis. In order to increase transparency, Varma publishes its balance sheet and income statement at fair value and its investments and their returns, grouped in accordance with risks.

From the point of view of Varma's financial reporting, the most important elements are the valuation of the investments, the investment return at fair value, the interest credited

on technical provisions, and the company's solvency capital in relation to the solvency limit, which in turn is determined on the basis of the risks involved in each investment (solvency classification). The risk-bearing capacity of the investment operations is determined on the basis of the solvency indicators.

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

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

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

Calculations of the technical provisions are made each year. The calculations of the

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

### **Auditing**

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

In accordance with Varma's Articles of Association, the 2023 General Meeting elected one Auditor, which is an audit company, for the company.

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

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

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

Committee, to the Board of Directors, to the Supervisory Board, to executive management and to the supervisory authority.

The Auditor provides the Board of Directors annually with written confirmation of its independence, required under the legislation in force.

The Company's Board of Directors assesses the independence of the Auditor each year.

In accordance with the decision made by the Annual General Meeting on 14 March 2023, Ernst & Young Oy, with Authorised Public Accountant Antti Suominen as chief auditor, served as Varma's Auditor during the financial year 2023.

Remuneration paid to the Auditor for statutory auditing in 2023 amounted to EUR 287,332. Remuneration paid to Ernst & Young Oy for expert services other than those related to auditing totalled EUR 45,439 in 2023.

# Statement on remuneration at Varma

This statement describes Varma’s valid remuneration principles and, as part of it, the remuneration policy for the CEO, other executives and personnel.

This statement can also be viewed on Varma’s website, and it is based on the situation on 31 December 2023. The statement is based on the Finnish Act on Earnings-Related Pension Insurance Companies and the Financial Supervisory Authority’s guidelines on the basis of the act. Varma also complies with the provisions of the Finnish Corporate Governance Code as applicable to earnings-related pension insurance companies. These provisions, which are legally binding on listed companies, serve as recommendations for earnings-related pension companies.

## 1 Remuneration principles

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

The main principles steering remuneration are:

1. All remuneration is based on performance, equality and competitiveness.

2. The aim is to reward for concrete results in terms of implementing the company’s strategy, achieving targets and performing the company’s statutory task.
3. Remuneration takes into account excellent performance and encourages behaviour that is in accordance with Varma’s values.
4. The goals and rewards in the remuneration schemes are in balance with long-term value creation and the achievement of short-term targets, and in harmony with risk management.
5. Remuneration within the company is competitive in the relevant markets.
6. Through remuneration, the goal is to ensure that Varma as an employer attracts skilled and motivated experts.
7. These remuneration principles apply equally to all Varma employees, including executive management.
8. To ensure independence, individuals carrying out internal audit and compliance officer tasks are not within the scope of any remuneration scheme.

## 2 Decision-making process

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

Committee. Decision making concerning the company’s remuneration follows principles that aim to ensure the prevention and control of conflicts of interest. The basic principle is that the executive body that elects a given executive body also decides on the remuneration of the executive body in question. The purpose of this principle is to ensure fair and equal decisions. When determining remuneration, external consultants are used as needed.

The terms of four members of the Board of Directors expire each year. The Board will select a chair and two deputy chairs from among its members. There are no members of Varma’s Executive Group on the Board of Directors. None of the Board members had an employment relationship with or held a position at Varma in 2023 or in the two years prior to that, nor do any of them receive compensation from Varma for services rendered or other advice not connected with the duties of the Board.

Members and the companies under their control do not have equity holdings or equity-based rights in Varma’s Group companies. Information on the remuneration paid to the Board of Directors is presented in the statement on remuneration.

## Decision-making process for remuneration

### Annual General Meeting

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

### Supervisory Board

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

### Election Committee

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

### Board of Directors

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

### The Board’s Nomination and Compensation Committee

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

### President and CEO

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

**2.1 Annual General Meeting**

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

**2.2 Supervisory Board**

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

**2.3 Election Committee**

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

**2.4 Board of Directors**

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

**2.5 The Board’s Nomination and Compensation Committee**

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

**2.6 President and CEO**

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

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

**Supervisory Board**

The General Meeting decides on the remuneration of the Supervisory Board on the basis of the Election Committee’s preparation.

The remuneration consists of an annual remuneration and meeting fees. The chair and vice chairs of the Supervisory Board are paid

a higher annual remuneration than members. Meeting fees are also paid for meetings of the Supervisory Board, Election Committee and the Supervisory Board’s supervisory function. Members of the Supervisory Board are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee. Compensation for travel and accommodation costs and daily allowance are paid in the maximum amounts specified in the Tax Administration guidelines.

**Board of Directors**

The Supervisory Board decides on the remuneration of the Board of Directors on the basis of the Election Committee’s preparation.

The remuneration consists of an annual remuneration and meeting fees. The chair and vice chairs of the Board of Directors and the chair of the Audit Committee are paid a higher annual remuneration than members. The deputy members of the Board of Directors receive a lower annual remuneration than members. Meeting fees are paid for the meetings of the Board of Directors and the Board of Directors’ committees, for the separate meetings of the presiding officers, and for the meetings of the Election Committee and the Supervisory Board’s supervisory function. Members of the Board of Directors are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee. Compensation for travel and accommodation costs and daily allowance are paid in the maximum amounts specified in the Tax Administration guidelines.

**4 Remuneration policy**

**4.1 Remuneration of the President and CEO**

- The Board of Directors appoints the President and CEO and decides on their remuneration and the terms of their executive employment contract.
- At Varma, the starting point for the President and CEO’s remuneration is that the remuneration be aligned with the interests of the CEO and of the company.
- Varma employs different remuneration components to attract, motivate and engage to the task a person who has excellent knowledge of the earnings-related pension

insurance business, investment activities and business management, as required by legislation.

- The remuneration level correlates with the level of performance, which promotes sustainable financial performance and focus on Varma’s targets and the implementation of its strategy.
- The structure and level of the remuneration must be in line with the sector’s reference values, and the remuneration must be competitive. A substantial part of the remuneration is based on performance. In order to assess the level of the CEO’s overall remuneration, the Nomination and

**Remuneration of the President and CEO**

<b>Basic salary</b>	<ul style="list-style-type: none"> <li>• Based on the demands, responsibilities, experience and performance related to the task.</li> <li>• Lunch benefit is paid on top of regular salary.</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>• Possibility for a phone benefit</li> <li>• Possibility for a car benefit (tax value included in the fixed monthly salary)</li> <li>• Possibility for health insurance</li> <li>• Possibility for group life insurance</li> <li>• Funeral grant</li> <li>• Other benefits for all personnel</li> </ul>
<b>Performance-based remuneration</b>	<ul style="list-style-type: none"> <li>• The President and CEO is included in the remuneration schemes for key persons and Investment Operations, and their maximum performance pay is equal to 12 months’ salary. Seven months of the remuneration are tied to the targets of the key persons’ scheme, and five months to the targets of the Investment Operations’ scheme.</li> <li>• A share of remuneration that corresponds to no more than six months’ salary is paid within approximately one month following the granting of the remuneration, and the remainder within three years in a maximum of three instalments. Each instalment corresponds to a minimum of one month’s salary.</li> <li>• The Board of Directors has the right to change the amount of the performance pay or cancel or postpone its payment for a compelling reason.</li> </ul>
<b>Supplementary pension</b>	<ul style="list-style-type: none"> <li>• Defined-contribution supplementary pension</li> </ul>

Compensation Committee compares it with the remuneration level of corresponding operators in the financial and employment pension sectors. The reference salaries are for informational purposes, and the salary is not directly determined on the basis of them. Other factors taken into account include the person’s responsibilities and experience, personal performance and Varma’s financial performance.

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

**4.2 Remuneration of Executive Group members**

- The Board of Directors decides on the remuneration and other terms of employment of the members of Varma’s Executive Group.
- At Varma, the starting point for the remuneration of the Executive Group is that the remuneration must be aligned with the interests of the Executive Group members and the company.
- Varma employs different remuneration components to attract, motivate and engage to the task a person who has the required skills, abilities and competence.
- The remuneration level correlates with the level of performance, which promotes sustainable financial performance and focus on Varma’s targets and the implementation of its strategy.

- The structure and level of the remuneration must be in line with the sector’s reference values, and the remuneration must be competitive. A substantial part of the remuneration is based on performance.
- In order to assess the level of the Executive Group members’ overall remuneration, the Nomination and Compensation Committee

compares it with the remuneration level of corresponding Finnish operators. The reference salaries are for informational purposes, and the salary is not directly determined on the basis of them. Other factors taken into account include the person’s responsibilities and experience, personal performance and Varma’s financial performance.

**Remuneration of Executive Group members**

<b>Basic salary</b>	<ul style="list-style-type: none"> <li>• Based on the demands, responsibilities, experience and performance related to the task.</li> <li>• Lunch benefit is paid on top of regular salary.</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>• Possibility for a phone benefit</li> <li>• Possibility for a car benefit (tax value included in the fixed monthly salary)</li> <li>• Possibility for health insurance</li> <li>• Possibility for group life insurance</li> <li>• Funeral grant for those employed before 2014.</li> <li>• Other benefits for all personnel</li> </ul>
<b>Performance-based remuneration</b>	<ul style="list-style-type: none"> <li>• The Chief Investment Officer is included in the remuneration scheme for Investment Operations. Their maximum performance pay is equal to 12 months’ salary. Their maximum performance pay of the Senior Vice-President, Sustainability &amp; Communications is equal to 8.25 months’ salary. 2.25 months of the remuneration is tied to the targets of the key persons’ scheme, and six months to the targets of the Investment Operations’ scheme. A share of remuneration that corresponds to no more than six months’ salary is paid within approximately one month following the granting of the remuneration, and the remainder within three years in a maximum of three instalments. Each instalment corresponds to a minimum of one month’s salary.</li> <li>• Other Executive Group members belong to the key persons’ scheme. Their maximum performance pay is equal to 6.5 months’ salary.</li> <li>• The Board of Directors has the right to change the amount of the performance pay or cancel or postpone its payment for a compelling reason.</li> </ul>
<b>Supplementary pension</b>	<ul style="list-style-type: none"> <li>• Defined-contribution supplementary pension for those employed before 2019.</li> </ul>

**4.3 Personnel’s remuneration**

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

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

**4.4 Varma's remuneration schemes in 2023**

Varma has three performance-based remuneration schemes in use:

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

Each Varma employee, with the exception of those performing internal audit and compliance officer tasks, is within the scope of performance-based remuneration, and each employee is covered by one of Varma’s three remuneration schemes. The remuneration scheme for Investment Operations was renewed for 2022, and the remuneration scheme for personnel was renewed for 2023.

Everyone at Varma also has the possibility of one-off remuneration provided that separately specified criteria are met.

Key principles of Varma’s remuneration schemes:

- For all remuneration schemes, the targets and indicators are based on the company’s strategy-based financial performance and its supporting measures.
- The remuneration schemes support Varma’s long-term objectives, which include solvency development and operating cost efficiency.
- The indicators reflect especially the efficient implementation of the pension system, solvency and sustainability of operations as part of the implementation of social security.
- The remuneration schemes are planned to prevent unhealthy risk-taking. The schemes have pre-defined maximum amounts of remuneration. The Board of Directors has the right to discontinue the schemes before the end of the period if the company’s financial position is jeopardised.
- The remuneration indicators are the same for the company-level targets of the personnel’s remuneration scheme and the remuneration scheme for key persons.
- The extent to which the objectives set for the schemes are achieved determines how large a part of the maximum sum is realised and paid.
- Performance-based remuneration in relation to overall remuneration is determined on



the basis of the role or job grading of each Varma employee. As the role’s responsibilities and direct impact on financial performance increase, the proportion of performance-based remuneration and maximum remuneration increase.

- The Board of Directors decides on the payment of performance pay annually after the end of the remuneration period. Decisions on remuneration are made according to the ‘one-over-one’ principle.
- Compliance with the norms regulating the activities is also considered when making remuneration decisions. Performance-based remuneration is not paid, or it may be recovered as an unjustified benefit, if it is discovered that the person in question has behaved contrary to Varma’s internal guidelines or ethical principles, legislation or official regulations or guidelines.

**Remuneration schemes**

<b>President and CEO</b>	<ul style="list-style-type: none"> <li>• The President and CEO is included in the remuneration schemes for key persons and Investment Operations, and their maximum performance pay is equal to 12 months’ salary and the phone benefit. Seven months of the remuneration are tied to the targets of the key persons’ scheme, and five months to the targets of the Investment Operations’ scheme.</li> <li>• The remuneration of the President and CEO is described in more detail under 4.1., and more detailed descriptions of the schemes are provided below.</li> </ul>
<b>Remuneration scheme for key persons</b>	<ul style="list-style-type: none"> <li>• In the remuneration scheme for key persons, common target setting is emphasised by setting the remuneration scheme’s maximum remuneration according to the realisation of the company’s targets.</li> <li>• At the beginning of each year, the Board of Directors identifies the persons covered by the scheme, i.e. the remuneration pools, as well as their maximum remuneration and the scheme criteria and principles.</li> <li>• The remuneration scheme for key persons covers the members of the Executive Group and middle management personnel in supervisory roles.</li> <li>• The maximum amount of remuneration paid out from the remuneration pool is based on the realisation of targets, the number of key persons, monthly salaries and maximum remuneration months.</li> <li>• The individual remuneration level is based on the achievement of the targets in the area under the key person’s responsibility as well as personal performance.</li> </ul>
<b>Remuneration scheme for Investment Operations</b>	<ul style="list-style-type: none"> <li>• The aim of the Board-approved remuneration scheme for Investment Operations is to benefit from added value that is created by the development of Varma’s solvency and the return on Varma’s investments developing better than the benchmark indices and, in the long term, better than a benchmark group comprised of Varma’s competitors, and the development sustainability in accordance with Varma’s targets. The measurement of the sustainability target began in 2023.</li> <li>• The scheme involves a pool model similar to the key persons’ scheme.</li> <li>• The individual remuneration level is based on the achievement of the targets in the area of responsibility as well as personal performance.</li> <li>• The scope of the remuneration scheme for Investment Operations includes all persons working in Investment Operations and, following the organisational changes that took effect on 1 June 2023, specialists in the sustainability department. In addition, part of the remuneration of the CEO and the Senior Vice-President, Sustainability &amp; Communications is determined on the basis of this remuneration scheme. Personal maximum remuneration corresponds to a maximum of 12 months’ salary and a minimum of one month’s salary.</li> <li>• A share of remuneration that corresponds to no more than six months’ salary is paid within approximately one month following the granting of the remuneration, and the remainder within three years in a maximum of three instalments. Each instalment corresponds to a minimum of one month’s salary.</li> </ul>
<b>Remuneration scheme for personnel</b>	<ul style="list-style-type: none"> <li>• The scope of the remuneration scheme for personnel covers all Varma employees who are not covered by other remuneration schemes</li> <li>• Maximum remuneration equals 1–3.5 months’ salary.</li> <li>• The review period for the remuneration scheme is one calendar year, and it consists of company-level and department-level targets (target library). Persons employed in sales also have individual targets and, for some, the achievement of the targets is assessed on a quarterly basis.</li> <li>• The weighting of targets varies between personnel groups or the job grade.</li> <li>• The target library, i.e. the function-level and department-level targets and indicators, are decided on by the Executive Group. Individual targets are approved by the head of the function in question. The targets support the implementation of the strategy and aim for work performance above the basic level.</li> <li>• The actual outcomes for the indicators in the target library are confirmed by the Executive Group, and at the individual level by the head of the function.</li> </ul>

**5 Remuneration report 2023**

**5.1 Remuneration of Supervisory Board members**

The Supervisory Board convened three times in 2023. The average attendance rate was 87 per cent.

- The annual remuneration of the Chair of the Supervisory Board is EUR 8,320, of the Deputy Chairs EUR 6,240 and of other members EUR 4,160. In addition, the members of the Supervisory Board were paid a meeting fee of EUR 625.

- A meeting fee was also paid for meetings of the Election Committee and the Supervisory Board’s supervisory function.
- Members of the Supervisory Board are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.

**5.2 Remuneration of the members of the Board of Directors**

- The Board of Directors convened 11 times in 2023, and the average attendance rate of ordinary members was 97.7 per cent. When taking into account deputy members’

attendance, the attendance rate was 100 per cent.

- In 2023, the annual remunerations were: EUR 49,160 for the Chair of the Board, EUR 34,960 for the Deputy Chairs and for the Chair of the Audit Committee, EUR 19,670 for the members, and EUR 14,200 for the deputy members. A meeting fee of EUR 625 per meeting was also paid.
- The same meeting fee was also paid for participation in the meetings of the Board of Directors’ committees, the separate meetings of the presiding officers of the Board of Directors, the meetings of the Election

Committee, the meetings of the Supervisory Board’s supervisory function, and the Supervisory Board’s meetings.

- Members of the Board of Directors are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.
- In its meeting on 29 November 2023, the Supervisory Board decided to raise the Board of Directors’ fees by approximately 2 per cent in 2024. In 2024, the annual remunerations will be: EUR 50,140 for the Chair of the Board, EUR 35,660 for the Deputy Chairs and for the Chair of the Audit Committee,

EUR 20,060 for the members, and EUR 14,480 for the deputy members. A meeting fee of EUR 640 per meeting will also be paid.

**Supervisory Board**

<b>Meetings in 2023</b>	<ul style="list-style-type: none"> <li>• The Supervisory Board convened three times</li> <li>• The average attendance rate was 87 per cent</li> </ul>
<b>Annual remuneration</b>	<ul style="list-style-type: none"> <li>• Chair: EUR 8,320</li> <li>• Deputy Chair: EUR 6,240</li> <li>• other members: EUR 4,160</li> </ul>
<b>Meeting fees</b>	<ul style="list-style-type: none"> <li>• In addition, the members of the Supervisory Board were paid a meeting fee of EUR 625.</li> <li>• The meeting fees were increased by the Annual General Meeting of 14 March 2023. The meeting fee for the first meeting of the Supervisory Board, held on 1 March 2023, was EUR 612.</li> <li>• A meeting fee was also paid for meetings of the Election Committee and the Supervisory Board’s supervisory function.</li> </ul>
<b>TyEL earnings</b>	<ul style="list-style-type: none"> <li>• Members of the Supervisory Board are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.</li> </ul>

**Board of Directors**

<b>Meetings in 2023</b>	<ul style="list-style-type: none"> <li>• The Board of Directors convened 11 times in 2023.</li> <li>• The attendance rate was 97.7 per cent. When taking into account deputy members’ attendance, the attendance rate was 100 per cent.</li> </ul>
<b>Annual remuneration</b>	<ul style="list-style-type: none"> <li>• Chair: EUR 49,160</li> <li>• Deputy Chair: EUR 34,960</li> <li>• Chair of the Audit Committee: EUR 34,960</li> <li>• Other members: EUR 19,670</li> <li>• Deputy members: EUR 14,200</li> </ul>
<b>Meeting fees</b>	<ul style="list-style-type: none"> <li>• A meeting fee of EUR 625 per meeting was also paid.</li> <li>• The meeting fee was paid for participation in the meetings of the Board of Directors’ committees, the separate meetings of the presiding officers of the Board of Directors, the meetings of the Supervisory Board’s supervisory function, and the Supervisory Board’s meetings.</li> <li>• Members of the Board of Directors are insured under Section 8 of the Employees Pensions Act TyEL, and a TyEL contribution is paid on the meeting fee.</li> </ul>

**Varma's Supervisory Board 2023 – attendance and remuneration**

Name	Supervisory Board meetings, attendance	Election Committee	Supervisory Board's supervisory function	Annual remuneration, €	Meeting and Committee remunerations, €	Total, €
<b>Chair</b>						
Christoph Vitzthum	2/3	3/3	2/2	8,320	4,362	12,669
<b>Deputy Chairs</b>						
Petri Vanhala	2/3	2/3	2/2	6,240	3,737	9,977
Päivi Leiwo	3/3		2/2	6,240	3,112	9,352
<b>Members</b>						
Juri Aaltonen	3/3		2/2	4,160	3,112	7,272
Kari Ahola	1/1			693.33	612	1,305.33
Ari Akseli	3/3			4,160	1,862	6,022
Eero Broman	1/3			4,160	625	4,785
Petri Castrén	3/3		2/2	4,160	3,112	7,272
Kim Forsström	3/3			4,160	1,862	6,022
Lasse Heinonen	3/3			4,160	1,862	6,022
Marko Hovinmäki	3/3			4,160	1,862	6,022
Olavi Huhtala	3/3			4,160	1,862	6,022
Mika Joukio	2/3			4,160	1,250	5,410
Jukka Jäämaa	3/3			4,160	1,862	6,022
Risto Kalliorinne	3/3			4,160	1,862	6,022
Mari Keturi	0/1			693.33	-	693.33
Anne Karjalainen	2/2			3,466.67	1,250	4,716.67
Ville Kopra	2/3			4,160	1,250	5,410
Tapio Korpeinen	2/3			4,160	1,237	5,397
Katariina Kravi	2/2			3,466.67	1,250	4,716.67
Pekka Kuusniemi	3/3			4,160	1,862	6,022
Elisa Markula	2/2			3,466.67	1,250	4,716.67
Johanna Moisio	3/3		2/2	4,160	3,112	7,272
Maria Mäkynen	1/2			3,466.67	625	4,091.67
Pasi Pesonen	3/3			4,160	1,862	6,022
Marko Piirainen	2/2			3,466.67	1,250	4,716.67
Perttu Puro	3/3			4,160	1,862	6,022
Mika Rautiainen	3/3			4,160	1,862	6,022
Eeva Sipilä	2/3			4,160	1,250	5,410
Lauri Sipponen	1/1			693.33	612	1,305.33
Jari Suominen	0/1			0	-	0
Pekka Tiitinen	3/3		2/2	4,160	3,112	7,272
Markku Varis	2/3			4,160	1,237	5,397
Jorma Vehviläinen	3/3			4,160	1,862	6,022
Anssi Vuorio	3/3			4,160	1,862	6,022
Sauli Väntti	3/3			4,160	1,862	6,022

**Varma’s Board of Directors 2023 – attendance and remuneration**

Name	Board of Directors’ meetings, attendance	Nomination and Compensation Committee	Audit Committee	Election Committee	Supervisory Board’s supervisory function	Supervisory Board	Annual remuneration, €	Meeting and Committee remunerations, €	Total, €
<b>Chair</b>									
Jaakko Eskola	11/11	6/6		3/3	2/2	3/3	49,160	15,625	64,785
<b>Deputy Chairs</b>									
Antti Palola	11/11	6/6	8/8	3/3	2/2	3/3	34,960	20,625	55,585
Risto Penttinen	11/11	6/6		3/3	2/2	3/3	34,960	15,625	50,585
<b>Members</b>									
Riku Aalto	11/11					2/3	19,670	8,125	27,795
Anu Ahokas	10/11					3/3	19,670	8,125	27,795
Ari Kaperi	11/11		8/8			2/3	34,960	13,125	48,085
Jyri Luomakoski	11/11		8/8			3/3	19,670	13,750	33,420
Petri Niemisvirta	10/11					3/3	19,670	8,125	27,795
Teo Ottola	10/11		8/8			3/3	19,670	13,125	32,795
Pekka Piispanen	11/11			3/3		2/3	19,670	10,000	29,670
Saana Siekkinen	11/11					3/3	19,670	8,750	28,420
Mari Walls	11/11					0/3	19,670	6,875	26,545
<b>Deputy members</b>									
Jari Elo	10/11					3/3	14,200	8,125	22,325
Jouni Hakala	11/11					3/3	14,200	8,750	22,950
Kari Välimäki	11/11					1/3	14,200	7,500	21,700

**5.3 Remuneration and other benefits of the President and CEO**

President and CEO Risto Murto’s remuneration and fringe benefits in 2023 amounted to EUR 597,326.77, his performance pay for 2022 was EUR 274,785,60, and his deferred performance pay for 2020 was EUR 44,900, amounting to a total taxable income of EUR 917,012.37. Under the remuneration scheme for key persons, Murto’s maximum performance pay corresponds to 12 months’ salary. Seven months of the remuneration are tied to the targets of the key persons’ scheme, and five months to the targets of the Investment Operations’ scheme. The schemes for key persons and Investment Operations are described above in section 4.4.

President and CEO Risto Murto’s fixed monthly salary is EUR 47,379.82 (EUR 45,777.60/month until 30 June 2023). The President and CEO does not have a company flat. The value of his company car benefit is EUR 855/month. The value of his mobile phone benefit was EUR 20/month, and the value of his lunch benefit was EUR 168/month. The tax value of his health insurance was EUR 74.22/month. The tax value of the car benefit is included in his fixed monthly salary, as is the tax value of health insurance until 31 August 2023. CEO Risto Murto’s retirement age is 65 years. Murto is included in the Executive Group’s defined-contribution supplementary pension arrangement. Murto’s supplementary

pension contributions amounted to EUR 164,799 in 2023.

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

The composition of the Executive Group changed in 2023. The employment relationship of Katri Viippola, Senior Vice-President, People, Communications and Development, ended on 31 May 2023. Hanna Kaskela became Senior Vice-President, Sustainability & Communications on 1 June 2023 and Mikaela Öberg became Senior Vice-President, People and Development on 3 November 2023.

Members of the Executive Group are covered by the remuneration scheme for key persons

as described above (see 4.2). The Chief Investment Officer is included in the remuneration scheme for Investment Operations (see 4.2). The Senior Vice-President, Sustainability & Communications, who took up her post on 1 June 2023, is covered by the remuneration scheme for Investment Operations as well as the remuneration scheme for key persons (see 4.2). Mikaela Öberg, Senior Vice-President, People and Development was not yet covered by remuneration schemes in 2023 because the duration of her employment did not exceed six months.

In 2023, the salaries, remuneration and fringe benefits of the members of the Executive Group, excluding the President

and CEO, totalled EUR 1,729,444.16 (taxable income) and performance pay EUR 681,995,00 (for 2022 and deferred for 2021). The payments for the members of the Executive Group’s defined-contribution supplementary pension agreements amounted to EUR 183,013 in 2023. The members of the Executive Group do not have a company flat. The members of the Executive Group have the option of a company car benefit and health insurance benefit, and they have a mobile phone benefit and lunch benefit. The tax value of the car benefit is included in his fixed monthly salary, as is the tax value of health insurance until 31 August 2023.

**President and CEO**

<b>Taxable income</b>	<ul style="list-style-type: none"> <li>In 2023, salary and fringe benefits totalled EUR 597,326.77</li> <li>Total taxable income, including performance-based remuneration, in 2023 amounted to EUR 917,012.37</li> </ul>
<b>Fixed monthly salary</b>	<ul style="list-style-type: none"> <li>EUR 47,379.82/month (until 30 June 2023: EUR 45,777.60/month)</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Lunch benefit EUR 168/month</li> <li>Phone benefit EUR 20/month</li> <li>Car benefit EUR 985/month (included in the fixed monthly salary)</li> <li>Health insurance EUR 74.22/month</li> <li>No company flat</li> </ul>
<b>Performance-based remuneration</b>	<ul style="list-style-type: none"> <li>Under the remuneration scheme for key persons for 2022 (maximum performance pay: 7 months), a total of EUR 247,490, of which EUR 159,619.50 was paid in 2023 and EUR 87,870.50 was deferred.</li> <li>Under the remuneration scheme for Investment Operations for 2022 (maximum performance pay: 5 months), a total of EUR 228,988, of which EUR 115,166.10 was paid in 2023 and EUR 113,821.90 was deferred.</li> <li>Performance pay for the year 2022 totalled EUR 476,478, of which EUR 274,785.60 was paid in 2023 and EUR 201,692.40 was deferred.</li> <li>Deferred remuneration paid for 2021 totalled EUR 44,900</li> <li>Sum total: Performance pay paid in 2023: EUR 319,685.60 (for 2022 and deferred from 2021)</li> </ul>
<b>Supplementary pension</b>	<ul style="list-style-type: none"> <li>Included in the defined-contribution supplementary pension arrangement</li> <li>Supplementary pension contributions in 2023 totalled EUR 164,799</li> </ul>
<b>Retirement age</b>	<ul style="list-style-type: none"> <li>65 years</li> </ul>

**Executive Group**

<b>Taxable income (Executive Group total)</b>	<ul style="list-style-type: none"> <li>In 2023, salary and fringe benefits totalled EUR 1,729,444.16.</li> <li>Total taxable income, including performance-based remuneration, in 2023 amounted to EUR 2,411,439.16. (Katri Viippola’s employment ended on 31 May 2023, Hanna Kaskela’s employment started on 1 June 2023, and Mikaela Öberg’s employment started on 3 November 2023)</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Lunch benefit EUR 168/month</li> <li>Phone benefit EUR 20/month</li> <li>Car benefit (included in the fixed monthly salary)</li> <li>Health insurance</li> <li>No company flat</li> </ul>
<b>Performance-based remuneration</b>	<ul style="list-style-type: none"> <li>CIO included in the scheme for Investment Operations, maximum remuneration 12 months</li> <li>Other Executive Group members included in key persons’ scheme, maximum remuneration 6.5 months</li> <li>Deferred remunerations: EUR 25,640</li> <li>Sum total: EUR 681,995 (incl. deferred)</li> </ul>
<b>Supplementary pension</b>	<ul style="list-style-type: none"> <li>Those employed before 2019 are included in the defined-contribution supplementary pension arrangement</li> <li>Supplementary pension contributions in 2023 totalled EUR 183,013</li> </ul>

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