

June 2023

Employment Fund's Investor Presentation



Contents



Employment Fund
in Brief



Operating
Environment,
Finnish Economy
and Employment
Development



Employment Fund
Finances, Business
Cycle Buffer,
Investment
Portfolio and Debt
Financing



Employment Fund's
Social Finance
Framework

Employment Fund in Brief



Employment Fund in Brief (1/2)

- Employment Fund is a financially strong public institution with a AA+ rating from S&P.
- Employment Fund is integrally linked to the Finnish state and serves an essential function within the Finnish social security and unemployment benefit system.
- Employment Fund is an organisation established by law and managed by the social partners.



Employment Fund in Brief (2/2)

- Main tasks of the Fund
 - To finance the earnings-related unemployment benefits in Finland
 - To pay adult education benefits
 - To finance it's operations by collecting mandatory unemployment insurance contributions
- Employment Fund is supervised by the FIN-FSA



Operating Environment, Finnish Economy and Employment Development



Finnish GDP increased 2.1% in 2022

- Finnish economy improved steadily in 2012–2022: GDP increased at CAGR of 0.9% during that period.
- The Finnish Ministry of Finance forecasts Finland's GDP to decrease by 0.2% in 2023*, while the European Central Bank forecasts Euro Area's GDP to increase by 1.0%**.

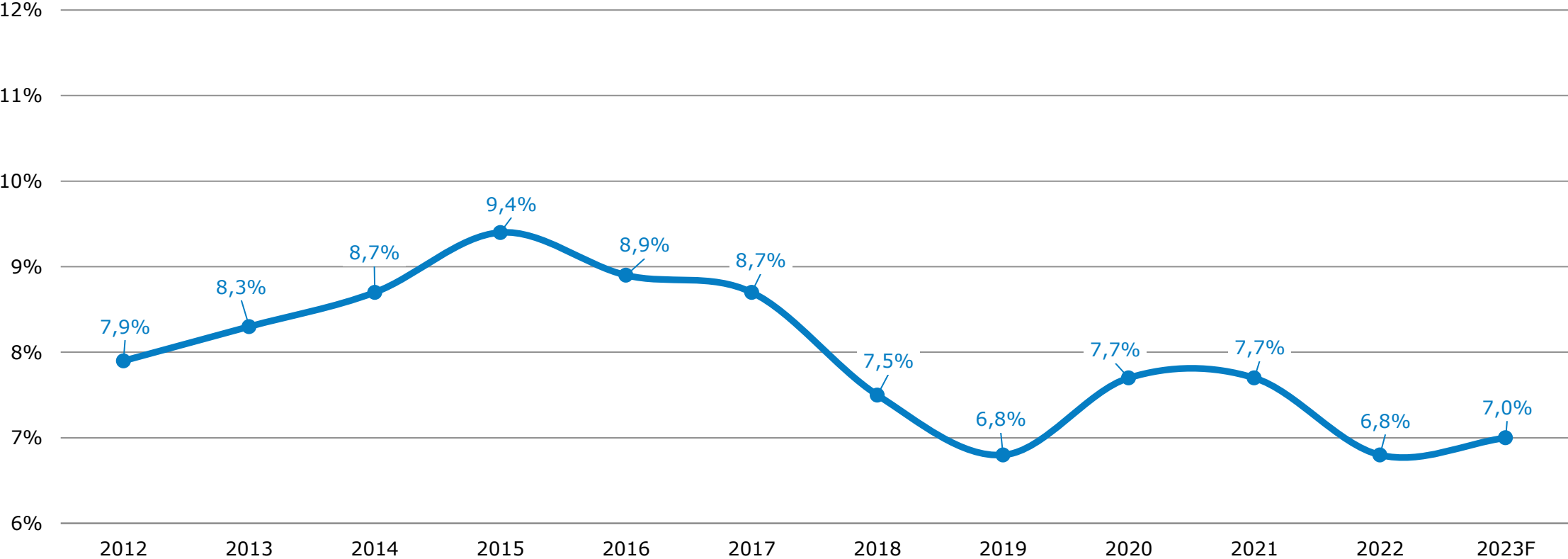
* Finnish Ministry of Finance, Economic Survey, Spring 2023

** ECB, Economic Bulletin Issue 2, 2023



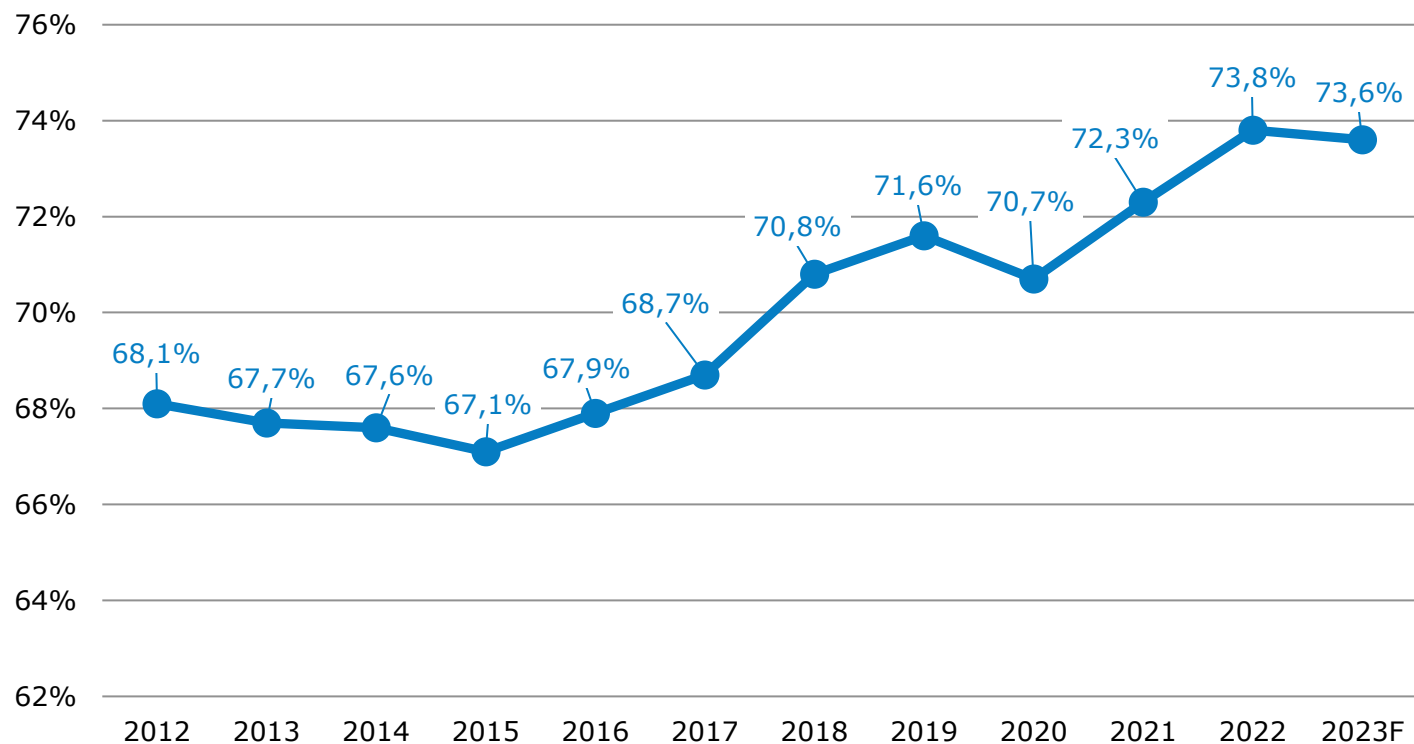
Unemployment rate is forecasted to increase slightly for 2023 but still on the low end on historical perspective

Unemployment rate in Finland

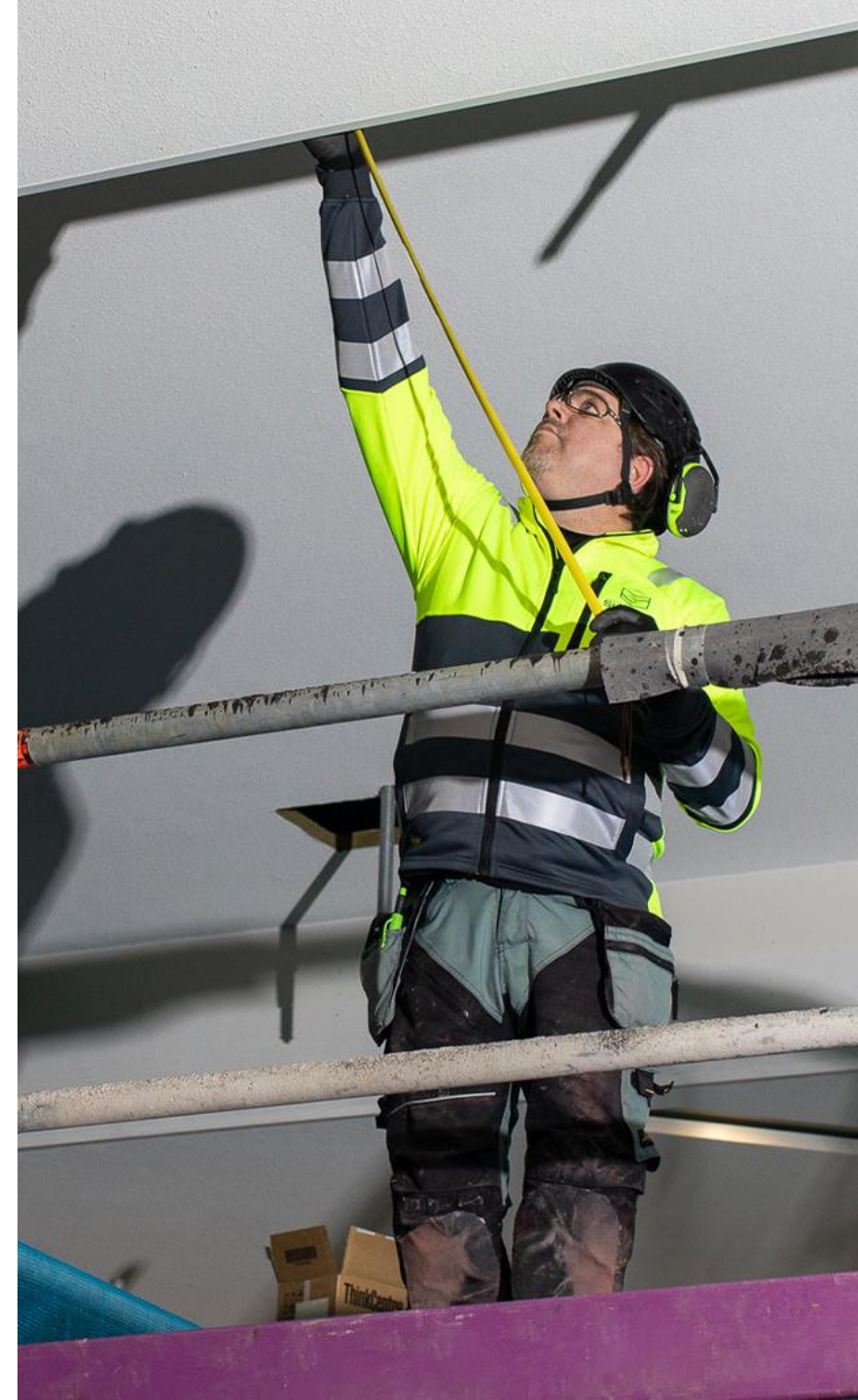


Employment rate has increased during the last decade

Employment rate, 15–64 years old



Sources: Statistics Finland, The Finnish Ministry of Finance estimate as of 23.3.2023



Finnish macro outlook

- The Finnish Ministry of Finance forecasts Finland's GDP to return on growth track from 2024 onwards.
- Both employment rate and unemployment rate are forecasted to improve steadily.

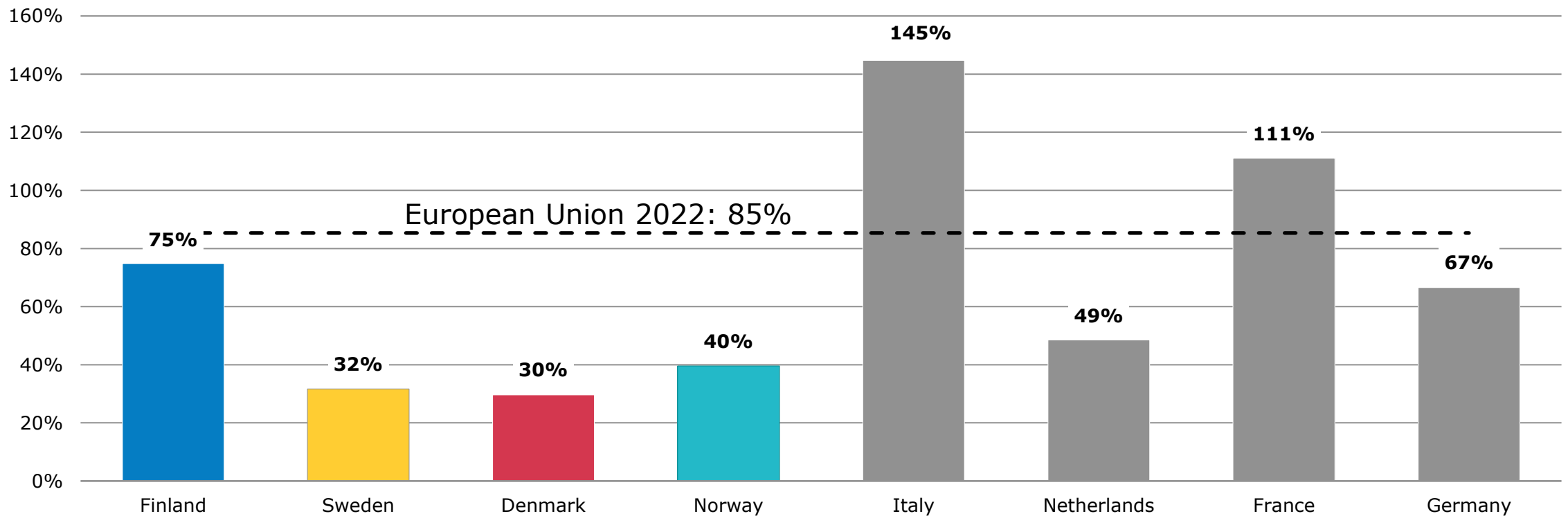
	2023	2024	2025	2026	2027
GDP at market prices, change in volume, %	-0.2	1.3	1.6	1.6	1.5
Consumer price index, change, %	5.5	2.5	1.6	2.0	2.0
Employment rate, %	73.6	73.8	74.2	74.6	74.9
Unemployment rate, %	7.0	6.8	6.6	6.4	6.3
General government gross debt, relative to GDP, %	74.4	76.9	79.0	80.7	82.4

Sources: Statistics Finland, The Finnish Ministry of Finance estimate as of 23.3.2023



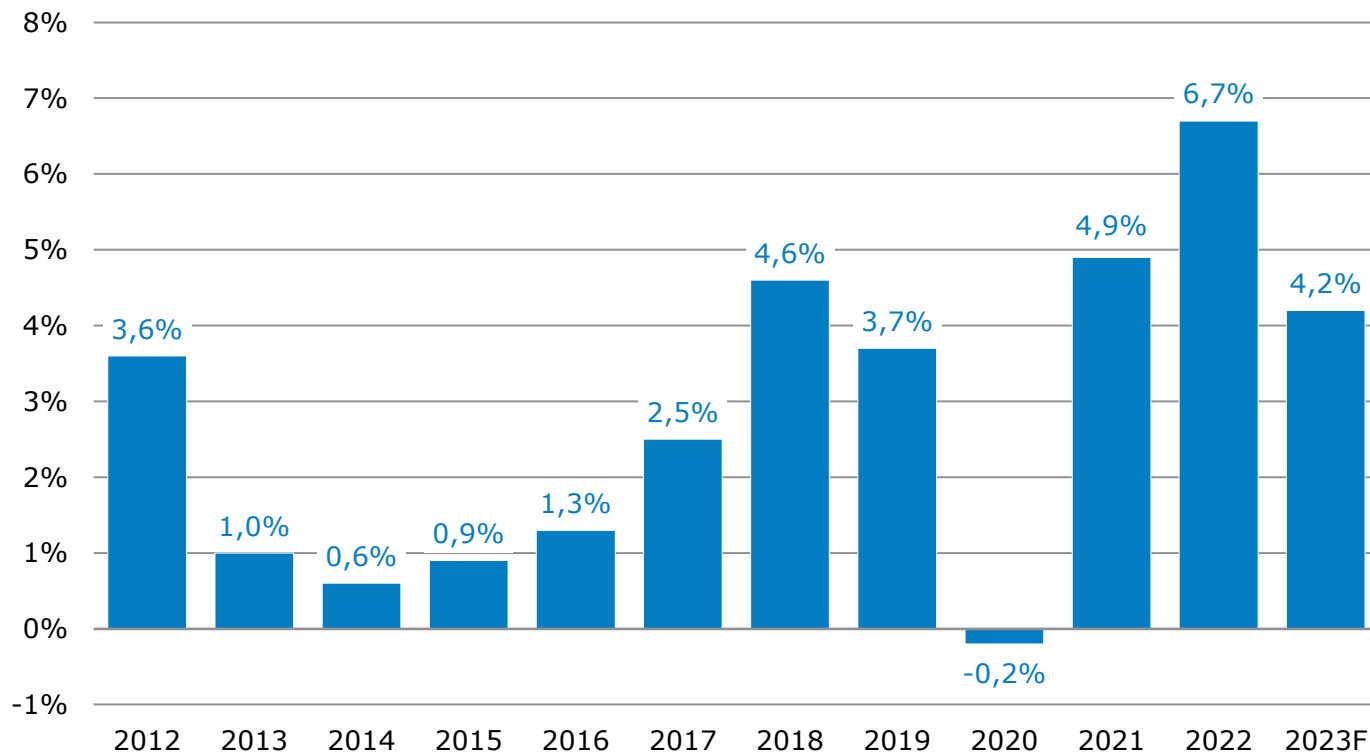
Finland's Government gross debt has increased but is still moderate by European standards

European countries: General Government gross debt-to-GDP ratio 2022



Robust growth in annual wage and salary sum since 2021

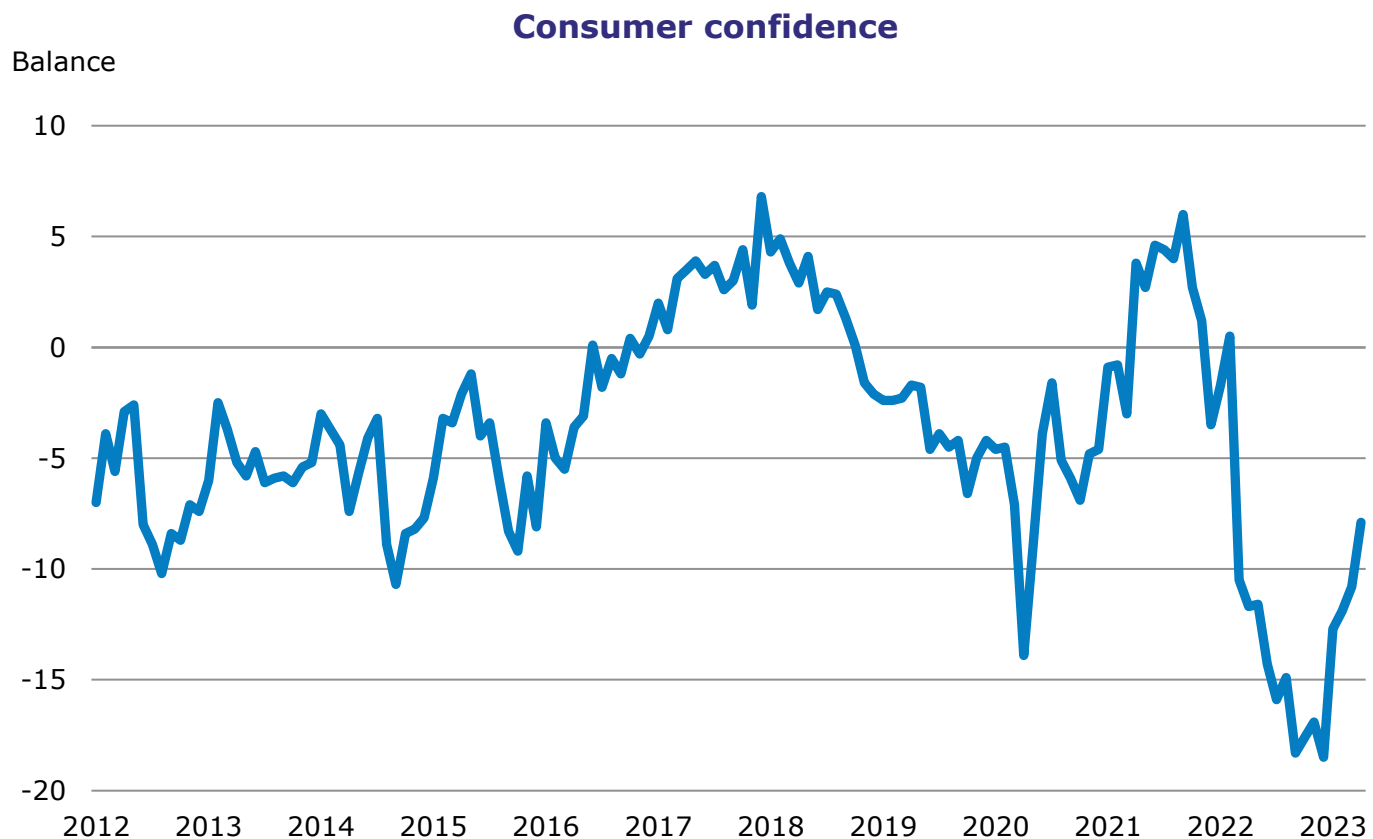
Wage and salary sum, whole economy



Sources: Statistics Finland, The Finnish Ministry of Finance estimate as of 23.3.2023



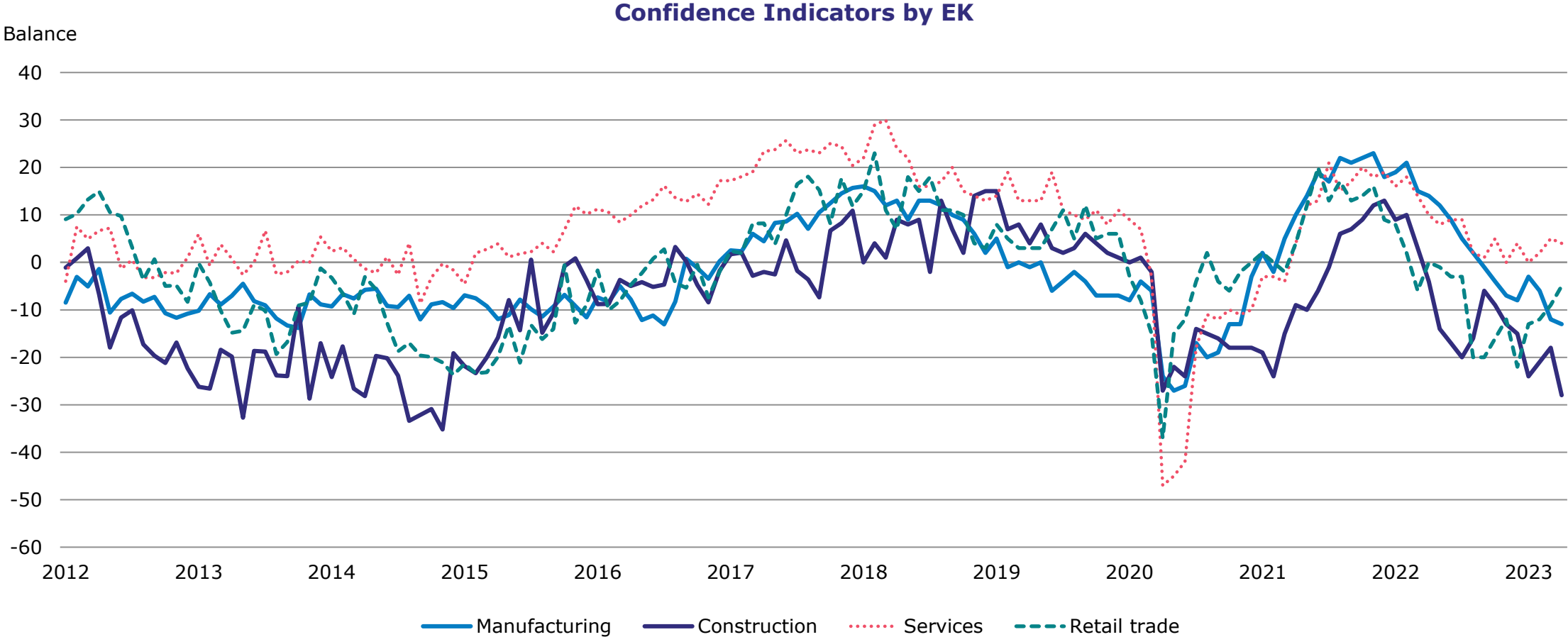
Consumer confidence has steadily improved from December 2022



Sources: Statistics Finland



Business confidence on construction and manufacturing declining but improving on retail trade



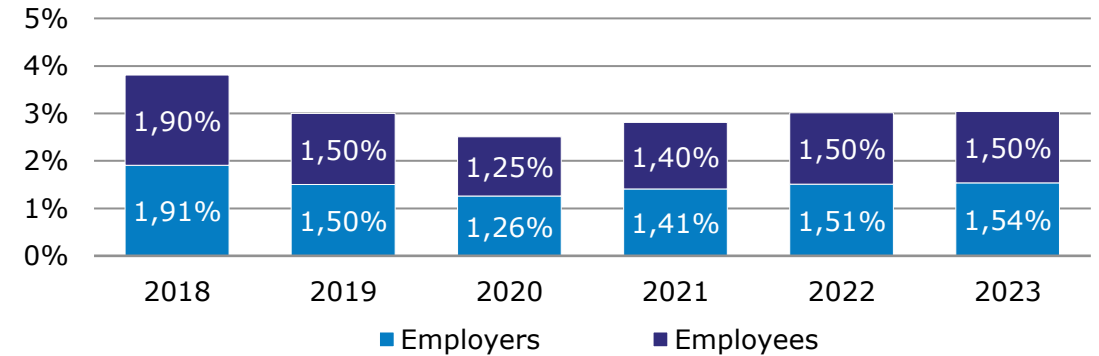
Employment Fund Finances



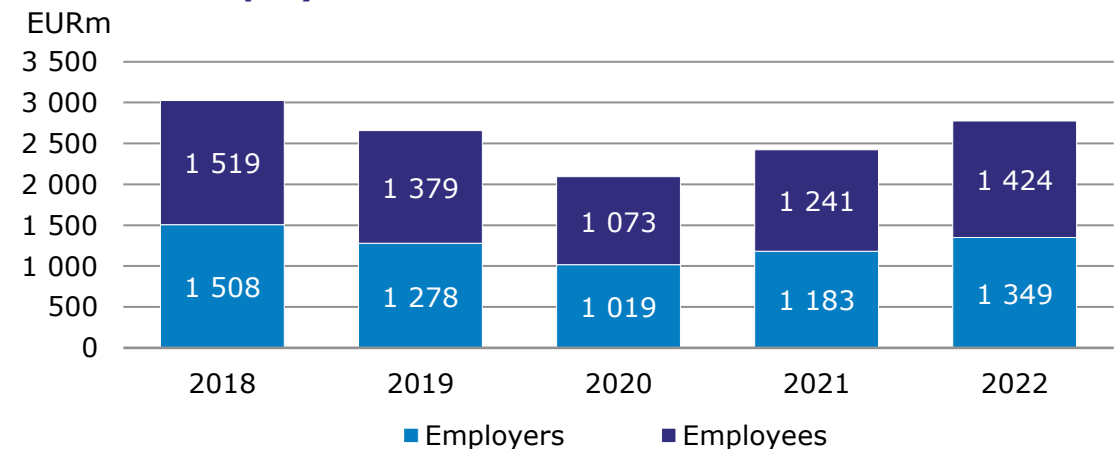
Employment Fund Finances (1/3)

- The unemployment insurance contributions are set so that Employment Fund is able to fulfil its obligations.
- The Fund aims to keep the contributions as stable as possible with the help of the business cycle buffer and various forecasting methods.
- In 2022 an increase in the contributions and strong wage sum growth contributed positively to the amount of contributions being collected.

Unemployment insurance contributions %

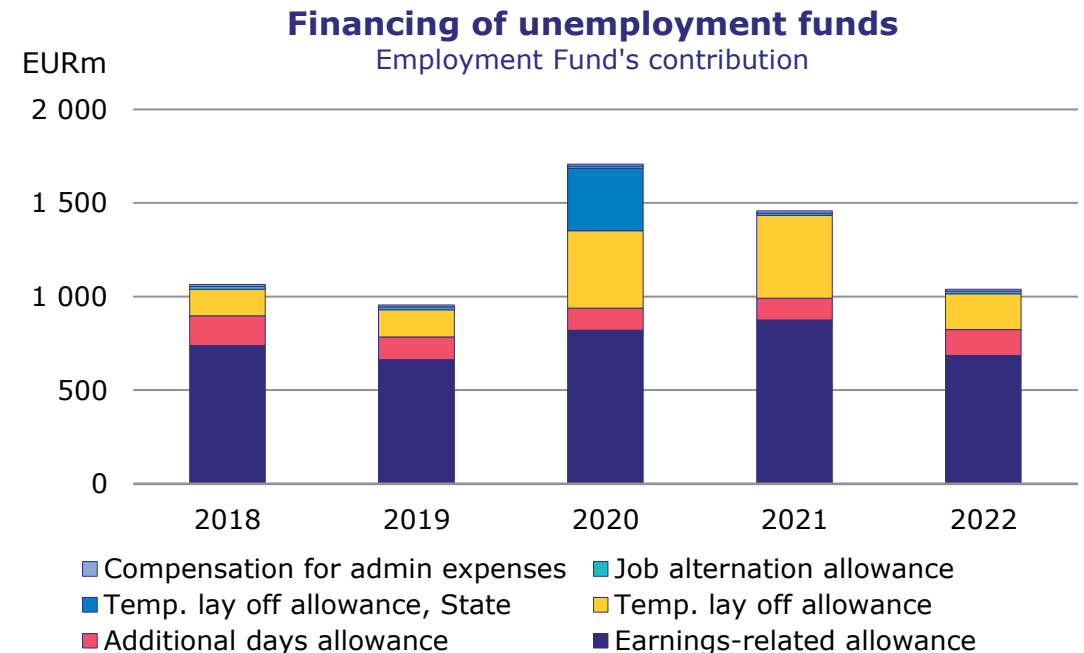
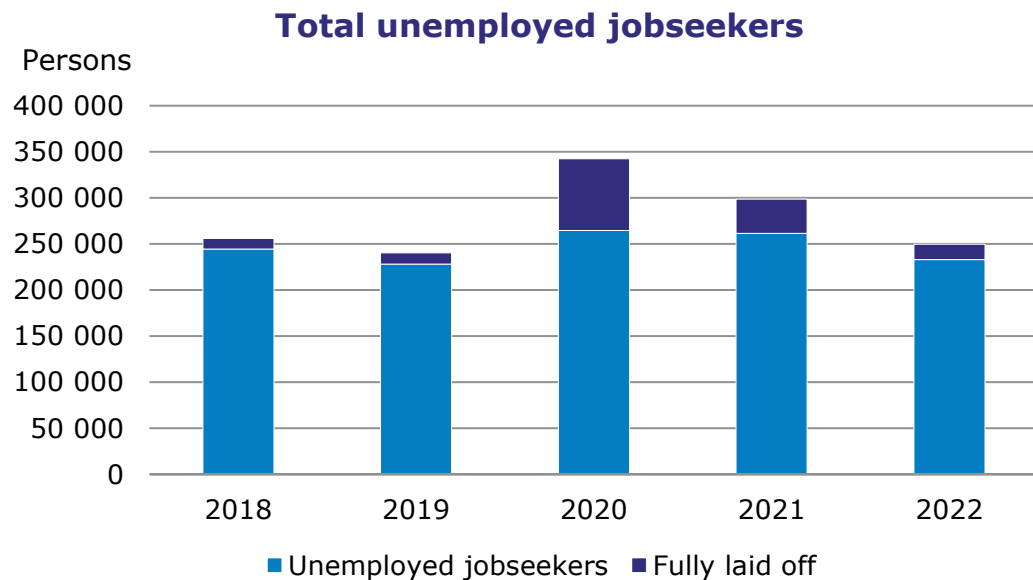


Unemployment insurance contributions collected



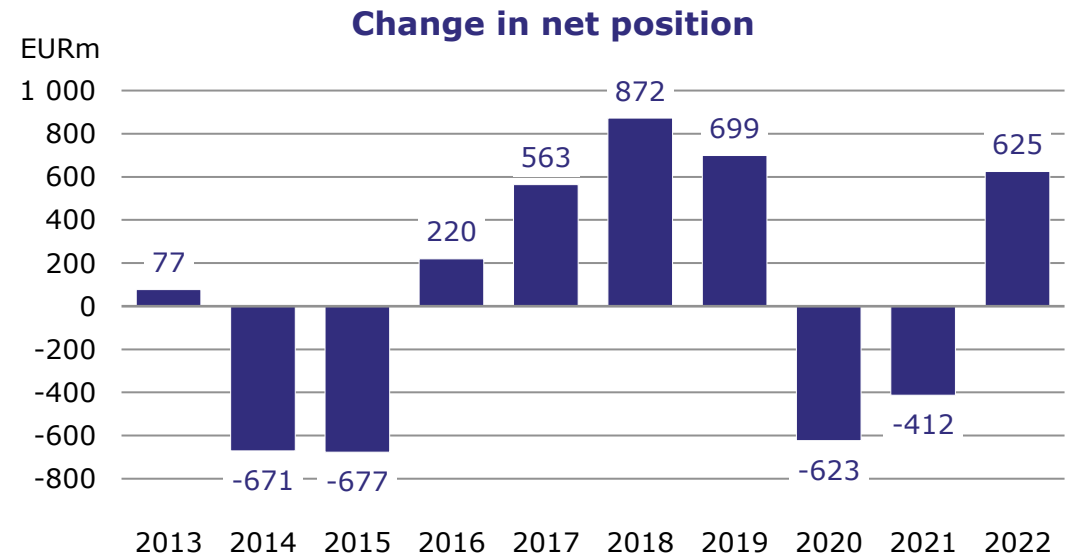
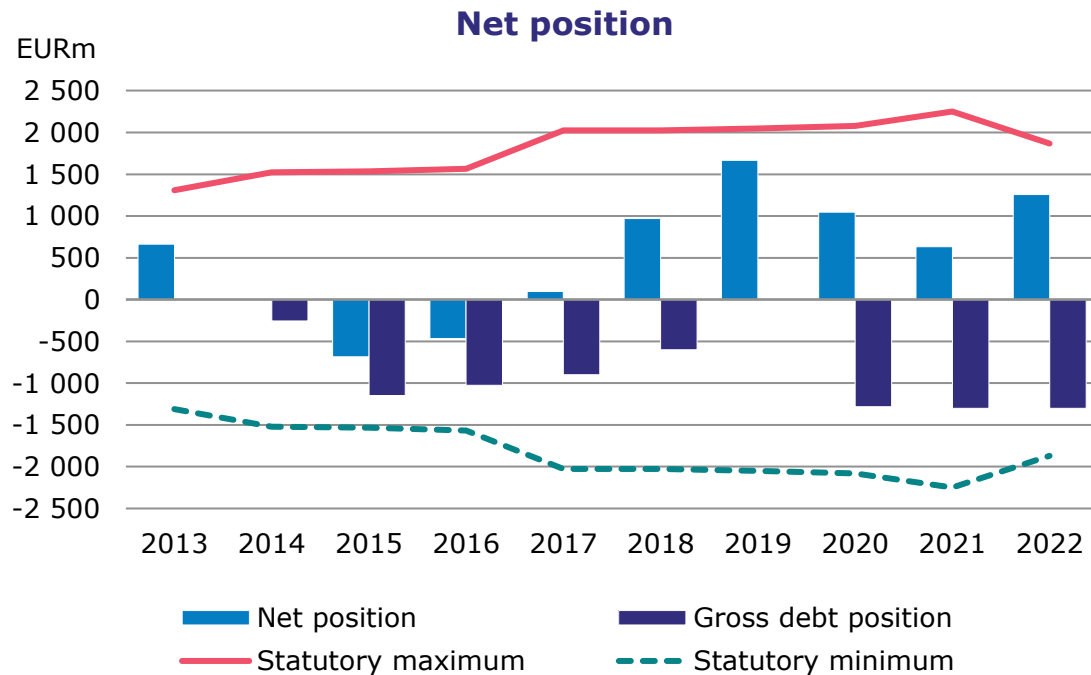
Employment Fund Finances (2/3)

- The relative share of fully laid-off persons among unemployed jobseekers has decreased in the last two years
- The funding for sector unemployment funds turned lower during 2021 and same development continued in 2022
- The main driver has been the positive trend in employment and fewer temporary lay off's



Employment Fund Finances (3/3)

- The business cycle buffer (net position) fluctuates according to the business cycles
- The buffer can fluctuate between – 2 EURbn to + 2 EURbn

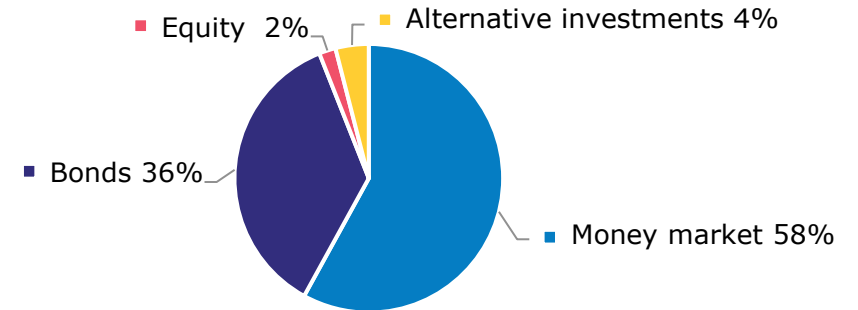


Employment Fund Investment Portfolio

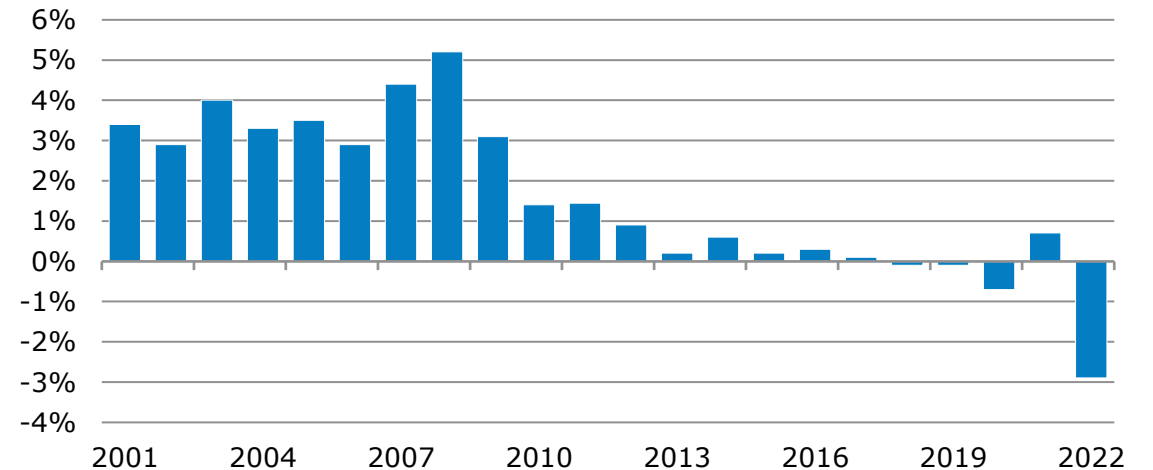
Investment portfolio

- Investment policy is steered towards liquidity of the assets
- Allocation mainly in liquid fixed income instruments
- The aim is to generate a return offered by the money market and high-grade fixed income instruments
- Key metrics of the portfolio 31.12.2022
 - Modified duration ~ 1 year
 - Average credit rating BBB+
 - Abnormally weak portfolio return in 2022 due to the negative market return for fixed income

Asset allocation 31.12.2022

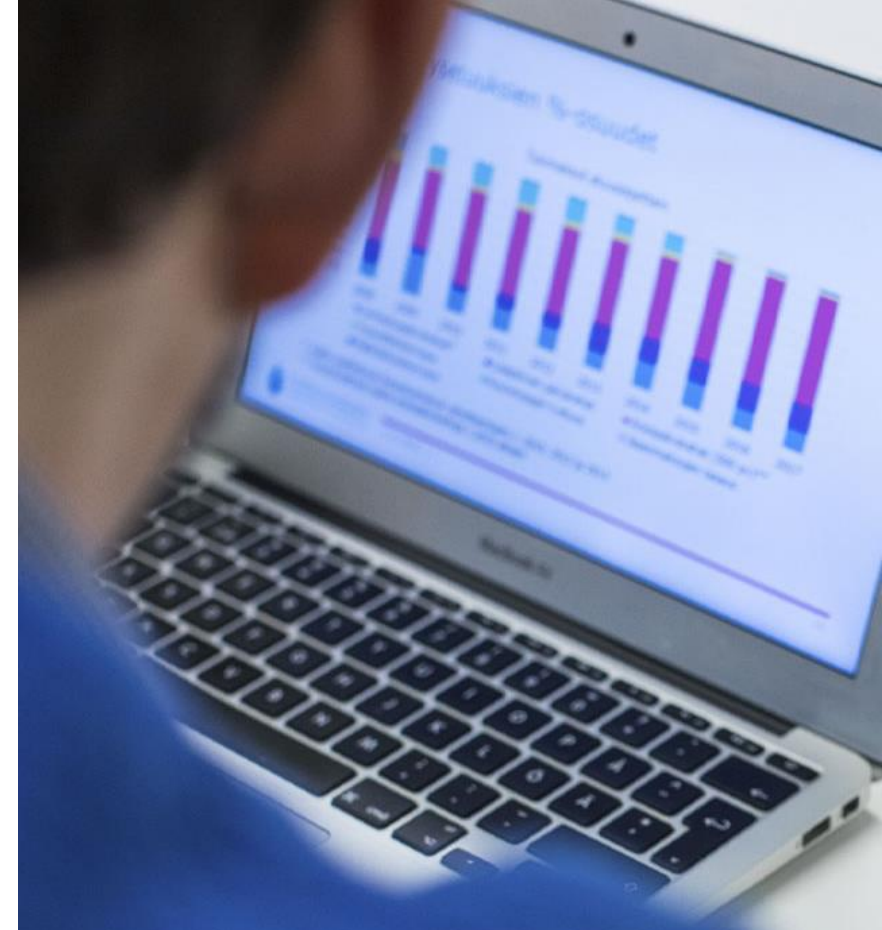
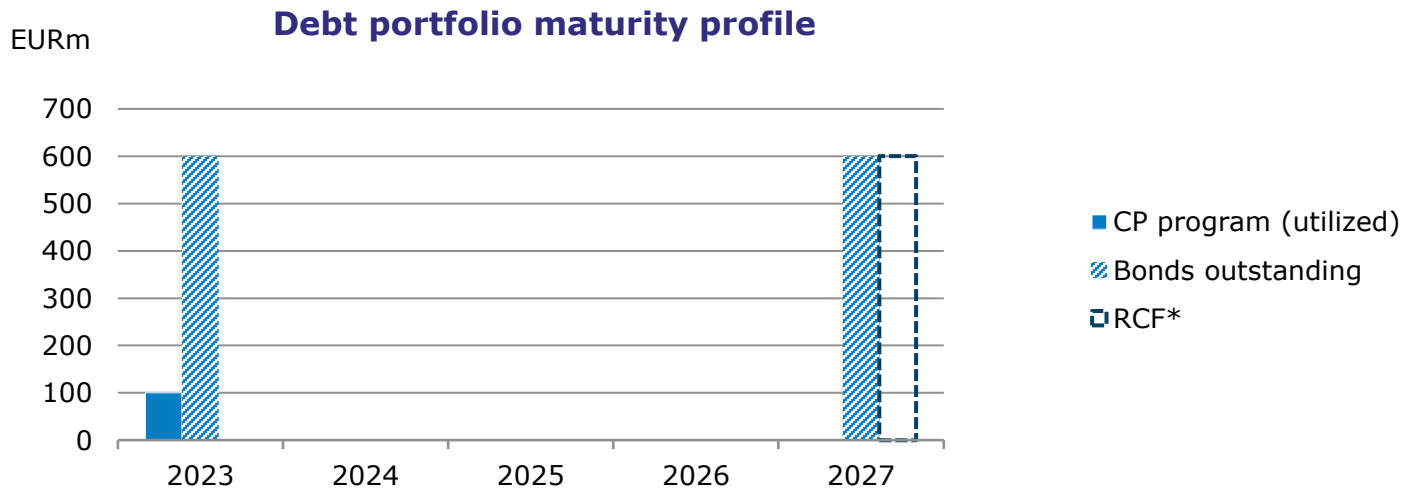


Investment return %



Debt Financing

- Three pillar strategy
 - Bond issuance
 - Commercial paper program
 - Revolving Credit Facility
- Issuer credit rating AA+ (stable outlook), (S&P)
- Social financing framework, issued on 05/2023



Estimate for FY2023 according to budget

Amounts %	2022	Budget 2023	Change
Unemployment rate	6,8	6,9	0,1
Wage sum growth p.a.	4,7	3,0	-1,7
UIC, employers (average)	1,51	1,54	0,03
UIC, employees	1,50	1,50	0,00

Key Figures, EURm *	2022	Budget 2023	Change
Unemployment Insurance contributions	2,739	2,885	126
Other income **	711	770	43
Benefits paid	-2,832	-3,275	222
Surplus/deficit	625	380	
Net position (business cycle buffer)	1,258	1,447	
Maximum limit for buffer	1,886	2,180	

The Employment Fund stated on 28th Feb 2023 that the change in net assets is forecasted to be 560 EURm positive for 2023 (budgeted amount 380 EURm).

Employment Fund's Social Finance Framework



Social Finance Framework

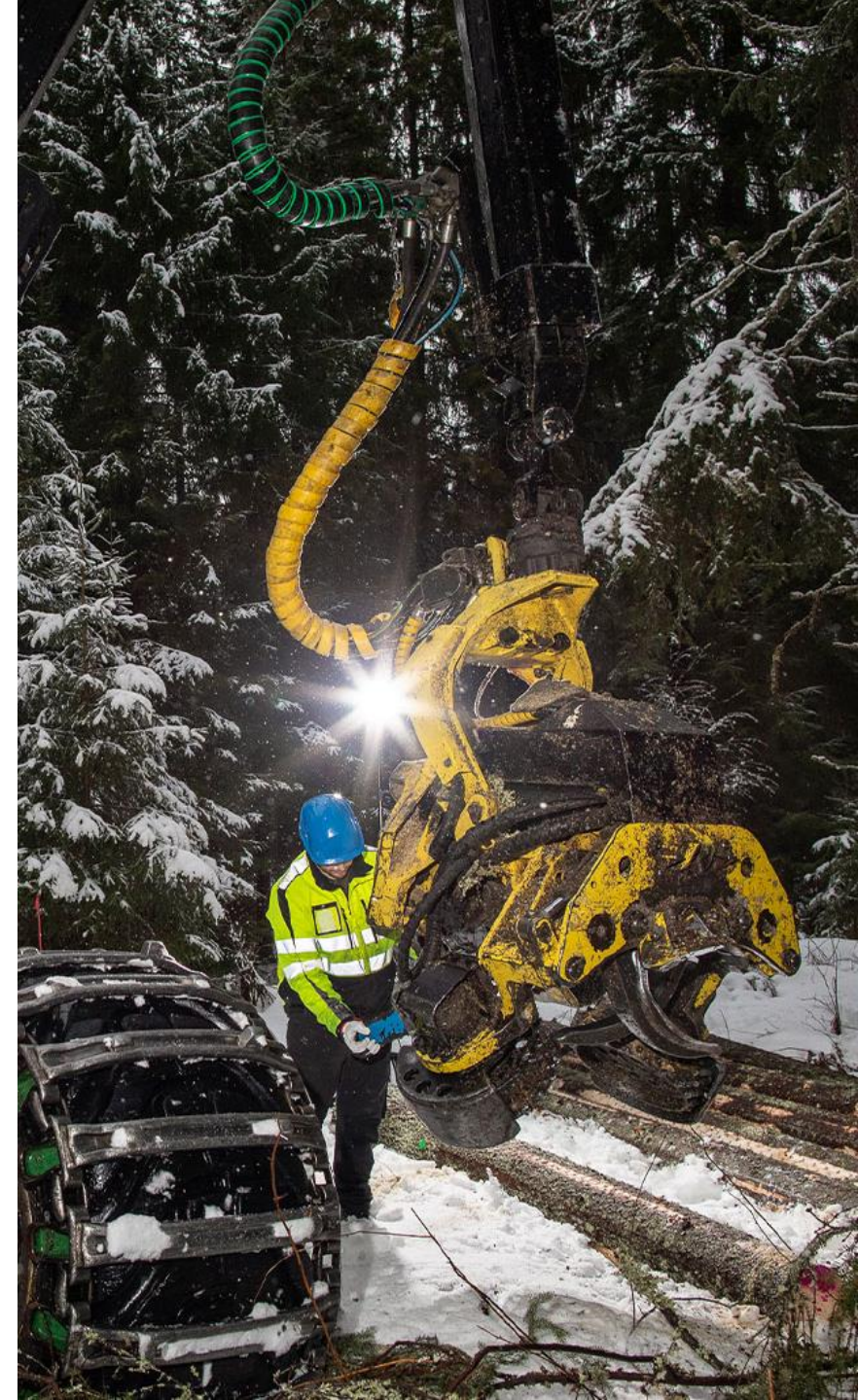
The Social Finance Framework ("Framework") is done in alignment with Social Bond Principles (SBP)¹ version from June 2021 and the Social Loan Principles (SLP)² version from February 2023. In addition, Employment Fund has considered market expectations, voluntary standards and recent regulatory developments in the preparation of this Framework.

The four core components of Social Bond/Loan Principles are:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework is applicable, but not limited to, for issuance of social debt instruments including, but not limited to, social bonds, social commercial papers, social loans and other types of debt instruments where an amount equal to the net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing expenditures with social benefits, as defined in this Framework ("Social Financing").

The Framework was established on 12th May. Employment Fund was assisted by Nordea. ISS acted as the SPO provider for the Framework.



Social Finance Framework: Use of proceeds

Employment Fund's Social Financing aims to address the social and economic impacts of unemployment and create opportunities for career development. To achieve this objective, eligible social expenditure are divided into two main categories that align with the Employment Fund's core mission:



Alleviate social and economic consequences for changes in working life

due to involuntary unemployment, reduced work hours or partial unemployment by ensuring financial security through a replacement income, and



Support individuals with their professional development and re(integration)

by providing the opportunity to develop skills and qualification or support career changes or entrepreneurial projects.

The target population includes all people eligible for traditional unemployment or education benefits.



Social Finance Framework: Second Party Opinion

ISS CORPORATE SOLUTIONS  Powered by ISS ESG

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Fund and Social Finance Framework

The Finnish Employment Fund (Työllisyysrahasto)
12 May 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"> Social Financing Instruments
Relevant standards	<ul style="list-style-type: none"> Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1) The Finnish Employment Fund's Social Bond Framework (as of May 12, 2023) The Finnish Employment Fund's Eligibility Criteria (as of May 12, 2023)
Scope of verification	<ul style="list-style-type: none"> Pre-issuance verification
Lifecycle	<ul style="list-style-type: none"> Valid as long as the cited Framework's Social Financing section remains unchanged
Validity	

© 2023 | Institutional Shareholder Services and/or its affiliates

- ISS ESG acted as a Second Party Opinion provider for the framework, and according to their independent assessment, the Employment Fund's framework is aligned with the requirements outlined in the Social Bond Principles and has positive social impacts.

SECOND PARTY OPINION
Sustainability Quality of the Fund
and Social Finance Framework

ISS CORPORATE SOLUTIONS  Powered by ISS ESG

Social Financing Framework

May 2023

 Työllisyysrahasto
Sysseleättinningsfonden | Employment Fund

"The key sustainability objectives and the rationale for issuing Social Bonds are clearly described by the Fund. All the project categories financed are in line with the sustainability objectives of the Fund."

-ISS ESG



Appendix



Statutory importance

Unemployment benefits fully statutory:

Both basic allowance and earnings-related allowance are legislative benefits (Act on Financing of Unemployment Benefits).

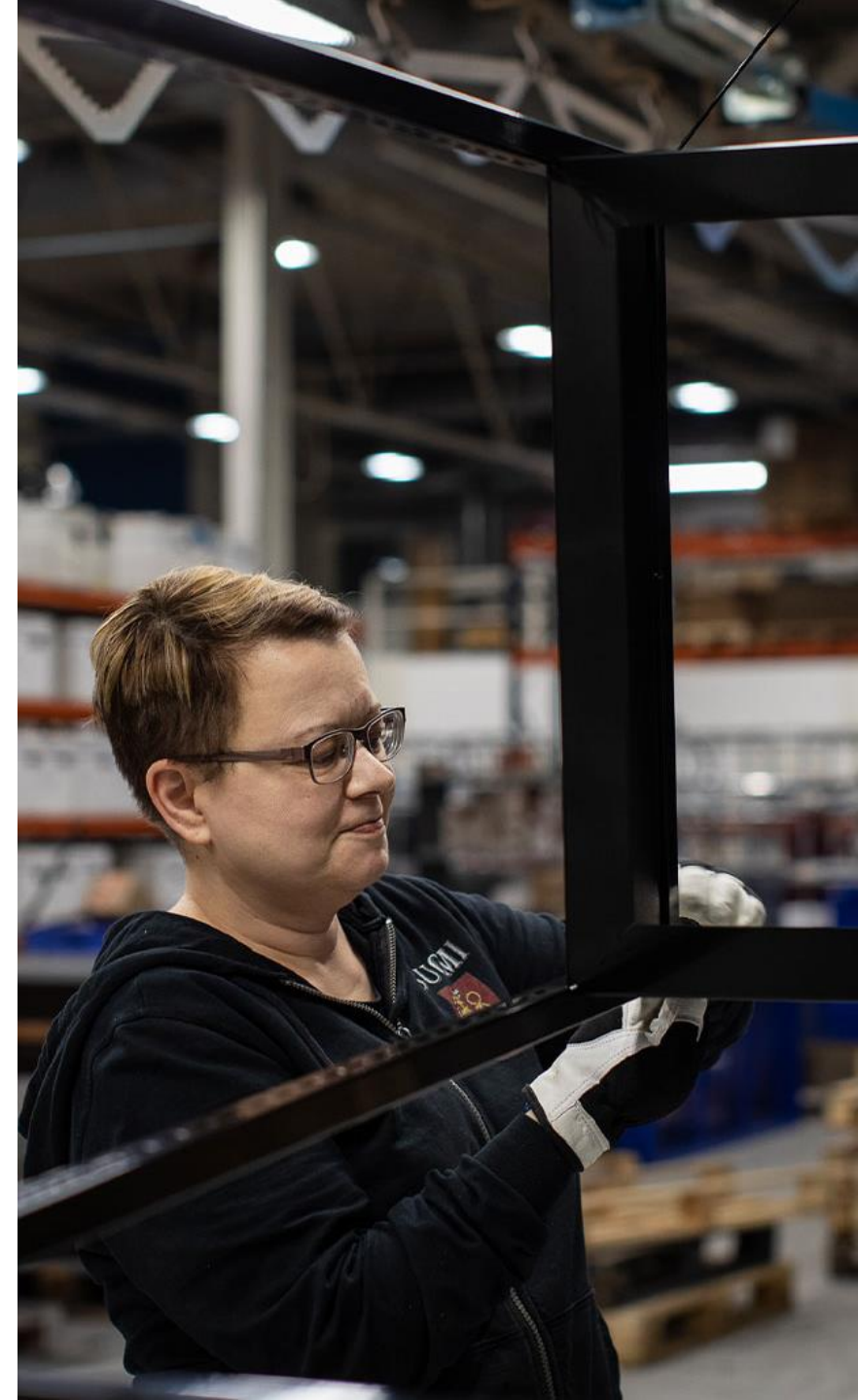
The legislation covers everything from unemployment insurance contribution collection to benefit payments.

When legislative conditions are met, the unemployed or temporary laid-off person is entitled to basic and/or earnings-related allowance.

Part of Finnish pension insurance system:

Employment Fund is responsible for the financing of pension accrual during a person's unemployment or adult education period (Finnish Employees Pension Act).

Adult Education benefits are fully statutory.



The Finnish unemployment benefit system (1/2)

The table breaks down the key features of the basic allowance and earnings-related allowance.

Employment Fund is responsible for imposing and collecting the unemployment insurance contributions for the earnings-related allowance.

Earnings-related unemployment allowance is available to people who belong to a sectoral unemployment fund and can be paid for up to 300–500 days.

	Basic allowance	Earnings-related allowance
Eligibility	Min. 26-week employment during 28 months before unemployment	Min. 26-week employment during 28 months before unemployment; equally long membership of the unemployment fund
Funding	Finnish state	Finnish state (basic component) and employers and employees (earnings-related component). In addition, approximately 5.5% is financed by the members of the sectoral unemployment funds.
Benefit distributor	The Finnish Social Insurance Institution (KELA)	Sectoral unemployment funds
Amount	EUR 742/month	EUR 1,590/month on an average (including the basic- and the earnings-related component)
Benefit duration	Max. 300–500 days	Max. 300–500 days

The Finnish unemployment benefit system (2/2)

Employment Fund makes a **proposal for the level of unemployment insurance contributions** (UICs) to the Ministry of Social Affairs and Health each year.

This **proposal is not binding for either the ministry or parliament**, but the Finnish parliament has never deviated from the UIC levels proposed by Employment Fund.

The percentages of UICs for next calendar year are set annually by the Finnish Parliament by amending the Finnish Act on Financing of Unemployment Benefits.

When drafting modifications to Employment Fund's functions or funding, the **Ministry of Social Affairs and Health also hears the social partners' views**.



Renamed Employment Fund in 2019

On 1 January 2019, the Unemployment Insurance Fund merged with the Education Fund, and the name of the Unemployment Insurance Fund was changed to Employment Fund.

The Unemployment Insurance Fund financed the benefits paid by the Education Fund already before the merger, thus the financial liabilities of Employment Fund did not increase as a result of the merger.

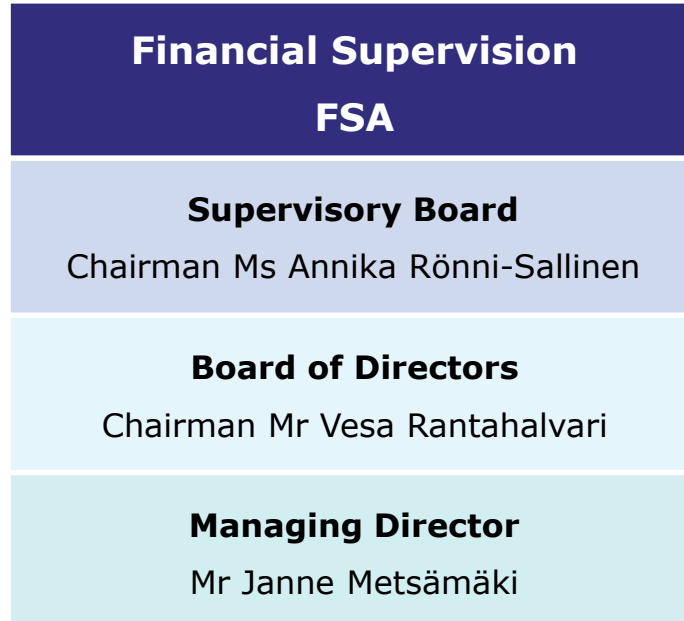
Although the Legal identity remained the same as the Unemployment Insurance Fund's (same company ID, same legislation), the duties of the Education Fund transferred under the Act on Financing of the Unemployment benefits.

Likewise, the Education Fund's obligations transferred to Employment Fund. The Education Fund paid benefits in a total amount of approximately EUR 185m in 2018.

There was no change in the relation to the Finnish Government or in the supervision on Employment Fund as a result of the merger.



Organization



Management group

Mr Janne Metsämäki	Managing Director
Mr Tapio Oksanen	CFO, deputy to MD
Ms Virpi Halme	Technology & Development
Ms Katja Knaapila	HR & Communications
Ms Tuulikki Saari	Customer relationship

Employment Fund governance, supervision and reporting

The role of MSAH¹⁾:

- Maintain and develop legal framework for Employment Fund activities. Verifies the approval for unemployment insurance contributions (UICs) submitted by the Fund on a yearly basis.
- Draw the Government proposal for the Parliament concerning UIC rates.
- Monitor of UICs and business cycle buffer assets based on the Employment Fund's proposal.

The role of social partners:

- Propose candidates to be appointed to the Supervisory Board by the Government.
- Propose candidates for the Board of Directors to be appointed by the Supervisory Board.
- In tripartite negotiations, they take into account the role, duties, function and financing of Employment Fund.

Reporting obligation to MSAH, FSA and MoF:

- Maintain and develop legal framework for Employment Fund activities (MSAH).
- Monitor of unemployment insurance contribution rates (UIC) and the business cycle buffer submitted by the Fund (MSAH).
- Monitor, together with Employment Fund, the usage of State financing of Unemployment insurance benefits (MSAH).
- Approve the indebtedness of the Fund in securing liquidity (FSA).

Employment Fund reports to the Ministry of Finance concerning the usage of state guarantee and operational cash flows.

Compliance and Auditing:

- Employment Fund develops internal control mechanisms and has set up risk manager and compliance officer positions.
- Audit committee started in 2019.
- KPMG external auditors audit the Fund.
- PwC submits the internal auditing function.
- Accounting and Financial statements by IFRS standards since 2014.

1) Ministry of Social Affairs & Health (MSAH)

Disclaimer (1/3)

THIS PRESENTATION AND ITS CONTENTS ARE CONFIDENTIAL AND NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, HONG KONG, SOUTH AFRICA, JAPAN, NEW ZEALAND OR SINGAPORE OR ANY JURISDICTION WHERE SUCH RELEASE, PUBLICATION OR DISTRIBUTION IS UNLAWFUL.

This presentation has been prepared by Työllisyysrahasto (Employment Fund) solely for your information and is strictly confidential. This presentation may not be reproduced, redistributed or passed on, directly or indirectly, in whole or in part, to any other person (whether within or outside your organization or firm) or published in whole or in part, for any purpose or under any circumstances. Failure to comply with this restriction may constitute a violation of applicable laws.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this presentation or any information supplied by Employment Fund or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by Employment Fund, or any of its advisors or representatives nor any of their respective affiliates, advisors or representatives.

No representation or warranty is made by Employment Fund or any of its advisors or representatives nor any of their respective affiliated parties or representatives as to the accuracy or completeness of the information of this presentation. Neither Employment Fund nor any of its advisors or representatives nor any of their respective affiliates, advisors or representatives accepts any liability whatsoever (in negligence or otherwise) for any cost or loss howsoever arising from any information contained in this presentation whether written, oral or in a visual or electronic form, and howsoever transmitted or made available.

Certain statements in this presentation are based on the beliefs of Employment Fund's management as well as assumptions made by and information currently available to it, and such statements may constitute forward-looking statements and forecasts. Such forward-looking statements and forecasts involve known and unknown risks, uncertainties and other important factors that could cause the actual financial condition or achievements of Employment Fund or the state of the Finnish economy to differ materially from any future financial condition of achievements expressed or implied by such forward-looking statements and forecasts.

Disclaimer (2/3)

This presentation is not an offer for subscription for any notes or other debt securities. Therefore, information in this presentation shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of any notes or other debt securities in any jurisdiction. No actions have been taken to register or qualify any notes or other debt securities, or otherwise to permit a public offering of any notes or other debt securities, in any jurisdiction. In particular, any notes or other debt securities may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States, Australia, Canada, Hong Kong, South Africa, Japan, New Zealand, Singapore, or any resident thereof, or any other jurisdiction in which it would not be permissible to offer them. This communication does not constitute or form an offer to purchase or subscribe for any notes or other debt securities in the United States. No action has been or will be taken in any jurisdiction to permit a public offering of any notes or other debt securities. This communication has not been approved by any regulatory authority.

Neither the delivery of this presentation nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Employment Fund since the date of this presentation or that the information herein is correct as of any time subsequent to the date of this presentation.

This presentation is an advertisement and not a prospectus for the purposes of applicable measures implementing Regulation (EU) 2017/1129 of the European Parliament and of the Council and as such does not constitute an offer to sell or the solicitation of an offer to purchase securities. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of Employment Fund and the terms and conditions of any notes or other debt securities, including the risks and potential benefits involved, and must not rely on any communication (whether written or oral), information or explanation of any advisors or representatives of Employment Fund, or any of their respective affiliates or representatives and/or Employment Fund as an advice or as a recommendation to enter into any transaction. Neither Employment Fund, any of its advisors or representatives nor any of their respective affiliated parties or representatives, are making any representation to any offeree or subscriber of any notes or other debt securities regarding the legality of the investment by such person. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of an investment in any notes or other debt securities.

Disclaimer (3/3)

The forward-looking statements and forecasts are not guarantees of the future operational performance or financial condition of Employment Fund, and nothing contained in this presentation is, or shall be relied upon as, a promise or representation by Employment Fund or any of its advisors or representatives as to the future. Any risks to which Employment Fund is exposed could cause Employment Fund's actual financial condition to differ materially from that expressed in any forward-looking statement or forecast. Should one or more of such risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Employment Fund's actual financial condition or its ability to fulfil its obligations under any notes or other debt securities could differ materially from that described herein as anticipated, believed, estimated or expected. Employment Fund does not intend and does not assume any obligation to update any forward-looking statements or forecasts contained herein unless required by applicable legislation.

This document is not an offer for sale nor a solicitation of an offer to buy any securities in the United States (including any of its states, its territories and possessions). These materials are not for distribution, directly or indirectly, in or into the United States. Any notes or other debt securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933 (the Securities Act) or the laws of any state of the United States. Consequently, any notes or other debt securities may not be offered, sold, pledged or otherwise transferred directly or indirectly in or into the United States except in accordance with the registration requirements of the Securities Act or an exemption therefrom. No public offering of any notes or other debt securities is being made in the United States.

Want to know more?

Mr Janne Metsämäki

Managing Director

+358 40 522 3614

Mr Tapio Oksanen

Chief Financial Officer

+358 40 539 4651

