

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2020



VARMA

01

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2020 REPORT OF THE BOARD OF DIRECTORS

By year-end 2020, the market value of the investments rose to EUR 50.2 (48.7) billion. The return on investments was EUR 1.4 billion, or 2.8 (12.0) per cent. Solvency was strong, and at the end of the financial year, solvency capital amounted to EUR 11.5 (11.6) billion. Varma's efficiency was at an excellent level: we used 61 (62) per cent of the amount reserved for operating expenses.

Value of investments

€50.2 bn

Solvency

€11.5 bn

Investment return

2.8%

Premiums written

€4.9 bn

Pensions paid

€6.0 bn

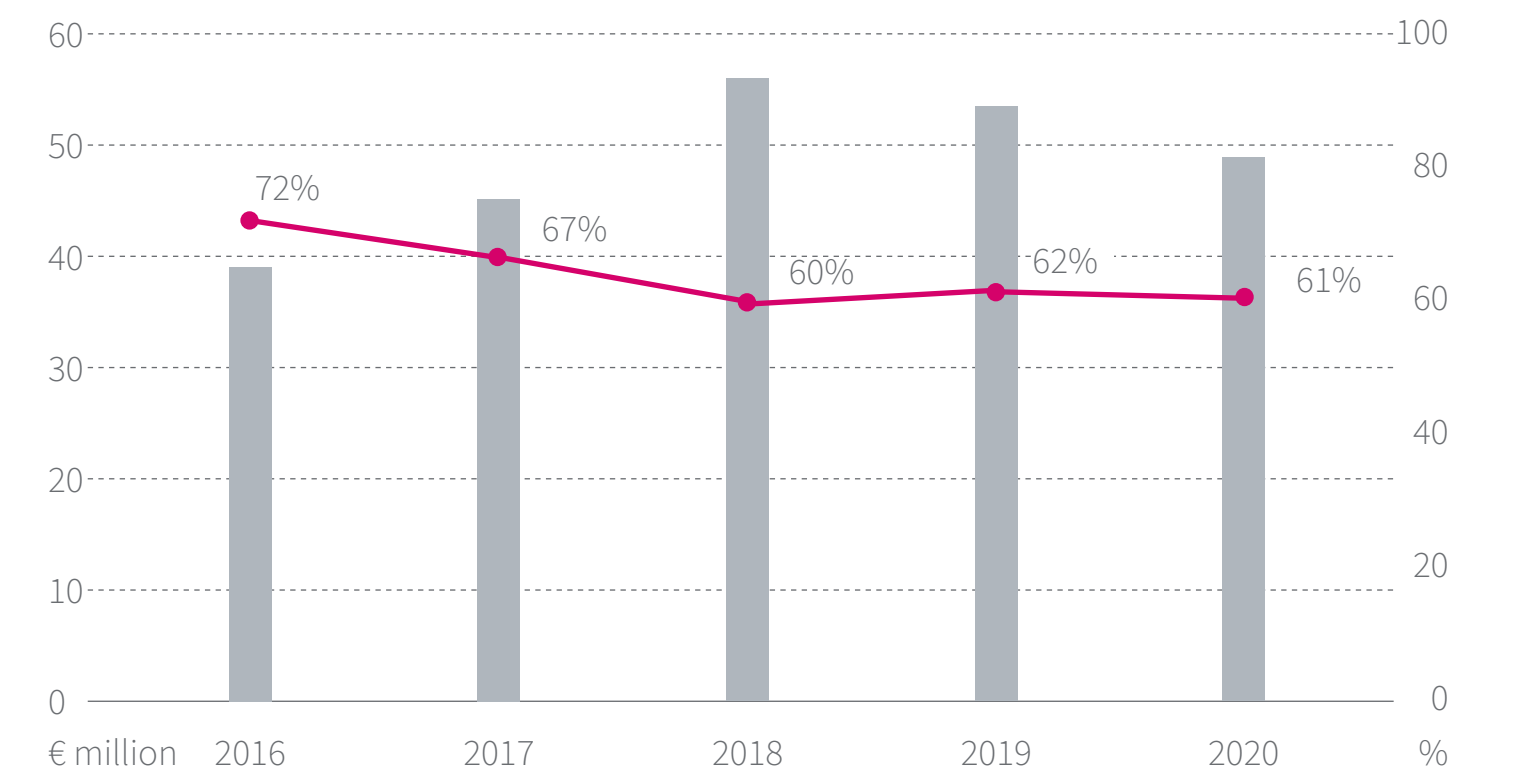
Insured customers

543,000

Investment return, %



Administrative cost efficiency



● Loading profit, € mill.
● Operating expenses as % of loading income

REPORT OF THE BOARD OF DIRECTORS 2020

The economic operating environment

The global coronavirus pandemic, which started in the spring in China, had unprecedented consequences on economies and societies. The lockdown measures that were imposed to control the pandemic had major and acute negative impacts on economic development, and global trade contracted. The lockdown measures had the most devastating impacts on demand for services in all economic areas. Global growth plummeted in the first half of the year with the extensive introduction of measures to control the spread of Covid-19. The unexpectedly fast development of Covid-19 vaccines provides better conditions for sustainable and strong economic recovery as 2021 progresses.

At first, equity markets fell, and we also saw strong movements in the fixed income market, and credit risk differences increased. However, a financial crisis was avoided: active measures by the central banks secured the stability of the financial system and the availability of financing. Governments' support packages combined with the central banks' active measures eased the situation in the capital markets. Thanks to lessons learned from previous crises, the support measures were broad and swift enough.

Recovery started in early summer, when some restriction measures were lifted, and growth

continued until the end of the year, although at varying paces, when the second wave of the pandemic hit global economies and authorities' responses varied widely. Due to the pandemic, China's economy spiralled downward early in the year, but very strict restriction measures contained the crisis, and the economy recovered for the rest of the year. China was the only large economy to grow in 2020. The U.S. economy was on a solid foundation. Massive support measures and strong recovery of asset values supported private consumption. Unemployment increased heavily due to the lockdown measures, but new jobs have also been created. The dynamics of the U.S. economy promote rapid strengthening of the economy, once the pandemic is brought under control through vaccinations.

2020 was also a year of political turmoil. In the U.S., the presidential election shifted attention away from several economic problems. In Europe, the Brexit process ended in a limited trade agreement concerning trade in goods only, following long negotiations between the UK and EU. In several emerging economies, the Covid-19 pandemic and global recession brought about major political challenges which the future vaccination campaigns will hopefully gradually alleviate.

Finland's economy made it through the Covid-19 year reasonably well compared to many other countries.

The central banks reacted to the Covid-19 pandemic with massive stimulus measures, launching or expanding their purchase programmes, guaranteeing liquidity on the markets and supporting financial policy through co-ordinated actions, in addition to pushing interest rates to zero or keeping them in negative territory. The central banks also communicated that the current extreme monetary policy would continue for a long time. Owing to the measures, interest rates dropped globally to an all-time low in 2020.

Recovery in Europe has been slower than in China and the U.S. The extent of impacts of the Covid-19 restrictions at different stages of the crisis has depended on the economies' characteristics, such as service intensity and the importance of domestic demand. The stimulus measures in Europe have also supported consumer demand. The European Union reached an agreement on the recovery tool. It aims to achieve, in accordance with the European Commission, structural reform in member states through more sustainable production and increased digitalisation.

Ultimately, Finland's economy made it through the Covid-19 year reasonably well compared to many other countries, at least in the short term. According to an estimate by the Ministry of Finance, the economy contracted 3.3 per cent in 2020. The availability of financing has remained steady. This combined with the stimulus measures has helped uphold economic activity and employment. Economic recovery started with the lifting of the lockdown measures in the spring when the pent-up demand started to unleash in the domestic markets. Towards the end of the year, the second wave of the

Covid-19 pandemic led to slower economic growth, evident in, for example, domestic demand.

The impacts of the exceptional year on companies operating in both the export and domestic markets have been widely varied. The employment situation weakened due to the pandemic, but mass unemployment has been avoided. Finland's temporary lay-off system has proven to be effective. Economic stimulus and support measures have been vital in terms of securing the economic growth base. Financing the stimulus measures deepens the public deficit. The aging population causes increasing pressure on government spending. In addition to spending caused directly by Covid-19, diseases left untreated and treatments that have been postponed due to the pandemic have increased the pent-up demand for health care services, and this too needs to be financed.

Earnings-related pension system

Earnings-related pension serves as an automatic stabiliser also in situations when the economy is contracting. Pensions are paid in the agreed amount and on time also during economic crises. Defined benefit pensions create stability and predictability in pensioners' finances and uphold domestic consumption. According to the Pension Barometer carried out for the Finnish Centre for Pensions at the end of 2020, citizens' trust in the pension system remained strong. The Finnish pension system ranked fifth in an international comparison, the Mercer Global Pension Index. In the different areas of the comparison, our pension system governance was ranked number one in terms of reliability and transparency. As regards pension

benefits, changes are in the pipeline for survivors' pensions, a reform of which has been agreed on.

A number of temporary, exceptional measures pertaining to earnings-related pension insurance were taken during the Covid-19 year. The aim was to safeguard companies' operating conditions, strengthen the foundation for economic recovery and the conditions for paying out earnings-related pensions, i.e. ensuring favourable payroll development after the crisis, and secure solvency in the earnings-related pension sector.

As required by law, in mid-March the Finnish Financial Supervisory Authority (FIN-FSA) notified the Ministry of Social Affairs and Health of exceptional circumstances in the financial markets. Temporary legislative amendments concerning changes in the solvency regulation were prepared under the direction of the Ministry of Social Affairs and Health. At the end of November, the Finnish Financial Supervisory Authority informed the Ministry of Social Affairs and Health that there were currently no exceptional circumstances in the financial markets affecting the solvency risks of pension institutions that would trigger a notification of exceptional circumstances in accordance with regulations.

The pension liability supplementary factor was at zero for the second and third quarters, during which time the funds were temporarily not supplemented. This reinforced the solvency of earnings-related pension companies during a difficult market situation.

The companies in Varma's customer base also clearly reflect how different the impacts of the crisis have been. Varma works together with its

customers with the aim of lengthening careers and helping customers manage the disability risk. This supports the disability risk management of Varma's entire insurance portfolio. The importance of this partnership is highlighted during major transitions. It is important to effectively manage the long-term effects of the Covid-19 pandemic on work ability in order to be able to ensure longer careers.

Pension contributions and return requirement on technical provisions

In January–April 2020, the average TyEL contribution was 24.4 per cent of the salaries or wages. Employees under the age of 53 and over the age of 62 contributed 7.15 per cent of their pay, while the rate for employees aged 53–62 was 8.65 per cent. As of the beginning of May, the TyEL contribution was temporarily reduced by 2.6 percentage units. The temporary reduction did not apply to the employees' share or to entrepreneurs' YEL contribution. In 2020, entrepreneurs' YEL contribution was 24.1 per cent of the confirmed earnings for those under the age of 53 and over the age of 62, and 25.6 per cent for those aged 53–62.

The return requirement on technical provisions consisted of a fund rate (3.00 per cent), a pension liability supplementary factor and the return on equity component. The value of the supplementary factor was 0.36 per cent on average in 2020. The supplementary factor for the second and third quarters was set to zero due to the serious economic situation and weakened solvency of earnings-related pension companies as a result of the Covid-19 pandemic. The return on equity component in 2020 was 5.66

per cent. The technical rate of interest, which is used to determine the interest rate of the oldest pension loans to Varma's customers and a number of other items, was 5.00 per cent until the end of June and 3.75 per cent thereafter. The insurance contribution interest rate, used to calculate pension contributions, stood at 2.00 per cent throughout the year.

The labour market organisations agreed on a temporary 2.6 percentage point reduction in the employers' share of the pension contribution between 1 May and 31 December 2020. As a result of this decision, pension contribution accrual was estimated to fall by approximately one billion euros. It has been agreed that this amount will be recouped. While the insurance contribution reduction is in effect, earnings-related pension companies will not distribute client bonuses. In addition to the temporary reduction in the share of earnings-related pensions contributions paid by employers, extra time was granted for the payment of TyEL and YEL contributions. An insurance contribution interest rate of 2 per cent was charged during the extended payment period related to the extraordinary circumstances.

Varma's financial trends

Varma's total result at fair value stood at EUR -231 (2,197) million. The total result fluctuated significantly during the year. The major market decline in the first quarter was offset towards the end of the year. In spite of the positive investment returns, the total result for the year was negative, mainly due to the interest credited on the technical provisions.

Varma's solvency was on a sustainable level throughout the year. Despite the marked decline in early 2020, Varma's solvency remained at the same

level as at the end of 2019, and solvency capital totalled EUR 11,517 (11,646) million at the end of the financial year. Varma's pension assets in relation to technical provisions (solvency ratio) were 129.3 (130.8) per cent. Solvency capital was at a secure level, i.e. at 1.7 (1.8) times the solvency limit. The solvency limit is changed in accordance with the risk level of the investments. Varma's strategic goal is to maintain the company's strong solvency through stable returns and operational efficiency.

The return on investments was EUR 1,372 (5,241) million at fair value, which was 2.8 (12.0) per cent of the invested capital. The interest credited on the technical provisions was EUR 1,681 (3,102) million. Thus, the investment result for 2020 totalled EUR -309 (2,139) million. Operating expenses were 39 (38) per cent lower than the expense loading included in the insurance contributions, and the loading profit stood at EUR 49 (53) million. The underwriting result was EUR 22 (-2) million and other result was EUR 7 (8) million.

As client bonuses, Varma will pay 1 per cent of the solvency capital, from which the solvency capital increase caused by setting the supplementary factor to zero during the year will be deducted. Furthermore, one third of the loading profit for 2020 will be paid as client bonuses. The surplus generated by the expense loading component in accordance with the Self-Employed Persons Pensions Act (YEL) is deducted from the loading profit. The amount is limited to one third because client bonuses are not paid for the period when the pension contribution was lower. Varma's strong solvency and excellent operational efficiency benefit its clients. At the end of 2020, EUR 54 (171) million

was transferred to the provision for current bonuses reserved for client bonuses. The transfer represents roughly 0.3 (0.8) per cent of the payroll of the insured.

The TyEL payroll of those insured by Varma totalled roughly EUR 21.1 (21.1) billion in 2020. The total payroll increased 0.3 per cent from the previous year. Varma's premiums written totalled EUR 4,931 (5,286) million, of which TyEL insurance accounted for EUR 4,746 (5,099) million and YEL insurance for EUR 185 (187) million.

At the end of the financial year, 543,003 (541,926) individuals were insured by Varma. At the end of 2020, the number of valid insurance policies totalled 66,078 (65,381), covering 37,831 (37,795) self-employed persons and 505,172 (504,131) employees.

During 2020, a total of 3,500 (3,834) new TyEL insurance policies and 5,638 (6,147) YEL insurance policies came into force at Varma.

During the 2020 account transfers, EUR 21 million in net TyEL income was transferred from Varma to other earnings-related pension companies, and EUR 49 million in new TyEL policies were sold. Varma received insurance portfolios from company pension funds during the financial year. Annual TyEL income from these is estimated to be approximately EUR 77 million.

Varma received 9.5 (9.7) million income and employment notifications from the Incomes Register during 2020. Income data is reported to the Incomes Register regularly after earnings are paid.

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

In 2020, a total gross amount of EUR 6,028 (5,856) million in pensions was paid out. The number of pension recipients remained at the same level as the previous year, and at year-end, Varma was paying pensions to 347,000 (343,700) people.

A total of 21,100 (22,340) new pension decisions were made during the year. The number of new pension decisions decreased 5.6 per cent compared to 2019, and the total number of all pension decisions was 0.4 per cent lower than in 2019. Old-age pension decisions numbered 9,173 (10,519), disability pension decisions 6,046 (5,959) and partial early old-age pension decisions 2,464 (2,352). Continuation decisions on temporary pensions totalled 5,108 (4,835), and other decisions numbered 25,701 (24,894). Other decisions include decisions and preliminary decisions required as a consequence of the changes in pension rights. The share of rejected new disability pension applications was 37.0 (34.6) per cent. Pension applications filed online accounted for 61 (54) per cent of all pension applications.

Growth in disability pension applications came to a halt in 2020, and the number of applications received by Varma was down 1.3 per cent compared to 2019. The number of new disability pension applications declined by 2.6 per cent. Mental health disorders (38.1 per cent) and musculoskeletal diseases (28.4 per cent) were most often cited as the main reasons for disability. The proportion of mental health disorders rose further and musculoskeletal diseases declined. This can be attributed to the increase in mental health disorders among younger generations, the increase in the number of applications by young individuals and, correspondingly,

the decline in the number of applications by older age groups, but also by changes in working life and society. The number of vocational rehabilitation applications received by Varma declined 12.5 per cent from 2019, but the volume of rehabilitation activities nevertheless remained at the earlier level.

Varma's total processing time for pension applications in 2020 was 19 days, which was 2 days shorter than the average processing time in the earnings-related pension sector.

Varma has for years been a forerunner in vocational rehabilitation, and the company actively steers those with a work ability risk to rehabilitation. A larger share of Varma's customers use rehabilitation to return to working life than retire on disability pension. In 2020, vocational rehabilitation experienced new challenges due to the coronavirus pandemic, and the proportion of rehabilitants that returned to the labour markets declined to 72 per cent from 77 per cent in the previous year.

The exceptional situation due to Covid-19 somewhat hampered the drawing up of rehabilitation programmes. A rehabilitation programme was drawn up for 86 per cent of the customers that received rehabilitation, whereas in 2019, the figure was 88 per cent. The number of interrupted rehabilitation programmes also slightly increased. Despite the challenging conditions, rehabilitation was highly successful, and the number of approved rehabilitation programmes was at the same level as the year before. The number of work trials declined slightly, while training volumes increased. Online customer work within the rehabilitation service chain improved. Our rehabilitation partners fine-tuned their online rehabilitation concepts, students switched

to remote learning and work trials also made use of remote work. Support for customers who are at a work ability risk through rehabilitation is being further developed. In 2020, Varma revamped its rehabilitation service concept and requested tenders from the service partner network that helps implement the concept. An increasing number of rehabilitants were supported by our rehabilitation partner's guidance service: approximately one in two customers received partner guidance, whereas in 2019, guidance was received by one in three rehabilitants.

The risk-based approach to disability risk management was strengthened by developing the risk assessment tools and renewing our processes and service model. Varma established a new harmonised service models of the management of client companies' disability risk. Varma introduced new digital work ability management services and added new digital content on disability risk management to Varma Academy. Co-creation with customers was increased, and co-operation with occupational health care service providers was deepened in many areas.

	31 Dec 2020	31 Dec 2019	Change
Number of insured			
TyEL	505,172	504,131	1,041
YEL	37,831	37,795	36
Total	543,003	541,926	1,077
Number of insurance policies			
TyEL	28,247	27,586	661
Number of pensioners			
Part-time pension	31	99	-68
Partial early old-age pension	5,522	4,632	890
Survivors' pension	50,518	50,065	453
Disability pension	20,733	21,547	-814
Old-age pension	258,463	255,031	3,432
Early old-age pension	11,823	12,272	-449
Years-of-service pension	21	10	11
Total ¹⁾	347,111	343,656	3,455
¹⁾ Those receiving YEL pension	28,898	29,251	-353
Those receiving TEL/YEL supplementary pension	42,655	43,102	-447

In terms of customer service, Varma's eServices are a key service channel. Through Varma's online services, the insured can obtain the most recent estimate of their pension amount at their planned retirement age. Of these estimates, 97.6 (96.6) per cent were calculated online. Pensions and rehabilitation can also be applied for, and the status of the application can be tracked, online. A total of 15,817 (15,398) applications were submitted electronically during the year.

The insured can see the development of their earnings-related pension in their pension record. As of 2019, information concerning any income paid by the employer has been transferred directly from the Incomes Register to the pension record.

Altogether 168,000 people checked their pension records online a total of 210,000 times. Varma sends a pension record to those insured who want to have their information on paper once every three years. In 2020, Varma sent out a total of 197,000 (204,000) pension records.

Technical provisions

Varma's technical provisions grew 5.5 (5.7) per cent to EUR 40,726 (38,608) million. They contain a provision of EUR 54 (171) million for current bonuses reserved for client bonuses, a provision of EUR 1,393 (790) million for future bonuses contained in the solvency capital, and EUR 775 (1,424) million in an equity-linked provision for current and future bonuses.

Changes in the insurance portfolio

Varma received insurance portfolios from company pension funds during the financial year. The amount of pension liabilities transferred to Varma totalled EUR 718 million. The total value of pension assets transferred to Varma was EUR 885 million. Varma did not make insurance portfolio transfers to company pension funds during the financial year.

Investments

Varma's investment year 2020 was highly exceptional, with the markets recovering from the crash caused by the Covid-19 pandemic, thanks to unprecedented economic stimulus. Ultimately, the return on investments stood at 2.8 (12.0) per cent, and at the end of December, the value of investments amounted to EUR 50,157 (48,709) million. Varma's solvency ratio took a dip during the early-year crash, but strong buffers helped keep solvency at a good level throughout the crisis. As the year progressed, the solvency ratio recovered to 129.3 (130.8 per cent on 1 Jan).

The year on the equity markets was very eventful. It started off with an upward trend, as the U.S. and China signed a trade truce. The situation changed rapidly as the coronavirus epidemic developed into a pandemic, which drove the equity markets to plummet at record speed. Massive stimulus helped the market to bottom out only after about a month, and the situation has remained more stable ever since. Companies' financial results declined less than was feared, which also boosted the equity market. The strongest rally in equities was seen in the U.S. and emerging markets, whereas the eurozone equities performed far more modestly. The significantly weaker U.S. dollar undermines

euro-denominated returns from the U.S. equity markets, and when examined in euros, the return differences between the two continents are clearly smaller. Finland's equity market performed stronger than the rest of Europe and yielded strong double-digit overall returns. In addition to geographical differences, returns between different sectors varied widely. The supremacy of tech companies was substantial, although towards the end of the year return differences between different sectors started to diminish. The Covid-19 pandemic hit the returns on the service and travel sector, energy sector and banking sector equities the hardest.

The return on fixed income investments was reasonable, despite the extremely low interest rates. The strong development of returns is explained, as in the case of equities, by massive stimulus. The main driver of returns after the first quarter of the year was the significant narrowing of risk premiums, when trust in accommodative policy and very low risk-free interest rates forced investors to raise their investments' risk profile. Interest rates on long-term government bonds fell in spring and summer to exceptionally low levels, but toward the end of the year they began to rise again, especially in the U.S. In the corporate bond market, the risk premiums increased at an exceptional rate during the early year's turbulence, but especially the central banks' stimulus measures and expansion of their purchase programmes quickly restored market confidence.

Due to high market volatility and the need to ensure liquidity and solvency, allocation was challenging through the year. The weight of equities in Varma's investments varied during the year, and in the second half, the weight of listed equities was increased. The hedge fund market recovered at a

clearly slower rate than the equity and corporate bond markets.

Varma's investment returns swung back to black towards the end of the year. The best returns in 2020 were generated by listed equities at 5.2 (25.4) per cent, public sector bonds at 6.1 (2.6) per cent and private equities at 7.8 (15.1) per cent, whereas the returns on hedge funds were slightly negative at -1.0 (5.0) per cent, although they did recover significantly from the situation in the first quarter of the year. The returns on the loan portfolio, at 0.5 (4.0) per cent, and real estate, 2.0 (4.1) per cent were modest during the Covid-19 year. Of individual investees, factor investments were divested at the start of the year. The U.S. dollar appreciated significantly during the year, which cut somewhat into the investment returns. At year-end, the average nominal investment return over five years was 5.0 per cent, and over ten years 5.0 per cent. The corresponding real returns were 4.2 and 3.9 per cent.

The return on real estate investments was 2.0 (4.1) per cent, and the best returns were generated by direct housing investments. Directly owned real estate investments yielded a return of 3.4 (3.9) per cent and real estate investment funds -0.2 (4.7) per cent. In 2020, the coronavirus epidemic had a negative impact particularly on rents for business premises and hotels. Early in the year, Varma acquired OP Osuuskunta's head office property for EUR 480 million together with a Korean investment partner. Many of our real estate development projects progressed towards the start of construction, and town planning for the Katajanokan Laituri business premises to be built in Helsinki proceeded as planned on the basis of an architectural competition.

In spring, Varma decided not to collect rent from its café and restaurant tenants for a period of two months. This was done to ensure that good tenant relationships continue and to guarantee the favourable value development of real estate in a situation where cafés and restaurants were to close their doors for eat-in customers in order to prevent the spread of the coronavirus. The decision applied to food-service businesses that were tenants in Varma-owned business premises. Varma also granted flexibility in business rents for entrepreneurs whose business was facing an especially difficult situation due to the exceptional circumstances. Varma also negotiated other solutions on a case-by-case basis.

Varma has U.S.-dollar-denominated investments in hedge funds, equities, corporate bonds and private equity funds. In accordance with Varma's investment policy, part of the currency risk is hedged. During the year, the depreciation of the US dollar cut into equity returns. In terms of operations, foreign currency risks are managed as a single entity, and in financial reporting, the exchange rate impact is included in the investment returns of various asset classes.

Varma's investment activities focussed on maintaining the company's strong solvency and broad diversification of investments, with a strong emphasis on risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio.

The market risk of investments is the greatest risk affecting the company's result and solvency. Equities constitute by far the greatest market risk. The VaR (Value-at-Risk) figure measuring the total risk of Varma's investments stood at EUR 3,123 (1,371) million.

Varma's share ownership policy

The central principles in Varma's ownership policy are high-quality governance in the companies in which it has a holding, transparency of operations, active engagement, and the monitoring of incentive schemes for key personnel. The [share ownership policy](#) was updated in 2019, and the policy is available on Varma's website. Varma published active ownership and engagement principles in 2020 to complement its ownership policy. They are a means of promoting responsible business and sustainable value development for the long term.

In 2020, Varma participated in the Annual General Meetings of 84 companies and in the work of 30 companies' Shareholders' Nomination Boards. [Varma's website](#) contains a list of the company's memberships on the Nomination Boards of listed companies and voting decisions.

Operating expenses

Varma's operational efficiency developed positively. Varma used 61 (60) per cent of the expense loading, included in the insurance contributions, to cover operating expenses. The expense loading

components were reduced for 2020 by 7 per cent on average. Controlling operating expenses is a key objective for Varma while simultaneously improving operational efficiency. Good operational efficiency benefits Varma's customers by means of client bonuses. Varma's goal is to manage the assets of both present and future pensioners as efficiently as possible.

Increasing operational efficiency also requires continuous control of human resources and, in particular, IT system expenses, as these account for most of Varma's operating expenses. Overall operating expenses decreased substantially, 11.6 per cent, totalling EUR 110 (124) million.

Varma is actively involved in the development and administration of the pension sector's joint information systems, and expects from the joint systems transparency and efficiency in terms of costs.

Personnel

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

	2020	2019	2018	2017	2016
Average number of personnel	537	537	532	524	540
Salaries and remunerations, EUR million	37.7	37.6	40.1	39.3	36.0

Tieto Esy, which is included in the Consolidated Financial Statements using the equity method, had an average of 38 (38) employees in 2020.

At year-end, Varma's personnel were distributed as follows: pension services 17 (19) per cent, insurance and actuary services 17 (18) per cent, customer service departments 10 (9) per cent, services related to disability risk management 14 (13) per cent, investment operations 14 (13) per cent, and other functions 28 (28) per cent.

After the coronavirus pandemic spread to Finland, Varma switched to remote working in spring 2020, in accordance with official guidelines. Varma's customer service and customer meetings have been taking place online. Varma's remote working practices have proved to be effective during the crisis, and the provision of earnings-related pension has continued without interruption.

The PeoplePower Index, measuring employee satisfaction and engagement in Varma's employee survey, was 78.1 (75.2), and Varma was once again ranked as one of Finland's Most Inspiring Workplaces. Varma came in first place in the Responsible Summer Job campaign's large employer category.

Group companies and associates

At the end of 2020, the Varma Group comprised 119 (123) subsidiaries and 20 (17) associates. The most important subsidiaries and associates are Tieto Esy Oy (50.1 per cent), Alcobendas Investments SL (50.0 per cent), Serena Properties AB (43.0 per cent) and CMCV Kungens Kurva HoldCo AB (45.0 per cent). The Varma Group also owns 50 per cent of the guarantee capital of Kaleva Mutual Insurance Company.

Most of the subsidiaries and associate companies are real estate companies.

Governance

Policyholders and the insured have voting rights at Varma's Annual General Meeting. Varma's Annual General Meeting was held on 19 March 2020. Varma's Annual General Meeting appointed five new members to the Supervisory Board: Anu Ahokas, Marko Hovinmäki, Ilkka Kaukoranta, Teo Ottola and Perttu Puro. The Annual General Meeting approved the financial statements and discharged the Board of Directors, the Supervisory Board and the President and CEO from liability for the financial year 2019. The Annual General Meeting also decided to pay back Varma's entire guarantee capital.

Continuing as Supervisory Board members were Christoph Vitzthum (Chair), Petri Vanhala (Deputy Chair), Satu Wrede (Deputy Chair), Juri Aaltonen, Kari Ahola, Eero Broman, Petri Castrén, Jukka Erlund (resigned from the Supervisory Board on 22 October 2020), Lasse Heinonen, Olavi Huhtala, Mika Joukio, Jukka Jäämaa, Risto Kalliorinne, Kari Kauniskangas, Mari Keturi, Ville Kopra, Tapio Korpeinen, Timo Koskinen, Pekka Kuusniemi, Päivi Leiwo, Olli Luukkainen (resigned from the Supervisory Board on 1 January 2021), Johanna Moisio, Jari Suominen, Leena Vainiomäki (resigned from the Supervisory Board on 1 May 2020), Jorma Vehviläinen, Anssi Vuorio and Sauli Vänntti.

Varma's Supervisory Board held its constitutive meeting on 13 May 2020. Christoph Vitzthum continued as Chair of the Supervisory Board, and Petri Vanhala and Satu Wrede continued as vice chairs.

Ernst & Young Oy, with Authorised Public Accountant Antti Suominen as chief auditor, served as Varma's Auditor.

As of the beginning of 2020, Varma's Board of Directors is composed of Jari Paasikivi (Chair), Antti Palola (Deputy Chair), Kai Telanne (Deputy Chair), Riku Aalto, Eila Annala, Rolf Jansson, Ari Kaperi, Jyri Luomakoski, Petri Niemisvirta, Pekka Piispanen, Saana Siekkinen and Mari Walls, and deputy members Ilkka Oksala, Risto Penttinen and Timo Saranpää.

On 2 December 2020, Varma's Supervisory Board selected Jaakko Eskola as a new member and Jouni Hakala as a deputy member of the Board of Directors, effective 1 January 2021. Deputy Chair of the Board of Directors Kai Telanne and deputy member Ilkka Oksala resigned from the Board on 31 December 2020.

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

Capital and reserves

Varma's Annual General Meeting decided to pay back Varma's entire guarantee capital, amounting to EUR 11.9 million. The payment was made 19 March 2020, including interest accrued by that date.

Varma's capital of EUR 130 million consists of basic capital EUR 11.9 million, other funds EUR 110 million, profit brought forward from previous financial years EUR 2 million and profit for the year EUR 6 million.

Risk management

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

In accordance with the act on earnings-related pension companies, Varma's Board of Directors draws up an annual risk and solvency assessment. The assessment was updated twice in 2020 due to the market and economic situation. Varma's risk management activities are also guided by the principles for the risk management system, which are annually approved by the Board of Directors. Company-level risk management is an element of the finance and actuary functions in order to ensure that risk reporting and risk management is independent of the risk-taking function.

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

liquidity goals of investments, and the principles for organising currency risk hedging. The Board of Directors assesses the investment risks in terms of changes in value, expected returns, security and the principles of foreign currency policy, the company's risk-bearing capacity in terms of investments, and the development of the company's solvency.

Other major risks in 2020 applied to changes in business operations due to the Covid-19 pandemic and ensuring continuity in a situation where all Varma employees switched to working remotely. Ensuring continuity was also highlighted in external IT system services. Risks also applied to developing the business in a changing operating environment. More information about strategic, financial, investment and operative risks, as well as related quantitative data, is provided in the notes to Varma's financial statements.

Sustainability

Varma's most essential sustainability impacts are defined in the company's Sustainability Programme. Focus areas in sustainability are: promoting work ability and good working life, mitigating climate change, ethical business, open communication and responsibility for Varma employees.

Varma has assessed its sustainability risks relating to operations and business relations and has put in place comprehensive management systems and sufficient and appropriate processes, which ensure duty of care as regards these risks.

Varma's sustainability targets and measures are explained more broadly in a separate report conforming to the Global Reporting Initiative (GRI) guidelines. The report is integrated in Varma's online annual report, which will be published in March.

Report on non-financial information

Business model description

Varma has the core responsibility of securing pensions. Sustainability is one of Varma's strategic focus areas. Taking care of personnel and responsibility for the environment hold the greatest importance in Varma's operations and in the supply chain. The biggest impacts of Varma's investments operations relate to environmental responsibility, social responsibility, responsibility for Varma's employees, respecting human rights and fighting corruption and bribery. The main sustainability risks may, if realised, affect Varma's business through, for example, financial loss or weaker stakeholder trust.

The key policies guiding sustainability in Varma's business operations are the Sustainability Programme, Code of Conduct, Anti-Bribery Policy, Principles for Responsible Investment, Active Ownership and Engagement Principles, Climate Policy for Investments and Supplier Code of Conduct. All these principles have been approved by Varma's Board of Directors.

Social responsibility and employee-related responsibility

For Varma, social responsibility means high-quality and smooth implementation of pension provision, promoting our customers' work ability and responsibility for our employees.

Varma has been improving its pension application processing to provide faster pension decisions to its customers. The average processing time of all pension applications shortened from 25 days in 2019 to 19 days in 2020. This is 2 days quicker than the

average for the sector. Varma's goal is to ensure that people who are retiring receive uninterrupted income and that pension is paid to their bank account during the first month of their retirement. In 2020, the first pension was paid within the target period to 87.9 per cent of new pensioners.

Varma's goal is to lengthen the careers of its client companies' employees and reduce disability pensions by developing work ability management and offering effective rehabilitation. In 2020, the average disability pension contribution category of Varma's client companies was 3.5 (3.6). Of Varma's vocational rehabilitation customers, 72 (77) per cent, i.e. 1,412 (1,580) people, returned to working life during the year.

During the financial year, Varma rejected 36.9 (34.6) per cent of new disability pension applications. The rejection rate for all earnings-related pension companies was 36.7 (33.7) per cent. The Pension Appeal Board changed Varma's disability pension decisions in 12.3 (14.2) per cent of the cases it handled. The corresponding rate for the entire private earnings-related pension sector was 11.3 (13.0) per cent.

Varma takes care of the well-being at work, competence, and equal and non-discriminatory treatment of its personnel. Well-established remote working practices were useful during the exceptional times of 2020, when Varma employees switched to full-time remote work. In order to ensure workplace safety, Varma's guidelines on office work were adjusted at different phases of the pandemic, and the changes were effectively communicated to Varma employees. In order to ensure employees' work ability and performance, Varma

focussed on supporting coping at work. Special effort was placed on promoting team spirit and boosting personal contacts.

The annual PeoplePower Index, measuring Varma employees' satisfaction and engagement, was 78.1 (75.2). The result propelled Varma to the second-highest rating of good+ and to the list of Finland's Most Inspiring Workplaces for the third time. Varma was also recognised as the best summer employer in the Responsible Summer Job campaign's large employer category.

The realisation and experience of equality and non-discrimination are measured in Varma through a separate survey, which is conducted once every two years to identify any areas needing improvement. The survey was carried out in summer 2020, and the ratings given by Varma employees for the treatment of sexes, employees of different ages and minorities significantly improved compared to 2018. The most significant improvement was seen in satisfaction with pay equality and non-discrimination. Areas in need of improvement include fair treatment of employees of different ages and in different family situations and extending diversity themes to various minority groups.

In 2020, Varma's equality and non-discrimination work includes launching an online course on non-discrimination for Varma employees and organising training on subconscious preconceptions.

Environmental responsibility and mitigating and adapting to climate change

Varma's opportunities to influence the environment can be examined in terms of its operations (Varma's office building and the environmental impact of the

work performed in it), its supply chain and its investments. The biggest opportunities for influencing are through Varma's investment operations, and on the other hand, investees' environmental risks may also be reflected in Varma's investment returns.

Mitigating climate change is one of Varma's key sustainability targets. Climate change also requires investor to prepare for the change and manage the related risks, as climate change is shaping the business opportunities of different sectors and influencing future investment valuations.

Varma is committed to promoting the Paris Agreement's target of reducing emissions to limit global warming to 1.5 degrees Celsius compared to the pre-industrial level. Varma's goal is to develop its portfolio towards carbon neutrality in 2020–2035.

Climate risk management and reporting

Varma constantly analyses the financial risks and opportunities and the business impacts brought by climate change. As part of the Sustainability Report, Varma reports on business impacts caused by climate change in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Measuring the carbon footprint

One tool for monitoring the management of climate-related risks is the carbon footprint, which is measured for direct equity investments, listed corporate bonds and direct real estate investments. Compared to the baseline of 2015, the carbon footprint of Varma's listed equity investments in relation to net sales declined 29 per cent and that of listed corporate bonds 23 per cent. The CO₂ footprint of

real estate investment was 47 per cent lower per gross square metre than in 2015.

In 2019, Varma set new goals in tracking the carbon footprint of investments. Our goal is to reduce the carbon intensity of listed equity and corporate bond investments, i.e. greenhouse gas emissions in relation to revenue, from the 2016 level as follows: 30 per cent by 2023, 40 per cent by 2025 and 50 per cent by 2027. Varma examined the development of the carbon footprint of direct equity and fixed-income investments during 2016–2020 against these reduction targets. Meeting the new climate targets means that the emissions of investees with high emissions must decline annually or, alternatively, Varma needs to reduce its position in these investees.

At the end of 2020, the carbon intensity of equity investments was down 16 per cent compared to the 2016 level. The rate of change must accelerate in the coming years if we are to achieve the emission reduction targets set out in our climate policy. At year-end 2020, the weighted carbon intensity of Varma's equity portfolio was lower than that of the global equity market. In listed corporate bonds, carbon intensity was on track with the climate policy's emission reduction target at the end of 2020, with 25 per cent lower carbon intensity than in 2016.

In private equity and infrastructure funds, Varma promotes carbon neutrality by investing in funds that recognise the investment opportunities related to climate change mitigation and adaptation. Varma steers away from investees that are significantly exposed to the risks brought by climate change.

Varma requires its investees to have a plan for reducing their emissions and encourages companies

to disclose, in accordance with TCFD, information about how climate change is included in the company's governance, strategy and risk management, especially in emissions-intensive industries.

In its climate policy, Varma has set the goal of switching to emission-free heating and electricity in its real estate by 2030 and 2025 respectively. At the end of 2020, 19 per cent of district heating and 23 per cent of real estate electricity of Varma-owned properties was emission free. In order to achieve the goal, Varma started in 2020 a series of climate renovations in residential buildings owned by the company. Heat pumps and solar panels will be installed in 36 apartment buildings, which means the emissions from Varma's total housing stock will decrease by an estimated 48 per cent by 2023. These renovations will turn 1,500 flats carbon-free in terms of heating. In 2020, eight business premises owned by Varma switched to emission-free district heating, i.e. recycled heat. Seven of these use emission-free real estate electricity generated using wind power or hydropower, i.e. they are carbon neutral in terms of energy and electricity consumption.

Negative screening and enhanced ESG monitoring

Varma is committed to exiting from investments in thermal coal by 2025, and to exclude oil exploration from its investments by 2030. Since 2015, Varma has excluded from its direct investments companies that rely on coal- or lignite-based operations for more than 30 per cent of their net sales, production capacity or production. We do not invest in coal-mining activities. At the end of 2020, 1.6 per cent of Varma's assets in direct equity investments

and exchange-traded funds (ETF) were invested in companies that rely on coal for more than 5 per cent of their operations, and 0.51 per cent were invested in equities in the oil exploration industry.

Varma has also identified industries with a need for enhanced ESG screening, i.e. with higher environmental, social and governance risks. Enhanced ESG monitoring and analysis concerns, for example, the arms industries, alcohol and gambling industries and so-called transition industries that have a high exposure to climate-related risks.

Monitoring transition industries

Varma has defined industries that, in terms of climate change, both offer the greatest opportunities for emission reductions through their business and are also clearly exposed to risks caused by climate change mitigation, such as regulation and market risks. These transition industries comprise the oil & gas industry, electricity & heat production, and the automotive, metals & mining, construction materials, chemical and transport industries. In addition to these industries, Varma actively monitors the development of the forest industry, which has climate impacts through both emissions and carbon sinks. The forest industry also plays a key role in attending to biodiversity.

From the perspective of climate change, companies within the transition industries vary widely. In order to attain the climate goals, Varma must identify the best investments within different industries, both in terms of risks and opportunities.

One of the industries exposed to regulation concerning climate change mitigation is electricity production. An investor may assess the risk caused

by regulation by measuring the carbon intensity of its investment portfolio. Electricity generation made up roughly a third of the carbon intensity of Varma's equity portfolio at the end of 2020.

In private equity and infrastructure investments, the share of renewable energy of electricity generation was around 45 per cent in 2020. The share of oil & gas companies in our private equity investments was clearly smaller than the share of oil & gas companies in the listed equity market. In infrastructure investments, we are investing in electricity companies that use renewable sources or are transitioning towards greener operations. The share of fossil-fuel-dependent investments in Varma's infrastructure investments was lower than the market average.

Scenario analyses in real estate investments

In 2018, Varma carried out scenario analyses based on global climate models in order to determine how well its investments are aligned with the targets of the Paris Agreement. The analysis made use of the International Energy Agency's (IEA) scenarios for climate warming (2.7°C, 2.0°C and 1.75°C). The outcome of the analysis is taken into account in Varma's real estate investment activities.

Climate-change-related opportunities: climate allocation

Climate change also presents investors with return opportunities. Varma composes from the investments in different asset classes a climate-friendly investment allocation which will include companies whose business benefits from actions to mitigate climate change, whose operations do not cause significant greenhouse gas emissions or who have a

clear target of reducing greenhouse gas emissions. Our target is for the allocation to represent 20 per cent of the investment portfolio by 2025.

In 2020, Varma identified investees that fit the investment allocation on the basis of their sector, produced product or service or established emissions reduction targets. The climate allocation accounted for 12.4 per cent of the entire investment portfolio at the end of 2020. The allocation includes companies that have set emission-reduction targets in accordance with the Science Based Targets initiative as well as Varma's investments in green bonds. The debt capital raised through the issuance of green bonds is allocated to environmentally friendly investments. The allocation also includes such Varma-owned real estate that use emission-free heating and electricity. At the end of 2020, the allocation included seven business premises.

Attending to other sustainability elements in Varma's operations

In its investment activities, Varma takes into account biodiversity, the environmental impacts of Varma's own operations, the fight against corruption and bribery and respect for human rights. Varma also assesses the sustainability of the supply chain. With respect to all these, Varma in 2020 conducted surveys, determined its ways of operating and made sure that Varma's operational processes support the achievement of the related targets.

Varma's Code of Conduct establishes anti-bribery and anti-corruption practices concerning, for example, offering and accepting gifts and hospitality and avoiding conflicts of interest. An online course helps raise awareness of the Code of Conduct, and

in 2020, the course was completed by all Varma employees (100 per cent). In December 2020, Varma also introduced an independent whistleblowing channel for reporting misconduct.

Varma's own operations have not been found to entail major human rights risks. In 2020, Varma began charting the implementation of human rights within the company, its investments and supply chain.

Varma has analysed its supply chain in order to identify sustainability issues and established its sustainability requirements, which have been written into the Supplier Code of Conduct. Varma expects its direct service providers to commit to the sustainability requirements.

The environmental impacts of Varma's operations are controlled using WWF's Green Office system. In addition to the Green Office certificate, the Salmisaari head office has BREEAM Excellent certification. At the end of 2020, the carbon footprint of the company's own operations was 82 per cent lower compared to the 2015 baseline.

Evaluation of investees' sustainability and active ownership

Active ownership and engagement are cornerstones of responsible investment. Varma expects its investees to comply with local legislation and international standards and agreements, typically the principles of the UN Global Compact initiative on social responsibility, and to respect human rights.

Varma reviews compliance with the standards with the help of an external service provider, which maintains a database of companies and their confirmed and suspected violations. Norms-based

screening covered 62 per cent of Varma's listed investments in 2020. The norms-based screening of funds is outsourced to a fund management company.

In direct equity and bond investments, Varma classifies norm violations into one of three categories: blacklisted investments, i.e. companies that are not invested in; investees that are involved in an engagement process; and investees that are on an observation list. Towards the end of 2020, Varma took into use a new norms-based screening process pursuant to the engagement principles and started engagement processes in six companies.

For ethical reasons, Varma excludes from its direct investments companies that concentrate on the manufacture of tobacco and companies that manufacture controversial weapons, such as nuclear weapons, anti-personnel mines, cluster bombs, and chemical and biological weapons.

In the name of climate change mitigation, Varma has excluded investments in companies that rely on coal- or lignite-based operations for more than 30 per cent of their net sales. In direct investments, Varma strives to engage with companies with the aim of having them decommission coal power plants by 2030.

Environmental ratings are a practical tool for assessing and developing the sustainability of real properties. Varma's goal is to have its most important buildings certified according to the BREEAM environmental rating system by 2025. The quality system is particularly aimed at improving how energy efficiency is monitored and verified. The goal is to achieve a rating of at least "Good" or "Very Good". In 2020, eight buildings owned by Varma were

granted BREEAM In-Use environmental certification. At year-end 2020, a total of 53 of Varma's real properties had environmental certification, making up 42 per cent of the real estate base under our direct ownership.

Varma signed the UN-supported Principles for Responsible Investment (PRI) in 2011. Varma reports on its responsible investment annually in accordance with the PRI framework. PRI included Varma for the second time in the PRI Leaders' Group in an assessment carried out in 2020. In its assessment, the PRI compared investors' climate reporting performance. According to the assessment, Varma had excellent climate reporting practices. Of the more than 2,000 member organisations, 36 investors made it into the Leaders' Group.

In early 2021, Varma published a tax policy, which outlines Varma's tax strategy and principles.

Events after the reporting period

Varma announced on 11 January 2021 that it plans to reorganise its insurance service and client service functions. As part of the reorganisation, co-determination negotiations were started, concerning the employees of Client Services and Actuary and Insurance Services who are covered by the insurance sector's collective bargaining agreement. The collection and insurance technique teams are not included in the negotiations. Any employee impacts will be determined in more detail during the negotiation process. According to the company's preliminary assessment, the number of employees who may be subject to changes in their employment terms and/or redundancies will not exceed 65. The goal is to find new roles for employees within Varma if possible.

Outlook

The earnings-related pension system has coped well with the Covid-19 crisis. This is due in part to the rapid recovery of the capital markets and in part to the fact that the Finnish economy has made it through the crisis with relatively little damage. The recovery of the Finnish and global economy is strongly dependent on how quickly and extensively the vaccines are rolled out and how successfully they help bring the pandemic under control.

With the ongoing Covid-19 pandemic, the already strong dependency on the central banks' monetary policy stimulus will continue, but government support packages also play a crucial role. It is unclear what the long-term effects on several economic factors, such as interest rates and inflationary expectations, will be and how successfully the situation will be controlled and stimulus measures unwound.

Varma's financial situation and solvency position were strong when the crisis hit in the spring, and throughout the year, they remained at a sustainable level with respect to securing the insured pension benefits. Strong solvency provides protection and leeway for making investment allocation decisions also during exceptionally challenging market situations.

Varma continues to effectively implement the earnings-related pension system.

FINANCIAL STATEMENTS

Income statement

1 Jan–31 Dec, € million	Note	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Technical account					
Premiums written	1	4,930.9	5,285.6	4,930.9	5,285.6
Investment income	3	7,304.6	5,907.4	7,291.5	5,893.2
Claims incurred					
Claims paid	2	-5,732.6	-5,656.5	-5,732.6	-5,656.5
Total change in provision for claims outstanding		-973.0	-535.3	-973.0	-535.3
Portfolio transfers		334.0	6.3	334.0	6.3
		-6,371.5	-6,185.5	-6,371.5	-6,185.5
Change in provision for unearned premiums					
Total change		-1,144.6	-1,551.7	-1,144.6	-1,551.7
Portfolio transfers		551.4	4.8	551.4	4.8
		-593.2	-1,546.9	-593.2	-1,546.9
Operating expenses	4	-58.1	-70.0	-58.1	-70.0
Investment expenses	3	-5,204.2	-3,377.3	-5,279.4	-3,368.2
Balance on technical account		8.5	13.4	-79.8	8.3
Non-technical account					
Balance on technical account		8.5	13.4	-79.8	8.3
Share of associated companies' profit				11.2	17.6
Income taxes on ordinary activities					
Taxes for the financial year		-2.5	-6.7	-2.6	-6.7
Profit/loss on ordinary activities after taxes		6.0	6.7	-71.2	19.2
Minority interest in the result for the financial year				0.0	0.1
Profit/loss for the financial year		6.0	6.7	-71.2	19.4

Balance sheet

31 Dec, € million	Note	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
ASSETS					
Intangible assets					
Other intangible assets	17	0.1	0.2	0.1	0.2
Investments					
Real estate					
Real estate and real estate shares	14	1,524.0	1,430.4	2,042.4	2,104.3
Loans to Group companies	14	681.0	747.2		
		2,205.0	2,177.7	2,042.4	2,104.3
Investments in Group companies and in participating interests					
Shares and participations in Group companies	12, 13	4.3	4.3	0.5	0.5
Shares and participations in participating interests	12, 13	55.1	18.5	92.1	45.0
		59.3	22.8	92.6	45.5
Other investments					
Shares and participations	16	29,283.8	26,362.4	29,298.4	26,377.0
Money-market instruments		4,976.7	6,221.5	4,976.7	6,221.5
Loans guaranteed by mortgages		205.2	260.3	205.2	260.3
Other loan receivables	18	2,093.0	1,999.9	2,093.0	1,999.9
		36,558.7	34,844.1	36,573.3	34,858.7
		38,823.1	37,044.5	38,708.3	37,008.5
Receivables					
Direct insurance operations		554.7	632.6	554.7	632.6
Policyholders					
Other receivables		618.8	969.1	623.5	973.9
Other receivables		1,173.5	1,601.8	1,178.2	1,606.6
Other assets					
Tangible assets					
Equipment	17	2.2	2.5	2.2	2.5
Other tangible assets	17	0.9	0.9	0.9	0.9
		3.0	3.4	3.0	3.4
Cash at bank and in hand		1,799.8	791.6	1,800.1	791.9
		1,802.8	795.0	1,803.1	795.3
Prepayments and accrued income					
Accrued interest and rent		60.9	68.3	61.0	70.6
Other prepayments and accrued income		3.4	3.8	4.8	6.0
		64.3	72.1	65.8	76.6
TOTAL ASSETS		41,863.7	39,513.5	41,755.5	39,487.2

Balance sheet

31 Dec, € million	Note	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
LIABILITIES					
Capital and reserves					
Guarantee capital		0.0	11.9	0.0	11.9
Basic capital		11.9		11.9	
Other reserves		109.8	116.4	109.8	116.4
Profit/loss brought forward		2.1	1.5	-39.4	-52.7
Profit/loss for the financial year		6.0	6.7	-71.2	19.4
	26	129.8	136.5	11.2	95.0
Minority interest					
				12.5	12.5
Technical provisions					
Provision for unearned premiums	23	21,418.7	20,274.1	21,418.7	20,274.1
Provision for claims outstanding	23	19,307.0	18,334.0	19,307.0	18,334.0
		40,725.7	38,608.0	40,725.7	38,608.0
Liabilities					
Direct insurance operations		75.0	77.0	75.0	77.0
Other liabilities		854.8	562.8	852.6	565.3
		929.7	639.9	927.6	642.3
Accruals and deferred income					
		78.5	129.1	78.6	129.2
TOTAL LIABILITIES		41,863.7	39,513.5	41,755.5	39,487.2

Statement of source and application of funds

1 Jan-31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Cash flow from operations				
Profit/loss on ordinary activities	8.5	13.4	-79.8	8.3
Adjustments				
Changes in technical provisions	2,117.6	2,086.6	2,117.6	2,086.6
Impairments and revaluations on investments	942.5	71.9	988.2	62.5
Depreciation according to plan	11.1	11.1	90.2	67.0
Capital gain and loss	-1,447.5	-1,880.5	-1,447.6	-1,878.9
Cash flow before change in working capital	1,632.2	302.5	1,668.7	345.5
Change in working capital:				
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	436.1	-724.4	439.2	-719.6
Increase (-) / decrease (+) in non-interest-bearing short-term debts	239.3	70.8	234.6	72.8
Cash flow from operations before taxes	2,307.6	-351.1	2,342.4	-301.2
Direct taxes paid	-2.5	-6.7	-2.6	-6.7
Cash flow from operations	2,305.0	-357.7	2,339.8	-307.9
Cash flow from investments				
Net investments and proceeds from asset sales	-1,284.1	-180.1	-1,318.9	-230.3
Investments and gains on intangible, tangible and other assets	0.0	-0.3	0.0	-0.3
Cash flow from investments	-1,284.2	-180.4	-1,319.0	-230.6
Cash flow from financing				
Interest paid on guarantee capital and other profit distribution	-12.7	-0.7	-12.7	-0.7
Cash flow from financing	-12.7	-0.7	-12.7	-0.7
Change in financial resources	1,008.2	-538.8	1,008.2	-539.2
Financial resources, 1 Jan	791.6	1,330.4	791.9	1,331.1
Financial resources, 31 Dec	1,799.8	791.6	1,800.1	791.9

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

These financial statements are prepared in accordance with sound accounting principles, and in compliance with legislation applicable to Varma and with the regulations and guidelines of the Financial Supervisory Authority. The financial statements have been drawn up so as to give a true and fair view of Varma's financial performance and financial position in accordance with the materiality principle.

Consolidated Financial Statements

In addition to the parent company, those companies in which the Group holds more than 50 per cent of the votes (controlling interest) either directly or indirectly have been consolidated in the Consolidated Financial Statements as subsidiaries.

On the closing date, the parent company has 119 (123) subsidiaries. The companies belonging to the Group are listed in the notes to the financial statement.

The Consolidated Financial Statements are compiled as combinations of the income statement, balance sheets and notes. When the Consolidated Financial Statements are compiled, intra-group business transactions and cross-shareholdings are eliminated. However, Tieto Esy Ltd, in which Varma has a 14.4 per cent shareholding but holds over 50 per cent of the votes from all the shares, is

consolidated using the equity method. Intra-group cross-shareholdings are eliminated using the acquisition method. The resulting consolidation difference is allocated to subsidiaries' asset items proportional to their fair values, and depreciated in accordance with the depreciation plans of these asset items. Minority shareholders' share of the result for the financial year and of the Group's capital and reserves is entered as a minority interest.

Subsidiaries acquired during the year are consolidated from the moment of acquisition. Subsidiaries divested during the year are consolidated until the moment of divestment. Minority interest in the profit and loss and in capital and reserves are recognised as a separate item. Revaluations on Group companies' shares are shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary.

Relevant associated companies in which the Group holds 20–50 per cent of all the votes are included in the Consolidated Financial Statements using the equity method. When an associated company draws up its financial statements using fair values, these values are used in the consolidation. Housing and real estate companies are not treated as associated companies. Their non-inclusion has a minimal effect on Group profit and capital and reserves, since the expenses arising from these

companies are covered by the maintenance charges collected from their owners.

The Group owns 50 per cent of the guarantee capital and 25 per cent of the votes of Kaleva Mutual Insurance Company, which is not, however, included in the Consolidated Financial Statements due to limitations concerning controlling interest and distribution of profits.

An amount corresponding to the Group companies' proportion of an associate's profit or loss as well as the change in capital and reserves is also shown in the consolidated financial statements.

Associated companies are listed in the notes (12 and 13) to the financial statements.

Book value of investments

Investments in land and buildings are entered in the balance sheet at the lower of acquisition cost less depreciation or fair value. The values of real estate have been revaluated in the previous years. Revaluation of buildings entered as income is also depreciated according to plan. No revaluations of real estate book values were made in the financial year 2020.

Shares and participations are entered in the balance sheet at the lower of acquisition cost or fair value. Acquisition cost is calculated by class using the average price.

Money-market instruments are entered in the balance sheet at the lower of acquisition cost or fair value. Changes in value due to interest rate fluctuations are not entered. The difference between the nominal value and acquisition cost of the money-market instruments is allocated to interest income and its reduction over the maturity of the instrument. The counterpart entry for the allocations entered as an increase or decrease in the acquisition cost is shown in the notes to the balance sheet.

The acquisition cost is the average price calculated for each instrument.

Loan receivables and other receivables are entered in the balance sheet at the lower of nominal value or probable value.

Value adjustments made to investments in previous financial years are entered in the income statement as value readjustments corresponding to the value appreciation.

Premium receivables and other receivables

Premium receivables and other receivables are valued at the lower of nominal value or probable value.

Derivative contracts

Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value is entered in the income statement for the hedged balance sheet item, no entry is recorded in the income statement for the hedging contract, unless the negative value change exceeds the positive value change in the hedging contract.

Negative value adjustments of derivative financial instruments other than those created for the purposes of hedging are entered in the income statement as an expense. The profits and losses resulting from the termination or expiration of contracts are entered as income or expenses for the financial year.

Income and expenses from interest rate derivatives are entered under interest income.

Depreciation according to plan

The acquisition cost of buildings, including components in buildings, movable property and other expenses with long-term effects, are depreciated according to plan over their useful lives. Revaluation of buildings entered as income is also depreciated

according to plan. Either the reducing-balance depreciation method or the straight-line depreciation method is applied to planned depreciation using the following estimated economic useful lives:

Residential, office and business premises, hotels	40–60 years
Industrial premises and warehouses	25–50 years
Components in buildings	10 years

The straight-line depreciation method is applied to planned depreciation of tangible and intangible assets using the following estimated economic useful lives:

Equipment	7–10 years
Computer hardware	3 years
Transport equipment	5 years
Intangible assets	5–10 years

Fair values of investments

The fair values of real estate and real estate shares are measured item by item as prescribed in the regulations of the Financial Supervisory Authority as well as the Insurance Company Law and based on the opinions of the company's own and external experts.

The last available buying rates or, if these are not available, closing prices at the balance sheet date are used as fair values for listed securities.

Investments in private equity funds are entered in the balance sheet at fair value estimated by the management company or, if this is not available, at acquisition cost. Investments in mutual funds are entered at the last available value of the share calculated by the management company.

The fair value of other shares and participations is the purchase price or the net realisable value or the net asset value.

The fair value of money-market instruments is primarily based on market value. If the market value is not available and the value of the investment cannot be reliably determined, the fair value is determined by using estimates by external parties or commonly approved calculation models, or the fair value is the purchase price.

Receivables are entered at the lower of nominal value or probable value.

Fair values of derivative contracts, and related liabilities and guarantees

The method for determining the fair values of derivative contracts, the liabilities and the collateral received and given to cover the clearing of derivative transactions are presented in the notes to the financial statement under Contingent liabilities and liabilities not included in the balance sheet.

Loaned securities

Loaned securities are included in the balance sheet. They are presented in the notes to the balance sheet under Guarantees and liabilities, Loaned securities (Note 30).

Profit for the year, and capital and reserves

In an earnings-related pension insurance company, the parent company's profit after taxes in the income statement is determined by calculation bases confirmed in advance by the Finnish Ministry of Social Affairs and Health. The notes include an itemisation of the parent company's capital and reserves. The guarantee capital was paid back in spring 2020, in accordance with the Annual General Meeting's decision.

Technical provisions

The regulations and guidelines of the Ministry of Social Affairs and Health and the Financial Supervisory Authority as well as the Insurance Company Law are adhered to when calculating the technical provisions. Technical provisions comprise a provision for unearned premiums and a provision for claims outstanding. Technical provisions are calculated using the technical bases confirmed for the entire sector by the Ministry of Social Affairs and Health.

The provision for unearned premiums is composed of liabilities for future pension contingencies, a provision for current bonuses and an equity-linked provision for current and future bonuses. The provision for current bonuses includes amounts reserved for client bonuses to be granted to policyholders. The amount of the equity-linked provision for current and future bonuses depends on earnings-related pension companies' average return on equity investments.

The provision for claims outstanding is composed of the liability for current pensions, which includes liabilities funded by the pension company for current pensions, including the reserve for unknown claims, and the pension institution-specific provision for pooled claims serving as a buffer for the clearing system. The reserve for unknown claims is for those pensions in which disability has begun but of which the pension institution is not yet aware.

Varma received two company pension funds' insurance business transfers during the financial year 2020.

Solvency capital

Solvency capital is calculated as the difference between the assets and debts valued at fair value.

It comprises capital and reserves, accumulated appropriations, valuation differences and the provision for future bonuses. Intangible assets included in the balance sheet and lease liabilities not included in the balance sheet are deducted from solvency capital.

The minimum limit of the solvency capital is one third of the solvency limit. The solvency limit is determined using a risk-theory-based method taking into account the allocation of investments into different asset classes and their mutual correlations as required in legislation. When calculating the limit, investments are classified according to their risk.

The solvency position is the ratio of the solvency capital to the solvency limit. The solvency ratio is the ratio of the solvency capital to the technical provisions, which does not include the provision for future bonuses.

Solvency capital and the solvency limit are presented in the notes to the financial statements.

Taxes

Taxes for the financial year and previous financial years are recognised in the income statement on an accrual basis.

Deferred tax liabilities or assets are not calculated for temporary differences between income statement items and income and expenses approved in taxation, such as confirmed losses or tax credits, because the company's net result is determined by calculation bases confirmed in advance by the Finnish Ministry of Social Affairs and Health. Nor is the deferred tax liability or asset calculated in the mutual real estate companies owned by the Group, because they are not significant for the companies in question or the Group.

Foreign-currency-denominated items

Foreign-currency-denominated items are entered at the lower of the rate on the date of transaction or the rate at the balance sheet date. When determining the investments' book value, the change in both the investment's market price and the exchange rate is taken into account as a whole. Currency conversion differences are entered as adjustments to income and expenses. Currency conversion differences for cash at bank and in hand and deposits and items that cannot be entered as adjustments to income and expenses are entered under investment income and charges. When calculating fair values, the European Central Bank's average rates quoted on the balance sheet date are used.

Operating expenses and depreciation by function

Operating expenses and the depreciation of furniture and fixtures and expenses with long-term effects are included in the items of the income statement by function. In the income statement, the operating expenses from operations related to compensations and operations for the maintenance of work ability are included in claims paid, and expenses related to investment management are included in investment charges. The expenses of insurance policy acquisition and management and administration are presented as net operating expenses. Statutory fees and payments are included in the administrative expenses. Planned depreciation on buildings is presented as investment expenses.

Pension plans and remuneration statement

Statutory pension coverage for personnel is arranged through TyEL insurance and

supplemented by voluntary pension insurance. The pension plans of the President and CEO are explained in the notes to the financial statements (Note 7). [A salary and remuneration statement](#) in accordance with the Financial Supervisory Authority's recommendation has been published on Varma's website and in the Annual and Sustainability Report.

Balance sheet and income statement at fair values

In addition to the information required by the regulations, the parent company's income statement and balance sheet at fair values are presented in the notes to the financial statement. The purpose of this is to improve the transparency of the annual account information of an earnings-related pension insurance company.

The financial statements of an earnings-related pension insurance company are prepared in accordance with sound accounting principles, valid laws and the regulations and guidelines of the Financial Supervisory Authority.

The statutory earnings-related pension scheme is partially fund-based. The technical provisions appearing in the balance sheet of an earnings-related pension insurance company amount to about a quarter of the capital value of the pensions accumulated by the closing date. Furthermore, statutory pension insurance has a guarantee scheme, according to which the earnings-related pension insurance scheme is jointly responsible for securing the benefits of the insured, should a pension institution become insolvent.

The operating expenses of the company are listed under a number of entries in the income statement and key figures. The effect of fair values on the company's investments and their results are presented

in the notes to the financial statements under balance sheet and income statement at fair values.

The total result presented in Performance analysis, consisting of investment surplus at fair value, loading profit, technical underwriting result and other result, corresponds to the total result in the note income statement at fair value. In the note, the net investment income is given at fair value. The total result at fair value is also influenced by premiums written, claims paid, change in technical provisions, total operating expenses, other result and taxes. The total result presented in the income statement drawn up at fair values substantially deviates from the result for the financial year in the income statement, drawn up in accordance with calculation bases confirmed in advance by the Finnish Ministry of Social Affairs and Health.

In note 31, i.e. Varma's balance sheet and income statement at fair values, a balance sheet presenting asset items at fair value is given. In the note, valuation differences refer to the difference between the fair values and book values of investments.

The main components of the solvency capital shown separately and measuring solvency in the balance sheet are the capital and reserves, provision for future bonuses and valuation differences of investments. The provision for current bonuses reserved for the payment of client bonuses and equity-linked provision for current and future bonuses are shown on their own lines. Investments and their net return are shown at fair value. The interest credited on technical provisions is included under change in technical provision.

Investments classified according to risk

The notes to the financial statements report investments and their returns classified according to

risk. The stipulations of the Financial Supervisory Authority concerning the calculation of the financial key figures are also used in the calculation of the return percentages. The method is described in the section Key figures and analyses.

Key figures and analyses

The key figures and analyses describing financial development are calculated and presented in accordance with the stipulations of the Financial Supervisory Authority concerning notes to the financial statements.

The key figures and analyses for investment operations and solvency are presented at fair values.

Net investment income at fair values over invested capital has been calculated by type of investment and for the total amount of investments with reference to daily or monthly time-weighted cash or output flow.

The return for the period has been calculated using a modified Dietz formula (time and money weighted formula) so that invested capital has been calculated by adding to the opening market value the cash flow for the period (cash flow/output flow = purchases – sales – income + expenses) weighted by the relative share of the length of the period that is left from the date of the event to the end of the period.

Non-financial information

The Report of the Board of Directors includes non-financial information, and a more detailed report in accordance with the GRI guidelines is published on the company's website together with the Annual and Sustainability Report.

GROUP COMPANIES 31 DEC 2020

The following companies are included as new subsidiaries in Varma's consolidated financial statements:

As. Oy Tampereen Konttilukinkatu 7

Kiinteistö Oy Tampereen Sarankulmankatu 20 B

The following 117 companies are included as subsidiaries in Varma's consolidated financial statements:

As Oy Kuokkalan Tahkonkartano

As Oy Lahden Vilhon Vaakuna

As. Oy Espoon Amiraali

As. Oy Jyväskylän Spinetti

As. Oy Näkinkuja 4

As. Oy Vantaan Tellervo

Asunto Oy Espoon Keijumäki

Asunto Oy Espoon Kilonlemmikki

Asunto Oy Espoon Niittysillankulma 2 EF

Asunto Oy Espoon Pyölinpuisto

Asunto Oy Haukikoto

Asunto Oy Helsingin Arabiankatu 4

Asunto Oy Helsingin Arabiankatu 8

Asunto Oy Helsingin Haukilahdenkuja 13

Asunto Oy Helsingin Hiihtäjätien Huippu

Asunto Oy Helsingin Hiihtäjätien Kaarre

Asunto Oy Helsingin Hiihtäjätien Laakso

Asunto Oy Helsingin Kimmontie 3

Asunto Oy Helsingin Klaneettitie

Asunto Oy Helsingin Kruunuvuorenkatu 2

Asunto Oy Helsingin Näyttelijätie 22

Asunto Oy Helsingin Päijänteentie 4-6

Asunto Oy Helsingin Roihuvuorentie 20

Asunto Oy Helsingin Roihuvuorentie 30

Asunto Oy Helsingin Tyynenmerenkatu 5

Asunto Oy Jyväskylän Kiramo 4

Asunto Oy Järvenpään Bjarnenkuja 6

Asunto Oy Kokkovouri

Asunto Oy Korkeavuorenkatu 2 a

Asunto Oy Lahden Kulmakatu 10

Asunto Oy Lahden Kulmakatu 12

Asunto Oy Lahden Massinhovi

Asunto Oy Lahden Massinpoiju

Asunto Oy Oulun Lehmuskuja

Asunto Oy Siltavoudintie 1

Asunto Oy Tampereen Nahkakuja 13

Asunto Oy Tampereen Nahkakuja 9

Asunto Oy Tampereen Näsijärvenkatu 3

Asunto Oy Tampereen Palatsinraitti 1

Asunto Oy Tampereen Puuvillatehtaankatu 6

Asunto Oy Tampereen Satakunnankatu 22

Asunto Oy Tampereen Vihilahdenkontu

Asunto Oy Tervahovinkatu 12

Asunto Oy Turun Itäinen Rantakatu 64

Asunto Oy Turun Itäinen Rantakatu 70

Asunto Oy Turun Laivurinkatu 2

Asunto Oy Turun Vilhonkatu 15

Asunto Oy Vantaan Kärjäkuja 1

Asunto Oy Vantaan Neilikkatie 4 A-F

Asunto Oy Vantaan Neilikkatie 4 G-H

Asunto Oy Vantaan Topaasikuja 9

Asunto Oy Vantaan Unikkotie 8

Asunto Oy Vantaan Vernissakatu 5

Kiint. Oy Helsingin Tapulikaupungintie 13

Kiint. Oy Jyväskylän maalaiskunnan Kotikeskus

Kiinteistö Oy Arabian Parkki

Kiinteistö Oy Atomitalo

Kiinteistö Oy Avia Prima

Kiinteistö Oy Eerikinkatu 24

Kiinteistö Oy Espoon Komentajan-Varma

Kiinteistö Oy Espoon Riihitonttu

Kiinteistö Oy Fredrikinkatu 42

Kiinteistö Oy Helsingin Hiilipiha

Kiinteistö Oy Helsingin Hiiliranta

Kiinteistö Oy Helsingin Itämerenkatu 11-13

Kiinteistö Oy Helsingin Lönnrotinkatu 18

Kiinteistö Oy Helsingin Malminkatu 28

Kiinteistö Oy Helsingin Ratavirtajankatu 5

Kiinteistö Oy Helsingin Suolakivenkatu 1

Kiinteistö Oy Helsingin Valimopolku 4

Kiinteistö Oy Helsingin Valimotie 16

Kiinteistö Oy Helsingin Valimotie 9-11

Kiinteistö Oy Helsingin Yrjönkatu 17

Kiinteistö Oy Hotelli Leivohovi

Kiinteistö Oy Hotelli Torni

Kiinteistö Oy Hyvinkään Hämeenkatu 9

Kiinteistö Oy Hämeentie 135

Kiinteistö Oy Ilmailunkatu 7

Kiinteistö Oy John Stenberginranta 2

Kiinteistö Oy Juhana Herttua 3

Kiinteistö Oy Jyväskylän Kylmälahdentie 6

Kiinteistö Oy Jyväskylän Mattilanniemi

Kiinteistö Oy Jyväskylän Saarijärventie 50-52

Kiinteistö Oy Jyväskylän Sorastajantie 1

GROUP COMPANIES 31 DEC 2020

Kiinteistö Oy Keskustahotelli

Kiinteistö Oy Kotkan Jumalniementie 8

Kiinteistö Oy Lappeenrannan Kodinkeskus

Kiinteistö Oy Lappeenrannan Patria

Kiinteistö Oy Lönnrotinkatu 12

Kiinteistö Oy Lönnrotinkatu 13

Kiinteistö Oy Mannerheimintien Pysäköintilaitos

Kiinteistö Oy Menotie 1

Kiinteistö Oy Metsäpojanukuja 1

Kiinteistö Oy Nokian Nuijamiestentie 5

Kiinteistö Oy Ornant

Kiinteistö Oy Partolan Kauppajätti

Kiinteistö Oy Pirkkalan Myllyhaantie

Kiinteistö Oy Porin Itsenäisyydenkatu 5

Kiinteistö Oy Rajalla

Kiinteistö Oy Rajasampaanranta 2

Kiinteistö Oy Salmisaaren Liikuntakeskus

Kiinteistö Oy Seinäjoen Puskantie 13

Kiinteistö Oy Sompasaaren Tukoeka

Kiinteistö Oy Tampereen Kalevanpaasi

Kiinteistö Oy Tampereen Harjuntausta 7

Kiinteistö Oy Tampereen Sarankulmankatu 20 A

Kiinteistö Oy Tavastkulla

Kiinteistö Oy Vaasan Sampotalo

Kiinteistö Oy Varmantalo

Kiinteistöosakeyhtiö Varma

Old Mill Oy

Osakevarma Oy

Pitäjänmäen Kiinteistöt Oy

P-Turkuparkki Oy

Saimaan Kylpyläkiinteistöt Oy

Tampereen Kiinteistö Invest Oy

Tieto Esy Oy

The following 6 real estate companies exited the Group during the year under review:

Kiinteistö Oy Gigahermia

Kiinteistö Oy Helsinki Niittylänpolku 10

Kiinteistö Oy Itälahdenkatu 15-17

Kiinteistö Oy Itälahdenkatu 22 A

Kiinteistö Oy Koroppa

Kiinteistö Oy Kuntotalo

Three new associates was included in Varma's consolidated financial statements:

Alcobendas Investments SL

Aros Sundbyberg Holding AB

Herding Yard Properties GP Oy

In addition, the Group comprises the following 17 associates:

Aros Bostad III AB

CMCV Kungens Kurva Holdco AB

Kiinteistö Oy Elocinkulma 1

Kiinteistö Oy Pyynikin Parkki

Kiinteistö Oy Selloparkki

Kiinteistö Oy Suursuon Ostoskeskus

Leineläntien pysäköintikiinteistö Oy

NV Kiinteistösijoitus Oy

Näkin Pihapuistikko II Oy

Oulun Lehmusparkki Oy

Ruohoparkki Oy

Salmiparkki Oy

Serena Properties AB

Spektri Kiinteistöt GP Oy

Vaasan Toripysäköinti Oy

Vantaan Valo GP Oy

WT Kiinteistösijoitus Oy

NOTES TO THE INCOME STATEMENT

1. Premiums written

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Direct business				
Basic insurance under TyEL				
Employer's share	3,164.7	3,609.4	3,164.7	3,609.4
Employee's share	1,583.9	1,491.5	1,583.9	1,491.5
	4,748.6	5,100.8	4,748.6	5,100.8
Supplementary pension insurance under TEL	0.0	0.1	0.0	0.1
Insurance under minimum YEL cover	184.8	186.7	184.8	186.7
	4,933.4	5,287.7	4,933.4	5,287.7
Transition payment to the State Pension Fund	-2.5	-2.0	-2.5	-2.0
Reinsurance	0.0	0.0	0.0	0.0
Premiums written before reinsurance	4,930.9	5,285.6	4,930.9	5,285.6
Reinsurance share	0.0	0.0	0.0	0.0
Premiums written ¹	4,930.9	5,285.6	4,930.9	5,285.6
Credit loss on premium receivables				
TyEL	20.0	10.2	20.0	10.2
YEL	2.2	2.2	2.2	2.2
	22.3	12.4	22.3	12.4

¹⁾ Less credit loss

The amount of basic insurance under TyEL for 2020 was influenced by the temporary 2.6 percentage point reduction granted to employers' contribution in May–December 2020.

2. Claims paid

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Direct business				
Paid to pensioners				
Basic insurance under TyEL	5,642.9	5,476.0	5,642.9	5,476.0
Supplementary pension insurance under TEL	85.1	87.9	85.1	87.9
Insurance under minimum YEL cover	299.5	291.5	299.5	291.5
Supplementary pension insurance under YEL	0.8	0.8	0.8	0.8
	6,028.3	5,856.1	6,028.3	5,856.1
Compensation paid/received as regards clearing of PAYG pensions ¹				
TyEL pensions	9.6	19.8	9.6	19.8
YEL pensions	5.9	-48.7	5.9	-48.7
Share of the Unemployment Insurance Fund contribution and cost distribution of pension components accrued on no-pay periods	-225.7	-152.0	-225.7	-152.0
YEL state share	-114.4	-51.1	-114.4	-51.1
VEKL state compensation	-1.4	-1.2	-1.4	-1.2
	-326.0	-233.1	-326.0	-233.1
Reinsurance	0.0	0.0	0.0	0.0
	5,702.3	5,623.0	5,702.3	5,623.0
Claims handling expenses	25.2	27.1	25.2	27.1
Administrative costs for disability risk management ²	5.1	6.4	5.1	6.4
Claims paid before reinsurance	5,732.6	5,656.5	5,732.6	5,656.5
Reinsurance share	0.0	0.0	0.0	0.0
Total claims paid	5,732.6	5,656.5	5,732.6	5,656.5

¹⁾ Paid/received cost-division compensation does not include the share of the Unemployment Insurance Fund contribution, the cost division of pension components accrued on unsalaried periods, the YEL state share, or VEKL compensation.

²⁾ Between 2000 and 2020 the administrative cost components of Varma's premium income totalled EUR 109.1 million, of which the expenses covered by the administrative cost component of the disability risk in claims recorded were 98.7 per cent. In 2020, the administrative cost components totalled EUR 6.5 million, and EUR 5.1 million were transferred to claims incurred.

3. Breakdown of net investment return

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Investment return				
Returns on investments in Group companies				
Dividend	0.3	0.4		
	0.3	0.4		
Returns on investments in participating interests				
Dividend	0.6	0.0		
	0.6	0.0		
Returns on investments in real estate				
Interest				
Group companies	21.8	25.8		
Other than Group companies			0.5	0.5
Other returns				
Other than Group companies	175.3	197.8	187.1	214.0
	197.1	223.6	187.6	214.5
Returns on other investments				
Dividend	804.1	1,064.8	804.2	1,065.0
Interest	467.8	407.5	467.8	407.5
Other returns	1,741.4	708.4	1,741.4	708.4
	3,013.2	2,180.7	3,013.4	2,180.9
	3,211.2	2,404.6	3,200.9	2,395.3
Reversed impairment	42.7	446.7	41.1	443.4
Sales proceeds	4,050.7	3,056.0	4,049.5	3,054.5
Total	7,304.6	5,907.4	7,291.5	5,893.2
Investment expenses				
On real estate	-136.1	-132.3	-89.1	-78.4
On other investments	-1,195.6	-1,441.1	-1,195.6	-1,441.1
Interest and other expenses on debt capital	-273.5	-99.2	-273.8	-100.9
	-1,605.2	-1,672.7	-1,558.5	-1,620.4
Impairment and depreciation				
Impairment	-985.2	-518.6	-1,029.3	-505.8
Planned depreciation on buildings	-10.6	-10.5	-89.7	-66.4
	-995.8	-529.1	-1,119.0	-572.3
Sales losses	-2,603.2	-1,175.6	-2,601.9	-1,175.6
Total	-5,204.2	-3,377.3	-5,279.4	-3,368.2
Net investment return in the income statement	2,100.4	2,530.1	2,012.1	2,525.0
Net investment return in the income statement includes other foreign exchange gains and losses of investment operations	224.0	-731.6	224.0	-731.6

4. Operating expenses in the income statement

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Insurance policy acquisition costs				
Direct business commissions	1.2	1.9	1.2	1.9
Other insurance policy acquisition costs	8.5	7.0	8.5	7.0
	9.7	8.8	9.7	8.8
Portfolio administration expenses	27.4	32.9	27.4	32.9
Administrative expenses				
Statutory charges				
Finnish Centre for Pensions' share	3.5	9.2	3.5	9.2
Judicial administration fee	0.9	1.0	0.9	1.0
Financial Supervisory Authority supervision fee	0.9	0.8	0.9	0.8
	5.3	11.0	5.3	11.0
Other administrative expenses	15.7	17.3	15.7	17.3
	58.1	70.0	58.1	70.0

5. Overall operating expenses by function

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Claims paid				
Claims handling expenses	25.2	27.1	25.2	27.1
Disability risk management expenses	5.1	6.4	5.1	6.4
	30.3	33.5	30.3	33.5
Operating expenses	58.1	70.0	58.1	70.0
Investment management charges				
Expenses on real estate	2.9	1.9	2.9	1.9
Expenses on other investments	18.4	18.7	18.4	18.7
	21.3	20.6	21.3	20.6
Total operating expenses	109.6	124.0	109.6	124.0

6. Personnel expenses

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Salaries and remunerations	37.7	37.6	40.2	40.1
Pension expenses	5.3	6.2	5.7	6.7
Other personnel-related expenses	2.1	1.6	2.1	1.7
Total	45.1	45.5	48.0	48.5

7. Management salaries and remunerations

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
President and CEO	0.9	0.8	0.9	0.8
Members and deputy members of the Board of Directors	0.5	0.5	0.5	0.5
Members of the Supervisory Board	0.2	0.2	0.2	0.2
Total	1.6	1.4	1.6	1.4
Average number of personnel during the financial year	537	537	575	575

President & CEO Risto Murto was paid EUR 880 427 in salary and fringe benefits. President & CEO Murto's retirement age will be 65 years.

8. Auditors' fees

1 Jan–31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Ernst & Young Oy				
Audit fees	0.2	0.2	0.2	0.2
Taxation advice	0.1	0.0	0.1	0.0
Other fees	0.0	0.0	0.0	0.0
Other audit firms				
Taxation advice	0.6	0.2	0.6	0.2
Other fees	0.2	0.1	0.2	0.1

9. Income taxes

Deferred tax liabilities or assets based on accumulated appropriations or other temporary differences between book value and taxable values have not been entered in the balance sheet, because such deferred tax liabilities or assets are unlikely to be realised in the financial statements of a company engaged in the statutory pension insurance business or of its Group.

NOTES TO THE BALANCE SHEET

10. Investments at fair value and valuation differences, Parent Company

31 Dec, € million	Remaining acquisition cost 2020	Book value 2020	Fair value 2020	Remaining acquisition cost 2019	Book value 2019	Fair value 2019
Real estate investments						
Real estate	334.7	344.8	472.2	313.5	323.6	442.4
Real estate shares in Group companies	1,171.0	1,171.0	1,734.1	1,100.0	1,100.0	1,610.9
Other real estate shares	8.2	8.2	8.3	6.9	6.9	7.1
Loans to Group companies	463.8	463.8	463.8	443.2	443.2	443.2
Loans to real estate companies	217.2	217.2	217.2	304.0	304.0	304.0
Investments in Group companies						
Shares and participations	4.3	4.3	4.3	4.3	4.3	4.3
Investments in participating interests						
Shares and participations	55.1	55.1	86.9	18.5	18.5	42.4
Other investments						
Shares and participations	29,283.8	29,283.8	38,132.3	26,362.4	26,362.4	36,056.9
Money-market instruments	4,976.7	4,976.7	5,261.6	6,221.5	6,221.5	6,524.8
Loans guaranteed by mortgages	205.2	205.2	205.2	260.3	260.3	260.3
Other loan receivables	2,093.0	2,093.0	2,094.9	1,999.9	1,999.9	2,002.8
	38,813.0	38,823.1	48,680.9	37,034.4	37,044.5	47,699.1
The remaining acquisition cost of money-market instruments includes:						
The difference between the nominal value and acquisition cost, released (+) or charged (-) to interest income	-42.3			-40.4		
Book value includes						
Revaluations entered as income		10.1			10.1	
Valuation difference (difference between fair value and book value)			9,857.8			10,654.6
Non-hedging derivatives		-112.8	24.7		-135.6	-68.6
Valuation difference (difference between fair value and book value)			137.5			67.0

11. Investments at fair value and valuation differences, Group

31 Dec, € million	Remaining acquisition cost 2020	Book value 2020	Fair value 2020	Remaining acquisition cost 2019	Book value 2019	Fair value 2019
Real estate investments						
Real estate	2,024.1	2,034.2	2,876.1	2,087.3	2,097.4	2,789.2
Other real estate shares	8.2	8.2	8.3	6.9	6.9	7.1
Investments in Group companies						
Shares and participations	0.5	0.5	0.9	0.5	0.5	0.9
Investments in participating interests						
Shares and participations	92.1	92.1	86.9	45.0	45.0	42.4
Other investments						
Shares and participations	29,298.4	29,298.4	38,146.9	26,377.0	26,377.0	36,071.5
Money-market instruments	4,976.7	4,976.7	5,261.6	6,221.5	6,221.5	6,524.8
Loans guaranteed by mortgages	205.2	205.2	205.2	260.3	260.3	260.3
Other loan receivables	2,093.0	2,093.0	2,094.9	1,999.9	1,999.9	2,002.8
	38,698.2	38,708.3	48,680.9	36,998.4	37,008.5	47,699.1
The remaining acquisition cost of money-market instruments includes:						
The difference between the nominal value and acquisition cost, released (+) or charged (-) to interest income	-42.3			-40.4		
Book value includes						
Revaluations entered as income		10.1			10.1	
Valuation difference (difference between fair value and book value)			9,972.6			10,690.6
Non-hedging derivatives		-112.8	24.7		-135.6	-68.6
Valuation difference (difference between fair value and book value)			137.5			67.0

12. Investments in Group companies and participating interests, Parent Company

31 Dec 2020, € million

Shares and participations in Group companies	
Acquisition cost, 1 Jan	4.3
Acquisition cost, 31 Dec	4.3
Shares and participations in participating interests	
Acquisition cost, 1 Jan	18.5
Increase	36.5
Decrease	0.0
Acquisition cost, 31 Dec	55.1

Shares and participations in Group companies

31 Dec 2020	Domicile	Shares	Votes	Book value € million
Tieto Esy Oy	Helsinki	14.4%	50.1%	0.9
Osakevarma Oy	Helsinki	100.0%	100.0%	3.3
				4.3
Housing associations and real estate companies				1,171.0

Shares and participations in participating interests

31 Dec 2020	Domicile	Shares	Votes	Book value € million
Alcobendas Investments SL	Madrid	50.0%	50.0%	32.3
Aros Bostad III AB	Stockholm	35.1%	35.1%	0.0
Aros Sundbyberg Holding AB	Stockholm	48.4%	48.4%	1.5
CMCV Kungenskurva HoldCo AB	Stockholm	45.0%	45.0%	10.0
Herding Yard Properties GP Oy	Helsinki	31.0%	31.0%	0.0
NV Kiinteistösjointus Oy	Helsinki	45.0%	45.0%	0.0
Serena Properties AB	Stockholm	43.0%	43.0%	11.2
Spektri Kiinteistöt GP Oy	Helsinki	24.7%	24.7%	0.0
Vantaan Valo GP Oy	Helsinki	50.0%	50.0%	0.0
VVT Kiinteistösjointus Oy	Helsinki	45.0%	45.0%	0.0
				55.1
Housing associations and real estate companies				5.1

13. Investments in Group companies and participating interests, Group

31 Dec 2020, € million

Shares and participations in Group companies	
Acquisition cost, 1 Jan	0.5
Increase	0.0
Decrease	0.0
Acquisition cost, 31 Dec	0.5
Shares and participations in participating interests	
Acquisition cost, 1 Jan	45.0
Increase	47.0
Decrease	0.0
Acquisition cost, 31 Dec	92.1

Shares and participations in Group companies

31 Dec 2020	Domicile	Shares	Votes	Book value € million
Tieto Esy Oy	Helsinki	14.4%	50.1%	0.5
				0.5

Shares and participations in participating interests

31 Dec 2020	Domicile	Shares	Votes	Book value € million
Alcobendas Investments SL	Madrid	50.0%	50.0%	31.1
Aros Bostad III AB	Stockholm	35.1%	35.1%	12.7
Aros Sundbyberg Holding AB	Stockholm	48.4%	48.4%	1.5
CMCV Kungenskurva HoldCo AB	Stockholm	45.0%	45.0%	11.4
Herding Yard Properties GP Oy	Helsinki	31.0%	31.0%	0.0
NV Kiinteistösjointus Oy	Helsinki	45.0%	45.0%	0.0
Serena Properties AB	Stockholm	43.0%	43.0%	35.4
Spektri Kiinteistöt GP Oy	Helsinki	24.7%	24.0%	0.0
Vantaan Valo GP Oy	Helsinki	50.0%	50.0%	0.0
VVT Kiinteistösjointus Oy	Helsinki	45.0%	40.0%	0.0
				92.1
Housing associations and real estate companies				10.6

14. Changes in investments in real estate

31 Dec 2020, € million	Parent Company Real Estate and real estate shares	Parent Company Loans to Group companies	Group Real Estate and real estate shares
Acquisition cost, 1 Jan	1,894.5	747.2	3,225.6
Increase	164.4	58.4	148.7
Decrease	-59.0	-124.6	-93.8
Acquisition cost, 31 Dec	1,999.8	681.0	3,280.5
Accumulated depreciation, 1 Jan	-198.4		-909.7
Accumulated depreciation on deductions and transfers	1.1		30.1
Depreciation for the financial year	-10.6		-64.6
Accumulated depreciation, 31 Dec	-207.8		-944.2
Impairments, 1 Jan	-275.7		-221.8
Impairments on deductions and transfers	26.2		12.2
Impairments for the financial year	-30.9		-108.0
Reversed impairment	2.3		13.6
Impairments, 31 Dec	-278.1		-304.0
Revaluations, 1 Jan	10.1		10.1
Revaluations on deductions and transfers	0.0		0.0
Revaluations, 31 Dec	10.1		10.1
Book value, 31 Dec	1,524.0	681.0	2,042.4

15. Real estate investments in own use

31 Dec 2020, € million	Parent Company	Group
Remaining acquisition cost	61.3	61.3
Book value	61.3	61.3
Fair value	73.2	73.2

16. Parent Company's other investments, shares and participations

31 Dec 2020	Shares %	Book value € million	Market value € million
Listed equities			
Finland			
Ahlstrom-Munksjö Oyj	1.4	16.3	29.9
Aktia Pankki Plc	1.7	6.7	11.5
Alma Media Corporation	6.5	23.0	47.3
Altia Plc	2.9	7.8	10.5
Aspo Plc	4.5	6.0	11.9
Atria Plc	1.9	5.2	5.2
Bittium Corporation	3.8	7.9	7.9
CapMan Plc	2.3	8.5	8.5
Cargotec Corporation	1.0	21.5	21.7
Caverion Corporation	7.0	52.4	56.2
Componenta Corporation	4.4	1.3	1.3
Consti Group Oyj	2.2	1.6	1.7
Detection Technology Plc	3.6	2.7	12.3
Digia Plc	4.6	4.8	9.4
Elisa Corporation	2.2	46.5	165.4
Enento Group Plc	1.4	10.8	11.6
Etteplan Oyj	3.9	3.3	12.7
Finnair Plc	2.6	27.2	27.2
Fiskars Corporation	2.1	12.8	25.8
Fortum Corporation	1.0	162.9	170.4
F-Secure Corporation	2.2	7.5	13.3
Glaston Corporation	7.5	5.5	5.5
Gofore Plc	3.7	3.3	8.8
HKScan Corporation	4.9	9.5	9.5
Honkarakenne Oyj	3.6	0.6	1.0
Huhtamaki Oyj	2.5	88.0	115.7
Kemira Oyj	3.0	59.6	60.4
Kesko Corporation	1.3	33.6	106.9
Kesla Oyj	4.4	0.6	0.6
Kojamo plc	7.8	21.1	350.1
Konecranes Plc	2.4	48.6	55.4
KONE Corporation	1.1	239.2	389.3
Lassila & Tikanoja Plc	1.9	9.8	11.0

31 Dec 2020	Shares %	Book value € million	Market value € million
Leaddesk Plc	2.0	1.6	3.3
Marimekko Corporation	4.7	3.4	17.6
Metsä Board Corporation	4.9	41.1	148.7
Musti Group Plc	2.2	8.8	18.2
Nanoform Finland Plc	1.9	4.3	8.8
Neles Corporation	0.1	1.7	1.8
Neste Corporation	1.4	198.7	620.1
Next Games Corporation	2.0	1.2	1.2
Nixu Corporation	3.5	1.2	2.5
NoHo Partners Plc	1.4	1.2	2.2
Nokian Tyres Plc	1.5	40.3	59.6
Nokia Corporation	1.4	249.3	249.3
Nordea Bank Abp	1.5	401.9	401.9
Olvi Plc	4.0	17.6	39.9
Oma Savings Bank Plc	1.8	3.7	5.5
Oriola Corporation	4.2	12.9	14.8
Orion Corporation	0.8	28.0	40.4
Outokumpu Oyj	1.3	17.5	17.5
Outotec Oyj	3.2	135.4	214.9
Ponsse Plc	1.4	1.6	11.3
Qt Group Plc	4.5	0.7	64.1
Raisio Plc	2.2	11.4	11.4
Raute Plc	1.2	0.6	1.2
Robit Plc	9.7	7.5	7.5
Rovio Entertainment Corporation	0.5	2.4	2.4
Sampo Plc	4.0	174.9	771.8
Sanoma Corporation	0.5	8.1	10.6
Siili Solutions Plc	3.6	1.9	3.3
Solteq Plc	6.5	1.8	3.5
SRV Group Plc	0.5	0.8	0.8
SSH Communications Security Corporation	1.9	1.3	1.3
Stockmann Plc	9.8	8.3	8.3
Stora Enso Oyj	0.8	73.8	99.2
Suominen Corporation	3.8	4.9	11.1
Teleste Corporation	2.7	2.3	2.3

31 Dec 2020	Shares %	Book value € million	Market value € million
Terveystalo Plc	17.3	186.6	222.0
TietoEVRY Corporation	0.4	11.9	13.1
Tikkurila Oyj	3.8	25.4	42.2
Tokmanni Group Corporation	4.8	19.9	45.6
UPM-Kymmene Corporation	1.5	216.0	249.7
Uponor Corporation	4.0	28.7	53.9
Valmet Corporation	1.4	17.9	49.0
Verkkokauppa.com Oyj	8.6	16.5	27.5
Viafin Service Oyj	3.3	0.8	1.9
Vincit Group Plc	5.4	3.9	4.7
Wärtsilä Corporation	5.4	151.1	259.5
YIT Corporation	7.6	78.8	78.8
Other		0.7	8.2
Finnish equities, total		3,186.6	5,710.3
Foreign equities, other countries			
Australia			
Commonwealth Bank of Australia	0.0	1.4	1.7
CSL Ltd	0.0	1.4	1.4
National Australia Bank Ltd	0.0	1.1	1.4
Wesfarmers Limited	0.0	1.7	2.0
Westpac Banking Corporation	0.0	1.1	1.3
Belgium			
Anheuser-Busch InBev SA/NV	0.0	8.0	9.0
Barco NV	0.8	13.7	13.7
UCB SA	0.0	1.7	1.7
Bermuda			
IHS Markit Ltd	0.0	1.4	1.5
Canada			
Algonquin Power & Utilities Corp	0.0	2.0	2.2
Canadian Imperial Bank of Commerce	0.0	1.4	1.5
Franco-Nevada Corporation	0.0	2.1	2.1
Royal Bank of Canada	0.0	1.8	1.9
Shopify Inc	0.0	9.1	10.8

31 Dec 2020	Shares %	Book value € million	Market value € million
Cayman Islands			
AAC Technologies Holdings Inc	0.1	4.9	4.9
Kingdee International Software Group Company Limited	0.1	6.0	9.3
NIO Inc	0.0	7.1	8.3
ZTO Express (Cayman) Inc	0.0	7.6	7.6
China			
Dada Nexus Ltd	0.2	13.7	14.8
Great Wall Motor Company Limited	0.1	1.2	5.6
Curacao			
Schlumberger Limited	0.0	2.3	2.4
Denmark			
AP Moeller - Maersk A/S	0.0	6.6	10.9
Carlsberg A/S	0.0	7.4	8.0
Coloplast A/S	0.0	1.9	1.9
Demant A/S	0.2	9.9	12.3
DSV A/S	0.0	10.4	10.8
Genmab A/S	0.0	1.2	1.7
GN Store Nord A/S	0.0	2.9	2.9
Netcompany Group A/S	0.6	20.3	23.5
Novo Nordisk A/S	0.0	9.7	9.8
Orsted A/S	0.0	8.2	10.1
Rockwool International A/S	0.2	6.5	6.7
Royal Unibrew A/S	0.5	16.0	21.4
SimCorp A/S	0.7	24.6	33.5
Vestas Wind Systems A/S	0.1	14.5	22.3
France			
Air Liquide SA	0.0	1.4	1.5
Alstom SA	0.1	9.1	9.3
Carmila SA	0.5	7.9	7.9
Carrefour SA	0.0	5.5	5.6
Cie de St-Gobain	0.0	3.1	3.2
Danone SA	0.0	2.5	2.5
Eiffage SA	0.0	1.3	1.3
Elis SA	0.3	10.2	10.2
Legrand SA	0.0	1.3	1.5
L'Oreal SA	0.0	2.6	3.1

31 Dec 2020	Shares %	Book value € million	Market value € million
LVMH Moët Hennessy Louis Vuitton SE	0.0	16.5	17.1
Orpea SA	0.7	42.3	47.3
Pernod-Ricard SA	0.0	8.0	8.6
Peugeot SA	0.1	12.7	16.6
Remy Cointreau SA	0.1	3.7	5.8
Sanofi SA	0.0	6.7	6.7
Schneider Electric SA	0.0	16.4	17.9
Teleperformance SA	0.1	10.5	13.2
Ubisoft Entertainment SA	0.2	20.5	20.5
Vinci SA	0.0	8.0	8.0
Germany			
Adidas AG	0.0	7.0	7.5
Aixtron SE	3.4	34.2	54.3
Allianz SE	0.0	1.6	1.7
Alstria Office REIT-AG	0.7	10.9	17.9
Aumann AG	1.0	1.8	1.8
BASF SE	0.0	1.8	2.1
Bilfinger Berger SE	0.1	1.3	1.3
BioNTech SE	0.0	2.0	2.0
Carl Zeiss Meditec AG	0.0	2.4	2.7
CompuGroup Medical SE & Co KGaA	0.0	1.5	1.6
CTS Eventim AG & Co KGaA	0.3	13.2	17.7
Daimler International Finance BV	0.0	1.6	2.3
Dermapharm Holding SE	1.3	24.8	39.8
Deutsche Lufthansa AG	0.1	5.2	5.4
Deutsche Pfandbriefbank AG	1.5	18.1	18.1
Deutsche Post AG	0.0	7.5	8.8
Infineon Technologies AG	0.1	38.1	44.2
Jenoptik AG	1.2	13.0	16.8
KION Group AG	0.1	8.1	8.5
Lanxess AG	0.3	12.0	15.2
Merck KGaA	0.0	2.4	2.8
MTU Aero Engines Holding AG	0.0	3.5	4.6
Norma Group SE	0.7	4.9	8.8
Porsche Automobil Holding SE	0.0	1.7	1.9
SAP SE	0.0	1.5	1.5

31 Dec 2020	Shares %	Book value € million	Market value € million
Sartorius AG	0.0	1.5	1.7
Siemens AG	0.0	12.7	13.4
Siemens Energy AG	0.1	7.8	11.4
Siemens Healthineers AG	0.0	1.9	2.1
Stroeer SE & Co KGaA	0.7	24.8	31.1
Varta AG	0.7	24.4	31.9
Volkswagen AG	0.0	2.9	3.5
Zalando SE	0.0	4.2	4.6
Hong Kong			
AIA Group Limited	0.0	1.4	1.7
Hong Kong Exchanges and Clearing Ltd	0.0	1.6	1.7
Techtronic Industries Co Ltd	0.0	3.4	3.5
Hungary			
Akko Invest Nyrt	2.5	0.9	0.9
Ireland			
Accenture PLC	0.0	1.7	1.9
CRH plc	0.0	1.2	1.3
DCC PLC	0.6	33.1	33.1
Glanbia plc	0.2	6.8	6.8
Horizon Therapeutics Plc	0.0	1.4	1.5
Linde Plc	0.0	5.9	6.2
Medtronic PLC	0.0	7.3	7.4
Ryanair Holdings PLC	0.0	0.9	1.2
Italy			
Autogrill SpA	1.2	16.8	16.8
Davide Campari-Milano SpA	0.0	3.1	4.2
De'Longhi SpA	0.5	19.1	19.1
Hera SpA	0.8	31.6	34.3
Prysmian SpA	0.2	9.7	14.4
Technogym SpA	0.4	7.4	7.8
Japan			
Ana Holdings Inc	0.1	6.3	6.3
Astellas Pharma Inc	0.0	1.5	1.5
Chugai Pharmaceutical Co Limited	0.0	3.7	4.3
Daifuku Co Ltd	0.1	8.4	10.8
Dai-ichi Life Holdings	0.0	1.3	1.3

31 Dec 2020	Shares %	Book value € million	Market value € million
Daiichi Sankyo Co Ltd	0.0	3.6	4.5
Daikin Industries Ltd	0.0	7.2	9.7
East Japan Railway Company	0.0	1.7	1.7
FANUC Corp	0.0	8.0	8.7
Fast Retailing Co Ltd	0.0	4.0	4.3
GMO Payment Gateway Inc	0.1	6.0	6.1
Hamamatsu Photonics KK	0.0	1.4	1.4
Honda Motor Co Ltd	0.0	1.4	1.4
Hoya Corporation	0.0	9.0	9.9
ITOCHU Corp	0.0	1.4	1.7
Japan Airlines Company Ltd	0.1	3.9	3.9
Kao Corporation	0.0	3.5	3.5
Keyence Corporation	0.0	10.0	13.5
Kintetsu World Express Inc	0.5	7.0	7.1
Kirin Holdings Company Limited	0.0	4.0	4.1
Kyowa Kirin Co Ltd	0.0	1.1	1.1
Lasertec Corporation	0.1	11.0	13.3
Misumi Group Inc	0.1	7.0	7.1
Mitsui & Co Ltd	0.0	1.6	1.7
Mizuho Financial Group Inc	0.0	1.8	1.8
Murata Manufacturing Company Ltd	0.0	8.6	11.8
Nidec Corp	0.0	7.9	11.1
Nippon Express Co Ltd	0.1	7.0	7.9
Recruit Holdings Co Ltd	0.0	8.6	10.1
SCREEN Holdings Co Ltd	0.3	7.2	8.1
Sekisui House Ltd	0.0	2.0	2.0
Seven & i Holdings Co Ltd	0.0	3.6	3.6
Shionogi & Company Limited	0.0	1.8	1.8
SMC Corporation	0.0	7.2	7.8
Sony Corp	0.0	8.9	11.3
Sumitomo Electric Industries Ltd	0.0	2.1	2.1
Takeda Pharmaceutical Co Ltd	0.0	3.3	3.3
TDK Corporation	0.0	6.0	6.7
Toshiba Corporation	0.1	6.6	6.6
Toyota Motor Corp	0.0	12.2	12.6
Unicharm Corporation	0.0	4.0	4.6

31 Dec 2020	Shares %	Book value € million	Market value € million
Jersey C.I.			
Aptiv PLC	0.0	1.0	1.5
Experian PLC	0.0	8.2	8.2
Lithuania			
AB Ignitis Grupe	0.2	3.6	3.6
Luxembourg			
Solutions 30 SE	3.0	33.6	33.6
Tenaris SA	0.0	1.2	1.6
Netherlands			
Alfen Beheer BV	0.2	2.7	3.6
ASML Holding NV	0.0	32.8	42.9
CureVac NV	0.0	0.7	0.7
Heineken NV	0.0	5.3	5.8
IMCD Group NV	0.6	20.3	38.6
Koninklijke Philips NV	0.0	9.5	9.9
Qiagen NV	0.0	2.6	2.6
Signify NV	0.4	15.8	16.7
Norway			
Adevinta ASA	0.1	7.6	8.0
Aker Offshore Wind AS	0.4	1.6	2.5
Atlantic Sapphire AS	1.7	13.8	15.0
Hofseth BioCare ASA	0.9	1.1	2.4
Leroey Seafood Group ASA	0.3	10.8	11.4
Mowi ASA	0.1	10.8	11.4
Norwegian Finans Holding ASA	1.8	22.1	22.1
Protector Forsikring ASA	0.9	1.6	3.1
Salmar ASA	0.4	18.3	18.3
Scatec ASA	0.1	3.6	5.3
Storebrand ASA	2.0	39.5	56.6
Telenor ASA	0.0	1.6	1.6
Tomra Systems ASA	0.2	12.2	14.0
Yara International ASA	0.0	3.7	3.7
Singapore			
Singapore Airlines Limited	0.1	4.1	4.2
Spain			
Banco Santander SA	0.0	1.5	2.1

31 Dec 2020	Shares %	Book value € million	Market value € million
Bankinter S.A.	0.3	10.8	11.5
Grifols SA	0.0	2.4	2.4
Inditex SA	0.0	4.6	4.6
Sweden			
AarhusKarlshamn AB	0.2	8.3	8.3
AF AB	0.4	9.2	10.0
Atrium Ljungberg AB	6.1	82.9	140.1
Beijer Ref AB	0.1	3.9	5.6
Cloetta AB	0.7	4.5	4.9
Dometic Group AB	0.2	6.5	6.5
Elektro AB	0.0	1.7	1.7
Embracer Group AB	0.2	7.4	11.8
Epiroc AB	0.1	8.9	11.0
Fastighets AB Balder	0.4	14.8	34.2
Hexagon AB	0.0	8.7	10.5
Hufvudstaden AB	0.6	10.0	17.4
Husqvarna AB	0.0	1.5	1.8
Inwido AB	0.1	0.6	0.6
Medicover AB	0.4	2.6	4.4
Mycronic AB	0.6	9.7	14.6
NIBE Industrier AB	0.1	5.5	7.0
Nordnet AB	0.4	8.8	11.6
Renewcell AB	0.4	0.9	2.7
SKF AB	0.1	8.9	10.7
Swedish Orphan Biovitrum AB	0.0	1.0	1.0
Thunderful Group AB	1.0	3.4	5.6
Volvo AB	0.0	6.8	7.0
Switzerland			
ABB Ltd	0.0	5.9	6.1
Alcon Inc	0.0	2.3	2.7
Credit Suisse Group AG	0.0	1.5	1.7
Dufry AG	0.4	14.9	16.5
Informa PLC	0.1	6.1	6.1
Lonza Group AG	0.0	6.9	7.0
Nestle SA	0.0	18.7	18.8
Novartis AG	0.0	9.3	9.5

31 Dec 2020	Shares %	Book value € million	Market value € million
Roche Holding AG	0.0	13.5	13.5
SIG Combibloc Group AG	0.2	9.5	10.5
Sika AG	0.0	5.2	6.7
Sonova Holding AG	0.0	1.9	2.1
Straumann Holding AG	0.0	2.4	3.4
Vifor Pharma AG	0.0	1.2	1.2
Zur Rose Group AG	0.1	3.4	3.9
Taiwan			
Taiwan Semiconductor Manufacturing Company Ltd	0.0	30.7	48.9
United Kingdom			
AstraZeneca PLC	0.0	13.0	13.0
British Land Co PLC	0.0	2.1	2.1
Cineworld Group plc	1.2	12.1	12.1
Compass Group PLC	0.0	3.0	3.0
Diageo PLC	0.0	7.9	7.9
easyJet PLC	0.2	7.5	7.5
Electrocomponents PLC	0.3	9.4	11.5
GlaxoSmithKline PLC	0.0	3.7	3.7
HomeServe plc	0.2	6.7	6.7
IMI PLC	0.1	5.0	5.0
Inchcape PLC	0.8	21.5	22.0
Melrose Industries PLC	0.1	4.3	6.4
Reckitt Benckiser Group PLC	0.0	4.9	4.9
Relx PLC	0.0	5.0	5.4
RSA Insurance Group PLC	0.0	1.5	1.5
Smith & Nephew PLC	0.0	1.7	1.7
The Weir Group PLC	0.1	5.6	7.4
Unilever PLC	0.0	14.8	15.1
WH Smith PLC	0.5	10.5	10.5
United States			
Abbott Laboratories	0.0	9.0	10.1
AbbVie Inc	0.0	9.2	10.4
Activision Blizzard Inc	0.0	22.4	25.0
Adobe Inc	0.0	50.1	62.1
Advanced Micro Devices Inc	0.0	34.3	44.8
Agilent Technologies Inc	0.0	7.9	8.2

31 Dec 2020	Shares %	Book value € million	Market value € million
Akamai Technologies Inc	0.0	6.4	6.4
Alexandria Real Estate Equities Inc	0.0	1.6	1.7
Alexion Pharmaceuticals Inc	0.0	1.6	1.9
Alphabet Inc	0.0	39.7	43.5
Amazon.com Inc	0.0	9.1	9.6
Amedisys Inc	0.0	2.1	2.4
American Express Co	0.0	1.9	1.9
American Tower Corp	0.0	1.3	1.3
AMETEK Inc	0.0	1.6	1.9
Amgen Inc	0.0	5.1	5.1
Analog Devices Inc	0.0	1.5	1.6
Antero Resources Corp	0.2	2.5	2.5
Anthem Inc	0.0	2.4	2.6
APi Group Corporation	0.3	7.0	8.6
Apple Inc	0.0	169.2	274.5
Array Technologies Inc	0.1	2.9	3.3
Atmos Energy Corporation	0.0	1.6	1.6
AT&T Inc	0.0	1.7	1.7
Autoliv Inc	0.0	1.1	1.1
Bank of America Corp	0.0	2.2	2.4
Becton Dickinson and Company	0.0	3.1	3.1
Berkshire Hathaway Inc	0.0	2.5	2.6
Beyond Meat Inc	0.1	7.1	7.1
BioMarin Pharmaceutical Inc	0.0	1.8	1.8
Bio-Rad Laboratories Inc	0.0	2.2	2.4
Black Knight Inc	0.0	2.3	2.6
BlackRock Inc	0.0	1.5	1.8
Boston Scientific Corp	0.0	2.9	2.9
Bristol-Myers Squibb Co	0.0	6.5	6.5
Broadcom Inc	0.0	46.0	59.2
Burlington Stores Inc	0.0	3.6	4.3
C3.ai Inc	0.1	5.7	5.7
Camden Property Trust	0.0	1.6	1.6
Carrier Global Corporation	0.0	7.5	7.5
Catalent Inc	0.0	1.7	1.7
Caterpillar Inc	0.0	11.3	14.7

31 Dec 2020	Shares %	Book value € million	Market value € million
Centene Corporation	0.0	2.9	2.9
Charter Communications Inc	0.0	1.6	1.6
Chipotle Mexican Grill Inc	0.0	1.3	1.3
Cigna Corp	0.0	3.0	3.0
Cisco Systems Inc	0.0	1.5	1.5
Citigroup Inc	0.0	1.7	1.8
Coca-Cola Co/The	0.0	10.8	10.9
Comcast Corp	0.0	1.7	1.9
CoStar Group	0.0	6.0	7.2
Costco Wholesale Corporation	0.0	1.5	1.5
CSX Corp	0.0	9.0	9.0
Cummins Inc	0.0	9.2	9.2
CVS Health Corp	0.0	2.2	2.2
Danaher Corp	0.0	8.6	9.2
Datadog Inc	0.2	17.3	32.1
Dexcom Inc	0.0	2.9	3.0
Dollar General Corp	0.0	7.1	8.2
Ecolab Inc	0.0	5.3	5.3
Edwards Lifesciences Corp	0.0	1.9	2.2
Elanco Animal Health Inc	0.0	3.7	3.7
Eli Lilly and Company	0.0	8.0	8.5
Emerson Electric Co	0.0	1.7	1.9
Facebook Inc	0.0	32.5	36.3
FedEx Corp	0.0	12.2	12.7
Freshpet Inc	0.1	3.6	5.2
General Electric Co	0.0	17.7	22.0
General Motors Company	0.0	1.1	1.5
Gilead Sciences Inc	0.0	4.3	4.3
Hannon Armstrong Inc	0.2	8.2	9.0
Hasbro Inc	0.1	6.1	6.1
HCA Holdings Inc	0.0	1.2	1.3
Hologic Inc	0.0	1.7	1.8
Home Depot Inc/The	0.0	14.6	15.0
Howmet Aerospace Inc	0.1	10.9	11.9
Humana Inc	0.0	1.7	1.7
Idexx Laboratories Inc	0.0	1.5	2.0

31 Dec 2020	Shares %	Book value € million	Market value € million
Illinois Tool Works Inc	0.0	6.4	6.4
Intel Corp	0.0	1.7	1.7
International Business Machines Corp	0.0	1.3	1.3
International Paper Co	0.0	1.4	1.4
Intuit Inc	0.0	1.3	1.5
Intuitive Surgical Inc	0.0	4.9	5.7
IQVIA Holdings Inc	0.0	2.0	2.2
J.B. Hunt Transport Services Inc	0.0	4.5	4.5
JetBlue Airways Corporation	0.2	7.5	7.9
Johnson Controls Inc	0.0	4.9	4.9
Johnson & Johnson	0.0	20.5	21.0
JPMorgan Chase & Co	0.0	3.4	3.7
Kinder Morgan Inc	0.0	1.2	1.2
Lowe's Companies Inc	0.0	1.9	1.9
Marriott International Inc/DE	0.0	1.5	1.6
Mastercard Incorporated	0.0	44.4	44.8
McDonald's Corp	0.0	1.9	1.9
McKesson Corp	0.0	2.1	2.1
Merck & Co Inc	0.0	9.6	9.6
Microsoft Corp	0.0	174.0	239.5
Mid-America Apartment Communities Inc	0.0	2.1	2.1
Moderna Inc	0.0	2.5	3.4
Mondelez International Inc	0.0	5.8	5.8
Morgan Stanley	0.0	1.5	1.8
Netflix Inc	0.0	1.9	2.0
NextEra Energy Inc	0.0	3.5	3.6
Nike Inc	0.0	8.1	10.9
Novavax Inc	0.0	0.9	0.9
NVIDIA Corporation	0.0	61.5	73.1
Otis Worldwide Corporation	0.0	9.6	10.9
Outset Medical Inc	0.1	1.3	1.4
Paychex Inc	0.0	1.3	1.4
PayPal Holdings Inc	0.0	38.9	53.4
Pepsico Inc	0.0	10.0	10.0
Pfizer Inc	0.0	12.8	12.8
Phillips 66	0.0	1.5	1.6

31 Dec 2020	Shares %	Book value € million	Market value € million
Priceline Group Inc/The	0.0	1.2	1.3
Procter & Gamble Co/The	0.0	15.2	15.4
Prudential Financial Inc	0.0	2.1	2.3
Qualcomm Inc	0.0	1.4	1.7
Quest Diagnostics Inc	0.0	1.9	1.9
Regeneron Pharmaceuticals Inc	0.0	2.0	2.0
Salesforce.com Inc	0.0	23.2	25.8
Sarepta Therapeutics Inc	0.0	1.9	2.1
ServiceNow Inc	0.0	1.5	1.7
Snowflake Inc	0.1	5.8	5.8
SolarEdge Technologies Inc	0.1	6.4	7.9
Southwest Airlines Co	0.0	3.2	3.2
Splunk Inc	0.1	12.2	12.5
Square Inc	0.0	13.5	14.3
Stanley Black & Decker Inc	0.0	6.5	8.7
Starbucks Corporation	0.0	1.8	2.1
Stryker Corp	0.0	4.8	5.5
Sunrun Inc	0.1	7.1	8.5
Target Corp	0.0	5.4	7.7
Teladoc Health Inc	0.0	2.4	2.4
Teleflex Inc	0.0	1.6	1.7
Tesla Motors Inc	0.0	27.9	32.1
Texas Instruments Inc	0.0	1.5	1.6
The Goldman Sachs Group Inc	0.0	1.7	1.8
Thermo Fisher Scientific Inc	0.0	10.6	11.5
The TJX Companies Inc	0.0	8.8	10.0
TransUnion	0.0	1.6	1.6
Trimble Inc	0.0	2.1	2.5
Uber Technologies Inc	0.0	8.8	10.4
Ulta Beauty Inc	0.1	5.8	7.0
Union Pacific Corp	0.0	16.9	18.2
UnitedHealth Group Inc	0.0	15.8	17.4
United Parcel Service Inc	0.0	15.8	15.8
Veeva Systems Inc	0.0	2.2	2.2
Veoneer Inc	0.3	3.6	6.2
Verisk Analytics Inc	0.0	1.6	1.8

31 Dec 2020	Shares %	Book value € million	Market value € million
Verizon Communications Inc	0.0	2.3	2.3
Vertex Pharmaceuticals Inc	0.0	5.6	5.6
Viatis Inc	0.0	0.5	1.5
Visa Inc	0.0	34.2	34.2
Walt Disney Co/The	0.0	2.2	2.8
Workday Inc	0.1	27.6	29.3
XPO Logistics Inc	0.1	7.7	12.1
Xylem Inc	0.0	4.0	4.1
Zions Bancorporation	0.0	1.3	1.7
Zoetis Inc	0.0	3.4	4.0
Other		0.4	34.5
Foreign equities, total		3,409.1	4,175.3
Listed equities, total		6,595.7	9,885.6
Unlisted equities			
Finland			
Ahlström Capital Oy	3.8	8.4	31.9
HappySpace Oy	16.7	2.0	11.9
Havator Group Oy	9.7	5.4	8.0
Keskinäinen Vakuutusyhtiö Kaleva	30.0	2.6	2.6
Mehiläinen Konserni Oy	7.7	75.0	87.3
Sponff Oy	15.3	2.1	2.2
Tornator Oy	15.3	24.4	141.3
Other		0.5	0.5
Finnish equities, total		120.4	285.7
Unlisted equities, total		120.4	285.7

31 Dec 2020	Book value € million	Fair value € million
Hedge funds		
Bahama		
Cerberus Institutional Overseas IV Ltd	0.5	2.6
Cayman Islands		
Axonic Special Opportunities SBL Overseas Fund Ltd	79.3	79.3
Bayview MSR Opportunity Offshore L.P.	132.2	175.0
Bayview Opportunity Offshore IV a L.P.	109.9	200.5
Black Diamond Credit Strategies Offshore Ltd	56.7	56.7
Blackstone First Avenue Offshore Fund Ltd	402.8	536.3
Capula Global Relative Value Fund Ltd	58.4	110.0
Capula Tail Risk Fund Ltd	49.4	49.4
CarVal Credit Value Fund B II L.P.	1.9	1.9
Carval Credit Value Fund B IV L.P.	128.5	128.5
CGRMO Offshore Feeder L.P.	196.5	341.8
Chenavari European Deleveraging Opportunities Fund II L.P.	17.5	20.1
CS Iris V Fund Ltd	3.7	4.4
CVI Credit Value Fund B III L.P.	64.2	75.7
Dialectic Antithesis Offshore Ltd	5.1	5.1
Double Black Diamond Ltd	12.0	21.9
EJF Debt Opportunities Offshore Fund Ltd	209.6	296.3
EJF Speciality Finance Opportunities Offshore Fund L.P.	3.0	3.3
Elan Feeder Fund Ltd	59.8	104.9
Element Capital Feeder Fund Ltd	28.9	210.9
Elliot International B Ltd	147.3	147.3
Glenview Capital Partners Ltd	10.1	21.3
Golden Tree Credit Opportunities Ltd	2.7	14.6
Golden Tree Distressed Debt Fund (Cayman) LP	33.9	52.5
Golden Tree Distressed Fund 2014 (Cayman) L.P.	51.6	66.0
Golden Tree Distressed Fund III L.P.	81.2	88.7
Golden Tree Offshore Fund II Ltd	5.0	5.0
Golden Tree Offshore Fund Ltd	91.5	113.3
GSA Quantitative Futures Master Fund Ltd	24.0	34.8
GSA Trend Fund Ltd	17.5	17.5
HBK Merger Strategies	72.0	90.2
Kaamanen Fund L.P.	129.0	130.0
King Street Capital Ltd	1.1	2.2

31 Dec 2020	Book value € million	Fair value € million
Kirakka Fund I	240.7	243.0
Kitka Fund LP	128.3	129.4
Kuttura Fund L.P.	25.6	46.9
Magnetar PRA Fund Ltd	19.7	23.7
Mortality Fund I	69.3	70.6
NWI Emerging Market Currency Fund	32.2	45.1
Pentwater Event Fund Ltd	29.6	58.6
Raattama Fund Limited	122.2	127.9
Reservoir Capital Overseas Partners II L.P.	3.2	4.5
Soroban Opportunities Cayman Fund Ltd	68.5	117.0
Systematica 73 Fund	49.9	49.9
Third Point Offshore Fund Ltd	44.4	83.8
Two Sigma Absolute Return Enhanced Cayman Fund	59.7	59.7
Whippoorwill Distressed Opportunity Fund Ltd	2.6	3.1
Zais Opportunity Fund Ltd	15.0	44.2
Zebedee Core Fund Ltd	28.9	40.4
Zebedee Focus Fund Ltd B	27.1	34.4
ZP Offshore Utility Fund Ltd	42.7	68.3
Ireland		
Partakko Fund L.P.	188.6	213.6
Jersey C.I.		
Pharo Gaia	67.9	81.4
Pharo Macro Fund Ltd	14.2	25.9
Luxembourg		
Mandatum Life Managed Futures Fund Class X USD	4.2	4.2
United States		
Aviator Capital End-Of-Life Offshore Feeder Fund L.P.	34.2	39.7
Aviator Capital Mid-Life Offshore Feeder Fund L.P.	58.7	64.4
Aviator Fund IV	117.8	118.3
Bayview Liquid Credit Strategies Domestic L.P.	23.2	27.2
Bayview Opportunity Domestic V L.P.	305.8	316.7
Bayview Opportunity V Oceanview L.P.	103.6	103.6
EJF Sidecar Fund L.L.C. - Series (D)	0.5	0.9
Five Mile Capital Partners L.L.C.	1.4	1.4
H/2 Special Opportunities II L.P.	1.6	1.6
H/2 Special Opportunities III L.P.	53.7	53.7

31 Dec 2020	Book value € million	Fair value € million
H/2 Special Opportunities IV L.P.	156.4	156.4
Inari Fund LP	363.3	400.1
Ivalo Fund L.P.	538.5	812.2
Koitere Fund L.P.	128.3	203.5
Sevetti Fund L.P.	946.1	1,548.1
Other	1.5	2.8
Hedge funds, total	6,406.6	8,634.5
Real estate funds		
Finland		
Alandsbanken Lunastontti I Ky	18.1	19.3
CapMan RE II Ky	0.9	0.9
Herding Yard Properties Ky	59.1	59.1
ICECAPITAL Housing Fund IV Ky	22.2	32.4
ICECAPITAL Housing Fund V Ky	8.1	8.7
NV Property Fund I Ky	16.5	16.5
Pegasos Real Estate Ky	18.2	18.2
Vantaan Valo Ky	277.2	277.2
WT Project Fund I Ky	18.4	19.3
WT Property Fund I Ky	41.6	46.4
Jersey C.I.		
DRC European Real Estate Debt Fund III L.P.	48.3	48.3
Luxembourg		
Ares European Real Estate Fund V SCSp	24.6	24.6
AXA Logistics Europe Fund S.C.A. SICAV-RAIF	100.0	104.3
Baumont Real Estate One SCSp	20.8	20.8
Blackstone Real Estate Partners Europe VI SCSp	16.5	16.5
CapMan Hotels II FCP-RAIF	64.6	64.6
CapMan Nordic Real Estate FCP-SIF	15.1	29.1
CapMan Nordic Real Estate II FCP-RAIF	38.5	41.4
CBRE GIP Global Alpha Fund FCP-SIF	59.9	59.9
CCP IV SCSp	21.2	21.2
CM III Feeder SCA SICAV-RAIF	1.6	1.6
ECE European Prime Shopping Centre II A SCSp SIF	66.0	72.7
ECE Progressive Income Growth Fund SCA SICAV-RAIF	93.7	93.7
Encore	73.4	73.4

31 Dec 2020	Book value € million	Fair value € million
European Property Investors Special Opportunities 5 SCSp	13.2	13.2
EVP M Campus Lux SCSp	19.1	21.0
GreenOak Europe (Lux) III SCSp	17.6	17.6
Northern Horizon Aged Care SCSp SICAV-SIF	27.6	33.8
Oreima III	50.0	57.6
Oreima IV	0.7	0.7
Prologis European Logistics Fund FCP-FIS	74.9	99.8
TS Saltire II Holdings SCSp	2.8	2.8
TT Holdings SCSp	65.0	90.8
Sweden		
Aros Bostad III AB	1.8	2.8
Aros Bostadskapital 12 AB	8.5	10.8
Aros Bostadskapital 8 AB	0.8	0.8
Serena Properties AB	40.6	40.6
United Kingdom		
Ares European Real Estate Fund II (Euro) L.P.	0.9	0.9
Ares European Real Estate Fund III (Euro) L.P.	0.6	0.6
Benson Elliot Real Estate Partners IV L.P.	22.8	32.7
Benson Elliot Real Estate Partners V L.P.	12.8	12.8
Blackstone Real Estate Partners Europe III L.P.	7.6	7.6
Clearbell II L.P.	4.6	17.0
Clearbell III L.P.	18.0	18.3
Curzon Capital Partners 5 Long-Life L.P.	75.0	79.4
Curzon Capital Partners IV L.P.	26.6	26.6
Lumiere Holdings L.P.	3.8	3.8
Moorfield Audley Real Estate Fund B L.P.	32.0	33.4
Retail Centres V (Sweden) Limited Partnership	62.9	62.9
United States		
Colony Parallell Investors VIII L.P.	1.2	1.2
Other	0.6	1.6
Real estate funds, total	1,716.6	1,861.3
Fixed-income funds		
Cayman Islands		
Apollo Total Return Fund (Offshore) Ltd. A-1	215.2	230.6
EJF Funding Offshore L.P.	425.2	487.2
H/2 Targeted Return Strategies II L.P.	133.6	139.0

31 Dec 2020	Book value € million	Fair value € million
Finland		
Mandatum Life Nordic HY Total return Fund I Eur	50.0	52.2
Ireland		
Wellington Emerging Local Debt USD Class G Accumulating Unhe	116.2	120.0
Luxembourg		
BGF Emerging Markets Bond Fund I2 USD	87.3	94.2
Broad Street Teno Partners, SLP	351.0	352.1
Direct Lending Fund II SLP	11.5	11.5
GS Growth & Emerging markets Debt Local I USD Fund	132.8	138.4
SSGA Emerging Markets Local Currency Gov Bond Index Fund	85.0	88.7
Symbiotics-Seb Micro Fd V A/C-NH	25.3	27.1
Norway		
Pareto Nordic Corporate Bond I NOK SICAV	69.8	70.6
United States		
iShares China CNY Bond USD Hedged	40.4	40.4
iShares Euro HY Corp Bond ETF	151.0	151.0
iShares iBoxx Corporate ETF	81.4	86.9
iShares iBoxx USD HY Corp ETF	106.7	106.7
iShares JP Morgan USD EM Bond ETF	274.0	274.0
OHA Finlandia Credit Fund L.P.	419.6	541.0
Vanguard Intermediate-Term Corporate Bond ETF	162.3	162.3
Fixed-income funds, total	2,938.3	3,173.8
Equity funds		
Cayman Islands		
L1 Capital Long Short (Offshore Feeder) Fund Class B	89.5	119.9
Finland		
Mandatum European Small & Mid Cap Equity S3 Fund	9.0	11.7
Nordea 1 Emerging Stars Fund	198.1	202.2
Nordea 1 Global Climate and Environment Fund BI EUR	152.0	232.9
Nordea 1 Global Sustainable Enhanced Eq Fund BI EUR	100.0	112.2
Taaleri Rhein Value Equity A	16.2	35.6
Germany		
DB X-trackers harvest CSI 300 China A-shares ETF	113.3	122.7
iShares EURO STOXX 50 UCITS ETF DE	599.6	640.7
iShares EURO STOXX Banks 30-15 ETF	291.2	291.2
iShares EURO STOXX UCITS ETF DE	2.2	2.2

31 Dec 2020	Book value € million	Fair value € million
iShares STOXX Europe 600 UCITS ETF DE	208.8	232.8
Ireland		
iShares Russell 2000 ETF	14.0	16.3
Vanguard Emerging Markets Stock Index Fund	574.4	787.5
Vanguard Japan Stock Index Fund JPY	100.8	125.1
Japan		
Next Funds NIKKEI 225 ETF	798.6	919.7
NEXT FUNDS TOPIX BANKS ETF	59.9	59.9
Next Funds TOPIX ETF	0.9	0.9
Luxembourg		
Handelsbanken Global Index Criteria Fund A1 EUR SE	201.4	269.2
United Kingdom		
L&G Europe Equity Responsible Exclusions UCITS ETF	78.3	85.9
L&G US Equity Responsible Exclusions UCITS ETF	891.2	977.0
United States		
Consumer Staples Select Sector SPDR Fund	0.7	0.7
First Trust Nasdaq Cybersecurity ETF	14.9	28.9
Invesco KBW Bank ETF	329.5	339.2
Invesco QQQ Trust Series 1 ETF	40.9	43.4
iShares Core MSCI Emerging Markets ETF	683.9	716.5
iShares Core S&P 500 ETF	6.3	7.3
iShares ESG MSCI EM ETF	199.5	207.0
iShares MSCI Canada ETF	9.4	10.2
iShares MSCI Emerging Markets ETF	412.3	419.4
iShares MSCI Hong Kong ETF	22.1	22.1
iShares MSCI India ETF	7.2	7.4
iShares MSCI Saudi Arabia ETF	2.6	2.6
Ishares S&P 500 Value ETF	7.1	7.3
KraneShares CSI China Internet ETF	12.5	14.5
SPDR S&P Regional Banking ETF	97.7	97.7
Vanguard FTSE 250 UCITS ETF	5.3	5.3
Vanguard Institutional Index Fund Plus shares	362.6	885.7
Vanguard S&P 500 ETF	20.3	20.9
Other	0.7	0.9
Equity funds, total	6,734.8	8,082.9

31 Dec 2020	Book value € million	Fair value € million
Private equity funds		
Australia		
CPEC 8 TRUST C	23.0	39.9
Canada		
ISQ Global Infrastructure Fund II (EU) L.P.	68.4	68.4
KKR Azur Co-invest L.P.	10.0	10.0
KKR Planets Co-Invest GBP L.P.	55.5	55.6
KKR Precise Co-Invest (EUR) LP	30.0	39.0
KKR Starlight Co-Invest L.P.	30.0	31.8
KKR Sunrise Co-Invest L.P.	25.0	25.0
Cayman Islands		
1901 (Offshore) Partners I L.P.	8.3	8.3
Affinity Asia Pacific Fund V L.P.	7.1	7.1
Alinda Infrastructure Parallel Fund II L.P.	22.9	22.9
Apollo Infra Equity Fund	12.3	23.9
Auda Asia II L.P.	10.5	10.5
Auda Secondary II Feeder Fund L.P.	1.5	1.5
BCP Braavos Aggregator (Cayman) LP	20.8	20.8
BDCM Offshore Opportunity Fund IV Ltd	66.5	66.5
BDCM Offshore Opportunity Fund V, Ltd.	4.0	4.0
Bellwether Co-Invest L.P.	17.3	19.3
CDH Fund V L.P.	26.9	46.7
CDH Fund VI L.P.	6.9	6.9
Dragon Co-Invest L.P.	1.6	1.6
Elbrus Capital Fund I L.P.	3.3	3.3
Elbrus Capital Fund II L.P.	24.9	59.0
Gamut Investment Overseas Fund I L.P.	37.3	37.3
GPE IX TKE Co-Investment Limited Partnership	18.4	18.4
Hamilton Lane Co-Investment Feeder Fund IV L.P.	68.4	71.8
I Squared Nautilus Partners L.P.	16.2	19.6
I Squared Transportation Europe L.P.	22.9	33.5
JPW TopCo L.P.	11.8	13.9
KKR CK Co-Invest L.P.	17.9	17.9
KKR Sigma Co-Invest II L.P.	20.0	34.0
K-P Co-Investment L.P.	18.4	22.8
MBK Partners Fund II L.P.	3.2	3.2

31 Dec 2020	Book value € million	Fair value € million
MBK Partners Fund III L.P.	42.2	84.1
MBK Partners Fund IV L.P.	57.5	85.0
Navis Asia Fund VII L.P.	66.3	72.4
Onex Partners V L.P.	15.6	15.6
Onex Richmond Co-Investment L.P.	7.9	7.9
Primavera Capital Fund II L.P.	52.9	73.5
Primavera Capital III L.P.	33.7	41.0
Strategic Value Special Situations Feeder Fund III L.P.	40.4	73.0
Strategic Value Special Situations Feeder Fund IV L.P.	73.6	81.6
TPG Asia VI L.P.	58.8	65.9
TPG Asia VII (B) L.P.	49.6	49.6
TPG Wireman Co-Invest L.P.	13.1	20.5
Vista Equity Partners Fund VI-A L.P.	80.7	108.6
Vista Equity Partners Fund VII-A, L.P.	40.7	40.7
Vista Equity Partners Perennial A, L.P.	27.3	27.3
VMPIC I L.P.	82.6	107.7
Finland		
AC Cleantech Growth Fund I KY	12.1	12.1
Icebreaker Fund I Ky	1.4	2.3
Lifeline Ventures Fund IV Ky	1.8	1.8
MAKI.VC Fund I Ky	3.0	4.3
MB Equity Fund IV Ky	7.1	15.5
MB Equity Fund V Ky	24.9	26.5
Oltavan Tuulipuisto Holding Ky	1.3	1.6
Posion Tuulipuisto ky	0.6	0.6
Power Fund II Ky	3.2	3.2
Power Fund III Ky	6.5	6.5
Siikajoen Tuulipuisto Ky	0.9	0.9
Sponsor Fund IV Ky	18.2	28.8
Vaaka Partners Buyout Fund III Ky	13.2	13.8
France		
Asmodée Co-Invest S.L.P.	10.8	12.7
Ethypharm Co-Invest FPCI	13.4	21.9
PAI Europe VII-1	39.6	39.6
Guernsey		
CapMan Buyout IX Fund A L.P.	7.6	7.6

31 Dec 2020	Book value € million	Fair value € million
CapMan Buyout X Fund A L.P.	4.6	4.6
Cinven Cullinan L.P.	3.8	25.9
Kool Investment L.P.	11.7	38.6
Partners Group Client Access 32, L.P. Inc	24.4	24.4
Permira Europe IV L.P.2	5.1	6.8
Permira VI L.P. 1	82.5	115.1
The Fifth Cinven Fund (No. 1) L.P.	17.7	17.7
The Seventh Cinven Fund (No. 1) L.P.	9.8	9.8
The Sixth Cinven Fund (No. 1) L.P.	64.8	82.8
Jersey C.I.		
Alpha Private Equity Fund 5 - JABBAH CI L.P.	1.7	1.7
CapVest Equity Partners III L.P.	13.3	29.3
Luxembourg		
Advent Global Technology A SCSP	3.5	3.5
Advent International GPE IX-A SCSP	18.5	21.4
Antin Infrastructure Partners IV-B SCSP	25.7	25.7
Apollo Infrastructure Opportunities Fund II (Lux) SCSP	7.5	7.5
Apollo Overseas Partners (Lux) IX SCSP	19.8	19.8
Atos Medical Co-Invest SCSP	15.0	28.9
Calypto International SARL	1.9	13.3
CapVest Strategic Opportunities 6 SCSP	11.4	11.5
EQT Infrastructure Fund III (No.1) SCSP	68.4	91.8
EQT Infrastructure III Co-Investment (A) SCSP	40.0	46.1
EQT Infrastructure IV (EUR) (No.1) SCSP	57.1	57.1
EQT Infrastructure IV Co-Investment (D) SCSP	58.0	58.0
EQT Infrastructure IV Co-Investment (F) SCSP	20.4	20.4
EQT MMUS Co-Investment Roadrunner SCSP	22.1	22.1
EQT Prime Co-Investment SCSP	1.8	1.8
EQT Ventures II (No.1) SCSP	2.3	2.3
EQT VIII (No.1) SCSP	90.0	108.1
EQT VIII Co-Investment (A) SCSP	19.1	23.4
EQT VIII Co-Investment (C) SCSP	8.2	8.2
EQT VIII Co-Investment (H) SCSP	20.5	20.5
Gauss Co-invest SCSP	8.7	8.7
Hygee International S.a.r.l.	14.9	14.9
IK IX Fund No.2 SCSP	0.7	0.7

31 Dec 2020	Book value € million	Fair value € million
IK Small Cap II Fund No2 SCSp	10.6	12.9
IVC New TopHolding SA	33.3	78.7
KKR Global Infrastructure Investors III EEA	46.0	46.0
KKR Next Generation Technology Growth Fund II SCSp	7.0	7.0
Mirage Co-Invest SCSp.	10.0	10.0
MTN Infrastructure Co-Invest 1 SCSP	16.6	27.2
Partners Group Direct Infrastructure 2020	2.6	2.6
Permira VII L.P. 2 SCSp	34.7	35.4
Refresco Co-Invest SCSp	20.0	33.0
SEB Private Equity Opportunity Fund IV	17.7	17.7
Stonepeak Global Renewables Fund (Lux) SCSp	9.1	9.1
Taaleri SolarWind II SCSp-RAIF	4.4	4.4
Singapore		
Bellini Synergy Pte LTD	13.1	22.1
United Kingdom		
EQT Deck Co-Investment L.P.	2.7	2.8
EQT Infrastructure II No. 2 L.P.	9.6	9.6
EQT Kiwi Co-Investment L.P.	9.2	9.2
EQT V No 1 L.P.	1.4	1.4
EQT VI No 1 L.P.	15.4	15.4
EQT VII No 1 L.P.	51.9	64.1
Hg Capital Mercury 2 L.P.	14.5	21.4
Hg Dreamstart Co-Invest L.P.	14.3	15.4
Hg Saturn 2 B L.P.	3.1	3.5
Hg Saturn B L.P.	39.3	55.7
Hg Vivaldi 2 Co-Invest LP	11.0	19.8
IK VII L.P.	25.5	25.5
IK VIII Fund No.3 L.P.	55.9	60.5
Macquarie European Infrastructure Fund II L.P.	17.6	17.6
NB Crossroads XXII Asset Allocation Offshore LP	29.6	29.6
PAI Europe VI-1 L.P.	79.0	86.0
Permira Growth Opportunities 1 L.P.	14.9	15.1
United States		
AIOF II Njord Co-Invest, L.P.	13.0	13.0
AP IX Tiger Co-Invest (ML Parent), L.P.	16.1	16.1
AP Socrates Co-Invest L.P.	9.3	9.6
Apollo Investment Fund VII Euro Holdings L.P.	6.4	6.4

31 Dec 2020	Book value € million	Fair value € million
Apollo Overseas Partners (Delaware) VIII L.P.	58.5	58.6
Behrman Capital IV L.P.	28.5	37.9
Blackstone Capital Partners IV L.P.	0.8	0.8
Blackstone Capital Partners V L.P.	2.8	2.8
Blackstone Capital Partners VI L.P.	64.0	71.6
Blackstone Capital Partners VII L.P.	90.1	101.5
Blackstone TN Partners L.P.	6.9	6.9
BlueRun Ventures L.P.	0.7	0.7
Clearlake Capital Partners VI (USTE) L.P.	12.7	12.7
Genstar Capital Partners IX BL (EU), L.P.	32.8	36.6
Genstar Capital Partners VII L.P.	43.0	76.9
Genstar Capital Partners VIII BL (EU) L.P.	81.5	115.7
Hamilton Lane Co-Investment Feeder Fund III L.P.	59.8	63.9
Hamilton Lane Co-Investment Fund L.P.	1.3	1.3
Hamilton Lane Co-Investment Fund II L.P.	13.3	13.3
Hamilton Lane Parallel Investors L.P.	123.2	176.9
IRI Parent L.P.	22.1	30.5
Kelso Hammer Co-Investment L.P.	12.7	26.9
Kelso Investment Associates IX L.P.	52.9	61.8
Kelso Investment Associates VIII L.P.	15.8	15.8
Kelso Investment Associates X, L.P.	32.3	32.3
Kelso X RSC Co-Investment, L.P.	16.5	17.4
KKR Banff Co-Invest L.P.	31.0	35.0
KKR Neon Co-Invest L.P.	36.2	36.2
MHR Institutional Partners IV L.P.	57.5	65.7
Moelis Capital Partners Opportunity Fund I-B L.P.	3.9	3.9
New Mountain Partners IV L.P.	57.5	73.5
New Mountain Partners V L.P.	66.5	73.2
NexPhase Capital Fund III L.P.	37.1	40.6
NexPhase Capital Partners IV L.P.	15.3	17.5
NM Z Topco L.L.C.	4.2	21.7
NP Clearway Holdings LP	13.1	13.1
Onex Partners II L.P.	1.4	1.4
Onex Partners III L.P.	21.4	21.4
Onex Partners IV L.P.	50.8	50.8
OSYS Holdings L.L.C.	6.5	9.3
Pelican Co-Invest Holdings L.P.	26.9	30.0

31 Dec 2020	Book value € million	Fair value € million
Platinum Equity Capital Partners II L.P.	3.9	3.9
Platinum Equity Capital Partners III L.P.	18.2	18.2
Platinum Equity Capital Partners IV L.P.	71.8	88.5
Platinum Equity Capital Partners V L.P.	12.2	12.2
Platinum Equity SCRS Co-Investors L.L.C.	8.5	15.3
Platinum Equity Small Cap Fund L.P.	9.5	9.5
RCM Co-Investment Blocker Corp.	7.6	12.9
Saw Mill Capital Partners L.P.	0.6	0.6
Surgent NPC Holdco, LP	12.0	14.8
TA XII-B L.P.	32.0	50.8
TA XIII-B L.P.	32.5	32.5
TCW Crescent Mezzanine Partners V L.P.	1.4	2.8
TPG Growth III (B) L.P.	30.1	38.2
TPG GROWTH IV L.P.	32.7	33.4
Warburg Pincus China L.P.	30.0	46.2
Warburg Pincus China-Southeast Asia II-E L.P.	6.5	6.5
Warburg Pincus Energy L.P.	41.2	41.2
Warburg Pincus Global Growth-E, L.P.	45.7	45.7
Warburg Pincus Private Equity X L.P.	1.2	12.3
Warburg Pincus Private Equity XI L.P.	33.2	56.1
Warburg Pincus Private Equity XII-E L.P.	77.7	102.2
Other	2.0	52.3
Private equity funds, total	4,771.3	5,927.6
Funds, total	22,567.7	27,680.1
Parent Company, total	29,283.8	37,851.3
The Group's shareholding deviates from the Parent Company's as follows:		
Kaleva Mutual Insurance Company guarantee capital	3.3	3.3
Ruohoparkki Oy	4.8	4.8
Vaasan Toripysäköinti Oy	2.3	2.3
Other	4.2	4.2
Group, total	29,298.4	37,866.0

17. Changes in tangible and intangible assets, Parent Company

31 Dec 2020, € million	Intangible assets	Tangible assets	Tangible assets	Total
	Other intangible assets	Equipment	Other tangible assets	
Acquisition cost, 1 Jan	1.3	4.0	0.9	6.2
Completely depreciated in the previous year	-0.5	-0.4	0.0	-0.8
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	0.0	0.0
Acquisition cost, 31 Dec	0.9	3.7	0.9	5.4
Accumulated depreciation, 1 Jan	-1.1	-1.5	0.0	-2.6
Completely depreciated in the previous year	0.5	0.4	0.0	0.8
Depreciation for the financial year	-0.1	-0.4	0.0	-0.5
Accumulated depreciation, 31 Dec	-0.7	-1.5	0.0	-2.2
Book value 31 Dec 2020	0.1	2.2	0.9	3.1
Book value 31 Dec 2019	0.2	2.5	0.9	3.6

Group figures are the same as those of the Parent Company.

18. Loan receivables itemised by guarantee

31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Bank guarantee	185.2	22.2	185.2	22.2
Guarantee insurance	177.4	137.8	177.4	137.8
Other guarantee	48.2	25.1	48.2	25.1
Remaining acquisition cost, total	410.8	185.1	410.8	185.1
Unsecured, remaining acquisition cost, total	1,682.2	1,814.8	1,682.2	1,814.8

19. Total pension loan receivables itemised by balance sheet item

31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Loans guaranteed by mortgages	176.1	217.5	176.1	217.5
Other loan receivables	342.2	141.5	342.2	141.5
Remaining acquisition cost, total	518.3	359.0	518.3	359.0

20. Loans to related parties

31 Dec, € million	Parent Company 2020	Parent Company 2019
Loans to Group companies	463.8	443.2

The loan period is usually at most 15 years, and the interest rate is mainly tied to a fixed interest rate or technical interest rate.

21. Derivatives

31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Other receivables				
Advance payments for option contracts	151.3	115.0	151.3	115.0
Other liabilities				
Advance payments for option contracts	166.7	110.2	166.7	110.2
Value adjustments of derivatives	-112.8	-135.6	-112.8	-135.6
Accruals and deferred income				
Net interest expenses from derivatives	-14.2	38.9	-14.2	38.9

22. Liabilities to Group companies, other liabilities

31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Other liabilities	0.3	0.2	0.3	0.2

23. Technical provisions

31 Dec, € million	Parent Company 2020	Parent Company 2019	Group 2020	Group 2019
Provision for unearned premiums				
Future pensions	19,196.2	17,889.2	19,196.2	17,889.2
Provision for future bonuses	1,393.1	790.3	1,393.1	790.3
Provision for current bonuses	54.2	171.0	54.2	171.0
Equity-linked provision for current and future bonuses	775.2	1,423.6	775.2	1,423.6
Total provision for unearned premiums	21,418.7	20,274.1	21,418.7	20,274.1
Provision for claims outstanding				
Current pensions	19,307.0	18,334.0	19,307.0	18,334.0
Total provision for claims outstanding	19,307.0	18,334.0	19,307.0	18,334.0
Total technical provisions	40,725.7	38,608.0	40,725.7	38,608.0

Due to Covid-19, the employers' contribution was temporarily reduced by 2.6 percentage points in May–December 2020. The reduction was financed from the provision for pooled claims and, as a result, has a direct negative impact on it.

24. Solvency capital

31 Dec, € million	2020	2019
Capital and reserves	129.8	136.5
Interest on guarantee capital proposed for distribution	0.0	-0.6
Valuation difference between fair values on assets and book values of balance sheet items	9,995.3	10,721.5
Provision for future bonuses	1,393.1	790.3
Off-balance sheet commitments	-1.3	-1.3
Intangible assets	-0.1	-0.2
	11,516.8	11,646.3
Minimum solvency capital as required under the Employment Pension Insurance Companies Act, Section 17	2,244.8	2,211.2

25. Guarantees and liabilities, Parent Company

31 Dec, € million	2020	2019
Guarantees given on own behalf		
Assets pledged as security for derivatives ¹	3.8	37.1
Guarantees received		
Assets pledged as security for derivatives ²	385.4	78.3
Asset pledged as security for security loans	0.0	2,041.2

¹) Given cash guarantees required for the clarification of derivative contracts to the value of EUR 3.78 million are included in the cash at bank and in hand balance sheet item.

²) Received cash guarantees required for the clarification of derivative contracts to the value of EUR 385.44 million are included in the Other liabilities balance sheet item.

26. Capital and reserves

31 Dec, € million	Parent Company 2020	Group 2020
Guarantee capital	11.9	11.9
Repayment of guarantee capital	-11.9	-11.9
Guarantee capital, 31 Dec	0.0	0.0
Basic capital, 1 Jan	0.0	0.0
Transfer from the other funds	11.9	11.9
Basic capital, 31 Dec	11.9	11.9
Other reserves, 1 Jan	116.4	116.4
Transfer to basic capital	-11.9	-11.9
Profit brought forward from 2019	5.3	5.3
Other reserves, 31 Dec	109.8	109.8
Profit/loss brought forward	8.2	-33.3
Transfer to contingency fund	-5.3	-5.3
Distributed interest on guarantee capital	-0.7	-0.7
	2.1	-39.4
Profit/loss for the financial year	6.0	-71.2
Total capital and reserves	129.8	11.2

27. Capital and reserves after proposed profit distribution

31 Dec, € million	Parent Company 2020
Policyholders	129.8
Total	129.8

28. Distributable profits

31 Dec, € million	Parent Company 2020
Profit for the financial year	6.0
Other capital and reserves	
Other reserves	109.8
Profit brought forward	2.1
Total distributable profits	117.9

29. Guarantees and liabilities, Parent Company

31 Dec, € million	2020	2019
Contingent liabilities and liabilities not included in the balance sheet		
Derivatives		
Derivatives for hedging purposes		
Currency derivatives		
Forward contracts		
Underlying instrument, absolute value	318.1	681.0
Underlying instrument, risk-adjusted value	-318.1	-473.9
Fair value	2.1	2.8
Currency swap contracts		
Underlying instrument, absolute value	12,141.0	13,535.1
Underlying instrument, risk-adjusted value	-11,843.1	-13,535.1
Fair value	299.6	125.8
Derivatives for other than hedging purposes		
Interest rate derivatives		
Forward and futures contracts		
Underlying instrument, absolute value	181.5	248.0
Underlying instrument, risk-adjusted value	-220.1	406.0
Fair value	1.2	-0.7
Option contracts		
Bought		
Underlying instrument, absolute value	2,900.0	
Underlying instrument, risk-adjusted value	-207.1	
Fair value	47.0	
Sold		
Underlying instrument, absolute value	1,475.0	
Underlying instrument, risk-adjusted value	-387.8	
Fair value	-2.1	
Credit risk derivatives		
Underlying instrument, absolute value	500.0	
Underlying instrument, risk-adjusted value	200.0	
Fair value	24.1	
Interest rate swap contracts		
Underlying instrument, absolute value	600.0	4,475.0
Underlying instrument, risk-adjusted value	200.0	671.5
Fair value	-6.2	-51.5

31 Dec, € million	2020	2019
Currency derivatives		
Option contracts		
Bought		
Underlying instrument, absolute value	2,806.1	591.9
Underlying instrument, risk-adjusted value	-1,557.6	77.1
Fair value	-0.8	2.9
Sold		
Underlying instrument, absolute value	449.2	1,200.4
Underlying instrument, risk-adjusted value	146.4	-134.7
Fair value	-1.0	-3.1
Forward and futures contracts		
Underlying instrument, absolute value	719.5	1,044.8
Underlying instrument, risk-adjusted value	-43.6	-152.9
Fair value	1.3	-3.2
Currency swap contracts		
Underlying instrument, absolute value	328.7	398.2
Underlying instrument, risk-adjusted value	-31.0	309.8
Fair value	0.9	9.6
Equity derivatives		
Option contracts		
Bought		
Underlying instrument, absolute value	2,606.2	284.6
Underlying instrument, risk-adjusted value	-220.1	-21.6
Fair value	-17.5	-5.4
Sold		
Underlying instrument, absolute value	2,540.3	281.2
Underlying instrument, risk-adjusted value	-957.6	-17.5
Fair value	-21.4	-5.2
Other derivatives		
Swap contracts		
Underlying instrument, absolute value		684.9
Underlying instrument, risk-adjusted value		684.9
Fair value		-10.8
Total		
Underlying instrument, absolute value	27,565.5	23,425.0
Underlying instrument, risk-adjusted value	-15,239.5	-12,186.5
Fair value	327.2	61.3

The fair values of quoted derivatives have been calculated using the price quoted on the stock exchange. The fair values of other derivatives are based on market prices of corresponding quoted contracts or on estimates of the fair values presented by outside parties. Most of the derivative contracts will mature in 2021. Swap contracts have longer durations and will mature between 2021 and 2049.

Currency hedging

Currency hedging is used to protect against a fall in the value of foreign-currency-denominated investments due to the strengthening of the euro. Varma hedges its open exchange rate risks in all other asset classes except equity investments. The hedge accounting model used is fair value hedge. The risk that is hedged is the exchange rate risk. Varma hedges its foreign-currency-denominated investment position, and the amount of the position changes according to the investment decisions and the market situation. The hedging instruments used are foreign currency forwards, foreign currency swaps and foreign currency options, used to sell the currency risks that are included in Varma's investment portfolio. The duration of the financial instruments hedging against the exchange rate risk is mainly less than one year.

The hedged item and the hedging instrument can be considered to have an inverse correlation in terms of the hedged amount and the currency. The effectiveness of hedging is assessed day by day and currency by currency by means of hedge effectiveness testing. The hedge effectiveness testing shows the negative correlation between the hedged item and hedging instrument. Hedge effectiveness (negative correlation) must be within the range of 80–125%.

Accounting treatment complies with chapter 5, section 2 of the Accounting Act. Derivative contracts for hedging purposes are treated as items not included in the balance sheet when the fair value of the derivative contract is positive on the closing date. Derivative contracts with a negative fair value that are used for hedging purposes are treated as items not included in the balance sheet when their volume at any given moment is below the maximum hedging ratio established in the derivatives policy.

Varma applies continuous retrospective assessment of the effectiveness of derivative contracts. Furthermore, as part of its risk management activities Varma dynamically recalibrates currency hedges on a daily basis, if needed.

Currencies that made up a significant part of investments' currency distribution on 31 December:

31 Dec, € million	USD 2020	JPY 2020	GBP 2020	USD 2019	SEK 2019	NOK 2019
Foreign-currency-denominated investments	22,536.7	1,348.4	668.7	23,485.7	1,179.3	870.1
of which investments left unhedged against currency risk	10,711.8	1,348.4	461.7	10,803.3	707.6	659.4
of which investments hedged against currency risk	11,824.9	0.0	207.0	12,682.4	471.7	210.7
Hedging currency derivatives	-11,416.3	0.0	-207.4	-13,049.7	-346.9	-227.0
Non-hedging currency derivatives	-1,593.9	0.0	107.0	55.5	-11.4	8.9
Open currency position	9,526.4	1,348.4	568.2	10,491.6	821.0	651.9
Hedging ratio according to the hedging policy	97%	100%	100%	103%	74%	108%

The principles applied to the use of derivative contracts and the risk management strategy for derivatives are described in the note on risk management.

30. Guarantees and liabilities, Parent Company

31 Dec, € million	2020	2019
Investment commitments		
Private equity funds	3,489.5	2,930.9
Other funds	1,515.7	1,308.4
Pension liabilities		
Pension commitments (recognised as debt)	1.4	1.4
Leasing and renting liabilities		
Expiring next year	0.6	0.6
Expiring later	0.7	0.7
Other liabilities		
<small>Varma Mutual Pension Insurance Company belongs to a value-added tax liability group together with Veritas Pension Insurance, Tieto Esy Oy and real estate companies owned by the aforementioned companies.</small>		
Group members are collectively responsible for the value-added tax payable by the group.	-1.0	-1.6
Obligation to verify VAT allowances of real estate investments	63.0	29.0
Security to meet shareholder agreements' terms and conditions	10.0	10.0
Loaned securities		
Bonds		
Nominal value	0.0	1,245.4
Remaining acquisition cost	0.0	1,232.1
Fair value	0.0	1,321.8
Equities		
Remaining acquisition cost	0.0	582.5
Fair value	0.0	639.2

31. Balance sheet and income statement at fair values

Balance sheet at fair value, Parent Company

31 Dec, € million	2020	2019	2018	2017	2016
ASSETS					
Investments	50,157	48,709	44,015	45,409	42,852
Receivables	1,130	1,161	858	747	604
Equipment	3	4	4	5	4
	51,289	49,873	44,878	46,161	43,460
LIABILITIES					
Capital and reserves	130	136	130	124	118
Valuation differences	9,995	10,721	8,004	9,147	9,625
Equalisation provision	0	0	0	0	1,034
Provision for future bonuses	1,393	790	1,486	2,265	-578
Other liabilities not included in the balance sheet	-1	-1	-1	-1	0
Total solvency capital	11,517	11,646	9,619	11,534	10,199
Provision for current bonuses (for client bonuses)	54	171	154	162	122
Equity-linked provision for current and future bonuses	775	1,424	-255	769	324
Actual technical provision	38,503	36,223	35,137	33,501	32,599
Total	39,278	37,647	34,882	34,270	32,923
Other liabilities	440	409	224	195	215
	51,289	49,873	44,878	46,161	43,460

Income statement at fair value, Parent Company

1.1.-31 Dec, € million	2020	2019	2018	2017	2016
Premiums written	4,931	5,286	5,118	4,867	4,675
Claims paid	-5,702	-5,623	-5,404	-5,248	-5,005
Change in technical provisions	-749	-2,610	-446	-1,324	-1,063
Net investment income	1,395	5,268	-872	3,373	1,982
Total operating expenses	-110	-124	-125	-129	-138
Other result	7	8	-4	-8	14
Taxes	-3	-7	-8	-7	-8
Total result ¹⁾	-231	2,197	-1,741	1,524	457

¹⁾ Result at fair value before change in provision for current and future bonuses and equalisation provision.

RISK MANAGEMENT

Risk management as an element of internal control

Varma's internal control is a process that aims to ensure:

- the achievement of the goals and objectives set,
- economical, efficient and productive use of resources,
- sufficient management of operations-related risks,
- reliability of reporting and other management information,
- compliance with the decisions of the Board and other bodies and with internal rules, regulations and practices.

Risk management is an element of internal control and involves the identification, assessment, limitation and control 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.

Varma is managed in a professional manner and in accordance with sound and cautious business principles. Written procedures as well as quantitative and qualitative goals guide the company's key functions. Varma's risk management plan takes into account what the Board of Directors decides on the content and organisation of internal control, on implementation of the internal control sectors and principles and on the joint guidelines for the internal control of the Group.

The Board of Directors follows a charter, which defines its core tasks and operating principles. As part of the company's internal control function, the Board deals with such matters as the company's strategy, basic strategies connected with business development and management, risks, financial reporting, budgets, investments, pension insurance business, action plans, and key development projects.

Risk management – organisation, responsibilities, supervision and reporting

The Supervisory Board's task is to supervise the administration of Varma, which is entrusted to the Board of Directors and the President and CEO.

The Board of Directors annually approves the risk management system that covers all operations, the principles of internal control, the risk and solvency assessment, and the contingency plan. The Board also assesses whether the company's internal control is appropriately arranged. The Board of Directors' Audit Committee supervises financial and other reporting and the status of internal control, e.g. by tracking the work in progress of internal and external auditing and by reviewing a variety of audit reports. The President and CEO monitors the company's risks in accordance with the principles of the risk management system, and the principles laid down in investment and contingency plans approved by the Board of Directors.

The Executive Group monitors the risk management processes and maintains and develops guidelines for risk management and contingency planning.

Material risks that are realised are reported to the Board of Directors quarterly and, if the risks have changed significantly, without delay.

The company's supervisory auditors and the person in charge of the internal audit take part, if necessary, in the meetings of the Audit Committee.

Line managers and other supervisors are responsible for organising internal control, risk management, Compliance activities and good governance in their areas of responsibility, in accordance with the company-level operating principles (risk and solvency assessment). The detailed plans and guidelines of each business function supplement the plans and principles approved by the Board of Directors. Risk-taking limits and the indicators used are laid down and monitored separately by each function. Each function is responsible for implementing action plans and budgets, and for operating efficiency, the supervision of outsourced operations and preparing for unsettled conditions. Information Management provides the expertise for the development, maintenance, project management, infrastructure and risk management of systems that are the responsibility of the business functions. The targets, responsibilities and means of information security management are defined in the information security policy approved by Varma's Board of Directors. Information Management maintains a separate recovery plan relating to IT disruption.

The function responsible for preparing and implementing investment decisions (Investment Operations) and the supervisory and reporting function (Financial Administration and Actuaries) have been separated. The decision-making powers and the maximum limits for investments are presented as separate risk limits in the investment plan. The risk control function, which is independent of the Investment Operations, is responsible for monitoring investment risks in accordance with the limits set by the Board of Directors, including a financial-theory- and risk-theory-based assessment of investment risks and the reporting of results. The independent risk control function is involved in reviewing the changes in the investment plan and in the implementation process of new investment products, controls through random inspections instrument pricing, is in charge of calculating the solvency limit and reports on the impact of derivatives on the solvency position.

The Chief Financial Officer is responsible for the independent monitoring of investment positions and risks, and for overseeing operative, financial, investment and strategic risks. Financial Administration reports monthly to the Board of Directors on observations relating to investment risk management. Major observations are reported to the management without delay.

According to the Act on Insurance Companies, the company's responsible actuary must prepare, for the purpose of arranging risk management and investment operations, a statement for the company's Board of Directors on the requirements posed by the nature of and return requirement on technical provisions and maintaining the company's solvency and liquidity, and on the appropriateness

of the company's underwriting risk management, taking into account the nature and scope of the company's operations. Pursuant to the Finnish Employee Pension Insurance Companies Act, the company's actuary must provide a written statement on whether the drafted investment plan meets the requirements posed by the nature of technical provisions on the company's investment operations. The tasks of the investment risk management within the Actuaries include the identification of the risks contained in the investments, measurement of risk levels and reporting on these. The officer responsible for investment risk management within Actuaries reports to the Investment Committee on a monthly basis.

Investment risks and the impacts their realisation would have on Varma's risk-bearing capacity are monitored in a monthly report by the officer responsible for investment risk management in the Actuaries function. The Actuaries function also reports to the Board of Directors on Varma's risk level in relation to the risk level of the earnings-related pension system.

Investment management is responsible for arranging the handling of the investment portfolio and operative investment risk management. The risk management function of Investment Operations monitors the trends in the portfolio position vis-à-vis the risk limits defined in the investment plan and the basic allocation, and reports on them on a daily basis. Adherence to decision-making powers and allocation and investment assignments are monitored by the Investment Operations on a daily basis.

The Financial Administration coordinates the identification and management of operational,

strategic, financial and investment risks in different functions. It also prepares a summary of the risk assessments drawn up by the functions.

The Compliance Officer reports to the Board of Directors on compliance with the insider guidelines. In order to manage the risks relating to malpractice, Varma emphasises the continuous observing of ethical operating principles and applies different control methods for protection against malpractice risks. Each function bears responsibility for managing risks relating to malpractice. Varma has specific guidelines in place to prevent money laundering and the financing of terrorism.

Varma complies with the Finnish Corporate Governance Code for listed companies where applicable.

Goals and general risk management principles

Risk management aims to secure the rights of pensioners and policyholders. Risks relating to the company's operations are identified, assessed, limited and supervised, taking a long-term perspective. Risk management ensures that if risks are realised, they will not cause significant financial losses, or endanger Varma's customer service and other services, the continuity of operations, the attainment of the company's business targets, or affect trust in the company. Varma applies efficient and reliable processes both internally and when co-operating with its partners.

In order to ensure efficient risk management, the company relies on, among other things, the careful preparation of decisions, use of experts, risk insurance, detailed job descriptions and approval routines, decentralisation of functions and tasks, physical controls, data protection and security,

personnel training, planning process, maintenance of different backup arrangements, distribution of necessary information and limiting access to confidential information to those who need it. As tasks, power of decision and responsibility are divided, no one person is allowed to deal with a single matter throughout the handling chain, whereupon potentially dangerous combinations have been separated. Actions are subject to independent supervision and approval mechanisms. Personnel are not allowed to participate in the preparation of or decision-making on a matter concerning themselves, their family or friends. IT systems are assigned owners from the line organisation, and the functioning of the IT systems is monitored by the business functions and the IT Executive Group.

When agreeing on the terms of outsourcing, Varma's responsibility for the outsourced functions, e.g. for conforming to regulations, continuous and disturbance-free business operations and contingency planning, are taken into account. The function in charge of outsourcing must take into consideration clear contracts and processes, supervision of the outsourced activities and risks relating to the outsourcing.

Varma also observes good insurance principles and treats all policyholders in a fair manner. All business transactions with policyholders are on market terms. Particular attention is paid to transactions covering the financing of a policyholder's operations, real estate and other transactions, and leases.

The Corporate Governance Report drawn up by the Board and the [Salary and Remuneration Statement](#) are published on Varma's website.

Business risks

The company's core processes comprise insuring entrepreneurs and employees, managing the disability risk, securing pensions and retirement. Essential risks are related to investments, information management, the networked operation of the pension system, and to adjusting the control system and operating models to changes in the operating environment and legislation.

Varma's most important operational requirement is to manage all pension benefits and insurance transactions correctly and on time. Financially the most important risks are those concerning investment operations.

The pension system may also be affected by risks connected with its structure and functioning, and the country's economy. These are discussed in more detail in the section 'Strategic risks'.

Strategic risks

Varma has one head office, a simple group structure, statutory products, a small number of staff relative to its turnover, and a low number of transactions relative to its investment volume. Varma analyses its risks from bottom to top and from top to bottom so that it can ensure that all company risks are comprehensively covered from different perspectives.

Financial and investment risks

Varma's main risk is related to solvency management. The main factors relating to solvency are insurance and investment risks, each of which is discussed separately in the section 'Financial and investment risks'.

Insurance risks

The Finnish earnings-related pension system functions on a partially funded basis with respect to the Employees Pensions Act (TyEL). Around one fifth of the pensions paid each year is previously funded, while the remaining part is a pooled component, which is covered by annually collected insurance contributions. The funded parts of the pension are the responsibility of individual pension institutions, while the pooled components are the joint responsibility of all the pension institutions.

The provision for pooled claims contained in the technical provisions acts as a buffer for jointly managed insurance business. The amount of the provision for pooled claims in the entire earnings-related pension system is estimated to correspond to nearly 66 per cent of the following year's PAYG pension expenditure. The clearing system eliminates the effects caused by the varying development of the number and age structure of employees insured by different pension insurance institutions. Thus the cost of the pooled components presents no risk for the individual pension institution.

Basic pensions under the Self-employed Persons Pensions Act YEL are financed in full by the insurance contributions collected annually in accordance with the pay-as-you-go system and by the State's contribution and do not present a risk for the individual pension institution.

The level of earnings-related pension cover is based on a defined benefit pension scheme, and is therefore not based directly on the return on funded pension assets. Earnings-related pension benefits are secured for the insured and pensioners by a statutory joint and several liability for bankruptcy that applies to all earnings-related

pension insurance institutions. The costs of pension provision are borne by employers and employees together. The Ministry of Social Affairs and Health annually confirms the common calculation bases concerning the technical provisions for earnings-related pension insurance companies. The calculation bases include issues such as actuarial assumptions used in the calculation of technical provisions, for example, mortality and disability incidence rate. Under the TyEL act, the calculation bases must be secure and, should the base for technical provisions prove insufficient for all earnings-related pension insurance institutions, the technical provisions can be supplemented with a clearing system.

The risks of Varma's insurance business are linked to the sufficiency of the insurance contributions collected and the technical provisions accumulated from them in relation to the pensions that are the company's responsibility. Because common calculation bases can be changed annually, and the clearing system acts as a buffer for all insurance risks concerning earnings-related pension insurance institutions, the risk for the individual pension institution lies in its deviation from the average of the pension system. Insurance risks are carried by the provision for future bonuses, which is a component of the solvency capital, and they are also taken into account in the calculation of the solvency limit.

Technical provisions are calculated per person and insurance after the financial year in an annual calculation, after employers have provided the required earnings data. The Finnish Centre for Pensions carries out the clearing in the autumn following the financial year, at which time the remaining components of the technical provisions can be calculated. As of the beginning of 2019, information

required for the calculation of technical provisions has been obtained from the national Incomes Register. This has brought the calculation closer to real time and eliminated the need for separate annual calculations.

According to the calculation, the structure of Varma's technical provisions on 31 December 2020 was as follows:

Technical provisions 31 Dec 2020	€ million	%
TyEL basic insurance		
Provision for unearned premiums:		
Future pension liabilities	19,175.4	47.1%
Provision for future bonuses	1,393.1	3.4%
Equity-linked provision for current and future bonuses	775.2	1.9%
Provision for current bonuses	54.2	0.1%
Total provision for unearned premiums	21,398.0	52.5%
Provision for claims outstanding:		
Current pension liabilities	18,865.9	46.3%
Total provision for claims outstanding	18,865.9	46.3%
TyEL basic pension insurance, total	40,263.9	98.9%
TEL compliant supplementary pension insurance, total	441.0	1.1%
YEL basic pension insurance, total	20.7	0.1%
YEL compliant supplementary pension insurance, total	0.0	0.0%
Total technical provisions	40,725.7	100.0%

Neither the age structure of the employees insured by Varma nor the employers' size or lines of business deviate significantly from the average for all earnings-related pension institutions. Thus Varma carries little risk relating to an atypical insurance portfolio.

Risk management in insurance business applies 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, e.g., by compiling statistics on contribution losses and disability pension expenditure.

The risks involved in technical provisions and the assets covering technical provisions, i.e. insurance and investment risks, are provided for by the solvency capital. The amount of solvency capital is monitored in relation to the technical provisions and to the solvency limit calculated on the basis of investment allocation. The calculation of the solvency limit also takes into account the insurance

risk. Thus, solvency capital provides the company with a buffer especially for years in which the return on the assets covering the technical provisions is below the interest credited on technical provisions.

A part of the interest credited on technical provisions (20 per cent) is determined retroactively and is based on the pension insurance companies' actual equity returns. An equity-linked provision for current and future bonuses, which is between -20 per cent and +1 per cent of the technical provisions, helps the insurance companies to carry the risks involved. If a pension institution's equity returns differ from the average, it must employ its solvency capital to carry the risks that this involves. When the average equity return is calculated, the weight of the largest pension institutions is limited.

Investment Risks

Investment risk definitions

Varma's investment risks are described as follows.

Market risk is the fluctuation of the value of investments. The greatest market risk relates to equities. Other market risks are the interest rate risk, foreign currency risk, and the value change risk of real estate. Interest rate risk can be realised as a price risk, or as a premature reinvestment risk.

Inflation risk means the decrease of the real value or return of assets.

Credit risk refers to a danger of loss caused by the inability of the counterparty to honour its commitment.

Liquidity risk refers to the realisation of cash flow at a different amount than expected. A risk is also constituted by investments that cannot be converted into cash at all or can only be converted at a major loss.

Concentration risk refers to the increase in market, credit and liquidity risks as a result of insufficient diversification of the portfolio.

The model risk is constituted by the risks involved in risk measurement. In measurement it is necessary to make assumptions and simplifications concerning calculation methods and data, which may deviate from reality. There may also be risks related to the valuation of investments, and some of the investments' values are available with a delay.

General risk management principles for investments

Management of investment risks involves the determination of acceptable risk levels for different investment categories within the framework approved by the Board of Directors, continuous risk measurement using selected methods, comparison with acceptable levels, and reporting. Risk management also involves adaptation of the investment portfolio so that a correct risk/return ratio can be maintained. The nature of technical provisions and their return requirement are also taken into account when the time span and liquidity of investments are considered.

The investment plan approved by the Board of Directors defines, among other things, the following:

- the general security goals set for investments,
- the general principles for investment allocation,
- the return, diversification and liquidity goals of investments,
- the criteria for using derivative contracts, and
- the principles for arranging currency risk hedging.

At least once a year, the Board of Directors assesses the status and outlook of Varma's operating environment, the investment risks in terms of changes in value, expected returns, security, and the principles of foreign currency policy. The Board also assesses the requirements imposed by the nature of technical provisions on investment returns and liquidity, and on the foreign currency policy. The company's short-term and long-term risk-bearing capacity and the development of the company's solvency is also assessed by the Board at least once a year.

The basic allocation of the investment portfolio laid down in the investment plan approved by the Board of Directors also determines the basic level for the total portfolio risk. The investment portfolio may differ from the target allocation within the allocation limits specifically defined in the investment plan.

Varma aims to maximise the yield expectation at the selected total risk level, which means that investments will have optimum profitability to the extent allowed by the company's risk-bearing capacity. The portfolio's realised market risks and returns generated by investments are regularly monitored and reported in Investment Operations.

Furthermore, Varma takes into account the social responsibility principles of investment allocation, the ownership policy and principles of responsible investment, in which key factors related to environmental, social and governance matters are taken into account in investment decisions.

Varma's investment portfolio's risk structure

Varma's investment portfolio's structure by asset class and returns by asset class for 2020 are presented in the Notes to the Financial Statements.

Geographical allocation of investments in listed equities:

	Risk position 31 Dec 2020 € million	%	Risk position 31 Dec 2019 € million	%
American equities	4,014	23.9	5,193	30.1
European equities	2,781	16.5	2,742	15.9
Other areas	4,205	25.0	3,638	21.1
Finnish equities	5,808	34.6	5,650	32.8
Listed equities	16,807	100.0	17,223	100.0

Direct investments in real estate according to purpose of use:

	Risk position 31 Dec 2020 € million	%	Risk position 31 Dec 2019 € million	%
Residential premises	908	31.6	861	30.9
Business premises	335	11.7	366	13.1
Other premises	665	23.1	492	17.6
Industrial and warehouse premises	43	1.5	136	4.9
Office premises	925	32.2	936	33.5
Direct real estate investments	2,875	100.0	2,792	100.0

The vacancy rate of business premises was 6.5 (4.8) per cent.

Bonds according to credit rating:

	Market value (excl. derivatives) 31 Dec 2020 € million	%	Market value (excl. derivatives) 31 Dec 2019 € million	%
AAA	181	2.2	220	2.3
AA	1,391	17.3	1,836	19.1
A	1,081	13.4	1,501	15.6
BBB+ – BBB-	2,191	27.2	2,373	24.7
BB+ or worse	2,254	28.0	2,588	26.9
Not rated	967	12.0	1,096	11.4
	8,064	100.0	9,615	100.0

Loans itemised by guarantee are presented in the Notes to the Financial Statements under 'Loan receivables'.

Varma's foreign-currency-denominated investments amount to EUR 25,966 (26,856) million, accounting for 52 (55) per cent of all investments. The investments' currency risk is partly hedged through currency derivatives. The open currency position amounted to EUR 12,343 (12,919) million on 31 December 2020.

Varma's largest individual corporate risk position is in Sampo Plc, the market value of which was EUR 800 (904) million on the closing date.

The table below shows how falls in equity prices and real estate values and increases in interest rates would

affect return and solvency in the financial statements:

	Value 31 Dec 2020	Share prices -30%	Effect Interest rates +1 pp	Real estate value -10%
Solvency capital, € million	11,517	6,516	11,231	11,034
of technical provisions, %	129.3	117.6	128.5	128.0
in relation to solvency limit	1.7 times	1.3 times	1.7 times	1.6 times
Investment return, % 1 Jan 2020–31 Dec 2020	2.8	-12.4	2.2	1.8

As regards the calculation of the solvency limit, the Board of Directors decides on the criteria concerning how indirect investments' risks are taken into account, the criteria for applying other essential investment risks, i.e. risk category 18, and the criteria for calculating the duration of investments exposed to interest and credit margin risk.

Investment risk measurement and mitigation

The market risk of investments, mainly equities, constitutes the biggest risk relating to the result and solvency. The VaR (Value-at-Risk) figure, which measures the total risk of Varma's investments, stood at EUR 3,123 (1,371) million at year-end 2020. The figure indicates the greatest possible fall in the market value of the company's investment portfolio over a period of one month at a confidence level of 97.5 per cent. The CVaR (Conditional Value at Risk) figure refers to expected losses exceeding VaR, and this figure amounted to EUR 3,725 (1,635) million.

The general security goals for investments are catered for by ensuring that the total risk caused by fluctuating portfolio returns remains within the risk-bearing capacity. The total portfolio risk in relation to the risk-bearing capacity is dynamically limited using an internal risk indicator defined in the investment plan. The indicator is used to determine the maximum risk-management weight for listed equities. By determining the maximum risk level, the company strives to ensure disruption-free operation also after capital market shocks. Furthermore, investments are diversified in accordance with diversification objectives.

The maximum risk level is measured such that even after a 25 per cent drop in the value of listed equity investments and certain hedge fund investments, the solvency capital still exceeds the minimum solvency capital (1/3 of the solvency limit) by at least the amount of the VaR and is, in any case, always at least at the solvency limit.

The different maximum limits of investments are presented as separate risk limits in the investment

plan. The diversification of the investment portfolio is based on allocation that takes into account the return correlations of asset classes.

Investment risks can be abated and eliminated, for example,

- by diversifying investments by asset class and item,
- by analysing the investment portfolio and items,
- by avoiding risk concentrations,
- by limiting the amount of unlisted securities,
- through a securing guarantee policy,
- through careful valuation practices,
- by integrating assets and liabilities,
- by using derivatives,
- by applying adequate and on-time supervision and monitoring arrangements, and
- by minimising counterparty risks.

The risk limits and authorisations laid down in the investment plan are regularly monitored. In addition to analyses of investment markets, Varma monitors matters such as investment duration, credit rating and liquidity. In real estate investments, Varma pays special attention to technical and location risks, among others.

New investment instruments with return and risk profiles that are significantly different from the instruments contained in Varma's present portfolio are examined by the Investment Committee and are also presented to the Board of Directors before the investments are made.

Principles for using derivative contracts

Here we describe the principles applied to the use of derivative contracts and the risk management

strategy for derivatives. The Board of Directors decides on the principles for the use of derivative contracts. In the investment portfolio, derivative contracts are considered equal with their underlying instruments and are allocated to the asset class in question. Limits by asset class are examined in terms of the overall position, combining cash instruments and derivative instruments. The value change risk inherent in cash instruments and derivative contracts is made commensurable by converting derivative contracts mainly into delta-adjusted risk positions.

The main purposes for the use of derivatives are:

- currency hedging
- managing overall portfolio risk
- increasing or reducing equity risk through index derivatives
- reducing or increasing the fixed-income portfolio's interest risk (duration) through interest rate futures or swaps
- managing the fixed-income portfolio's credit risk through credit default swaps
- commodity and factor investing is mainly implemented through derivative instruments.

In terms of risk management, derivative contracts are classified in risk-decreasing and other than risk-decreasing derivatives. In the investment organisation, authorisations to use derivatives are laid down in the investment plan. They have been set in euro amounts by contract type and by underlying instrument, separately for risk-decreasing and other derivatives.

Operational risks

Operational risks entail

- a diminishing of trust in the company, caused either by the company's internal processes or by unanticipated external events,
- a threat to the continuity of operations, or
- a loss of confidence in the company.

Operational risks are related to processes and methods, information systems, possible malpractice, property damage and staff competence.

The company makes every effort to eliminate any defects in its supervision systems that would permit unintentional or intentional errors or misuse concerning such matters as insurance or claims handling, investments, reporting, payment transactions, register details, data processing, division of work, partners' operations, or documentation.

Operational risks are charted on a regular basis. The potential impacts and likelihood of identified risks are assessed on a risk-specific basis, and the risks are linked to strategic aims and processes. Identified risks are compiled in a risk chart in which risks are classified on the basis of an overall evaluation and in accordance with their potential to threaten Varma's success and the goals approved by the Board of Directors. Overall consideration of the impacts of the risks and deciding on measures take place in accordance with Varma's standard planning and decision-making system. A continuity plan is drawn up for functions that may involve substantial risks. The preparation of the plan is at the discretion of the line management.

Strategic risks

The earnings-related pension system is based on insuring work carried out in Finland. The financing of statutory earnings-related pensions is dependent on economic growth, a high employment rate, the development of the population's age structure and investment returns. The majority of pensions that are currently being paid are financed directly through contributions paid by employers and employees. Successful investment activities help offset the need to raise pension contributions.

There is currently deep uncertainty in the economic operating environment. The measures introduced to control the pandemic will have very substantial and far-reaching impacts on the economy. The Covid-19 crisis is an external shock to the economy that appears to be protracted. There is also no certainty of its duration or extent. The biggest risk for future economic recovery would be crisis in the availability of financing.

The expected slower growth makes raising the employment rate more difficult. The labour market also faces issues caused by a mismatch between supply and demand. The period of strong economic growth improved public finances but was not sufficient to bridge the sustainability gap. The pandemic has led to increased indebtedness. Public finance problems will be highlighted, as the ageing of the population increases pension and care expenditure.

In early 2020, the global economy hit the deepest recession since the 1930s, as several countries implemented unprecedentedly strict measures to control the pandemic. The pandemic has dealt an exceptionally severe blow to the service sector, which has typically helped maintain economic

activity during recessions. The central banks and governments have responded to the crisis with stimulus measures, which have supported economic growth, although infection rates in Europe and the U.S. are rising strongly again. The collapse in tax revenue and unparalleled fiscal stimulus have led to a rapid increase in sovereign debt, the cost of which, however, has been constrained by the central banks' purchase programmes.

The amount of debt has rapidly increased especially in the public sector, which means that the central banks' accommodative monetary policy needs to be sustained well into the future. Trust in the support of monetary policy and the ability of different countries to recover from the recession caused by Covid-19 is therefore essential. On the other hand, the underutilisation of production factors and the risk of prolonged unemployment increase the risk of only modest growth in productivity over the coming years.

Varma's strong competence in the careful diversification of investment assets and investment risk management gives the company an edge in a challenging competitive environment.

Varma's preparation for unsettled and exceptional circumstances

Earnings-related pension institutions are under statutory obligation to ensure their tasks can be handled with minimum disruption, even under exceptional circumstances. According to the National Security Strategy, the pension and book entry systems, among others, are functions that must be secured.

Principal threat types and their concomitant special circumstances related to pension payments and funding include serious perturbations in the infrastructure required by the networked operating model, citizens' health and income security, and society's economic capacity. Due to the distributed management of pension cover, there is a lot of co-operation within the earnings-related pension system. This increases mutual dependency and vulnerability. The globalisation of information technology services and bank services creates challenges for contingency operations.

Contingency operations secure critical activities in exceptional circumstances and in serious disturbances within normal circumstances. Contingency measures were also used to organise operations during the pandemic. Also in exceptional circumstances or when threatened by them, Varma will fulfil its statutory and contractual obligations as comprehensively and for as long as possible. In co-operation with other operators, banks, authorities, and the emergency supply organisation, priority will be given to securing services connected with citizens' income security.

Varma has a recovery plan for situations where IT is disrupted and a contingency plan approved by the Board of Directors, which is supplemented by detailed plans prepared by different functions. A contingency unit, consisting of the supervisors of core functions, coordinates the activities in possible contingencies.

The contingency unit is responsible for preparing the contingency plan, for preparing for unsettled situations, for preparing and maintaining other plans (such as the recovery plan and the security

and rescue plan) and instructions based on it, for managing unsettled situations, for contingency actions, for building, maintaining and testing contingency systems, and for taking into account the experiences gained from exercises organised within the sector in the company's operations. The members of the contingency unit, in their own area of responsibility, take care of emergency planning, construction and testing of contingency systems, providing timely information and securing information storage.

Significant risks in exceptional circumstances include

- the payment of pensions is jeopardised,
- the financing of pensions and liquidity management become more difficult,
- the implementation of processes during exceptional circumstances does not happen quickly enough,
- bank systems, investment trading systems or other societal infrastructures fail to work,
- the earnings-related pension systems, telecommunication lines or co-ordination within the sector fail to work
- our own IT applications or networks fail to work, stoppage of services provision,
- counterparty risks and the invalidity of contracts under exceptional circumstances, and
- risks related to the availability of data at the onset of a crisis.

Varma participates in operational exercises together with other pension insurance institutions, insurance companies, banks and financial operators.

Compliance

Compliance activities are an element of Varma's internal control. It refers to internal activities which aim to ensure compliance with laws, decrees and regulations that apply to Varma, as well as with internal guidelines and the decisions of governance bodies. The purpose of Compliance activities is to identify situations where Varma could be exposed to various legal risks, and to ensure sufficient controls to mitigate these risks. They also involve assessing the sufficiency of measures taken to prevent and rectify any compliance shortcomings. Compliance activities are headed by the Compliance officer, who reports on the activities to the Board of Directors and its Audit Committee.

Internal audit

Internal audit operates in accordance with the principles defined in the professional standards of internal audit. 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.

Supervision by authorities

In addition to laws and decrees, Varma's operations are governed by the instructions and regulations of the Financial Supervisory Authority. Varma provides the Financial Supervisory Authority with information and reports on a regular basis or as required. The supervising authority carries out appropriate inspections related to administration, solvency, investment operations and operational risks, among other things.

KEY FIGURES AND ANALYSES

32. Summary

31 Dec, € million	2020	2019	2018	2017	2016
Premiums written, € million	4,930.9	5,285.6	5,118.0	4,867.4	4,675.1
Pensions paid and other payments made, € million	5,702.3	5,623.0	5,404.1	5,247.8	5,004.7
Net investment income at fair value, € million	1,371.6	5,240.6	-902.2	3,342.7	1,952.7
Net return on invested capital, %	2.8	12.0	-2.0	7.8	4.7
Turnover, € million	7,009.0	7,828.1	5,383.2	8,707.7	6,793.2
Total operating expenses, € million	109.6	124.0	124.8	129.3	137.9
Total operating expenses of turnover, %	1.6	1.6	2.3	1.5	2.0
"Operating expenses covered by the expense loading (% of TyEL and YEL payroll)"	0.4	0.4	0.4	0.4	0.5
Total result, € million	-230.6	2,197.5	-1,741.0	1,523.8	456.9
Technical provisions, € million	40,725.7	38,608.0	36,521.4	36,696.2	33,501.3
Solvency capital, € million	11,516.8	11,646.3	9,618.6	11,534.4	10,199.5
in relation to solvency limit	1.7	1.8	1.6	1.7	1.9
Pension assets, € million	50,828.6	49,444.7	44,636.0	45,947.7	43,127.2
of technical provisions, %	129.3	130.8	127.5	133.5	130.9
Transfer to client bonuses of TyEL payroll, %	0.26	0.81	0.75	0.83	0.64
TyEL payroll, € million	21,142.4	21,083.9	20,384.8	19,366.7	18,834.8
YEL payroll, € million	806.7	811.5	797.0	802.0	830.6
TyEL policies	28,250	27,590	26,030	25,575	26,120
TyEL insured persons	505,170	504,131	523,270	501,320	493,890
YEL policies	37,800	37,800	36,700	35,900	36,000
Pensioners	347,100	343,700	343,400	342,600	340,100

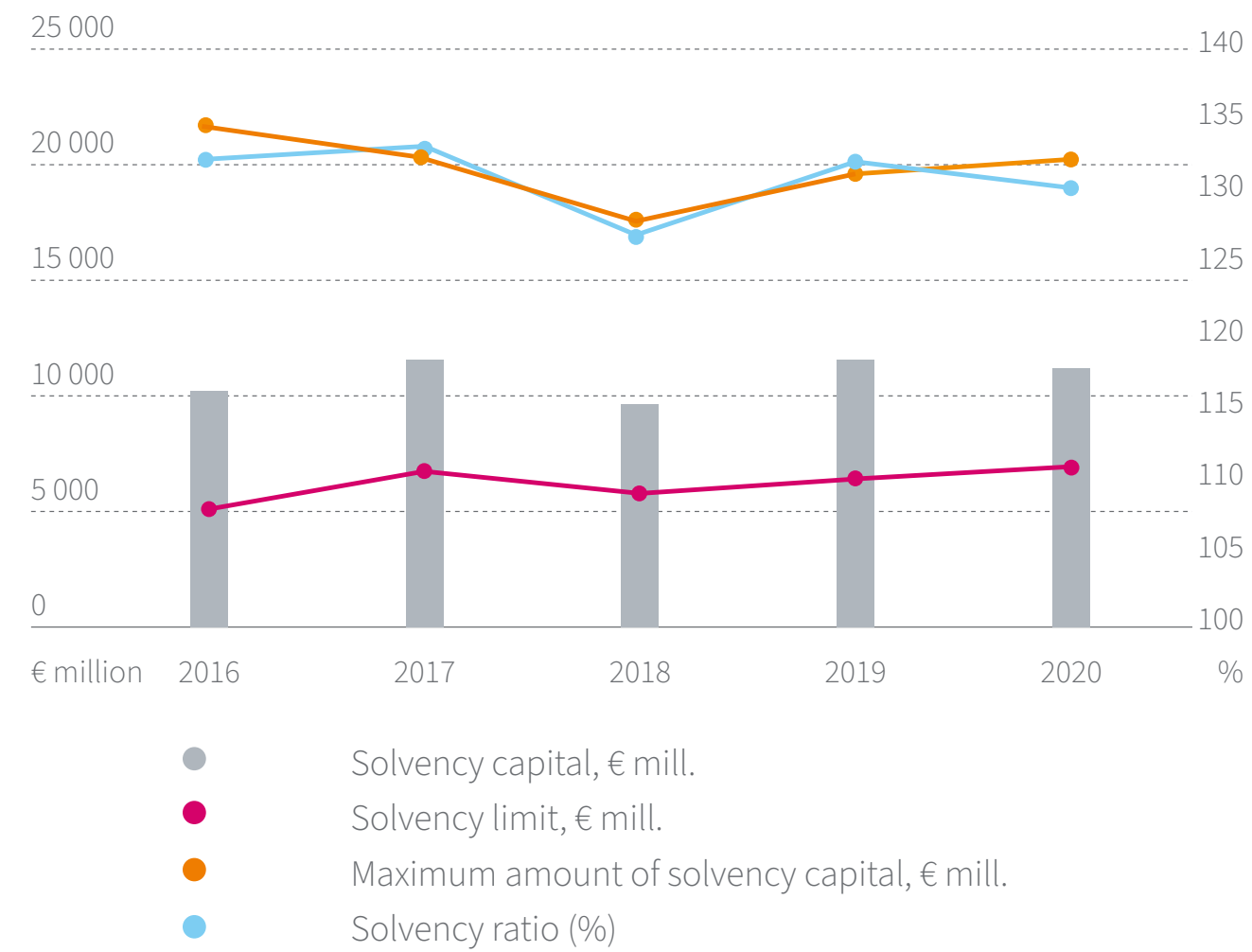
33. Performance analysis

31 Dec, € million	2020	2019	2018	2017	2016
Sources of profit					
Technical underwriting result	22.2	-1.9	22.9	33.8	-37.8
Investment surplus at fair value	-308.9	2,138.7	-1,815.7	1,453.2	441.5
+ Net investment income at fair value	1,371.6	5,240.6	-902.3	3,342.7	1,952.7
- Return requirement on technical provisions	-1,680.5	-3,101.9	-913.4	-1,889.5	-1,511.2
Loading profit	49.3	52.9	55.9	44.7	39.0
Other result	6.8	7.9	-4.1	-7.9	14.3
Total result	-230.6	2,197.5	-1,741.0	1,523.8	456.9
Appropriation of profit					
Change in solvency	-284.8	2,026.5	-1,894.0	1,362.8	335.3
Change in equalisation provision included in the solvency capital	0.0	0.0	0.0	0.0	-38.5
Change in provision for future bonuses	435.5	-697.4	-757.1	1,834.8	504.4
Change in difference between fair value and book value	-726.2	2,717.2	-1,143.7	-477.9	-136.9
Profit for the financial year	6.0	6.7	6.8	5.9	6.2
Other change in the equalisation provision	0.0	0.0	0.0	0.0	0.7
Transfer to client bonuses	54.2	171.0	153.0	161.0	121.0
Total	-230.6	2,197.5	-1,741.0	1,523.8	456.9

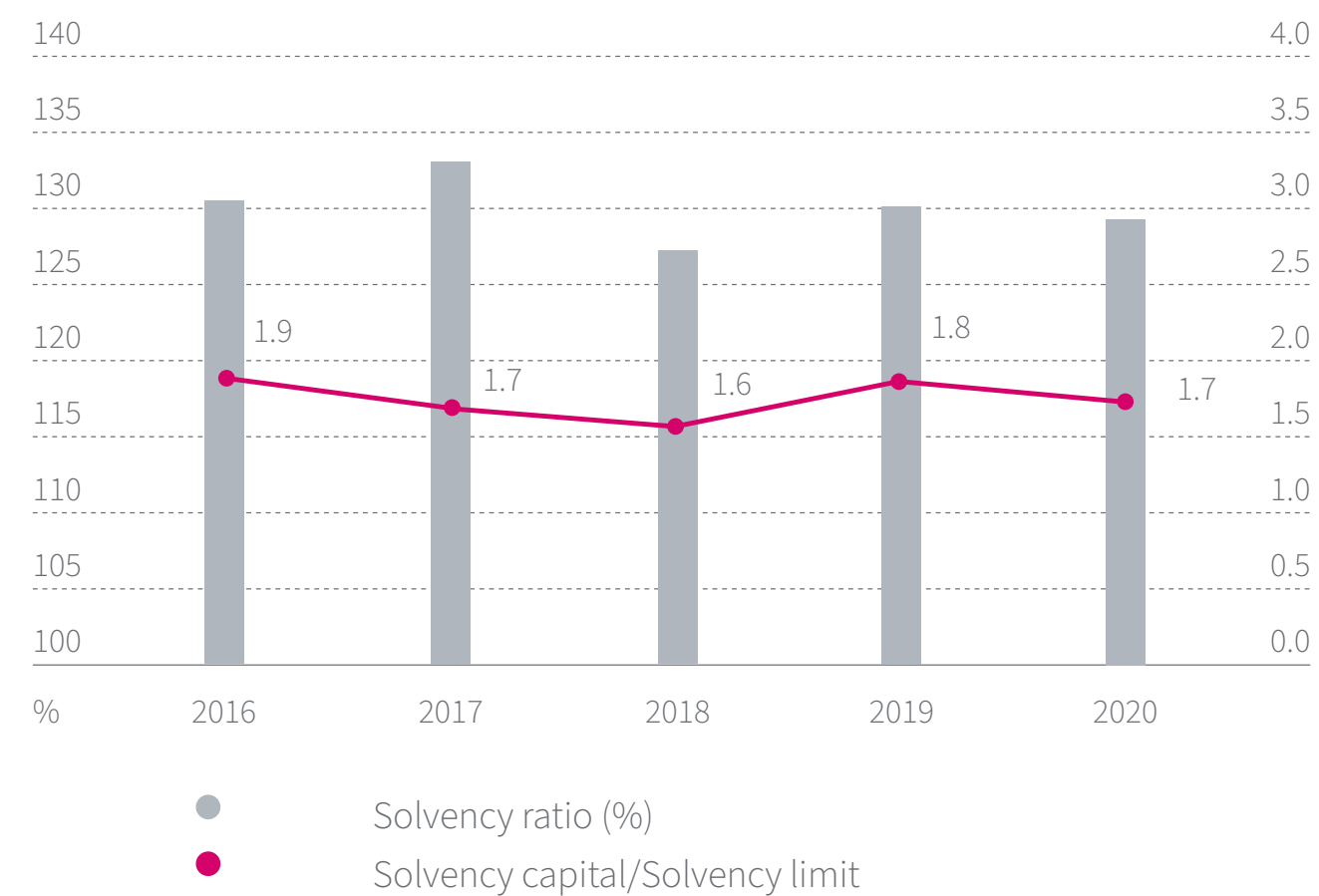
34. Solvency

Solvency capital and limits	2020	2019	2018	2017	2016
Solvency limit, € million	6,734.4	6,633.5	5,972.8	6,819.8	5,454.7
Maximum amount of solvency capital, € million	20,203.3	19,900.5	17,918.5	20,459.4	21,819.0
Solvency capital, € million	11,516.8	11,646.3	9,618.5	11,534.4	10,199.5
Solvency capital (solvency ratio), %	129.3	130.8	127.5	133.5	130.9
Solvency capital/Solvency limit, times	1.7	1.8	1.6	1.7	1.9

Solvency capital and limits



Solvency capital/Solvency limit



35. Investment allocation at fair value

	Market value 2020 € million	%	Market value 2019 € million	%	Risk position 2020 € million	%	Risk position 2019 %	Risk position 2018 %	Risk position 2017 %	Risk position 2016 %
Fixed-income investments	12,279.2	24.5	12,957.1	26.6	11,410.0	22.7	26.8	24.0	27.7	42.2
Loan receivables	2,711.1	5.4	2,314.8	4.8	2,711.1	5.4	4.8	4.1	3.2	3.3
Bonds	8,128.4	16.2	9,563.0	19.6	7,459.2	14.9	22.0	20.5	23.1	29.8
Other money-market instruments and deposits	1,439.7	2.9	1,079.3	2.2	1,239.7	2.5	0.1	-0.6	1.4	9.0
Equity investments	24,222.1	48.3	22,485.8	46.2	23,083.4	46.0	46.1	41.4	45.6	43.2
Listed equities	17,946.1	35.8	17,251.7	35.4	16,807.3	33.5	35.4	31.2	36.9	34.5
Private equities	5,957.8	11.9	4,944.6	10.2	5,957.8	11.9	10.2	9.7	6.1	6.5
Unlisted equities	318.2	0.6	289.5	0.6	318.2	0.6	0.6	0.6	2.6	2.2
Real estate investments	4,828.4	9.6	4,413.2	9.1	4,828.4	9.6	9.1	8.8	7.9	8.5
Direct real estates	2,875.4	5.7	2,791.6	5.7	2,875.4	5.7	5.7	6.6	6.2	6.8
Real estate funds	1,953.1	3.9	1,621.6	3.3	1,953.1	3.9	3.3	2.2	1.8	1.7
Other investments	8,826.9	17.6	8,852.8	18.2	8,826.9	17.6	19.6	22.8	19.6	17.1
Hedge funds	8,817.6	17.6	8,857.4	18.2	8,817.6	17.6	18.2	19.8	17.4	16.8
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4	0.3
Other investments	9.3	0.0	-4.7	0.0	9.3	0.0	1.4	3.0	1.9	0.0
Investments	50,156.6	100.0	48,708.9	100.0	48,148.7	96.0	101.6	97.0	100.8	111.0
Impact of derivatives					2,007.9	4.0	-1.6	3.0	-0.8	-11.0
Investments at fair value, total	50,156.6	100.0	48,708.9	100.0	50,156.6	100.0	100.0	100.0	100.0	100.0
Modified duration of the bond portfolio	3.4									

36. Investment return breakdown and result

	Net return on invested capital, market value 2020 € million	Invested capital 2020 € million	Return on invested capital 2020 %	Return on invested capital 2019 %	Return on invested capital 2018 %	Return on invested capital 2017 %	Return on invested capital 2016 %
Return on invested capital, €/%							
Fixed-income investments	238.7	12,756.0	1.9	4.5	-1.8	3.7	4.2
Loan receivables	12.9	2,524.0	0.5	4.0	3.7	2.2	4.2
Bonds	245.4	8,309.9	3.0	5.1	-2.9	5.4	5.3
Other money-market instruments and deposits	-19.7	1,922.1	-1.0	0.4	-0.1	-1.9	-0.4
Equity investments	1,260.1	21,496.8	5.9	22.8	-3.6	11.4	6.4
Listed equities	818.6	15,850.9	5.2	25.4	-8.3	11.6	4.5
Private equities	416.4	5,354.1	7.8	15.1	17.5	7.9	11.2
Unlisted equities	25.2	291.8	8.6	16.9	3.8	18.5	23.7
Real estate investments	91.1	4,586.5	2.0	4.1	5.5	4.9	-0.9
Direct real estates	94.9	2,797.5	3.4	3.9	3.9	2.9	-2.6
Real estate funds	-3.8	1,789.1	-0.2	4.7	10.6	12.0	6.8
Other investments	-189.3	9,511.8	-2.0	4.5	-1.4	9.3	5.3
Hedge funds	-91.4	9,418.5	-1.0	5.0	1.6	8.5	5.6
Commodities	-0.4	0.4					
Other investments	-97.4	92.8					
Investments	1,400.6	48,351.1	2.9	12.1	-1.9	7.8	4.8
Unallocated income, costs and operating expenses from investment activities	-29.0	13.0					
Net investment income at fair value	1,371.6	48,364.1	2.8	12.0	-2.0	7.8	4.7

37. Loading profit

31 Dec, € million	2020	2019	2018	2017	2016
Expense loading components included in contributions	120.5	131.4	133.1	127.6	132.6
Components available to cover operating expenses arising from compensation decisions	6.8	7.0	6.9	6.1	6.7
Other income	0.0	0.5	1.2	0.4	0.3
Total loading income	127.3	138.9	141.2	134.1	139.6
Operating expenses covered by loading income ¹	-78.0	-86.1	-85.4	-89.4	-100.6
Total operating expenses	-78.0	-86.1	-85.4	-89.4	-100.6
Loading profit	49.3	52.9	55.9	44.7	39.0
Operating expenses in relation to loading income, %	61	62	60	67	72

¹ Excluding operating expenses related to investments, costs covered by the disability risk administrative cost component and statutory charges.

38. Workability maintenance expenses

31 Dec, € million	2020	2019	2018	2017	2016
Premiums written; the administrative cost component of the disability risk	6.5	6.4	6.3	5.9	5.7
Expenses covered by the administrative cost component of the disability risk, entered under claims incurred, %	5.1	6.4	6.3	5.9	5.7
Expenses arising from the management of the disability risk, entered under operating expenses and covered by the expense loading ²	0.0	0.2	0.1	4.6	8.2
Expenses covered by the administrative cost component of workability maintenance/The administrative cost component of the disability risk, %	78.5	100.0	100.0	100.0	99.7

² As of 2016, does not include personnel expenses related to the management of the disability risk of the company's

39. Technical underwriting result

31 Dec, € million	2020	2019	2018	2017	2016
Premium income from underwriting business under the company's own account	1,646.0	956.5	945.0	759.9	655.0
Interest rate on the technical provisions of the underwriting business under the company's own account	977.1	947.9	892.3	839.3	812.1
Underwriting income	2,623.1	1,904.4	1,837.3	1,599.2	1,467.1
Pensions paid out of funds	1,368.4	1,320.8	1,227.7	1,137.2	1,087.4
Contribution losses	20.4	10.8	14.1	10.4	18.5
Change in the technical provisions of the underwriting business under the company's own account	1,212.2	574.8	572.7	417.9	399.0
Total claims incurred	2,600.9	1,906.3	1,814.4	1,565.4	1,504.9
Technical underwriting result	22.2	-1.9	22.9	33.8	-37.8

DISTRIBUTION OF PROFIT

Distributable profits as presented in the notes to the financial statements 117,853,789.01 euros

The Board of Directors proposes that the profit for the year be distributed as follows: 5,969,602.74 euros

to be transferred to the contingency fund (optional reserve) 5,000,000.00 euros

to be carried over on the Profit and Loss Account 969,602.74 euros

Helsinki, 18 February 2021

Jari Paasikivi, Chairman of the Board

Jaakko Eskola Antti Palola Riku Aalto

Eila Annala Rolf Jansson Ari Kaperi

Jyri Luomakoski Petri Niemisvirta Pekka Piispanen

Saana Siekkinen Mari Walls Risto Murto, President & CEO

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Varma Mutual Pension Insurance Company

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Varma Mutual Pension Insurance Company (business identity code 0533297-9) for the year ended 31 December, 2020. The financial statements comprise the balance sheet, income statement, cash flow statement and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the company in accordance with the ethical requirements that are

applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.2 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most significant assessed risks of material misstatement

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes

consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

As for the financial statements there are no significant risks of material misstatements referred to in Article 10 section 2c of regulation (EU) 537/2014.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 15, 2018, and our appointment represents a total period of uninterrupted engagement of three years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information

in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Opinions based on assignment of the board of directors

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Finnish Insurance Companies Act. We support that the members of the Supervisory Board and the Board of Directors and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, February 18, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Antti Suominen
Authorized Public Accountant

VARMA

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