



The Unemployment Insurance Fund  
**ANNUAL REPORT**



**2017**

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# The Unemployment Insurance Fund in brief

The Unemployment Insurance Fund (TVR) launched its operations in 1999. It is an independent institution governed by labor market parties and is supervised by the Financial Supervisory Authority (FIN-FSA). The main task of the Unemployment Insurance Fund is to finance unemployment benefits. The Fund determines and collects the unemployment insurance contributions and supervises the fulfilment of the responsibilities related to the unemployment insurance contributions provided by law. In addition, the Fund processes employers' training compensations. Training compensation is based on the Act on Compensations for Training (1140/2013).

The operations of the Fund are financed by unemployment insurance contributions collected from employers and employees and by investment returns.

The Unemployment Insurance Fund carries out the prepayment of financing

contributions to the single unemployment funds in monthly intervals on the basis of the applications submitted to the Fund. In addition, the Unemployment Insurance Fund processes and carries out the prepayment of government contributions on behalf of the single unemployment funds.

The operations of the Unemployment Insurance Fund 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), as amended.

## Mission

The Unemployment Insurance Fund handles the financing processes of the unemployment insurance system and all its other duties in a reliable and correct manner, benefiting from internal

expertise and the Fund's central market position. The Fund also promotes collaboration amongst unemployment insurance system actors for the purpose of improving the system's performance.

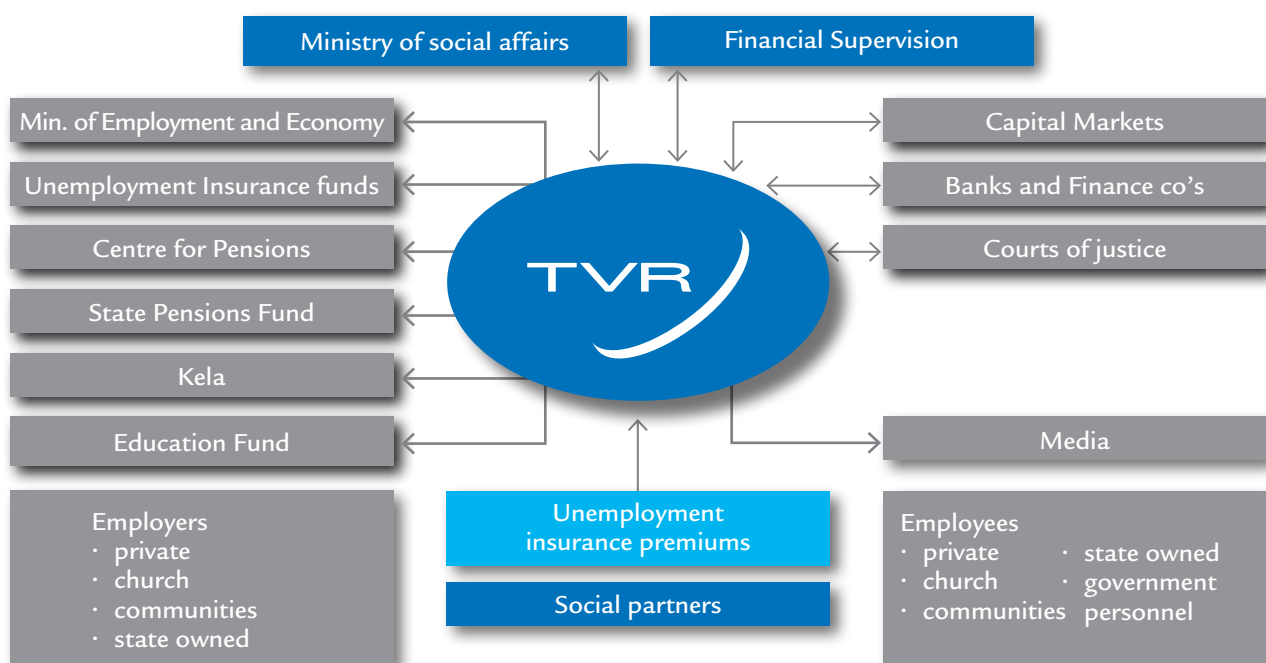
## Vision

The Unemployment Insurance Fund is a specialist in earnings-related unemployment security, and is a reliable and respected partner. The Fund strives to promote positive development trends for employment through supporting the functionality of the labor market.

## Values

The Unemployment Insurance Fund's values are: We are a strong team. We operate uncomplicatedly – person to person. We encourage reform.

## Business environment



# Managing Director's review

## Economic growth turned TVR's finances back to positive

The Finnish economy's positive development was sustained in 2017. The national economy's actual pace of growth clearly outstripped the cautious expectations. The employment rate increased, and the number of unemployed jobseekers in particular fell significantly. The Unemployment Insurance Fund's finances clearly reflected this economic upturn.

The unemployment insurance contribution accrual exceeded the expectations as the total payroll increased and the total volume of earnings-related benefit payments decreased. Performance of the Fund's finances was therefore considerably stronger than expected, with a surplus of EUR 572 million. This also meant that the Fund's net position turned positive at the end of 2017.

Compared to the recent years, the sharp economic upswing will provide the Fund with the opportunity to increase its business cycle buffer, as the current debts will be paid off according to plan this year and next year.

This year, the Unemployment Insurance Fund will celebrate its 20th year in operation. Over the past two decades, the Fund has acquired an important role with many responsibilities for funding unemployment benefits. On several occasions, the business cycle buffer managed by the Fund has been required to curb the upward pressure on unemployment insurance contributions.

In the first half of 2017, the Fund renewed its revolving credit facility, which is now EUR 400 million, including a state guarantee by the Government. The credit facility was not utilised during 2017. The Fund's credit rating was confirmed in September 2017, remaining

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on a par with the Finnish Government's credit rating.

The National Incomes Register will be launched at the beginning of 2019. The Fund will be included in the first phase of the Register and has prepared for it by contributing to the law drafting at the Ministry of Social Affairs and Health. The Fund is in the process of building a new unemployment insurance contribution information system for the National Incomes Register. The Fund seeks to make full use of the Register, which will lighten the administrative burden of employers. The reconfiguration of the Fund's operating model and organisation will enable us to respond to the demands of our changing operating environment and provide even better customer service.

The Fund managed its activities successfully in 2017. For example, the Fund's customer service was given an important acknowledgement when the Fund won the Contact Centre of the Year award.

In the summer of 2017, labour market confederations proposed that the

Unemployment Insurance Fund and the Education Fund be merged to form a new fund, which would begin operations at the beginning of 2019. The Funds already cooperate on a range of issues. The preparations for merging the Funds began in the autumn. In legal terms, the Education Fund will be incorporated into the Unemployment Insurance Fund. Operationally, however, our objective is to create a completely new fund with a new name.

For the Unemployment Insurance Fund, 2017 was a year when we continued our preparations for the many changes ahead of us. In addition to these change projects, we have been carrying out our statutory activities. The Fund's employees have worked hard, demonstrating their professional skills and a great team spirit in meeting our statutory objectives. I would like to offer our people my thanks for the excellent results they have achieved.

**Janne Metsämäki**  
Managing Director



JANNE METSÄMÄKI

# The Unemployment Insurance Fund's result for the financial year 2017 showed a surplus

The Unemployment Insurance Fund's Supervisory Board approved the budget in August 2016. At the time, the result for 2017 was expected to be EUR 73 million in deficit. Finland saw an economic upturn already in 2016 and the unemployment rate continued to decline in 2017. The Fund's financial statements show a surplus of EUR 572 million for 2017. The Fund's net position turned positive, reaching EUR 106 (-466) million at the end of 2017.

The Finnish economy improved positively in 2017. Its key industries showed largely favourable developments and, for the first time in a long while, gross output was clearly positive. Meanwhile, the unemployment rate declined and the number of unemployed jobseekers in particular reduced sharply. The number of people in employment continued to increase, and the total amount of wages and salaries also grew. The volume of collected unemployment insurance contributions showed an increase, the total volume exceeding the earnings-related benefit payments by a considerable amount. Based on the official statistics, the unemployment rate in Finland decreased by 0.2 percentage points (8.8%→8.6%). The Fund's benefit payments also decreased by 11 per cent year on year.

The Fund's real income amounted to EUR 4,011 (4,083) million and expenses EUR 3,434 (3,859) million. The financial year's surplus amounted to EUR 572 (220) million.

The planning and management of the Unemployment Insurance Fund's finances are largely based on forecasts of the development of the unemployment rate, unemployment expenses, the employment rate and wages. Under normal conditions, the Fund must set the insurance contributions at the sufficient level where all projected expenses could be covered with the insurance contributions.

The unemployment insurance contributions are set for one year at a time. When the contributions are changed, the employers' average contributions and employees' contributions are normally changed by the same percentage. In 2017, the contributions were changed under the Competitiveness Pact, resulting in a decrease in the employers' unemployment insurance contributions and an increase in the employees' contributions.

The forecast deviation in the change in net position between the budget prepared in August in the preceding year and the financial statements that are prepared more than a year later, has been per year on average 5% of expenses over the last five years. In 2017, the forecast deviation was larger than average.

The Fund's liquidity remained good in 2017. Benefit payments to beneficiaries shrunk year on year, the cash flow remained positive and portfolio debt was slightly reduced.

The Unemployment Insurance Fund will make a proposal for the amounts of the following year's contributions to the Ministry of Social Affairs and Health by the end of August (Act on the Financing of the Unemployment Benefits, section 18(6)). This accelerated timetable will increase the uncertainty of the following year's economic and employment forecast. The unemployment insurance contribution rates are ratified by Parliament on the basis of a government proposal. The Bill for contributions can be amended during the parliamentary proceedings.

- Unemployment insurance contributions and other income in total EUR 4,011 (4,083) million
- Unemployment benefits paid and administrative expenses in total EUR 3,434 (3,859) million
- Change in net position (for the financial year) EUR 572 (220) million
- Net position EUR 106 (-466) million
- Investments and assets in total EUR 1,125 (704) million
- Raised debt and other liabilities in total EUR 1,018 (1,170) million
- Unemployment rate on average 8.6% (8.8)
- Return on investments 0.1% (0.3)

Financial information for 2016 is presented in parentheses.

## Key figures

EURm	2017	change %	2016	2015	2014	2013
<b>Unemployment insurance contribution income *</b>	<b>4,011</b>	<b>-2</b>	<b>4,083</b>	<b>3,330</b>	<b>3,031</b>	<b>2,221</b>
Other income (MSAH)						1,039
Contribution rates						
- employee contribution %	<b>1.60</b>	<b>39</b>	1.15	0.65	0.50	0.60
- employer, base %	<b>0.80</b>	<b>-20</b>	1.00	0.80	0.75	0.80
- employer, large firms	<b>3.30</b>	<b>-15</b>	3.90	3.15	2.95	3.20
<b>Benefits payments total</b>	<b>3,434</b>	<b>-11</b>	<b>3,859</b>	<b>4,002</b>	<b>3,706</b>	<b>3,186</b>
- Unemployment funds (TVR)	<b>1,320</b>	<b>-17</b>	1,581	1,703	1,651	1,326
- Unemployment funds (MSAH)	<b>945</b>	<b>-14</b>	1,102	1,142	1,054	1,039
- Finnish Centre for Pensions	<b>768</b>	<b>-9</b>	846	900	821	640
- Education Fund	<b>151</b>	<b>30</b>	116	98	84	72
- Social Insurance Institution of Finland (Kela)	<b>208</b>	<b>24</b>	168	121	52	62
- Ministry of Employment and the Economy	<b>19</b>	<b>-17</b>	23	21	27	33
- State Pensions Fund	<b>13</b>	<b>18</b>	11	8	6	7
- Administrative expenses	<b>10.8</b>	<b>-8</b>	11.7	9.7	9.3	7.1
<b>Change in net position</b>	<b>572</b>		<b>220</b>	<b>-677</b>	<b>-672</b>	<b>78</b>
<b>Investment return %</b>	<b>0.1</b>		<b>0.3</b>	<b>0.2</b>	<b>0.6</b>	<b>0.2</b>
<b>Net position</b>	<b>106</b>		<b>-466</b>	<b>-686</b>	<b>-9</b>	<b>662</b>
- Money market investments	<b>537</b>	<b>105</b>	262	207	212	458
- Fixed income investments	<b>433</b>	<b>21</b>	359	242	206	332
- Borrowings, debt outstanding	<b>-900</b>		-1,023	-1,109	-256	0

\*Contributions from the MSAH included year 2014 onwards

## The 2018 unemployment insurance contribution rates were amended

On 30 August 2017, the Unemployment Insurance Fund proposed to the Ministry for Social Affairs and Health a decrease of 0.5 percentage points to employers' average unemployment insurance contributions and an increase of 0.3 percentage points to the employees' contributions.

Parliament ratified a government proposal to this effect at the end of November 2017.

## The Fund's administrative expenses

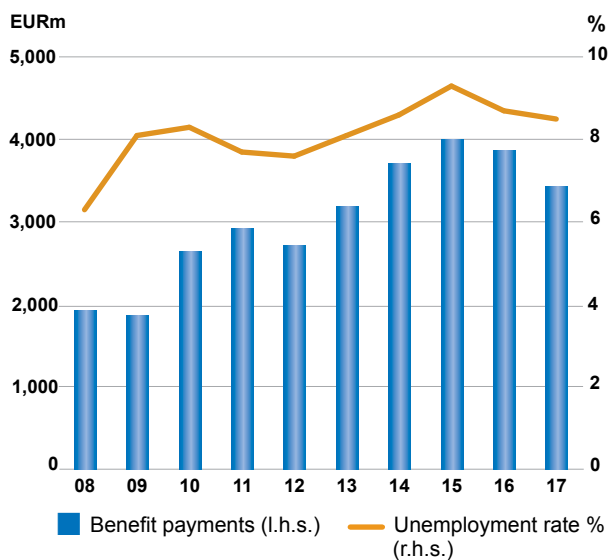
The Fund's administrative expenses amounted to EUR 10.8 (11.7) million.

## The Unemployment Insurance Fund's result for the financial year 2017 showed a surplus

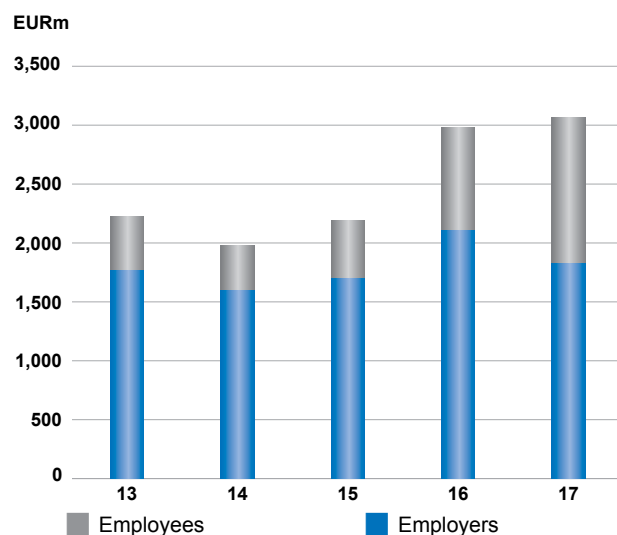
### Operating environment improving

<b>Finnish economy</b>	<ul style="list-style-type: none"> <li>■ GDP growth 3.0% in 2017 (est.)</li> <li>■ Clear trend lower in unemployment</li> <li>■ Unemployment rate 8.6% (-0.2)</li> </ul>
<b>Unemployment insurance contributions</b>	<ul style="list-style-type: none"> <li>■ Total level of UIC rates stable in 2017</li> <li>■ Contribution income grew by 3%</li> </ul>
<b>Change of net position</b>	<ul style="list-style-type: none"> <li>■ Benefit payments decreased by 11%</li> <li>■ Cash flow clearly positive</li> <li>■ Change of net position +572 EURm</li> </ul>

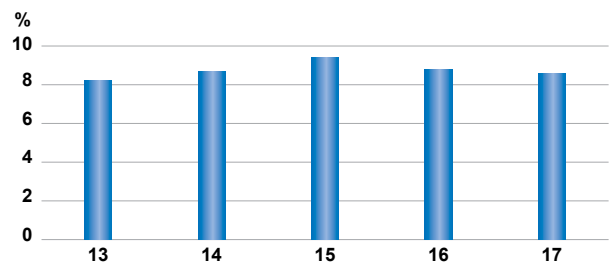
### Benefit payments



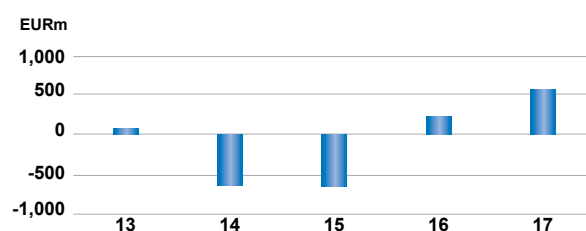
### Unemployment insurance contributions



### Unemployment rate



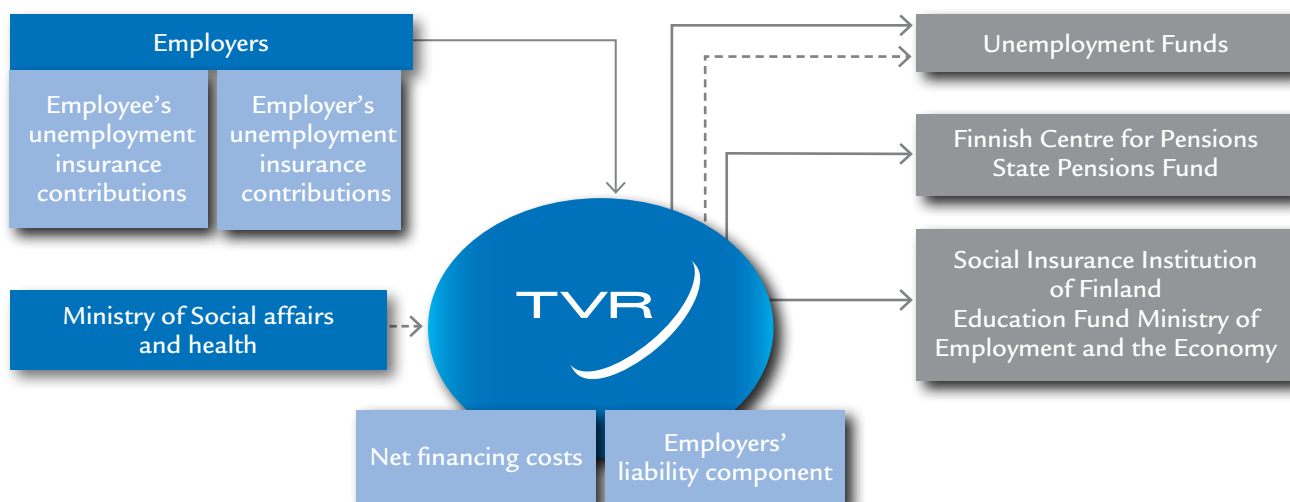
### Change in net position





# Responsibilities of the Unemployment Insurance Fund

## Cashflows in TVR



## Unemployment benefits financed by TVR

Based on the Act on the Financing of Unemployment Benefits (555/1998) and with regard to the financing of earnings-related unemployment allowances, the Unemployment Insurance Fund is responsible for expenses from unemployment allowances, employment promotion measures and from job alternation compensations insofar as the state or individual unemployment funds are not liable for these. The above-mentioned benefits are paid from the unemployment funds. Adult education allowance is paid from the Education Fund. In addition, the Unemployment Insurance Fund is responsible for the unemployment insurance contributions for unemployed persons and recipients of the adult education allowance that are paid through the Finnish Centre for Pensions to the employment pension institutions.

According to the Decree on the Implementation of the Act on Unem-

ployment Funds (272/2001), the processing of prepayment applications and payment decisions, together with monitoring the sufficiency of prepayments fall within the duties of the Unemployment Insurance Fund. The Fund makes prepayments to unemployment funds twice a month, on the first banking day of the month and on the date falling closest to the 15th banking day of the month.

The Fund also transfers the prepayments of government contributions to the unemployment funds on the first banking day of each month. In 2017, the Ministry of Social Affairs and Health paid the government contributions to the Fund as fixed monthly prepayments, unless otherwise proposed by the Unemployment Insurance Fund. The government contribution is recognised as the Fund's income and expenses.

In 2017, there were 28 (28) unemployment funds operating in Finland, of which two served entrepreneurs. The earnings-related unemployment allowance paid by the unemployment funds was on average EUR 63.77 (65.56) per day.

In 2017, a total of EUR 1,320 (1,581) million was paid to the unemployment funds for financing the unemployment benefits. In addition, the Fund forwarded EUR 945 (1,102) million to the unemployment funds as the contribution of the Ministry of Social Affairs and Health.

In accordance with the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund is liable for costs incurred from additional days added to an employee's unemployment security. The unemployment funds pay additional daily unemployment benefits, which are not financed by the state, to their members. An unemployed person is eligible for additional unemployment benefit days if he or she turns 59 before having reached 500 earnings-related unemployment allowance days. For those born in 1955 or after, the age limit will rise to 60 years, and to 61 years for those born in 1957 or after.

Under section 4 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund has sole responsibility for funding the increased earnings-related component laid down

## Responsibilities of the Unemployment Insurance Fund

in section 6 of the Act on Unemployment Security. From the beginning of 2015, the calculation rules for higher earnings-related daily unemployment allowances was changed so as to slightly decrease the level of allowances. The same change was carried out regarding the supplementary earnings-related allowances. These changes implement the reduction of unemployment allowances as specified in the government framework decision. The change decreases expenditure related to earnings-related daily unemployment allowances. To implement government savings, the

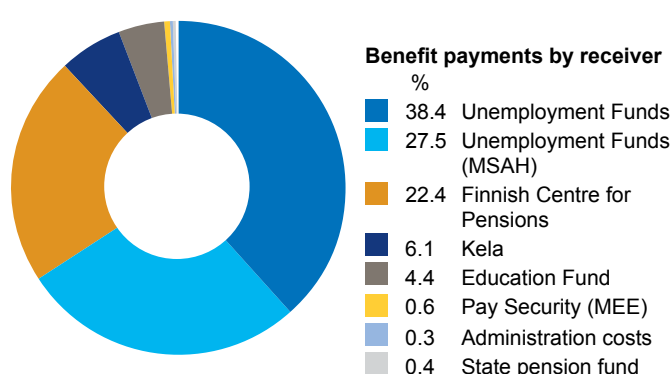
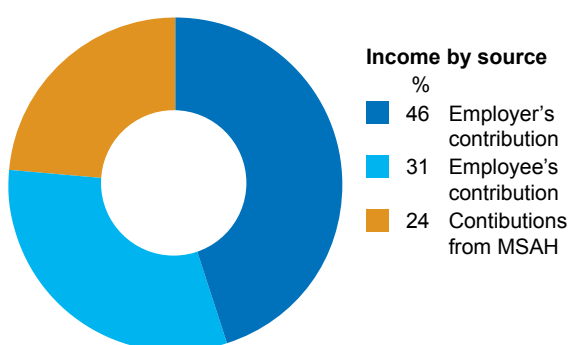
Fund pays the amount of savings (approximately EUR 50 million) yearly to Kela to finance basic social security under section 23 of the Act on the Financing of Unemployment Benefits (555/1998).

Under section 19a of the Act on Unemployment Funds (556/1998), the Fund pays a membership fee equalisation payment to those employee funds that have paid significantly more unemployment benefit days in the previous year than the average per member for all unemployment funds, in order to even out the unemployment burden prevail-

ing in different industries, within the limits of an appropriation decided by the Supervisory Board each year. The balance of the unemployment fund's equalisation fund may also be taken into account in determining the membership fee equalisation payment. The Board of Directors of the Fund has also paid attention to the level of membership fees in relation to other unemployment funds and to changes in membership fees in the two preceding years.

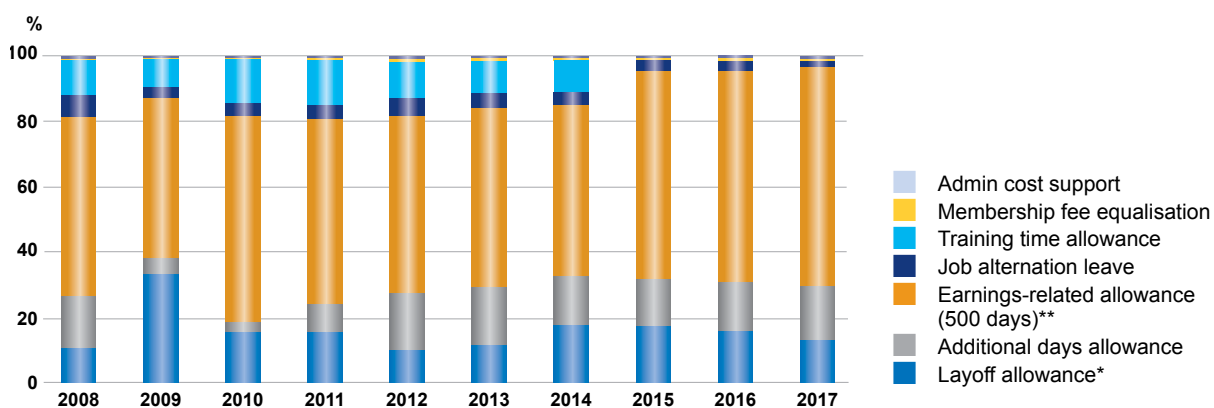
In 2017, a total of EUR 10 (10) million was used on equalisation pay-

## TVR's finances



## Structure of benefit payments

Benefits payments as % of total



\* Government participated in the financing of layoff benefits in 2010, 2012 ja 2013 \*\* Training time allowance included in 2015 and onwards

ments. The amount used for equalisation was around 0.34% (0.35) of the unemployment funds' benefit payments, the prescribed maximum being 0.75%. The membership fee equalisation payments were made to seven employee funds. Changes in the Fund's membership fees in 2017 and 2016 were also taken into account in the equalisation decisions.

## Financing of pension accrual of unemployed persons and recipients of job alternation compensation and adult education allowance

The Unemployment Insurance Fund's second largest expense has been the contribution paid to the Finnish Centre for Pensions to cover the liabilities and expenses arising from taking into

account the time of unemployment, education and job alternation leave (Employees' Pension Act (395/2006), sections 74 and 182). The amount of this contribution is determined by estimating the average amount of pension contributions that would be paid for the unpaid periods that constitute the basis of the accrued pension security.

Based on the estimate of the Finnish Centre for Pensions, the recognized expense in 2017 was EUR 768 (846) million. The contribution was paid as a prepayment during 2017. The final contribution for 2017 will be confirmed afterwards by the Ministry of Social Affairs and Health during 2018.

As stated above, the Unemployment Insurance Fund is liable to pay the contribution laid down in sections 62 and 133 of the State Employees' Pensions Act (1295/2006) to the State Pension Fund. In 2017, the Unemployment Insurance Fund's contribution amounted to EUR 12.6 (10.7) million. The final contribution for 2017 will be confirmed afterwards by the Ministry of Social Affairs and Health during 2018.

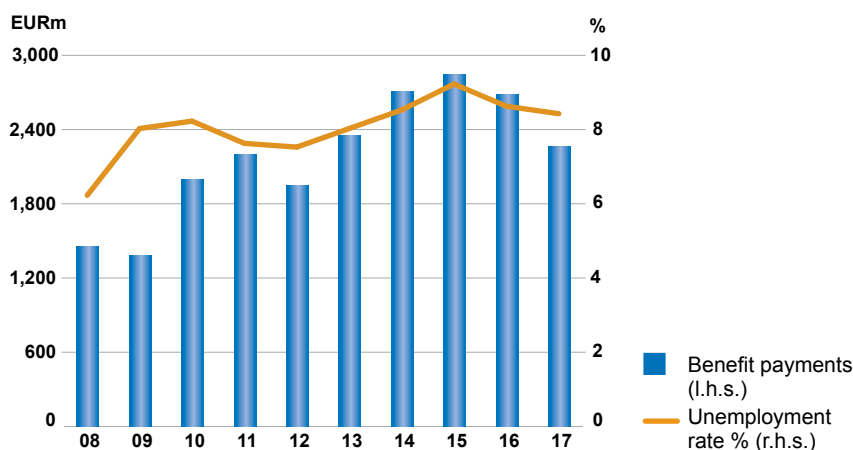
## Settlement to Kela of income from the unemployment insurance contributions of employees who are not members of an unemployment fund

Under sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund pays to Kela an annual amount from employees' unemployment insurance contribution income, corresponding to the percentage of employees who are not members of an unemployment fund. The amount of the settlement is estimated from data collected by Statistic Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health. In 2017, the settlement percentage was 12.7% (13.5). Prepayments amounted to EUR 208 (168) million.

## Financing of the Education Fund's benefits and operations

Until 31 July 2017, in accordance with section 13 of the Act on the Education Fund (1306/2002) and section 30 of the Act on Adult Education Support (1276/2000), the Unemployment Insurance Fund was responsible for paying the administrative expenses of the earnings-related component of adult education allowances, the scholarships paid for qualified employees and the Education Fund. The State financed the basic component of adult education allowances and the entrepreneurs' adult education allowances. The State also

## Subsidies paid to unemployment funds (TVR)



## Responsibilities of the Unemployment Insurance Fund

financed the scholarships for qualified employees awarded to its personnel. Since 1 August 2017, the Unemployment Insurance Fund has been financing the employees' adult education allowances in full. For the other components, the financing arrangement will remain unchanged. The benefits are paid from the Education Fund. In 2017, the Unemployment Insurance Fund paid to the Education Fund a total of EUR 151 (116) million. The increase in expenses is due to a sharp increase of adult education allowance expenses.

### Financing of pay security

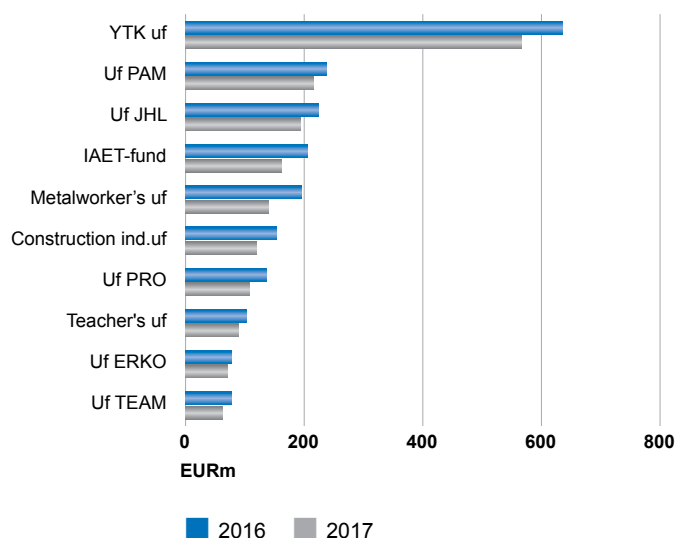
Under section 31 of the Pay Security Act (866/1998), the Unemployment Insurance Fund is responsible for the state's pay security expenses. Pay security expenses are paid once a year to the Ministry of Employment and the Economy, based on the invoice sent by the Ministry. In 2017, pay security costs amounted to EUR 19 (23) million.

### The Fund's role in EU coordination

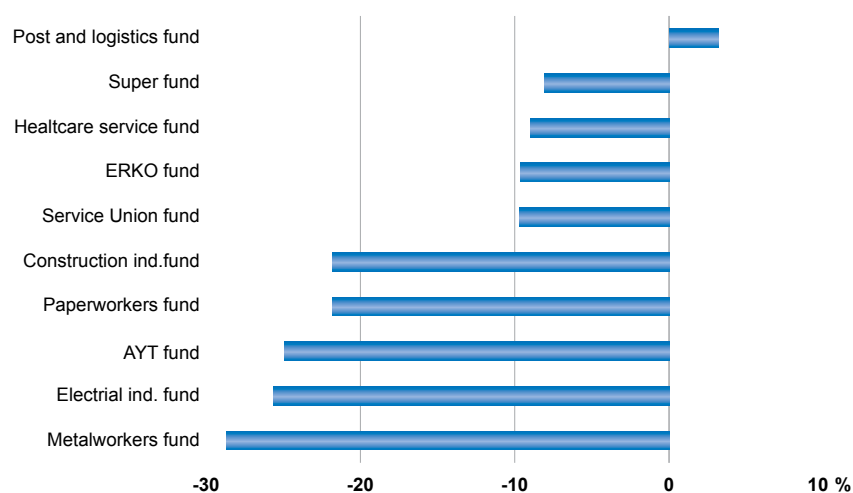
Article 65 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (basic regulation) provides for situations in which a person becomes unemployed after working in a Member State other than his or her country of residence.

In Finland the Unemployment Insurance Fund has been designated as the competent body when implementing this basic regulation with regard to earnings-related unemployment insurance. The Fund's responsibilities include the payment and collection of the compen-

### Subsidy payments to unemployment funds Ten largest funds



### Benefits paid by unemployment funds Biggest % changes from 2016 to 2017



sations laid down in paragraphs 6 and 7 of Article 65, incurred from unemployment allowance paid to the members of unemployment funds. In 2017, the Fund

paid a total of EUR 138,240 in such compensations and received a total of EUR 77,137.

# Determination, collection and supervision of unemployment insurance contributions

## Unemployment insurance contributions

On 30 August 2016, the Supervisory Board of the Unemployment Insurance Fund made a proposal to the Ministry of Social Affairs and Health for the amount of unemployment insurance contributions for 2017.

Employers' contribution percentages decreased for 2017, and were 0.80% (1.00) of the wages up to EUR 2,059,500 (2,044,500) and 3.30% (3.90) of the wages for the part exceeding this. The average contribution percentage was 2.41% (2.87).

Unemployment insurance contribution for government enterprises was 0.80% (1.00) of the wages up to EUR 2,059,500 (2,044,500) and 2.05% (2.45) of the wages for the part exceeding this.

Universities' unemployment insurance contribution was 0.80% (1.00) of the wages up to EUR 2,059,500 (2,044,500) and 2.33% (2.78) of the wages for the part exceeding this.

Unemployment insurance contribution for part-owners as defined in the Unemployment Allowance Act was 0.80% (1.00) of the wages.

Employees' unemployment insurance contribution was 1.60% (1.15) of the wages, based on the Fund's proposal. The employee unemployment insurance contribution of a part-owner was 0.70% (0.45) of the wages.

In total, EUR 1,768 (2,042) million of the employers' unemployment insurance contributions and EUR 1,241 (869) million of the employees' contributions were recognised.

## Determination and collection of the unemployment insurance contributions

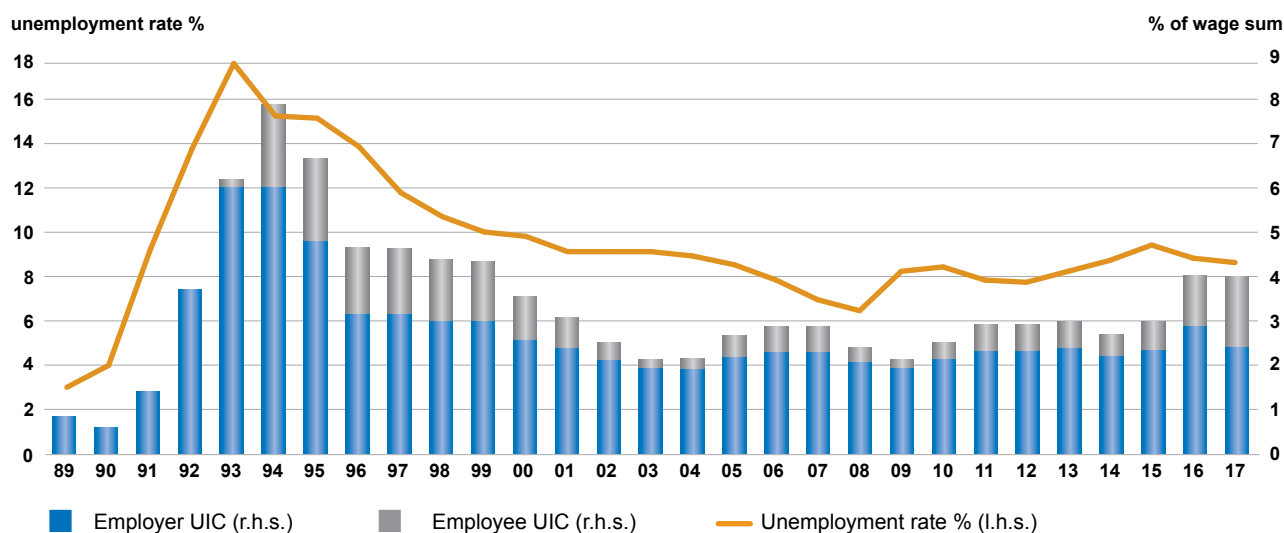
The Unemployment Insurance Fund determines and collects the unemployment insurance contributions based on chapter 7 of the Act on the Financing of Unemployment Benefits.

During 2017, the unemployment insurance contributions determined by the Unemployment Insurance Fund amounted to EUR 3.1 (3.0) billion. A total of EUR 73 (96) million of the unemployment insurance contributions were refunded. Assigned payments were collected comprehensively, 0.22% (0.15) of the invoices due in 2017 remaining unpaid.

## Employers' training compensation

Employers can receive tax deductions from the expenses of training their employees based on the law on training compensation (law related to three training days). Employers who are not eligible for training-fee-related tax deductions based on the Business Tax Act or the Agricultural Income Tax Act, can receive equal deduction from the unemployment insurance contribution. Such employers include municipalities, churches and non-profit organisations. Entitlement to receive such com-

## Unemployment rate and contribution rates



## Determination, collection and supervision of unemployment insurance contributions

compensation started from the beginning of 2014 and the first deduction, based on the employer's application, was issued in 2015, after the Unemployment Insurance Fund approved the final total amount of unemployment insurance contributions paid in 2014.

During 2017, the Unemployment Insurance Fund refunded EUR 11.1 (11.1) million to 594 (618) employers for the compensation paid for training that had taken place in 2016. The total number of training days stated in the applications was around 559,000 (562,000). Of the employers who applied for the training compensation, 287 (285) were cities or municipalities.

### Supervision of collection of unemployment insurance contributions

The Unemployment Insurance Fund supervises the fulfilment of the responsibilities related to the statutory unemployment insurance contributions. This supervision ensures that the reported wages, which determine the amount of the employer's unemployment insurance contributions, are accurate and the collected amounts are correct. In addition, the supervision addresses any failures to pay unemployment insurance contributions.

The Unemployment Insurance Fund previously supervised the unemployment insurance contributions with accident insurance institutions and the Federation of Accident Insurance Institutions because the institutions collected unemployment insurance contributions until 2012. From 2013, the Unemployment Insurance Fund has collected the unemployment insurance contribution directly from employers.

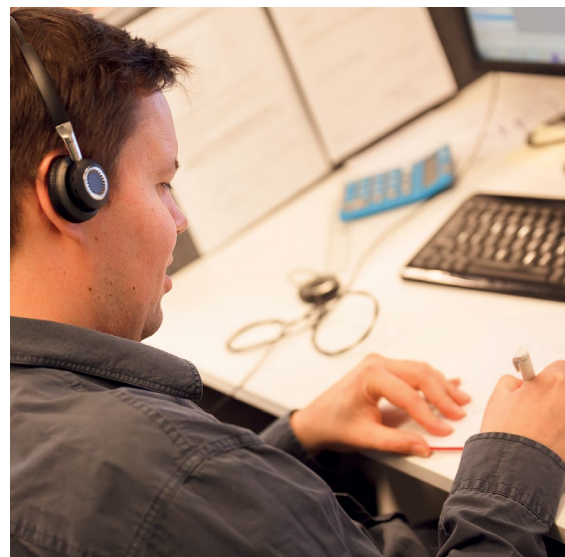
Supervision of the Fund's collected unemployment insurance contributions began in November 2015.

In 2017, the Unemployment Insurance Fund began supervision of 1,428 (1,149) employers. Supervision cases resulted in EUR 2.6 (2.5) million of additional payments and EUR 0.4 (0.3) million of refunds.

### Employers' liability component in unemployment allowances

The Unemployment Insurance funds determines and collects the employers' liability component of unemployment allowances. It is collected to finance the unemployment benefit expenses of elderly long-term unemployed persons who have been granted additional days of the unemployment allowance and of persons who have become unemployed after reaching the age of 60. Provisions on the liability component and the collection procedure are laid down in chapter 8a of the Act on the Financing of the Unemployment Benefits (555/1998).

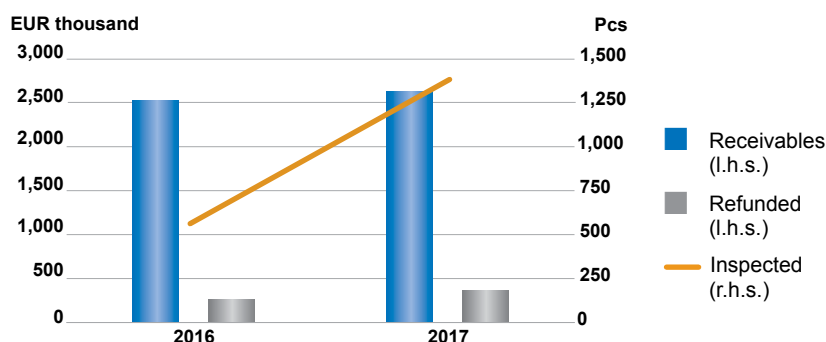
In 2017, the unemployment funds and Kela reported around 10,000



(13,000) new liability cases. The Fund imposed a liability component payment on the employer in around 3,100 (3,900) cases.

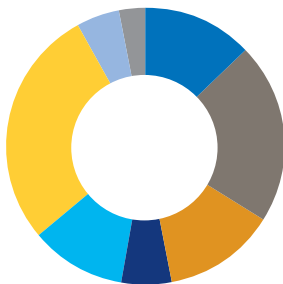
The average amount of liability component compensations was around EUR 16,000 (18,000). The average processing time in cases that led to a payment decision was 59 (68) days. In 2017, 3 (13) employers complained about the liability component payment decision.

### Unemployment insurance contribution surveillance



## Employers liability component

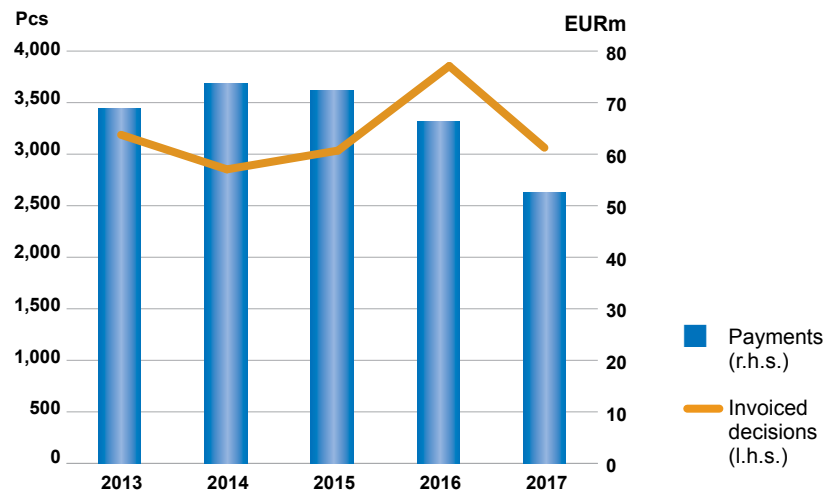
Payments by sector



%

13	Paper industry
21	Other industry
13	Information and communication
6	Gross & retail trade
11	Transportation
28	Other corporate
5	State
3	Municipality

## Liability component information: payments and decisions invoiced

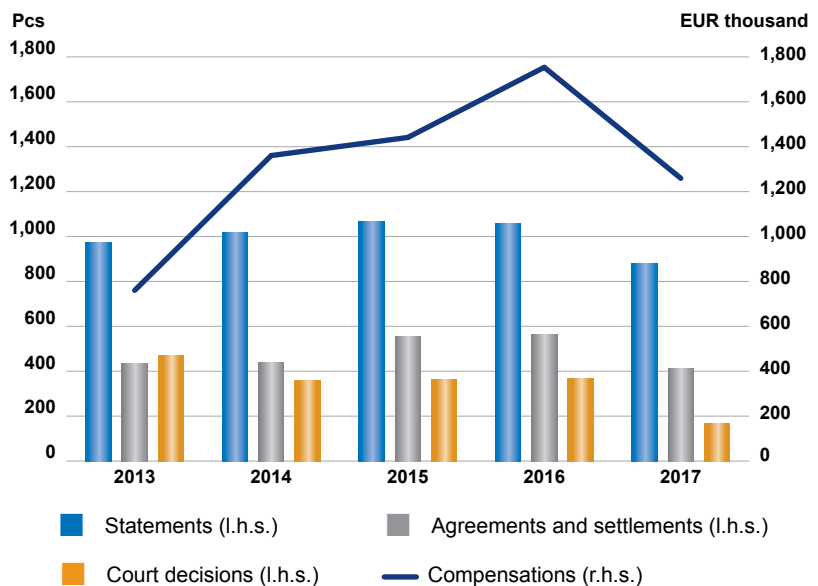


## Conduct according to Chapter 12, section 3 of the Employment Contracts Act

According to the Employment Contracts Act, the courts have to hear the Unemployment Insurance Fund in disputes that relate to the termination of employment and when the claimant has received earnings-related daily unemployment allowance after the termination of employment.

In 2017, the Unemployment Insurance Fund gave around 900 (1,100) statements.

## Statements, agreements, court decisions and coordination compensations pursuant to the Employment Contracts Act



# The Unemployment Insurance Fund's finances in 2017

## The Fund's net financial position and business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer generated from the difference between the Fund's income and expenditure, in order to safeguard the Fund's solvency

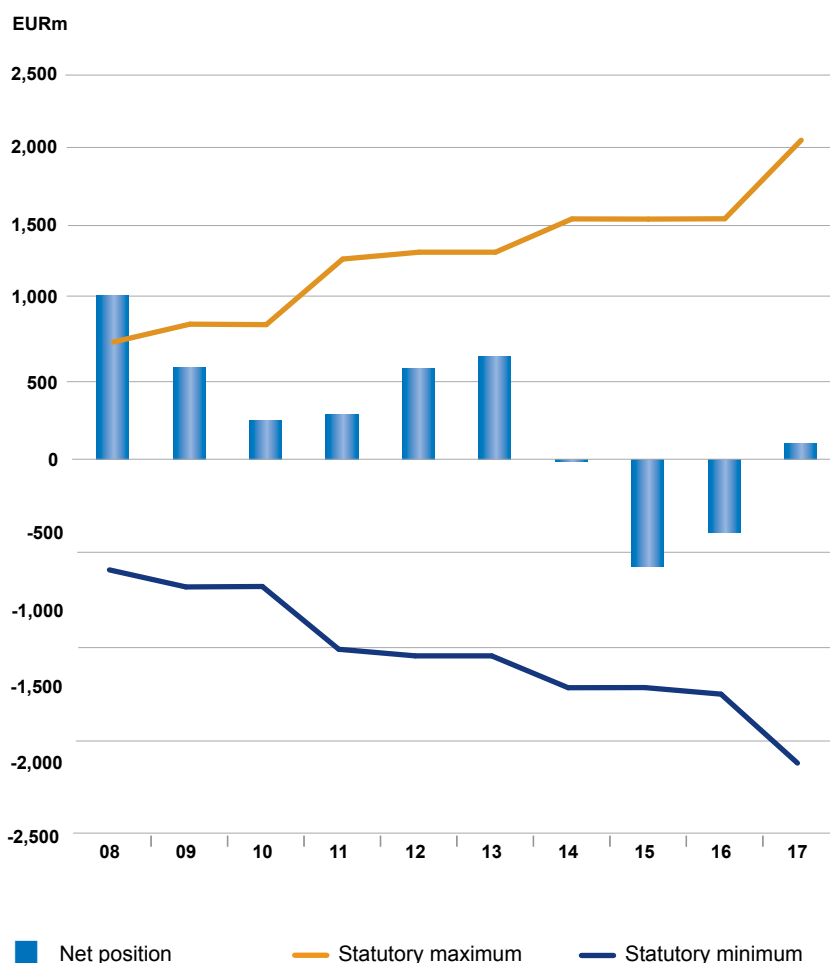
and even out changes in unemployment insurance contribution rates caused by predictable trend cycles in the national economy. The maximum size of this buffer is the amount of annual expenses corresponding to an unemployment rate of seven per cent. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate. The maximum size of the buffer is calculated by

dividing the annual expenditure that the Fund is liable for, EUR 2,489 million in 2017, by the year's average unemployment rate (8.6) and multiplying the result by 7. In 2017, the maximum size of the buffer, laid down in the Act, was EUR 2,026 million. The Unemployment Insurance Fund's net position was EUR 106 million at the end of 2017.

According to the investment principles accepted by the Supervisory Board, the Fund is required to have investments in liquid money market instruments with less than a year's maturity the amount that equals the Fund's one month's expenses. This amount is approximately EUR 300 million. This liquidity buffer required debt financing during 2017.

According to the 2018 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position would amount to EUR 349 million on 31 December 2018. In preparing the financial statements, it is estimated that the Fund's net position at the end of 2018 will be around EUR 600 million.

## Net position (business cycle buffer)



## Debt financing

The Unemployment Insurance Fund has issued two bonds totalling EUR 900 million. The bonds were issued in 2015 and they will mature in 2018 and 2019. The bonds are part of the European Central Bank's Public Sector Purchase Programme (PSPP).

The Unemployment Insurance Fund's credit rating, confirmed by Standard & Poor's (S&P), was AA+ with stable outlook. The Finnish government has also been granted the same credit rating.

The Fund continued to finance its liquidity in 2017 by issuing short-term commercial papers with maturities of less than a year. Towards the end of the year, cash flow remained good and the outstanding commercial papers were

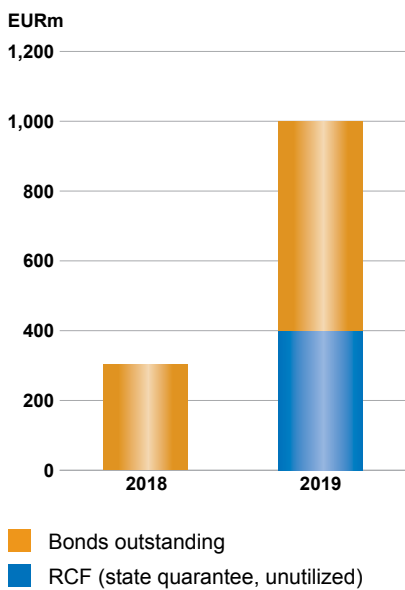


paid off. The amount of liquid assets remained on a good level throughout the year, on average equal to three months' expenses.

The revolving credit facility was renewed during the first half of 2017 and is now EUR 400 million. It is linked to a state guarantee of EUR 440 million by the Finnish government. The credit facility was not utilised during 2017.

The Board of Directors of the Unemployment Insurance Fund approved on 21 November 2017 the debt servicing plan for 2018.

## Debt maturity profile



# Investment activities

The Unemployment Insurance Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes. Since 2015, the Fund's investment portfolio has been mainly financed by debt financing. The Unemployment Insurance Fund's total investments and financial assets were EUR 1,125 (704) million at the end of 2017.

The financial markets saw positive performance in 2017. The stock market continued to rise, while commodity prices fell at the beginning of the year, picking up again during the second half. Euro strengthened against the US dollar and the rise in long-term interest rates continued, especially in the US. In the Euro-zone, interest rate fluctuations were less marked, although corporate loans continued to show high demand and falling margins.

The European Central Bank continued to support the markets with the Public Sector Purchase Programme (PSPP), the corporate sector purchase programme (CSPP) and negative policy interest rate. The US Federal Reserve continued to increase the policy interest rate and at the time of writing market expectations leaned toward rising interest rates.

The Fund's aim was to retain a reasonably low risk level of the investment portfolio. This emphasis on protection

## Investment returns

### Index return, asset classes

	2017	2016	2015	2014	2013
	%	%	%	%	%
Finnish equity	6.4	3.6	10.8	10.6	31.6
European equity	6.5	7.9	-0.7	6.0	16.4
Asian equity	25.3	8.3	-9.2	9.8	-3.7
Money market	-0.3	-0.1	0.1	0.3	0.3
Euro government bonds (1-3Y)	-0.9	0.3	0.3	0.6	-0.1
Euro government bonds (total)	0.1	3.1	1.6	13.2	2.1
<b>TVR investment return</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>0.6</b>	<b>0.2</b>

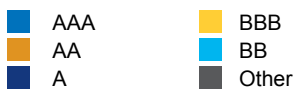
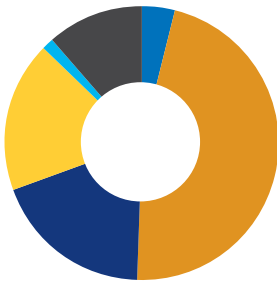
continued in the allocation of investments. According to plan, the investment portfolio's average risk level rating was at least BBB/S&P, having been BBB+ at the end of the previous year. The investment plan was revised several times during the year, and the Fund invested actively in money market instruments and bonds. At the end of the year, EUR 537 (262) million of the Fund's assets were invested in money market instruments, EUR 433 (359) million in bonds, EUR 0 (0) million in shares.

In 2017, the Fund achieved a return of 0.1 (0.3) per cent on invested capital. The return is considered reasonable, taking into account the strong credit rating

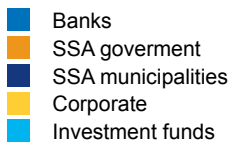
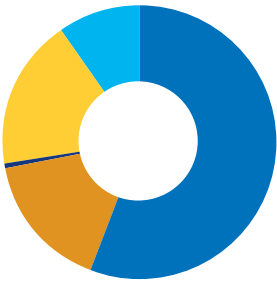
of the investment portfolio and the current negative interest rate environment, particularly in the operating environment of risk-averse investors such as the Fund. The return exceeded the benchmark return for investment activities.

The Unemployment Insurance Fund's asset management has been entirely carried out by the Fund's office from the beginning of 2016.

## Investments by rating



## Investments by sector



# Risk management

The purpose of risk management is to identify and manage risks that could endanger the solvency of the Unemployment Insurance Fund or the continuity of its operations, or that could have a negative adverse effect on the Fund's operational capabilities or the implementation of its strategy. Another objective of risk management is to support the achievement of strategic goals by monitoring the risks faced by the Fund, in order to ensure that they remain in proportion to the Fund's objectives and risk-bearing capacity.

The Fund seeks to identify key risks in the risk management plan and limit them to a level where their realization will not jeopardize the Fund's financial position, continuity of operations or trust in its operations.

Risk management is part of the Unemployment Insurance Fund's supervision system. The top management is responsible for organizing the Fund's risk management and the whole internal control, but implementation is part of every employee's responsibilities.

Risk management operations are driven and coordinated by the managing director with assistance from the internal control and risk management working group.

The Unemployment Insurance Fund is integrally linked to the Finnish national economy. For this reason, the unimpeded discharge of the Fund's key duties must be safeguarded in all circumstances. The Fund's finances are mainly managed by adjusting the unemployment insurance contribution amounts, determined on an annual basis. Maintaining unemployment insurance contributions at an appropriate, steady level is one of the Fund's core strategic goals.

The Fund employs a business cycle buffer to avoid fluctuations in unemployment insurance contribution amounts, and the size of this buffer has a material

impact on the Fund's risk-bearing capacity. The business cycle buffer turned negative during 2015. Debt finance continued to cover unemployment insurance expenses in 2016. The Fund's financial position improved significantly in 2017. The short-term marginal lending facility was used at times. The Unemployment Insurance Fund's net position at the end of 2017 was EUR 106 million.

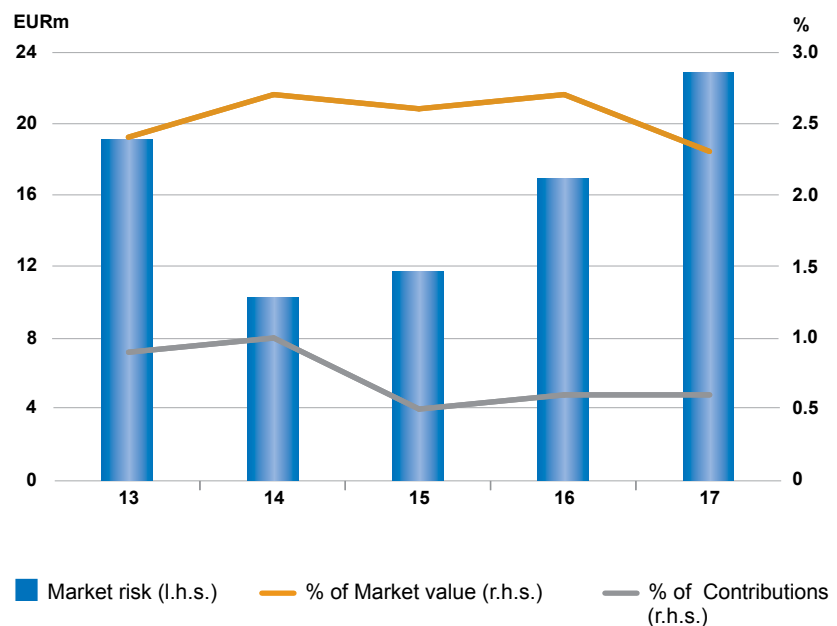
The Fund seeks to limit investment risks to a level where their realization will not result in such significant losses for the Fund, which would create pressure to increase the level of contributions or endanger the liquidity of the Fund. The investment and financing activities and risk limits of the Unemployment Insurance Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment

plan and the debt-management plan approved by the Board of Directors.

As a rule, the market risk of investments is measured by using the stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. In 2017, the risk indicator was 25% (25) for equity investments, 4% (4) for bond investments, and 1% (1) for financial-market investments.

Main risks faced by the Unemployment Insurance Fund relate to the sufficiency of the business cycle buffer and liquidity management, the ability to react to changes in the operating environment, functioning of information systems and the development of new systems, and the availability and retention of human capital.

## Investment risk





The Fund seeks to ensure the sufficiency of the business cycle buffer by setting unemployment insurance contribution rates at a level sufficient to provide security, using diverse forecasting methods. During periods of downturn, the buffer may become negative, in which case liquidity must be ensured, at least in part, by debt financing. The amount in the business cycle buffer is evaluated both in absolute figures and in relation to the Fund's expenses. The Fund's liquidity was ensured through bonds (EUR 898 million).

The risk related to liquidity is intended to be secured by profitable and pro-

ductive investment activities as well as by comprehensive debt financing. As a backup facility for funding and the commercial paper programme, the Fund has a revolving credit facility of EUR 400 million. The facility includes a state guarantee.

The Fund seeks to manage the risk related to readiness for change through competent anticipation of the known changes in the operating environment. This requires an active communication with all stakeholders and, in particular, decision-makers.

In recent years, the significance of information management and informa-

tion systems has increased considerably in the Fund's operations. Likewise, the availability of key talents and retention of key personnel and human capital are crucial to the Fund's operations. These risks are managed through consistency plans, readiness and deputy arrangements as well as improving the Fund's information systems' reliability and effectiveness.

# Governance in 2017

The Unemployment Insurance Fund issued two publicly quoted bonds on Nasdaq OMX Helsinki in 2015. Accordingly, the Fund's Board of Directors decided that the Fund would comply with the applicable requirements of the Finnish Corporate Governance Code issued by the Securities Market Association, amended on 1 October 2015 and entered into force on 1 January 2016. Acting in compliance with the recommendation of the Corporate Governance Code, the Fund has published a separate Corporate Governance Statement on its website in fulfilment of the requirement referred to in chapter 7, section 7 of the Finnish Securities Markets Act (746/2012). The Corporate Governance Code is publicly available on the Unemployment Insurance Fund's website.

## 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. When the Act on the Financing of Unemployment Benefits was amended, the provision regarding the Act's entry into force extended the Supervisory Board's term until the end of 2017. In 2017, the members of the Supervisory Board were

- Chairman Riku Aalto, Finnish Metalworkers' Union SAK
- Vice President Teija Asara-Laaksonen, the Trade Union for the Public and Welfare Sectors JHL SAK
- Vice Chairman of the Board of Directors George Berner, Berner Oy EK
- Deputy Mayor Jorma Haapanen, City of Kotka KT
- Chairman of the Board Kimmo Hovi MTA
- CEO Tauno Kekäle, VAMK EK
- CEO Lauri Kivekäs, Rudus Oy EK
- Director Salla Luomanmäki, Akava Special Branches Akava
- Chairman Jorma Malinen, Trade Union Pro STTK
- CEO Ilkka Mäkelä, Saarioinen Oy EK
- Senior Vice President Harri Ojanperä, SOK EK
- Chairman Ann Selin, Service Union United PAM SAK
- SVP, Human Resources Ari Svensk, Kesko Oyj EK
- Chief Justice of the Administrative Court Liisa Talvitie, Administrative Court of Vaasa KiT
- Chairman Rauno Vesivalo STTK
- Deputy Mayor Ritva Viljanen, City of Helsinki KT
- Head of Social and Health Services Jaana Ylä-Mononen, City of Virrat KT
- Chairman Antti Zitting, Sacotec Components EK

Rauno Vesivalo served as Chairman of the Supervisory Board with George Berner as Vice Chairman. The Supervisory Board convened three times in 2017.

## Board of Directors

On 30 August 2016, the Supervisory Board appointed the members of the Board for 2017, acting on a proposal of the labour market parties. At an e-mail meeting of 10 January 2017, the Supervisory Board granted the resignation request of Joonas Rahkola as from 1 January 2017, and appointed Pirjo Väänänen in his place as from 10 January 2017.

- President Sture Fjäder Akava
- Director Jyrki Hollmén EK
- Director Eeva-Liisa Inkeroinen EK
- Labour Market Director Markku Jalonen KT
- Chairman of the Board Antti Palola STTK
- Chief Negotiator Jorma Palola KT
- Labour Market Director Vuokko Piekkala KiT
- Economist Joonas Rahkola until 1 January 2017 SAK
- Head of Social Affairs Pirjo Väänänen as from 10 January 2017 SAK
- Senior Expert Vesa Rantahalvari EK
- President Veli-Matti Rekola MTA
- Director Saana Siekkinen SAK
- Chief Economist Penna Urrila EK

Vesa Rantahalvari was nominated as the Chairman of the Board of Directors with Saana Siekkinen as Vice Chairman. The Board of Directors convened 11 times in 2017.

The Board's self-assessment was carried out in December 2017.

## Auditors and the internal audit

Authorised Public Accountants PriceWaterhouseCoopers Oy served as the Fund's auditor. Authorised Public Accountant Juha Wahlroos was in charge of the audit.

The internal audit of the Fund was carried out by Authorised Public Accountants BDO, with Chartered Public Finance Auditor Helge Vuoti in charge of auditing.

# Board of Directors in 2018



**Saana Siekkinen**  
(Chairman)  
Master of Social Sciences

b. 1972

Head of Development Project of Unemployment Security, SAK 2018-



**Vesa Rantahalvari**  
(Vice-Chair)  
Master of Administrative Sciences

b. 1967

Senior Expert, EK 2001-



**Sture Fjäder**  
Master of Science (Economics and Business Administration)

b. 1958

President, Akava 2011-



**Riikka Heikinheimo**  
Doctor of Philosophy

b. 1963

Executive Director, EK 2015-



**Jyrki Hollmén**  
LLM, Master of Laws

b. 1974

Director, Chemical Industry 2016-



**Eeva-Liisa Inkeroinen**  
LLM, Master of Laws

b. 1963

Executive Vice President, Technology Industries of Finland 2016-



**Markku Jalonen**  
Licentiate of Social Sciences

b. 1960

Director General, KT Local Government Employers 2007-



**Ilkka Kaukoranta**  
Master of Political Science

b. 1986

Chief Economist, SAK 2017-



**Ida Mielityinen**  
Master of Political Science

b. 1973

Chief Policy Adviser, Akava 2018-



**Katariina Murto**  
LLM, Master of Laws, Master of Arts

b. 1971

Director, STTK 2015-



**Antti Palola**  
Sea captain

b. 1959

President, STTK 2013-



**Jorma Palola**  
Licentiate of Law

b. 1954

Chief Negotiator, KT Local Government Employers 2010-



**Penna Urrila**  
Master of Political Science

b. 1976

Chief Economic Policy Adviser, EK 2010-



**Pirjo Väänänen**  
Master of Social Services

b. 1971

Director, Employment, SAK 2012-

# Personnel



The Fund's Managing Director is Janne Metsämäki (LLM, Master of Laws). The number of personnel was 106 (98) at the end of 2017, which was 90.3 (88.8) persons in full-time equivalent. 36 (34) employees were men and 70 (64) were women. Personnel's average age was 41 (39) years and the average period of service was 4.8 (4.5) years.

The average number of training days per person was 4 (4) days.

The Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives.

Sick leaves were on average 10.3 (9.2) days per person year and 3.34% (2.92) calculated by EK's statistics.

## Office

The office of the Unemployment Insurance Fund is located at Kansakoulunkuja 1, Helsinki.

## Representations

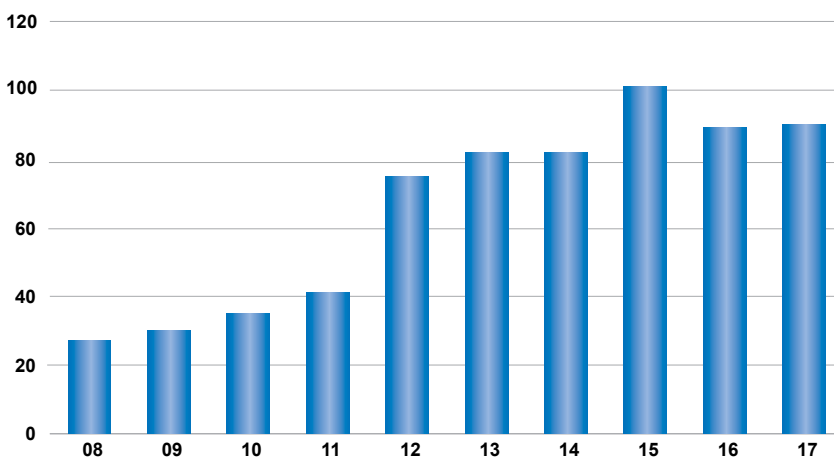
Janne Metsämäki was a member of Advisory Board for employment allowance issues of Social Insurance Institution of Finland and Tapio Oksanen a deputy member.

## Memberships

The Unemployment Insurance Fund is the member of International Common Organisation of Unemployment, International Social Security Association (ISSA), and corresponding organization of EU member states, European Social Insurance Platform (ESIP), and Nordic Nordiskt Socialförsäkringsmöte (NSF). The Fund is an observer member in the European Association of Social Protection Institutions managed by labour market confederations (AEIP).

## Personnel

Number of employees



Starting from 2016, person-years



## Management Group



**Janne Metsämäki**  
b. 1960  
LLM, Master of Laws  
Managing Director

At the Unemployment Insurance Fund since 2015

Managing Director of the Education Fund since 7 February 2018

Previously served in specialist and management roles since 1986. Previous employers include the Ministry of Social Affairs and Health, SAK and the Ministry of Economic Affairs and Employment.



**Tapio Oksanen**  
b. 1958  
Master of Science (Economics and Business Administration)  
Deputy Managing Director

At the Unemployment Insurance Fund since 2001

Previously served in specialist and management roles in the financial and investment sector from 1984. Previous employers include Stockmann, Eläke-Varma and SEB.



**Juho Oksanen**  
b. 1978  
Master of Science (Economics and Business Administration), Master of Social Sciences  
Insurance Director

At the Unemployment Insurance Fund since 2006

Previous employers include Statistics Finland.



**Heikki Ellonen**  
b. 1959  
Master of Science (Technology), Bachelor of Science (Economics and Business Administration)  
Chief Information Officer

At the Unemployment Insurance Fund since 2015

Previous employers include Nokia Oyj, Profium Oy, BEA systems Oy, SWI Tapiolaakso Oy.



**Virpi Halme**  
b. 1976  
Master of Laws  
Director, Administration and Legal Affairs

At the Unemployment Insurance Fund since 2005

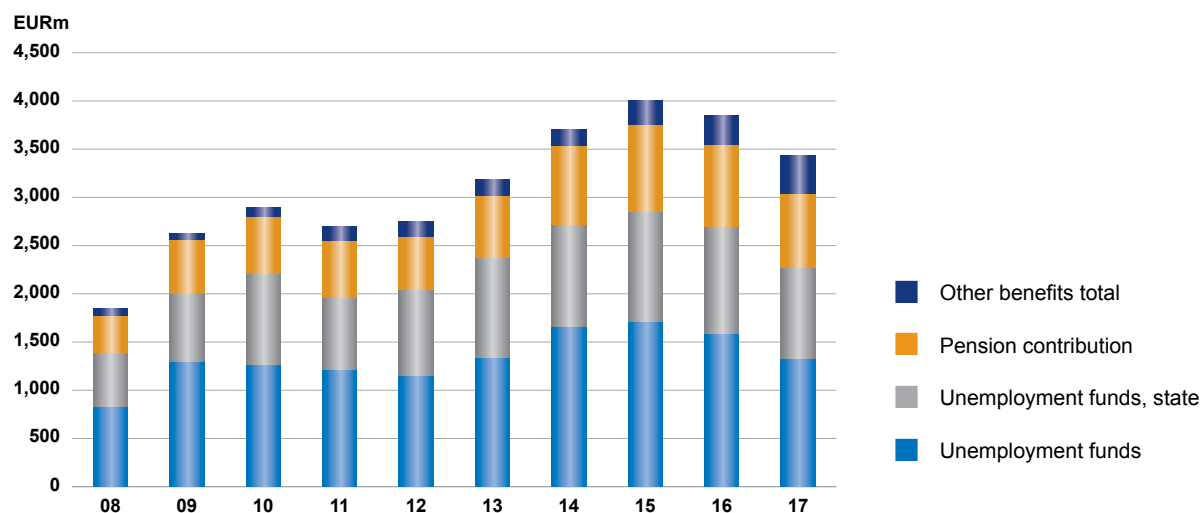
Previously worked as the Unemployment Insurance Fund's lawyer from 2005.

# Events after the reporting date

The positive economic development has been sustained in the first quarter of 2018. The economy has been growing faster than in years, and the decrease in the number of unemployed jobseekers is expected to continue from 2017. The Fund's net position turned positive at the end of 2017 and, according to its budget, the change in net position for 2018 should be a positive EUR 400 million. However, at the time of preparing the financial statements, it is estimated that the change in the Fund's net position will be around EUR 550 million in 2018.

The Unemployment Insurance Fund has carried on with the preparations for the new Incomes Register, to be launched at the beginning of 2019. Preparations for the merger of the Unemployment Insurance Fund and the Education Fund, planned to take place at the beginning of 2019, have also continued. Determination and collection of unemployment insurance contributions have been carried out as planned, and the level of service has been good despite the peak season at the end of the year.

## Unemployment benefits paid





## Financial Statements (IFRS) 2017

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## 2. Financial Statements (IFRS)

### 2.1 Statement of changes in net position

EUR	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Contributions collected</b>			
Unemployment insurance contributions	5	4,010,991,493	4,082,594,943
<b>Total contributions collected</b>		<b>4,010,991,493</b>	<b>4,082,594,943</b>
<b>Benefits paid</b>			
Benefit payments	6	-3,423,146,630	-3,846,980,405
Administrative expenses	7	-10,752,069	-11,653,795
<b>Total benefits paid</b>		<b>-3,433,898,699</b>	<b>-3,858,634,200</b>
Net fair value gains on investments	13	550,426	1,574,137
Finance costs	8	-5,524,656	-5,434,649
<b>TOTAL CHANGES IN NET POSITION</b>		<b>572,118,564</b>	<b>220,100,231</b>

## 2.2 Statement of net position

EUR	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	312,231	477,617
Intangible assets	10	3,145,997	1,754,445
Other receivables	12	328,038	328,038
<b>Total non-current assets</b>		<b>3,786,266</b>	<b>2,560,100</b>
<b>Current assets</b>			
Unemployment insurance contribution receivables	11	11,711,483	5,425,437
Other receivables	12	139,553,775	73,520,421
Investments	14	737,643,948	570,515,073
Cash and cash equivalents	15	232,007,361	52,135,615
<b>Total current assets</b>		<b>1,120,916,566</b>	<b>701,596,546</b>
<b>Total assets</b>		<b>1,124,702,832</b>	<b>704,156,646</b>
For previous periods		-465,757,025	-685,857,257
For the period		572,118,564	220,100,231
<b>NET POSITION</b>		<b>106,361,539</b>	<b>-465,757,025</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	598,414,440	897,041,820
<b>Total non-current liabilities</b>		<b>598,414,440</b>	<b>897,041,820</b>
<b>Current liabilities</b>			
Borrowings	16	299,795,460	125,969,173
Unemployment insurance contribution payables	11	23,859,168	29,951,014
Other liabilities	17	96,272,225	116,951,664
<b>Total current liabilities</b>		<b>419,926,854</b>	<b>272,871,851</b>
<b>Total liabilities</b>		<b>1,018,341,294</b>	<b>1,169,913,671</b>
<b>Total net position and liabilities</b>		<b>1,124,702,832</b>	<b>704,156,646</b>

## 2.3 Statement of cash flows

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Unemployment insurance contributions collected</b>	<b>3,958,182,518</b>	<b>4,084,168,784</b>
<b>Benefits paid</b>	<b>-3,469,492,105</b>	<b>-3,821,610,706</b>
<b>Interest paid</b>	<b>-10,033,543</b>	<b>-11,226,597</b>
<b>Net cash used in ordinary activities</b>	<b>478,656,870</b>	<b>251,331,481</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-160,716	-330,169
Proceeds from sale of property, plant and equipment	505	0
Purchases of intangible assets	-1,576,801	-1,668,446
Investments in financial assets	-2,199,341,984	-2,838,130,532
Proceeds from sale of financial assets	2,029,433,053	2,641,577,428
Other non-current receivables	328,038	328,038
<b>Net cash generated from investing activities</b>	<b>-171,317,905</b>	<b>-198,223,681</b>
Proceeds from borrowings and repayments	-127,467,218	-87,362,748
<b>Net cash generated from financing activities</b>	<b>-127,467,218</b>	<b>-87,362,748</b>
Net increase(+)/decrease(-) in cash and cash equivalents	179,871,747	-34,254,948
Cash and cash equivalents at beginning of year	52,135,615	86,390,563
<b>Cash and cash equivalents at end of year</b>	<b>232,007,361</b>	<b>52,135,615</b>

## 2.4 Notes to the financial statements

### Accounting policies of the financial statements

#### 1. General information

The Unemployment Insurance Fund (“TVR”, “the Fund”) (business ID 1098099-7), established in 1999, is an independent institution managed by labour market parties and supervised by the Ministry of Social Affairs and Health and the Finnish Financial Supervisory Authority, whose main objective is to finance unemployment benefits. The Fund also directs, develops and supervises the implementation of the collection procedure of unemployment insurance contributions and determines and collects the employer’s liability component of unemployment allowances. In addition, the Fund manages employer’s training compensations. The training compensation is based on the Act on Training Compensation (1140/2013). The Unemployment Insurance Fund is domiciled in Helsinki, and its address is Kansakoulukuja 1, 00100 Helsinki.

The Fund’s operations are financed with the unemployment insurance contributions collected from employers and employees, and investment income. Until the end of 2012, accident insurance institutions were tasked with the collection of unemployment insurance contributions. The Unemployment Insurance Fund took over this collection from unemployment insurance contributions from the beginning of 2013.

The Unemployment Insurance Fund carries out the prepayment of financing contributions to the single unemployment funds in monthly intervals on the basis of the applications submitted to the Fund. In addition, the Unemployment Insurance Fund processes and carries out the prepayment of government contributions on behalf of the single unemployment funds. The Fund’s operations are based on the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing of Unemployment Benefits (1176/1998) and on the Decree on Rules of Procedure of the Unemployment Insurance Fund (862/1998) with amendments.

The principal accounting policies applied in the financial statements of the Fund are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2. Summary of significant accounting policies

##### 2.1 Basis of accounting policies

The financial statements of the Unemployment Insurance Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS standards and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2017. IFRS refer to the standards and interpre-

tations applicable by corporations and set out in the Finnish Accounting Act and other provisions issued under it in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

The Unemployment Insurance Fund is a non-profit, government-affiliated fund whose operations are based on the Act on Financing of the Unemployment Benefits, the Decree of the Financing of the Unemployment Benefits and on the Decree on Rules of Procedure of the Unemployment Insurance Fund with amendments, as stated in section 1.

TVR collects and pays unemployment insurance contributions. TVR does not carry out such business activities where it would generate revenues arising from the sale of goods or rendering of services. Due to the nature of TVR’s operations, the Fund does not generate revenues and common revenue recognition principles do not apply. IFRS standards do not directly regulate the structure of the IFRS financial statements of a fund like TVR, or the basis for recognition and measurement of transactions. In preparation of TVR’s IFRS financial statements, the framework of IFRS standards and general principles for recognition and measurement have been applied. Due to these factors, the primary statements of TVR’s IFRS financial statements are the statement of changes in net position, the statement of net position and the statement of cash flows.

The changes in net position for the financial period consist of the sum of unemployment insurance contributions collected and paid, gains on investments and financial items. The difference between the assets and the liabilities of the Fund reflects the accumulated net position, which is also referred to as business cycle buffer. A more detailed description of the business cycle buffer is provided in note 4.2. TVR has no shares or equity. Therefore, these IFRS financial statements do not include the statement of changes in equity, however the statement of changes in net position is presented as a separate primary statement.

During the financial periods presented the Fund has not had any such transactions that should have been recognised in other comprehensive income. Therefore, these IFRS financial statements do not include the statement of other comprehensive income.

TVR does not operate as an insurer as it does not issue or hold insurance or reinsurance contracts. Therefore, the Fund’s operations are not in the scope of IFRS 4 *Insurance Contracts*.

The financial statements have been prepared primarily under the historical cost convention as modified by fair valuation of financial assets classified at fair value through profit or loss. The financial statements are presented in euros unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the financial statements. Significant accounting estimates and judgements have been described in note 3.

### 2.1.1 New standards and interpretations not yet adopted

The International Accounting Standards Board has published two new standards that will concern the Unemployment Insurance Fund: IFRS 9 Financial Instruments and IFRS 16 Leases. IFRS 9 will apply as from 1 January 2018 and IFRS 16 as from 1 January 2019.

*IFRS 9* will replace IAS 39 in full. Parts of the IAS 39 standard are transferred unchanged to the new standard. Primary changes are as follows: IFRS 9 requires financial assets to be classified into three measurement categories: those measured as amortized cost, those measured as at fair value through other comprehensive income and those measured as at fair value through profit and loss. The category is determined at initial recognition and it depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. For impairment charges, a new model based on expected losses has been introduced which replaces the model of IAS 39 based on incurred losses. Hedge accounting has been changed so that it will better reflect risk management strategies and objectives.

The Unemployment Insurance Fund has assessed the impact of the new standard on its financial statements and is planning to adopt it on the mandatory date. For the report on the IFRS 9 standard, the Fund has analysed the business model applied to financial asset management and the cash flows from asset agreements. The Fund believes that the new standard is unlikely to have a significant impact on the designation and measurement of financial assets. The Fund's all investments will be recognised at fair value in profit or loss according to the IFRS 9 business model test because investment assets are managed to realise these fair values. The Fund must only have liquid investment assets.

With regard to financial liabilities, the recognition principles will largely remain unchanged in the new standard and the Fund considers the new standard not to have an impact on the designation and measurement of financial liabilities.

The Fund considers the expected credit loss model not to have a significant impact on the measurement of the impairment of bad debts.

According to *IFRS 16*, all leases will be presented in the lessee's balance sheet in which the lessee recognises right-of-use assets based on the right to use them and lease liabilities based on the obligation to pay the leases. The standard includes voluntary exemptions concerning short-term leases and underlying assets of low value.

The Unemployment Insurance Fund has launched a review of IFRS 16's expected impact on its financial statements. For the report on IFRS 16 Leases, the Fund will review and analyse its lease agreements, the number of which is small. The report on the extent of the impact asset recognition under the new standard and the

debt related to contributions will have on the changes of the Fund's net position and designation of cash flows is not yet completed, and the Fund will carry out a more detailed assessment of the standard's impact within the next twelve months.

There are no other IFRS standards or IFRIC interpretations that are not yet effective and that would be expected to have material impact on the Unemployment Insurance Fund.

## 2.2 Foreign currency translation

The financial statements are prepared in euros which is TVR's functional and presentation currency. The Fund's foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Deposits denominated in foreign currencies are measured at fair value through profit and loss, and the effects of changes in exchange rates have been presented as part of the total fair value change.

## 2.3 Unemployment insurance contributions

The Unemployment Insurance Fund determines and collects the unemployment insurance contributions based on chapter 7 of the Act on the Financing of Unemployment Benefits. The determination and collection of unemployment insurance contributions were transferred from accident insurance institutions to the Unemployment Insurance Fund at the beginning of 2013. Accident insurance institutions are responsible for the determination and collection of insurance contributions for 2012 and earlier. Accident insurance institutions pay unemployment insurance contributions to the Fund at fixed dates.

Unemployment insurance contribution prepayments are determined in the year preceding the insurance year, and recognised as income in the insurance year. Payments determined during the insurance year, such as contributions from new employers liable for payment, are recognised directly as income when determining the unemployment insurance contribution. Unemployment insurance prepayments concerning the year following the insurance year paid by employers are recognised as prepayments and accrued income and accruals and deferred income. Insofar as fees have not been paid in advance unemployment insurance advances are offset.

Unemployment insurance contribution income relating to 2012 and before, collected by accident insurance institutions and paid to the Unemployment Insurance Fund, is recognised as income for the current financial period on the basis of the insurance companies' reports.

### 2.3.1 Liability component compensations of employer's unemployment allowances

The Unemployment Insurance Fund determines and collects liability component compensations of unemployment allowances from employers. The liability component of unemployment



insurance contribution applies to the employers whose payroll amount, serving as the basis for the calculation of the unemployment insurance contribution, exceeds the minimum level of EUR 2,059,500 (in 2017). An employer may be obligated to pay the employer's liability component, if he has dismissed or laid off an elderly employee, or employee who has been on permanent full-time contract and the employment relationship has lasted at least three years and the employee has been unemployed or laid off for a long time. Unemployment benefit expenses are financed by the liability component compensations.

Collected liability component contributions that cover the cost of daily unemployment allowances are recognised as income for the period when the income amount can be reliably measured. In order to cover the cost of additional daily allowances, the collected liability component compensations are recognised as income within several financial periods based on the estimate of the realisation of corresponding expenses.

### **2.3.2 Compensations under the Employment Contracts Act chapter 12, section 3**

According to the Employment Contracts Act, the courts have to hear the Unemployment Insurance Fund in disputes that relate to the termination of employment and when the claimant has received earnings-related daily unemployment allowance after the termination of employment. As a rule, 75% of the earnings-related daily unemployment allowance received by the employee during the indemnity period is deducted from the indemnity imposed to the employer for an unfounded termination of employment. The court shall assign the employer to make the deduction payment to the Fund. If the employer and the employee agree on the indemnity, this agreement should take into account the share received by the Fund.

### **2.3.3 Receivables subject to debt-collection**

The Fund collects and enforces neglected unemployment insurance contributions, those subject to enforcement, and contributions due by companies in bankruptcy or debt re-structuring proceedings. The collection and enforcement of contributions due in 2012 and before is managed by the insurance companies as authorised by the agreement between the Fund and the Federation of Accident Insurance Institutions. The insurance companies settle the accumulated insurance contributions in their quarterly reports.

## **2.4 Benefits paid**

### **2.4.1 Subsidies to unemployment funds**

Under the Act on the Financing of Unemployment Benefits (555/1998), with regard to the financing of earnings-related unemployment allowances, the Unemployment Insurance Fund is liable for the costs incurred from unemployment allowances, employment promotion measures and from job alternation compensations, insofar as the state or individual unemployment funds are not liable for these. The above-mentioned ben-

efits are paid from the unemployment funds. Adult education allowance is paid from the Education Fund. In addition, the Unemployment Insurance Fund is responsible for the unemployment insurance contributions for unemployed persons and recipients of the adult education allowance that are paid through the Finnish Centre for Pensions to the employment pension institutions.

According to the Decree on the Implementation of the Act on Unemployment Funds (272/2001), the processing of prepayment applications and payment decisions, together with monitoring the sufficiency of prepayments fall within the duties of the Unemployment Insurance Fund. The Fund makes prepayments to the unemployment funds twice a month in accordance with the budget approved at the end of the previous financial period. The Fund receives monthly statistics from the Financial Supervisory Authority on the accumulated allowances paid by the funds to their customers, and based on that the Fund has accrued the prepayments and actual payments to each fund either as receivable or liability in its accounts. This accrual is recognised by benefit type.

The funds for the government contribution paid to unemployment funds are received from the Ministry of Social Affairs and Health. The Fund transfers the prepayments of government contributions to the unemployment funds on the first banking day of each month. In 2017, the Ministry of Social Affairs and Health paid the government contributions to the Fund as fixed monthly prepayments, unless otherwise proposed by the Unemployment Insurance Fund.

The income received from the ministries and the expenditures paid to the unemployment funds have been recognised in amounts corresponding to the benefit payments made by the funds to their customers. The Ministry of Social Affairs and Health will confirm the financial statements of the unemployment funds on the basis of final information in summer 2018 when the Fund will make the equalizations in account balances between the unemployment funds and the state.

Under section 4 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund has sole responsibility for funding the increased earnings-related component laid down in section 6 of the Act on Unemployment Security. From the beginning of 2015, the calculation rules for higher earnings-related daily unemployment allowances was changed so as to slightly decrease the level of allowances. The same change was carried out regarding the supplementary earnings-related allowances. These changes implement the reduction of unemployment allowances as specified in the government framework decision. The change decreases expenditure related to earnings-related daily unemployment allowances. To implement government savings, the Fund pays the amount of savings (approximately EUR 50 million) yearly to Kela to finance basic social security under section 23 of the Act on the Financing of Unemployment Benefits (555/1998).

Under section 19a of the Act on Unemployment Funds (556/1998), the Fund pays a membership fee equalisation pay-

ment to those employee funds that have paid significantly more unemployment benefit days in the previous year than the average per member for all unemployment funds, in order to even out the unemployment burden prevailing in different industries, within the limits of an appropriation decided by the Supervisory Board each year. The balance of the unemployment fund's equalisation fund may also be taken into account in determining the membership fee equalisation payment. The Board of Directors of the Fund has also paid attention to the level of membership fees in relation to other unemployment funds and to changes in membership fees in the two preceding years.

#### **2.4.2 Payments to the Finnish Centre for Pensions and State Pension Fund and their interest rates**

The Unemployment Insurance Fund's second largest expense has been the contribution paid to the Finnish Centre for Pensions to cover the liabilities and expenses arising from taking into account the time of unemployment, education and job alternation leave (Employees' Pension Act (395/2006), sections 74 and 182). The amount of this contribution is determined by estimating the average amount of pension contributions that would be paid for the unpaid periods that constitute the basis of the accrued pension security.

As stated above, the Unemployment Insurance Fund is liable to pay the contribution laid down in sections 62 and 133 of the State Employees' Pensions Act (1295/2006) to the State Pension Fund.

Payments made to the Finnish Centre for Pensions for the financial year in accordance with section 12c of the Employees Pensions Act (561/1998) are based on an estimate provided by the Finnish Centre for Pensions and adjusted in the financial statements. The difference between the payments made and the adjusted estimate is recognised as prepayments and accrued income or accruals and deferred income. The final payment amount is received from the Finnish Centre for Pensions in the spring of the year following the financial year, and the difference between the final payment and payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, on the following year's financial statements. The revised payment for the year and the equalisation payment for the previous year have been specified in the notes to the financial statements.

The Finnish Centre for Pensions assigns interest on the charges imposed on the Unemployment Insurance Fund according to the TyEL premium insurance interest rate. The revised payment included in the financial statements accrues interest until the end of the financial year (debiting interest). The Finnish Centre for Pensions refunds the interest to the Unemployment Insurance Fund according to the actual payments and payment dates (compensatory interest). The final payment amount determined in the following year accrues interest until the clearance date agreed between the Finnish Centre for Pensions and the Fund (previous year's debiting interest). Compensatory interest is correspondingly calculated for all payments made by the

Fund in the previous year (compensatory interest for the previous year's payments). The debiting and compensatory interests for payments to the State Pension Fund are calculated in a manner identical to the above.

#### **2.4.3 Settlement to Kela of income from the unemployment insurance contributions of employees who are not members of an unemployment fund**

Under sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund pays to Kela an annual amount from employees' unemployment insurance contribution income, corresponding to the percentage of employees who are not members of an unemployment fund. The amount of the settlement is estimated from data collected by Statistic Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health.

#### **2.4.4 Financing of the Education Fund's benefits and operations**

In accordance with section 13 of the Act on the Education Fund (1306/2002) and section 30 of the Act on Adult Education Support (1276/2000), the Unemployment Insurance Fund is responsible for the financing of the earnings-related component of adult education allowances, the scholarships paid for qualified employees, together with the related administrative expenses. The Unemployment Insurance Fund makes monthly payments to the Education Fund according to the preliminary calculation prepared by the Education Fund. The benefits are paid from the Education Fund. The funds have separate administrations and the ordinary activities of the Education Fund are defined by legislation.

#### **2.4.5 Financing of pay security**

Under section 31 of the Pay Security Act (866/1998), the Unemployment Insurance Fund is responsible for the state's pay security expenses. Pay security expenses are paid once per year, normally in the spring of the following year, to the Ministry of Economic Affairs and Employment, based on an invoice sent by the Ministry.

#### **2.4.6 Member State invoicing for unemployment allowances**

Article 65 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (basic regulation) provides for situations in which a person becomes unemployed after working in a Member State other than his or her country of residence. In Finland the Unemployment Insurance Fund has been designated as the competent body when implementing this basic regulation with regard to earnings-related unemployment insurance. The Fund's responsibilities include the payment and collection of the compensations laid down in paragraphs 6 and 7 of Article 65, incurred from unemployment allowance paid to the members of unemployment funds.

The Unemployment Insurance Fund applies for compensations from Member States depending on how unemployment funds have paid unemployment compensations to those who have been working in other Member State. In turn, Member States apply for compensation from the Unemployment Insurance Fund. The benefits will be fully repaid, but not more than the amount that would have been paid in the country of employment. Income and expenses are recognised on a cash basis.

#### 2.4.7 Training compensation

TVR handles the employer training compensations. The training compensation is based on the Act on Training Compensation (1140/2013). The training compensation is a monetary support to develop competence for those employers who are not eligible for a training deduction granted by the Business Income Tax Act or Agricultural Income Tax Act. Such employers include municipalities, churches and non-profit organisations. The purpose of training compensation is to improve the employer's opportunities to organize training for its employees, to develop their vocational competence. Training compensations can be received in maximum of three training days per employee annually.

Entitlement to receive such compensation started from the beginning of 2014 and the first deduction, based on the employer's application, was issued in 2015, after the Unemployment Insurance Fund approved the final total amount of unemployment insurance contributions paid in 2014.

The financing of training compensation has been designated, so that the Ministry of Finance pays based on application from Unemployment Insurance Fund each calendar year the amount, which the Fund has refunded to the employers for the training compensation.

#### 2.4.8 Pensions and employee benefits

The Unemployment Insurance Fund only has defined contribution pension schemes. Statutory pensions are managed by a third-party pension insurance provider. Pension contributions are recognised as expenses for the financial period in which the payments are incurred. The Fund has a bonus system for the employees. The Board of Directors decides on the payment of any bonuses on the Managing Director's proposal and in compliance with the bonus criteria. Realised bonuses are recognised as expenses for the financial period relevant to the bonus system.

### 2.5 Property, plant and equipment

Property, plant and equipment include the Fund's machinery and equipment and the leasehold improvements. Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment charges in the statement of net position. Leasehold improvements are added to the premises improvement's carrying amount when it is probable that future

economic benefits associated with the item will flow to the Fund. Ordinary repair and maintenance costs are expensed in the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives. As a rule, the residual value is estimated to be zero. Assets' residual values and useful lives are reviewed when financial statements are prepared. Depreciation periods are adjusted if the estimate changes significantly. Estimated useful lives by asset class are as follows:

- Leasehold improvements 5 years
- Machinery and equipment 3 years

Gains and losses on disposal and decommissioning of property, plant and equipment are calculated as the difference between net proceeds and the carrying amount. Gains and losses on disposals are included in the administrative expenses in the statement of changes in net position.

### 2.6 Intangible assets

Intangible assets with finite useful life include acquired or internally generated computer software, and other intangible assets when it is probable that future economic benefits associated with the asset will flow to the Fund and the cost can be measured reliably. The cost of an internally generated intangible asset is defined as the sum of directly attributable production costs allocated to the asset.

Costs associated with maintaining computer software are expensed as incurred. Research costs are recognized as an expense in the financial period in which they are incurred. Development costs that are attributable to the design and testing of computer software, or to significant changes to existing software, are capitalised only when they meet the above-mentioned criteria of recognition to the statement of net position.

Intangible assets with finite useful life are measured at historical cost less amortisation and impairment charges. Amortisation of intangible assets is calculated using the straight-line method over their useful lives. Estimated useful lives by asset class are as follows:

- Computer software 3 years
- Software development costs 3 years

### 2.7 Impairment of non-financial assets

At the end of each financial period it is assessed whether there have been any events or changes in circumstances that indicate that the value of an intangible asset or an item of property, plant and equipment subject to amortisation or depreciation may have been changed. If there are any indicators of impairment, the recoverable amount is determined.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use refers to the asset's expected future net cash flows that have been discount-

ed to net present value by using the determined discount rate. An impairment loss is recognised in the statement of changes in net position for the amount by which the asset's carrying amount exceeds its recoverable amount. The useful life of a depreciated asset is reviewed in connection with recognition of impairment losses.

Impairments are reversed if circumstances have been changed and asset's recoverable amount has been changed after the recognition of the impairment, however, not more than the carrying amount would be without recognising the impairment charge.

## 2.8 Financial assets and liabilities

### Financial assets

The Unemployment Insurance Fund's financial assets consist of investments and cash and cash equivalents.

At the date of acquisition, the management of the Unemployment Insurance Fund classifies the financial assets into classes that determine the basis of valuation. All financial assets are recognised at trade date that is the day when the Fund commits to buy or sell the asset.

Investments are financial assets designated as financial assets at fair value through profit and loss at inception because the Fund manages the assets and the performance is evaluated based on fair value (application of "the fair value option"). Investments are presented in the statement of net position as current assets unless the investment matures and management intends to dispose it after 12 months from the reporting date.

Investments are initially recognised at fair value. Transaction costs are recognised directly as expenses. After initial recognition the investments are measured at fair value at each reporting day, and realized and unrealized changes in fair value are recognised in the statement of changes in net position in the period in which they arise. Net changes in fair value are presented in the statement of changes in net position on the line "Net fair value gains on investments". All interest and dividend income is included in the net fair value change. The valuation techniques used in determining fair values is presented in note 13.

Financial assets are derecognised when the rights to receive cash flows have been expired or have been transferred to other party so that all the risks and rewards have been transferred.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with bank.

### Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of changes in net position over the period of the loan using the effective interest method.

Fees paid on the loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all facility will be drawn down. In this case, the fee is deferred and recognised in the statement of net position until the loan is drawn down. To the extent there is no evidence that it is probable that some or all of loans of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility.

## 2.9 Leases

### The Fund as lessee

#### Finance leases

Leases in which the significant portion of the risks and rewards of ownership are transferred to the Fund are classified as finance leases. The Unemployment Insurance Fund does not have any finance leases.

#### Operating leases

Leases in which the significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and included in the balance sheet of the lessor. Payments made under operating leases are charged to the statement of changes in net position on a straight-line basis over the lease term.

### The Fund as lessor

#### Operating leases

The Fund has subleased part of its leased premises. The sublease agreement is classified as an operating lease. Rental income from operating leases is recognised in the statement of changes in net position on a straight-line basis over the lease term.

## 3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that have affected the income, expenses, assets and liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates are based on the best information available at the reporting date. The evaluation is based on both earlier experience and assumptions for future that are most probable at the reporting date. Actual results can differ from these decisions made based on these estimates and assumptions. Possible changes in estimates are recognised in the period in which the estimate is adjusted and all subsequent periods.

The planning and management of the Unemployment Insurance Fund's finances are largely based on forecasts of the development of the unemployment rate, unemployment expenses, the employment rate and wages. Under normal conditions, the Fund must set the insurance contributions at the sufficient level where all projected expenses could be covered with the insurance contributions. The unemployment insurance contributions are set for one year at a time. When the contributions are changed, the employers' and employees' contributions are changed by the same percentage. The forecast deviation in the change in net position between the budget prepared in August in the preceding year and the financial statements that are prepared more than a year later, has been per year on average 5% of expenses over the last five years. In 2017, the forecast deviation was larger than on average.

The Fund uses judgement in applying the valuation methods used in the measurement of fair value insofar as the fair values are not received as direct prices from active markets. Fair value determination of current money market investments is based on the discounted cash flows, and management has used judgement when it has concluded that the change of credit risk does not have material impact on the change of fair values of investments due to their short duration and high credit rating.

The Fund's critical assumptions concerning the future and key uncertainties in the reporting date are related to above mentioned factors.

### Segment reporting

*IFRS 8 Operating Segments* standard requires that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. As defined in the standard an operating segment is a component of an entity:

- a. that engages activities from which it may earn revenues and incur expenses
- b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- c. for which discrete financial information is available.

Further, according to the definition of the standard, the function of chief operating decision maker is to allocate resources to and assess the performance of the operating segments of an entity.

The objective of TVR is to collect unemployment insurance contributions, the level of which has been determined by public authorities. TVR pays collected contributions onwards, mainly to unemployment funds. With the collected contributions TVR engages in conservative investment activities in order to cover the benefit payments. TVR covers possible deficit also with loan financing.

The Unemployment Insurance Fund is a non-profit, government-affiliated fund. Management of TVR monitors the Fund's activities as a single entity which consists of the contributions collected and benefits paid resulting in a change in net position. In the end, the management of TVR does not actually allocate resources to the entity's activities or review the effectiveness of operations.

For these reasons, TVR's management assesses that the presentation of segment information is not appropriate. Presenting segment information would not improve the ability of a reader of the financial statements to assess TVR's operations, nature of the operating environment and financial effects. According to TVR's management, TVR's nature of operations and operating environment as well as financial effects are fairly presented in the IFRS financial statements..

## 4. Financial risk management

The Fund seeks to limit financial and investment risks to a level where their realisation will not result in significant losses for the Fund to the extent of creating pressure to increase contributions or endanger the liquidity of the Fund. The investment and financing activities and risk limits of the Unemployment Insurance Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan and the debt-management plan approved by the Board of Directors.

As a rule, the market risk of investments is measured by using the stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. In 2017, the risk indicator was 25% (25) for equity investments, 4% (4) for bond investments, and 1% (1) for financial-market investments.

The financial risks of the Unemployment Insurance Fund relate mainly to the investments and they comprise market risk, credit and counterparty risk and liquidity risk.

To minimise the financial risks, investments are highly diversified and made to different types of financial assets in accordance with the investment principles confirmed by the Supervisory Board. Risk limits are set to such a level that their realisation would not result in significant losses for the Fund to the extent of creating pressure to increase the level of contributions or endanger the liquidity of the Fund. The Fund may enter into derivative contracts for hedging purposes; however, derivatives were not used during the periods presented.

The Fund measures all its investments at fair value because they have been designated as financial assets at fair value through profit and loss. Specification of the investments and their fair values by class of investment are presented in note 13.

## 4.1 Financial risk factors

### 4.1.1 Market risk

The Board of Directors monitors the market risk of the investment portfolio of the Unemployment Insurance Fund on a monthly basis, and it is managed in accordance with the investment principles and investment plan through allocation decisions. When making the allocation decisions, the current market situation and outlook are taken into account. Furthermore, the investment decisions consider the size of the Fund's net position and the minimum limit for the amount of investments with less than 12 months maturity.

The investment plan contains target allocations for different types of investments and risk limits for different counterparties.

Market risk is measured by using stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. Market risk on 31 December 2017 and 31 December 2016 was as follows:

31 Dec 2017			
	Risk %	Capital, in EUR	Risk, in EUR
Money market	1.0	536,517,540	5,365,175
Bonds	4.0	433,127,290	17,325,092
Shares	25	5,972	1,493
<b>Total risk</b>	<b>2.34</b>	<b>969,650,802</b>	<b>22,691,760</b>

31 Dec 2016			
	Risk %	Capital, in EUR	Risk, in EUR
Money market	1.0	261,968,094	2,619,681
Bonds	4.0	358,614,656	14,344,586
Shares	25	8,456	2,114
<b>Total risk</b>	<b>2.73</b>	<b>620,591,206</b>	<b>16,966,381</b>

The total risk was 2.34% (2.73) of the Fund's assets and 0.6% (0.4) of the Fund's income in 2017. The risk posed by the investment portfolio is moderate due to its conservative structure and the low risk level of the securities in the portfolio.

The main market risk factor for the Fund is interest rate risk. The investment portfolio is dominated by interest bearing investments (money market investments and bonds). The Fund may make investments directly, or indirectly through investment funds. At the reporting date, 9.4% (7.7) of investments were indirect. In addition to the investments, also the borrowings of the Fund with variable interest rates, expose it to interest rate risk. Borrowings with variable interest rates amounted to EUR 0 (124) million at the reporting date.

All money market investments carry variable interest (2016: 100%), while 39% (28) of the bonds were at variable rates. Variable rate investments expose the Fund to cash flow interest rate risk, while investments at fixed rates expose the Fund to fair value interest rate risk.

If at the reporting date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher with all other variables held constant, the total change in net position would have been EUR 2,826,159 (1,782,509) smaller. Respectively, if at the reporting date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position had been EUR 2,827,787 (1,792,378) greater. This is due to fair value changes of the fixed income investments and the changes in the interest costs of the variable rate borrowings. Due to the low risk investment principles of the Fund, the amount of share investments has been very low during recent years and, accordingly, share price risk is considered immaterial.

### 4.1.2 Credit risk

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in Nordic banks which have high credit ratings, best rated states (Finland, Germany, Holland and Sweden), domestic companies and municipalities. Cash and cash equivalents are only held in banks with high credit ratings.

The Fund may make investments in those funds whose corporate investments' average credit rating is A (S&P) or Aa3 (Moody's). In addition, each individual investment of the investment fund has to be in the investment grade with credit rating at least BBB+ (S&P). The following table summarises the amount of interest rate investments and credit quality, divided to investment classes.

Investments in TVR's investment portfolio are diversified. Corporate risk cannot exceed 35% (25) of the Fund's fixed income investments. In accordance with the investment plan, investments in each issuer of bonds may not exceed 10% (10) of the Fund's all bond investments. Corporate investments are spread to 47 corporations on 31 December 2017, which corresponds to 20.4% of all fixed income investments (64 corporations on 31 December 2016; 17.1% of all fixed income investments). Money market investments are made in depository banks monitored by the Finnish Financial Supervisory Authority, state debentures, municipal papers and commercial papers issued by corporations accepted in the investment plan. Credit ratings of the biggest Nordic banks are strong; not all corporations have credit rating; and, in accordance with the Finnish Financial Supervisory Authority, municipal risk corresponds to the state risk.

<b>Amounts are in EUR thousands.</b>				
Divided by credit ratings of investment issuers*	31 Dec 2017	31 Dec 2017 (%)	31 Dec 2016	31 Dec 2016 (%)
AAA	40,429	4.2%	63,176	11.1%
AA+	125,204	12.9%	116,486	20.5%
AA	2,031	0.2%	6,490	1.1%
AA-	325,090	33.5%	72,828	12.8%
A+	37,019	3.8%	47,372	8.4%
A	60,670	6.3%	29,327	5.2%
A-	84,572	8.7%	36,433	6.4%
BBB+	55,168	5.7%	49,842	8.8%
BBB	99,772	10.3%	67,000	11.8%
BBB-	17,565	1.8%	7,439	1.3%
BB+	9,196	0.9%	24,979	4.4%
BB	0	0.0%	10,305	1.8%
BB-	3,930	0.4%	6,989	1.2%
B+	14,682	1.5%	1,844	0.3%
NR	94,321	9.7%	26,755	4.7%
<b>Total</b>	<b>969,651</b>	<b>100%</b>	<b>567,265</b>	<b>100%</b>

\* The Fund's investments in bonds mainly consist of state and bank bonds. Their credit quality has been determined using S&P credit rating. Most of the banks that the Fund has invested in have good credit ratings. However, all regional banks and companies do not have an official credit rating, in which case the credit quality is defined by credit ratings received from a third party.

The investment portfolio's required average rating is BBB (2016: A-) (S&P).

Counterparty risk is managed so that the Fund uses several asset managers and dealers with good credit ratings. The Board of Directors approves every year the dealers and counterparties the Fund uses in its investing activities.

#### 4.1.3 Liquidity risk

The Fund aims to manage liquidity risk as follows:

- 1) Liquid investments
- 2) Short-term borrowing
- 3) Increase in insurance contribution

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year's maturity at an amount that equals the Fund's one month's expenses.

When the liquidity buffer decreases below the above limit, the Fund uses short-term borrowings to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 (300) million and a EUR 400 million revolving credit facility (RCF), including a state guarantee, with four commercial banks. The amounts in the table are in EUR millions.

<b>MEUR</b>		
<b>Committed credit facilities, not in use</b>	31 Dec 2017	31 Dec 2016
Facilities, expiring within a year		
Credit facility (guaranteed by the Government)	-	700
Facilities, expiring after a year		
RCF	400	300
Credit facility (guaranteed by the Government)	-	-
<b>Total</b>	<b>400</b>	<b>1,000</b>
<b>Non-committed credit facilities, not in use</b>		
Commercial papers	300	176
<b>Total</b>	<b>300</b>	<b>176</b>

The Fund's net position turned positive in 2017. To finance its liquidity, the Fund mainly relies on the capital markets and domestic markets for commercial papers. In the end of 2017, the Fund had the following loan facilities and nominal amounts in use. Amounts are in EUR millions.

Loan	Nominal value 31 Dec 2017	Interest rate (%)	Expiry date	Credit rating
Bond issuance 1	600	0.375	23 Sep 2019	AA+
Bond issuance 2	300	0.25	15 Oct 2018	AA+
Commercial papers	0			-
<b>Total</b>	<b>900</b>			

The Fund has the following issuance credit ratings, confirmed by Standard & Poor's (20 Sep 2017):

- Long-term credit rating AA+, stable outlook
- Short-term credit rating A-1+, stable outlook

At the end of 2017, the Fund had EUR 0 (124.5) million of the commercial paper programme in use and short-term bank loans amounting to EUR 0 (0) million.

A breakdown of the Fund's loans is presented in note 16. The fixed interest rate periods for loans in the statement of net position were as follows. Amounts are in EUR millions. Liabilities for securities under settlement matured within a couple of days from the reporting date.

Loan	Nominal value 31 Dec 2017	Fixed interest rate period in years, 31 Dec 2017	Credit rating
TVR bond 2019	600	1.73	AA+
TVR bond 2018	300	0.79	AA+
Commercial papers	-	-	-
Credit facilities	-	-	-
<b>Total</b>	<b>900</b>	<b>1.42</b>	

Loan	Nominal value 31 Dec 2016	Fixed interest rate period in years, 31 Dec 2016	Credit rating
TVR bond 2019	600	2.72	AA+/S&P
TVR bond 2018	300	1.79	AA+/S&P
Commercial papers	124.5	0.15	NR
Credit facilities	-	-	-
<b>Total</b>	<b>1,024.5</b>	<b>2.14</b>	

In the following tables, the financial liabilities of TVR are divided into groups based on remaining contractual maturities.

Maturities based on contracts of financial liabilities (TEUR) 31 Dec 2017	Under 6 months	6-12 months	1-3 years	4-5 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	476	0	0	0	476	476
Loans (excl. finance lease liabilities)	0	303,000	602,250	0	905,250	898,210
<b>Total</b>	<b>476</b>	<b>303,000</b>	<b>602,250</b>	<b>0</b>	<b>905,726</b>	<b>898,686</b>

Maturities based on contracts of financial liabilities (TEUR) 31 Dec 2016	Under 6 months	6-12 months	1-3 years	4-5 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	483	0	0	0	483	483
Loans (excl. finance lease liabilities)	113,001	16,000	905,250	0	1,034,251	1,023,011
<b>Total</b>	<b>113,484</b>	<b>16,000</b>	<b>905,250</b>	<b>0</b>	<b>1,034,734</b>	<b>1,023,494</b>

## 4.2 Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer generated from the difference between the Fund's income and expenses, in order to safeguard the Fund's solvency and even out changes in unemployment insurance contributions caused by predictable trend cycles in the national economy. The maximum size of the buffer

in 2017 was the amount of annual expenses corresponding to an unemployment rate of seven per cent. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate.

According to the investment principles accepted by the Supervisory Board, the Fund is required to have investments in liquid money market instruments with less than a year's maturity the amount that equals the Fund's one month's expenses.



This amount is approximately EUR 300 million. The maximum amount of the buffer is calculated by dividing the Unemployment Insurance Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by 7. The following table presents the amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the Act.

MEUR	31 Dec 2017	31 Dec 2016
Business cycle buffer	106	-466
Maximum amount of the buffer	2,026	1,566
Minimum amount of the buffer	-2,026	-1,566

## 5. Unemployment insurance contributions

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Employer's unemployment insurance contributions</b>		
Employer's insurance contributions	1,763,045,591	2,036,102,423
Employer's insurance contributions, co-owners	4,713,897	5,682,518
<b>Total</b>	<b>1,767,759,488</b>	<b>2,041,784,941</b>
<b>Employees' unemployment insurance contributions</b>		
Employee's insurance contributions	1,236,643,855	865,959,392
Employees' insurance contributions, co-owners	4,736,265	3,165,795
<b>Total</b>	<b>1,241,380,121</b>	<b>869,125,187</b>
<b>Interest on overdue contribution and collection fee income</b>		
Interest on employer's contributions overdue	1,157,340	1,116,291
Interest on employee's contributions overdue	940,925	573,246
Collection fee income	412,566	308,242
<b>Total</b>	<b>2,510,831</b>	<b>1,997,780</b>
<b>Liability component compensations of employer's unemployment allowances</b>		
Liability component compensations	47,808,461	69,537,439
Accruals	6,285,765	-3,136,338
<b>Total</b>	<b>54,094,226</b>	<b>66,401,101</b>
<b>Compensations in accordance with the Employment Contracts Act (ECA)</b>		
Compensations and lay-off income according to the ECA	1,219,951	1,741,719
Settlement to MSAH	-629,428	-874,392
<b>Total</b>	<b>590,523</b>	<b>867,326</b>
<b>Contributions from MSAH</b>		
Earnings-related unemployment allowance	927,768,780	1,060,977,890
Job alternation compensation	17,972,390	41,486,025
Previous year's equalisation payment	-1,084,864	-45,306
<b>Total</b>	<b>944,656,305</b>	<b>1,102,418,608</b>
<b>Total unemployment insurance contributions</b>	<b>4,010,991,493</b>	<b>4,082,594,943</b>

## 6. Benefit payments

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Subsidies paid to unemployment funds (TVR)</b>		
Other earnings-related allowance	-887,316,148	-1,023,353,659
Additional day's allowance	-216,472,409	-233,554,826
Lay-off support	-171,754,713	-250,010,221
Job alternation compensation	-22,244,521	-50,543,445
Administrative expense compensation	-12,835,800	-13,676,979
Membership fee equalization	-10,000,000	-9,999,999
Previous year's equalisation payment	1,070,338	344,222
<b>Total</b>	<b>-1,319,553,253</b>	<b>-1,580,794,907</b>
<b>Subsidies paid to unemployment funds (MSAH)</b>		
Other earnings-related allowance	-906,511,131	-1,036,961,909
Job alternation compensation	-17,972,390	-41,486,025
Unemployment allowance/entrepreneurs	-10,398,202	-12,501,901
Administrative expense compensation	-10,859,447	-11,514,079
Previous year's equalisation payment	1,084,864	45,306
<b>Total</b>	<b>-944,656,305</b>	<b>-1,102,418,608</b>
<b>Finnish Centre for Pensions</b>		
Payment for the current financial year	-768,000,000	-846,000,000
<b>Total</b>	<b>-768,000,000</b>	<b>-846,000,000</b>
<b>State Pension Fund</b>		
Previous year's equalisation payment	0	-897,843
Payment for the current financial year	-12,608,566	-9,762,920
<b>Total</b>	<b>-12,608,566</b>	<b>-10,660,763</b>
<b>Social Insurance Institution of Finland (Kela)</b>		
Previous year's equalisation payment	923	411
Basic allowance, additional part, employment programme additional benefit	-208,340,000	-167,633,000
<b>Total</b>	<b>-208,339,077</b>	<b>-167,632,589</b>
<b>The Education Fund</b>		
Previous year's equalisation payment	-715	33,748
Payment for the current financial year	-150,971,176	-116,228,898
<b>Total</b>	<b>-150,971,891</b>	<b>-116,195,151</b>
<b>Ministry of Economic Affairs and Employment</b>		
Previous year's equalisation payment	11,755	186,533
Payment for the current financial year	-18,967,907	-23,424,631
<b>Total</b>	<b>-18,956,152</b>	<b>-23,238,098</b>

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Member State invoicing for unemployment allowances</b>		
Invoiced by Member State	-138,241	-85,388
Invoiced by Fund	77,137	45,471
<b>Total</b>	<b>-61,103</b>	<b>-39,917</b>
<b>Administrative compensations paid to insurance companies</b>		
Administrative and supervisory compensations	-282	-371
<b>Total</b>	<b>-282</b>	<b>-371</b>
<b>Total benefit payments</b>	<b>-3,423,146,630</b>	<b>-3,846,980,405</b>

## 7. Administrative expenses

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Personnel expenses</b>		
Salaries and benefits	-4,214,398	-4,355,853
Pension costs – defined contribution plans	-629,610	-835,351
Social security costs	-144,396	-259,533
<b>Total</b>	<b>-4,988,404</b>	<b>-5,450,738</b>
<b>Personnel expenses, management salaries and remuneration</b>		
Management Group (excl. Managing Director)	-424,135	-504,151
Managing Director	-151,696	-137,184
The Board of Directors and the Supervisory Board	-76,405	-77,290
Pension costs – defined contribution plans	-112,075	-130,074
<b>Total</b>	<b>-764,312</b>	<b>-848,698</b>
<b>Other administrative expenses</b>		
IT expenses	-985,875	-994,673
Other personnel expenses	-641,824	-580,947
Expenses for office premises	-1,095,287	-1,066,218
Office expenses	-1,371,277	-996,011
Other expenses	-1,235,184	-2,197,293
Amortisation	-570,409	-663,367
Other income	188,385	346,846
<b>Total</b>	<b>-5,711,471</b>	<b>-6,151,661</b>
<b>Auditor's fee</b>		
Statutory audit	-42,845	-32,131
Other fees	-9,350	-19,265
<b>Total</b>	<b>-52,195</b>	<b>-51,396</b>
<b>Total administrative expenses</b>	<b>-10,752,069</b>	<b>-11,653,795</b>

Number of personnel Employees	1 Jan–31 Dec 2017	1 Jan–30 June 2016
Full-time employees	78	73
Part-time and temporary employees	28	25
<b>Total</b>	<b>106</b>	<b>98</b>

## 8. Finance costs

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Finance costs from borrowings</b>		
Revolving credit facility fees	-1,379,507	-2,879,911
Interest costs from borrowings	-4,145,149	-2,554,738
<b>Total</b>	<b>-5,524,656</b>	<b>-5,434,649</b>
<b>Total finance costs</b>	<b>-5,524,656</b>	<b>-5,434,649</b>

## 9. Property, plant and equipment

EUR	Leasehold improvements	Machinery and equipment	Total
Cost at 1 Jan 2017	1,012,928	1,384,400	2,397,328
Additions	0	86,947	86,947
<b>Cost at 31 Dec 2017</b>	<b>1,012,928</b>	<b>1,471,348</b>	<b>2,484,276</b>
Accumulated depreciation at 1 Jan 2017	-768,958	-1,150,754	-1,919,712
Depreciation for the period	-108,432	-143,901	-252,333
<b>Cost at 31 Dec 2017</b>	<b>-877,390</b>	<b>-1,294,655</b>	<b>-2,172,045</b>
<b>Net book value at 1 Jan 2017</b>	<b>243,970</b>	<b>233,646</b>	<b>477,617</b>
<b>Net book value at 31 Dec 2017</b>	<b>135,538</b>	<b>176,693</b>	<b>312,231</b>
Cost at 1 Jan 2016	1,012,928	1,087,198	2,100,126
Additions	0	297,202	297,202
<b>Cost at 31 Dec 2016</b>	<b>1,012,928</b>	<b>1,384,400</b>	<b>2,397,328</b>
Accumulated depreciation at 1 Jan 2016	-660,526	-910,684	-1,571,211
Depreciation for the period	-108,432	-240,069	-348,501
<b>Accumulated depreciation at 31 Dec 2016</b>	<b>-768,958</b>	<b>-1,150,754</b>	<b>-1,919,712</b>
<b>Net book value at 1 Jan 2016</b>	<b>352,402</b>	<b>176,514</b>	<b>528,916</b>
<b>Net book value at 31 Dec 2016</b>	<b>243,970</b>	<b>233,646</b>	<b>477,617</b>

## 10. Intangible assets

EUR	Computer software	Software development costs	Intangible assets in progress	Total
Cost at 1 Jan 2017	680,975	1,374,169	1,183,770	3,238,914
Additions	32,288	44,031	1,633,309	1,709,628
<b>Cost at 31 Dec 2017</b>	<b>713,263</b>	<b>1,418,200</b>	<b>2,817,078</b>	<b>4,948,542</b>
Accumulated depreciation at 1 Jan 2017	-566,303	-918,164	0	-1,484,468
Depreciation for the period	-58,468	-259,608	0	-318,076
<b>Accumulated depreciation at 31 Dec 2017</b>	<b>-624,772</b>	<b>-1,177,772</b>	<b>0</b>	<b>-1,802,544</b>
<b>Net book value at 1 Jan 2017</b>	<b>114,671</b>	<b>456,004</b>	<b>1,183,770</b>	<b>1,754,445</b>
<b>Net book value at 31 Dec 2017</b>	<b>88,491</b>	<b>240,427</b>	<b>2,817,078</b>	<b>3,145,997</b>
Cost at 1 Jan 2016	565,701	1,374,169	797,057	2,736,927
Additions	115,274	0	386,712	501,986
<b>Cost at 31 Dec 2016</b>	<b>680,975</b>	<b>1,374,169</b>	<b>1,183,770</b>	<b>3,238,914</b>
Accumulated depreciation at 1 Jan 2016	-496,370	-673,232	0	-1,169,602
Amortisation	-69,934	-244,932	0	-314,866
<b>Accumulated depreciation at 31 Dec 2016</b>	<b>-566,303</b>	<b>-918,164</b>	<b>0</b>	<b>-1,484,468</b>
<b>Net book value at 1 Jan 2016</b>	<b>69,331</b>	<b>700,937</b>	<b>797,057</b>	<b>1,567,325</b>
<b>Net book value at 31 Dec 2016</b>	<b>114,671</b>	<b>456,004</b>	<b>1,183,770</b>	<b>1,754,445</b>

\* Intangible assets in progress include capitalised development costs and comprise an internally generated intangible asset. In 2017, capitalised development costs comprise mainly of renewing the insurance and accounts ledger information system for unemployment insurance contributions..

## 11. Receivables and payables from unemployment insurance contributions

EUR	31 Dec 2017	31 Dec 2016
<b>Unemployment insurance contribution receivables</b>		
Employer's unemployment insurance contribution receivables	4,576,149	3,270,513
Employee's unemployment insurance contribution receivables	6,718,132	1,883,482
Overdue contribution and collection fee receivables	417,202	271,442
<b>Total unemployment insurance contribution receivables</b>	<b>11,711,483</b>	<b>5,425,437</b>
<b>Unemployment insurance contribution payables</b>		
Advance payments	19,938,600	25,784,656
Refunds	3,920,568	4,166,358
<b>Total unemployment insurance contribution payables</b>	<b>23,859,168</b>	<b>29,951,014</b>

## 12. Other receivables

### Non-current other receivables

EUR	31 Dec 2017	31 Dec 2016
Other receivables	328,038	328,038
<b>Total non-current other receivables</b>	<b>328,038</b>	<b>328,038</b>

### Current other receivables

EUR	31 Dec 2017	31 Dec 2016
Prepayments and accrued income	171,335	285,783
Receivables from unemployment funds	81,051,108	40,545,132
Finnish Centre for Pensions capital accrual	9,000,000	8,700,000
Finnish Centre for Pensions compensatory interest	8,784,945	9,738,973
Receivables from Education Fund	16,908,695	3,978,485
Receivables from the Government related to training compensation	11,020,722	1,405
Employers' liability component receivables and compensation receivables under the Employment Contracts Act	4,592,271	9,327,042
Ministry of Social Affairs and Health, accrual	6,461,170	0
Receivables from the State Pension Fund	1,036,860	0
Advance payments	526,668	943,602
<b>Total current other receivables</b>	<b>139,553,775</b>	<b>73,520,421</b>

## 13. Net fair value gains on investments

### Investment income and fair value gains

EUR	31 Dec 2017	31 Dec 2016
Dividend income	280	264
Interest income	7,316,800	8,312,663
Other income	13,161	16,858
Gains on disposals	1,029,868	1,937,742
Foreign exchange gains	3,906	0
Fair value gains	1,536,014	-2,655,046
<b>Total income from investments</b>	<b>9,900,029</b>	<b>7,612,481</b>

### Investment expenses and fair value losses

EUR	31 Dec 2017	31 Dec 2016
Interest expenses	-994,303	203,453
Other expenses	-38,147	-79,189
Losses on disposals	-8,273,638	-5,948,335
Foreign exchange losses	-1,952	0
Fair value losses	-41,563	-214,273
<b>Total expenses from investments</b>	<b>-9,349,603</b>	<b>-6,038,344</b>
<b>Total income and expenses on investments</b>	<b>550,426</b>	<b>1,574,137</b>

## 14. Investments

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and are measured at fair value. Measurement of these assets is largely based on either quoted prices or valuations based on available market data. Financial instruments carried at fair value have been divided into three hierarchy levels based on whether they are traded in active markets, and to what extent the inputs are based on observable market data, as follows:

**Level 1** The valuation is based on quoted prices in active markets for identical financial assets and liabilities.

**Level 2** The inputs used in valuations are also based, either directly or indirectly using valuation techniques, on observable inputs other than those on Level 1.

**Level 3** The valuation is based on other than observable market data.

In the table below, investments have been specified by financial instrument classes divided into fair value hierarchy levels. No reclassifications have been made between hierarchy levels during the financial year.

<b>EUR</b>				
<b>31 Dec 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government bonds	157,622,995			157,622,995
Bonds issued by banks	194,676,781			194,676,781
Corporate bonds	79,758,511			79,758,511
Investments in funds and shares	61,299,626	29,816,409		91,116,035
Mezzanine funds			1,069,003	1,069,003
Deposits		66,470,518		66,470,518
Certificates of deposits		50,036,076		50,036,076
Municipal papers		2,000,905		2,000,905
Commercial papers		94,893,125		94,893,125
<b>Total</b>	<b>493,357,913</b>	<b>243,217,033</b>	<b>1,069,003</b>	<b>737,643,948</b>

<b>EUR</b>				
<b>31 Dec 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government bonds	157,942,305			157,942,305
Bonds issued by banks	147,057,774			147,057,774
Corporate bonds	51,921,636			51,921,636
Investments in funds and shares	31,209,776	14,789,895		45,999,670
Mezzanine funds			1,740,117	1,740,117
Deposits		44,648,927		44,648,927
Certificates of deposits		31,018,415		31,018,415
Municipal papers		22,115,085		22,115,085
Commercial papers		68,071,143		68,071,143
<b>Total</b>	<b>388,131,491</b>	<b>180,643,465</b>	<b>1,740,117</b>	<b>570,515,073</b>

## Changes in Level 3 financial assets measured at fair value

EUR	1 Jan 2017	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31 Dec 2017
Investment funds	1,740,117	497,925	0	133,240	-1,302,280	1,069,003
<b>Total</b>	<b>1,740,117</b>	<b>497,925</b>	<b>0</b>	<b>133,240</b>	<b>-1,302,280</b>	<b>1,069,003</b>

EUR	1 Jan 2016	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31 Dec 2016
Investment funds	1,866,613	42,765	0	149,016	-318,276	1,740,117
<b>Total</b>	<b>1,866,613</b>	<b>42,765</b>	<b>0</b>	<b>149,016</b>	<b>-318,276</b>	<b>1,740,117</b>

Deposits, certificates of deposit, corporate bonds and municipal papers in **Level 2** have been measured using the discounted cash flow method based on euribor or swap curve and on forward rate insofar as elements of foreign currencies are involved. Based on the management's judgement, the discount factor has been adjusted by the effect of change in credit risk of the investment. However, the adjustment has not had a material impact.

Investments classified in **Level 3** are Mezzanine funds that are valued based on valuations prepared by the issuer.

Investment funds have been measured at the net asset value of the fund as reported by fund manager at the reporting date, and they have been classified in Level 1, 2 or 3 by their market activity and marketability. Equity investments are quoted in Helsinki Stock Exchange and they have been classified in Level 1. The amount of equity investments is minimal.

## 15. Cash and cash equivalents

EUR	31 Dec 2017	31 Dec 2016
<b>Cash and cash equivalents</b>		
Cash at banks	232,007,361	52,135,615
<b>Total cash and cash equivalents</b>	<b>232,007,361</b>	<b>52,135,615</b>

## 16. Borrowings

### Long-term borrowings

EUR	31 Dec 2017	31 Dec 2016
TVR bonds	598,414,440	897,041,820
<b>Total long-term borrowings</b>	<b>598,414,440</b>	<b>897,041,820</b>

### Short-term borrowings

EUR	31 Dec 2017	31 Dec 2016
Commercial papers	299,795,460	124,468,439
Revolving credit facilities (RCF)	0	0
Liabilities from securities under settlement	0	1,500,734
<b>Total short-term borrowings</b>	<b>299,795,460</b>	<b>125,969,173</b>



## 17. Other liabilities

EUR	31 Dec 2017	31 Dec 2016
Accounts payable	476,179	482,769
Accruals and deferred income	1,051,342	1,283,909
Liability component income, accrual	64,763,273	71,001,672
Ministry of Economic Affairs and Employment, pay security accrual	18,967,907	23,424,631
Finnish Centre for Pensions, debiting interest	7,641,979	8,418,118
Accrual for the State Pension Fund	135,778	801,037
Ministry of Social Affairs and Health, accrual	0	6,868,875
Liabilities to unemployment funds	1,795,996	3,138,011
Holiday pay accrual	671,279	742,439
Interest accrual	768,493	790,203
<b>Total other liabilities</b>	<b>96,272,225</b>	<b>116,951,664</b>

## 18. Commitments and receivables not recognised in the statement of net position

### Capital commitments, equity funds

EUR	31 Dec 2017	31 Dec 2016
Committed capital	5,250,473	5,250,473
Utilized	-4,953,948	-4,877,691
<b>Total capital commitments</b>	<b>296,526</b>	<b>372,782</b>

Investment funds call investments based on the financing needs of the investment fund. The commitments have no maturity date.

### Operating lease commitments

EUR	31 Dec 2017	31 Dec 2016
Within one year	1,338,504	1,332,209
1–5 years	333,389	1,653,745
Over 5 years	0	0
<b>Total</b>	<b>1,671,893</b>	<b>2,985,955</b>

The Fund has rented its office and warehouse premises and a car on the basis of non-cancellable lease contracts. At the reporting date, the remaining term of lease for the office and warehouse premises is one year and three months, after which the lease contracts will remain in force until further notice. The remaining term of lease for the car is five months.

## Operating lease receivables

EUR	31 Dec 2017	31 Dec 2016
Within one year	420,344	415,754
1–5 years	105,086	519,692
Over 5 years	0	0
<b>Total</b>	<b>525,430</b>	<b>935,446</b>

The Fund has subleased part of its rented office premises. At the reporting date, the first possible termination date for the subcontract lease is in one year and three months, after which the contract will remain in force until further notice.

## 19. Related parties

Related parties of the Fund consist of the Supervisory Board, the Board of Directors and the Management Group. The Supervisory Board is appointed by the government based on the proposal of the labour market parties. The proposal for the level of unemployment insurance contributions is prepared by the Supervisory Board in its fall meeting. The Board of Directors is appointed by the Supervisory Board. The Unemployment Insurance Fund is supervised by the Financial Supervisory Authority. In addition, the Ministry of Social Affairs and Health is entitled to receive information about the operation of the Unemployment Insurance Fund.

The government contributions payable to the unemployment funds is received from the Ministry of Social Affairs and Health. The Fund pays regularly benefits to the Finnish Centre for Pensions, State Pension Fund, Social Insurance Institution of Finland (Kela) and the Ministry of Economic Affairs and Employment.

In 2017, TVR signed EUR 400 million credit facility agreements, which include a guarantee from the Finnish Government of EUR 440 million. The guarantee is issued based on the Act on the Financing of Unemployment Benefits (555/1998).

In the table below remuneration of the related parties are summarised, including social security contributions. Detailed remuneration disclosures by governing body are provided in the following tables.

### Remuneration of the Board of Directors and the Supervisory Board

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Salaries and benefits	76,405	77,290
Pension costs – defined contribution plans	13,353	14,195
<b>Total</b>	<b>89,758</b>	<b>91,485</b>

## Remuneration of the Management Group members (excluding the Managing Director)

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Salaries and benefits	433,426	522,036
Pension costs – defined contribution plans	72,655	90,734
<b>Total</b>	<b>506,080</b>	<b>612,770</b>

## Managing Director's salaries and fees

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Salaries and benefits	161,958	147,421
Pension costs – defined contribution plans	26,067	25,144
<b>Total</b>	<b>188,025</b>	<b>172,565</b>

## Fees and other benefits of the 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 by the provision regarding the entry into force of the Act on the Financing of Unemployment Benefits (18.11.2016/973). The Ministry of Social Affairs and Health decides the remuneration for meetings for the Supervisory Board and the principles of compensation for travelling expenses. On 17 January 2012, the Ministry of Social Affairs and Health decided that the fees for the members of the Supervisory Board are as follows: chairman EUR 120 per month and EUR 230 per meeting, vice chairman and other members EUR 140 per meeting. In 2017, the Supervisory Board convened on three occasions, one of which was an e-mail meeting. In 2017, the fees for the members of the Supervisory Board were paid as follows:

Name	Meeting fee of member of the Supervisory Board	Monthly fee of Chairman of the Supervisory Board	Travel expenses	31 Dec 2017 Total (EUR)
Rauno Vesivalo, Chairman	460	1,440		1,900
George Berner, Vice Chairman	280			280
Riku Aalto	140			140
Teija Asara-Laaksonen	280		19	299
Jorma Haapanen	280		134	414
Kimmo Hovi	280		183	463
Tauno Kekäle	-			-
Lauri Kivekäs	280			280
Salla Luomanmäki	-			-
Jorma Malinen	-			-
Ilkka Mäkelä	280		166	446
Harri Ojanperä	280			280
Ann Selin	140			140
Ari Svensk	280			280
Liisa Talvitie	280		258	538
Ritva Viljanen	140			140
Jaana Ylä-Mononen	280		284	564
Antti Zitting	280		54	334
<b>Total</b>	<b>3,960</b>	<b>1,440</b>	<b>1,098</b>	<b>6,498</b>

## Fees and other benefits of the members of the Board of Directors

The Supervisory Board decides the remuneration of the Board of Directors. On 30 August 2016, the Supervisory Board decided that the fees for the members of the Board of Directors are as follows:

	Fee EUR/month	Fee EUR/meeting
Chairman of the Board of Directors	730	270
Vice Chairman of the Board of Directors	575	165
Other member of the Board of Directors	330	125

No other remuneration or supplementary pension arrangements are in place for the members of the Board of Directors. The Board of Directors assembled 11 times in 2017. In 2017, the fees for the members of the Board of Directors were paid as follows:

Name	Board of Directors annual fee	Meeting fee	31 Dec 2017 Total (EUR)
Rantahalvari Vesa pj	8,760	2,970	11,730
Siekinen Saana vpj	6,900	1,650	8,550
Fjäder Sture	3,960	625	4,585
Hollmén Jyrki	3,960	625	4,585
Inkeroinen Eeva-Liisa	3,960	1,250	5,210
Jalonen Markku	3,960	1,250	5,210
Palola Antti	3,960	1,250	5,210
Palola Jorma	3,960	1,375	5,335
Piekkala Vuokko	3,960	1,000	4,960
Rekola Veli-Matti	3,960	1,125	5,085
Urrila Penna	3,960	1,250	5,210
Väänänen Pirjo	3,960	1,375	5,335
<b>Total</b>	<b>55,260</b>	<b>15,745</b>	<b>71,005</b>

## Remuneration of the Managing Director and key management personnel of the Fund

As from 2016, a separate bonus system approved by the Board will apply to the Managing Director. The Board of Directors decides annually on the payment of bonuses, if any. Other key management personnel have a bonus system approved by the Board of Directors. Based on the proposal of the Managing Director and in accordance with confirmed bonus criteria, the Board of Directors decides on the payment of bonuses, if any, to the key management personnel.

Salaries and other benefits and fees of the Managing Director and key management personnel for 2017 are provided in the following table. Social security contributions are excluded.

Position	Salaries and other benefits	Variable performance pay	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
Managing Director	144,493	10,671	155,164	140,471
Key management personnel	398,312	17,093	415,405	498,196
<b>Total</b>	<b>542,805</b>	<b>27,764</b>	<b>570,569</b>	<b>638,667</b>

### **Terms of the service contract of the Managing Director**

The terms of the service contract of the Managing Director have been determined by a decision of the Board of Directors and verified with a written agreement. The retirement age and pension accrual of the Managing Director is based on general employment pension legislation. The Fund has not provided a supplementary pension arrangement for the Managing Director. The notice period of the Managing Director is based on employment contract act, on each side.

## **20. Events after the reporting date**

The positive economic development has been sustained in the first quarter of 2018. The economy has been growing faster than in years, and the decrease in the number of unemployed jobseekers is expected to continue from 2017. The Fund's net position turned positive at the end of 2017 and, according to its budget, the change in net position for 2018 should be a positive EUR 400 million. However, at the time of preparing the financial statements, it is estimated that the change in the Fund's net position will be around EUR 550 million in 2018.

The Unemployment Insurance Fund has carried on with the preparations for the new Incomes Register, to be launched at the beginning of 2019. Preparations for the merger of the Unemployment Insurance Fund and the Education Fund, planned to take place at the beginning of 2019, have also continued. Determination and collection of unemployment insurance contributions have been carried out as planned, and the level of service has been good despite the peak season at the end of the year.

### 3. Signatures for the annual review and for the financial statements

Helsinki, 20 March 2018

Saana Siekkinen  
Chairman

Vesa Rantahalvari  
Vice Chairman

Sture Fjäder

Riikka Heikinheimo

Jyrki Hollmén

Eeva-Liisa Inkeroinen

Markku Jalonen

Ilkka Kaukoranta

Ida Mielityinen

Katarina Murto

Antti Palola

Jorma Palola

Penna Urrila

Pirjo Väänänen

Janne Metsämäki  
Managing Director

#### **Auditor's notation**

A report on the audit carried out has been submitted today.

Helsinki, 21 March 2018

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Juha Wahlroos Authorised Public Accountant

# 4. Auditor's Report

## (Translation of the Finnish Original)

To the Supervisory Board of the Unemployment Insurance Fund

### Report on the Audit of the Financial Statements

#### Opinion

In our opinion the financial statements give a true and fair view of the Unemployment Insurance Fund's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

#### What we have audited

We have audited the financial statements of Unemployment Insurance Fund (UIF) for the year ended 31 December 2017. The financial statements comprise the statement of net position, the statement of changes in net position and statement of cash flows and notes including a summary of significant accounting policies.

#### 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 the Financial Statements section of our report.

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

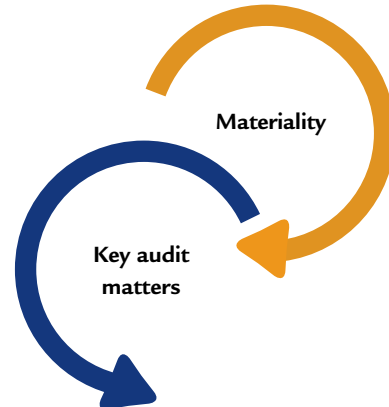
##### Independence

We are independent of UIF 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.

To the best of our knowledge and belief, the non-audit services that we have provided to the UIF are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.

#### Our Audit Approach

##### Overview



- Overall materiality: € 40.1 million, which represents 1% of total additions from ordinary activities.
- Key audit matters are the determination and collection of unemployment insurance contribution.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

<b>Overall materiality</b>	€ 40.1 million
<b>How we determined it</b>	1% of total additions from ordinary activities
<b>Specific materiality</b>	€ 4.0 million
<b>How we determined it</b>	0.1% of total additions from ordinary activities
<b>Rationale for the materiality benchmark applied</b>	We chose total additions from ordinary activities as the benchmark for overall materiality and specific materiality because, in our view, they reflect best the volume of UIF's ordinary activities. We applied specific materiality to income statement's administration expenses. The benchmarks determined are within the range of acceptable quantitative materiality thresholds in auditing standards.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

<b>Key audit matter in the audit of the financial statements</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Determination of unemployment insurance contribution</b></p> <p><i>Refer to note 5 to the financial statement for the related disclosures</i></p> <p>Unemployment insurance contributions amounted to EUR 4.0 billion at 31.12.2017.</p> <p>The unemployment insurance contributions are determined in such a way that UIF is able to cope obligations in its responsibility.</p> <p>The unemployment insurance contributions are set for one calendar year at a time.</p> <p>UIF has made a proposal for the amounts of the contributions to the Ministry of Social Affairs and Health at the previous year's August and Parliament has ratified the unemployment insurance contribution rates at the previous year's November. Temporal difference between the determination of unemployment insurance contributions and financial year end is over one year.</p>	<p>We have evaluated the process of determination of unemployment insurance contributions.</p> <p>We have examined the forecasts of development of economics underlying UIF's budget made by itself, the Ministry of Finance, forecast institutions and banks relating to</p> <ul style="list-style-type: none"> <li>· Development of the unemployment rate</li> <li>· Development of the employment rate</li> <li>· Development of the wages</li> </ul> <p>We have evaluated the accuracy and adequacy of the proposal for the amounts of the contributions by the budget made.</p>
<p><b>Collection of unemployment insurance contribution</b></p> <p><i>Refer to note 5 to the financial statement for the related disclosures</i></p> <p>The collection of unemployment insurance contribution is at UIF's responsibility.</p> <p>UIF determines the prepayments decisions and collects prepayments in accordance with the contribution rates ratified by Parliament.</p> <p>At the end of calendar year UIF determines the final payment decisions and collects the final payments by the annual statements.</p> <p>UIF supervises the fulfilment of the responsibilities related to the unemployment insurance contribution and the failures of payment obligation.</p>	<p>We have evaluated the process related to the collection and supervision of unemployment insurance contribution and performed a sample test of individual events.</p> <p>We have evaluated and tested controls relating to</p> <ul style="list-style-type: none"> <li>· Determination and collection of unemployment insurance contribution</li> <li>· Supervision of the fulfilment of the responsibilities related to payment obligation.</li> </ul> <p>We have verified the accuracy of contribution rates in the system.</p> <p>We have tested a sample of payments.</p> <p>We have verified that the supervision is properly made.</p>
<p>There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the UIF's financial statements.</p>	

## 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 International Financial Reporting Standards (IFRS) as adopted by the EU, 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 UIF's ability to continue as a 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 fund or to cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 UIF'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 UIF'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 UIF 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of UIF to express an opinion on the financial statements.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Other Reporting Requirements

### Appointment

We were first appointed as auditors by the Supervisory Board on 30 August 2012. Our appointment represents a total period of uninterrupted engagement of 5 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 and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, 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
- 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 other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 21 March 2018

**PricewaterhouseCoopers Oy**

Authorised Public Accountants

Juha Wahlroos

Authorised Public Accountant (KHT)



PL 191 (Kansakoulukuja 1), 00121 Helsinki  
Puh. 09 6803 7380  
[www.tvr.fi](http://www.tvr.fi)