



The Unemployment Insurance Fund's  
**STATEMENT OF CORPORATE GOVERNANCE**



**2017**

# The Unemployment Insurance Fund's Statement of Corporate Governance 2017

This Corporate Governance statement for 2017 has been prepared pursuant to the Securities Market Act and the recommendation on reporting of the Finnish Corporate Governance Code for Listed Companies, which became effective on 1 January 2016, as an independent document from Unemployment Insurance Fund's Report of the Board of Directors. The Unemployment Insurance Fund's statutory auditor, PricewaterhouseCoopers Oy, has assured that the description of the main features of the internal control and risk management systems related to the financial reporting process included in this Statement are consistent with the financial statements. The Unemployment Insurance Fund's Board of Directors have reviewed this Statement in its meeting on 20 March 2018.

## Compliance with the Finnish Corporate Governance Code 2015 and deviations from the recommendations

The Unemployment Insurance Fund (TVR) is an independent institution established by law that has not issued any shares or interests to be publicly quoted. TVR has issued bonds to be quoted on Nasdaq OMX Helsinki Oy. For this reason, TVR has decided to conduct its operations, where applicable, in compliance with the Finnish Corporate Governance Code for Listed Companies, which became effective in 2010. This Statement of Corporate Governance is given in compliance with the Corporate Governance Code revised in 2015 and effective as of 1 January 2016.

The operations and the tasks of the organs of TVR are based on the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing

of Unemployment Benefits (1176/1998) and the Decree on the Regulations of the Unemployment Insurance Fund (862/1998).

Due to the form of activity and background of TVR, its operations differ from the Finnish Corporate Governance Code on the following recommendations:

■ Recommendations 1, 2, 3 and 4: The highest decision-making body of TVR is not a general meeting or similar organ but the Supervisory Board, appointed by the Government, in accordance with the Decree on the Regulations of the Unemployment Insurance Fund (862/1998). Provisions are laid down in the Decree, for example, on matters to be decided in the meetings of the Supervisory Board and the related procedures, as well as the notice to the meeting. For this reason, the recommendations concerning the general meeting, the notice to the meeting, the general meeting documents and the election process for the Board of Directors are not applicable as such to the operations of TVR.

■ Recommendations 5, 6, 7, 8, 9 and 10: The Supervisory Board of TVR elects the members of the Board of Directors in accordance with the principles set out in the Decree on the Regulations of the Unemployment Insurance Fund (862/1998). The Decree includes not restrictions on the duration of the term of office of the members of the Board of Directors; however, in practice, the Supervisory Board confirms the members, chairman and vice chairman of the Board of Directors annually. For this reason, the recommendations concerning the election of the members of the

Board of Directors and the Nomination Committee are not applicable to the operations of TVR.

■ Recommendations 10, 16, 17 and 18a: TVR has no shareholders or similar owners, wherefore the independence of significant shareholders of the management shall not be evaluated.

■ Recommendation 18b: TVR has no shareholders or similar owners, wherefore the recommendation on the Shareholders' Nomination Committee shall not be applied.

■ Recommendations 22 and 24: The Supervisory Board decides the remuneration of the Board of Directors. The Ministry of Social Affairs and Health decides the remuneration for meetings for the Supervisory Board and the principles of compensation for travelling expenses. The Board of Directors decides on the remuneration and the terms and conditions of the service contract of the managing director, as well as the principles of remuneration for other management staff.

■ Recommendation 23: TVR has no shareholders or similar owners, wherefore the recommendations relating to shares and share-based remuneration for the members of the Board of Directors shall not be applied.

■ Recommendation 28: TVR is not a corporation, wherefore the regulations on related-party transactions are not applicable as such to TVR's operations. Notwithstanding this, as an issuer of bonds, TVR complies with the insider rules laid down in the Market Abuse Regulation (MAR).

## Supervisory Board

According to the Decree on the Regulations of the Unemployment Insurance Fund (862/1998), TVR's highest decision-making body is the Supervisory Board. Until the end of 2017, the Supervisory Board has had eighteen (18) ordinary members, of whom 12 represent employers and 6 represent employees. The Supervisory Board elects from among its members a chairman and vice chairman, for one calendar year at a time, one of whom shall be an employer representative and the other one an employee representative. The chairmanship shall be held in turns by

an employer and employee representative, to be changed yearly.

Until the end of 2017, the Finnish Government appointed the members of TVR's Supervisory Board of whom seven members were representatives nominated by the Confederation of Finnish Industries, three by the Commission for Local Authority Employers, one by the Commission for Church Employers, one by the Federation of Agricultural Employers (MTA), three by the Central Organization of Finnish Trade Unions (SAK), two by the Finnish Confederation of Professionals (STTK) and one by the Confederation of Unions for Professional and Managerial

Staff in Finland (Akava). The term of the members of the Supervisory Board is three calendar years.

The provisions controlling the composition of the Supervisory Board were amended in 2016, the amendments entering into force at the beginning of 2018. The Supervisory Board now has 10-18 members, one half of which represent employers and the other half employees. Provisions on the quorum of the Board were also amended. In accordance with the provision on the entry into force of the amended act, the membership of the Supervisory Board members at the time of the entry into force remained valid until the end of 2017.

### The members of the Supervisory Board in 2017 were:

Name	Year of birth	Education	Main occupation	Presence at Supervisory Board meetings
Rauno Vesivalo, Chairman	1955	Specialised nursing courses, Nursing instructor	Chairman, Union of Health and Social Care Professionals Tehy	3/3
George Berner, Vice Chairman	1948	Master of Science (Technology)	Vice Chairman of the Board of Directors, Berner	3/3
Riku Aalto	1965	Master of Administrative Sciences	Chairman, the Finnish Metalworkers' Union	2/3
Teija Asara-Laaksonen	1957	Matriculation exam	Vice President, The Trade Union for the Public and Welfare Sectors JHL	3/3
Jorma Haapanen	1964	Master of Science (Agriculture and Forestry)	Deputy Mayor, City of Kotka	3/3
Kimmo Hovi	1951	Talousneuvos (Finnish honorary title), farmer	Chairman of the Board, Organisation of Agricultural Employers MTA	2/3
Tauno Kekäle	1961	Doctor of Science (Business Administration)	CEO, Vaasa University of Applied Sciences Ltd VAMK	1/3
Lauri Kivekäs	1956	Master of Science (Technology)	Chairman of the Board of Directors, Rudus Oy	3/3
Salla Luomanmäki	1963	Master of Arts	Director, Akava Special Branches	1/3
Jorma Malinen	1959	Automation Designer	Chairman, Trade Union Pro	1/3
Ilkka Mäkelä	1957	Eng. eMBA	Member of Board, Saarioinen Oy	3/3
Harri Ojanperä	1961	MBA	Senior Vice President, SOK Travel and Hospitality Industry Chain Management	3/3
Ann Selin	1960	eMBA	Chairman, Service Union United PAM	2/3
Ari Svensk	1963	Master of Science (Economics)	SVP, Human Resources, Kesko Oyj	3/3
Liisa Talvitie	1951	Master of Laws, Trained on the bench	Chief Justice of the Administrative Court (Retired) Administrative Court of Vaasa	3/3
Ritva Viljanen	1958	Master of Laws, Master of Political Sciences	Deputy Mayor, Senior Advisor, City of Helsinki	2/3
Jaana Ylä-Mononen	1961	Licentiate of Medicine	Specialising Physician, Central Finland Healthcare District	3/3
Antti Zitting	1956	Master of Science (Technology)	Chairman of the Board of Directors, Sacotec Oy	3/3

## Meeting practice and access to information

The ordinary meeting of the Supervisory Board is held twice a year, in the spring before the end of May and in the autumn no later than in October. An extraordinary meeting of the Supervisory Board is held whenever the chairman the Supervisory Board or the Board of Directors deems it necessary, or when at least two members of the Supervisory Board request in writing that an extraordinary meeting be held for a reason specified in the request.

The notice to the meeting shall be delivered in a verifiable manner to the members of the Supervisory Board no later than eight days before the meeting.

Under the provisions in force until the end of 2017, the meeting of the Supervisory Board shall constitute a quorum when the chairman or vice chairman and at least nine members are present at the meeting. Those present at the meeting shall include both employer and employee representatives. The decisions of the Supervisory Board shall be based on a simple majority. In the event of a tie, the decision shall be based on the opinion supported by the chair of the meeting. In the event of an election in which the voting ends in a tie, the result shall be decided by drawing lots.

The Supervisory Board elects the chairman and vice chairman of the Supervisory Board for one calendar year at a time.

In 2017, the Supervisory Board convened on three occasions, one of which was an e-mail meeting.

## Members of the Supervisory Board

On 27 November 2013, based on the proposal of the labour market parties, the Government appointed the members of the Supervisory Board for the term from 1 January 2014 to 31 December 2016. The term of the Supervisory Board was extended until the end of 2017 pursuant to the provision on the entry into force of the Act on the Financing of Unemployment Benefits.

## Board of Directors

TVR shall according to the Decree on the Regulations of the Unemployment Insurance Fund (862/1998) have a Board of Directors. Until the end of 2017, the Board has had twelve (12) ordinary members nominated by the Supervisory Board so that eight of the Board members are employer representatives of the labour market and four are employee representatives. The Board of Directors shall have a chairman and vice chairman, one of whom shall be an employer representative and the other one an employee representative. The chairmanship shall be held in turns by an employer and employee representative, to be changed yearly. If the position of a Board member becomes vacant during the term of office, the Supervisory Board shall appoint a new member for the rest of the term of office as described above.

The provisions controlling the composition of the Board of Directors were amended in 2016, the amendments entering into force at the beginning of 2018. The Board of Directors now has 14 ordinary members, one half of which represent employers and the other half employees. Provisions on the quorum of the Board were also amended.

According to the provisions valid until the end of 2017, the Board of Directors has constituted a quorum when the chairman or vice chairman and at least six other members are present at the meeting. Those present at the meeting shall include both employer and employee representatives. The decisions of the Board of Directors are made through a simple majority of the Board members present at the meeting. In the event of a tie, the opinion supported by the Chairman of the meeting shall be adopted, except for elections, which shall be decided by drawing lots.

The Board of Directors is responsible for TVR's administration and the proper organisation of its operations. The Board of Directors follows the development of TVR by use of the management's monthly reports and other information delivered by the management. The right to represent TVR shall lie with the chairman of the Board of Directors alone and, as authorised by the Board of Directors, a member

of the Board of Directors, the Managing Director or an employee of TVR, each alone. The main duties and operating principles of TVR's Board of Directors shall be specified in a written working order. The Board of Directors shall carry out a self-assessment of its performance once a year.

## Meeting practice and access to information

The Chairman summons the meeting of the Board of Directors. The notice to the meeting of the Board of Directors shall be delivered to all members of the Board of Directors in good time before the meeting in order to ensure the possibility of the members of the Board of Directors to attend the meetings. The Board of Directors meets 8–12 times in a year and, if necessary, more often. If all the members approve, the meeting of the Board of Directors may be held as a phone conference or by use of email in case of urgent and specific matters.

## Duties of Chairman

The Supervisory Board elects the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors for one calendar year at a time.

### Chairman of the Board of Directors

- summons the meetings of the Board of Directors
- approves the agenda prepared by the Managing Director for the meetings of the Board of Directors
- is responsible for drafting the minutes of every meeting of the Board of Directors
- keeps contacts with the Managing Director and the members of the Board of Directors between the meetings, if necessary
- is responsible for ensuring that this working order is complied with in the work of the Board of Directors
- accepts the invoices of the Managing Director.

## Operations of the Board of Directors

The Board of Directors met 11 times in 2017. The Board of Directors does not have any permanent committees but it can decide to establish working groups or committees for the purpose of assisting the Board of Directors with the preparation of a certain matters falling within the competence of the Board of Directors. In 2017 the Board of Directors did not have any committees. The duties of the audit committee are handled by the Board of Directors of TVR.

## Managing Director

TVR has a Managing Director who is responsible for the management of TVR in accordance with guidelines and orders issued by the Board of Directors. The Managing Director is responsible for ensuring that the accounts of TVR are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The Managing Director shall provide the Board of Directors and its members with the information necessary for the Board of Directors to perform its duties.

The Managing Director of TVR is Janne Metsämäki, Master of Laws (born 1960).

## Key management personnel

The Management Group supports the Managing Director in leading the operations of TVR as well as in implementing TVR's strategic and operative targets. The Management Group meets regularly, on average twice a month.

## The members of the Board of Directors in 2017 were:

Name	Year of birth	Education	Main occupation	Attendance in the meetings of Supervisory Board
Vesa Rantahalvari, Chairman	1967	Master of Administrative Sciences	Senior Expert, Confederation of Finnish Industries EK	11/11
Saana Siekkinen, Vice Chairman	1972	Master of Social Sciences	Director, The Central Organisation of Finnish Trade Unions SAK	10/11
Sture Fjäder	1958	Master of Science (Economics)	President, The Confederation of Unions for Professional and Managerial Staff in Finland Akava	5/11
Jyrki Hollmén	1974	Master of Laws	Director, Chemical Industry Federation of Finland	5/11
Eeva-Liisa Inkeroinen	1963	Master of Laws	Executive Vice President, Technology Industries of Finland	10/11
Markku Jalonen	1960	Licentiate of Social Sciences	Labor Market Director, Local Government Employers	10/11
Antti Palola	1959	Master Mariner	Chairman of the Board, Finnish Confederation of Professionals STTK	10/11
Jorma Palola	1954	Licentiate of Laws	Chief Negotiator, Local Government Employers	11/11
Vuokko Piekkala	1963	Master of Laws	Labor Market Director, The Labor Market Organisation of the Church	8/11
Veli-Matti Rekola	1956	Master of Science (agriculture)	Managing Director, Organisation of Agricultural Employers MTA	9/11
Penna Urrila	1976	Master of Social Sciences	Chief Economic Policy Adviser, Confederation of Finnish Industries (EK)	10/11
Pirjo Väänänen	1971	Master of Social Services	Director, Employment, SAK	11/11

## The members of the Management Group in 2017 were:

Name	Year of birth	Education	Duties/responsibilities
Tapio Oksanen	1958	Master of Science (Economics)	Deputy Managing Director
Virpi Halme	1976	Master of Laws	Leading Legal Counsel
Heikki Ellonen	1959	Master of Science (Technology), Bachelor of Science (Economics)	Chief Information Officer
Juho Oksanen	1978	Master of Science (Economics), Master of Social Sciences	Insurance Director

## Internal control and risk management principles

TVR's internal control consists of all the practices and procedures that aim to provide the Board of Directors and the Management reasonable assurance on the achievement of set objectives, effectiveness of operations, reliability and adequacy of financial and operational information, as well as compliance with laws and regulations. Risk management is an essential part of internal control, meaning systematic and proactive practices for identifying, analysing and managing threats and opportunities related to operations.

Internal control and risk management play a role in the realisation of good governance policies at TVR. Internal control and risk management procedures are linked to TVR's corporate governance, decision-making, and strategic and operative planning.

TVR has an internal control and risk management policy, set by the Board of Directors, including internal control guidelines. Furthermore, TVR's internal control is based on investment principles determined by the Supervisory Board, investment plans determined by the Board of Directors, debt management plans, principles of data management and data security and internal audit guidelines, as well as other TVR's guidelines and procedures.

## Objectives of internal control and risk management

Internal control and risk management at TVR involve procedures aimed at achieving reasonable certainty of the following:

The achievement of set objectives and the effectiveness of operations

- TVR collects and distributes the unemployment insurance contributions and liability component compensations levied, as well as other income, effectively and in compliance with the law
- The assets held by TVR are well kept and managed, and the resources are

safeguarded from any losses arising from the poor performance of duties, misspent funds, errors, misconduct, or other actions that violate the rules and guidelines

- The operations and use of funds of TVR are effective so that the set objectives are achieved and the operations are economic, profitable and impactful.

The production of accurate and sufficient information relating to finances and operations

- The availability of information relating to TVR's operations, finances and administration required for effective management is ensured, in addition to using the information for management purposes

- A true and fair view of operations, finances and administration, as well as effectiveness, is reported to the Board of Directors and Supervisory Board of TVR.

## Legality and compliance of operations

The operations of TVR are carried out in compliance with the law, the guidelines and regulations relating to TVR, and the requirements of good governance.

## Responsibilities of internal control and risk management

The Board of Directors of TVR decides on the basics of internal control and risk management, requiring that the functions of TVR are organised in such a manner that sufficient internal control and risk management is realised in all levels of the organisation and in all its operations.

The basics of internal control and risk management at TVR apply to all TVR's functions, and each employee is responsible for implementing them.

TVR's internal control is based on a 'three lines of defence' model, as presented below.

## First line of defence – the Board of Directors and the management

First line of defence consist of the Board of Directors and Management. The Board of Directors is responsible for arranging internal control and risk management, whereas TVR's Management is responsible for the execution of internal control and risk management within the organisation.

## Second line of defence – Compliance and Risk Control

Second line of defence consist of independent Compliance and Risk Control functions which are responsible for developing, maintaining and monitoring TVR's general internal control principles and the functionality of risk management in the Fund.

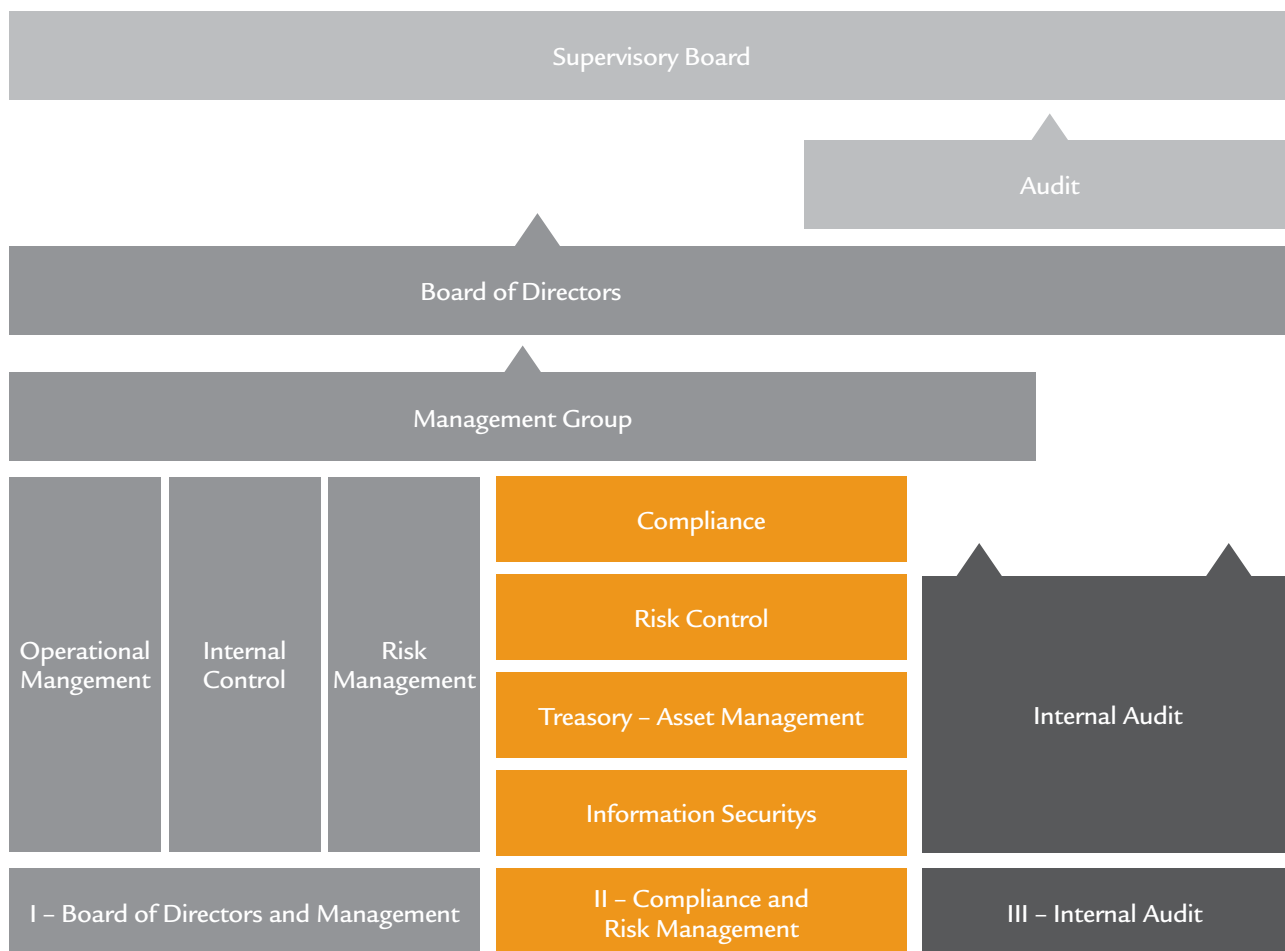
## Third line of defence – Internal Audit

Third line of defence consist of Internal Audit, which is a separate and independent function, whose purpose is to assure that TVR's internal control and risk management is appropriately arranged. The Internal Audit function operates under the supervision of the Managing Director and reports directly to the Managing Director and to the Board of Directors. According to the audit plan approved by the Board of Directors, internal audit activities may be directed at any function or unit at TVR.

## Evaluation of internal control and risk management

Evaluation of internal control and risk management is carried out annually. The evaluation is carried out based on an evaluation framework, which is prepared by the internal control and risk management advisory board that operates in connection with the Ministry of Finance. The evaluation framework is based on the COSO-ERM framework.





### Financial audit

Authorised Public Accountants PricewaterhouseCoopers serves as the Fund’s auditor. The Chief Auditor is APA Juha Wahlroos. The Supervisory Board decided that the auditor’s fees and expenses will be paid according to the invoice approved by the Fund.

In 2017, the auditor’s auditing fees amounted to EUR 42,845, and other remuneration was EUR 9,350. In total, the auditor’s fees and other remuneration in 2017 were EUR 52,195.

### Principles of organising insider administration

In 2015, TVR issued two bonds, worth EUR 600 million and EUR 300 million. Through the issuance of these two bonds, TVR has complied with the requirements laid down in insider legislation, including the parts applicable to issuers of bonds of the Market Abuse Regulation (MAR), which entered into force in summer 2016. The principles and guidelines on insider administration have been approved by the Fund’s Board of Directors.

## Description of the main features of internal control and risk management systems related to financial reporting

### Control Environment

The Unemployment Insurance Fund's Managing Director together with the Management Group are the chief executive decision makers. The Management Group is responsible for ensuring that the functions of the Fund have adequate resources in order to perform their duties, which are determined by law or based on decisions made by the Board of Directors. The financial information released by TVR is always aimed at giving a true and fair view of its economic position.

TVR's financial reporting and control is based on monthly financial reporting and the annual budget, which is confirmed by the Board of Directors.

TVR's finance department prepares the statutory annual financial statements and produces a comprehensive monthly financial reporting package covering the development of statutory payments and contributions, and the values of assets and liabilities.

TVR receives regularly information from the Financial Supervisory Authority on unemployment benefits paid by unemployment funds, which the Fund then analyses and compares to the known unemployment trends and expenses defined in the budgets. The comparison is made separately for expenses that are the responsibility of TVR and the Government.

The finance department maintains the financial management systems and communicates the principles related to the financial statements and the report of the Board of Directors.

### Risk management related to financial reporting

The Unemployment Insurance Fund has a risk management plan that has been approved by the Board of Directors. The most significant risks related to financial reporting are defined annually in the risk assessment prepared by the Management Group. TVR's most significant risk related to financial reporting is the assessment of net assets (business cycle buffer) and liquidity when preparing the budget. The budget and a closely related payment proposal needs to be prepared based on regulations defined by law, so that TVR is able to meet its commitments. The budget that is prepared by the end of August of the preceding year is the responsibility of the finance department. In addition to the legal requirements, the budget is based on assessments about the development of national unemployment, employment and wage development which are prepared by TVR, the Ministry of Finance, research organisations and banks.

The difference between the annual result in the budget and the financial statements is considered as a significant risk and the amount in the recent years has been on average 5% of TVR's benefit payments. This risk is managed through the business cycle buffer, by ensuring that the net position set in the budget exceeds the minimum statutory requirement of the business cycle buffer with a sufficient margin.

TVR aims to secure liquidity by allocating assets to such investments, which are efficiently realisable without a significant risk related to market value or return of the investment.

The risks to the values of investment property are described by investment category in the principles for preparing the financial statements. The finance

department monitors the values and returns of investments and debt instruments through valuation reports prepared daily. In the financial and accounting units, compliance with the investment plan is monitored through daily reconciliations, in addition to which reports are prepared for Management and the Board of Directors on a monthly basis.

TVR's Board of Directors monitors and controls monthly the Fund's result, net position, compliance with the investment plan and debt financing through reports prepared by the finance department.

### Financial communication

TVR publishes a release calendar annually on its website, stating the release dates of economic information and performance data for the year. In addition, TVR publishes information on its performance whenever the new forecast deviates substantially from previously released information. TVR's Deputy Managing Director and Financial Manager together with the communications department are responsible for ensuring that TVR complies with the information distribution requirements set for bond issuers.







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