

Providing security

for changes

in working life

2020



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund

ANNUAL REPORT



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ANNUAL REPORT 2020

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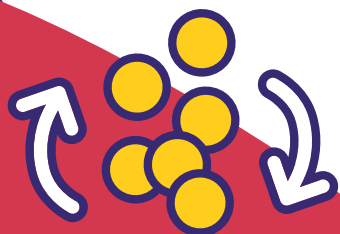
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Key matters in 2020

We took care of the financing of unemployment allowances and adult education benefits in exceptional circumstances.



We financed unemployment allowances and adult education benefits with

3,947

million. Our liquidity remained at a good level.



Adult education allowances were paid to

27,066

people which is again a new record.



The adult education allowance and its online service and processing system were reformed in August.

Managing Director's review

Despite the exceptional circumstances, we managed our main tasks well in 2020.

The Employment Fund started the year 2020 with a good financial standing, as the Fund's business cycle buffer was almost at its maximum allowed level and the Fund's long-term loans had been paid off in the previous year. At the beginning of 2020, we successfully started utilising the income data reported in the national Incomes Register for the processing of adult education allowance applications. In March 2020, the coronavirus pandemic led to substantial changes in the functioning of societies around the world. Finland was no exception, and this was also reflected in the activities of the Employment Fund. We switched to working almost entirely remotely in mid-March. At the same time, our staff quickly adapted to working remotely and learned new ways of working.

Right from the onset of the coronavirus outbreak, it was clear that the precarious economic and employment situation would pose major challenges to the Fund's finances

and liquidity. In March, the Board of the Employment Fund called on the government of Finland to secure the Fund's liquidity and the financing of unemployment allowances. Many different measures and successful cooperation with the government and financial institutions ensured that we were able to cover the significantly increased unemployment benefit costs and pay the necessary unemployment allowances. Securing funding for unemployment allowances was a particularly important step for us, as an unemployment allowance may be the only source of income for the people who receive it.

MEASURES TO SECURE LIQUIDITY

In the spring, the Employment Fund agreed on a revolving credit facility worth 800 million euros with five Nordic banks. The facility was backed by a state guarantee. In June, we issued two bonds in the amount of 1,200 million euros. >>





The Finnish state also secured our funding by contributing a sum equal to the basic unemployment allowance paid as a daily allowance to laid-off workers in 2020. This was important because layoff costs increased significantly during the spring and summer.

The result for 2020, i.e. the change in net assets, was significantly in deficit, which was covered with the assets in the business cycle buffer. The economic outlook for 2021 is uncertain, but the economy is expected to pick up as the coronavirus pandemic is likely to slow down with the rollout of vaccinations. However, the number of unemployed jobseekers is expected to remain at a high level in 2021.

In August, the Supervisory Board of the Employment Fund decided to propose to the Ministry of Social Affairs and Health a moderate increase in unemployment insurance contributions for 2021 to secure the Fund's ability to cover unemployment benefit costs.

Parliament approved the amended Act on Adult Education Allowance in the spring of 2020, and it entered into force at the beginning of August. At the Fund, we prepared for these future changes, for example,

by introducing a new online service and processing system for allowance applications, as well as by automating the processing of payment applications. Not all objectives were met according to the original schedule, but we were able to secure the processing of applications and the payment of adult education allowances during the autumn through joint efforts. We also prepared for the second phase of the Incomes Register, where the benefits we grant will be reported to the Incomes Register, and the benefits data reported to the Incomes Register will be utilised in the processing of applications from 2021 onwards.

CONTINUOUS DEVELOPMENT

In 2020, we collaborated extensively with our key stakeholders. We continued to study the recognition and reputation of the Employment Fund among the general public and influencers. The results revealed that the public's trust and the support of our stakeholders have remained at a reasonable level.

In December, the Finnish government made certain decisions that will affect the operations of the Employment Fund. Additional days of unemployment insurance

will be phased out from 2023 onwards. At the same time, the Employment Fund will no longer collect liability components. The decision is accompanied by a new security package, which would be funded by the Employment Fund.

At the end of the year, the Ministry of Social Affairs and Health appointed surveyors to assess how the current tasks, forms of support and services of the Employment Fund for employers and individuals support continuous learning and work ability from the perspective of employers, individuals and society.

Despite the exceptional circumstances, we have managed our main tasks well in 2020. All our operations are based on a competent and enthusiastic staff, and all the employees of the Fund deserve great thanks for their efforts. This year has required a great deal of teamwork from all of us. The development of the Employment Fund's operations will also continue in 2021.

JANNE METSÄMÄKI
Managing Director



Employment Fund in brief

The Employment Fund is an important part of the Finnish social security system. The Fund collects unemployment insurance contributions which are used to finance unemployment allowances and promote competence development through adult education benefits.

The Employment Fund is a part of the administrative branch of the Ministry of Social Affairs and Health.

The Fund's operations are supervised by the Financial Supervisory Authority.

WE FINANCE UNEMPLOYMENT SECURITY

The Employment Fund finances unemployment allowances by paying the assets necessary for earnings-related daily unemployment allowances to unemployment funds. The Fund also pays the government contribution to unemployment funds. The proportion of the unemployment insurance contribution corresponding to the section of people who do not belong to unemployment funds is remitted to Kela annually. In addition to unemployment allowances, the unemployment insurance contribution income is used to finance earnings-related pensions accrued while people receive earnings-related daily unemployment allowances. These amounts are remitted to the Finnish Centre for Pensions and the State Pension Fund.

Employees may receive pay security from the Ministry of Economic Affairs and Employment if they have unpaid salaries or wages due to the employer becoming insolvent. This benefit is also financed with unemployment insurance contributions.

WE ALSO GRANT ADULT EDUCATION BENEFITS

The Employment Fund grants adult education allowance and scholarships for qualified employees, which are intended to encourage vocational competence development during the employees' career. Employees' adult education allowances and scholarships for further vocational qualification are financed entirely from the unemployment insurance contribution income. In addition, we finance earnings-related pensions accrued while people receive adult education allowances. These pensions are remitted to the Finnish Centre for Pensions and the State Pension Fund. The State pays adult education allowances to entrepreneurs and scholarships for qualified State employees.

OUR OTHER TASKS

The Employment Fund assesses and collects liability component compensation for unemployment allowances from employers. If an employer dismisses or lays off an elderly employee and the employee becomes unemployed or laid off for a long time, the

employer may be obliged to pay a liability component. This component is used to finance the cost of unemployment allowances for the dismissed or laid-off employee.

An employer who has ended an employee's employment relationship in violation of the provisions of the Employment Contracts Act is liable to pay compensation to the employee. The employer also calculates a deduction from the earnings-related daily allowance paid to the employee and remits this to the Employment Fund. The Employment Fund serves as an expert in reconciling the damages payable in disputes concerning wrongful dismissal with the unemployment allowances received by the employee.

The Fund also grants employers' training compensation to municipalities, congregations, associations and institutions, for example. Training compensation improves the employer's opportunities to organise training for its employees to develop their vocational competence.

The Employment Fund has a business cycle buffer, which is intended to prevent major fluctuations in the unemployment insurance contribution over the long term. The aim is to

Key figures

EUR million	2016	2017	2018	2019	2020	Change EUR million	Change %
INCOME							
Employer contribution income	2,043	1,769	1,458	1,238	993	-246	-19.8%
Employee contribution income	870	1,243	1,519	1,379	1,073	-307	-22.2%
Government contribution, funds	1,102	945	774	688	1,248	561	81.6%
Liability component income	66	54	50	39	26	-13	-32.8%
Net financial income	-4	-5	-7	8	-16	-25	
TOTAL INCOME	4,077	4,006	3,794	3,353	3,324	-29	-0.9%
EXPENSES							
Unemployment funds	-1,581	-1,320	-1,068	-954	-1,372	419	43.9%
Government contribution, funds	-1,102	-945	-774	-685	-1,245	560	81.7%
Finnish Centre for Pensions	-846	-768	-620	-577	-870	293	50.8%
Social Insurance Institution of Finland	-167	-208	-228	-206	-207	2	0.8%
Adult education benefits	-116	-151	-187	-187	-197	10	5.5%
Ministry of Economic Affairs and Employment	-23	-19	-20	-24	-25	1	5.6%
State Pension Fund	-11	-13	-12	-8	-9	1	19.1%
Insurance companies	-1	0	0	0	0	0	
Administrative expenses	-12	-11	-13	-19	-21	2	
TOTAL EXPENSES	-3,859	-3,435	-2,921	-2,659	-3,947	1,288	48.4%
INCOME FOR THE PERIOD	220	572	872	694	-623		
NET ASSETS	-466	106	969	1,668	1,045		

build up a buffer during times of prosperity to be used when unemployment rises and also to offset the need for increases in contributions.

The business cycle buffer has been used several times in the last 20 years to even out increases in unemployment insurance contributions.



Strategy, mission, vision and values

The strategy of the Employment Fund includes its mission, vision, strategic goals and values.

In 2020, we focused particularly on building a foundation for the Employment Fund and the first steps of the strategy. Continuous development was at the heart of our operation – simplification of operations, efficiency and quality, and human centricity – are the work descriptions and skills that support our development.

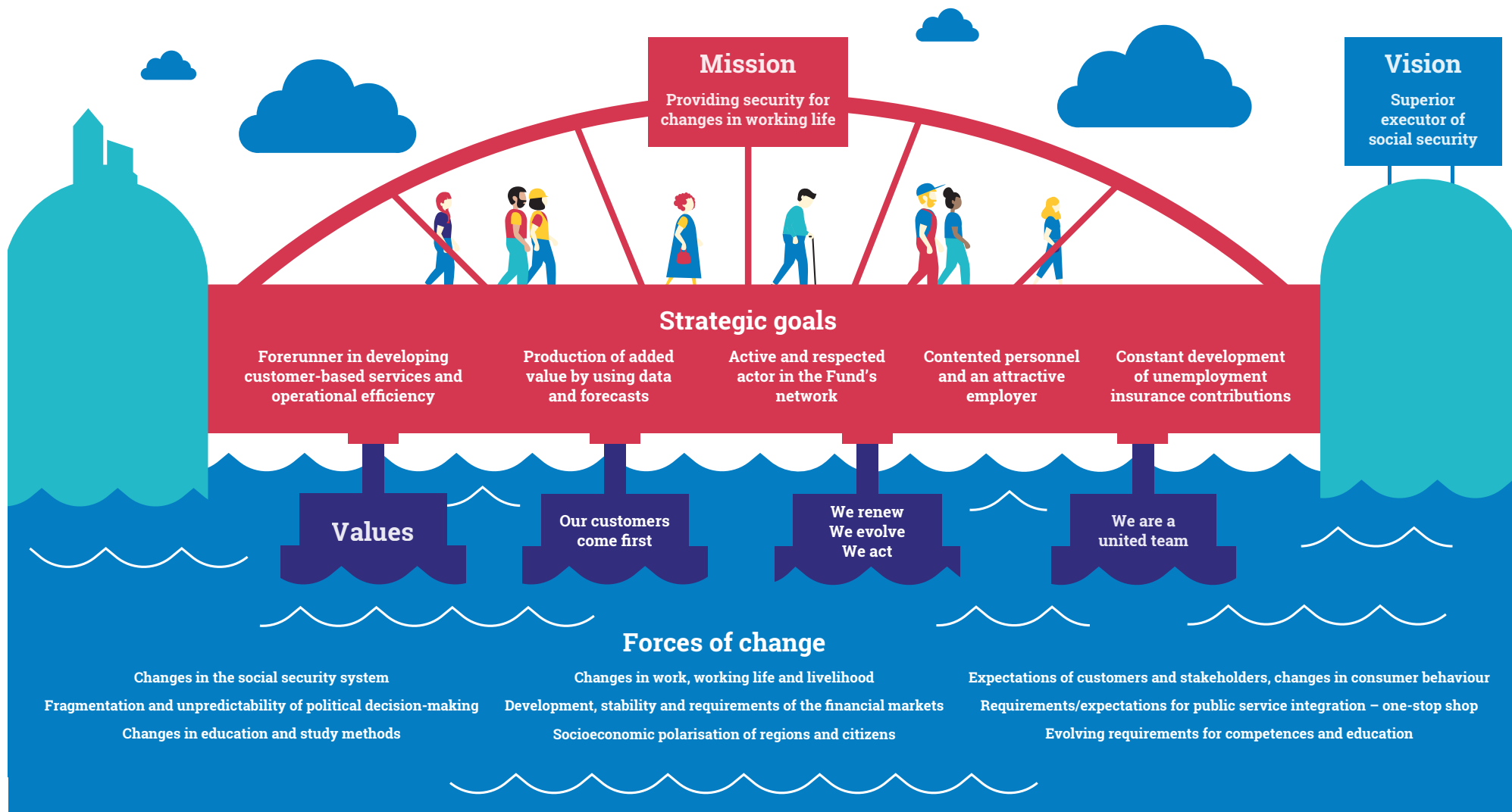
Our strategic goals are

- becoming a frontrunner in developing customer-focused services
- to develop the impact and efficiency of our operations and to produce added value by using data and forecasts
- to be an active and respected actor in the Fund's network
- to be an attractive workplace with healthy employees
- to keep the development of unemployment insurance contributions steady.





The Employment Fund's strategy



“ The Employment Fund has three main duties.

The Employment Fund's mission is *We provide security for changes in working life*. The Fund's vision is to be a superior executor of social security. The Fund's three main duties are to finance unemployment allowances, assess and collect payments, and finance and grant adult education benefits.

The Fund's values are: our customers come first, we renew, evolve and act, and we are a united team.

The Fund's action plan for 2020 and 2021 were prepared in line with our strategic goals, which will keep us busy for the coming years.

The Employment Fund's Board of Directors evaluates the Fund's progress towards its strategic goals annually.



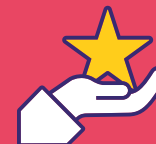
MISSION

We provide security for changes in working life



VISION

Superior executor of social security



VALUES

Our customers come first
We renew, evolve and act
We are a united team

A large, stylized white silhouette of a bird, possibly a crane or heron, is positioned on the left side of the page. The bird is facing right and has a long neck. The background is a solid red color.

Report of the Board of Directors

The Employment Fund's duties

The Employment Fund's main duties are to finance unemployment allowances, assess and collect unemployment insurance contributions, and finance and grant adult education benefits.

The Fund collects unemployment insurance contributions paid by employers and employees. Since January 2019, contributions have been determined on the basis of actualised income information reported to the Incomes Register. The unemployment insurance contribution percentages are confirmed annually in an act of parliament. In order to safeguard the stable development of contributions, the Fund has a business cycle buffer, which enables it to resist the pressure to increase contributions when unemployment rises.

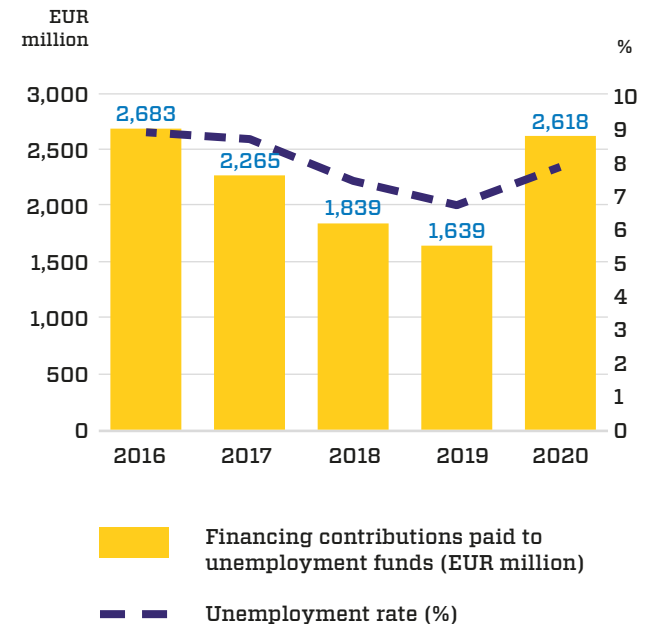
The benefits financed by the Unemployment Fund are the earnings-related unemployment

allowance paid by unemployment funds and unemployment allowance paid by Kela. The financed benefits also include the adult education allowance and scholarships for qualified employees. The Employment Fund remits a payment amounting to the basic daily allowance paid by the State to contribute to the daily unemployment allowances paid by unemployment funds.

The Employment Fund is also responsible for financing earnings-related pensions accrued during periods when daily unemployment allowances, job alternation leave and adult education allowances are paid.

The unemployment insurance system directs the employees and employers' unemployment insurance contributions in full to finance unemployment allowances, adult education benefits, and pay and pension security. In addition, they are used to finance training compensation and liability components.

The Employment Fund's financing for the unemployment funds



In 2020, we financed unemployment and adult education benefits to a total amount of EUR 3,947 million.

We finance Finnish working life extensively



In addition to using collected unemployment insurance contributions and tax-funded government contributions, the Employment Fund financed its beneficiaries through its buffer fund with approximately EUR 623 million in 2020.

Collaboration with stakeholders

One of the Employment Fund's strategic goals is to be an active and respected actor in the Fund's network.

The Fund works in close collaboration with several stakeholders as regards executing its duties and legislation, and making an impact on its environment through the work of its experts and by sharing information with other people.

In 2020, we worked with unemployment funds, ministries, the Finnish Centre for Pensions, Kela, the Workers' Compensation Center and the Tax Administration, among other stakeholders. The Employment Fund worked closely with educational institutions in matters concerning adult education benefits and competence development. Stakeholder collaboration stretches over national borders as well: the Fund is a part of the European Social Insurance Platform and participates in the collaboration between Nordic social insurance institutions.

The Fund communicates and interacts with its stakeholders in a targeted way across multiple channels, taking each stakeholder's needs into consideration. For instance, the Fund communicates with members of parliament and employers who pay unemployment insurance contributions via a regular newsletter. The Fund organised webinars for educational institutions and customers applying for adult education allowances in 2020.

The goal of the Employment Fund is to act as an interesting source of information for the media regarding matters related to employees' social security, unemployment insurance contributions and competence development. The Fund offers and delivers information to the media in addition to stakeholders and publishes regular press releases.





Unemployment insurance contributions

The Employment Fund determines and collects unemployment insurance contributions and supervises that the duties related to unemployment insurance contributions are fulfilled by the employers.

The duty to pay unemployment insurance contribution is based on the Act on Financing of Unemployment Benefits (555/1998). This duty concerns both the employer and the employee. All employers who have employees, as well as all 17-64-year-old employees, have a duty to pay unemployment insurance contributions. The employer is obligated to pay unemployment insurance contributions if the employer has paid more than EUR 1,300 in total in wages and salaries to their employees in a calendar year.

The employer pays both their and their employees' unemployment insurance contributions to the Employment Fund on the basis of annual rates. The employer deducts the employee's contribution from the employee's wage. The employer reports paid salaries to the Incomes Register from where the Employment Fund will then receive the

needed information. The Employment Fund determines the amount of unemployment insurance contribution the employer must pay on the basis of the income information reported to the Incomes Register.

All wages, bonuses or similar compensation that have been paid or have been agreed to be paid during employment or a service relationship as compensation for work will be considered income that can be used as a basis for unemployment insurance contributions. Part-owners as defined in the Unemployment Allowance Act are obligated to pay unemployment insurance contributions, but the contribution percentage is lower than for employees. An entrepreneur defined as an entrepreneur in accordance with the Employees Pensions Act and the Act concerning farmers' pensions is not obligated to pay unemployment insurance contribution.

THE UNEMPLOYMENT INSURANCE CONTRIBUTION IN 2020

On 29 August 2019, the Employment Fund's Supervisory Board made a proposal on the unemployment insurance contributions in 2020 to the Ministry of Social Affairs and Health. The contribution rates were lowered for 2020 as proposed. (In the annual report, all the corresponding figures for 2019 have been presented in brackets.)

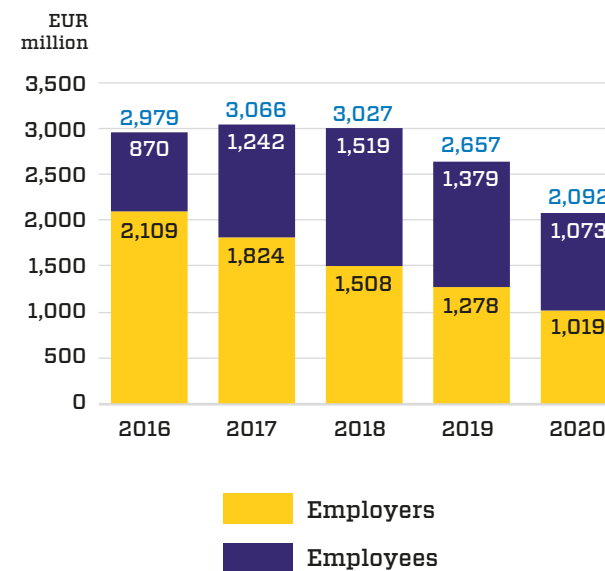
Employee's unemployment insurance contribution was 1.25% (1.50%) of their wages. Employers' contribution was 0.45% (0.50%) of the paid wages, if the wages were less than EUR 2,125,500 (2,086,500), and 1.70% (2.05%) for the part of the wages and salaries that exceeded it. The average contribution percentage for employers was 1.25% (1.50%).

The employee's unemployment insurance contribution for part-owners as defined in the Unemployment Allowance Act was 0.65% (0.78%) of the wages. The employer's unemployment insurance contribution for part-owners was 0.45% (0.50%) of the paid wages.

Unemployment insurance contribution for government enterprises was 0.45% (0.50%) of the paid wages, if the wages were less than EUR 2,125,500 (2,086,500), and 0.99% (1.16%) for the part of the wages and salaries that exceeded it. Universities' contribution was 0.45% (0.50%) of the paid wages, if the wages were less than EUR 2,125,500 (2,086,500), and 1.21% (1.38%) for the part of the wages and salaries that exceeded it.

In 2020, the employers' unemployment insurance contribution income was EUR 993 million in total (EUR 1,238 million), and the employers' liability component income EUR 26 million (EUR 39 million) in total. Income from employees' unemployment insurance totalled EUR 1,073 (1,379) million. Considering Finland's difficult economic situation, the Employment Fund was able to collect a good proportion of contributions in 2020. Of the invoices due in 2020, approximately 0.3% (0.4%) remained unpaid.

Unemployment insurance contributions collected



AUTOMATION USED IN THE INVOICING OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS INCREASED

Since 1 January 2019, salary information received from the national Incomes Register has been used as a basis for unemployment insurance contributions. The unemployment insurance contributions are determined on the basis of the income information that the employers report to the Incomes Register. The employer is obliged to report the wages and salaries they pay to the Incomes Register.

When the Incomes Register was deployed, the Employment Fund renewed the contributions' payment procedure. Since 1 January 2019, there have been two alternative procedures regarding determining and collecting contributions: the so-called actual earnings model and the prepayment model. Primarily, the unemployment insurance contributions are determined four times a year (in April, July, October and January) based on the actual wages paid by the employer that have been reported to the Incomes Register.

However, the unemployment insurance contributions could be determined as an

advance at the employer's request. If invoiced in accordance with the prepayment model, the employer would pay an advance on the contributions in four installments that are determined before the insurance year starts, and after the insurance year the employer will either receive reimbursement for an excess advance or pay more contributions. Wages reported to the Incomes Register are also used as a basis for contributions in the prepayment model.

Based on the Incomes Register user experience, there is no longer a significant demand for the prepayment model by the employers. In the insurance year 2020, 64 employers from a total of 147,854 chose the prepayment model, translating to approximately 0.04% of all employers obliged to pay contributions.

A legislative amendment concerning removal of the prepayment model was adopted on 11 December 2020, and the model was waived on 1 January 2021. Starting from 2021, the unemployment insurance contributions are to be determined for all employers based on the actual wages reported to the Incomes Register.

The salary information reported to the Incomes Register as well as invoicing that is based on actually wages paid will decrease the employer's administrative burden as they no longer have to report their unemployment insurance contributions separately to the Employment Fund. In addition, the Employment Fund will rectify the determined unemployment insurance contribution sums if the employer alters any information sent to the Incomes Register. This rectification is done primarily in the next invoicing period. The employer does not have to make a separate rectification request to the Employment Fund if they have corrected the information in the Incomes Register.



Because of the Incomes Register the employers do not need to make separate reports for unemployment insurance contributions to the Employment Fund.



The purpose of training compensation is to improve the employer's opportunities to organise training for its employees, to develop their vocational competence.

Because of the Incomes Register, invoicing based on the actual earnings model, and the system development, automation has been used more than before in the determination of unemployment insurance contributions. Approximately 99% of decisions concerning the amount of unemployment insurance contributions was determined automatically in 2020. Because of automation, the contributions' determination process has become more efficient and the experts at the Fund have been able to focus on customer consultations and demanding expert services such as improving operations and processes.

EMPLOYERS' TRAINING COMPENSATION

The purpose of training compensation is to improve the employer's opportunities to organise training for its employees, to develop their vocational competence. The employers who are not eligible for a training deduction granted by the Business Income Tax Act or Agricultural Income Tax Act are eligible for training compensation. Municipalities,

churches, non-profit organisations and foundations among other similar employers are eligible for training compensation. The Employment Fund processes the employers' training compensation applications and pays the compensation to eligible employers.

In 2020, the Employment Fund refunded approximately EUR 11.6 (11.7) million to 609 (646) employers for the compensation paid for training that had taken place in 2019. The total number of training days stated in the applications was approximately 557,100 (585,200). Of the employers who received training compensation, 301 (316) were cities or municipalities.

The applications for training compensation must be sent by the end of January of the next calendar year. The wage information submitted to the Incomes Register was used as a basis for training compensations for the first time in 2020, when the Fund processed training compensation applications for the insurance year 2019.

SUPERVISION OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The Employment Fund supervises the fulfilment of the responsibilities related to the statutory unemployment insurance contributions. The purpose of this supervision is to ensure that the reported wages, which determine the amount of the employer's unemployment insurance contributions, are accurate and the determined unemployment insurance contributions are correct. In addition, the supervision addresses any failures to pay unemployment insurance contributions.

The supervision is executed using information gathered from the Tax Administration and other authorities. The Employment Fund also compares information in collaboration with the Finnish Centre for Pensions and the Workers' Compensation Center. The information gathered from other sources is compared to the information provided by the employer.

Having the Incomes Register's system in place, the supervision is based on the information gathered from the Incomes Register as well as collaboration with the Tax Administration, other authorities, and actors providing social insurances. When reviewing information that has been gathered from the Incomes Register, its accuracy and whether there are any conflicts can be considered.

In 2020, the Employment Fund took 1,773 (2,017) cases under supervision. Supervision cases resulted in approximately EUR 4.1 (1.7) million of additional payments and approximately EUR 0.4 (0.4) million of refunds.

LIABILITY COMPONENTS OF EMPLOYERS' UNEMPLOYMENT ALLOWANCES

The Employment Fund assesses 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 unemployment allowance and of persons who were dismissed 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 Unemployment Benefits (555/1998).

Approximately 7,700 (8,300) liability component issues were submitted to the Employment Fund in 2020. The Fund imposed a liability component payment on the employer in around 1,200 (1,900) cases.

Approximately EUR 26 (39) million was recognised in liability payments in 2020. The average processing time in cases that led to a payment decision was 58 (110) days.

COORDINATION ACCORDING TO THE EMPLOYMENT CONTRACTS ACT

An employer who has ended an employee's employment relationship in violation of the provisions of the Employment Contracts Act is liable to pay compensation to the employee. As a rule, 75% of the compensation is deducted from the earnings-related daily unemployment allowance received by the employee after the employment relationship has ended, and the employer pays this share to the Employment Fund. According to the Employment Contracts Act, the courts must hear the Employment Fund in disputes that relate to the termination of employment if the claimant has received earnings-related daily unemployment allowance after the termination of employment. The payment of the deduction to the Fund must also take place when the employer and employee reach a settlement on the compensation payable for wrongful termination of employment.

The Employment Fund issued approximately 790 (750) statements and contract comments during 2020.





Adult education benefits

The Employment Fund grants and pays adult education allowance and scholarships for qualified employees to support professional capabilities as well as competence development.

The adult education allowance is granted to employees or full-time entrepreneurs in order to finance their efforts to update their vocational competence. Scholarships for qualified employees are granted after having completed vocational upper secondary level qualifications, further vocational education or specialist vocational qualifications.

Employees' adult education benefits are financed entirely from the unemployment insurance contribution income. The State is responsible for financing adult education allowances for entrepreneurs and scholarships for qualified employees working for the State.

The sum of granted adult education benefits increased slightly in 2020. Adult education allowances and scholarships totalled approximately EUR 197 million, showing an increase of about 6% compared to 2019.

ADULT EDUCATION ALLOWANCE TO SUPPORT VOCATIONAL COMPETENCE DEVELOPMENT

Employees and entrepreneurs who have been working for at least eight years may apply for an adult education allowance to maintain their professional expertise and enhance their competences. Allowance may be granted to studies conducted under public oversight in Finland. These studies can lead to a full degree, a partial-degree or be further or continuing vocational training.

THE ADULT EDUCATION ALLOWANCE WAS REFORMED IN AUGUST 2020

Adult education allowances have been granted since 2001. A few larger legislative changes have occurred in that time. In 2010, the terms of granting the allowance were improved and the number of applicants started to increase rapidly. In 2017, the changes in legislation cut back the allowance, which slowed down, for a while, the growth in the demand for the allowance.



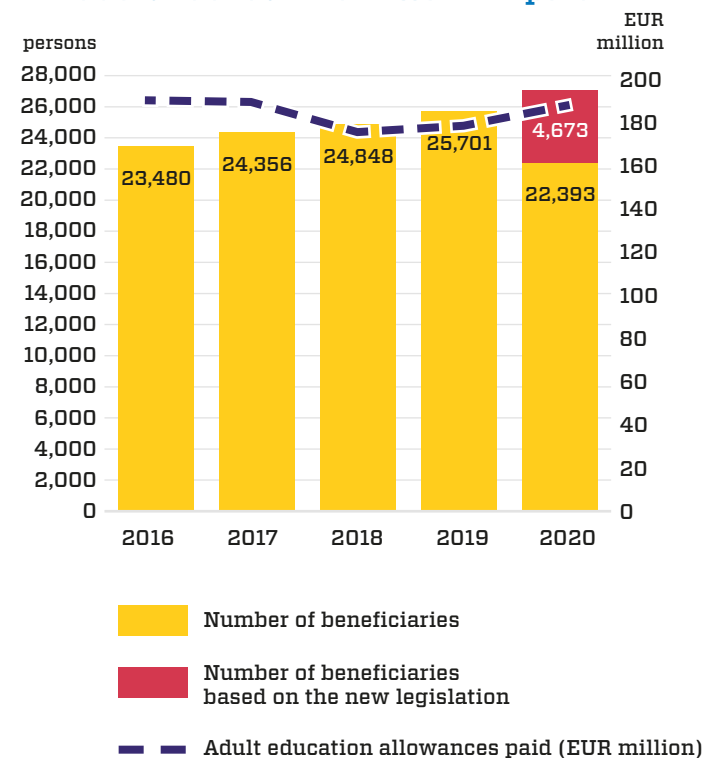
It will be possible to evaluate the reform's impacts on the use of the adult education allowance in the years to come.

The adult education allowance reform entered into force on 1 August 2020, and its aim was to facilitate the combining of study and work. In addition, its purpose is to entice new target groups for the allowance, ones that are currently under-represented in the applicant pool. These changes have affected how the employees can apply for the adult education allowance, the amount of allowance, how the allowance period is calculated, and how the studies are required to advance. The reform did not have an impact on the entrepreneurs' adult education allowance.

THE POPULARITY OF ADULT EDUCATION ALLOWANCES CONTINUED TO INCREASE IN 2020

In 2020, a total of EUR 186.9 (176.6) million of adult education allowance was paid to 27,066 (25,701) individuals. Of those who received adult education allowance, 714 individuals received entrepreneurs' adult education allowance and 26,352 received employees' adult education allowance. From the beneficiaries, 17.7%, meaning 4,673 individuals, received the reformed adult education allowance. Information about how the allowance has been used had only been received for five months by the end of 2020, so the information presented in the following paragraphs about the use and changes of the benefit are only preliminary in nature. It is possible to evaluate more permanent impacts on the use of the adult education allowance in the years to come.

Number of beneficiaries and adult education allowances paid

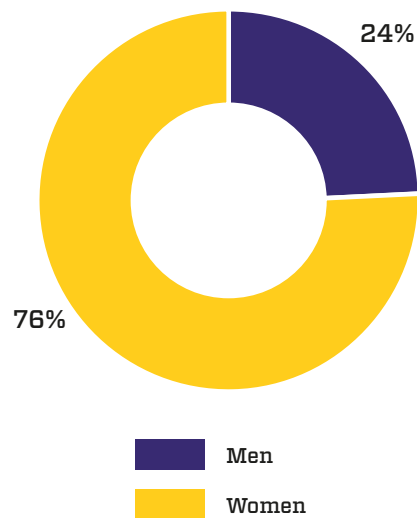


There have been no changes in the proportions of men and women applying for allowances over the last five years. In 2020, a clear majority of the beneficiaries were women, 76%. Twenty-four per cent of the beneficiaries were men. No change to this trend has been observed after the legislative amendment entered into force.

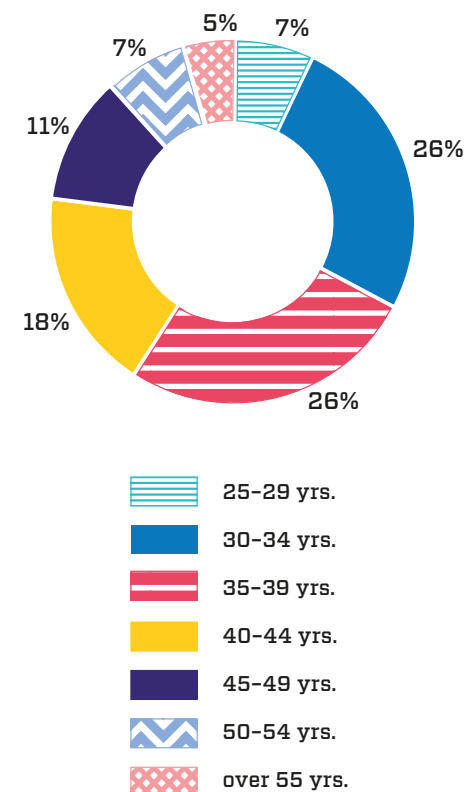
The age distribution of adult education allowance beneficiaries remained largely unchanged. 52% of the beneficiaries were 30–39 years of age. 28% of the beneficiaries were 40–49 years of age, and individuals over 55 years represented a 5% share. After the reform entered into force in August, there has been a slight increase in the percentage of beneficiaries who are 26–30 years of age. They represent 16% of all beneficiaries, whereas before reform this was 12%.

In 2020, 41% (40%) of the beneficiaries studied at universities of applied sciences, 28% (28%) at vocational institutions, 28% (28%) at universities and 3% (3%) at other educational institutions. After the reform entered into force in August 2020, the proportion of adult education allowances paid based on studies at universities of applied sciences has increased by 4 percentage points up to 44%, and the allowances paid based on studies at vocational institutions has decreased by 4 percentage points to 24%.

Adult education allowance beneficiaries by gender in 2020



Adult education allowance beneficiaries by age group in 2020



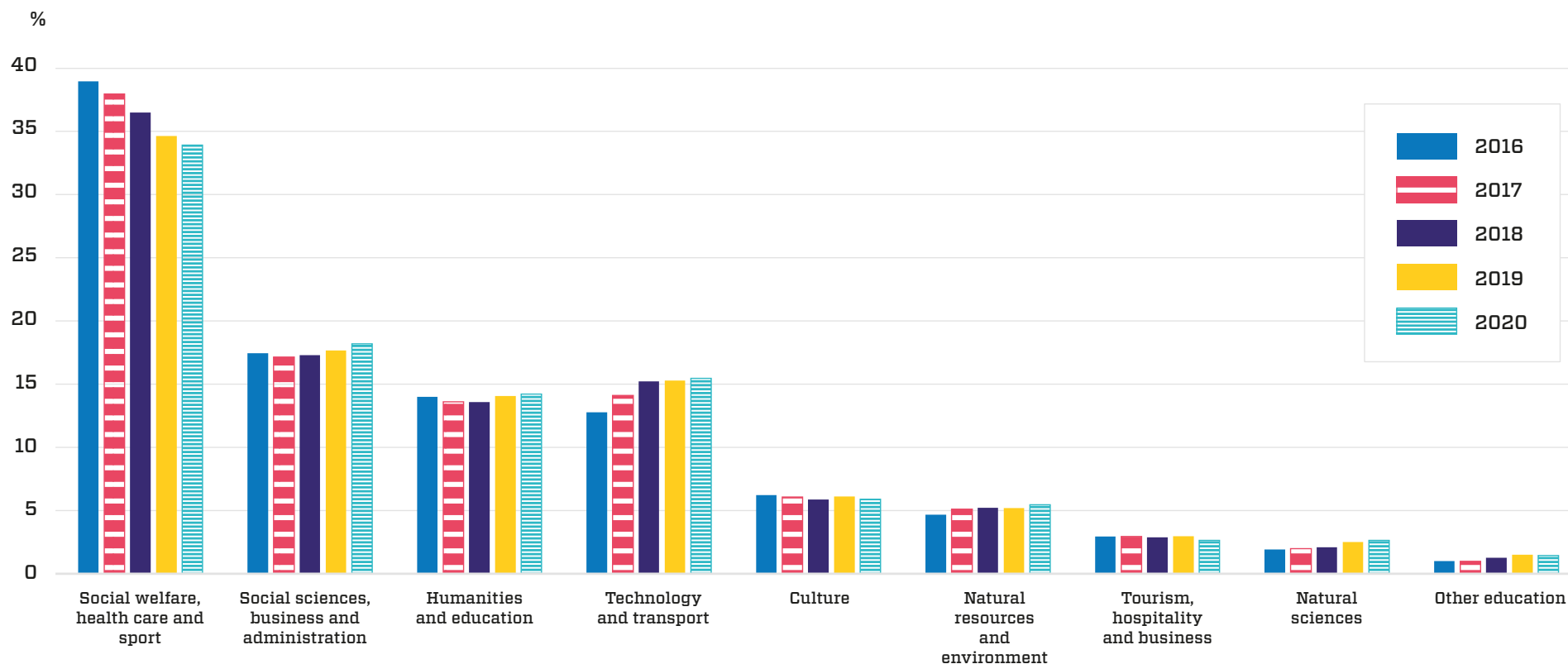


In 2020, the most popular field for students obtaining adult education allowances remained social welfare, health care and sports at 34% (34.6%). This field is still the most popular after the reform entered into force in August, but it has decreased by a few

percentage points to 32%. After the reform, the fields of social sciences, business and administration have shown a slight increase from 17.7% to around 20%, whereas the fields of technology and transport have an increase from 15.5% to 16.6%, and the number

of beneficiaries studying in the humanities or education increased from 14% to around 15.6%.

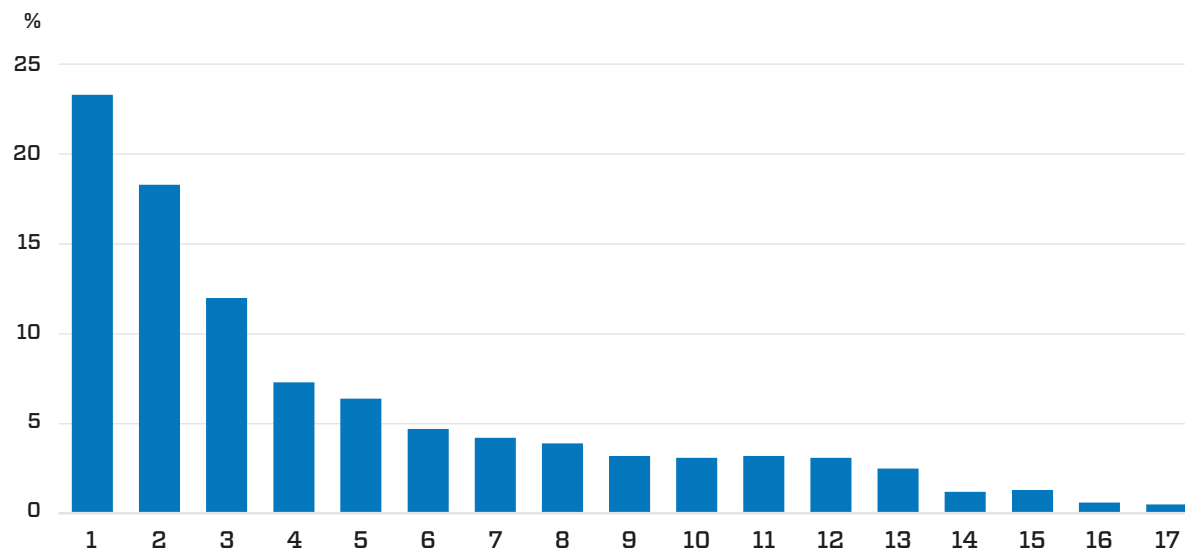
Adult education allowance by study field



When analysed from the perspective of the employer’s operating sector, 23% (24%) of beneficiaries worked in health care and social welfare services. The next-largest sector, 18% (13%), was public administration and national defence. 12% (13%) of beneficiaries worked in wholesale and retail. There has been a significant change in percentage of beneficiaries from health care and social welfare services after the reform, as their numbers have decreased by six percentage points to 18%. This change has most likely been influenced by the challenges the coronavirus pandemic has set, which may have made it more difficult for employees to take study leave from work. For public administration and national defence, the trend has been the opposite. After the reform, the number of beneficiaries in these fields has increased by nearly nine percentage points to 27%.

Adult education allowances are most commonly used for education leading to a degree – this form accounted for 84% (84%) of beneficiaries. Since the reform in August 2020, allowances for education leading to a degree have decreased by 6% to 78% of beneficiaries receiving the new reformed adult education allowance. Simultaneously the number of beneficiaries who are studying for a partial degree or participating in further vocational training has increased by six percentage points to 18%.

Adult education allowance by employer’s operating sector



Sector

1. Health care and social services (23%)
2. Public administration and national defence; mandatory social insurance (18%)
3. Wholesale and retail; motor vehicle and motorcycle repairs (12%)
4. Education (7%)
5. Industry (6%)
6. Professional, scientific and technical activities (5%)
7. Transportation and storage (4%)
8. Administration and support services (4%)
9. Finance and insurance (3%)
10. Information and communication (3%)
11. Other service activities (3%)
12. Accommodation and food service activities (3%)
13. Construction (3%)
14. Unknown sectors (1%)
15. Art, entertainment, and recreation (1%)
16. Agriculture, forestry and fisheries (1%)
17. Real-estate operations (1%)

SCHOLARSHIPS FOR QUALIFIED EMPLOYEES ON THE BASIS OF A VOCATIONAL QUALIFICATION

Scholarships for qualified employees were introduced on 1 January 1996. An individual is eligible for the scholarship if they have completed an upper secondary level vocational degree, a further vocational degree or a specialist vocational degree, are under 68 years of age, and have been working for at least five years by the date they complete the new degree. In addition, the scholarship recipient must be eligible for Finnish social security. The scholarship for qualified employees is a tax-exempt, lump-sum payment of EUR 400.

A slight increase in the popularity of scholarships for qualified employees in 2020

In 2020, 26,511 approvals were given and 26,443 beneficiaries received the scholarship. The number of approvals increased by around one per cent from 2019. A total of EUR 10.6 million was paid in scholarships, about one per cent more than the previous year (EUR 10.5 million.).

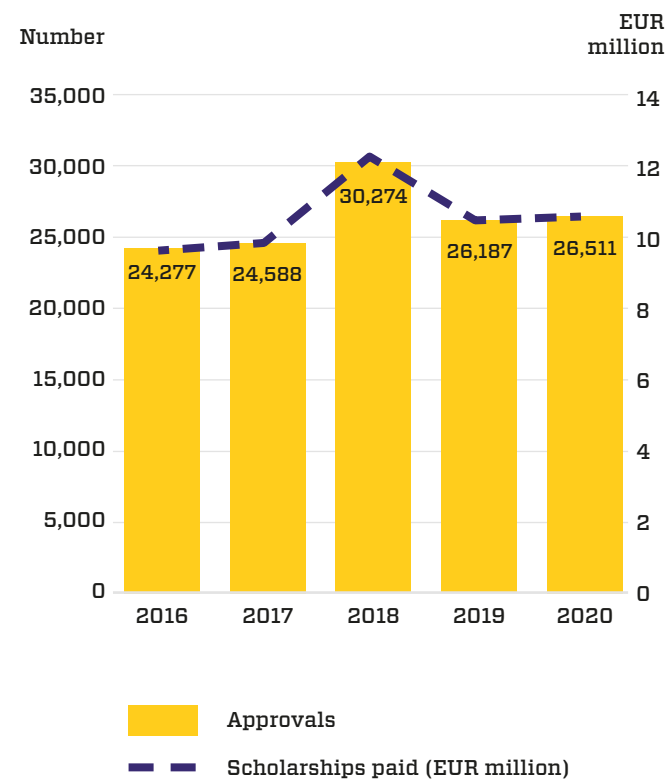
The number of scholarship applications peaks annually in June and at the turn of the year in December and January. This was the case in 2020 as well: the largest number of

applications for scholarships for qualified employees was received in June (4,216), the next-largest number in December (3,496) followed by January (3,313). The total number of applications received during these three months accounted for 38.2% of the total number of applications in the year.

Of the completed degrees used as a justification for a scholarship application, vocational degrees represent the largest proportion with 42.7% (41.1%). The upper secondary level qualifications remained in second place with 31.2% (33.7% in 2019), even though their percentage was smaller than the previous year. Specialist vocational qualifications represented the third largest application group with 26.1% (25.1%).

In 2020, a clear majority of scholarship recipients were women, 64%. The most common qualifications completed by beneficiaries of scholarships for qualified employees in 2020 were: upper secondary qualifications in the field of social welfare and health care (9% of granted scholarships), further vocational education in supervisory work (9% of granted scholarships) and specialist vocational qualifications in product development (5% of granted scholarships).

Approvals and scholarships paid to qualified employees





APPEALS AND RECOVERY OF BENEFITS PAID WITHOUT JUSTIFICATION

Applicants who are not satisfied with the outcome of their applications for scholarships for qualified employees or adult education allowances are entitled to appeal the decision. The first appellate body is the Social Security Appeal Board (SAMU). The second and final appellate body is the Insurance Court. In 2020, the Appeal Board received 173 (216) complaints, of which 20 concerned the application and payment decisions made after the reform. The Insurance Court received 44 (37) complaints.

The most common reasons for appeal were the recovery of benefits paid or the assessment of reasonability of the amount to be recovered. If a benefit has been paid without justification or the amount paid out was too high, the excess must be recovered from the beneficiary. A total of 1,932 (1,970) recovery decisions were made.

DEVELOPMENT OF ADULT EDUCATION BENEFITS' PROCESSING OPERATIONS

2020 was an eventful year for the adult education benefits' processing work, and it started in January with the deployment of the Incomes Register that we have since used to acquire salary information in order to process adult education allowance applications. After having the Incomes Register at our disposal and the adult education allowance reform, we have also reformed the adult students' electronic service. When most of the applications could be submitted without having to provide pay slips and attachments, it lessened the burden on employers and the adult education allowance applicant services.

The adult education allowance reform entered into force in August 2020. The Employment Fund started a project to implement the adult education allowance reform where they prepared information system changes required by the new legislation, provided training for staff, and communicated with the customers about the changes, among other things. The aim of this reform project has been to secure a transparent and smooth experience for the customers and ensure that the adult education allowance decisions are

processed as swiftly as possible. In order to ensure quick application processing times, the Fund also decided to automate payment applications in situations where the customer agrees to have automated processing in place. The first automated decisions were given in November 2020. Due to the increasing number of applications, automation has played a significant role in ensuring swift payment to beneficiaries.

In 2020, the Fund and its benefit service also prepared for the more extended use of the Incomes Register starting in the beginning of 2021, when information on paid pensions and benefits could also be retrieved from the Register in addition to salary information. Since the beginning of 2021, the Fund has reported granted adult education allowances and scholarships to the Incomes Register. In addition, the Fund prepared for using the Income Register's pension and benefit information starting from February 2021, when they would receive their first adult education allowance applications for 2021. Using the Incomes Register's benefit information shortens the applications' processing time and reduces the need to ask customers to send separate attachments during the processing.

Finance

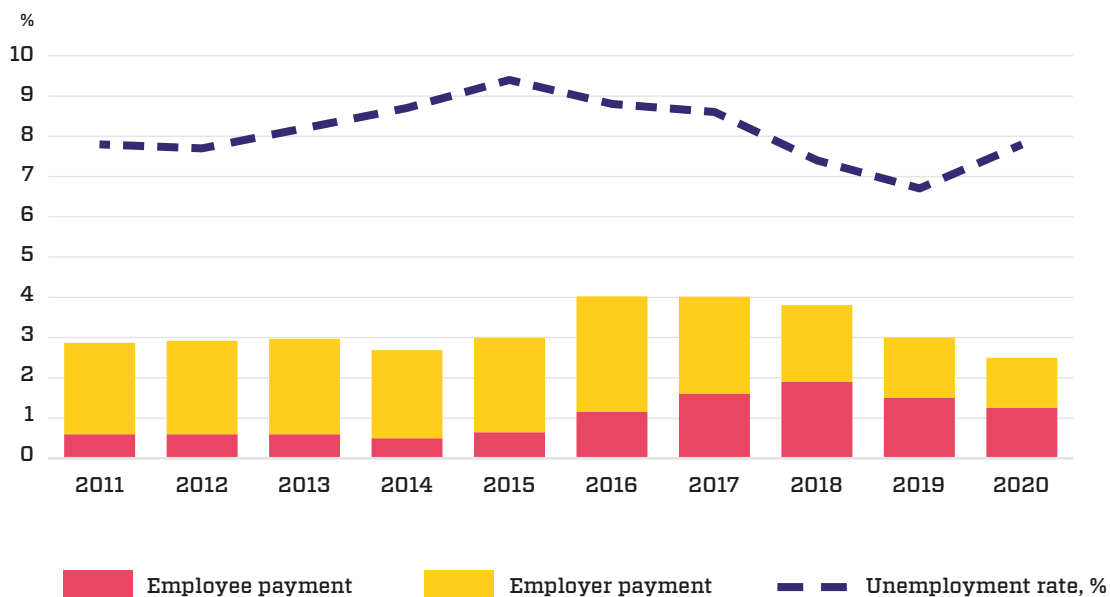
THE NET POSITION OF THE BUSINESS CYCLE BUFFER DECREASED

In accordance with chapter 1, section 3 of the Act on the Financing of Unemployment Benefits, in order to ensure liquidity and to balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy, the Employment Fund maintains a business cycle buffer. The business cycle buffer accrues on the basis of the difference between the Fund's income and expenses, and the maximum value of the buffer is an amount corresponding to the annual expenditure for an unemployment rate of six percentage points.

In a deep cyclical downturn, the business cycle buffer, on the liabilities side, can be to an amount corresponding to the expenditure.

The statutory maximum value of the business cycle buffer changed on 1 January 2020 so that instead of the previous seven percentage points it now corresponds to the annual expenditure of an unemployment rate of six percentage points.

Unemployment insurance contribution rates and unemployment rate

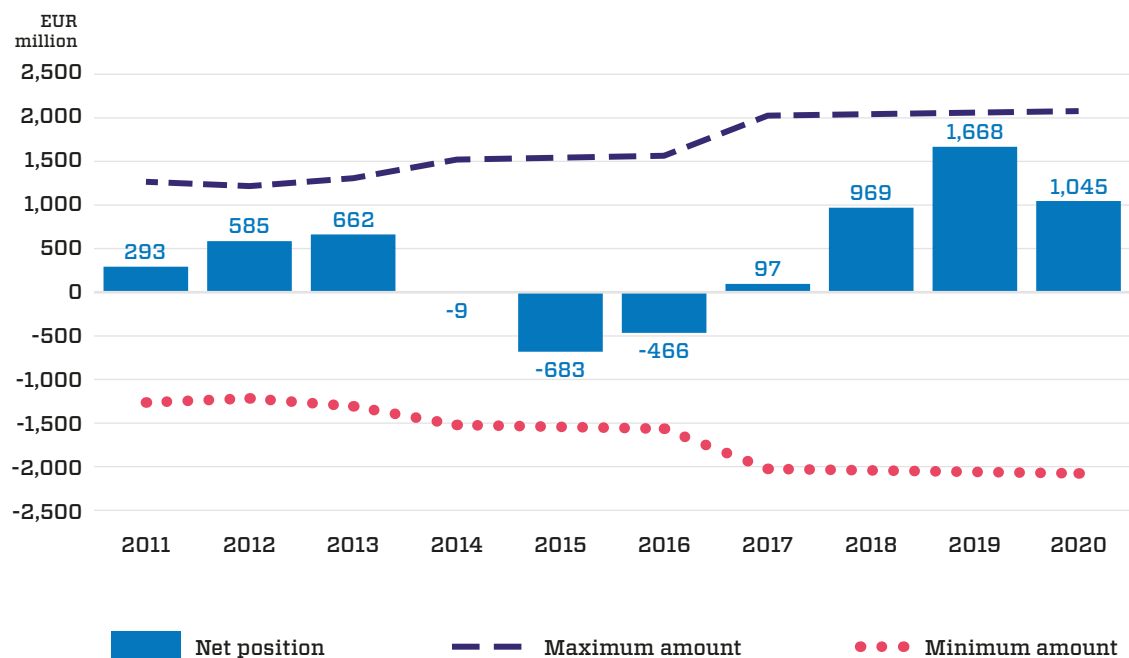


The maximum value of the buffer is calculated by dividing the annual expenditure for which the Employment Fund is liable, which was EUR 2,702 million in 2020, by the average unemployment rate for the year (7.8), and multiplying the result by 6. In 2020, the maximum permitted value of the buffer according to the Act was EUR 2,078 million. The Employment Fund's net position was EUR 1,045 million at the end of 2020.

According to the investment principles adopted by the Employment Fund's Supervisory Board, the Fund is required to have liquid investments in money market instruments with less than a year's maturity for at least an amount corresponding to one month of the Fund's expenses. This amount is approximately EUR 330 million. The so-called liquidity buffer described above was larger than the minimum amount in 2020.

According to the 2021 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 228 million on 31 December 2021. When the financial statements for 2020 were prepared, the Fund's net position at the end of 2021 was expected to be around a positive sum of EUR 500 million.

Development of the business cycle buffer



When the financial statements were prepared, the Fund's net position at the end of 2021 was expected to be around a positive sum of EUR 500 million.

DEBT FINANCING

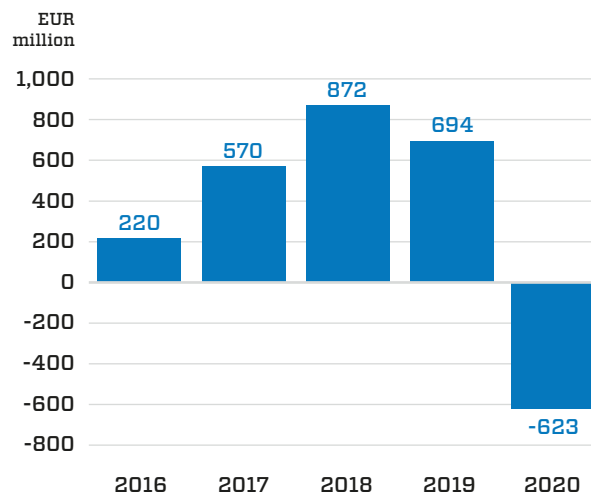
The Employment Fund implemented a significant debt financing program in 2020, aiming to ensure the Fund's liquidity and to finance some part of the increased unemployment security expenditure caused by the coronavirus pandemic.

The Fund renewed the revolving credit facility (RCF) by making an agreement with five banks about facilities worth EUR 800 million with maturities of two years. The revolving credit facility is guaranteed by the Finnish state. The revolving credit facility was not utilised during 2020.

In June 2020, the Employment Fund issued two bonds worth EUR 600 million with maturities of three and seven years. In 2020, the Employment Fund also issued short-term commercial papers, which also contributed to the financing of increased unemployment allowance expenses.

Standard & Poor's (S&P) has given the Employment Fund a credit rating of AA+ with a stable outlook. The Finnish government has also been granted the same credit rating.

Changes in net position



THE EMPLOYMENT FUND SECURED ITS LIQUIDITY

The Employment Fund responded to the challenges posed by the coronavirus pandemic by securing its liquidity. The coronavirus pandemic changed the economic environment in Finland abruptly from March 2020, when the number of unemployed jobseekers began to increase rapidly.

The timeline on the next page provides an overview of the main changes in employment in Finland caused by last year's coronavirus pandemic, as well as the Employment Fund's measures to secure its liquidity.



Employment in Finland

03/20: Economic activity decreased as a result of the coronavirus pandemic. The number of unemployed jobseekers, especially laid-off workers, increased.

03/20: The government of Finland declared a state of emergency due to the coronavirus pandemic and enforced the Emergency Powers Act that imposes restrictions on business activities.

04/20: In April, the proportion of unemployed jobseekers of the total workforce increased to 16.5 per cent and was 7.7 percentage points higher than in the previous year.

06/20: The number of coronavirus infections remained low during the summer, and the number of unemployed jobseekers slightly decreased compared to May. The state started funding the portion of earnings-related unemployment allowance in the lay-off period that corresponds to basic unemployment allowance until the end of 2020.

08/20: The number of coronavirus infections started to increase in the autumn, which dampened the economic prospects in many sectors. At the end of August, there were over 50,000 more laid-off workers than in the previous year.

March



April



June



August–September



The Employment Fund's activities

03/20: The Employment Fund predicted a significant increase in unemployment benefit costs as a result of the coronavirus pandemic. The Fund started preparations to secure the financing of unemployment allowances.

03/20: The Employment Fund called on the government of Finland to secure the financing of unemployment allowances.

04/20: The Employment Fund agreed on a new revolving credit facility (RCF) worth EUR 800 million with five Nordic banks with a two-year maturity. The revolving credit facility is guaranteed by the Finnish state.

06/20: The Employment Fund ensured its liquidity by issuing two bonds in the amount of EUR 1,200 million.

08/20: The budget of the Employment Fund 2021 was confirmed. The Fund proposed increases in unemployment insurance contributions for 2021 to cover unemployment expenses.

09/20: Standard & Poor's (S&P) affirmed AA+ credit rating on the Employment Fund with a stable outlook.

Investment activities

The Employment 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.

At the end of 2020, the Employment Fund's investment and liquid assets amounted to EUR 1,831 million (EUR 1,020 million in 2019).

In 2020, developments in the investment market were dominated by the uncertainty caused by the coronavirus pandemic. At the beginning of the year, investors began to closely monitor the development of the pandemic on a global level. At the beginning, the market was relatively unaffected by the coronavirus, and positive stock market development continued in January–February. However, the situation clearly deteriorated in March, both in terms of the coronavirus pandemic and the economy.

Share values began to fall steeply in the spring as the coronavirus pandemic spread to more countries and caused widespread illness.

Prices fell by several dozen percent in a few weeks, and the selling pressure in the market was quite intense. The liquidity of the investment market was severely tested at times, which was widely reflected in the trading of most investment instruments. In this situation, central banks acted quickly and decided on new support measures that both increased the money supply in the banking system and expanded securities purchase programmes. These decisions improved market conditions and instilled confidence in investors.

The interest rate market also saw strong selling pressure in March, which was exceptionally reflected in government bonds. Government bonds, which are considered safe investments, have often increased in value when the development of the stock market has been weak. Now the value of loans decreased together with the decrease in share prices.



One of the main goals of the Employment Fund's investment activities is to support the performance of the Fund's statutory duties and to ensure sufficient liquidity to finance expenses that are the responsibility of the Employment Fund.

In order to meet this goal, in 2020, we had to reallocate investment capital in the Employment Fund's investment portfolio.

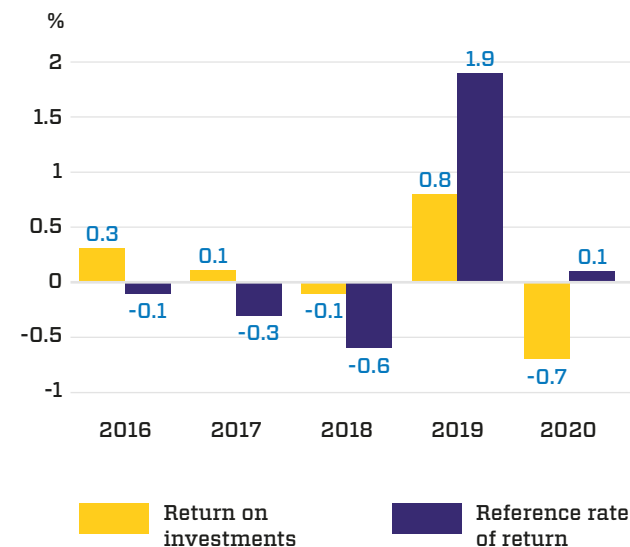
The restrictive measures adopted in Finland and elsewhere in the world to prevent the spread of the coronavirus pandemic significantly reduced economic activity and led to extensive layoffs and redundancies in Finland in March-April. The amount of daily allowances paid by unemployment funds increased significantly, and the Employment Fund had to liquidate its investment assets for several hundred million euros. We also had to sell our investments at reduced prices, which reduced the return on investment.

As a result of the issuance of bonds in June 2020, our liquidity returned to a good level and we held a significant portion of our cash in bank accounts during the remainder of the year, which enabled us to prepare for higher expenses.

We invested actively in money market instruments, bonds, funds and, to a lesser degree, also equities, as well as alternative investments. At the end of the financial period, EUR 1,127 (446) million of the Fund's assets were invested in money market instruments, EUR 682 (536) million in bonds, EUR 0 (18) million in equities, and EUR 21 (19) million in other investments.

In 2020, we achieved a return of -0.7 (0.8) per cent on invested assets. The return fell short of the expectation entered in the investment plan and the reference return on investment activities.

Return on investments





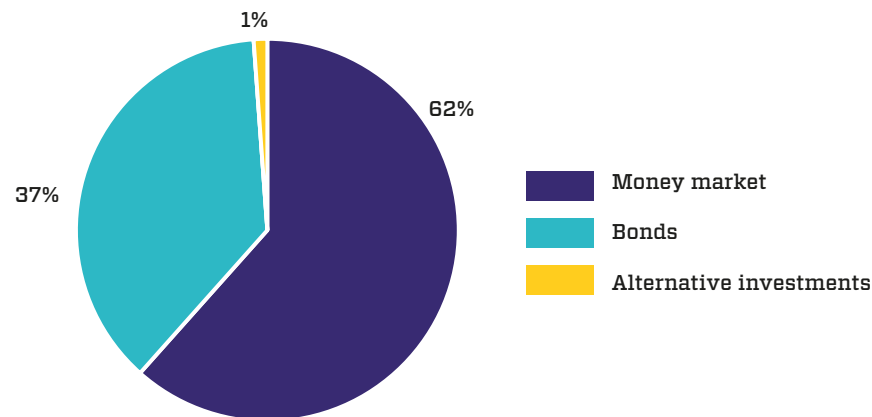
RESPONSIBLE INVESTMENT

In practice, responsibility in investment activities means that we take responsibility factors into consideration when making investment decisions, and we believe that this will help us to improve the balance between risk and return.

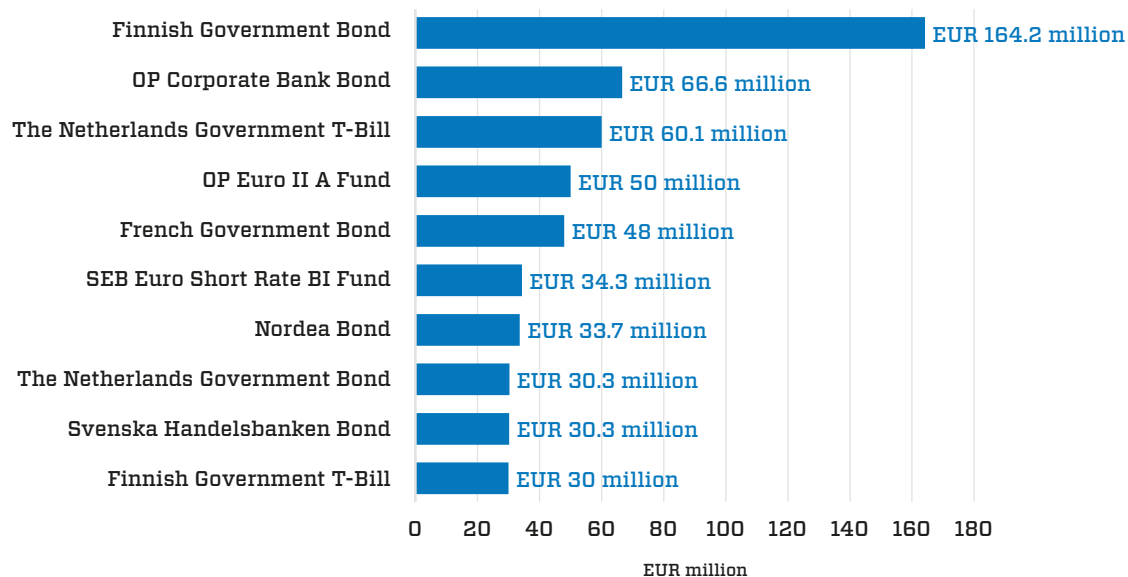
When we make investment decisions, we take environmental, social and governance (ESG) factors into consideration in addition to financial indicators. With the exception of index investments, we integrate ESG factors into all our investments insofar as is possible. We do our part to ensure that ESG factors are taken into consideration by commissioning an external party to review our investments two times per year and report any deviations.

We exclude companies whose operating methods are considered irresponsible with regard to factors such as corruption, child labour, employees' rights and human rights from our list of potential investments. We also invest in companies that comply with the UN Global Compact wherever possible.

Investment spread



Largest investments



Risk Management

Risk management is an essential part of the Employment Fund's internal control, meaning systematic and proactive practices for identifying, analysing and managing threats and opportunities related to the operations of the organisation.

The Employment Fund's internal control consists of all the practices and procedures that aim to give the Board of Directors and the Management a reasonable assurance of the achievement of set objectives, effectiveness of operations, reliability and adequacy of financial and operational information, as well as compliance with laws and regulations.

The objective of risk management is to ensure that any risks that the Employment Fund takes are proportional to the Fund's targets and risk appetite. The aim is also to ensure that the continuity of the Employment Fund's operations are secured at all times, even in exceptional circumstances. The Employment Fund's risk management is carried out in accordance with the risk management principles approved by the Fund's Board of Directors, and by involving the entire personnel in the risk management process.

In 2020, the coronavirus pandemic had a significant impact on the Employment Fund's

financial risk management, but it also affected the Fund's other operations. The Employment Fund set up a crisis management group to manage and coordinate the coronavirus situation. The group is managed by the Employment Fund's Managing Director. The group has maintained a situational picture of the Fund's coronavirus-related activities and reported regularly to the Financial Supervisory Authority, which supervises the Employment Fund's operations, and to the Ministry of Social Affairs and Health.

In the spring of 2020, the Employment Fund took active measures to cover increasing unemployment benefit costs and to secure the financing of unemployment allowances. The purpose of the measures was to manage the Employment Fund's financial risks and to ensure the liquidity of the Employment Fund. The measures also helped ensure the stable financing of earnings-related unemployment allowances paid by unemployment funds and basic daily allowances paid by Kela.



In 2020, the key measures in managing financial risks included the following:

USING THE BUSINESS CYCLE BUFFER

The assets in the Employment Fund's business cycle buffer and the investments financed with them were realised during the spring of 2020. The amount of investments realised was approximately EUR 300 million. In 2020, the change in net assets was EUR -623 million and, at the end of the year, the amount of assets in the business cycle buffer was EUR 1,045 million.

DEBT FINANCING

In the beginning of 2020, the Employment Fund secured approximately EUR 2,000 million in debt financing capacity to cover the increase in unemployment benefit costs.

The Employment Fund renewed its bank loan financing programmes with new two-year contracts guaranteed by the Finnish state. In addition, the Employment Fund issued two bonds worth EUR 600 million with maturities of three and seven years and short-term commercial papers with a maturity of less than one year.

OTHER MEASURES

The Employment Fund called on the government of Finland to secure the financing of unemployment allowances. The regulations on the financing of unemployment allowances were amended and the state started funding the portion of earnings-related unemployment allowance in the lay-off period that corresponds to basic unemployment allowance until the end of 2020.

Despite the coronavirus pandemic, statutory unemployment insurance contributions were collected as usual.

CYBER RISKS

Exceptional circumstances also create new opportunities for cybercrime and security attacks. The Employment Fund utilises various means to detect and identify cyber risks. The Employment Fund's security strategy also includes regular training to ensure its ability to respond to potential cyber-attacks.

STRATEGIC AND REPUTATIONAL RISKS

Strategic risk management ensures that the Employment Fund achieves its strategic objectives.

The Employment Fund invests in promoting digitalisation in order to improve its services and to increase its operational efficiency. One of the key strategic goals in reforming the adult education allowance was to increase automation to speed up the allowance application process and to meet customer expectations.



The Employment Fund invests in promoting digitalisation in order to improve its services and to increase its operational efficiency.

It is important for the Employment Fund to operate reliably and efficiently, even during the coronavirus pandemic. In addition to proactive and situational customer communication, the Employment Fund has invested in training customer service personnel to meet the changing needs of customers, especially in exceptional circumstances. The Employment Fund has sought to meet the expectations of stakeholders through active communication and information sharing.

OPERATIONAL RISKS

Operational risk management ensures the continuity of the Employment Fund's statutory activities and key functions both in everyday operations and in times of operational change.

In order to ensure the continuity of the Employment Fund's key functions, in March 2020, we quickly switched to working almost entirely remotely in accordance with the recommendations of the Finnish government, and we have continued to work remotely since then. This quick transition ensured secure operations and a confidential customer service.

REGULATORY RISKS

The Employment Fund's operations are based on legal and regulatory compliance. Regulatory risk management ensures that the Employment Fund's operations comply with laws and requirements, the relevant standards of responsibility, and ethical operating principles. Compliance is ensured by identifying regulatory risks and actively monitoring changes in legislation.



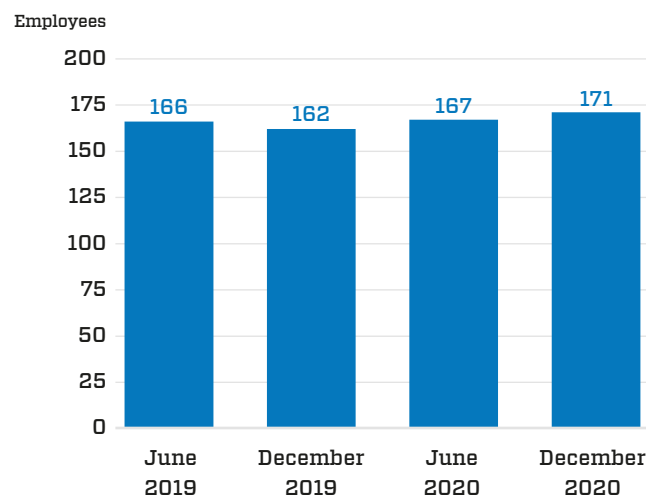


Personnel

In the spring of 2020, the Employment Fund’s personnel successfully switched to working remotely and will continue to do so for the time being. Even in exceptional circumstances, the work contribution of the personnel has ensured that the Employment Fund’s services have been well managed.

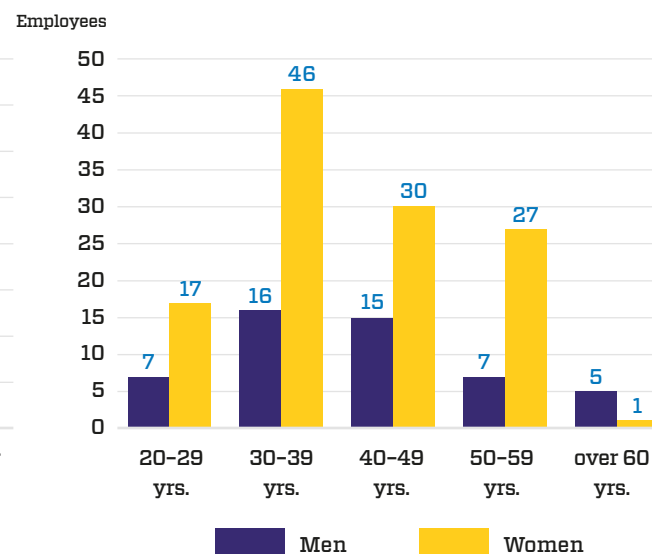
The Employment Fund’s Managing Director is Janne Metsämäki, LL.M. At the end of 2020, the number of personnel was 171 (162), or an average of 140 (142) person-years of work. The increase in the number of personnel was mainly due to the increased demand for adult education allowances and the amendment to the law governing adult education allowance that entered into force on 1 August 2020, which changed the application process for employees applying for adult education allowance. In addition, the increase was due to delays in the project preparing the adult education allowance reforms and the automation of application processing.

Number of employees in the Employment Fund 2019–2020



In 2020, the average number of employees in the Employment Fund was 160, and the Fund paid 7,231,357 euros in wages and 172,090 euros in fringe benefits. The Employment Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the

Age and gender distribution of personnel in 2020



Fund’s strategic objectives. Men accounted for 50 (46) of the employees and women accounted for 121 (116) of the Employment Fund’s personnel. The average employee age was 40 (40), and the average duration of employment at the Employment Fund was 5.5 years.



Contented personnel is key to our operations, and wellbeing is constantly monitored in the Fund. The wellbeing of the personnel was assessed by conducting a survey on occupational wellbeing. The average score for work ability was 7.9 on a scale of 1 to 10 (7.3 in the reference material). 92% of our employees believed that they would be able to work after two years. According to the survey, our personnel appreciates the possibility to work remotely and hopes for increased self-management. The number of absences due to illness decreased compared to 2019. The average number of absences was 10.35 days/person (13.9 in 2019), 3.23% (4.4% in 2019) calculated according to the statistics of the Confederation of Finnish Industries (EK).

SKILLS DEVELOPMENT

In 2020, the focus of staff training was on the development of digital skills, which was reflected, for example, in the launch of the Fund's internal digitalisation academy. The need to improve the personnel's digital skills was driven by the shift to O365 services and their new tools such as Teams and Planner. The digital work environment consisting of Office 365 applications contributed to our successful transition to remote work.

Another focus of staff training was the establishment of a leadership academy. Our aim is to create an excellent management culture in the Fund through leadership coaching. By investing in management

training, we aim to further improve the quality of managerial work and thus also improve our work performance and employee motivation.

In 2020, the Employment Fund also launched the Studia Generalia lecture series, where visiting experts gave lectures to our staff. The aim of the lectures was to improve wellbeing and self-management skills among our staff. The digitalisation and leadership academies as well as the Studia Generalia lecture series will continue in 2021. The average number of training days per person was 2.26 (2.46 in 2019).

A glimpse into the coming year

During the operating year, the Employment Fund continued to build the foundation for discharging its statutory duties and to push ahead with projects related to its strategic goals. This work will continue in 2021.

The reporting of allowances paid by the Employment Fund in the Incomes Register and the utilisation of benefit details in the granting of adult education allowances were successfully introduced in early 2021. The effects of the adult education allowance reform will be assessed and reported to Parliament by the end of 2021.

In 2020, the coronavirus pandemic also had a major impact on the Employment Fund's operations. The pandemic will continue well into 2021, although vaccinations have already begun. The economy is expected to slightly recover. In 2021, employment and unemployment rates are expected to remain virtually unchanged from the previous year. The change in the Employment Fund's net assets is estimated to be clearly in deficit in 2021. The amount of net assets in the business cycle buffer is estimated to be approximately EUR 500 million at the end of 2021.



Corporate governance

The corporate governance statement for the Employment Fund in 2020 has been prepared pursuant to the Securities Market Act and the recommendation on reporting of the Finnish Corporate Governance Code for Listed Companies, which took effect on 1 January 2020.

COMPLIANCE WITH THE FINNISH CORPORATE GOVERNANCE CODE 2020 AND DEVIATIONS FROM THE RECOMMENDATIONS

The Employment Fund is an independent institution established by law. It has not issued any shares or interests for public trading. The Employment Fund has issued bonds to be quoted on Nasdaq Helsinki Ltd. For this reason, the Employment Fund has decided to conduct its operations, where applicable, in compliance with the Finnish Corporate Governance Code for Listed Companies. This corporate governance statement is issued in compliance with the Corporate Governance Code revised

in 2019 and effective as of 1 January 2020 (the Corporate Governance Code is publicly available on the Securities Market Association's website at www.cgfinland.fi).

The operations and responsibilities of the organs of the Employment 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 Rules of Procedure of the Employment Fund (862/1998).

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

- **Recommendations 1, 2, 3 and 4:** The Employment Fund's most senior decision-making body is not a general meeting or similar organ but the Supervisory Board, appointed by

the Government, in accordance with the Decree on the Regulations of the Unemployment Insurance Fund (862/1998). The Decree includes provisions on matters to be decided in the meetings of the Supervisory Board and the related procedures, as well as the notice to the meeting. For this reason, the recommendations concerning the general meeting, the notice to the meeting, the general meeting documents and the election process for the Board of Directors are not applicable as such to the Employment Fund's operations.

- **Recommendations 5, 6, 7, 8, 9 and 10:** The Employment Fund's Supervisory Board elects the members of the Board of Directors in accordance with the principles set out in the Decree on the Rules of Procedure of the Employment Fund (862/1998). The Decree does not restrict the terms of office of members of the Board of Directors. However, in practice, the Supervisory

Board confirms the members, chair and vice chair of the Board of Directors annually. For this reason, the recommendations concerning the election of the members of the Board of Directors and the Nomination Committee are not applicable to the Employment Fund's operations.

- **Recommendations 10, 16, 17 and 18:** The Employment Fund has no shareholders or similar owners, so there is no evaluation of whether the significant shareholders are independent of the management.
- **Recommendation 19:** The Employment Fund has no shareholders or equivalent owners, so the recommendation concerning a shareholders' nomination committee is not applicable.
- **Recommendation 22:** The Employment Fund is not a corporation, so the regulations on remuneration principles and reporting are not applicable as such to the Employment Fund's operations. The Supervisory Board decides on the remuneration of the Board of Directors. The Ministry of Social Affairs and Health decides on the remuneration for meetings for the Supervisory Board and the principles of compensation for travelling expenses. The Board of Directors decides

on the remuneration and the terms and conditions of the service contract of the managing director, as well as the principles of remuneration for other management staff.

- **Recommendation 23:** The Employment Fund has no shareholders or similar owners, wherefore the recommendations relating to shares and share-based remuneration for the members of the Board of Directors will not be applied.
- **Recommendation 28:** The Employment Fund is not a corporation, so the regulations on related-party transactions are not applicable as such to the Employment Fund's operations. However, as an issuer of bonds, the Employment Fund complies with the insider rules laid down in the Market Abuse Regulation (MAR).

SUPERVISORY BOARD

According to the Decree on the Rules of Procedure of the Employment Fund (862/1998), the Employment Fund's most senior decision-making body is the Supervisory Board, which has 18 members. The Supervisory Board elects a chair and vice chair from among its members for one calendar year at a time, one of whom is an

employer representative and the other one an employee representative. The chairmanship is held in turn by representatives of employers and employees, alternating annually.

The Finnish Government appoints the members of the Employment Fund's Supervisory Board, six of whom are representatives nominated by the Confederation of Finnish Industries, three by the Commission for Local Authority Employers, three by the Central Organisation of Finnish Trade Unions (SAK), three by the Finnish Confederation of Professionals (STTK) and three by the Confederation of Unions for Professional and Managerial Staff in Finland (Akava). The term of the members of the Employment Fund's Supervisory Board is three calendar years.

On 22 November 2017, based on the proposal of the labour market parties, the Government appointed the members of the Unemployment Insurance Fund's Supervisory Board for the term from 1 January 2018 to 31 December 2020.

The members appointed to the Unemployment Insurance Fund's Supervisory Board served the remainder of their terms on the Employment Fund's Supervisory Board when it began operating on 1 January 2019.

**The members of the Supervisory Board in 2020 were:**

Name	Year of birth	Education	Main occupation	Attendance at meetings of the Supervisory Board
Antti Zitting, Chairman	1956	Master of Science (Technology)	Chair of the Board, Sacotec Components Oy	2/2
Annika Rönni-Sällinen, Vice Chair	1976	Master of Laws	Chair, Service Union United PAM	2/2
Riku Aalto	1965	Master of Administrative Sciences	President, Industrial Union	2/2
Teija Asara-Laaksonen	1957	secondary school graduate	Vice President, Trade Union for the Public and Welfare Sectors (JHL)	2/2
Jorma Haapanen	1964	Master of Agriculture and Forestry Sciences	Service Director, Social and Health Services in Kymenlaakso (Kymsote)	2/2
Jari Jokinen	1967	Master of Science (Technology)	Executive Director, Tekniikan Akateemisten Liitto TEK ry	2/2
Tauno Kekäle (until 30 April 2020)	1961	Doctor of Science (Business Administration)	CEO, Rector, Vaasa University of Applied Sciences Ltd	0/2
Teemu Kokko (as of 1 May 2020)	1961	Doctor of Science (Business Administration)	Managing Director, Haaga-Helia University of Applied Sciences	1/2
Antti Korpinieniemi	1961	Master of Agriculture and Forestry Sciences	CEO, Berner Ltd	2/2
Kirsi-Marja Lievonen	1962	Licentiate of Laws trained on the bench	HR Director, City of Vantaa	2/2
Petri Lindroos	1965	Master of Education	Director of Negotiations, Trade Union of Education in Finland (OAJ)	2/2
Salla Luomanmäki	1963	Master of Arts	Executive Director, Akava Special Branches	2/2
Jorma Malinen	1959	Automation Designer	President, Trade Union Pro	0/2
Matti Mettälä	1963	Master of Laws trained on the bench	EVP, Human Resources, Kesko Corporation	2/2
Taina Niiranen	1966	Master of Administrative Sciences	Director of Health and Wellbeing Services, Parkano municipality	2/2
Olli Nikula	1967	Master of Economic Sciences	CEO, Saint-Gobain Finland Ltd	1/2
Harri Ojanperä	1961	Master of Business Administration	Senior Vice President, SOK Travel and Hospitality Industry Chain Management	2/2
Silja Paavola	1956	Auxiliary Nurse	President, Finnish Union of Practical Nurses (SuPer)	2/2
Millariikka Rytönen	1975	Midwife-nurse, Master's degree	Chair, Union of Health and Social Care Professionals Tehy	1/2

**Meeting practice and access to information**

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

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

The meeting of the Supervisory Board can be constituted a quorum when the chair or the vice chair and at least one half of the members are present at the meeting, either physically or via remote access. Employers and employees must both be represented at the meetings. The decisions of the Supervisory Board are based on a simple majority. In the event of a tie, the decision is then based on the opinion supported by the chair of the meeting. In the event of an election in which the voting ends in a tie, the result is then decided by drawing lots. In the event that the question concerns a proposal for unemployment insurance contributions and the voting ends in a tie, the opinion supported by both the chair and the vice chair then becomes the decision.

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

The Supervisory Board convened twice in 2020, and also held one meeting via e-mail.

Members of the Supervisory Board

On 22 November 2017, based on the proposal of the labour market parties, the Government appointed the members of the Supervisory Board of the Unemployment Insurance Fund, which became the Employment Fund on 1 January 2019, for the term from 1 January 2018 to 31 December 2020.

BOARD OF DIRECTORS

According to the Decree on the Rules of Procedure of the Employment Fund (862/1998), the Employment Fund must have a Board of Directors. The Board has 14 (fourteen) ordinary members nominated by the Supervisory Board such that seven of the Board members are representatives of employer organisations and seven are employee representatives. The Board of Directors has to have a chair and vice chair, one of whom must be an employer representative and the other one an employee representative. The chairmanship is held in turn by representatives of employers and employees, alternating annually. If the position of a Board member becomes vacant during the term of office, the Supervisory Board should appoint a new member for the rest of the term of office as described above.

The Board of Directors constitutes a quorum when the chair or vice chair and at least seven members are present at the meeting or participate in the meeting by means of telecommunications or other technical means. Those attending the meeting must include both employer and employee representatives. The decisions of the Board are based on a simple majority. In the event of a tie, the decision is then based on the opinion supported by the chair of the meeting. In the event of an election in which the voting ends in a tie, the result is then decided by drawing lots. In the event that the question concerns a proposal for unemployment insurance contributions and the voting ends in a tie, the opinion supported by both the chair and the vice chair then becomes the decision. The Board of Directors is responsible for the Employment Fund's administration and the proper organisation of its operations.

The Board of Directors follows the development of the Employment Fund with the help of the management's monthly reports and other information delivered by the management. The right to represent the Employment Fund is the prerogative of the Chair of the Board of Directors alone and, as authorised by the Board of Directors, a member of the Board of Directors, the Managing Director or an employee of the Employment Fund, each alone. The main duties and operating principles of the Employment Fund's Board of Directors should be specified in the written rules of procedure. The Board of Directors must carry out a self-assessment of its performance once a year.



**The members of the Board of Directors in 2020 were:**

Name	Year of birth	Education	Main occupation	Attendance at meetings of the Board of Directors
Antti Palola, Chair	1959	Sea Captain	Chair of the Board, Finnish Confederation of Professionals STTK	12/12
Vesa Rantahalvari, Vice Chair	1967	Master of Administrative Sciences	Senior Expert, Confederation of Finnish Industries (EK)	12/12
Tuomas Aarto	1973	Master of Laws trained on the bench	Director General, Service Sector Employers Palta	12/12
Minna Etu-Seppälä	1972	Master of Laws trained on the bench	Director, Chemical Industry Federation of Finland	11/12
Sture Fjäder	1958	Master of Economic Sciences	President, Confederation of Unions for Professional and Managerial Staff in Finland (Akava)	8/12
Riikka Heikinheimo	1963	Doctor of Philosophy	Director, Confederation of Finnish Industries (EK)	12/12
Minna Helle	1971	Master of Laws	Director, Labour Market, Technology Industries of Finland	12/12
Markku Jalonen	1960	Licentiate of Social Sciences	Labour Market Director, Local Government Employers	9/12
Ilkka Kaukoranta	1986	Master of Political Sciences	Chief Economist, SAK	12/12
Ida Mielityinen	1973	Master of Political Sciences	Development Manager, Akava	12/12
Katarina Murto	1971	Master of Laws, trained on the bench	Director, Finnish Confederation of Professionals STTK	11/12
Jorma Palola	1954	Licentiate of Laws	Chief Negotiator, Local Government Employers	11/12
Saana Siekkinen	1972	Master of Social Sciences	President, Central Organisation of Finnish Trade Unions (SAK)	12/12
Pirjo Väänänen	1971	Master's degree in Social Science from a university of applied sciences	Head of Social Affairs, SAK	11/12

Meeting practice and access to information

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

Chair's duties

The Supervisory Board elects the Chair of the Board of Directors and the Vice Chair of the Board of Directors for one calendar year at a time. In 2020, the Chair was Antti Palola.

Chair of the Board

- convenes meetings of the Board of Directors
- approves the agenda prepared by the Managing Director for the meetings of the Board of Directors
- is responsible for drafting the minutes of every meeting of the Board of Directors
- maintains contact with the Managing Director and the members of the Board of Directors between the meetings, if necessary

- is responsible for ensuring that this working order is complied with in the work of the Board of Directors
- approves the invoices of the Managing Director.

Operations of the Board of Directors

The Board of Directors convened 12 times in 2020, and also held one meeting via e-mail. On the basis of the rules applying to the Employment Fund, the Board of Directors does not have any permanent committees. However, it can decide to establish working groups or committees for the purpose of assisting the Board of Directors with the preparation of a certain matters falling within the competence of the Board of Directors. Since 2019, the Board of Directors has had an audit committee, but no other committees in 2020.

Audit committee

The Employment Fund's Board of Directors has an audit committee consisting of four members of the Board. The Board of Directors has elected the Chair, the Vice Chair and the members of the audit committee from among its members. The Board of Directors has approved written rules of procedure for the committee, which include the committee's key tasks and operating principles. The audit committee does not have independent decision-making

powers. The Board of Directors makes the final decisions based on the committee's proposals. The Chair of the committee reports on the committee's work at board meetings. The minutes of the committee meetings are submitted to the members of the Board.

In 2020, the members of the audit committee were: Minna Helle (Chair), Ilkka Kaukoranta (Vice Chair), Ida Mielityinen and Jorma Palola. In 2020, the audit committee convened four times. The members were present at all committee meetings.

MANAGING DIRECTOR

The Employment Fund has a Managing Director who is responsible for the Fund's management in accordance with guidelines and orders issued by the Board of Directors. The Managing Director is responsible for ensuring that the Employment Fund's accounts comply with the law and that its financial affairs have been arranged in a reliable manner. The Managing Director must also provide the Board of Directors and its members with the information necessary for the Board of Directors to perform its duties.

The Employment Fund's Managing Director is Janne Metsämäki, LL.M. (b. 1960).



MANAGEMENT GROUP

The Management Group supports the Managing Director in leading the Employment Fund's operations and achieving the Employment Fund's strategic and operational goals. The Management Group convenes weekly.

In 2020, the members of the Management Group were:

Name	Year of birth	Education	Duties/responsibilities
Janne Metsämäki	1960	Master of Laws	Managing Director
Virpi Halme	1976	Master of Laws	Director, Internal Services and Legal Affairs
Katja Knaapila	1966	Master of Business Administration	Director, HR and Communication
Juho Oksanen	1978	Master of Science (Economics and Business Administration), Master of Social Sciences	Director, Development and Renewal
Tapio Oksanen	1958	Master of Economic Sciences	Chief Financial Officer, Deputy Managing Director
Merli Vanala	1964	Master of Arts	Director, Customer Relations

INTERNAL CONTROL AND RISK MANAGEMENT PRINCIPLES

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

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

The Employment Fund has internal control and risk management principles, which the Board of Directors decides upon. Furthermore, the Employment Fund's internal control is based on investment principles determined by the Supervisory Board, investment plans determined by the Board of Directors, (if necessary) debt servicing plans, information security principles, internal audit procedures, and the Fund's other procedures.

Objectives of internal control and risk management

The internal control and risk management of the Employment Fund involve procedures aimed at achieving reasonable certainty of the following:

The achievement of set objectives and the effectiveness of operations

- The Employment Fund collects and distributes the unemployment insurance contributions and liability components levied, as well as other income, effectively and in compliance with the law.
- The assets held by the Employment Fund are managed well and the resources are safeguarded from any losses arising from the poor performance of duties, misspent funds, errors, misconduct, or other actions that violate the rules and guidelines.
- The Employment Fund's operations and use of assets are effective in such a way that the objectives are achieved and the operations are economical, profitable and impactful
- The production of accurate and sufficient information relating to finances and operations.
- Information is available about the Employment Fund's operations,

finances and administration as required for effective management, and the information is also used for management.

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

Legality and compliance of operations

The Employment Fund's activities comply with the law, the guidelines and regulations applying to the Fund, and the requirements of good governance.

Responsibilities of internal control and risk management

The Employment Fund's Board of Directors decides on the bases of internal control and risk management, and it requires that the Employment Fund's operations are

organised so as to enable adequate internal control and risk management across every level of the organisation and in all its activities.

The principles of the Employment Fund's internal control and risk management apply to all of the Employment Fund's functions, and each employee is responsible for implementing them.

The Employment Fund's internal control is based on a 'three lines of defence' model, as presented on the next page.



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

The first line of defence consists of the Board of Directors and the Fund's Management Group. The Board of Directors is responsible for arranging internal control and risk management, and the Fund's Management Group is responsible for implementation.

Second line of defence – Compliance and Risk Control

The second line of defence consists of the independent Compliance and Risk Control functions which are responsible for developing, maintaining and monitoring the general internal control principles and the functionality of risk management in the Fund.

Third line of defence – Internal Audit

The third line of defence consists of Internal Audit, which is a separate and independent function, whose purpose is to assure that the Employment Fund's internal control and risk management is appropriately arranged. The Internal Audit function operates under the supervision of the Director of Internal Services and Legal Affairs and reports directly to the Managing Director and to the Board of Directors. According to the audit plan approved by the Board of Directors, internal audit activities may be directed at any function or unit at the Employment Fund. BDO Oy served as the Employment Fund's internal auditor until 30 June 2020. After that, internal audits have been conducted by PricewaterhouseCoopers Oy.

AUDIT

KPMG Oy Ab, a firm of authorised public accountants, serves as the Employment Fund's auditor. The auditor with principal responsibility is an Authorised Public Accountant Marcus Tötterman. The Supervisory Board decided that the auditor's fees and expenses will be paid according to the invoice approved by the Fund.

In 2020, the auditor's auditing fees amounted to EUR 85,453, and other remuneration was EUR 60,512.

PRINCIPLES OF ORGANISING INSIDER ADMINISTRATION

During 2020, the Employment Fund issued two bonds worth EUR 600 million. When it issued these bonds, the Employment Fund fulfilled the requirements laid down in insider legislation, including the provisions applicable to issuers of bonds in the Market Abuse Regulation (MAR), which entered into force in summer 2016. The principles and guidelines on insider administration have been approved by the Employment Fund's Board of Directors.

CONTROL ENVIRONMENT

The Employment Fund's Managing Director and the Management Group are the most senior executive decision-makers. The Management Group is responsible for ensuring that the functions of the Fund have adequate resources in order to perform their duties, which are determined by law or based on decisions made by the Employment Fund's Board of Directors. The Employment Fund always aims to give a true and fair view of its financial position whenever it releases financial information.

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

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

The Employment Fund regularly receives information from the Financial Supervisory Authority on unemployment benefits paid

by unemployment funds, which the Fund then analyses and compares to the known unemployment trends and expenses defined in the budgets. The comparison is made separately for expenses that are the responsibility of the Employment Fund and the government.

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

Risk management related to financial reporting

The Employment Fund constantly maintains an overview of the status of risk management. The Employment Fund's most significant risk related to financial reporting is the assessment of net assets (business cycle buffer) and liquidity when preparing the budget. The budget and an integral

proposal for the amount of contributions must be prepared based on regulations defined by law so that the Employment Fund is able to meet its commitments. The preparation of the budget by the end of August preceding the year under review is the responsibility of the unit responsible for economic and financial affairs. In addition to the legal requirements, the budget is based on assessments of the development of national unemployment, employment and wage development which are prepared by the Fund, the Ministry of Finance, research organisations and banks.

Differences between the annual income in the budget and the financial statements are considered significant risks, and the amount



in recent years has averaged 5% of the Employment Fund's financing contributions. This risk is managed using the net position, i.e. a business cycle buffer, by ensuring that the business cycle buffer set in the budget exceeds the minimum statutory requirement of the business cycle buffer with a sufficient margin.

The Employment Fund aims to secure liquidity by allocating sufficient assets to such investments, which are efficiently

realisable without a significant risk related to the market value or return on the investment.

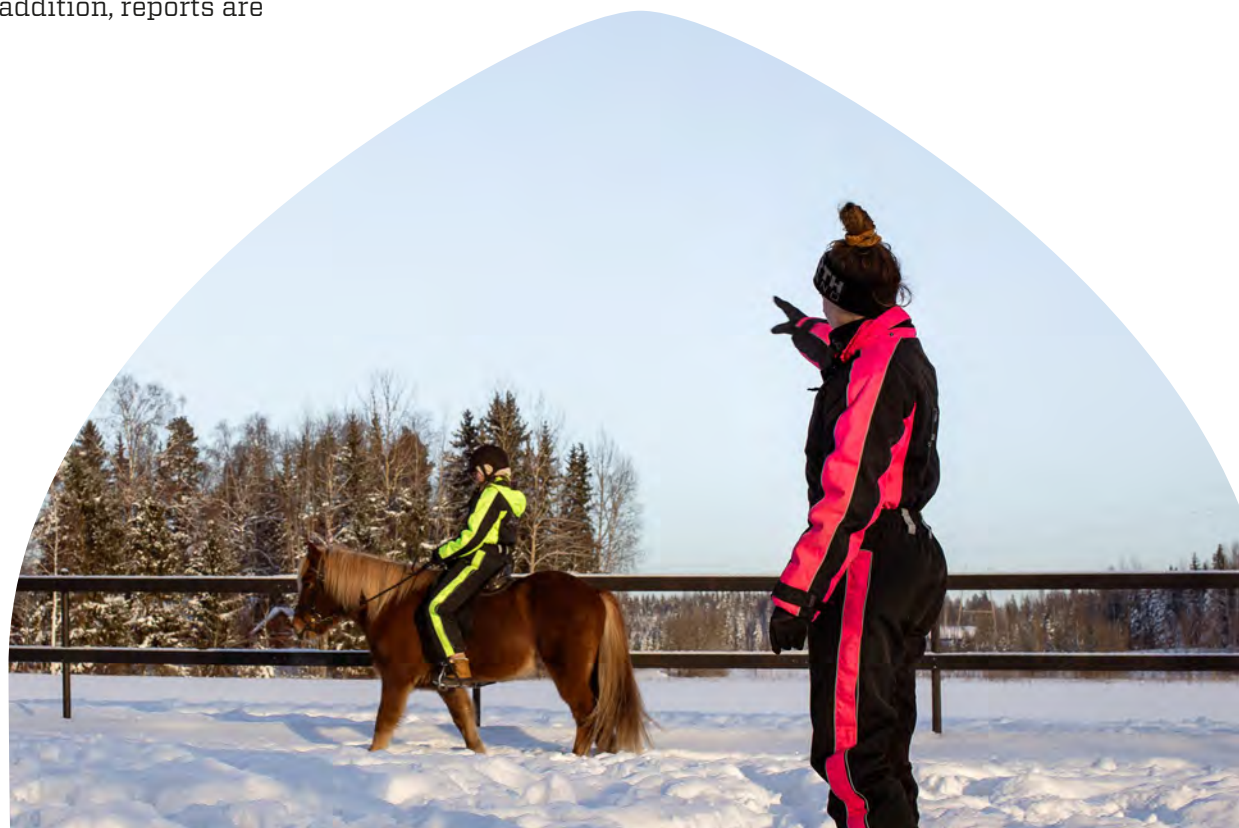
The risks to the values of investment assets are described for each investment category in the principles for preparing the financial statements. The Employment Fund monitors the values and returns on investments and debt instruments through valuation reports prepared daily. In the financial and accounting units, compliance with the investment plan is monitored through daily reconciliations. In addition, reports are

prepared for Management and the Board of Directors monthly.

Every month, the Employment Fund's Board of Directors monitors and controls the Employment Fund's income, net position, compliance with the investment plan and debt financing through reports prepared by the finance department.

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Every month, the Board of Directors monitors and controls the Employment Fund's income, net position, compliance with the investment plan and debt financing.



Remuneration report

The Employment Fund is not a corporation, so the regulations on remuneration principles and reporting are not applicable as such to the Employment Fund's operations. Therefore, the Employment Fund's remuneration report for 2020 has been drawn up, where applicable for the Employment Fund, in compliance with the Corporate Governance Code 2020 (www.cgfinland.fi), published by the Securities Market Association.

FEES AND OTHER BENEFITS PAID TO THE MEMBERS OF THE SUPERVISORY BOARD

On 22 November 2017, based on the proposal of the labour market parties, the Government appointed the members of the Unemployment Insurance Fund's Supervisory Board for the term from 1 January 2018 to 31 December 2020.

The Ministry of Social Affairs and Health decides on the remuneration for meetings for the Supervisory Board and the principles

of compensation for travelling expenses. On 12 September 2019, the Ministry of Social Affairs and Health decided that the fees for the members of the Supervisory Board are as follows: for the Chair, EUR 300 per month and EUR 400 per meeting, for the Vice Chair and other members, EUR 300 per meeting.

The Supervisory Board convened twice in 2020, and also held one meeting via e-mail. No fee is payable for the email meeting.





In 2020, the fees for the members of the Supervisory Board were paid as follows:

Name	Meeting fee for members of the Supervisory Board	Yearly fee for Chair of the Supervisory Board	Travel costs	Total on 31 December 2020	Attendance at meetings of the Supervisory Board
Zitting Antti, Chair	800	3,600	123.90	4,523.90	2/2
Rönni-Sällinen Annika, Vice Chair	600			600.00	2/2
Aalto Riku	600			600.00	2/2
Asara-Laaksonen Teija	600			600.00	2/2
Haapanen Jorma	600		120.40	720.40	2/2
Jokinen Jari	600			600.00	2/2
Kekäle Tauno (until 30 April 2020)	0			0.00	0/2
Kokko Teemu (1 May 2020 onwards)	300			300.00	1/2
Korpiniemi Antti	600			600.00	2/2
Lievonen Kirsi-Marja	600			600.00	2/2
Lindroos Petri	600			600.00	2/2
Luomanmäki Salla	600			600.00	2/2
Malinen Jorma	0			0.00	0/2
Mettälä Matti	600			600.00	2/2
Niiranen Taina	600			600.00	2/2
Nikula Olli	300			300.00	1/2
Ojanperä Harri	600			600.00	2/2
Paavola Silja	600			600.00	2/2
Rytkönen Millariikka	300			300.00	1/2
Total	9,500	3,600	244	13,344	



FEES AND OTHER BENEFITS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

The Supervisory Board decides on the remuneration of the Board of Directors. **On 29 August 2019, the Supervisory Board decided that the fees for the members of the Board of Directors are as follows:**

	Fee EUR per month	Fee EUR per meeting
Chair of the Board	1,000	400
Vice Chair of the Board	800	300
Other members of the Board of Directors	500	250

No other remuneration or supplementary pension arrangements are in place for the members of the Board of Directors.

The Board of Directors convened 12 times in 2020, and also held one meeting via e-mail. No fee is payable for the email meetings.

In 2020, the fees for the members of the Board of Directors were paid as follows:

Name	Annual fees of the Board of Directors	Meeting fees for the Board of Directors	Total on 31 December 2020	Attendance in meetings of the Board of Directors
Palola Antti, Chair	12,000	4,800	16,800	12/12
Rantahalvari Vesa, Vice Chair	9,600	3,600	13,200	12/12
Aarto Tuomas	6,000	3,000	9,000	12/12
Etu-Seppälä Minna	6,000	2,750	8,750	11/12
Fjäder Sture	6,000	2,000	8,000	8/12
Heikinheimo Riikka	6,000	3,000	9,000	12/12
Helle Minna	6,000	3,000	9,000	12/12
Jalonen Markku	6,000	2,250	8,250	9/12
Kaukoranta Ilkka	6,000	3,000	9,000	12/12
Mielityinen Ida	6,000	3,000	9,000	12/12
Murto Katarina	6,000	2,750	8,750	11/12
Palola Jorma	6,000	2,750	8,750	11/12
Siekinen Saana	6,000	3,000	9,000	12/12
Väänänen Pirjo	6,000	2,750	8,750	11/12
Total	93,600	41,650	135,250	

The fees for the audit committee were EUR 400 per meeting for the Chair and EUR 250 per meeting for the members of the committee.

In 2020, the audit committee convened four times.

In 2020, the fees for the members of the audit committee were paid as follows:

Name	Meeting fees for the audit committee	Total on 31 December 2020	Attendance at meetings of the audit committee
Helle Minna, Chair	1,600	1,600	4/4
Kaukoranta Ilkka, Vice Chair.	1,000	1,000	4/4
Mielityinen Ida	1,000	1,000	4/4
Palola Jorma	1,000	1,000	4/4
Total	4,600	4,600	

REMUNERATION SCHEME FOR THE MANAGING DIRECTOR

As of 2016, a separate remuneration scheme approved by the Board has been applied to the Managing Director. The remuneration of a Managing Director consists of a fixed salary and fringe benefits, as well as a variable performance-related bonus that cannot exceed 15 percent of the annual salary including benefits. The Board of Directors decides on the payment of any bonuses in compliance with the bonus criteria. The basis of the performance bonus scheme is the advancement of the Fund's strategic goals and the achievement of the goals.

The salaries and other benefits and fees paid to the Managing Director for 2020 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Managing Director	163,306	3,728	167,034	170,786

TERMS OF EMPLOYMENT OF THE MANAGING DIRECTOR

The terms of the employment 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 are based on general employment pension legislation. The Fund has not provided a supplementary pension arrangement for the Managing Director.

The Managing Director's notice period is based on the Employment Contracts Act for both parties.

REMUNERATION FOR THE MANAGEMENT GROUP

The remuneration of the Employment Fund's management group consists of a fixed salary and fringe benefits, as well as a variable performance-related bonus that cannot exceed 10 percent of the annual salary including benefits. The management group's performance bonus is based on an annual remuneration programme approved by the Board of Directors. Based on a proposal of the Managing Director and in accordance with confirmed bonus criteria, the Board of Directors decides on the payment of bonuses.

The salaries and other benefits and fees paid to the management group during 2020 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Management group	543,112	9,246	552,358	545,975

TERMS OF EMPLOYMENT OF THE MANAGEMENT GROUP

The terms of employment for management group members have been defined in a written contract. The retirement age and pension accrual of the management group members are based on general employment pension legislation. The Fund has not provided a supplementary pension arrangement for the management group members.

The management group members' notice period is defined in the employment contract for both parties.



A large, stylized graphic of a bird, possibly a crane or heron, is positioned on the left side of the slide. The bird is rendered in a light purple color and is facing right. Its neck is long and curved, and its body is broad. The graphic is partially obscured by the text.

Financial statements



Financial Statements (IFRS)

STATEMENT OF CHANGES IN NET POSITION

EUR thousand	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Contributions collected			
Unemployment insurance contributions	5	3,340,330	3,344,592
Total contributions collected		3,340,330	3,344,592
Financing contributions paid			
Financing contributions paid	6	-3,926,051	-2,640,206
Administrative expenses	7	-20,672	-18,585
Total financing contributions paid		-3,946,723	-2,658,791
Net fair value gains on investments	14	-13,072	9,960
Financial expenses	8	-3,344	-1,609
CHANGE IN NET POSITION		-622,809	694,153

**STATEMENT OF NET POSITION**

EUR thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	730	2,099
Intangible assets	10	6,902	7,015
Other receivables	13	328	328
Total non-current assets		7,960	9,442
Current assets			
Unemployment insurance contribution receivables	11	7,097	7,794
Accruals of unemployment insurance contributions	11	535,768	629,329
Other receivables	13	41,751	78,687
Investment assets	15	1,194,442	855,523
Cash and cash equivalents	16	636,292	164,300
Total current assets		2,415,352	1,735,632
Total assets		2,423,312	1,745,074
Net assets			
For previous periods		1,667,574	969,303
Net position of the Education Fund, 1 Jan 2019		0	4,118
For the period		-622,809	694,153
Total net position		1,044,765	1,667,574

EUR thousand	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Non-current liabilities			
EF bonds	17	1,199,122	0
Total non-current liabilities		1,199,122	0
Current liabilities			
Borrowings	17	87,512	
Unemployment insurance contribution liabilities	11	1,800	5,110
Other liabilities	18	90,113	72,390
Total current liabilities		179,425	77,501
Total liabilities		1,378,547	77,501
Total net position and liabilities		2,423,312	1,745,074

**CASH FLOW STATEMENT**

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Unemployment insurance contributions collected	3,440,824	2,785,411
Benefits paid	-3,908,302	-2,708,402
Interests paid	-5,151	8,461
Net cash and cash equivalent used in ordinary operations	-472,629	85,470
Cash flows from investments		
Purchases of property, plant and equipment	-43	0
Purchases of intangible assets	-2,462	-2,158
Investments in financial instruments	-2,970,114	-3,905,456
Sales of investment instruments and realised income	2,629,648	4,173,273
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	-342,972	265,659
Loans withdrawn and repaid	1,287,593	-603,587
Net cash and cash equivalents generated from financing activities	1,287,593	-603,587
Net increase/decrease in cash and cash equivalents	471,992	-252,458
Cash and cash equivalents at the beginning of the financial period	164,300	416,758
Cash and cash equivalents at the end of the financial period	636,292	164,300

Notes to the financial statements

Accounting policies of the financial statements

1 GENERAL INFORMATION

The Employment Fund (“the Fund”) (business ID 1098099-7), established in 2019, is an independent institution managed by labour market parties and supervised by the Ministry of Social Affairs and Health as well as the Finnish Financial Supervisory Authority, whose main objectives are to finance unemployment benefits and grant adult education 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 Employment Fund is domiciled in Helsinki, and its address is Kansakoulukuja 1, 00100 Helsinki.

The principal accounting policies applied in the financial statements of the Fund are

set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND COMPARABILITY OF FINANCIAL PERIODS

2.1 Basis of preparation

The Employment Fund’s financial statements 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 2020. IFRS refers to the standards and interpretations applicable to 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 Employment 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 Employment Fund with amendments, as stated in section 1.

The Employment Fund collects and pays unemployment insurance contributions. The Fund 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 the Fund’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 the Employment Fund, or the basis for recognition



and measurement of transactions. The Employment Fund applied the framework of IFRS standards and general principles for recognition and measurement when it prepared its IFRS financial statements. Due to these factors, the primary statements of the Fund'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 Fund's assets and liabilities reflects the accumulated net position, which is also referred to as the business cycle buffer. A more detailed description of the business cycle buffer is provided in [note 4.2](#). The Employment Fund 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 the net position is presented as a separate primary statement.

During the presented financial periods, the Fund did not have 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. The Employment Fund does not operate as an insurer as it does not issue or hold insurance or reinsurance contracts. Therefore, the Fund's operations are not within the scope of IFRS 4 Insurance Contracts. The principal valuation method used in the financial statements is the acquisition cost, although financial assets and liabilities recognised at fair value through profit or loss are measured at fair value. 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. The significant accounting estimates and judgements are described in [note 3](#).

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

2.2 Foreign currency translation

The financial statements are prepared in euros which is the Employment Fund's functional

and presentation currency. The Fund's foreign currency transactions are translated into the operating currency at the exchange rates prevailing on the transaction dates. 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 Employment Fund assesses and collects the unemployment insurance contributions based on chapter 7 of the Act on the Financing of Unemployment Benefits. Employers have reported the salaries they have paid to employees in the Incomes Register since 1 January 2019. The unemployment insurance contributions have been assessed on the basis of the income information reported to the Incomes Register. At the same time, the contributions have been assessed using more up-to-date information about the actual payroll sums. Unemployment insurance contributions are assessed four times per year based on the payroll information for the three preceding calendar months. Unemployment insurance contribution income is recognised in the financial statements on an accrual basis, and the unemployment insurance income for the final quarter of the year is recognised in

the balance sheet under pre-payments and accrued income. The financial statement's accrual about invoicing unemployment insurance contributions during the previous quarter is based on an evaluation made around the turn of the year. Updates made later in the Incomes Register data affect the premium income during the next financial period.

In addition to the model based on actual payments, a small share of the Employment Fund's customers use the so-called prepayment model, previously used for all customers, where 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. The prepayments are invoiced in four equal instalments throughout the year.

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

contributions have not been paid in advance, prepayments of unemployment insurance contributions are taken into consideration in the financial statements. Almost all employers with a duty to pay contributions switched to the actual payments model at the beginning of 2019, while only 64 employers continued using the prepayment model in 2020.

Liability components of employers' unemployment allowances

The Employment Fund assesses and collects liability component compensation of unemployment allowances from employers. The liability component of unemployment security applies to employers whose payroll amount, serving as the basis for the calculation of the unemployment insurance contribution, exceeds the minimum level of EUR 2,125,500 (in 2020). An employer may be obligated to pay the employer's liability component if they have dismissed or laid off an elderly employee whose 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 components.

Collected liability component contributions that cover the cost of daily unemployment

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

Conducted according to chapter 12, section 3 of the Employment Contracts Act

According to the Employment Contracts Act, when a court of law handles a reconciliation matter, it must provide the Employment Fund with the opportunity to be heard. 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 wrongful termination of employment. The court must order the employer to pay the amount deducted from the compensation to the Employment Fund and inform it of the final judgment or ruling on the case. The payment of the deduction to the Fund must also take place when the employer and employee reach a settlement on the compensation payable for wrongful termination of employment.

Receivables subject to debt-collection

The Fund collects and monitors neglected unemployment insurance contributions, those subject to enforcement, and contributions due by companies in bankruptcy or debt restructuring proceedings. As the receivables do not include any significant financial components, the Fund has used the simplified model permitted by IFRS 9.

2.4 Subsidies to unemployment funds

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 Employment Fund is liable for the costs incurred from unemployment allowances, employment promotion measures and from job alternation compensation, insofar as the state or individual unemployment funds are not liable for these. The above-mentioned benefits are paid from the unemployment funds.

In addition, the Employment 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 Employment Fund is tasked with processing prepayment applications and payment decisions and monitoring the sufficiency of prepayments. 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 2020, the Ministry of Social Affairs and Health paid government contributions to the Fund as fixed monthly prepayments, unless otherwise

proposed by the Employment Fund. In 2020, the government participated in funding lay-off allowances with a proportion equivalent to the basic daily allowance of the unemployment allowance between 1 April and 31 December 2020.

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 2021 when the Fund will make equalisations in the account balances between the unemployment funds and the state.

Under section 4 of the Act on the Financing of Unemployment Benefits, the Employment 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 means by which the higher income earnings-related unemployment allowances are calculated was changed so that the level of allowances decreased slightly. The same change was carried out regarding the supplementary earnings-related allowances.

These changes implement the reduction of unemployment allowances as specified in the Finnish Government's framework decision. The change decreases expenditure related to earnings-related daily unemployment allowances. To implement government savings, the Employment Fund pays the amount of savings (approximately EUR 50,3 million) yearly to Kela to finance basic social security under section 23 of the Act on the Financing of Unemployment Benefits (555/1998).

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

The Employment Fund's second-largest expense has been the contribution paid to the Finnish Centre for Pensions to cover the pension 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 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 Employment 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 Employment 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.

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 makes an annual prepayment to Kela from the 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. The final amount of the payment is based on a calculation prepared by the Ministry of Social Affairs and Health of the amount of benefits financed in this manner and paid by Kela during the financial period.

Adult education benefits

The Employment Fund grants and pays adult education allowance and scholarships for qualified employees in accordance with the Act on Adult Education Benefits (1276/2000). The Employment Fund is also responsible for financing the adult education allowances for employees and scholarships for qualified employees working for employers other than the State. The State is responsible for financing adult education allowances for entrepreneurs and scholarships for qualified employees working for the State. The responsibility for financing is stipulated in section 30 of the Act on Adult Education Benefits.

Financing of pay security

Under section 31 of the Pay Security Act (866/1998), the Employment 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.

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 their country of residence. In Finland, the Employment 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 compensation laid down in paragraphs 6 and 7 of Article 65, incurred from unemployment allowance paid to the members of unemployment funds.

The Fund applies for compensation from Member States depending on how the unemployment funds have paid the unemployment allowances to those who have been working in another Member State. In turn, Member States apply for compensation from the Employment 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.

Training compensation

In addition, the Employment Fund manages employers' training compensation. 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 organise training for its employees, to develop their vocational competence.

Training compensation can be received for a maximum of three training days per employee annually. The financing of training compensation has been designated so that each calendar year, the Ministry of Finance pays the amount that the Fund has refunded to employers in the form of training compensation based on an application from the Employment Fund.

Pensions and employee benefits

The Employment Fund only has defined contribution pension schemes. Statutory pensions are managed by a 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 includes the Fund's machinery and equipment and the leasehold improvements. Property, plant and equipment are measured in the statement of the net position at the historical cost minus the accumulated depreciation and impairment charges.

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. The expenses of ordinary repair and maintenance costs are reported 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
- Machines 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 produced 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 reported as expenses incurred.

Research costs are recognised as an expense in the financial period in which they are incurred. Development costs that are attributable to the design and testing of 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 expenditure 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 asset's fair value less the costs of disposal or the value in use, whichever is higher. Value in use refers



to the asset's expected future net cash flows that have been discounted 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 the recognition of impairment losses.

Impairments are reversed if circumstances have been changed and the asset's recoverable amount has been changed after the recognition of the impairment, but not to an amount higher than the carrying value would be without the impairment charge.

2.8 Financial assets and liabilities

Financial assets

The Employment Fund applies the IFRS 9 (Financial Instruments) standard, which was published by the International Accounting Standards Board and took effect on 1 January 2018. IFRS 9 specifies how an entity should classify and measure financial assets. It also includes a model for impairment charges based on expected losses and general requirements for hedge accounting. IFRS 9 requires financial assets to be classified

into three measurement categories: those measured at amortised cost, those measured at fair value through other comprehensive income and those measured at fair value through profit and loss. For financial liabilities, the standard retains most of the IAS 39 requirements. As for impairment, a model based on expected credit losses is used.

The Employment Fund's financial assets consist of investments as well as cash and cash equivalents. At the date of acquisition, the management of the Fund classifies the financial assets into classes that determine the basis of valuation. All financial assets are recognised on the trade date; that is the day when the Fund commits to buy or sell the asset.

Investments are presented in the statement of net position as current assets unless the maturity is over 12 months and the management intends to dispose of it more than 12 months after 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 on each reporting date, and realised

and unrealised 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 income from measuring investments at fair value". All interest and dividend income from investments are included in the net change of the fair value. The basis for defining fair value is presented in [note 15](#).

Financial assets are de-recognised when the rights to receive cash flows have expired or have been transferred to another party such that all the risks and rewards have been transferred.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits.

Borrowings

Borrowings are recognised initially at fair value, the net of the transaction costs incurred. Loans 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 loan facilities are recognised as the transaction costs of the loan to the extent that it is probable that some or all of the facility will be withdrawn. In this case, the fee is deferred and recognised in the statement of net position until the loan is withdrawn. To the extent there is no evidence that it is probable that some or all of loans of the facility will be withdrawn, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility.

2.9 Rental agreements

As a lessee, the Fund has applied the standard IFRS 16 Leases from 1 January 2019 onwards. IFRS 16 specifies the requirements concerning recognition, valuation and information to be presented in the financial statements. The standard introduces a single lessee accounting model. In principle, all leases with a term of more than one year are recognised in the balance sheet, unless the underlying asset is of low value. On the first day of the lease, the lessee recognises a liability for its obligation to make lease payments (i.e. a lease liability) and an asset item for its right to use the asset (i.e. a fixed asset item). The lessee must recognise the interest expenses on the liability and the planned depreciation on the asset item. In addition, the lessee must redefine the amount of the lease liability in conjunction with certain

events (such as a change in the term of the lease or changes to the lease payments due to index adjustments). The Fund has adopted IFRS 16 using the simplified approach, whereby comparison data is not adjusted. The Fund uses the transition relief permitted by IFRS 16 with regard to short-term leases (with terms of less than 12 months) and leases of low-value assets.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the management to make estimates and assumptions that have affected the income, expenses, assets and liabilities presented in the financial statements. Judgement is also needed 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 about the future that are most probable on 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 Employment 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 a sufficient level so that all projected expenses can be covered with the insurance contributions. The unemployment insurance contributions (contribution rates) 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, which are prepared more than a year later, has averaged 5% of expenses over the last five years. In 2020, the forecast deviation was significantly greater than the average due to the sudden increase in unemployment expenses caused by the coronavirus pandemic.

If necessary, the Fund exercises 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 a 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 the factors mentioned above.

Credit losses

The Employment Fund applies the IFRS 9 standard model for expected losses when estimating impairment charges associated with uncertain unemployment insurance contribution receivables. In this model, expected losses are recognised for the entire validity period of the financial asset, and the model is based on the amount of the outstanding receivables and the time period for which they remain outstanding. The parameters applied in the model are based on an estimate of the amount of unemployment insurance contribution receivables, liability component receivables, ECA receivables, benefit receivables and interest receivables to be recognised as credit losses on the reporting date. Expected credit losses throughout the entire period of validity are calculated by multiplying the gross carrying value of the

unpaid receivables by the expected proportion of loss. Changes to expected credit losses are recognised through profit and loss.

In the financial statement for 2020, the calculation model for expected credit losses was complemented by a plus factor for negative GDP that is based on the management's discretion. If the development of national economy measured with GDP becomes negative as occurred during the coronavirus pandemic, the plus factor based on the GDP development is used in preparing for eventual additional credit losses. Expected credit losses in euros, estimated based on payment history, are further multiplied by a percentage according to the negative GDP, thus increasing the credit loss provisions.

Segment reporting

The IFRS 8 Operating Segments standard requires entities to disclose information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity 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 in activities from which it may earn revenues and incur expenses

B. whose operating results are regularly reviewed by the entity's most senior executive 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 the most senior executive decision-maker is to allocate resources to and assess the performance of the operating segments of an entity.

The Employment Fund is tasked with collecting unemployment insurance contributions, the level of which has been determined by the public authorities. The Fund pays the collected contributions onwards, mainly to unemployment funds.

The Employment Fund uses the collected contributions for conservative investment activities in order to cover current financing contributions. The Fund also covers any deficits it incurs with loan financing.

The Employment Fund is a non-profit, government-affiliated fund. The management



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. The Fund's management does not actually allocate resources to the entity's activities or review the effectiveness of operations.

For these reasons, the Employment Fund's management has made the assessment 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 the Fund's operations, nature of the operating environment and financial effects. According to the Employment Fund's management, the nature of the Fund's operations and operating environment and the financial impacts 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

Employment 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. The Employment Fund's financial risks relate mainly to investments, and they comprise market risk, credit and counterparty risk and liquidity risk. Investments are diversified in accordance with the investment principles confirmed by the Supervisory Board across various asset classes so as to reduce financial risks.

Risk limits are set to such a level that their realisation would not result in the Fund incurring losses that would give rise to pressures to increase the level of contributions. 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. The investments are itemised in [note 15](#), along with their fair values by asset class.

4.1 Financial risk factors

Market risk

The Board of Directors monitors the market risk of the investment portfolio of the Employment Fund monthly, 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 number 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 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 2020, the risk indicator was 25% (25%) for equity investments, 4-7% (4-7%) for bond investments, 10% (0%) for alternative investments, 1% (1%) for money market investments, and 0.5% (0.5%) for bank deposits. On 31 December 2020 and 31 December 2019, the market risks were as follows:

31 Dec 2020	Risk (%)	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	739,733	3,699
Money market	1.00%	287,607	2,876
State and municipal bonds	4.00%	395,552	15,822
Bank bonds	4.50%	307,391	13,833
Corporate bonds	5.00%	78,879	3,944
Shares	25.00%	4	1
Alternative investments	10.00%	21,476	2,148
Total risk	2.31%	1,830,641	42,322

31 Dec 2019	Risk (%)	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	164,295	821
Money market	1.00%	281,734	2,817
State and municipal bonds	4.00%	162,378	6,495
Bank bonds	4.50%	259,950	11,698
Corporate bonds	5.00%	113,704	5,685
Shares	25.00%	17,741	4,435
Alternative investments	10.00%	19,485	1,949
Total risk	3.33%	1,019,287	33,901

The total risk was 2.31% (3.33%) of the Fund's assets and 1.2% (1.1%) of the Fund's income in 2020. 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 the interest rate risk. The Fund's investment portfolio is dominated by fixed-income investments (money market investments and bonds). The Fund may make investments directly, or indirectly through investment funds. On the balance sheet date, 17.0% (13.4%) of investments were indirect.

All money market investments carry variable interest rates, while 9% (24%) of the bonds were at variable rates. Variable-rate investments expose the Fund to a cash flow interest rate risk, while investments at fixed rates expose the Fund to a fair value interest rate risk.

If on the balance sheet date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all the other variables remained constant, the total change in net position would have been reduced by EUR 8,400 thousand (EUR 5,182 thousand). Correspondingly, if on the balance sheet date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position would have been increased by EUR 8,402 thousand (EUR 5,183 thousand).

This is due to changes in the fair values of fixed-income investments. Equity investments are limited to a maximum of three per cent of the Fund's assets, and the price risk is, therefore, relatively minor in relation to the total assets.



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 banks which are located in the Nordic and OECD countries and have high credit ratings, states with strong credit ratings (Finland, Germany, the Netherlands, Sweden, France, Belgium and Austria), companies in Finland and OECD countries, and Finnish municipalities. Cash and cash equivalents are only held at banks with high credit ratings.

The Fund may make investments in funds with average credit ratings of BBB- (S&P) or Baa3 (Moody's). In addition, each individual investment made by the investment fund must be of investment grade with a credit rating of at least BB- (S&P). The following table describes the Employment Fund's fixed-income investments and creditworthiness by group. The figures are given in thousands of euros.

Investments distributed by the issuer's rating (EUR thousand)*	31 Dec 2020		31 Dec 2019	
	2020	2020 (%)	2019	2019 (%)
AAA	139,286	7.8%	29,834	3.00%
AA+	206,946	11.5%	149,966	14.90%
AA	63,630	3.5%	48,930	4.90%
AA-	757,915	42.2%	333,753	33.30%
A+	74,842	4.2%	38,075	3.80%
A	118,532	6.6%	22,447	2.20%
A-	122,900	6.8%	95,344	9.50%
BBB+	46,341	2.6%	62,096	6.20%
BBB	137,429	7.7%	103,345	10.30%
BBB-	54,679	3.0%	29,326	2.90%
BB+	22,913	1.3%	2,357	0.20%
BB	6,280	0.3%	-	0%
BB-	-	0.0%	2,999	0.30%
B+	-	0.0%	-	0%
B	220	0.0%	6,410	0.60%
CCC+	8,008	0.4%	-	0%
CCC	198	0.0%	-	0%
NR	35,231	2.0%	78,436	7,8%
Total	1,795,350	100%	1,003,319	100%

* The Fund's investments in bonds mainly consist of state and bank bonds. Their creditworthiness has been determined using the S&P credit rating. Most of the banks that the Fund has invested in have good credit ratings. However, not every regional bank and company has been assigned an official credit rating, so the credit quality of these entities is determined using credit ratings received from a third party.

The Employment Fund's investment portfolio is highly diversified. Corporate risk cannot exceed 35% (35%) of the Fund's fixed-income investments. In accordance with the investment plan, investments in bonds issued by any single corporation may not exceed 10% (10%) of the Fund's total investments in corporate debt instruments. Corporate investments were spread among 53 corporations on 31 December 2020, which corresponds to 17.4% of all fixed-income investments (90 corporations and 20.0% of all fixed-income investments on 31 December 2019).

Money market investments are made in depositary banks monitored by the Finnish Financial Supervisory Authority, sovereign debt instruments, municipal papers, and commercial papers issued by corporations approved in the investment plan. The credit ratings of the largest Nordic banks are strong. Not all corporations have been assigned a credit rating. According to the Finnish Financial Supervisory Authority, municipal risk corresponds to the state risk.

The required average rating for the investment portfolio is BBB (2019: BBB) (S&P). To manage counterparty risk, the Employment Fund uses several asset managers and dealers with good credit ratings. The dealers and counterparties used by the Fund in its investing activities are approved by the Board of Directors on an annual basis.

Liquidity risk

The Fund aims to manage liquidity risk by the following means:

1. Liquid investments
2. Short-term borrowing
3. Increasing insurance contributions

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 expenses for one month.



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 million (300 million) and a EUR 800 million revolving credit facility (RCF), including a state guarantee, with five commercial banks. The figures in the table are given in millions of euros.

Committed credit facilities, not in use EUR million	31 Dec 2020	31 Dec 2019
Facilities expiring within a year		
RCF (State guarantee)		400
Facilities expiring after a year		
RCF (State guarantee)	800	
Total	800	400

Uncommitted credit facilities EUR million	31 Dec 2020	31 Dec 2019
Commercial paper programme	300	300
Total	300	300

The Fund mainly relies on the capital markets and domestic markets for commercial papers to finance its liquidity if necessary. At the end of 2020, the total amount of loans disbursed amounted to EUR 1,287,500,000.





The Fund has the following issuer credit ratings as confirmed by Standard & Poor's (29 September 2020):

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

At the end of 2020, the Fund had EUR 88 million (0 million) of the commercial paper programme in use and short-term bank loans amounting to EUR 0 million (0 million). A breakdown of the Fund's loans is presented in [note 18](#). The fixed interest rate periods for loans in the statement of net position were as presented below. The figures are given in millions of euros. The liabilities for securities under settlement will mature within a few of days of the balance sheet date.

31 Dec 2020 Loan	Nominal value EUR million	Fixed interest rate period in years	Interest rate (%)	Due date	Credit rating
Bond 2023	600	2.46	0.00%	16 Jun 2023	AA+
Bond 2027	600	6.46	0.01%	16 Jun 2027	AA+
Commercial papers	88	0.18	-0.12%	1-12 months	No rating
Total	1,288	4,16			

31 Dec 2019 Loan	Nominal value EUR million	Fixed interest rate period in years	Credit rating
Commercial papers	0	0	NR
Credit facilities	-	-	-
Total	0	0	



The following tables present the Employment Fund's financial liabilities by group based on the maturities of outstanding contracts.

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2020	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets/liabilities
Accounts payable	418				418	418
Borrowings	87,560	0	600,120	600,180	1,287,860	1,286,634
Liabilities associated with right-of-use assets	574				574	574
Total	88,552	0	600,120	600,180	1,288,852	1,287,626

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2019	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets/liabilities
Accounts payable	382				382	382
Borrowings						
Liabilities associated with right-of-use assets	619	619	682		1,920	1,920
Total	1,001	619	682		2,302	2,302

**Corporate responsibility in the investment portfolio**

The Fund's Supervisory Board established its principles of responsible investment on 19 April 2018. Responsible investment means that the Employment Fund aims to make profitable and secure investments, thereby carrying its responsibility for financing earnings-related unemployment benefits. In practice, responsibility in investment activities means that we take care of our responsibilities while making investment decisions, and we believe that this will help us to improve the balance between risk and return.

Measuring corporate responsibility in the investment portfolio and monitoring developments

An asset management unit of a Nordic bank provides expert advice in monitoring and assessing the development of corporate responsibility in investments. Collaboration began in the second half of 2018.

Efforts are made to monitor changes in the development of responsible investments by assessing how operational ESG criteria, such as carbon footprints, water and waste efficiency, equality, good corporate governance and pay equality, are met by the companies selected for investments. Furthermore, an appropriate tool is used to measure the effectiveness factors of companies and their sectors on the environment, the creation of new jobs, and other sustainable development goals as defined by the UN. Corporate responsibility reporting is supplemented by other analytical methods for measuring corporate responsibility.

Assessment of the corporate responsibility status of the investment portfolio

A corporate responsibility assessment was conducted on the investment portfolio, reflecting the status on 31 December 2020. An expert from the asset management unit of a Nordic bank determined that the Employment Fund's listed investments meet the general corporate responsibility goals set for the Fund.

4.2 Business cycle buffer

In accordance with Section 3 of the Act on the Financing of Unemployment Benefits, in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy, the Employment Fund maintains a business cycle buffer that accrues on the basis of the difference between the Fund's income and expenses. In 2020, the maximum amount of buffer corresponded to the annual expenditure for an unemployment rate of six percentage points. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure. The investment of assets accrued in the buffer is regulated by the Fund's investment principles, as well as the investment plan approved on an annual basis. The use of debt financing is also regulated by the debt servicing plan.

The maximum amount of buffer is calculated by dividing the Employment Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by six. The following table presents the value of the business cycle buffer and its minimum and maximum amounts as specified in the Act.

EUR million	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Business cycle buffer	1,045	1,668
Maximum amount of buffer	2,078	2,062
Minimum amount of buffer	-2,078	-2,062



**5 UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Employer's unemployment insurance contribution		
Employer's insurance contributions	990,144	1,234,633
Employer's insurance contributions, co-owners	2,003	2,416
Total	992,147	1,237,048
Employee's unemployment insurance contribution		
Employee's insurance contributions	1,070,893	1,374,385
Employee's insurance contributions, co-owners	1,157	3,884
Total	1,072,050	1,378,269
Collection fee income and credit losses		
Interest on overdue employer contributions	268	594
Interest on overdue employee contributions	445	756
Collection fee income	190	483
Total	903	1,834
Liability components of employers' unemployment allowances		
Liability components	14,113	21,975
Accruals	12,266	17,299
Total	26,379	39,275
Compensation in accordance with the Employment Contracts Act (ECA)		
Compensation and lay-off income according to the ECA	1,046	1,012
Settlement to the Ministry of Social Affairs and Health	-635	-467
Total	412	545
Contributions from the Ministry of Social Affairs and Health		
Earnings-related unemployment allowance	882,897	674,061
Lay-off allowance	333,360	
Job alternation compensation	9,800	11,241
Equalisation payment for the previous year		98
Adult education benefits	2,381	2,222
Supplementary financing of administrative expenses	20,000	
Total	1,248,438	687,621
Total unemployment insurance contributions	3,340,330	3,344,592

**6 FINANCING CONTRIBUTIONS PAID**

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Contributions paid by the Employment Fund		
Other earnings-related unemployment allowance	-820,091	-663,136
Additional days of allowance	-118,512	-120,744
Lay-off allowance	-413,129	-146,572
Job alternation compensation	-12,641	-14,913
Compensation for administrative expenses	-8,716	-9,537
Equalisation payment for the previous year	622	936
Total	-1,372,467	-953,965
Government contribution paid to unemployment funds		
Other earnings-related unemployment allowance	-866,040	-660,000
Lay-off allowance	-333,360	
Job alternation compensation	-9,800	-11,241
Unemployment allowance/entrepreneurs	-10,201	-6,491
Compensation for administrative expenses	-6,656	-7,569
Supplementary financing of administrative expenses	-20,000	
Equalisation payment for the previous year	937	-98
Total	-1,245,120	-685,399
Finnish Centre for Pensions		
Equalisation payment for the previous year	-17,813	-10,379
Payment for the current financial period	-851,800	-566,300
Total	-869,613	-576,679
State Pension Fund		
Equalisation payment for the previous year	-571	2,051
Payment for the current financial period	-8,625	-9,770
Total	-9,196	-7,719

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Social Insurance Institution of Finland		
Equalisation payment for the previous year	0	-28
Basic allowance, additional component	-207,300	-205,703
Total	-207,300	-205,731
Adult education benefits		
Scholarships	-10,617	-10,539
Adult education allowances	-186,858	-176,598
Collection expenses for benefits	-4	
Total	-197,479	-187,137
Ministry of Economic Affairs and Employment		
Equalisation payment for the previous year	0	-18
Payment for the current financial period	-24,909	-23,572
Total	-24,909	-23,590
Member State invoicing for unemployment allowances		
Invoiced by Member States	-85	-44
Invoiced by the Fund	119	60
Total	33	16
Total benefit payments	-3,926,051	-2,640,206

**7 ADMINISTRATIVE EXPENSES**

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Personnel expenses		
Salaries, bonuses and benefits	-6,955	-6,784
Pension expenses		
- defined contribution plans	-1,118	-1,217
Social security expenses	-211	-146
Total	-8,283	-8,148
Personnel expenses - management salaries and bonuses		
Management Group (excl. Managing Director)	-563	-587
Managing Director	-162	-167
Board of Directors and Supervisory Board	-153	-90
Pension expenses - defined contribution plans	-134	-144
Total	-1,013	-989
Other administrative expenses		
IT expenses	-2,735	-1,992
Other personnel expenses	-715	-965
Expenses for office premises	-188	-208
Office expenses	-1,430	-1,647
Other expenses	-2,968	-2,058
Amortisation	-4,268	-3,603
Other income	0	134
Total	-12,304	-10,339
Auditor's fee		
Statutory audit	-85	-76
Other fees	0	-22
Total	-85	-98
Total administrative expenses	-20,672	-18,585

Number of personnel	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Employees		
Full-time employees	139	131
Part-time and temporary employees	32	31
Total	171	162



8 FINANCIAL EXPENSES

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Loan financing expenses		
Revolving credit facility fees	-2,216	-277
Interest expenses from loans	146	-2,237
Total	-2,070	-2,513
Total financial expenses	-2,070	-2,513



**9 PROPERTY, PLANT AND EQUIPMENT**

EUR thousand	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2020	1,013	1,741	3,257	6,011
Additions	0	0	0	0
Acquisition costs, 31 Dec 2020	1,013	1,741	3,257	6,011
Accumulated depreciation, 1 Jan 2020	1,013	1,597	1,302	3,912
Depreciation during the period	0	100	1,269	1,369
Accumulated depreciation, 31 Dec 2020	1,013	1,697	2,571	5,281
Carrying value, 1 Jan 2020	0	144	1,955	2,099
Carrying value, 31 Dec 2020	0	43	686	730

EUR thousand	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2019	1,013	1,741	3,257	6,011
Additions	0	0	0	0
Acquisition costs, 31 Dec 2019	1,013	1,741	3,257	6,011
Accumulated depreciation, 1 Jan 2019	986	1,469	0	2,455
Depreciation during the period	27	128	1,302	1,457
Accumulated depreciation, 31 Dec 2019	1,013	1,597	1,302	3,912
Carrying value, 1 Jan 2019	27	272	0	299
Carrying value, 31 Dec 2019	0	144	1,955	2,099

**10 INTANGIBLE ASSETS**

EUR thousand	Computer software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2020	787	8,162	2,413	11,362
Additions	123	3,088	2,650	5,861
Decreases	0	0	-3,088	-3,088
Acquisition costs, 31 Dec 2020	910	11,250	1,975	14,135
Accumulated depreciation, 1 Jan 2020	743	3,603	0	4,346
Depreciation during the period	60	2,825	0	2,885
Accumulated depreciation, 31 Dec 2020	803	6,428	0	7,231
Carrying value, 1 Jan 2020	44	4,559	2,413	7,015
Carrying value, 31 Dec 2020	107	4,821	1,975	6,902
EUR thousand	Computer software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2019	772	1,999	5,838	8,609
Additions	15	6,163	2,738	8,916
Decreases	0	0	-6,163	-6,163
Acquisition costs, 31 Dec 2019	787	8,162	2,413	11,362
Accumulated depreciation, 1 Jan 2019	689	1,512	0	2,201
Depreciation during the period	54	2,091	0	2,146
Accumulated depreciation, 31 Dec 2019	743	3,603	0	4,346
Carrying value, 1 Jan 2019	83	487	5,838	6,408
Carrying value, 31 Dec 2019	44	4,559	2,413	7,015

* The item "Intangible assets in progress" consists of capitalised development costs, giving rise to an internally generated intangible asset. Capitalised development expenditure in 2020 mainly consisted of the development of the insurance and collection system, as well as a data system to support the revised processing of education benefits.

**11 RECEIVABLES AND PAYABLES FROM UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

Unemployment insurance contribution receivables (figures include credit losses) EUR thousand	31 Dec 2020	31 Dec 2019
Employer's unemployment insurance contribution receivables	4,402	1,836
Employee's unemployment insurance contribution receivables	1,941	5,075
Overdue contribution and collection fee receivables	658	856
Unemployment insurance contribution receivables	7,097	7,794
Deferred unemployment insurance contribution receivables	535,768	629,329
Total unemployment insurance contribution receivables	542,769	637,123

Unemployment insurance contribution liabilities EUR thousand	31 Dec 2020	31 Dec 2019
Prepayments	332	314
Refunds	1,468	4,796
Total unemployment insurance contribution payables	1,800	5,110



12 EXPECTED CREDIT LOSSES DEDUCTED FROM THE UNEMPLOYMENT INSURANCE CONTRIBUTION RECEIVABLES AND FROM THE ADULT EDUCATION BENEFITS TO BE RECOVERED (IFRS 9)

EUR thousand	Employer's unemployment insurance contribution receivables	Employee's unemployment insurance contribution receivables	Overdue contribution and collection fee receivables for unemployment insurance contributions	Adult education benefits to be recovered*	Total
1 Jan 2020	-2,910	-3,834	-150	-1,894	-8,788
Change	271	-1,110	-372	1,774	563
31 Dec 2020	-2,640	-4,944	-522	-120	-8,225
1 Jan 2019	-1,129	-3,349	0	-1,793	-6,270
Change	-1,782	-485	-150	-102	-2,518
31 Dec 2019	-2,910	-3,834	-150	-1,894	-8,788

* The credit loss model applied to adult education benefits to be recovered was changed from the previous year.

**13 OTHER RECEIVABLES**

Total non-current other receivables EUR thousand	31 Dec 2020	31 Dec 2019
Other receivables (rental deposit)	328	328
Total non-current other receivables	328	328

Total current other receivables EUR thousand	31 Dec 2020	31 Dec 2019
Accrued income	0	807
Receivables from unemployment funds	16,527	38,856
Finnish Centre for Pensions, capital accruals	0	3,100
Finnish Centre for Pensions, compensatory interest	0	784
Education allowance receivables	1,855	0
Receivables from the Government related to training compensation	0	11,958
Employer's liability component receivables and compensation based on the Employment Contracts Act	637	760
Receivables from the State Pension Fund	93	26
Receivables from the Ministry of Social Affairs and Health	19,668	0
Receivables from the Social Insurance Institution of Finland	36	1,297
Prepayments	794	256
Securities in settlement	0	20,493
Tax assets	1	1
Pay security (Ministry of Economic Affairs and Employment)	2,141	0
Others	0	10
Total current other receivables	41,751	78,348

**14 NET FAIR VALUE LOSSES ON INVESTMENTS**

Investment income and positive valuation adjustments EUR thousand	31 Dec 2020	31 Dec 2019
Dividend income	731	431
Interest income	6,785	7,437
Other income	37	35
Gains on disposals	2,102	5,751
Foreign exchange gains	147	315
Change in value	-842	6,320
Total investment income	8,959	20,287

Investment expenses and negative value adjustments EUR thousand	31 Dec 2020	31 Dec 2019
Interest expenses and capital accrual	-2,775	4,348
Other expenses	-250	-209
Losses on disposals	-16,711	-11,050
Foreign exchange losses	0	-304
Change in value	-2,295	-3,113
Total investment expenses	-22,030	-10,327
Total investment income and expenses	-13,072	9,960



15 INVESTMENT ASSETS

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and they 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 valuation is based on inputs which also include, either directly or indirectly using valuation techniques, observable inputs other than those on Level 1.

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





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

EUR thousand, 31 Dec 2020	Level 1	Level 2	Level 3	Total
State and municipal bonds	295,501	100,121		395,623
Bank bonds	287,424			287,424
Corporate bonds	78,879			78,879
Investments in funds and shares	168,447	13,847		182,295
Mezzanine funds			2,904	2,904
Deposits		62,370		62,370
Certificates of deposit		41,078		41,078
Municipal papers				
Commercial papers		125,283		125,283
Alternative investments			18,566	18,566
Total	830,252	342,700	21,470	1,194,422

EUR thousand, 31 Dec 2019	Level 1	Level 2	Level 3	Total
State and municipal bonds	162,378			162,378
Bank bonds	259,950			259,950
Corporate bonds	113,202			113,202
Investments in funds and shares	87,292	17,864		105,156
Mezzanine funds			2,036	2,036
Deposits		51,433		51,433
Certificates of deposit		13,007		13,007
Municipal papers		48,144		48,144
Commercial papers		81,734		81,734
Alternative investments			17,449	17,449
Total	622,822	212,182	19,485	854,489



Changes in Level 3 financial assets measured at fair value

EUR thousand	1 Jan 2020	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2020
Mezzanine funds	2,037	877		10	-19	2,905
Alternative investments	17,449	-756	421	2,009	-558	18,566
Total	19,485	121	421	2,019	-577	21,470

EUR thousand	1 Jan 2019	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2019
Mezzanine funds	1,992	419		15	-389	2,037
Alternative investments	3,953	-140		16,000	-2,364	17,449
Total	5,944	278	0	16,015	2,753	19,485

Deposits, certificates of deposit, commercial papers and municipal papers at Level 2 have been valued using the discounted cash flow method based on the Euribor or swap curve and on the 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 a change in the credit risk of the investment. However, the adjustment has not had a material impact.

Investments classified at 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 the fund manager as of the reporting date, and they have been classified at Level 1, 2 or 3 assets by their market activity and marketability. Equity investments are quoted in the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor.



16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents EUR thousand	31 Dec 2020	31 Dec 2019
Bank deposits	636,292	164,300
Total cash and cash equivalents	636,292	164,300

17 BORROWINGS

Long-term borrowing EUR thousand	31 Dec 2020	31 Dec 2019
Employment Fund bonds	1,199,122	0
Total long-term borrowing	1,199,122	0

Short-term borrowing EUR thousand	31 Dec 2020	31 Dec 2019
Employment Fund bonds	0	0
Commercial papers	87,512	0
Revolving credit facilities (RCF)	0	0
Total short-term borrowing	87,512	0

**18 OTHER LIABILITIES**

EUR thousand	31 Dec 2020	31 Dec 2019
Accounts payable	418	382
Accruals	4,995	5,035
Liability component income accruals	19,561	31,052
Finnish Centre for Pensions, capital accruals	1,000	0
Ministry of Economic Affairs and Employment, pay security accruals	27,049	23,572
Finnish Centre for Pensions, debiting interest	1,366	0
Accrual for the State Pension Fund	914	0
Ministry of Social Affairs and Health, liability	8	4
ECA Ministry share	687	475
Administrative expense accruals	207	295
Liabilities to unemployment funds	28,069	8,611
Holiday pay accruals	1,096	1,044
Lease liability	574	1,920
Benefits withholding tax liability	4,143	3,319
Interest accruals	26	0
Total other liabilities	90,113	72,390



19 LIABILITIES AND RECEIVABLES NOT RECOGNISED IN THE STATEMENT OF NET POSITION

Capital commitments, equity funds and alternative investments EUR thousand	31 Dec 2020	31 Dec 2019
Committed capital	5,250	5,250
Realised	-5,027	-5,019
Total investment commitments	223	231

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

Operating lease commitments

The Fund has rented its office and warehouse premises and a car on non-cancellable lease contracts. On the balance sheet date, there is one year remaining on the lease of the office and warehouse premises. The leases will remain in force with a 12-month notice period. The remaining lease term of the car is one year and nine months.

Lease receivables

The Fund has sublet part of its leased office premises.

Lease receivables EUR thousand	31 Dec 2020	31 Dec 2019
Within one year	0	6
1-5 years	0	0
Over 5 years	0	0
Total	0	6

20 RELATED PARTIES

The related parties of the Fund consist of the Supervisory Board, the Board of Directors and the Management Group. The Employment Fund's Supervisory Board is appointed by the Government based on a proposal made by the labour market parties. The Supervisory Board prepares the proposal for the level of unemployment insurance contributions in its autumn meeting. The Board of Directors is appointed by the Supervisory Board. The Financial Supervisory Authority supervises the Employment Fund's operations. Furthermore, the Ministry of Social Affairs and Health is also entitled to receive information about the Fund's activities.

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

The salaries, bonuses and benefits paid to the related parties are summarised in the table below. Social security contributions are included in the figures. More detailed breakdowns by each body are included in the section presenting [the Employment Fund's remuneration report for 2020](#).

Fees and other benefits paid to the Board of Directors and the Supervisory Board

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Salaries, bonuses and benefits	153	90
Pension expenses - defined contribution plans	24	16
Total	177	107

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

EUR thousand	31 Dec 2020	31 Dec 2019
Salaries, bonuses and benefits	563	587
Pension expenses - defined contribution plans	85	99
Total	648	686

Managing Director's salaries and bonuses

EUR thousand	31 Dec 2020	31 Dec 2019
Salaries, bonuses and benefits	162	167
Pension expenses - defined contribution plans	25	29
Total	187	196

**SIGNATURES ON THE ANNUAL REPORT AND FINANCIAL STATEMENTS**

Helsinki, 23 March 2021

Vesa Rantahalvari
Chair

Saana Siekkinen
Vice Chair

Tuomas Aarto

Patrizio Lainà

Minna Etu-Seppälä

Antti Palola

Sture Fjäder

Jorma Palola

Riikka Heikinheimo

Heikki Taulu

Minna Helle

Pirjo Väänänen

Markku Jalonen

Janne Metsämäki
Managing Director

Ilkka Kaukoranta



AUDITOR'S STATEMENT

A report of the audit conducted was issued today.

Helsinki, 23 March 2021

KPMG Oy Ab
Marcus Tötterman
Authorised Public Accountant



Auditor's report

To the Supervisory Board of the Employment Fund

AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Employment Fund (business ID 1098099-7) for the financial period from 1 January to 31 December 2020. The financial statements include the statement of net position, the statement of changes in net position, cash flow statement and notes, including a summary of the most significant accounting policies followed in the financial statements.

In our opinion, the financial statements give a true and fair view of the Fund's financial position, operating income and cash flows in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU, and the financial statements comply with statutory requirements.

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

Basis for the opinion

We conducted our audit in accordance with good auditing practice in Finland. Our obligations in compliance with good auditing practice are described in more detail under *Auditor's responsibilities when auditing the financial statements*.

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

We have provided no other services to the Fund apart from auditing services.

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

Materiality

The determined materiality has affected the scope of our audit. Materiality has been determined on the basis of our professional judgement, and it provides the framework for determining the nature, timing and scope of the audit, and the assessment of the effects of detected misstatements on the financial statements. The level of materiality is based on our assessment of the magnitude of misstatements which could, individually or in aggregate, reasonably be expected to influence the economic decisions taken by the financial statement users. We have also taken into account misstatements which we find relevant to the financial statement users for qualitative reasons.

Key audit matters

Key audit matters are matters which, according to our professional judgement, have been the most significant in the audit of the financial statements from the period under review. As these matters have been taken into account in the audit of the financial statements as a whole and in forming an opinion on the financial statements, we will not issue a separate statement on these matters. The significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 are included in the description of the key audit matters below.

In the audit, we have considered the risk of management override of controls. This consideration has included an assessment of whether there are any indicators of a deliberate approach by the management that may put the financial statements at risk of material misstatement due to fraud.

Key audit matters	How key audit matters were addressed in the audit
Assessment and collection of unemployment insurance contributions (Accounting policies of the financial statements and note 5)	
<ul style="list-style-type: none"> Assessing and collecting unemployment insurance contributions is part of the Employment Fund's statutory duties. According to the statement of changes in the net position included in the financial statements, the unemployment insurance contributions amounted to EUR 3.3 billion in 2020. The unemployment insurance contributions must be set at a level that enables the Employment Fund to perform the duties within its scope of responsibility. The contributions are set for one year at a time, and the decision is made during the preceding year. The Employment Fund prepares a proposal for the level of contributions, drafts the payment decisions on the basis of the contribution percentages approved by Parliament and the actual payroll sum information reported by the employers to the Incomes Register, and collects the contributions. The Employment Fund conducts supervision in cases of failure to pay unemployment insurance contributions. As the amount of unemployment insurance contributions is significant for the financial statements and there are statutory requirements related to the assessment and collection of the contributions, this is considered a key audit matter. 	<ul style="list-style-type: none"> As part of our audit procedures, we examined the process of assessing the unemployment insurance contributions and evaluated the control environment. We assessed the invoicing, collection and supervision of unemployment insurance contributions and reviewed documents related to event flows. We have evaluated and tested controls related to the assessment and receipt of contributions, as well as the supervision of payment transactions. We have verified the correctness of the contribution percentages applied in the IT system environment. We have familiarised ourselves with the procedures related to accruals of unemployment insurance contributions, as well as the calculation of the impairment of contribution receivables. The audit also targeted the supervision of the processing of essential data flows and transactions, change management, and the transfer of data between systems.



Obligations of the Board of Directors and Managing Director in relation to the financial statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU, and for ensuring that the financial statements comply with statutory requirements. The Board of Directors and Managing Director are also responsible for such internal control as they deem necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Fund's ability to continue as a going concern, for disclosing, as applicable, matters related to continuing as a going concern, and for 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 cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities when auditing the financial statements

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

As part of an audit conducted in accordance with good auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. Additionally:

- We identify and assess the risks of material misstatement in 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.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- We evaluate the appropriateness of accounting policies used in preparing the financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude whether it is appropriate for the Board of Directors and the Managing Director to use the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund to become unable to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including all disclosures, and assess whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with the management bodies on matters such as 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.

Furthermore, we provide the management bodies with a statement confirming that we have complied with relevant ethical requirements regarding independence, and disclose to them all relationships and other

matters which may reasonably be thought to have a bearing on our independence and, where applicable, discuss related safeguards with them.

We decide which of the matters communicated to the management bodies were the most significant in the audit of the financial year under review and are therefore regarded as key audit matters. These matters are described in the auditor's report, unless a law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING OBLIGATIONS

Information about the audit

The Employment Fund began operations in 2019 and became a public interest entity during the 2020 accounting period. We have acted as auditors for the Fund since the start of its operations.

Other information

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

The other information comprises information included in the report of the Board of Directors and the annual report, excluding the financial statements and the relevant auditor's report.



Our opinion of 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 the knowledge we obtained during the audit, or whether it otherwise appears to be materially misstated. We are further obligated to evaluate whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements, and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

Helsinki, 23 March 2021

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant



Työllisyysrahasto

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