



Financial
statement release

2021

22 February 2022



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund

The Employment Fund's financial statement release 2021

The Employment Fund's financial result remained in deficit in 2021 due to the COVID-19 pandemic.

- Unemployment insurance contributions and other income EUR **3,335** (3,340) million
- Unemployment benefits, adult education benefits, and administrative expenses paid EUR **3,750** (3,947) million
- Change in net position (for the financial year) EUR **-412** (-623) million
- Net position EUR **633** (1,045) million
- Total investments and assets EUR **2,018** (2,423) million
- Loans disbursed and other liabilities EUR **1,385** (1,379) million
- Average unemployment rate **7.7%** (7.7%)
- Return on investments **0.7%** (-0.7%)

Data from 2020 in parentheses.

Managing Director's review

The second year of the COVID-19 pandemic was the Employment Fund's third year of operations. This means that we have been working remotely and in compliance with pandemic restrictions for two thirds of the new fund's existence. Despite the effects of the pandemic, we continued to excel in our task in 2021 by financing unemployment security and other types of social security. We also supported adults in developing their competences through adult education benefits.

In 2021, unemployment benefit costs remained high due to the COVID-19 pandemic, which left the Employment Fund's financial result clearly in deficit. However, Finland's economic growth improved in the second half of the year, which was also reflected in a reduction in unemployment and an increase in employment. Despite the deficit, the Fund's financial result clearly exceeded the estimate made when the 2021 budget was approved, and our liquidity

was good throughout the year. We were able to collect unemployment insurance contributions comprehensively and excel in the financing tasks we are responsible for. To secure financing, it was decided to raise unemployment insurance contributions by a moderate amount in 2022, based on the Fund's proposal.

The Employment Fund will face some changes as the additional days of unemployment insurance are phased out. The additional days will be replaced by a new security package, which the Fund will finance by collecting a new security contribution from employers. According to the legislative proposal, the changes will take effect at the start of 2023. We have been preparing for their implementation since early 2021. In addition, we participated in preparatory work to determine how the upcoming transfer of Employment services to municipalities will affect the financing of unemployment benefits. >>



The possibility of expanding the scope of our tasks concerning adult employees' competence development was also examined in the spring. The proposals presented in June did not include an expansion of the Fund's current tasks, but there were several proposals concerning the present tasks and benefits. At the time of writing, the future of the proposals remains unknown.

The reform of the adult education allowance came into effect in August 2020. As a result, the use of the adult education allowance to combine study and work has increased somewhat, which was one of the objectives of the reform. The reform also led to a significant increase in the number of applications, as a two-stage application process was introduced. We responded to the increase by automating the processing of allowance applications and updating our

systems. We aim to further increase the level of automation in the future.

The effects of the adult education allowance reform were assessed over the year, and the Ministry of Social Affairs and Health reported them to Parliament in December 2021. We also reformed our organisation during the year to ensure that we are even better positioned to achieve our objectives and provide services in an efficient and customer-oriented manner. In the autumn, we finalised our customer strategy, which facilitates a systematic approach to developing our services and operations in accordance with the needs of our customers and operational environment.

In early 2021, we made the decision to move to new premises in Ruoholahti, Helsinki. Our personnel was extensively involved

in preparing the move, and based on their feedback, the new premises were designed as an activity-based office to support today's working life and facilitate varied ways of working. We were able to move to the new premises in early 2022. As COVID-19 is still with us at the time of writing, we have not yet been able to make more extensive use of the new premises. We hope 2022 allows us to do so.

All in all, we managed to perform our tasks to a high standard, and provide security for changes in working life, as defined in our strategy. Our highly skilled and competent personnel deserve heartfelt thanks for all their efforts last year.

JANNE METSÄMÄKI
Managing Director

The Employment Fund's operating environment

The Employment Fund's financial result remained in deficit in 2021 due to the COVID-19 pandemic.

The financial statements show a deficit of EUR 412 million in 2021. The remaining value of the Employment Fund's net assets (business cycle buffer) at the end of the accounting period was EUR 633 million compared to EUR 1,045 million in 2020.

The unemployment rate and number of unemployed jobseekers dropped significantly, especially in the second half of the year. The average unemployment rate was approximately 7.7% in 2021, which is on average at the same level as the previous year. There was an increase in the amount of unemployment insurance contributions collected, based on a significant increase in the payroll amount and higher unemployment insurance contribution percentages.

In 2021, the employers' unemployment insurance contribution income was EUR 1,160 (993) million in total, and the employers' liability component income EUR 23 (26)

million in total. Income from employees' unemployment insurance totalled EUR 1,241 (1,073) million.

The popularity of adult education allowance continued to increase in 2021. In 2021, a total of EUR 175.3 (186.9) million of adult education allowance was paid to 28,322 (27,066) individuals. The amount paid decreased by approximately six per cent from 2020, but the number of beneficiaries increased. In our assessment, the reduction in the monetary amount was due to the legislative reform, which included changes to the calculation of the allowance sum, as well as more beneficiaries combining study and work. 26,257 approvals for scholarships for qualified employees were given and 25,949 beneficiaries received the scholarship. The number of approvals increased by approximately one per cent from 2020. A total of EUR 10.4 million was paid in scholarships, about two per cent less than the previous year (EUR 10.6 million).

The Employment Fund's finances

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Employment Fund maintains a business cycle buffer in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy.

The business cycle buffer accrues on the basis of the difference between the Fund's income and expenses. The maximum amount of the buffer corresponds to the annual expenditure for an unemployment rate of six percentage points. During times of severe economic downturn, the business cycle buffer may be on the liabilities side, up to the amount corresponding to the same expenditure.

The maximum value of the buffer is calculated by dividing the annual expenditure for which the Employment Fund is liable, which was EUR 2,840 million in 2021, by the average unemployment rate for the year (7.7), and multiplying the result by 6. In 2021, the maximum permitted value of the buffer according to the Act was EUR 2,220 million. The Employment Fund's net position was EUR 633 (1,045) million at the end of 2021.

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

This amount is approximately EUR 300 million. On average, the liquidity buffer described above was 2.5 times the minimum amount in 2021.

According to the 2022 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 467 million on 31 December 2022. When the financial statements were prepared, the Fund's net position at the end of 2022 was estimated to be around a positive sum of EUR 700 million.

Debt financing

Standard & Poor's (S&P) has given the Employment Fund a credit rating of AA+ with a stable outlook.

The Employment Fund has two bonds worth EUR 600 million, issued in 2020 with maturities of three years (due 16 June 2023) and seven years (due 16 June 2027). The Fund also has revolving credit facilities (RCF) worth EUR 800 million, agreed with five banks in 2020 with maturities of two years (due 9 April 2022). The revolving credit facility is guaranteed by the Finnish state. The revolving credit facility was not utilised during 2021.

In 2021, the Employment Fund implemented a debt servicing plan by issuing commercial papers with a nominal value of EUR 100 million to refinance commercial papers that were about to mature (worth EUR 82.5 million).

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.

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.

We manage our investment activities in compliance with the investment principles approved by the Supervisory Board, and the investment plan set by the Board of Directors. The value of investment and financial assets possessed by the Employment Fund amounted to EUR 1,339 (1,831) million at the end of 2021.

FINANCIAL OPERATING ENVIRONMENT

After the deep downturn of the COVID-19 pandemic, the global economy has swung towards strong growth. It has been assessed that the growth peaked in 2021, but it is projected to remain reasonably strong in 2022, as well. From 2023 onwards, economic growth is set to stabilise close to long-term levels. Inflation, i.e. the increase in consumer prices, increased in 2021 with rising raw material prices as a particular driver. This also began to show in the monetary policy of the central banks. Several central banks announced their intentions to gradually move away from

their heavily expansionary policy. The first signs of tightening monetary policy were already seen in 2021, as the Federal Reserve announced it would taper bond purchases and consider raising interest rates in 2022. The outlook for economic growth is still subject to risks, especially in relation to the COVID-19 pandemic and a prolonged increase in inflation.

THE INVESTMENT MARKET

Considering the starting point, the development of the investment market in 2021 was quite favourable. The development of stock prices in the market was strong. Especially in developed markets, the annual yield was significantly better than average. However, development was poor in the Chinese market, where weakened growth prospects, increased regulation, and issues in the real estate sector gave particular reasons for concern and added to investor insecurity. The strongest growth phase of the stock market was seen in the first half of the year,

and stock prices fluctuated slightly more towards the end of 2021.

The environment in the interest rate market was characterised by slightly rising interest rates last year. Annual returns from government bonds with a low nominal yield was negative in the euro zone, and returns from corporate bonds also turned out lower than average.

ALLOCATION OF INVESTMENTS

We invested actively in money market instruments, bonds, funds, and equities, as well as alternative investments. Equity investments were reinstated as an investment item in the investment plan for 2021. At the end of the financial period, EUR 721 (1,127) million of the Fund's assets were invested in money market instruments, EUR 534 (682) million in bonds, EUR 38 (0) million in equities, and EUR 43 (21) million in alternative investments.

In 2021, we achieved a return of 0.7 (-0.7) per cent on invested assets. The return exceeded both the expectation entered in the investment plan and the reference return on our investment activities.

The investment plan for 2022 was approved by the Employment Fund's Board of Directors on 21 December 2021. As part of the plan, it was decided to increase the proportion of alternative investments and to make a few other changes to the allocation of funds.

RESPONSIBLE INVESTMENT

Responsibility in investment activities means that we take responsibility and sustainability factors into account in our investment decisions.

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.

Furthermore, we invest in companies that comply with the UN Global Compact wherever possible.

Numerical methods of assessment are used to monitor and analyse the responsibility of the Employment Fund. The goal is to provide a picture of the Fund's responsibility profile and map its development as comprehensively and diversely as possible. Similar metrics have been used for monitoring since 2019. The responsibility analysis includes a review of aggregated operational responsibility metrics for the investment items and the companies behind them, such as commitment to equality, good governance, and the development of variables used to measure environmental impact. Furthermore, the analysis is meant to demonstrate the impact of the Fund. This is done by classifying the investment items into different responsibility

themes based on their effectiveness, measuring the share of companies that comply with the EU taxonomy, and examining the weighting of investment in various sectors connected to UN Sustainable Development Goals.

According to the latest analysis by the asset management company commissioned to assess the responsibility of our investments in 2021, our responsibility profile is good. The results from the measurement methods used did not fall significantly short of the benchmark indices for the investment market. In particular, the results related to environmental impact have mostly outperformed the benchmark indices for

the portfolio throughout our history of measurement, and continue to do so.

For direct investments in corporate bonds, the historical performance of our portfolio has developed in a positive direction, and several metrics point to results outperforming the benchmark. Particularly positive observations from the results include a reduction in weighted carbon intensity, as well as lower-than-benchmark levels of water consumption and exposure to sectors with negative impacts on the environment or human health.

There have been substantial changes to the proportion of equity investments and the related strategy, making it difficult to

assess historical performance. The most relevant observation is the current situation, in which our responsibility profile either does not significantly deviate from the benchmark index in terms of the ESG factors, or the results outperform the benchmark. As a whole, the environmental footprint of our equity investments significantly outperforms the benchmark index for the investable universe. With regard to our responsibility profile, it is important to note that most of the equity funds employ extensive exclusion criteria and are defined as Article 8 Funds in accordance with the EU SFDR classification. In these funds, sustainability is integrated into portfolio management.

Risk Management

The Employment Fund's internal control is based on a 'three lines of defence' model.

Risk management is an integral part of the Employment Fund's internal control, which consists of all the practices and procedures that aim to give the Fund's Board of Directors and Management a reasonable assurance of the effectiveness of operations, the achievement of set objectives, the reliability and adequacy of financial and operational information, as well as compliance with laws and regulations. Risk management measures enable threats and opportunities related to the Employment Fund's operations to be identified, analysed, and managed.

The Employment Fund has a full-time risk manager tasked with supporting and instructing the organisation on risk identification and management. Since the start of 2021, the Fund has also had a full-

time Compliance Officer to support internal control. The Compliance Officer cooperates with risk management to support the Board of Directors, Management, and operations of the Fund in complying with regulations and internal guidelines. This is done by assessing internal processes and procedures and submitting observations and suggestions for improvement to the Management, for example. The risk manager and Compliance Officer report directly to the Board of Directors, audit committee, and Managing Director.

Systemic and regular risk management ensures that the risks taken by the Employment Fund are proportionate to the Fund's objectives and the risk appetite specified in the Fund's risk management principles.

The significance of risk management has been further highlighted, and a systemic approach to it is an essential prerequisite

for the continuity of the Fund's operations. The COVID-19 pandemic has had a broader scope of impact than expected, and from the Employment Fund's perspective, the management of financial risks has been particularly affected. Other focus areas for risk management in 2021 included cyber risks, strategic and reputational risks, as well as operational risks, and regulatory risks.

MARKET RISK

The main market risk factor for the Fund's investments and liabilities 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. At the end of the review period, 27% (17%) of investments were indirect investments. On 31 December 2021 and 31 December 2020, the market risks for the investments were as follows:

31 Dec 2021	Risk (%)	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	289,826	1,449
Money market	1.00%	356,447	3,564
State and municipal bonds	4.00%	194,018	7,761
Bank bonds	4.50%	252,160	11,347
Corporate bonds	5.00%	162,983	8,149
Shares	25.00%	38,159	9,540
Alternative investments	10.00%	42,865	4,287
Total risk	3.45%	1,336,458	46,097

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

The total risk was 3.45% (2.31%) of the Fund's assets and 1.4% (1.2%) of the Fund's income in 2021. The risk posed by the investment portfolio is moderate due to its conservative structure and moderately low risk level of the securities in the portfolio.

All money market investments carry variable interest rates (100%). Altogether, 9% (9%) 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 31 December 2021 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other the variables remained constant, the total change in net position would have been reduced by EUR 6.06 (8.40) million. Respectively, if on 31 December 2021 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 6.06 (8.40) million.

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

The spread duration of the credit risk included in the investments at the end of the period under review was 1.49 (1.64) years.

The average credit rating of the investment portfolio is evaluated on Standard & Poor's rating scale, which is based on historical probabilities of credit losses. The credit rating of the investment portfolio was estimated to be BBB+ on 31 December 2021 (BBB+). The following table describes the Employment Fund's fixed-income investments and creditworthiness by group. The figures are expressed in thousands of euros.

Investments distributed by the issuer's rating (EUR thousand)*	31 Dec 2021	31 Dec 2021 (%)	31 Dec 2020	31 Dec 2020 (%)
AAA	61,332	4.9%	139,286	7.7%
AA+	110,224	8.8%	206,946	11.5%
AA	51,395	4.1%	63,630	3.5%
AA-	403,849	32.2%	767,022	42.5%
A+	119,822	9.5%	74,908	4.2%
A	63,722	5.1%	118,532	6.6%
A-	121,257	9.7%	122,900	6.8%
BBB+	55,768	4.4%	46,341	2.6%
BBB	180,243	14.4%	137,429	7.6%
BBB-	31,265	2.5%	54,679	3.0%
BB+	6,812	0.5%	22,913	1.3%
BB	3,649	0.3%	6,280	0.3%
BB-	-	0.0%	-	0.0%
B+	-	0.0%	-	0.0%
B	-	0.0%	220	0.0%
B-	-	0.0%	8,008	0.4%
CCC+	-	0.0%	-	0.0%
CCC	-	0.0%	198	0.0%
NR	46,100	3.7%	35,231	2.0%
Total	1,255,438	100.0%	1,804,523	100.0%

* 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 an official credit rating, so the credit quality of these entities is determined using credit ratings received from a third party.

The amount of the Employment Fund's unemployment insurance contribution receivables, liability component receivables, ECA receivables, benefit receivables, and interest receivables, are included in the credit risk. The most important factor in the realisation of the aforementioned credit risk is related to cases in which customers liable for paying unemployment insurance contributions become insolvent (due to bankruptcy, corporate restructuring or debt restructuring). In 2021, the number of pending bankruptcy petitions was higher than in 2020 but remained lower than in 2019. The Bankruptcy Act was amended to limit the creditors' right to petition for bankruptcy from May 2020 to September 2021. The trend in the number of bankruptcies in 2022 largely depends on the development of the COVID-19 pandemic. So far, the number of pending bankruptcy petitions has not returned to pre-pandemic levels.

LIQUIDITY RISK

The Fund aims to manage liquidity risk as follows:

1. Liquid realisable investments
2. Short-term loans
3. Maintaining unemployment insurance contributions at a reasonable level and increasing them as necessary

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 borrowing to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 (300) million, of which EUR 200 million remain unused. In addition, the Fund has EUR 800 million in state-guaranteed revolving credit facilities (RCF) with

five commercial banks (EUR 800 million). The revolving credit facility has not been utilised.

Committed credit facilities, not in use EUR million	31 Dec 2021	31 Dec 2020
Facilities expiring within a year		
RCF (State guarantee)*	800	
Facilities expiring after a year		
RCF (State guarantee)		800
Total	800	800

Uncommitted credit facilities, not in use EUR million	31 Dec 2021	31 Dec 2020
Commercial paper programme	200	212
Total	200	212

* The contracts are subject to an extension option of 12 months.

The Employment Fund also secured its liquidity through debt financing during 2021. For financing, the Fund relies on domestic markets for commercial papers.

The Employment Fund has the following issuer credit ratings as confirmed by Standard & Poor's (30 September 2021):

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

At the end of the period under review, EUR 1,200 (1,200) million in bonds, and EUR 100 (87.5) million in commercial papers were in use. No short-term bank loans were in use on 31 December 2021 (EUR 0).

The fixed interest rate periods for loans in the statement of the net asset calculations were as presented in the table.

31 Dec 2021 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate (%)	Due date	Credit rating
Bond 2023	600	1.46	0.00%	16.6.2023	AA+
Bond 2027	600	5.46	0.01%	16.6.2027	AA+
Commercial papers	100	0.25	-0.30%	1-12 months	No rating
Total	1,300	3.20			

31 Dec 2020 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate (%)	Due date	Credit rating
Bond 2023	600	2.46	0.00%	16.6.2023	AA+
Bond 2027	600	6.46	0.01%	16.6.2027	AA+
Commercial papers	88	0.18	-0.12%	1-12 months	No rating
Total	1,288	4.16			

The following tables show 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 2021	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	861				861	861
Loans	100,060	0	600,120	600,180	1,300,360	1,299,187
Liabilities associated with right-of-use assets	3,735				3,735	3,735
Total	104,656	0	600,120	600,180	1,304,956	1,303,783

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
Loans	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

Personnel

At the end of 2021, the number of personnel was 151 (171).

As person-years of work, the average number of personnel was 132 (140). The average number of employees was 164 in 2021, and the Fund paid EUR 7,929,867 in salaries and EUR 134,267 in fringe benefits. The Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives.

Men accounted for 46 (50) and women for 105 (121) of the personnel. The average employee age was 41 (40), and the average duration of employment at the Employment Fund was 6.0 years.

Promoting and constantly monitoring employee wellbeing are key commitments for the Fund. The wellbeing of the personnel was assessed by conducting an extensive survey. The average rate of absence due to illness was 10.02 (10.35) days per person. The average number of training days per person was 1.44 (2.26). Training was provided remotely in the form of virtual learning.

The Employment Fund's Managing Director is Janne Metsämäki, LL.M.

Events after the financial statements

The employment rate and the number of unemployed jobseekers have demonstrated positive trends in early 2022. However, restrictions put in place due to the COVID-19 pandemic have affected employment in some sectors. Developments in the coming months will show whether restrictions can be lifted and society reopened on a larger scale.

Compared to the previous year, some changes are visible in the financial operating environment. Basic economic factors remain reasonably positive, but in the financial market, the year is off to an uncertain start. The stock market in particular has seen greater fluctuations. At the time of drafting the

financial statements, the economic outlook for the Employment Fund remains the same as predicted in December 2021. Our assessment at the time was that the costs of funding unemployment benefits would decrease due to the economy gradually growing stronger and employment improving. We expect this trend to continue in 2022. Modest improvements in employment, combined with a higher amount of unemployment insurance contributions, should lead to the changes in our net position being close to zero in 2022. By our estimate, the value of the net assets in our business cycle buffer will be approximately EUR 700 million at the end of the year.

In 2022, we will continue to develop our essential services and related information systems to ensure that we are able to perform our statutory tasks even more efficiently, and serve our customers even better. We are also involved in preparing legislation to phase out the additional days of unemployment insurance and replace them with a new security package for employees dismissed after the age of 55. The new package will be financed by us.

Helsinki, 22 February 2022
Employment Fund
Board of Directors

Condensed financial statements and notes

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 2021.

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 Finnish accounting and corporate legislation supplementing IFRS standards.

STATEMENT OF CHANGES IN NET POSITION

EUR thousand	Note	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Contributions collected			
Unemployment insurance contributions	5	3,334,855	3,340,330
Total contributions collected		3,334,855	3,340,330
Financing contributions paid			
Financing contributions paid	6	-3,724,310	-3,926,051
Administrative expenses	7	-25,505	-20,672
Total financing contributions paid		-3,749,815	-3,946,723
Net fair value gains on investments	14	4,124	-13,072
Financing costs	8	-666	-3,344
CHANGE IN NET POSITION		-411,502	-622,809

STATEMENT OF NET POSITION

EUR thousand	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,735	730
Intangible assets	10	3,614	6,902
Other receivables	13	328	328
Total non-current assets		7,677	7,960
Current assets			
Unemployment insurance contribution receivables	11	3,356	7,097
Accruals of unemployment insurance contributions	11	622,246	535,768
Other receivables	13	46,210	41,751
Investment assets	15	1,046,293	1,194,442
Cash and cash equivalents	16	292,326	636,292
Total current assets		2,010,431	2,415,352
Total assets		2,018,108	2,423,312
NET ASSETS			
For previous periods		1,044,765	1,667,574
For the period		-411,502	-622,809
Total net position		633,263	1,044,765

EUR thousand	Note	31 Dec 2021	31 Dec 2020
LIABILITIES			
Non-current liabilities			
Bonds	17	1,198,945	1,199,122
Total non-current liabilities		1,198,945	1,199,122
Current liabilities			
Loans	17	100,242	87,512
Unemployment insurance contribution liabilities	11	1,846	1,800
Other liabilities	18	83,813	90,113
Total current liabilities		185,900	179,425
Total liabilities		1,384,845	1,378,547
Total net position and liabilities		2,018,108	2,423,312

CASH FLOW STATEMENT

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Unemployment insurance contributions collected	3,252,016	3,440,824
Financing contributions paid	-3,763,083	-3,908,302
Interests paid	-2,884	-5,151
Net cash and cash equivalent used in ordinary operations	-513,951	-472,629
Cash flows from investments		
Purchases of property, plant, and equipment	0	-43
Purchases of intangible assets	-683	-2,462
Investments in financial instruments	-1,245,581	-2,970,114
Sales of investment instruments and realised income	1,403,696	2,629,648
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	157,431	-342,972
Loans withdrawn and repaid	12,553	1,287,593
Net cash and cash equivalents generated from financing activities	12,553	1,287,593
Net increase/decrease in cash and cash equivalents	-343,966	471,992
Cash and cash equivalents at the beginning of the financial period	636,292	164,300
Cash and cash equivalents at the end of the financial period	292,326	636,292

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 2021, 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 amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the Act.

EUR million	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Business cycle buffer	633	1,045
Maximum amount of buffer	2,220	2,078
Minimum amount of buffer	-2,220	-2,078

UNEMPLOYMENT INSURANCE CONTRIBUTIONS

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Employer's unemployment insurance contributions		
Employer's insurance contributions	1,156,781	990,144
Employer's insurance contributions, co-owners	2,082	2,003
Total	1,158,862	992,147
Employee's unemployment insurance contributions		
Employee's insurance contributions	1,238,402	1,070,893
Employee's insurance contributions, co-owners	2,705	1,157
Total	1,241,107	1,072,050
Collection fee income and credit losses		
Interest on overdue employer contributions	340	268
Interest on overdue employee contributions	281	445
Collection fee income	159	190
Total	780	903
Liability components of employer's unemployment allowances		
Liability components	14,944	14,113
Accruals	7,826	12,266
Total	22,770	26,379
Compensation in accordance with the Employment Contracts Act (ECA)		
Compensation and lay-off income according to the ECA	1,127	1,046
Settlement to the Ministry of Social Affairs and Health	-473	-635
Total	654	412
Contributions from the Ministry of Social Affairs and Health		
Earnings-related unemployment allowance	896,630	882,897
Lay-off allowance	0	333,360
Job alternation compensation	9,225	9,800
Equalisation payment for the previous year	2,635	0
Adult education benefits	2,192	2,381
Supplementary financing of administrative expenses	0	20,000
Total	910,681	1,248,438
Total unemployment insurance contributions	3,334,855	3,340,330

FINANCING CONTRIBUTIONS PAID

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Contributions paid by the Employment Fund		
Other earnings-related unemployment allowance	-875,669	-820,091
Additional days of allowance	-115,638	-118,512
Lay-off allowance	-442,243	-413,129
Job alternation compensation	-11,960	-12,641
Compensation for administrative expenses	-12,656	-8,716
Equalisation payment for the previous year	-4,627	622
Total	-1,462,793	-1,372,467
Government contribution paid to unemployment funds		
Other earnings-related unemployment allowance	-878,234	-866,040
Lay-off allowance	0	-333,360
Job alternation compensation	-9,225	-9,800
Unemployment allowance / entrepreneurs	-8,623	-10,201
Compensation for administrative expenses	-9,773	-6,656
Supplementary financing of administrative expenses	0	-20,000
Equalisation payment for the previous year	-3,572	937
Total	-909,426	-1,245,120
Finnish Centre for Pensions		
Equalisation payment for the previous year	-66,779	-17,813
Payment for the current financial period	-835,000	-851,800
Total	-901,779	-869,613

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
State Pension Fund		
Equalisation payment for the previous year	-1,139	-571
Payment for the current financial period	-10,087	-8,625
Total	-11,226	-9,196
Social Insurance Institution of Finland		
Equalisation payment for the previous year	1	0
Basic allowance, additional component, employment programme additional benefit	-239,000	-207,300
Total	-238,999	-207,300
Adult education benefits		
Scholarships for qualified employees	-10,415	-10,617
Adult education allowance	-175,307	-186,858
Collection expenses for benefits	-6	-4
Total	-185,728	-197,479
Ministry of Economic Affairs and Employment		
Payment for the current financial period	-14,391	-24,909
Total	-14,391	-24,909
Member State invoicing for unemployment allowances		
Invoiced by Member States	-40	-85
Invoiced by the Fund	73	119
Total	33	33
Total financing contributions paid	-3,724,310	-3,926,051

ADMINISTRATIVE EXPENSES

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Personnel expenses		
Salaries, bonuses, and benefits	-7,887	-6,955
Pension expenses		
- defined contribution plans	-1,341	-1,118
Social security expenses	-258	-211
Total	-9,486	-8,283
Personnel expenses, management salaries, and bonuses		
Management Group (excl. Managing Director)	-635	-563
Managing Director	-169	-162
Board of Directors and Supervisory Board	-155	-153
Pension expenses		
- defined contribution plans	-151	-134
Total	-1,110	-1,013
Other administrative expenses		
IT expenses	-3,019	-2,735
Other personnel expenses	-575	-715
Expenses for office premises	-975	-188
Office expenses	-2,114	-1,430
Other expenses	-4,410	-2,968
Amortisation	-4,801	-4,268
Other income		0
Total	-15,893	-12,304
Auditor's fee		
Statutory audit	-92	-85
Other fees	-33	0
Total	-126	-85
Total administrative expenses	-25,505	-20,672

Number of personnel	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Employees		
Full-time employees	135	139
Part-time and temporary employees	16	32
Total	151	171

NET FAIR VALUE GAINS ON INVESTMENTS

EUR thousand	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Dividend income	659	731
Gains on disposals	1,980	2,102
Other income	38	37
Net interest income	3,460	4,011
Net foreign exchange gains	10	147
Net change in value	9,115	-3,137
Losses on disposals	-10,889	-16,711
Other expenses	-247	-250
Net gains on investments	4,124	-13,072

INVESTMENT ASSETS

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

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

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

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

In the tables attached, 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 2021	Level 1	Level 2	Level 3	Total
State and municipal bonds	118,939	75,079		194,018
Bank bonds	232,603			232,603
Corporate bonds	148,066			148,066
Investments in funds and shares	221,257	18,815		240,072
Mezzanine funds			1,988	1,988
Deposits		105,140		105,140
Certificates of deposit		21,017		21,017
Municipal papers		1,000		1,000
Commercial papers		61,512		61,512
Alternative investments			40,877	40,877
Total	720,864	282,563	42,865	1,046,293

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		0	18,566	18,566
Total	830,252	342,700	21,470	1,194,422

Changes in Level 3 financial assets measured at fair value

EUR thousand	1.1.2021	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2021
Mezzanine funds	2,904	454		19	-1,389	1,988
Alternative investments	18,566	1,074		21,237		40,877
Total	21,470	1,528	0	21,256	-1,389	42,865

EUR thousand	1.1.2020	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2020
Mezzanine funds	2,037	877		10	-19	2,904
Alternative investments	17,449	-756	421	2,009	-558	18,566
Total	19,485	121	421	2,019	-577	21,470

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 for the effect of changes 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 as Level 1, 2 or 3 assets by their market activity and marketability. Equity investments are quoted on the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor.

LOANS

Long-term loans EUR thousand	31 Dec 2021	31 Dec 2020
Employment Fund bonds	1,198,945	1,199,122
Total long-term loans	1,198,945	1,199,122

Short-term loans EUR thousand	31 Dec 2021	31 Dec 2020
Commercial papers	100,242	87,512
Total short-term loans	100,242	87,512

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

EUR thousand	31 Dec 2021	31 Dec 2020
Committed capital	5,250	5,250
Realised	-5,039	-5,027
Total investment commitments	211	223

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 are four years and three months remaining on the lease of the office and warehouse premises, after which the contract becomes cancellable and subject to a notice period of nine months. The remaining term of the lease for the car is two years and ten months.

Helsinki, 22 February 2022

Employment Fund

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