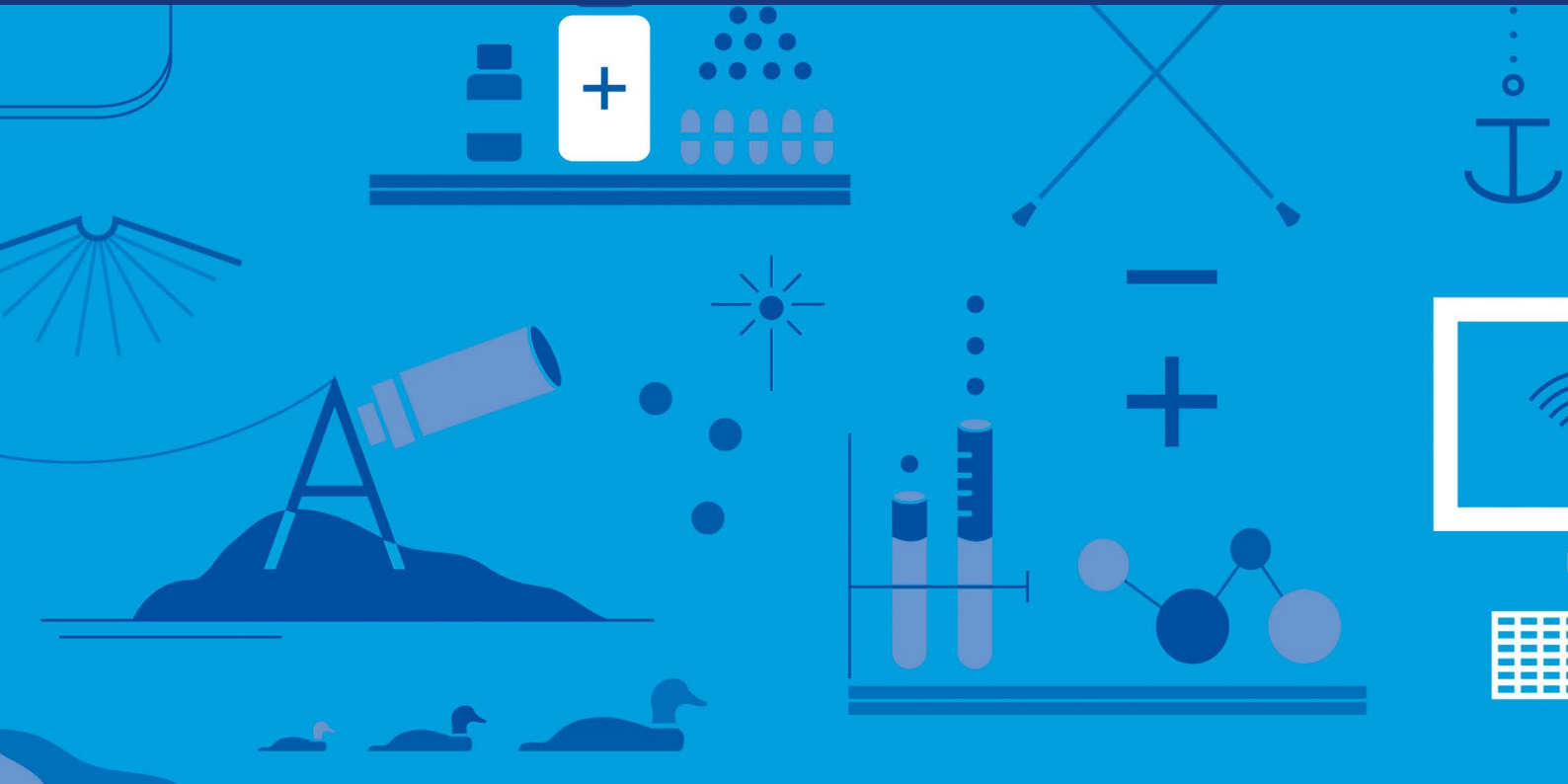




The Unemployment Insurance Fund's statement of Corporate Governance 2015



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This Corporate Governance statement for 2015 has been prepared pursuant to the Securities Market Act and recommendation 54 of the Finnish Corporate Governance Code 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 24 February 2016.

Compliance with the Finnish Corporate Governance Code 2010 and deviations from the recommendations

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. Because of this, TVR has decided to comply with the applicable requirements of the Finnish Corporate Governance Code having entered into force in 2010. The new Corporate Governance Code entered into force on 1 January 2016 and a statement according to the new Corporate Governance Code is issued the first time for the year 2016. The Corporate Governance Code is publicly available on the Securities Market Association website at www.cgfinland.fi.

The operations and the tasks of the organs of TVR are based on the Act on the Financing of Unemployment Ben-

efits (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, 4, 8, 11, 12, 28, 29, 30 and 52: The highest decision-making body of TVR is not a general meeting or similar organ but the Supervisory Board, which also elects the members of the Board of Directors in accordance with the Decree on the Regulations of the Unemployment Insurance Fund (862/1998). Therefore the recommendations concerning the general meeting, the notice to the general meeting or the nomination committee are not applicable to the operations of TVR.
- Recommendation 14 and 15: TVR has no shareholders or similar owners, wherefore the independency of significant shareholders of the management shall not be evaluated.
- Recommendation 40: 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.
- Recommendations 42, 43 and 44. TVR is not a corporation and therefore the recommendations relating to share and share-based remuneration for Board of Directors do not apply.

- Recommendation 51: The recommendation concerning the insider administration is not applicable as such to the operations of TVR. However, TVR upholds a company specific insider register for the publicly quoted bonds that it has issued.

Supervisory Board

TVR's highest decision-making body is the Supervisory Board, which has eighteen (18) ordinary members according to the Decree on the Regulations of the Unemployment Insurance Fund (862/1998). Of the members, twelve (12) are employer representatives and six (6) employee representatives. The Supervisory Board elects among its members one Chairman and one Deputy Chairman at a time, one of whom shall be an employer representative and the other one an employee representative. The chairmanship will change each year between the employer and the employee representatives.

The Finnish Government appoints the members of TVR's Supervisory Board of whom seven members are 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 Supervisory Board includes the following persons in 2015:

Name	Year of birth	Education	Main occupation	Attendance in the meetings of Supervisory Board
Riku Aalto	1965	Master of Administrative Sciences	Chairman, Finnish Metalworkers' Union	3/3
Teija Asara-Laaksonen	1957	Matriculation exam	Vice President, The Trade Union for the Public and Welfare Sectors JHL	3/3
George Berner	1948	Master of Science (Technology)	Retired. Member of the Board, Berner Oy	3/3
Jorma Haapanen Member since 16 January 2015	1964	Master of Science (Agriculture and Forestry)	Deputy Mayor, City of Kotka	3/3
Kimmo Hovi Member since 1 November 2015	1951	Agriculturist	Chairman of the Board, Organisation of Agricultural Employers MTA	0/0
Tauno Kekäle Member since 1 August 2015	1961	Doctor of Science (Business Administration)	CEO, Vaasa University of Applied Sciences VAMK	1/1
Lauri Kivekäs	1956	Master of Science (Technology)	Managing Director, Rudus Oy	2/3
Ritva Laakso-Manninen Member until 1 June 2015	1952	Doctor of Science (Business Administration)	Managing Director, Haaga-Helia Oy Retirement 1 June 2015	1/2
Salla Luomanmäki	1963	Master of Arts	Director, Akava Special Branches	3/3
Jorma Malinen	1959	Automation Designer	Chairman, Trade Union Pro	3/3
Ilkka Mäkelä	1957	Eng. eMBA	CEO and member of Board, Saarioinen Oy	1/3
Marjatta Nummela Member until 31 October 2015	1952	Vocational Qualification in Business Information Technology and upper secondary school matriculation examination	CEO, Harviala Oy	1/3
Harri Ojanperä Member since 12 March 2015	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 (Business Administration)	HR director, Kesko Grocery Trade Division	3/3
Liisa Talvitie	1951	Master of Laws, Trained on the bench	Chief Justice of the Administrative Court	3/3
Rauno Vesivalo Member since 31 January 2015	1955	Specialised nursing courses, Nursing instructor	Chairman, Union of Health and Social Care Professionals Tehy	3/3
Ritva Viljanen	1958	Master of Laws Master of Political Sciences	Deputy Mayor, City of Helsinki	3/3
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, Sacotec Components Oy	3/3

Meeting practice and supply of information

The ordinary meeting of the Supervisory Board is held twice a year, spring meeting before the end of May and autumn meeting in October at the latest. The extraordinary meeting of the Supervisory Board shall be held if the Chairman of the Supervisory Board or the Board of Directors considers it necessary, or when at least two (2) members of the Supervisory Board so requests in writing for a specific matter.

The notice to the meeting shall be delivered verifiably no later than eight (8) days before the meeting to the members of the Supervisory Board.

The Supervisory Board constitutes a quorum when the Chairman or the Deputy Chairman as well as at least nine (9) other members of the Supervisory Board are present at the meeting. Both the employers and employees shall be represented. The decisions of the Supervisory Board are made through a simple majority on the basis of the Supervisory Board members present in the meeting. In the event of a tie, the opinion supported by the chairman of the meeting shall be adopted. In the event of a tie in elections, the decision shall be made by drawing lots.

The Supervisory Board elects the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board for a term of one calendar year.

The Supervisory Board assembled three (3) times in 2015.

Members of Supervisory Board

Based on proposals from the labor market representatives, the Finnish Government appointed on 27 November 2013 the members of the Supervisory Board for the period from 1 January 2014 through 31 December 2016.

Board of Directors

TVR shall according to the Decree on the Regulations of the Unemployment Insurance Fund (862/1998) have a Board of Directors consisting of twelve (12) ordinary members. The Supervisory Board appoints the Board of Directors so that eight (8) of the Board members repre-

sent the employer representatives of the labor market and four (4) the employee representatives. The Board of Directors shall have a Chairman and a Deputy Chairman, one of whom shall be an employer representative and the other an employee representative. The employer and employee representatives shall hold the chairmanship in turns, to be changed yearly. If the position of a Board member becomes vacant during the period of office, the Supervisory Board shall appoint a new member for the rest of the period of office as described above.

The Board of Directors constitutes a quorum when the Chairman or the Deputy Chairman and at least six (6) other members are present at the meeting. Both the employer and employee representatives shall be present. 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 organization 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 authorized by the Board of Directors, a member of the Board of Directors, the Managing Director or an employee of TVR, each alone. The primary duties and principles of TVR's Board of Directors are specified in a written working order. In 2015 strategy work, the Board of Directors drew attention to the development of its operations. In the future, the Board of Directors assesses its operations annually.

Meeting practice and supply of 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 participate 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 Deputy Chairman of the Board of Directors for one calendar year at a time.

The 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 applying the written working orders in the work of Board of Directors
- accepts the invoices of the Managing Director

Operations of the Board of Directors

The Board of Directors assembled 14 times in 2015. 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 2015 the Board of Directors did not have any committees. The audit committee tasks are taken care of 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 provided by the Board of Directors. The Managing Director is responsible for 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 the Members of the Board of Directors with the information necessary for the Board of Directors to perform its duties.

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

Management Group

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.

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

Members of the Board in 2015 were:

Name	Year of birth	Education	Main occupation	Attendance in the meetings of Supervisory Board
Sture Fjäder	1958	Master of Science (Economics)	President, The Confederation of Unions for Professional and Managerial Staff in Finland	10/14
Pekka Hotti	1951	Master of Laws	Deputy Director General, Confederation of Finnish Industries EK	11/14
Eeva-Liisa Inkeroinen	1963	Master of Laws	Director, The Federation of Finnish Technology Industries	10/14
Markku Jalonen	1960	Licentiate of Social Sciences	Labor Market Director, Local Government Employers	13/14
Lauri Lyly	1953	Electrician	President, The Central Organisation of Finnish Trade Unions SAK	14/14
Miia Kannisto Member since 17 March 2015	1977	Master of Laws, Trained on the bench	Senior Legal Advisor, The Confederation of Finnish Industries EK	12/12
Markus Mankin Member until 7 April 2015	1974	Licentiate of Laws, Master of Science (Economics)	Legal Counsel (labor markets), Local Government Employers	3/3
Antti Palola	1959	Master Mariner	Chairman of the Board, Finnish Confederation of Professionals STTK	11/14
Jorma Palola Member since 22 April 2015	1954	Licentiate of Laws	Chief Negotiator, Local Government Employers	9/10
Vuokko Piekkala	1963	Master of Laws	Labor Market Director, The Labor Market Organisation of the Church	13/14
Vesa Rantahalvari	1967	Master of Administrative Sciences	Senior Expert, Confederation of Finnish Industries EK	14/14
Veli-Matti Rekola	1956	Master of Science (agriculture)	Managing Director, Organisation of Agricultural Employers	13/14
Seppo Saukkonen Member until 1 March 2015	1952	Master of Social Sciences	Expert, Confederation of Finnish Industries EK	2/2
Saana Siekkinen	1972	Master of Social Sciences	Director, The Central Organisation of Finnish Trade Unions	14/14

and regulations. Risk management is an essential part of internal control, meaning systematic and proactive practices for identifying, analyzing and managing threats and opportunities related to operations.

Internal control and risk management are part of TVR's corporate governance and are integrated into TVR's governance and management system, decision-making and strategic and operational planning.

TVR's internal control and risk management policy is approved by the Board of Directors. Together with the guidelines for internal control, they outline the main principles of internal control at TVR. 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

TVR's internal control and risk management consists of practices and pro-

cedures that aim to provide reasonable assurance on the following:

Achievement of objectives and effectiveness of operations

- TVR collects and distributes the unemployment insurance contributions, employer's liability components and other benefits efficiently and in compliance with laws and regulations.

- Assets under TVR's possession are well managed and retained, and resources are safeguarded from losses caused by mishandled duties, dissipation, errors, malpractices and other activities that are against set rules and guidelines.

- Operations and the use of assets is efficient enabling the achievement of set objectives in a profitable, productive and effective way.

Providing reliable and adequate financial and operational information

- Information needed in efficient management of operations, finance and governance is available and utilized

- Reliable and adequate information on operations, finance and management as well as profitability is reported to TVR's Board of Directors and Supervisory Board

Compliance with laws and regulations

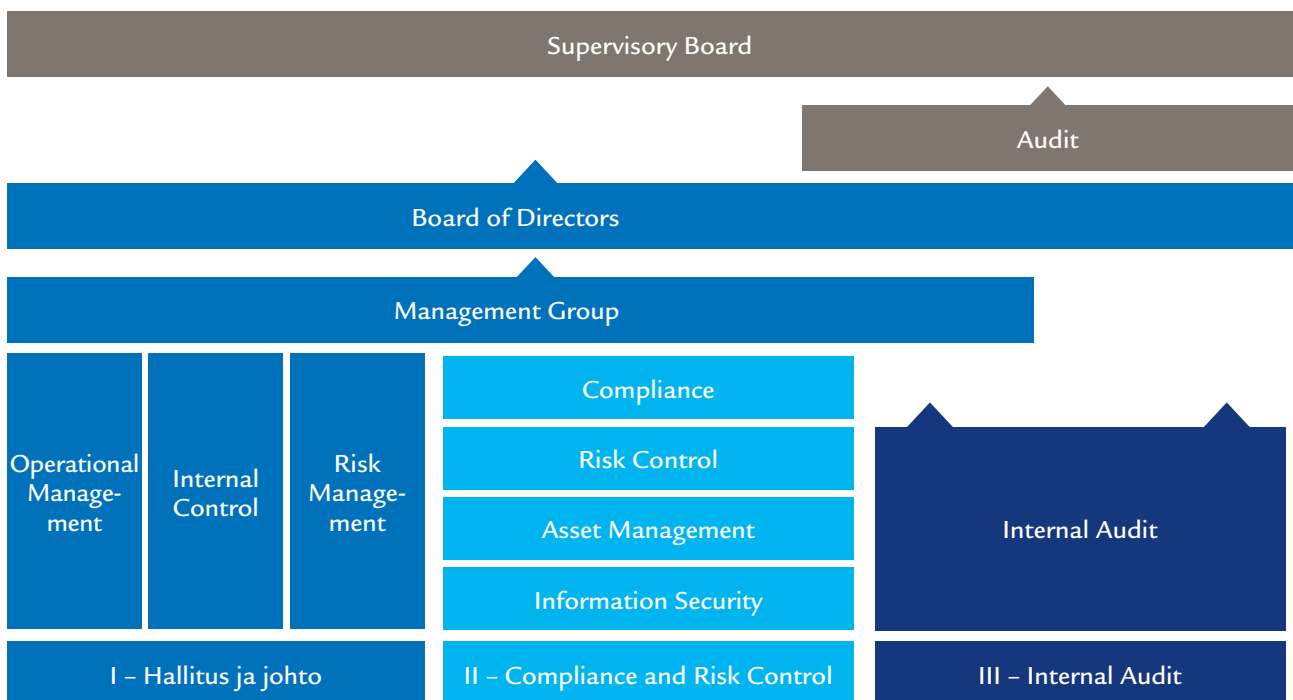
- TVR operates in compliance with applicable laws, regulations, instructions and guidelines as well as the requirements of corporate governance.

Internal control and risk management responsibilities

TVR's Board of Directors is responsible for establishing TVR's principles of internal control and risk management and ensuring that sufficient internal control and risk management practices are in place covering all TVR's operations at each level of the organization.

Principles of internal control and risk management are applied throughout TVR and their implementation is part of every employee's responsibilities.

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



First line of defense – the Board of Directors and the management

First line of defense consist of 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 organization.

Second line of defense – Compliance and Risk Control

Second line of defense 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. Functions are currently being implemented into the organization. Both functions will report directly to the Managing Director.

Third line of defense - Internal Audit

Third line of defense 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. Internal audit can according to the audit plan approved by the Board of Directors be addressed to all TVR's functions and units.

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.

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 operating 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 Government.

TVR's financial reporting and control is based on monthly financial reporting and the annual budget, which is confirmed by the Board of Directors. The Unemployment Insurance Fund'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. In 2015, the Management Group made the decision to change the budgeting and monitoring of administrative expenses to the level of functional units, which will increase the responsibility of budgeting and monitoring expenses in the functional units.

The Unemployment Insurance Fund receives regularly information from the Financial Supervisory Authority on unemployment benefits paid by unemployment funds, which the Fund then analyzes and compares to 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 finan-

cial 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 budgets. 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 organizations 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 realizable without a significant risk related to market value or return of the investment.

TVR's Board of Directors monitors monthly the result, the net position, investments and debt financing using the reports prepared by the finance department. The finance department monitors the values and returns of investments and debt instruments through valuation reports prepared daily. The accounting unit monitors the compliance with the investment plan through reconciliations performed daily and reports to the finance management monthly.

Financial communication

The Unemployment Insurance Fund's Deputy Managing Director and Financial Manager together with the communications department are responsible for ensuring that TVR complies with the reporting requirements set for bond issuers. ■



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