



Annual Report 2022

1 Jan - 31 Dec 2022



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund

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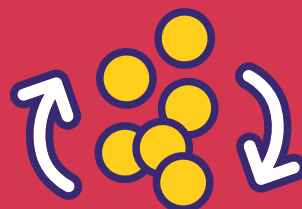
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The year of Employment Fund in brief

Our liquidity remained strong and after two deficit years, assets were again accumulating in the business cycle buffer.



We prepared for the implementation of the restructuring protection reform, which entered into force on 1 January 2023.



We provided EUR

2,832

million for the funding of unemployment and adult education benefits.



We focused on ensuring a better customer experience and managed to improve customer satisfaction significantly.

Managing Director's review

At the start of 2022, the outlook for the Finnish economy was still reasonably bright but the situation changed quickly after the Russian invasion of Ukraine. However, despite a difficult operating environment, the employment situation in Finland improved during 2022.

The changed outlook prompted us to revise our estimates of Employment Fund's 2022 results downwards in March. The improving employment situation was, however, reflected in Employment Fund's finances and we gave two positive profit warnings in late summer. In the end, the result for 2022 was significantly better than budgeted and after two deficit years, assets could again be accumulated in the business cycle buffer.

Our liquidity remained at good level and the funding for unemployment benefits was secured. We renewed our revolving credit

facility (RCF) in early 2022, which helped to boost our liquidity still further.

There was growing uncertainty about the future during the year. We intensified financial monitoring and submitted more reports to the Financial Supervisory Authority. We also raised our cyber security preparedness level and focused on wellbeing at work and measures ensuring that our personnel can cope with their work in the challenging new situation.

Despite exceptional times, we were able to manage all our statutory tasks as set out in our objectives.

Customer satisfaction with Employment Fund's services improved significantly from the previous year. The competent and professional personnel of Employment Fund deserve thanks for their good work.



HYBRID WORK IN NEW PREMISES

In early January, we moved to a multipurpose office located in the Ruoholahti district of Helsinki. The premises were designed and renovated for us on the basis of the needs of our personnel now and in the future. In May, we switched from full-time remote work introduced at the start of the coronavirus pandemic to a hybrid model. In the same connection, we launched a trial in which, in addition to using the extensive and well-tried remote work model, we also worked in the office on the basis of jointly agreed principles. The trial was a success and we adopted the arrangement as our new operating model in October.

During the year, in accordance with our action plan, we improved our information security and data protection, built and strengthened competencies essential for digitalisation, put our customer strategy

finalised last year into practice and developed our customer communications by, for example, launching a new website for our adult education allowance customers.

The seminar Nordiskt Arbetslöshetsförsäkringsmöte held in September marked the culmination of our stakeholder cooperation. The event was jointly organised by Employment Fund and the Federation of Unemployment Funds in Finland (TYJ). The seminar was attended by 79 unemployment security experts from Nordic unemployment funds, government agencies responsible for labour matters and relevant ministries. The functioning and financial durability of unemployment security systems during crises was the theme of the seminar.



We switched from full-time remote work introduced at the start of the coronavirus pandemic to a hybrid model.





The additional days of unemployment security are replaced by the restructuring protection package financed by Employment Fund.

PREPARING AND PREPARATIONS FOR LEGISLATIVE CHANGES

In June, Finnish Parliament adopted a legislative proposal on restructuring protection and additional days of unemployment security under which the additional days will be gradually phased out and replaced with a restructuring protection package financed by Employment Fund. As in 2021, we continued our preparations for the new task by constructing a processing system and an information system supporting it, which was made operational in early 2023. The system development work will continue during 2023.

During the spring, the working group on continuous learning appointed by the Ministry of Social Affairs and Health assessed the need to revise the system of scholarships for qualified employees and training compensation paid by Employment Fund. The working group, which completed its work in April, did not make any concrete proposals for legislative changes. The Ministry of Education and Culture also launched an evaluation of the effectiveness of adult education benefits. The results will be published in spring 2023 and any decisions on changing the system will only be made during the next parliamentary term.

NO NEED TO RAISE UNEMPLOYMENT INSURANCE CONTRIBUTIONS

Unemployment insurance contributions were increased moderately in 2021 and 2022. Due to the positive development of employment and the Fund's finances, we proposed that the contributions would be kept at 2022 levels in 2023. Current contribution levels will safeguard Employment Fund's liquidity and financing of the benefits while at the same time, assets will accumulate in our business cycle buffer.

JANNE METSÄMÄKI
Managing Director

Key figures 2022

The figures are in EUR million.

Income	2018	2019	2020	2021	2022	Change EUR	Change %
Employer contribution income	1,458	1,238	993	1,160	1,327	167	14%
Employee contribution income	1,519	1,379	1,073	1,241	1,424	183	15%
Government contributions	774	688	1,248	911	717	-194	-21%
Liability component income	50	39	26	23	22	-1	-4%
Net financial income	-7	8	-16	3	-34	-37	-
Total income	3,794	3,353	3,324	3,338	3,456	118	4%

Expenses	2018	2019	2020	2021	2022	Change EUR	Change %
Unemployment funds	-1,068	-954	-1,372	-1,463	-1,039	-424	-29%
Government contribution, funds	-774	-685	-1,245	-909	-714	-195	-21%
Finnish Centre for Pensions	-620	-577	-870	-902	-596	-306	-34%
Social Insurance Institution of Finland	-228	-206	-207	-239	-243	4	2%
Adult education benefits	-187	-187	-197	-186	-189	3	2%
Ministry of Economic Affairs and Employment	-20	-24	-25	-14	-20	6	43%
State Pension Fund	-12	-8	-9	-11	-8	-3	-27%
Administrative expenses	-13	-19	-21	-26	-23	-3	-12%
Total expenses	-2,921	-2,659	-3,947	-3,750	-2,832	-918	-24%
Change in net position	872	694	-623	-412	625		
Net position	969	1,668	1,045	633	1,258		

Strategy, mission, vision and values

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

Our mission is to *provide security for changes in working life*. Our vision is to be a superior executor of social security.

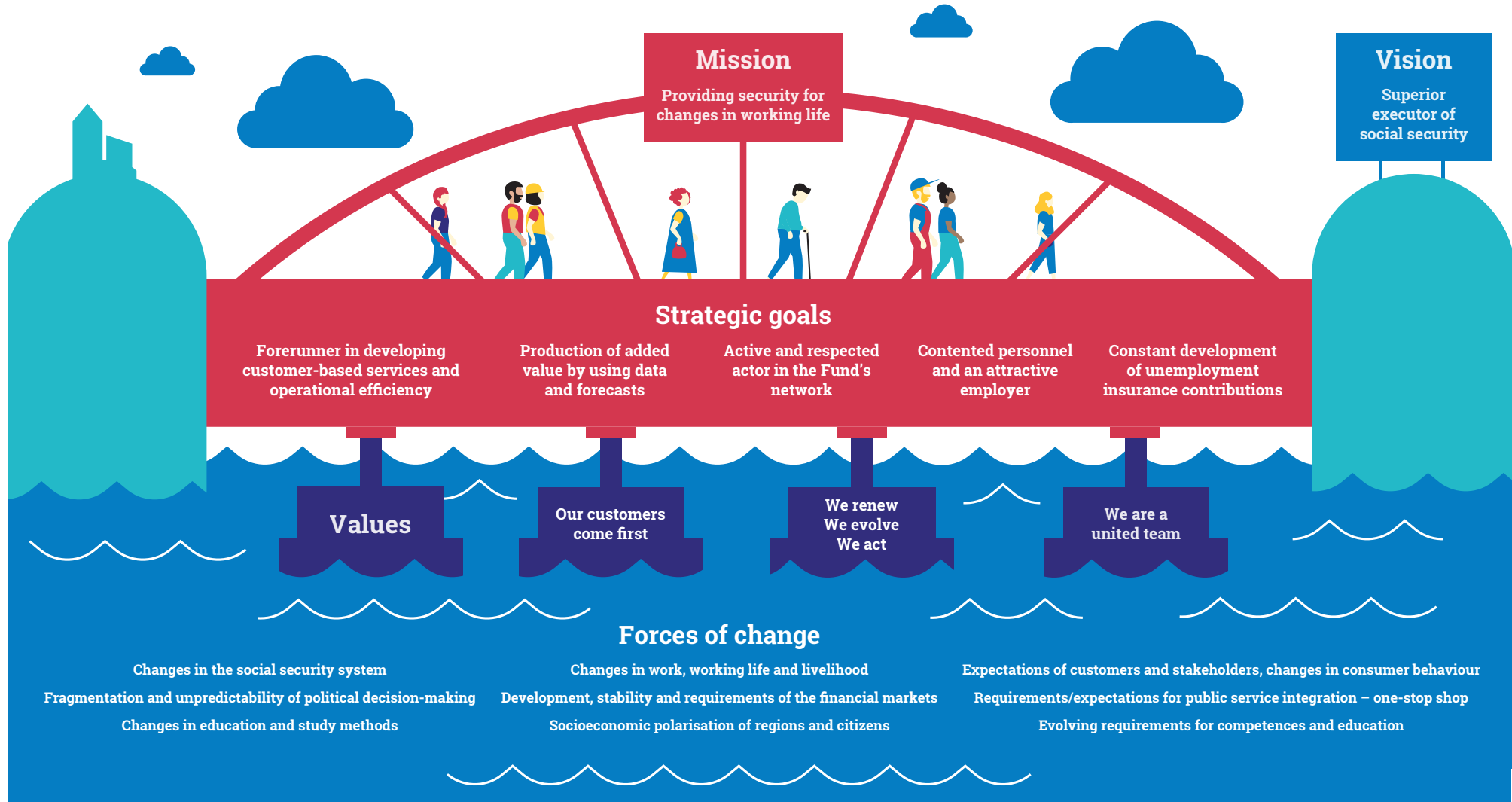
Our values are: our customers come first, we renew, we evolve, we act, and we are a united team.

In 2022, we continued to develop our operations and to advance our strategic goals. Central to this was ensuring operational compliance, promoting digitalisation and ensuring high-quality services for our customers. We are constantly striving to boost the efficiency and quality of our operations and to improve the skills of our employees to support this development.

Using our customer strategy as a basis, we systematically develop our services and operating practices in accordance with the needs of our customers and operating environment. In other words: we give priority to our customers in accordance with our values. During 2022, we focused on our customer services and the online service for adult education benefits, which was also reflected in a significantly higher customer satisfaction.



Employment Fund's strategy



Our strategic goals are:

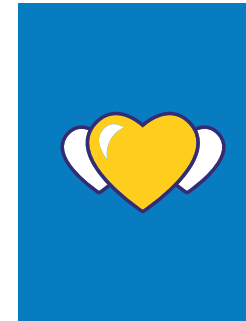
- becoming a frontrunner in developing customer-based services
- developing operational efficiency and impact
- producing added value by using data and forecasts
- to be an active and respected actor in the Fund's network
- to be an attractive workplace with a high degree of wellbeing at work
- ensuring that increases in unemployment insurance contributions are kept at moderate levels.

Our action plan for 2022 was focused on these goals.

The fulfilment of these goals was monitored and evaluated, with priority on efficiency, customer experience, and staff satisfaction. Employment Fund's Board of Directors evaluates the Fund's progress towards its strategic goals on a regular basis. The Board also holds a strategy meeting each year.

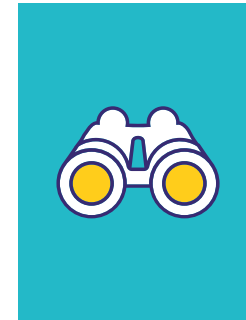


Our aim is to be an attractive workplace with a high degree of wellbeing at work.



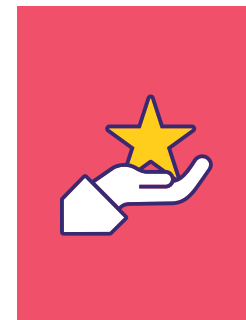
MISSION

Providing security for changes in working life



VISION

Superior executor of social security



VALUES

Our customers come first
We renew, we evolve, we 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, with its long neck curved upwards and its wings partially spread. The background is a solid, vibrant red color.

Report of the Board of Directors

Duties of Employment Fund

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

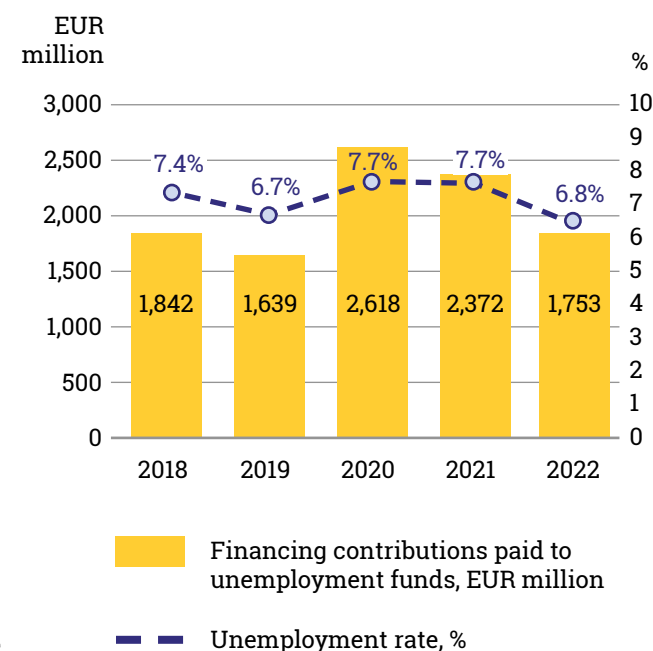
The Fund collects the unemployment insurance contributions paid by employers and employees. The unemployment insurance contribution rates are set annually by an act of parliament. The unemployment insurance contributions are determined on the basis of the information submitted by the employers to the Incomes Register. The Fund maintains a business cycle buffer arising from the difference between its income and expenses, and the purpose of the buffer is to keep increases in contributions at moderate levels. With the buffer, the Fund can ease upward pressure on contributions when unemployment security expenditure increases.

The benefits financed by Employment Fund include the unemployment allowance paid by unemployment funds and the Social Insurance Institution of Finland as well as the adult education allowance and the scholarships for qualified employees paid directly by the Fund. From 1 January 2023, the Fund has also been responsible for financing the new restructuring protection scheme.

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

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

Employment Fund's financing for unemployment funds



We finance Finnish working life extensively

Employees

pay unemployment insurance contributions.

EUR
1,424
million

Employers

pay unemployment insurance contributions. In certain situations, they also pay a liability component and a compensation for disputes concerning wrongful dismissal in accordance with the Employment Contracts Act.

EUR
1,349
million

The State

finances a portion of the unemployment allowances by tax revenue.

EUR
717
million



Employment Fund

Insurance and state contributions collected

EUR
3,491
million

Contributions paid*

EUR
2,832
million

The surplus boosted net position of the business cycle buffer by EUR 625 million.

Net assets in the business cycle buffer

EUR
1,258
million

We pay a share of the earnings-related daily allowances to the unemployment funds.

EUR
1,039
million

We pay for the pensions accrued during unemployment to the Finnish Centre for Pensions and the State Pension Fund.

EUR
604
million

We pay a share of the basic daily allowances to Kela.

EUR
243
million

We fund the adult education allowances.

EUR
178
million

We pay a contribution to pay security to the Ministry of Economic Affairs and Employment.

EUR
20
million

We fund training compensations (only available to municipalities, parishes, associations and foundations).

EUR
8.8
million

We fund scholarships for qualified employees.

EUR
11.5
million

We pay the government contribution to unemployment allowances to the unemployment funds.

EUR
714
million



*Includes administrative expenses

Figures for 2022

Cooperation with stakeholders

Employment Fund cooperates extensively with a broad range of different parties. We perform our statutory tasks in close cooperation with relevant ministries (the Ministry of Social Affairs and Health, Ministry of Economic Affairs and Employment, Ministry of Finance, and the Ministry of Education and Culture). We are part of Finland's statutory social insurance scheme. In these matters, we cooperate with unemployment funds, Social Insurance Institution of Finland, Finnish Centre for Pensions, Finnish Workers' Compensation Center and pension insurance companies. Labour market central organisations participate in the administration of Employment Fund and we cooperate with these organisations. As the provider of adult education allowance, the Fund cooperates closely with educational institutions and we also cooperate with the Service Centre for Continuous Learning and Employment. In

addition, Employment Fund's tasks require effective cooperation with banks and financial institutions.

We communicate and interact with our stakeholders in a targeted way across multiple channels, taking each stakeholder's needs into consideration. For instance, we communicate via a regular newsletter with Members of Parliament and employers paying unemployment insurance contributions. In 2022, we organised webinars for educational institutions and customers applying for adult education allowances.

In September, Employment Fund and the Federation of Unemployment Funds in Finland jointly organised a Nordic meeting on unemployment insurance issues, which was attended by unemployment security experts from Nordic unemployment funds,

government agencies responsible for labour matters and relevant ministries. Functioning and financial durability of unemployment security systems during crises was the theme of the meeting.

Our goal is to also act as an interesting source of information for the media in matters related to employees' social security, unemployment insurance contributions and competence development. We provide and deliver information to the media and other stakeholders and publish regular press releases. Over the past few years, we have disseminated more information on matters concerning the finances of Employment Fund and developments in the Finnish economy. In 2022, we also launched a video series in which our experts discuss topics concerning continuous learning and adult education allowance.

Customer service at Employment Fund

In 2022, the focus in our customer service was on ensuring a better customer experience.

At the start of the year, we introduced more comprehensive methods to measure customer experience, which has provided us with detailed information

on our strengths and on areas where improvements are still needed. Using the measurement data and open customer feedback as a basis, we focused on processes where customer satisfaction was particularly low. Making customer experience a priority also brought results: customer satisfaction on our services improved steadily throughout the year. The customer satisfaction score (CSAT) indicating the proportion of satisfied and highly satisfied customers of all customers stood at 84% for 2022 as a whole.

Our telephone service was the service channel with the highest customer satisfaction in 2022. The customer satisfaction score (CSAT)

achieved by our telephone service for unemployment insurance contributions and adult education benefits was more than 90% throughout the year. At the same time, the unemployment insurance online service and the submitting of the adult education allowance information by employers were the areas with the most customer satisfaction challenges. The overhaul of the unemployment insurance online service is part of the project to update our unemployment insurance services, which will start in 2023. At the same time, based on the feedback, we incorporated improvements in the adult education allowance process for employers at the start of December 2022. We will monitor the impact of the changes on customer satisfaction among the beneficiaries' employers.



MOST OF THE CUSTOMER SERVICE IS NOW PROVIDED ONLINE

We now provide most of our customer service online. The number of telephone contacts remained at previous years' levels or even declined slightly whereas the usage of the written customer service has increased rapidly, especially in benefit matters.

In 2022, most of the advice on adult education benefits was provided via the messaging functionality. We received a total of 64,592 messages or an average of 177 messages on every day of the year. The large number of messages, combined with the fact that customers expect to get a quick answer prompted us to improve the messaging functionality to

ensure a positive customer experience. With the changes incorporated into the functionality, we were able to increase the customer satisfaction score (CSAT) of the messaging service from about 60% during the early part of the year to about 70% during the second half of the year.

In advice on unemployment insurance matters, the telephone channel is still more popular than the online service. One reason is probably because based on the customer feedback, there is room for improvement in the online service and we will meet these needs in the overhaul of the online service.

The telephone service for unemployment insurance matters received a total of

12,783 (13,421) calls in 2022. In 11% of them, the customer chose the callback option instead of waiting on hold. The number of telephone inquiries concerning adult education benefits also remained at the same level as in previous years. In 2022, we answered 36,254 (38,700) calls concerning benefits. The customer may leave a callback request to avoid waiting on hold. A total of 14% of the customers calling the benefit services chose the callback option in 2022.

The amount of incoming paper mail has been declining over the past few years and it now mainly consists of additional information sent in connection with adult education benefit matters, tax cards and documents sent by our stakeholders.

Unemployment insurance contributions

The Employment Fund assesses and collects unemployment insurance contributions and supervises the fulfilment of responsibilities related to the statutory unemployment insurance contributions.

The duty to pay unemployment insurance contribution is based on the Act on Financing of Unemployment Benefits (555/1998). Unemployment insurance

contributions are paid by employees aged between 18 and 64 as well as their employers. The minimum age for the liability to pay unemployment insurance contributions was raised to 18 years on 1 August 2022. Until then, the liability to pay the contribution started at the age of 17. The employer was liable to pay the unemployment insurance contributions if the wages paid by it exceeded EUR 1,300 during 2022. No unemployment insurance contributions are paid from an entrepreneur's earnings. Part-owners as defined in the Unemployment Security Act (1290/2002) are obligated to pay unemployment insurance contributions but they pay the lower rate paid by employees.

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 are considered income that can be used as a basis for unemployment insurance contributions.

The employer deducts the employee's unemployment insurance contribution from the employee's wages when paying the wages and reports the earnings payment data to the Incomes Register. Employment Fund receives the wage details directly from the Incomes Register and, using the earnings payment data as a basis, determines the unemployment insurance contributions payable by the employers. Employment Fund collects the contributions four times each year (in January, April, July and October) on the basis of the wages paid in the previous three months. The use of the Incomes Register has allowed extensive automation of the payment procedure: In 2022, a total of 98.4% of all decisions was issued on an automated basis.



UNEMPLOYMENT INSURANCE CONTRIBUTION IN 2022

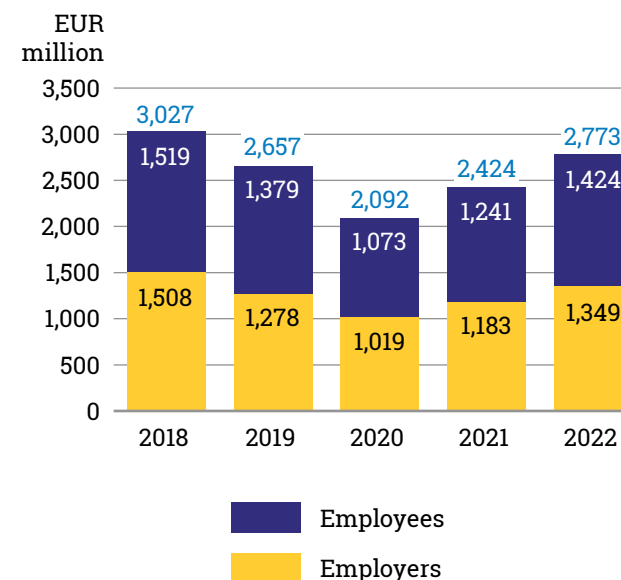
Contribution rates in 2022 (the rates for 2021 are given in brackets):

- Employee's unemployment insurance contribution was 1.50% (1.40%) of paid wages.
- Employer's unemployment insurance contribution was 0.50% (0.50%) of paid wages up to a payroll of EUR 2,197,500 (2,169,000), and 2.05% (1.90%) of the part exceeding it.
- Average employer's unemployment insurance contribution was 1.51% (1.42%).
- Employee's unemployment insurance contribution for part-owners was 0.74% (0.65)% of paid wages, and employer's unemployment insurance contribution for part-owners was 0.50% (0.50%) of paid wages.

- The unemployment insurance contribution for unincorporated state enterprises was 0.50% (0.50%) of the wages paid by the enterprise for its business operations up to a payroll of EUR 2,197,500 (2,169,000), and 1.18% (1.15%) of the part exceeding it.
- The unemployment insurance contribution for universities was 0.50% (0.50%) of paid wages up to a payroll of EUR 2,197,500 (2,169,000), and 1.49% (1.38%) of the part exceeding it.

In 2022, the unemployment insurance contributions paid by employers totalled EUR 1,327 (1,160) million and the liability components paid by employers EUR 22 (23) million. The unemployment insurance contributions paid by employees was EUR 1,424 (1,241) million in total.

Unemployment insurance contributions collected



SUPERVISION OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS

Employment Fund supervises that employers fulfil their obligations pertaining to the unemployment insurance contributions. The purpose of the supervision is to ensure that the earnings payment data reported by the employers as a basis for the unemployment insurance contributions correspond to the actual wage payments and that the correct amounts of unemployment insurance contributions are collected. Any failures to meet the payment obligation can be addressed in the supervision.

Employment Fund supervises the fulfilment of the payment obligation during the insurance year in progress and in the three insurance years preceding it. In 2022, the insurance years 2019–2022 were covered, which means that, for the first time, the supervision focused solely on a period after the introduction of the Incomes Register. Before the introduction of the Incomes Register, the employers reported the details of the wages that they had paid

separately to the users of the information. We compared the payroll reported by the employers to Employment Fund with the annual information returns that the employers had submitted to the Finnish Tax Administration.

Since 2019, employers have reported all earnings payment data to the Incomes Register where the users of the information can access them. The introduction of the Incomes Register significantly changed the manner in which Employment Fund supervises the payment of unemployment insurance contributions. In its supervisory work, Employment Fund now focuses on ensuring the correctness of the earnings payment data submitted to the Incomes Register. The Fund examines both manifestly incorrect reports and reports that must be checked for other reasons. In addition to the Incomes Register data, Employment Fund also uses in its supervisory activities information on employers received from other authorities and social insurance providers. We are continuously developing the supervision

to respond to changes in the operating environment.

In 2022, Employment Fund investigated 640 (1,691) cases for supervision. Based on the supervision, Employment Fund ordered additional payments totalling EUR 383,417 (about 2 million) and paid refunds totalling EUR 16,001 (about 300,000). With the introduction of the Incomes Register, there has been a substantial decrease in the number of investigations as well as additional payments and refunds resulting from the supervision.



The new statutory restructuring protection fee for employers dismissing employees will replace the liability components during a transition period.

LIABILITY COMPONENT PAID BY EMPLOYERS

If an employee close to the retirement age has been dismissed or laid off and is facing long-term unemployment or a long-term lay-off, Employment Fund can order the employer in question to pay a liability component and collect it from this employer. The liability components are used to finance the unemployment benefit expenses caused by dismissals and lay-offs. Provisions on determining the liability component and the collection procedure are laid down in chapter 8a of the Act on the Financing of Unemployment Benefits (555/1998).

About 9,700 (10,700) new liability component cases were submitted to Employment Fund in 2022. According to Employment Fund, the reduction in

the number of lay-offs prompted by the coronavirus pandemic is reflected in a decrease in new liability component cases. We imposed a liability component on the employer in about 1,300 (1,200) cases.

About EUR 22 (23) million in liability components were recorded in 2022. The average processing time in cases that led to a payment decision was 50 (42) days.

Under the legislative changes approved by Finnish Parliament in June 2022, the right to the additional days of unemployment allowance will be phased out. This also means that the collection of liability

components will end. The new statutory restructuring protection fee for employers dismissing employees will replace the liability components during a transition period. Employees born in 1964 are the last age group eligible for the additional days and for whom the employer is obliged to pay the liability component. Employees born in or after 1965 are not eligible for the additional days, and the employer is not obliged to pay the liability component for them. The transition period for the liability component will end by the year 2035.

RESTRUCTURING PROTECTION FEE FOR EMPLOYERS DISMISSING EMPLOYEES

Under the act approved by Finnish Parliament in June 2022, Employment Fund will, from the beginning of 2023, start collecting the new restructuring protection fee for employers dismissing employees. Provisions on determining the restructuring protection fee and the collection procedure are laid down in chapter 4a of the Act on the Financing of Unemployment Benefits (555/1998).

The employer may be obliged to pay the restructuring protection fee if it has dismissed an employee aged 55 or over on production-related or financial grounds and the employee had worked for the employer in question for at least five years. The restructuring protection fees are used to finance the employee's restructuring protection package. The restructuring protection package consists of restructuring protection training and restructuring protection allowance. The Employment and Economic Development Office provides the

dismissed employee with restructuring protection training corresponding to two months' pay. The Social Insurance Institution of Finland or an unemployment fund also pays the employee a restructuring protection allowance corresponding to one month's pay.

During 2022, we actively participated in the legislation drafting process and the implementation of the future legislation. In a project launched in 2021, we have developed an information system for collecting the fees, provided employers and stakeholders with information on the new fee and prepared for changes in our operating practices.

RECONCILIATION BASED ON THE EMPLOYMENT CONTRACTS ACT

An employer that has laid off an employee or terminated an employee's employment contract in violation of the provisions of the Employment Contracts Act is liable to pay compensation to the employee. A total of 75% of the compensation is deducted from the earnings-related unemployment

benefits paid to the employee after the employment relationship has ended when compensation is paid for salary losses due to unemployment. The employer pays the deduction to Employment Fund.

The reconciliation based on the Employment Contracts Act is made when a court orders payment of compensation or when the parties to the dispute agree on a compensation. The court must consult Employment Fund if after the end of the employment relationship or for the duration of the lay-off, the plaintiff has received earnings-related unemployment allowance. Employment Fund issued about 640 (740) statements and contract comments during 2022.



TRAINING COMPENSATION

The purpose of the training compensation is to improve the employer's opportunities to provide their employees with training enhancing vocational competence.

The training compensation can be paid to employers that are not eligible for employer's training deduction in taxation (such as municipalities, parishes, associations and foundations).

Employment Fund grants and pays the training compensation based on the information provided in the application

filed by the employer. The application for training compensation must be submitted by the end of January following the insurance year.

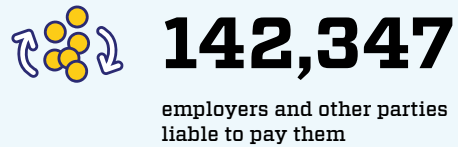
In 2022, Employment Fund paid about EUR 8.8 (8.1) million in training compensation to 591 (555) employers for training days in 2021. The training days reported by the employers eligible for the compensation totalled 407,738 (347,762). Of the employers receiving training compensation, 308 (292) were cities or municipalities.



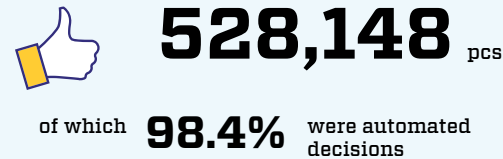
Employment Fund grants and pays the training compensation based on the application submitted by the employer.

Our aim is to have efficient digital services and satisfied customers

UNEMPLOYMENT INSURANCE CONTRIBUTIONS WERE PAID BY



NUMBER OF UNEMPLOYMENT INSURANCE DECISIONS



AMOUNT OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS COLLECTED

EUR **2,773** million

51.4%

48.6%

EUR **1,424**
million

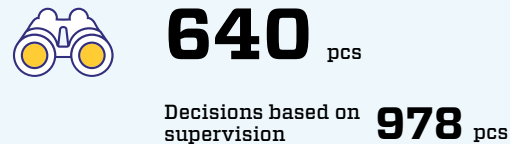
were paid by employees

EUR **1,349**
million

were paid by employers

Uncollected contributions
accounted for **0.2%**
of the total

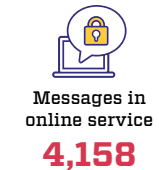
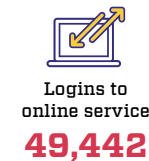
NUMBER OF CASES FOR SUPERVISION



TRAINING COMPENSATIONS WERE REFUNDED TO



CUSTOMER CONTACTS FOR UNEMPLOYMENT INSURANCE CONTRIBUTIONS (PCS)



Adult education benefits

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

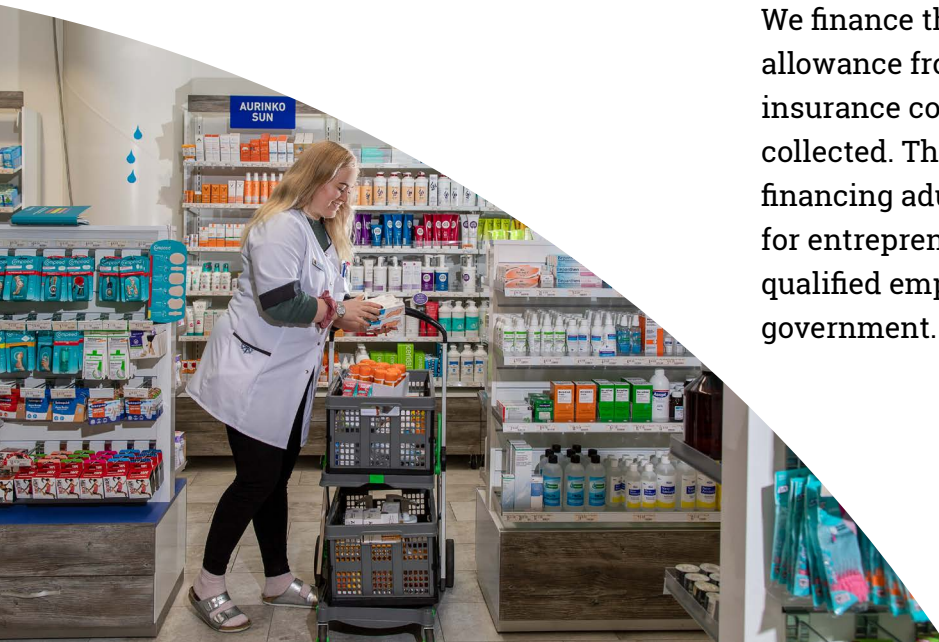
Adult education allowance is granted by Employment Fund to entrepreneurs and employees for full-time or part-time training. Scholarships for qualified employees are granted to persons that have received vocational upper secondary level qualifications, completed further vocational education or received specialist vocational qualifications.

We finance the employees' adult education allowance from the unemployment insurance contributions that we have collected. The state is responsible for financing adult education allowance for entrepreneurs and scholarships for qualified employees working for central government.

In 2022, Employment Fund paid EUR 189 million in adult education allowances and scholarships for qualified employees. The amount of adult education benefits paid increased by about 1.8% compared to 2021.

ADULT EDUCATION ALLOWANCE TO SUPPORT VOCATIONAL COMPETENCE DEVELOPMENT

Adult education allowances have been granted since 2001. Employees and entrepreneurs who have been working for at least eight years may apply for adult education allowance. The allowance is intended for maintaining and developing professional competence and may be granted for studies conducted under public oversight in Finland. These studies may lead to a full degree, a partial degree or be further or continuing vocational training.





More and more recipients of adult education allowance work alongside studies.

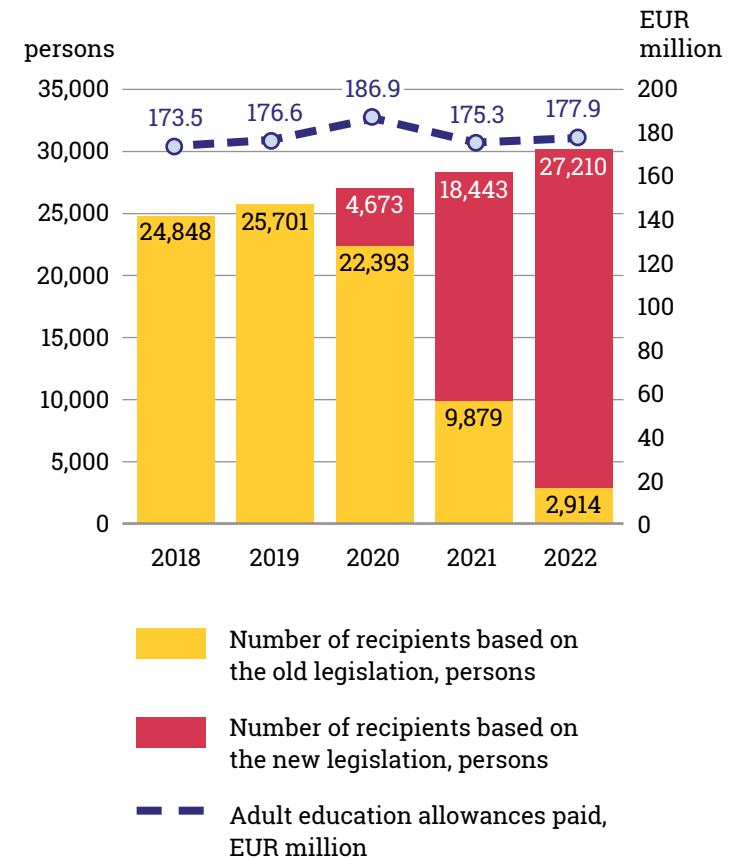
MORE AND MORE PEOPLE COMBINE WORK AND STUDIES

Under the current legislation on adult education allowance, which entered into force on 1 August 2020, there is more room for flexible reconciliation of work and studies. More and more recipients of adult education allowance work alongside studies. According to our statistics, about 14% (11%) of the recipients used this opportunity in 2022. This means that the number of recipients reconciling work and studies is increasing.

ADULT EDUCATION ALLOWANCE HAS BECOME MORE POPULAR

In 2022, a total of EUR 177.9 (175.3) million in adult education allowance was paid to 30,124 (28,322) persons. The amount paid was about 1.5% higher than in 2021. Of the recipients, 811 received entrepreneurs' adult education allowance and 29,313 received employees' adult education allowance. The persons that received adult education allowance under the act entering into force on 1 August 2020 accounted for 90.3% of all beneficiaries (27,210 persons).

Number of recipients and adult education allowances paid



Traditionally, most of the recipients of adult education allowance have been women aged under 40. There was no change in the gender distribution in 2022: 76% of the recipients were women and 24% men.

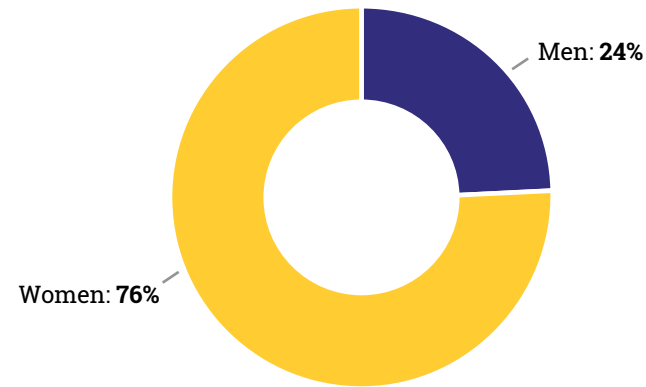
The age distribution of the recipients also remained unchanged. The breakdown of the age groups (from the largest to the smallest) was as follows:

- 30–39, 51.1%
- 40–49, 31.1%
- over 50, 11.6%
- under 30, 6.2%.

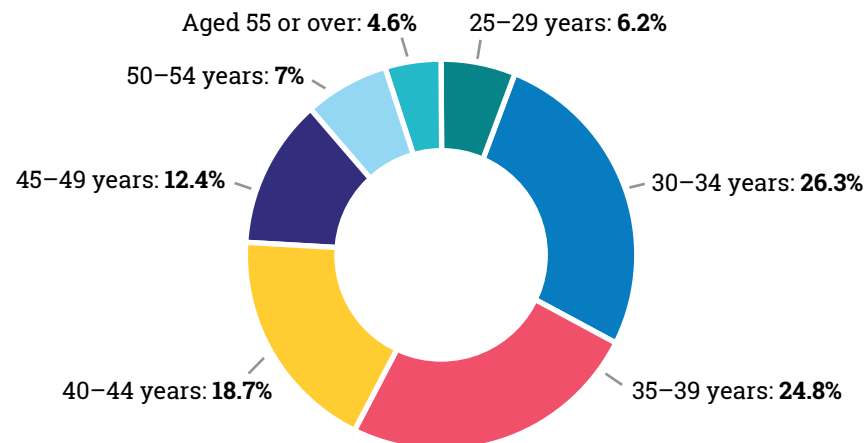
In 2022, about 45% (43%) of the recipients studied in universities of applied sciences, 26% (28%) in vocational institutions, 26% (26%) in universities and 3% (3%) in other education institutions.

The majority of the recipients (82.9%) used the adult education allowance for education leading to a degree. A total of 13.8% of the recipients used the allowance for studies leading to a partial-degree or further or continuing vocational training, and 3.3% used it for other training.

Recipients of adult education allowance by gender in 2022



Recipients of adult education allowance by age in 2022

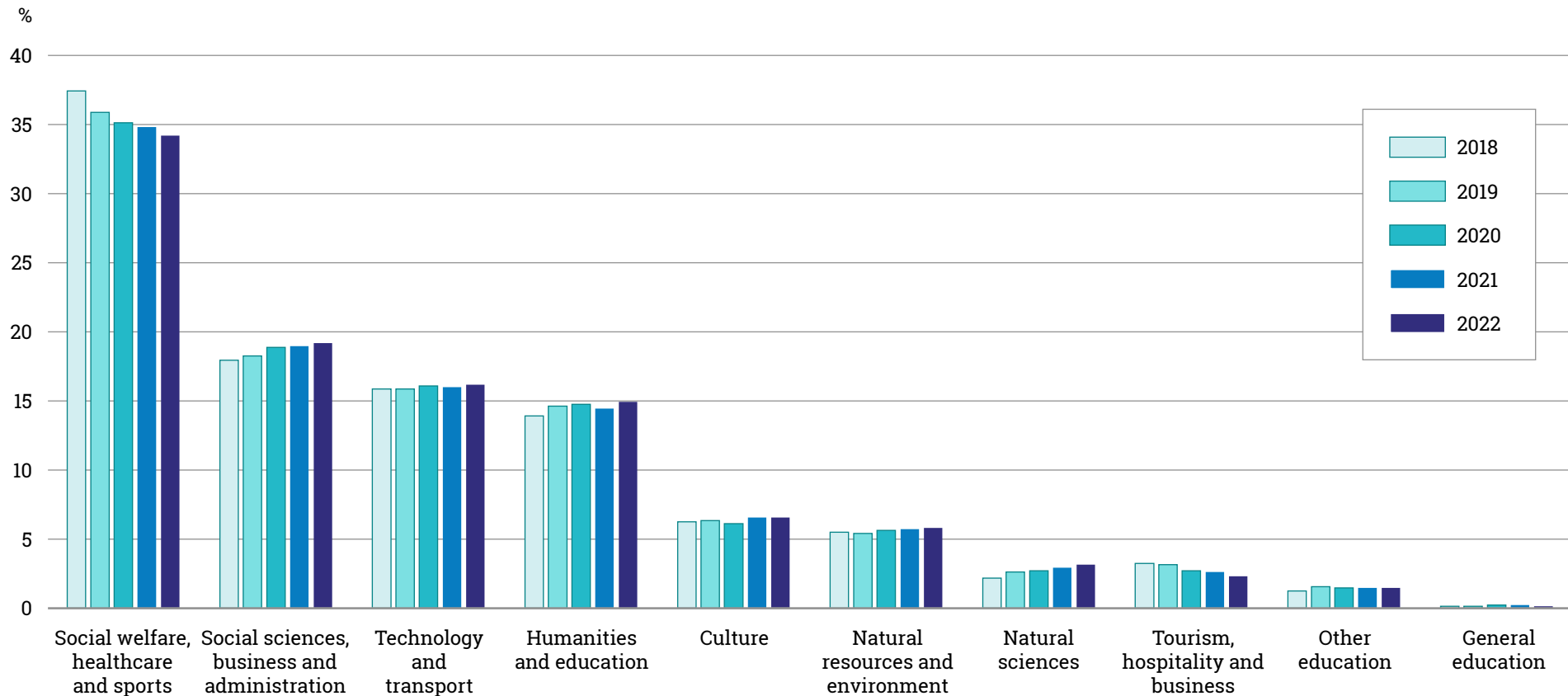


In 2022, the most popular fields studied by the beneficiaries were the social welfare, healthcare and sports, 33%

(33.6%) and social sciences, business and administration, 18.5% (18.3%). They were followed by technology and transport, 15.6%

(15.4%) and humanities and education 14.4% (13.9%).

Fields where beneficiaries study



ALMOST ONE THIRD OF ALL APPLICANTS FOR ADULT EDUCATION ALLOWANCE WORKED IN PUBLIC ADMINISTRATION

In terms of employment, persons working in public administration and national defence were the largest group using the adult education allowance. They accounted for 27.2% (24.2%) of all beneficiaries. The proportion of applicants working in these sectors has increased by 14.2% over the past five years. Persons working in healthcare and social services and wholesale and

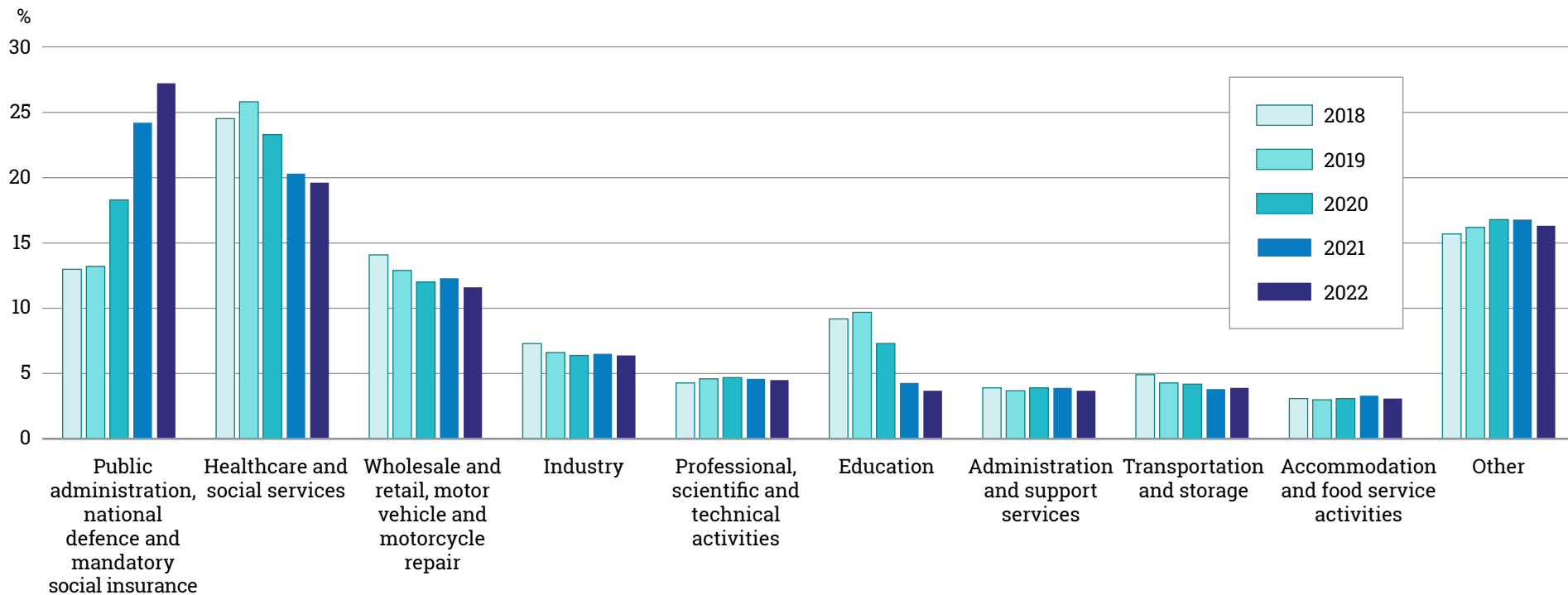
retail trade were the next largest group of beneficiaries in terms of employment. There has been a steady decline in the proportion of persons working in the education sector. In 2022, they accounted for 3.7% of all applicants (compared to 9.2% five years ago).

NUMBER OF APPLICATIONS AT RECORD LEVELS

The application procedure for employee’s adult education allowance is a two-step

process. Based on the initial application, the applicant receives eligibility for adult education allowance for the period specified in the application. After receiving a decision on their initial application, the applicant can apply for an allowance payment retrospectively for each month. If the applicant wants to work between their study leave periods and thus spread the studies over a longer period, a separate extension application for new allowance periods must be submitted to Employment Fund.

Sectors where beneficiaries work



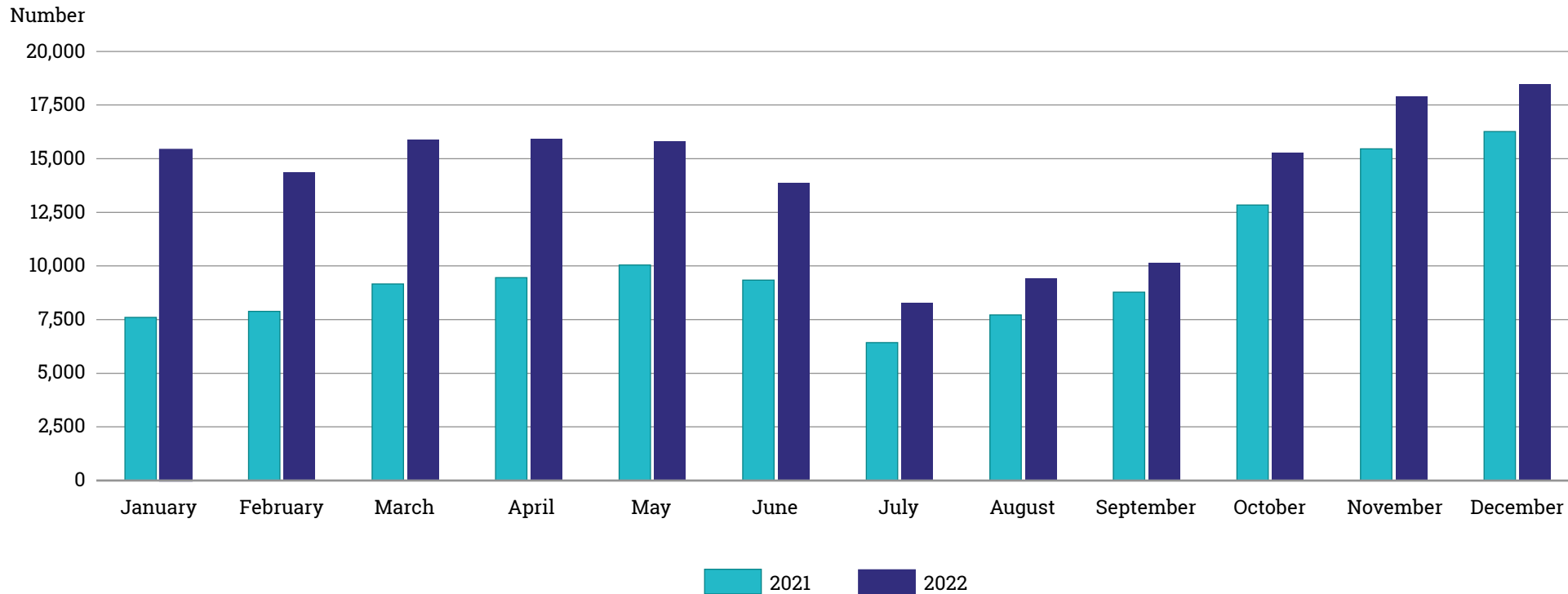
A record number of applications was submitted in 2022. We received 33,615 initial and extension applications for adult education allowance and 133,689 payment applications. The highest number of initial and extension applications (3,612) was received in August, which has been the busiest month for initial applications

for many years. November (14,874) and December (15,270) are the busiest months for payment applications. The number of applications received in November and December 2022 were at record levels. In 2022, the average processing time for initial applications was 17.1 (17.3) days and for payment applications 0.8 (1.1) days.

HIGHER AUTOMATION LEVEL IMPROVED SERVICE CAPACITY, ESPECIALLY AT THE TURN OF THE MONTH

Most of the payment applications (about 80%) for adult education allowance are sent to us for processing during the first week of each month causing a major application backlog. To ensure smooth service, we

Applications for adult education allowances



have focused on automating the payment application process in recent years. In 2022, we issued 103,953 (54,992) automated decisions, which accounted for 78% (63%) of all our payment decisions. With a higher level of automation, we are now able to manage the peaks at the turn of the month much better than in the past, which has also improved the customer experience.

SCHOLARSHIPS FOR QUALIFIED EMPLOYEES ON THE BASIS OF A VOCATIONAL QUALIFICATION

The first scholarships for qualified employees were granted in 1996. A person residing in Finland is eligible for the scholarship if they have completed a vocational upper secondary qualification, a further vocational qualification or a

specialist vocational qualification, are under 68 years of age, and have been working for at least five years by the date they complete the new qualification. The scholarship for qualified employees is a tax-exempt lump sum payment of EUR 414 for qualifications received after 1 January 2022.



A SLIGHT RISE IN THE POPULARITY OF THE SCHOLARSHIP FOR QUALIFIED EMPLOYEES

We granted scholarships for qualified employees to 27,755 (25,949) persons in 2022. We issued 27,678 (26,257) approvals and paid a total of EUR 11.5 (10.4) million in scholarships on their basis. The total paid in euros increased by 10.6% from 2021.

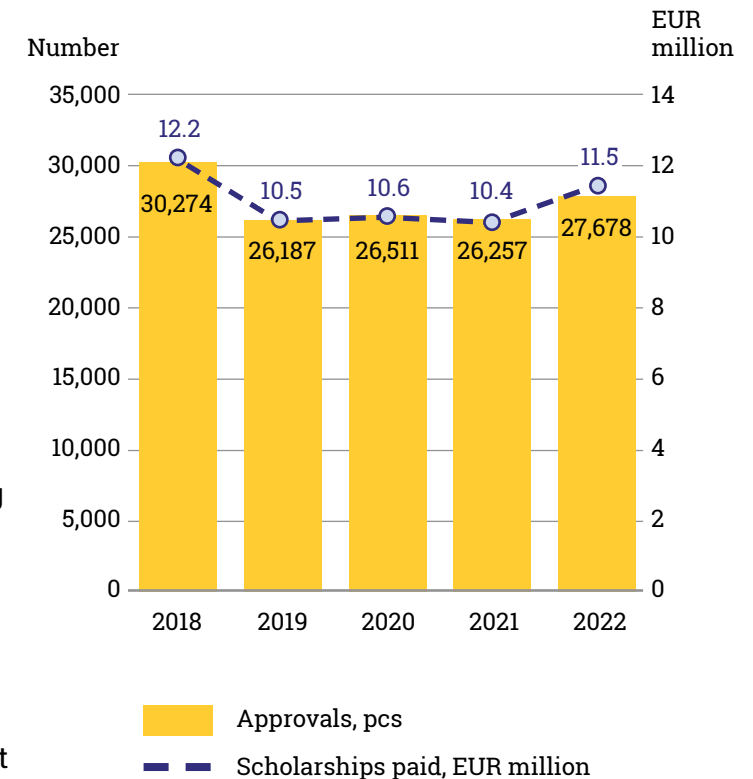
The application for the scholarship can be submitted after graduation and therefore often at the end of the semester. In 2022, the highest number of applications was received in June (5,367), December (3,857), and May (3,500). The number of applications received during these three months accounted for 37% of the total number of applications received during the year. The average processing time for scholarship applications was 9.9 (6.5) days in 2022.

About 43% (44.6%) of the scholarships were granted on the basis of a further vocational qualification, 32% (29.9%) on the basis of a vocational upper secondary qualification

and 26% (25.6%) on the basis of a specialist vocational qualification. In 2022, the most common qualifications completed by scholarship recipients were a further vocational qualification in supervisory work 9.1% (8.7%), vocational upper secondary qualification in social welfare and healthcare 9.1% (7.9%), and a specialist qualification in business management and leadership 7.7% (7.8%). A substantial majority, 64%, of the scholarship recipients were women.

We also partially automated the processing of scholarships for qualified employees during 2022. For the first time, we used software robotics to automate our processes. We started using the robotic application in August 2022 and between 23 August and 31 December, the software robot issued a total of 3,296 automated decisions on scholarships for qualified employees, which was 12% of all approvals in 2022.

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 application for scholarships for qualified employees or adult education allowance have the right to appeal against the decision. The first appellate body is the Social Security Appeal Board. The second and final appellate body is the Insurance Court. In 2022 we forwarded 288 (275) complaints to the Social Security Appeal Board and 17 (20) complaints to the Insurance Court. The complaints mainly concerned the recovery of benefits or the revision of benefits, taking into account additional income based on their time of payment.

If we have paid a benefit without justification or the amount paid out was too high we will recover the excess from the beneficiary. We made a total of 1,198 (1,973) recovery decisions in 2022.

DEVELOPMENTS IN THE PROCESSING OF ADULT EDUCATION BENEFITS

In 2022, we primarily developed our benefit services on the basis of customer feedback and customer experience surveys. The purpose was to shorten processing times and streamline the services. The focus in the improvements was on the online service, which was the most popular service channel among our customers in 2022. The messaging functionality and the application form functionalities were two of the online service components where improvements were made.

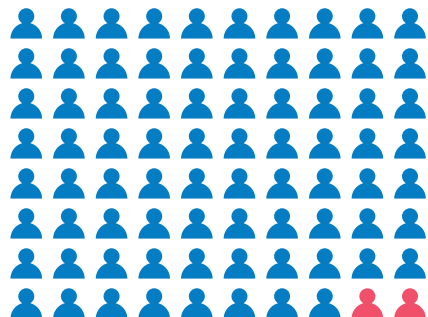
We also produced a separate website for the adult education allowance. The website aikuiskoulutustuki.fi was launched in April 2022. The purpose of the website is to provide a clearer structure for the advice on adult education allowance and in this manner facilitate the application process and improve the customer experience.

We are systematically developing the website on the basis of customer feedback.

In 2022, we organised several webinars for our benefit customers and educational institutions, in which matters concerning adult education benefits and the process of applying for them were discussed. Each event attracted about 50 participants and according to the feedback, they were considered useful. We also posted instructional videos on our website to facilitate the application process. In autumn 2022, we launched a series of videos on our YouTube channel on current phenomena concerning the implementation of adult education allowance and continuous learning.

Aiming for efficient digital services and customer satisfaction

ADULT EDUCATION ALLOWANCES WERE GRANTED TO



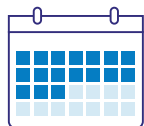
30,124

persons of whom
97.3% were employees
 and **2.7% entrepreneurs**

NUMBER OF ADULT EDUCATION ALLOWANCE DECISIONS FOR EMPLOYEES

Initial decisions

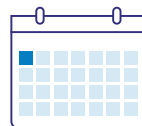
33,942 pcs



Average processing time
17 days

Payment decisions

133,756 pcs



Average processing time
1 day

78% of all decisions were automatic decisions



CUSTOMER CONTACTS FOR ADULT EDUCATION ALLOWANCE (PCS)



Website visits
1,107,633



Phone calls
36,254



Logins to online service
689,752



Messages in online service
64,592



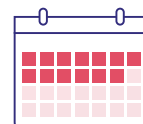
Calculators were used
202,402
 times



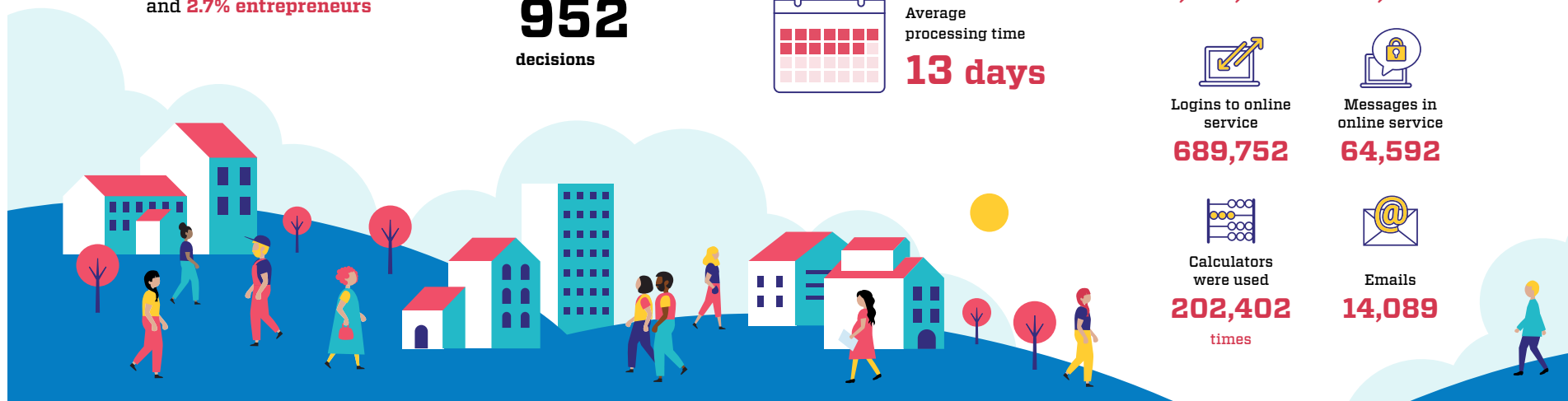
Emails
14,089

NUMBER OF ADULT EDUCATION ALLOWANCE DECISIONS FOR ENTREPRENEURS

952
 decisions



Average processing time
13 days



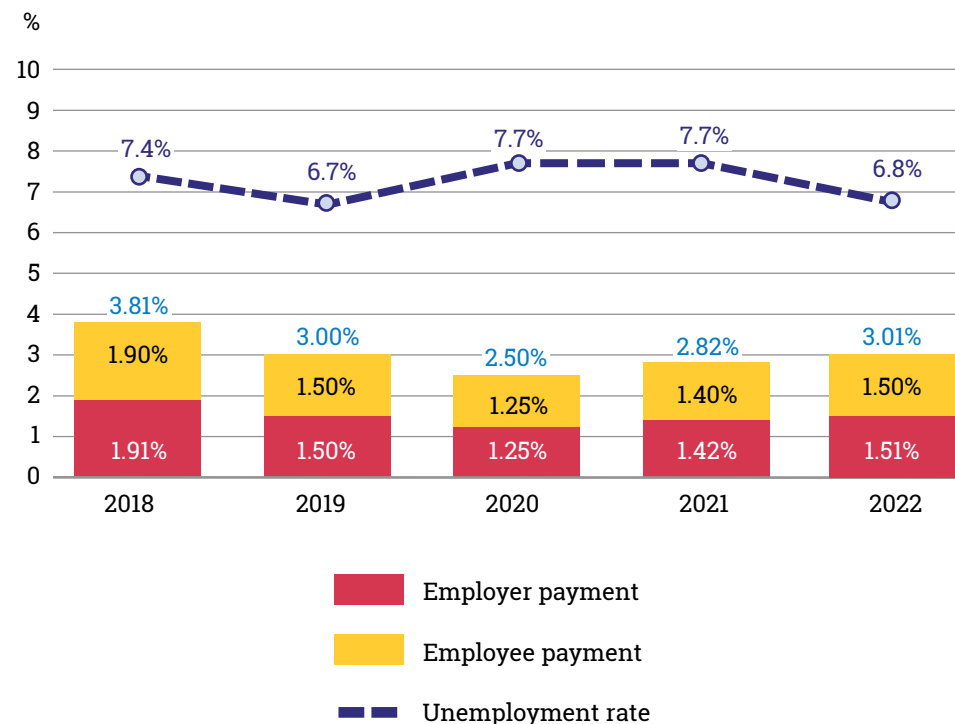
Finance

NET POSITION OF THE BUSINESS CYCLE BUFFER NOW SIGNIFICANTLY STRONGER

As required under the law, Employment Fund maintains a business cycle buffer to ensure liquidity and balance fluctuations in unemployment insurance contributions. The business cycle buffer accrues on the basis of the difference between Employment Fund’s income and expenses. The maximum amount of the buffer corresponds to the annual expenses 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 expenses for which Employment Fund is liable (EUR 2,118 million in 2022) by the average unemployment rate for the year (6.8%), and multiplying the result by six.

Unemployment insurance contribution rates and unemployment rate

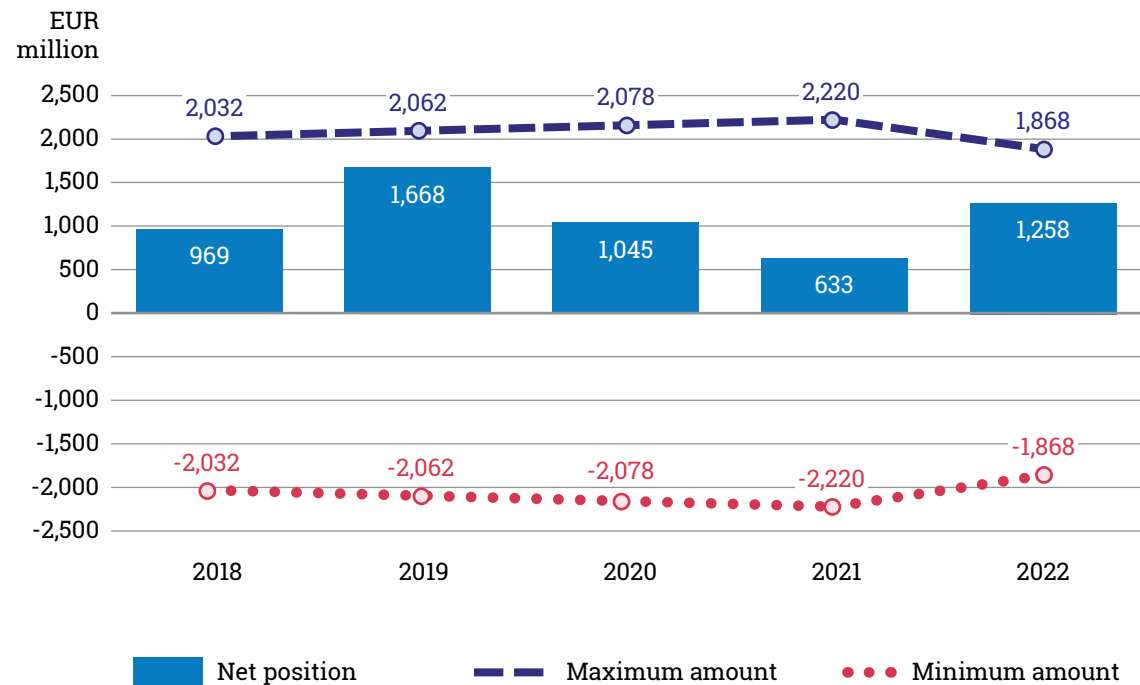


In 2022, the maximum permitted value of the buffer by law was EUR 1,868 million. Employment Fund’s net position totalled EUR 1,258 (633) million at the end of 2022.

According to the investment principles approved by the Supervisory Board, Employment Fund must 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 about EUR 300 million. On average, the liquidity buffer described above was 2.6 times the minimum amount in 2022.

According to the 2023 budget submitted to the Ministry of Social Affairs and Health, the Fund’s net position will amount to EUR 1,447 million on 31 December 2023. When the financial statements for 2022 were prepared, we estimated that our net position at the end of 2023 would be about EUR 1,820 million.

Development of the business cycle buffer





The revolving credit facilities were not utilised during 2022.

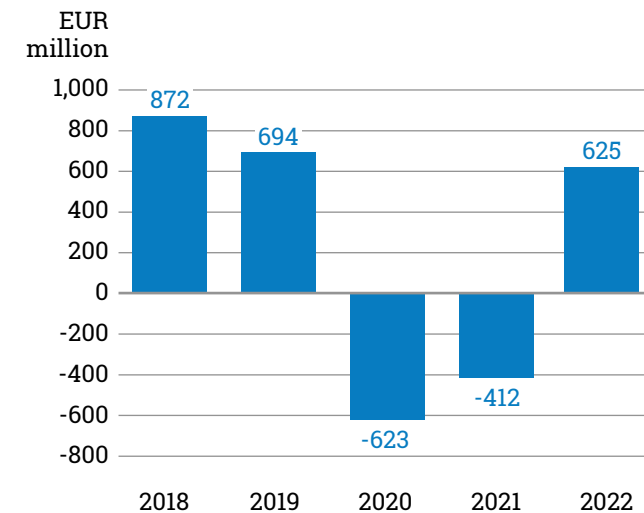
DEBT FINANCING

Employment Fund has two bonds, each worth EUR 600 million, issued in 2020, which are due on 16 June 2023 and 16 June 2027. The Fund also has revolving credit facilities (RCF) worth EUR 600 million, agreed with four banks in 2022. The revolving credit facilities were not utilised during 2022.

In 2022, Employment Fund implemented a debt servicing plan by issuing commercial papers with a value of EUR 100 million to refinance commercial papers that were about to mature.

The credit rating agency S&P Global Ratings has given Employment Fund a credit rating of AA+ (stable outlook)/A-1+. S&P Global Ratings has given the same rating to the State of Finland.

Change in net position



Investment activities

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 on the basis of the investment principles approved by the Supervisory Board, and the investment plan set by the Board of Directors. Employment Fund's investment and financial assets totalled EUR 1,885 (1,339) million at the end of 2022.

FINANCIAL OPERATING ENVIRONMENT

The economic slowdown, which had started in 2021, continued during 2022, as inflation was boosted by rising energy prices. The Russian invasion of Ukraine in February 2022 rapidly weakened Europe's security of supply for various energy commodities and increased their prices sharply. Consumer prices rose at a rapid rate in Finland and elsewhere in Europe and the same trend was also seen in other markets. Central banks started to raise their key interest rates and announced that slowing down the high inflation rate

was a prime goal. These measures had a significant impact on capital markets and the value of equities and fixed-income investments declined during 2022.

Despite a weakening economy, there was further improvement in the employment situation in Finland and the same trend also continued elsewhere in Europe and in the United States. Unemployment declined steadily during 2022, averaging 6.8%, which is the same level that was recorded in 2019 before the coronavirus pandemic.

INVESTMENT MARKET

The stagnation affecting the investment market was broad-based in 2022 as most asset classes generated negative returns. In fixed-income asset classes, higher interest rates led to extremely weak returns, and the trend was heightened by rising credit risk margins. There were also falling



share prices and negative returns in the stock market. In contrast to above, returns in alternative asset classes improved. However, their returns also gradually weakened towards the end of the year.

ASSET ALLOCATION

We invested assets actively in money market instruments, bonds, funds, and equities as well as alternative investments. The weight of alternative investments was

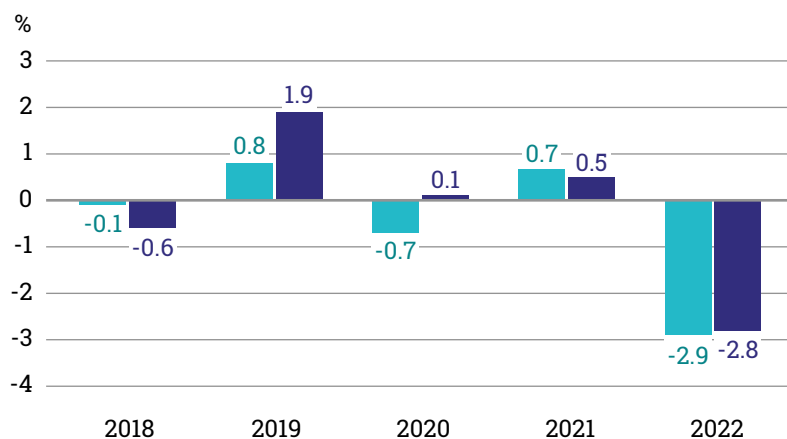
increased in the investment plan for 2022. At the end of the financial period, EUR 1,098 (721) million of the Fund's assets were invested in money market instruments, EUR 669 (534) million in bonds, EUR 36 (38) million in equities, and EUR 75 (43) million in alternative investments.

In 2022, the return on our investments was -2.9% (0.7%). The return was lower than the expectation entered in our investment plan

and the reference return on our investment activities.

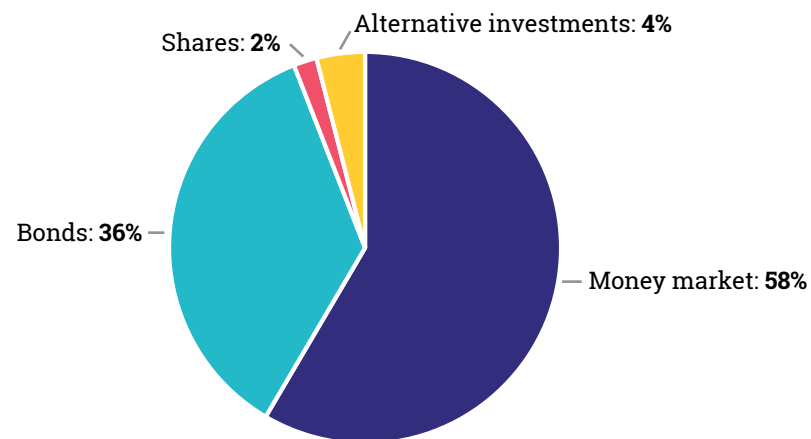
The investment plan for 2023 was approved by Employment Fund's Board of Directors on 29 November 2022. As part of the plan, it was decided to increase the proportion of short-term fixed-income investments and to make a number of other changes to the allocation of funds.

Return on investments



Return on investments Reference rate of return

Asset allocation



RESPONSIBLE INVESTMENT

Responsibility in our investment activities means that we take responsibility 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 assessment methods are used to monitor and analyse the responsibility

of Employment Fund's investments.

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.

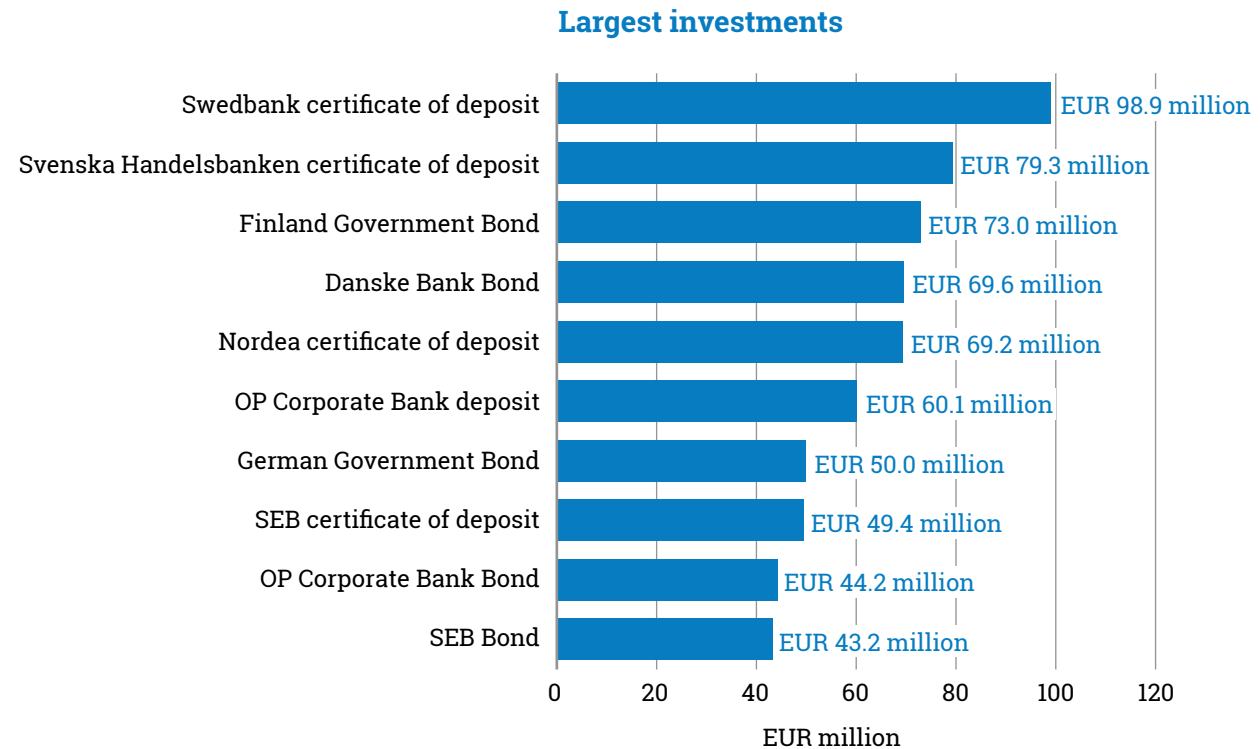
The responsibility analysis includes a review of operational responsibility metrics for the investment items and the companies behind them, such as commitment to equality, good governance, and the development of variables used to measure environmental impact.



We take responsibility matters into account when making investment decisions.

According to the summary of the latest analysis (covering the year 2022) produced by the asset management company commissioned to evaluate the responsibility of our investments, our environmental footprint is at a good level both in absolute terms and in relation to benchmark indices. The figures describing the responsibility of our investments have been at excellent level already since 2019. Compared to the previous analysis, there have been significant improvements in the environmental figures, a result of lower weight for high-emission companies and higher weight for the financial sector in the portfolio. It is also noted in the summary that the social and governance indicators do not significantly differ from the benchmark indices.

According to the asset management company, our investment portfolio is also in line with the climate path specified in the Paris Agreement.



Risk management

At Employment Fund, risk management is part of internal control.

The internal control procedures and methods used by Employment Fund ensure that the Fund's Board of Directors and management have sufficient assurance that the Fund's objectives are met, sufficient access to reliable and adequate operational information and enough information on the lawfulness of the operations to support their decision-making.

Risk management measures enable Employment Fund to identify, analyse and manage the threats and opportunities related to its operations and objectives.

We review Employment Fund's risk management principles each year and they are approved by the Fund's Board of Directors. Employment Fund has a full-time risk manager who supports and advises the organisation in the identification and management of risks in accordance with the risk management principles. The risk management situation picture is reported to the Fund's Board of Directors, audit committee and the Managing Director on a regular basis. Systemic risk management ensures that the risks taken by Employment Fund are proportionate to the Fund's objectives and the risk appetite specified in the Fund's risk management principles.

With the help of comprehensive risk management, we can ensure that all risks are identified and managed in an appropriate manner. Cyber risk management is an important part of Employment Fund's information security and IT strategy. As part of its risk management, Employment Fund assesses and manages strategic risks that may impact the achievement of the Fund's objectives or the implementation of its strategy. The purpose of the compliance function is to ensure that Employment Fund complies with existing regulation, external instructions binding on the Fund and the Fund's own internal guidelines. The focus is on preventive activities.

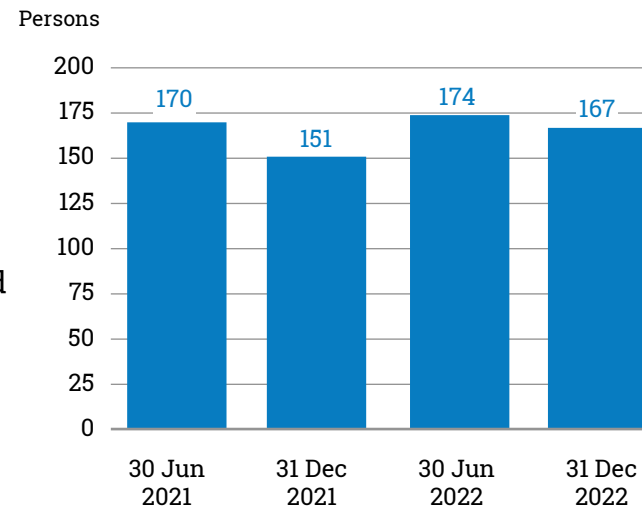
Personnel

At the end of 2022, the number of personnel was 167 (151). In person-years, the average number of personnel was 147 (132).

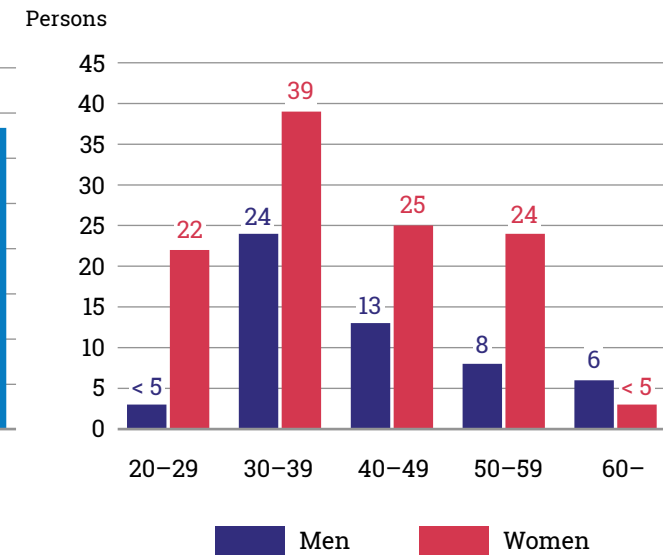
In 2022, the average number of employees was 169 (164) and the Fund paid EUR 8,571,589 in salaries and EUR 44,346 in fringe benefits. The Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives.

Men accounted for 54 (46) and women for 113 (105) of the personnel. The average employee age was 41 (41) years, and the average duration of employment at Employment Fund was 5.9 years. Employment Fund's Managing Director is Janne Metsämäki, LL.M.

Number of personnel in Employment Fund 2021–2022



Age and gender distribution of personnel in 2022



JOB SATISFACTION IMPROVED

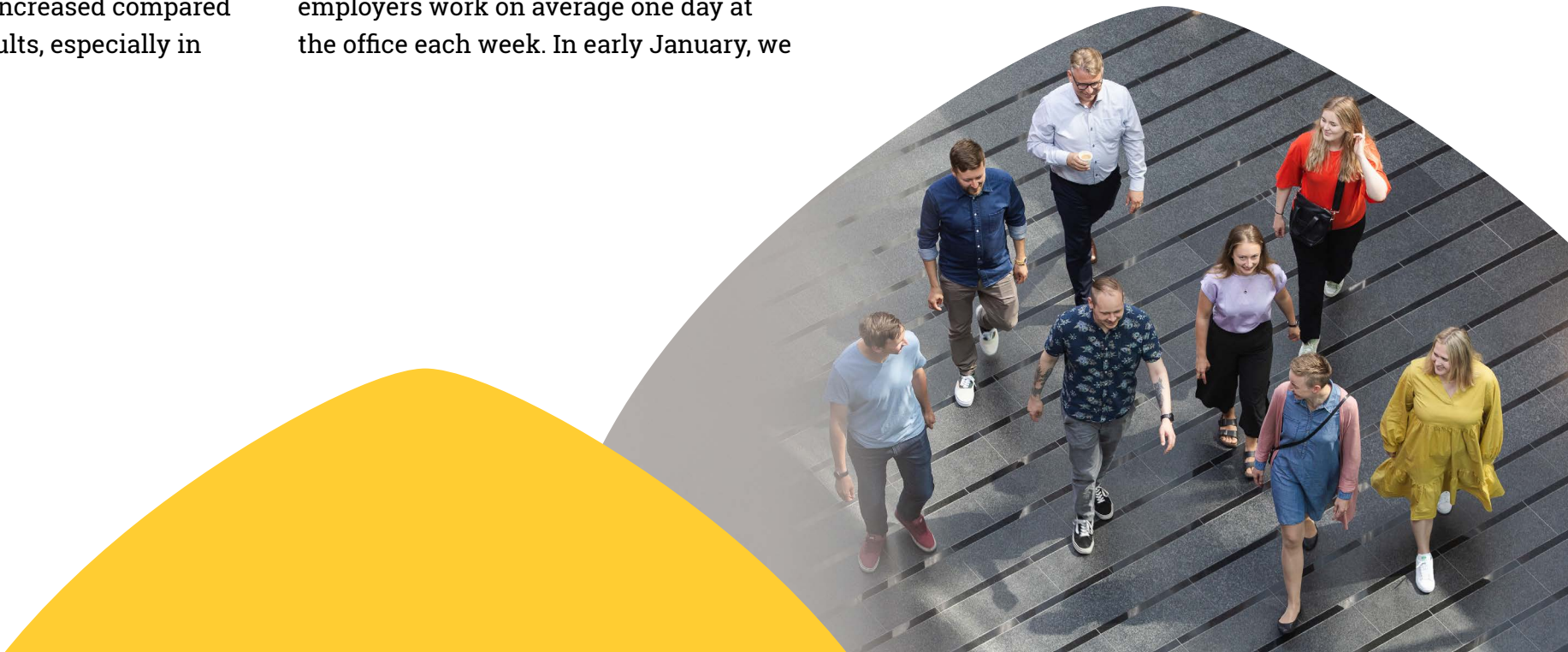
Promoting and constantly monitoring employee wellbeing are key priorities at Employment Fund. We examined employee wellbeing in an extensive personnel survey in spring 2022 and in pulse surveys on a quarterly basis. The results showed that our employees value the flexible hybrid work opportunities offered by the Fund and that in their view, the feedback culture in the Fund has improved.

Job satisfaction has increased compared to previous year's results, especially in

the fields of commitment, management, performance and dedication to work. Our People Power index for 2021 was 63.8, and in spring 2022 it had risen to 68.3. The average rate of absence due to illness was 12.76 (10.02) days per person.

During 2022, we changed over from full-time remote work to hybrid work, which has resulted in more face-to-face interaction and working at our office premises. Under the Fund's hybrid model, employees work on average one day at the office each week. In early January, we

moved to a new multipurpose office, which serves as an excellent location for office work, providing better facilities for work requiring concentration and quiet, and for communal activities and workshops. In addition to good personnel experience, the premises are more efficient and help to make the Fund a more responsible actor.





The work to update and develop our organisation continued during 2022.

WE DEVELOPED OUR OPERATING PRACTICES

Our work to update and develop the organisation continued during 2022. Measures were taken to improve the working practices of the Management Group during the year and its meetings were divided into meetings with specific themes, such as performance meetings, development meetings and meetings of the

project portfolio management group. At the end of 2022, we established the extended Management Group, which also has a personnel representative as its member.

In 2022, the focus in the training was on strengthening customer experience skills, effective communication, data protection, information security, overall security and improving accessibility competence.

We have improved our digital skills in the online learning environment of an external partner. We want to ensure that each Fund employee has the opportunity to learn at work and to develop their professional skills on a continuous basis so that we can provide our customers with high-quality services. The average number of training days per person was 1.42 (2.33).



A glimpse into 2023

There was a slight rise in the number of unemployed jobseekers in early 2023. As economic growth has slowed down and is now close to zero, many companies have announced that they will start change negotiations with their personnel. There is now more uncertainty about employment trends.

The inflation rate is expected to remain high. Central banks are expected to further tighten the monetary policy and key interest rates will probably increase during the early part of 2023. Economic growth in the near future is particularly difficult to predict and growth below the baseline projection may adversely impact the Fund's finances.

Economic growth in Finland is expected to slow down even though the outlook for Europe has become more positive in recent months. Wage bill trends and purchasing power will be crucially impacted by the ongoing labour market negotiations on the new collective agreements. A slight reduction in total output is expected, especially during the first half of 2023. Fluctuations in capital markets have returned to relatively moderate levels and the values of equities and fixed-income

investments have recovered from the lowest levels experienced in 2021.

Even though the economic operating environment will remain difficult during the early part of 2023, the outlook for Employment Fund at the time of the preparation of the financial statements is slightly better than in the budget for 2023. Our estimate in August was that the gradual slowdown of the Finnish economy would already be reflected in higher unemployment security expenditure during the last months of 2022. However, as a result of the improvements in the employment situation during the last months of 2022, the total amount of the contributions paid by Employment Fund during the year will remain lower than previously estimated. Strong wage bill growth in 2022 has also helped to consolidate the Fund's financial basis.

We expect a slight rise in unemployment during 2023 and a fall in the employment rate, especially during the first half of the year. Our estimate is that the change in our net position in 2023 would be positive to the amount of about EUR 560 million (budgeted amount EUR 380 million) and that our net position at the end of the year would be about EUR 1,820 million (budgeted amount EUR 1,447 million).

We will continue to develop our activities, focusing on better customer experience, more extensive automation and higher efficiency. We are currently updating our strategy and the changes in our operating environment will be taken into account in the process.

” We will continue to develop our activities, focusing on better customer experience, more extensive automation and higher efficiency.



Corporate governance

The corporate governance statement of Employment Fund for 2022 has been prepared in accordance with the Securities Market Act and the recommendation on reporting contained in 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

Employment Fund is an independent statutory agency supervised by the Financial Supervisory Authority.

Employment Fund has issued bonds quoted on Nasdaq OMX Helsinki Ltd, which will mature in 2023 and 2027. Employment Fund has a commercial paper programme of EUR 300 million under which commercial papers with a nominal value of EUR 100 million had been issued in the domestic money market by 31 December 2022.

Employment Fund conducts its operations, where applicable, in compliance with the Finnish Corporate Governance Code, which is publicly available on the Securities Market Association's website (www.cgfinland.fi).

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

Due to 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:** Employment Fund is not a limited liability company and its most senior decision-making body is not a general meeting or similar organ as this task

is carried out by the Supervisory Board appointed by the Government, in accordance with the Decree on the Rules of Procedure of Employment Fund (862/1998). The Decree contains provisions on matters to be decided in the meetings of the Supervisory Board and the related procedures as well as the notice of the meeting. For this reason, the recommendations concerning the general meeting, notice of the general meeting, proposals for decisions, initiatives of the shareholders, attendance at the general meeting and documents discussed at the general meeting are not directly applicable to the operations of Employment Fund.

- **Recommendations 5, 6, 7, 8 and 9:** 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 Employment Fund (862/1998). Under the Decree,

the Supervisory Board approves the appointment of the members, chair and vice chair of the Board of Directors for the following calendar year. Seven of the Board of Directors' members represent employer organisations and seven are employee representatives. For this reason, the recommendations concerning the election, term of office, composition, diversity and independence of the members of the Board of Directors are not applicable to Employment Fund's operations.

- **Recommendations 10 and 19:** 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 Employment Fund (862/1998). Employment Fund has no shareholders or similar owners, and thus there is no evaluation of whether the Board of Directors or management is independent of significant shareholders. Likewise, the recommendation concerning the shareholders' nomination committee is not applicable.

- **Recommendations 16, 17 and 18:** The regulations governing Employment Fund's operations do not impose an obligation to establish special committees. Therefore, the Fund does not have any committees, other than an audit committee. As Employment Fund is not a limited liability company, the audit committee does not evaluate the independence of its members of significant shareholders.
- **Recommendation 21:** Under the Decree on the Rules of Procedure of Employment Fund, the Supervisory Board elects the members of the Board of Directors, and the Board of Directors elects the chair from among its members (in alternating years from among the representatives of the employers or employees) and thus the recommendation on the restriction concerning the Managing Director is not applicable.
- **Recommendation 22:** The Ministry of Social Affairs and Health decides on the remuneration for meetings of the Supervisory

Board members and the principles of compensation for travelling expenses. The Supervisory Board decides on the remunerations of the Board of Directors members. 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:** Employment Fund has no shareholders or similar owners, and thus the recommendations concerning shares and share-based remuneration for the members of the Board of Directors are not applicable.
- **Recommendation 27:** Employment Fund is not a limited liability company and thus the regulation on related-party transactions is not applicable to Employment Fund's operations within the meaning of the Finnish Corporate Governance Code. However, Employment Fund complies with IFRS standards and monitors related-party transactions as described below.

SUPERVISORY BOARD

Under the Decree on the Rules of Procedure of Employment Fund (862/1998), Employment Fund's most senior decision-making body is the Supervisory Board, which has between 10 and 18 members. Half of the members represent employers and the other half represent employees. The term of the members of Employment Fund's Supervisory Board is three calendar years.

On 22 October 2020, on the proposal of the Ministry of Social Affairs and Health, the Government appointed the members of Employment Fund's Supervisory Board for the term 1 January 2021–31 December 2023. A total of 18 members were appointed to the Supervisory Board. Six of the members were appointed on the proposal of the Confederation of Finnish Industries (EK), three on the proposal of the Local Government and County Employers (KT), three on the proposal of the Central Organisation of Finnish Trade Unions (SAK), three on the proposal of the Finnish Confederation of Professionals (STTK) and three on the proposal of the Confederation

of Unions for Professional and Managerial Staff in Finland (Akava). In 2022, the Government appointed two new members to the Supervisory Board for the rest of the current term (until 31 December 2023).

The Supervisory Board elects from among its members a chair and a vice chair 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. In 2022, the Supervisory Board was chaired by Antti Zitting.

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 of 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 constitutes a quorum when the chair or the vice chair and at least half of the members are present. Those present must include both employer and employee representatives. The decisions of the Supervisory Board are based on a simple majority. In the event of a tie, the decision is 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 decided by drawing lots. If 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 becomes the decision.

The Supervisory Board elects the chair and the vice chair of the Supervisory Board for one calendar year at a time. One must be an employer representative and the other an employee representative. The chairmanship is held in turn by

representatives of employers and employees, alternating annually.

In 2022, the Supervisory Board met three times. One of the meetings was held remotely via email. No separate remuneration is paid for meetings held via email.



The members of the Supervisory Board in 2022 were:

Name	Year of birth	Education	Main occupation	Attendance at meetings of the Supervisory Board
Antti Zitting, Chair	1956	Master of Science (Technology)	Chairman of the Board, Sacotec Oy	3/3
Jari Jokinen, Vice Chair	1967	Master of Science (Technology)	Executive Director, Tekniikan Akateemisten Liitto TEK ry	3/3
Riku Aalto	1965	Master of Administrative Sciences	President, Industrial Union	2/3
Teija Asara-Laaksonen (until 23 August 2022)	1957	secondary school graduate	Vice President, Trade Union for the Public and Welfare Sectors, JHL ry	1/3
Jorma Haapanen (until 8 July 2022)	1964	Master of Agriculture and Forestry Sciences	Preparation Director, Western Uusimaa Wellbeing Services County	1/3
Teemu Kokko	1961	Doctor of Science (Business Administration)	Managing Director, Haaga-Helia University of Applied Sciences	3/3
Antti Korpinieniemi	1961	Master of Agriculture and Forestry Sciences	CEO, Berner Ltd	2/3
Tomi Lantto	1970	Master of Economic Sciences	CEO, Antell	3/3
Kirsi-Marja Lievonen	1962	Licentiate of Laws trained on the bench	HR Director, City of Vantaa	2/3
Petri Lindroos	1965	Master of Education	Director of Negotiations, Trade Union of Education in Finland, OAJ ry	3/3
Salla Luomanmäki	1963	Master of Arts	Executive Director, Akava Special Branches, AE ry	3/3
Jorma Malinen	1959	Automation Designer	President, Trade Union Pro ry	2/3
Matti Mettälä	1963	Master of Laws trained on the bench	EVP, Kesko Corporation	3/3
Taina Niiranen	1966	Master of Administrative Sciences	HR Director, Pirkanmaa Wellbeing Services County	2/3
Olli Nikula	1967	Master of Economic Sciences	CEO, Saint-Gobain Finland Ltd	3/3
Silja Paavola	1956	Auxiliary Nurse	Chair, The Finnish Union of Practical Nurses, SuPer ry	2/3
Juha Rostedt (from 8 July 2022)	1963	Trade Technician	Vice Chair, Local Government and County Employers KT	2/3
Saila Ruuth (from 23 August 2022)	1981	Master of Political Science	Vice President, Trade Union for the Public and Welfare Sectors, JHL ry	1/3
Millariikka Rytönen	1975	Midwife-nurse, Master's degree	Chair, Union of Health and Social Care Professionals in Finland, Tehy ry	1/3
Annika Rönni-Sällinen	1976	Master of Laws	Chair, Service Union United, PAM ry	2/3

BOARD OF DIRECTORS

Under the Decree on the Rules of Procedure of Employment Fund (862/1998), Employment Fund must have a Board of Directors composed of 14 members. The members are nominated by the Supervisory Board and seven of the members must be representatives of employer organisations and seven employee representatives. The Board of Directors must 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.

The Board of Directors constitutes a quorum when the chair or the vice chair and at least seven other members are present. Those present 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 based on the opinion supported by the chair of the meeting.

The Board of Directors is responsible for Employment Fund's administration and the proper organisation of its operations. The Board of Directors follows the development of Employment Fund with the help of monthly reports and other information delivered by the management. The key tasks and operating principles of Employment Fund's Board of Directors are set out in the Decree on the Rules of Procedure of Employment Fund (862/1998) and in the Board's written rules of procedure. The Board carries out a self-assessment of its activities each year.

The members of the Board of Directors in 2022 were:

Name	Year of birth	Education	Main occupation	Attendance at meetings of the Board of Directors
Saana Siekkinen, Chair	1972	Master of Social Sciences	President, Central Organisation of Finnish Trade Unions, SAK ry	10/11
Markku Jalonen, Vice Chair	1960	Licentiate of Social Sciences	Managing Director, Local Government and County Employers KT	11/11
Tuomas Aarto	1973	Master of Laws trained on the bench	Director General, Management, Service Sector Employers, Palta ry	11/11
Jarkko Eloranta (from 13 September 2022)	1966	Master of Political Science	President, Central Organisation of Finnish Trade Unions, SAK ry	1/11
Minna Etu-Seppälä	1972	Master of Laws trained on the bench	Director, Chemical Industry Federation of Finland, KT ry	10/11
Sture Fjäder	1958	Master of Economic Sciences	President, Confederation of Unions for Professional and Managerial Staff in Finland, Akava ry	9/11
Riikka Heikinheimo	1963	Doctor of Philosophy	Director, Confederation of Finnish Industries, EK	11/11
Minna Helle	1971	Master of Laws	Deputy CEO, Technology Industries of Finland	11/11
Ilkka Kaukoranta (until 3 September 2022)	1986	Master of Political Science	Chief Economist, Central Organisation of Finnish Trade Unions, SAK ry	7/11
Patrizio Lainä	1985	Doctor of Political Science, Master of Economic Sciences	Chief Economist, Finnish Confederation of Professionals, STTK ry	9/11
Henrika Nybondas-Kangas	1974	Master of Laws trained on the bench	Chief Negotiator, Local Government and County Employers KT	11/11
Antti Palola	1959	Sea Captain	Chair of the Board, Finnish Confederation of Professionals, STTK ry	11/11
Vesa Rantahalvari	1967	Master of Administrative Sciences	Senior Expert, Confederation of Finnish Industries, EK	10/11
Heikki Taulu	1973	Master of Social Sciences	Economist, Confederation of Unions for Professional and Managerial Staff in Finland, Akava ry	10/11
Pirjo Väänänen	1971	Master of Social Services	Head of Social Affairs, Central Organisation of Finnish Trade Unions, SAK ry	11/11

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 in good time before the meeting in order to ensure that the members of the Board of Directors are able to attend the meeting. The Board of Directors meets 8–12 times each year and, if necessary, more often. If all the members approve, the meeting of the Board of Directors may be held as a telephone conference or via email in case of urgent and specific matters.

Chair's duties

The Supervisory Board elects the Chair and the Vice Chair of the Board of Directors for one calendar year at a time. In 2022, the Board of Directors was chaired by Saana Siekkinen.

The Chair of the Board

- convenes the meetings of the Board of Directors
- approves the agenda prepared by the Managing Director for the meetings of the Board of Directors
- is responsible for ensuring that minutes are drafted of every meeting of the Board of Directors
- maintains contacts with the Managing Director and the members of the Board of Directors between meetings, if necessary, and
- is responsible for ensuring that these rules of procedure are complied with in the work of the Board of Directors
- approves the invoices of the Managing Director.

Operations of the Board of Directors

In 2022, the Board of Directors met 11 times. The Board of Directors also held a strategy seminar for which no remuneration is paid. The Board of Directors assesses its own activities and operating practices as well as the activities and operating practices of the audit committee each year. In 2022, the assessment was carried out as a self-assessment and its results were discussed at the Board meeting in December.



AUDIT COMMITTEE

On the basis of the rules applying to 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 certain matters falling within the competence of the Board of Directors. The Board of Directors has had an audit committee since 2019. The members of the audit committee are appointed by the Fund's Board of Directors. Under the audit committee's rules of

procedure, the committee must have at least four members, half of whom represent employees and half represent employers.

The audit committee assists the Board of Directors. The audit committee has no decision-making powers but it can submit proposals and reports to the Board of Directors on the tasks assigned to it. The audit committee is primarily responsible for preparing matters related to financial reporting, internal control, risk management and the selection of auditors. In 2022, the audit committee met six times.

Audit committee	Attendance at meetings
Henrika Nybondas-Kangas, Chair	6/6
Heikki Taulu, Vice Chair	5/6
Minna Helle	6/6
Ilkka Kaukoranta (until 3 September 2022)	4/6
Pirjo Väänänen (from 27 September 2022)	1/6

One of the meetings was held via email and no remuneration is paid for these meetings.

MANAGING DIRECTOR

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

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

MANAGEMENT GROUP

The Management Group supports the Managing Director in the management of Employment Fund's operations and in achieving Employment Fund's strategic and operational goals. The Management Group meets on a weekly basis. In addition to the Management Group, the Managing Director is also assisted in the management of the Fund's operations by the extended Management Group. It meets once a month and has a personnel representative as its member. The extended Management Group met for the first time in September 2022.

In 2022, the members of the Management Group were:

Name	Year of birth	Education	Duties/responsibilities
Janne Metsämäki	1960	Master of Laws	Managing Director
Tapio Oksanen	1958	Master of Science in Economics	Chief Financial Officer
Virpi Halme	1976	Master of Laws	Director, Technology and Development
Katja Knaapila,	1966	Master of Business Administration	Director, HR and Communication
Tuulikki Saari	1979	Master of Arts	Director, Customer Relations

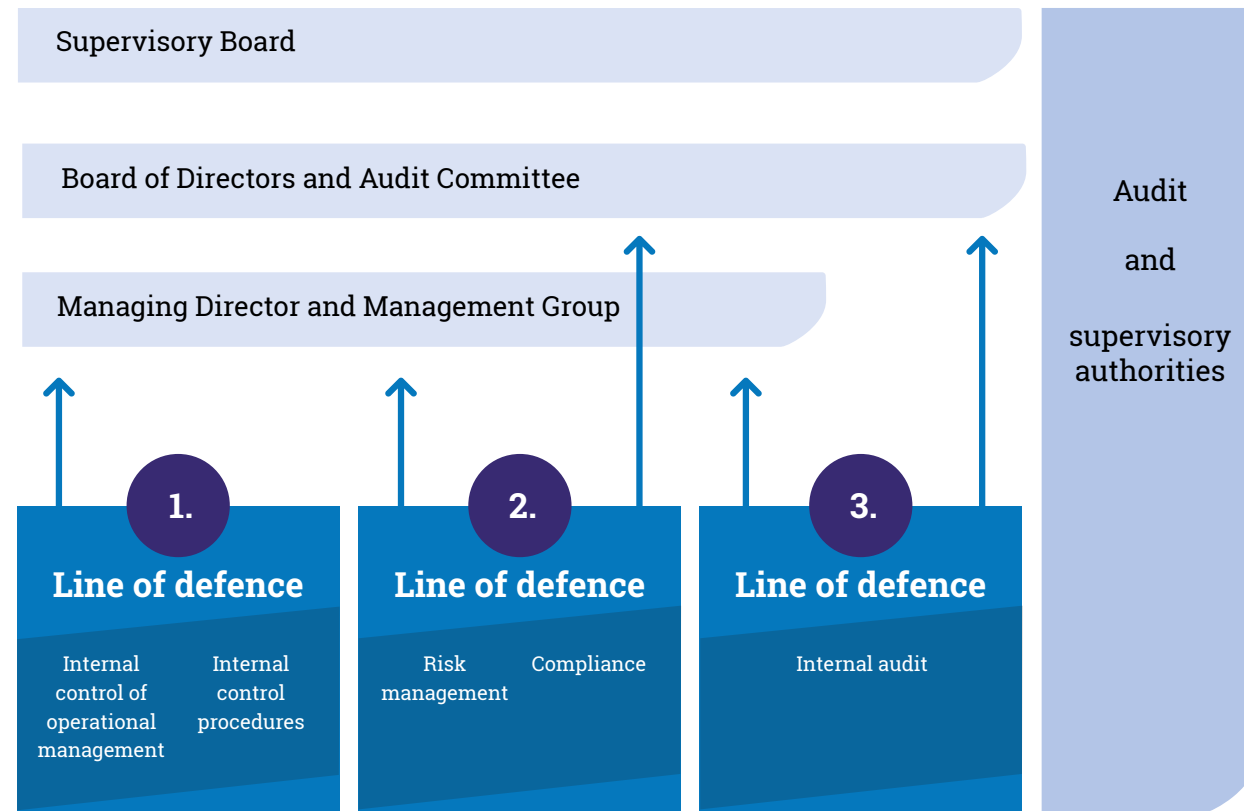
LEGALITY AND COMPLIANCE OF OPERATIONS

Employment Fund’s operations comply with the law, the guidelines and regulations applying to the Fund, and the requirements of good governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Employment Fund’s Board of Directors decides on the criteria for the Fund’s internal control and risk management, approves the Fund’s risk management principles and requires that 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 Employment Fund’s internal control and risk management apply to all functions of the Fund and each employee is responsible for implementing them.

Employment Fund’s internal control is based on a ‘three lines of defence’ model.



Internal audit

The Board of Directors of Employment Fund decides on the operating model and criteria for the Fund's internal audit. The Fund's internal audit operates on the basis of the plans discussed by the audit committee and approved by the Board of Directors. In 2022, the internal audit of Employment Fund was purchased from PricewaterhouseCoopers Oy. The Fund's internal audit reports on its operations to the Board of Directors and the audit committee on a regular basis.

Principles of organising insider administration

Employment Fund has issued publicly quoted bonds. Employment Fund complies with the Market Abuse Regulation (MAR) and other applicable legislation, insider guidelines and the rules for issuers of other instruments of Nasdaq Helsinki Ltd. Employment Fund also has insider guidelines approved by the Board of Directors, which describe the most important principles governing the insider matters of Employment Fund.

In accordance with the MAR requirements, Employment Fund maintains a list of persons in management positions and their related parties. The members of the Supervisory Board, members of the Board of Directors as well as the Managing Director and the Chief Financial Officer have been defined by Employment Fund as persons holding management positions. A person holding a management position in Employment Fund may not, directly or indirectly, trade with an Employment Fund's financial instrument for their own account or for the account of a third party during a closed period, regardless of whether the person in question has inside information at that time. For the duration of the closed period, Employment Fund also imposes trading restrictions on all separately defined persons participating in the preparation of Employment Fund's interim financial report and financial statement release. The closed period lasts for 30 days before the publication of the statutory interim financial report or the financial statement release, including the date of the publication.

Employment Fund establishes an insider list for each individual project in which the details of the persons with access to that particular insider information is entered (project-specific insider lists). Employment Fund does not maintain the insider list's supplementary section listing permanent insiders as only project-specific lists are used.

Employment Fund has a person responsible for insider issues who carries out the duties of Employment Fund's insider administration. Employment Fund has a procedure by which one can report a suspected breach of financial market provisions and regulations through an independent channel. Employment Fund's anonymous whistleblowing system serves as the Fund's reporting channel and it is accessible on Employment Fund's intranet and on its public website.

Principles concerning related parties

The regulations on related-party transactions set out in the Limited Liability Companies Act are not applicable to Employment Fund's operations. However, Employment Fund complies with IFRS standards and guidelines regarding related-party transactions (IAS 24). The related parties of Employment Fund comprise the members of the Supervisory Board, members of the Board of Directors, the Managing Director, the main auditor, the

members of the Management Group, and their spouses, trustees, and controlled undertakings.

Transactions involving related parties are handled in accordance with the guidelines on related-party transactions approved by the Board of Directors. The list of related parties is maintained by Employment Fund's Compliance Officer.

AUDITOR AND AUDITOR'S FEES

The Supervisory Board of Employment Fund selected KPMG Oy as the Fund's auditor for 2022. Marcus Tötterman, Authorised Public Accountant, KHT, acted as the main auditor.

The auditor's fees for 2022 include EUR 83,087 in audit-related costs paid to KPMG Oy and EUR 0 paid for other services.

Remuneration report

Employment Fund is not a limited liability company and thus the regulations on remuneration principles and reporting are not directly applicable to the Fund's operations. Therefore, Employment Fund's remuneration report for 2022 has been drawn up, where applicable for Employment Fund, in compliance with the Finnish 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 October 2020, on the proposal of the labour market parties, the Government appointed the members of Employment Fund's Supervisory Board for the term 1 January 2021–31 December 2023.

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 22 October 2021, 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 310 per month and EUR 410 per meeting, for the vice chair and other members, EUR 310 per meeting. In 2022, the Supervisory Board met three times. The meetings included one email meeting for which no remuneration is paid.



In 2022, the fees for the members of the Supervisory Board were paid as follows:

Name	Meeting fee of the Supervisory Board members	Annual fee of the Supervisory Board Chair	Travel expenses	Total on 31 December 2022	Attendance at meetings of the Supervisory Board
Antti Zitting, Chair	820	3,720	198	4,738	3/3
Jari Jokinen, Vice Chair	620	0	0	620	3/3
Riku Aalto	310	0	0	310	2/3
Teija Asara-Laaksonen (until 23 August 2022)	310	0	0	310	1/3
Jorma Haapanen (until 8 July 2022)	310	0	0	310	1/3
Teemu Kokko	620	0	0	620	3/3
Antti Korpiemi	310	0	30	340	2/3
Tomi Lantto	620	0	0	620	3/3
Kirsi-Marja Lievonen	310	0	0	310	2/3
Petri Lindroos	620	0	0	620	3/3
Salla Luomanmäki	620	0	0	620	3/3
Jorma Malinen	310	0	0	310	2/3
Matti Mettälä	620	0	0	620	3/3
Taina Niiranen	310	0	0	310	2/3
Olli Nikula	620	0	0	620	3/3
Silja Paavola	310	0	0	310	2/3
Juha Rostedt (from 8 July 2022)	310	0	114	424	2/3
Saila Ruuth (from 23 August 2022)	0	0	0	0	1/3
Millariikka Rytönen	0	0	0	0	1/3
Annika Rönni-Sällinen	310	0	0	310	2/3
Total	8,260	3,720	342	12,322	

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 26 August 2021, the Supervisory Board decided that the fees for the members of the Board of Directors are as follows:

Task	Fee EUR per month	Fee EUR per meeting
Chair of the Board	1,030	410
Vice Chair of the Board	820	310
Other members of the Board of Directors	515	255

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

In 2022, the Board of Directors convened 11 times. The Board of Directors also held a strategy seminar for which no remuneration is paid.

In 2022, the fees for the members of the Board of Directors were paid as follows:

Name	Annual fees of the Board of Directors	Meeting fees of the Board of Directors	Total on 31 December 2022	Attendance at meetings of the Board of Directors
Saana Siekkinen, Chair	12,360	4,100	16,460	10/11
Markku Jalonen, Vice Chair	9,840	3,410	13,250	11/11
Tuomas Aarto	6,180	2,805	8,985	11/11
Jarkko Eloranta (from 13 September 2022)	2,060	255	2,315	1/11
Minna Etu-Seppälä	6,180	2,550	8,730	10/11
Sture Fjäder	6,180	2,295	8,475	9/11
Riikka Heikinheimo	6,180	2,805	8,985	11/11
Minna Helle	6,180	2,805	8,985	11/11
Ilkka Kaukoranta (until 3 September 2022)	4,120	1,785	5,905	7/11
Patrizio Lainà	6,180	2,295	8,475	9/11
Henrika Nybondas-Kangas	6,180	2,805	8,985	11/11
Antti Palola	6,180	2,805	8,985	11/11
Vesa Rantahalvari	6,180	2,550	8,730	10/11
Heikki Taulu	6,180	2,550	8,730	10/11
Pirjo Väänänen	6,180	2,805	8,985	11/11
Total	96,360	38,620	134,980	

The fees for the audit committee were EUR 410 per meeting for the chair and EUR 255 per meeting for the members of the committee. In 2022, the audit committee met six times. The meetings included one email meeting for which no remuneration is paid.

In 2022, the fees for the members of the audit committee were paid as follows:

Name	Meeting fees for the audit committee	Total on 31 December 2022	Attendance at audit committee meetings
Henrika Nybondas-Kangas, Chair	2,050	2,050	6/6
Heikki Taulu, Vice Chair	1,020	1,020	5/6
Minna Helle	1,275	1,275	6/6
Ilkka Kaukoranta (until 3 September 2022)	765	765	4/6
Pirjo Väänänen (from 27 September 2022)	255	255	1/6
Total	5,365	5,365	

REMUNERATION SCHEME FOR THE MANAGING DIRECTOR

A separate remuneration scheme approved by the Board of Directors applies to the Managing Director. The Board of Directors decides on the payment of any bonuses. The bonuses of the other management members are based on a remuneration scheme approved by the Board of Directors. Based on a proposal of the Managing Director, and in accordance with approved bonus criteria, the Board of Directors decides on the payment of bonuses.

The salaries and other benefits and fees paid to the Managing Director for 2022 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Managing Director	167,505	11,054	178,559	170,426

TERMS OF EMPLOYMENT OF THE MANAGING DIRECTOR

The Managing Director's terms of employment have been determined by the Board of Directors and they are stated in a written employment contract. The remuneration of the Managing Director consists of a fixed salary and a variable performance-related bonus. Performance targets and any remuneration to be paid are approved by the Board of Directors. The fixed salary of the Managing Director comprises a monetary compensation and taxable benefits (meal, telephone and car benefits). The retirement age and pension accrual of the Managing Director are based on the 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 Employment Fund's Management Group consists of a fixed salary and a telephone benefit as well as a variable performance-related bonus. In 2022, the maximum bonus was set at 10% of the annual salary including fringe benefits. The fixed salary comprises a monetary compensation and taxable benefits. The Management Group's performance-related bonus is based on a remuneration scheme approved by the Board of Directors each year. Based on a proposal of the Managing Director, and in accordance with approved 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 2022 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Management Group	545,231	22,518	567,749	612,371

TERMS OF EMPLOYMENT OF THE MANAGING 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 the 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.



Financial statements

Financial Statements (IFRS) 2022

STATEMENT OF CHANGES IN NET POSITION

The figures are in EUR thousand.

	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Contributions collected			
Unemployment insurance contributions and other income	5	3,490,831	3,334,855
Total contributions collected		3,490,831	3,334,855
Financing contributions paid			
Financing contributions paid	6	-2,809,083	-3,724,310
Administrative expenses	7	-22,685	-25,505
Total financing contributions paid		-2,831,768	-3,749,815
Net fair value gains on investments	14	-36,155	4,124
Financing costs	8	1,806	-666
Change in net position		624,714	-411,502

STATEMENT OF NET POSITION

The figures are in EUR thousand.

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,365	3,735
Intangible assets	10	2,581	3,614
Other receivables	13	0	328
Total non-current assets		5,946	7,677
Current assets			
Receivables from unemployment insurance contributions	11	13,626	3,356
Accruals of unemployment insurance contributions	11	701,769	622,164
Other receivables	13	96,348	46,292
Investment assets	15	1,660,524	1,046,293
Cash and cash equivalents	16	224,711	292,326
Total current assets		2,696,977	2,010,431
Total assets		2,702,923	2,018,108

	Note	31 December 2022	31 December 2021
NET POSITION			
For previous periods		633,263	1,044,765
For the period		624,714	-411,502
Total net position		1,257,977	633,263
LIABILITIES			
Non-current liabilities			
Bonds	17	598,205	1,198,945
Total non-current liabilities		598,205	1,198,945
Current liabilities			
Loans	17	700,404	100,242
Unemployment insurance contribution liabilities	11	1,533	1,846
Other liabilities	18	144,805	83,813
Total current liabilities		846,741	185,900
Total liabilities		1,444,946	1,384,845
Total net position and liabilities		2,702,923	2,018,108

CASH FLOW STATEMENT

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Unemployment insurance contributions collected	3,484,581	3,252,016
Benefits paid	-2,901,148	-3,763,083
Interests paid	-2,186	-2,884
Net cash and cash equivalent used in ordinary operations	581,247	-513,951
Cash flows from investments		
Purchases of property, plant, and equipment	0	0
Purchases of intangible assets	-971	-683
Investments in financial instruments	-2,954,750	-1,245,581
Sales of investment instruments and realised income	2,307,437	1,403,696
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	-648,283	157,431
Loans withdrawn and repaid	-578	12,553
Net cash and cash equivalents generated from financing activities	-578	12,553
Net increase/decrease in cash and cash equivalents	-67,615	-343,966
Cash and cash equivalents at the beginning of the financial period	292,326	636,292
Cash and cash equivalents at the end of the financial period	224,711	292,326

Notes to the financial statements

Accounting policies of the financial statements

1 GENERAL INFORMATION

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 and 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 security. In addition, the Fund manages employer’s training compensations. Employment Fund is domiciled in Helsinki and its address is Itämerenkatu 11–13, 00180 Helsinki.

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

set out below. These policies have been consistently applied to financial periods presented unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND COMPARABILITY OF FINANCIAL PERIODS

2.1 Basis of preparation

Employment Fund’s financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as the SIC and IFRIC interpretations applicable as per 31 December 2022. IFRS refers to the standards and interpretations applicable to corporations and set out in the Finnish Accounting Act and the 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.

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

Employment Fund collects and pays unemployment insurance contributions. The Fund does not carry out business operations in which 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 Employment Fund, or the basis for recognition and measurement of transactions. 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 cash flow statement.

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](#).

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 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 a statement of other comprehensive income. 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 Employment Fund.



2.2 Foreign currency translation

The financial statements are prepared in euros, which is 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

Employment Fund assesses and collects the unemployment insurance contributions based on chapter 7 of the Act on the Financing of Unemployment Benefits. Employers report the paid wages to the Incomes Register. Unemployment

insurance contributions are determined four times a year on the basis of the earnings payment data received from the Incomes Register. Unemployment insurance contribution income is recognised in the financial statements on an accrual basis, and unemployment insurance income from the last quarter of the year is recorded as prepayments and accrued income in the balance sheet.

Liability components of employer's unemployment security

Employment Fund assesses and collects liability components of unemployment security from employers. The liability component of unemployment security applies to employers whose payroll, serving as the basis for the calculation of the unemployment insurance contribution, exceeds the minimum level of

EUR 2,197,500 (in 2022). An employer may be obligated to pay the employer's liability component if it has dismissed or laid off an aged 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 with the liability components.

Collected liability components 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.

Reconciliation based on chapter 12, section 3 of the Employment Contracts Act

Under the Employment Contracts Act, when a court of law considers a reconciliation matter, it must provide 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 on the employer for wrongful termination of employment. The court must order the employer to pay the amount deducted from the compensation to Employment Fund and inform it of the final judgement or ruling on the case.

The payment of the deduction to the Fund must also take place when the employer and the 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 the 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

Under the Act on the Financing of Unemployment Benefits (555/1998), with regard to the financing of earnings-related unemployment allowances, 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.

Employment Fund is also liable for the 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.

Under the Decree on the Implementation of the Act on Unemployment Funds (272/2001), 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 unemployment funds to their customers, and based on that, the Fund has accrued the prepayments and actual payments to each fund either as a receivable or liability in its accounts. This accrual is recognised by benefit type.

The Ministry of Social Affairs and Health pays to Employment Fund the government contributions that the Fund pays to the unemployment funds as financing contributions. The Fund transfers the prepayments of government contributions to the unemployment funds on the first banking day of each month. In 2022, the Ministry of Social Affairs and Health paid government contributions to the Fund as fixed monthly prepayments, unless otherwise proposed by Employment Fund.

The income received from the ministry 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 approve the financial statements of the unemployment funds on the basis of final information in summer 2023, at which point 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, Employment Fund has sole responsibility for funding the increased earnings-related component laid down in section 6 of the Unemployment Security Act. 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 has decreased expenditure related to earnings-related daily unemployment allowances. To implement government savings, Employment Fund pays the amount of savings (about EUR 50.3 million) yearly to the Social Insurance Institution of Finland 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

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 (sections 74 and 182 of the Employees Pensions Act [395/2006]). 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 period 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 period. The difference between the final payment and the payment estimate used in the financial statements is presented as an equalisation payment for the previous year. 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 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 period (debiting interest). The Finnish Centre for Pensions refunds the interest to Employment Fund according to the actual payments and times of payment (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 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 the Social Insurance Institution of Finland 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 the Social Insurance Institution of Finland 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 approved 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 paid by Kela during the financial period.

Adult education benefits

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

Financing of pay security

Under section 31 of the Pay Security Act (866/1998), 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, 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 Employment Fund for citizens of other Member States that have worked in Finland. 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

Employment Fund manages employers' training compensation. The training compensation is based on the Act on Compensations for Training (1140/2013). The training compensation is a financial 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. These employers include municipalities, parishes and non-profit organisations. The purpose of the training compensation is to improve the employer's opportunities to organise training for its employees so that they can enhance their vocational competence.

Training compensation can be granted 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 Employment Fund.

Pensions and employee benefits

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 its 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 comprises the Fund's machinery and equipment and the leasehold improvements. Property, plant and equipment are measured in the statement of 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 comprise 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. Implementation costs related to the cloud computing service arrangement, which is a service contract, are primarily recorded as expenses incurred when the relevant implementation service is obtained. Implementation costs related to the cloud service arrangement are only capitalised and amortised over a longer period of time in cases where the implementation service is not distinct from the service that allows access to the

software, or when the costs relate to the creation of a separate intangible asset.

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 new 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 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 change and an asset's recoverable amount

changes 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

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. IFR 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. For impairment, a model based on expected credit losses is used.

Employment Fund's financial assets consist of investments as well as cash and cash equivalents. On 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 (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 their maturity is over 12 months and the management intends to dispose of them 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 comprise cash in hand and deposits held at call with banks.

Loans

Loans 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 the 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 IFRS 16 Leases standard since 1 January 2019. 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 and an asset item for its right to use the asset. 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 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 on 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 may differ from these decisions based on 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 Employment Fund's finances are largely based on forecasts of changes in the unemployment rate, unemployment expenses, employment rate and payroll. 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 calendar 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, was significantly above long-term average in 2022.

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

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, reconciliation receivables based on the Employment Contracts Act, 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.

Segment reporting

The IFRS 8 Operating Segments standard requires entities to disclose information to enable users of their financial statements to evaluate the nature and financial effects of the business operations 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. on 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.

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.

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.

Employment Fund is a non-profit, government-affiliated fund. The management monitors the Fund's operations 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, 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 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 Employment Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan and debt-management plan approved by the Board of Directors.

The market risk of investments is primarily 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. Employment Fund's financial risks mainly relate to investments, and they comprise market risk, credit and counterparty risk and liquidity risk. Investments are diversified in accordance with the investment principles approved 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 and the basis for defining fair value.

4.1 Financial risk factors

Market risk

The interest rate risk is the main market risk factor impacting the Fund's investments and liabilities. The Fund's investment portfolio is dominated by fixed-income investments (money market investments and bonds).

Employment Fund may make investments directly, or indirectly through investment funds. At the end of the period under review, 14% (27%) of all investments were indirect investments.

Investment market risk

31 December 2022	Risk per cent	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	218,108	1,091
Money market	1.00%	830,516	8,305
State and municipal bonds	4.00%	231,058	9,242
Bank bonds	4.50%	307,430	13,834
Corporate bonds	5.00%	180,450	9,023
Equities	25.00%	36,111	9,028
Alternative investments	10.00%	74,958	7,496
Total risk	3.09%	1,878,632	58,019

31 December 2021	Risk per cent	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
Equities	25.00%	38,159	9,540
Alternative investments	10.00%	42,865	4,287
Total risk	3.45%	1,336,458	46,097

The total risk was 3.09% (3.45%) of the Fund's assets and 1.7% (1.4%) of the Fund's income in 2022. 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.

As in 2021, all money market investments were variable-rate investments. Altogether 8% (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 2022, the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other variables had remained constant, the total change in net position would have been reduced by EUR 9.40 (6.06) million. Respectively, if on 31 December 2022 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 9.40 (6.06) 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. Employment 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 1.28 (1.49) years.

The average credit rating of the investment portfolio is evaluated on Standard & Poors scale, which is based on historical probabilities of credit losses. The credit rating of the investment portfolio was estimated to be BBB+ (BBB+) on 31 December 2022.

The following table describes Employment Fund's fixed-income investments and creditworthiness by group.

Investments distributed by the issuer's rating *	31 Dec 2022 EUR thousand	31 Dec 2022 per cent	31 Dec 2021 EUR thousand	31 Dec 2021 per cent
AAA	112,814	6.4%	61,332	4.9%
AA+	130,509	7.4%	110,224	8.8%
AA	7,391	0.4%	51,395	4.1%
AA-	555,907	31.5%	403,849	32.2%
A+	348,434	19.7%	119,822	9.5%
A	47,589	2.7%	63,722	5.1%
A-	145,574	8.2%	121,257	9.7%
BBB+	102,284	5.8%	55,768	4.4%
BBB	176,883	10.0%	180,243	14.4%
BBB-	67,250	3.8%	31,265	2.5%
BB+	40,965	2.3%	6,812	0.5%
BB	4,678	0.3%	3,649	0.3%
BB-	-	0.0%	-	0.0%
B+	-	0.0%	-	0.0%
B	-	0.0%	-	0.0%
B-	-	0.0%	-	0.0%
CCC+	-	0.0%	-	0.0%
CCC	-	0.0%	-	0.0%
NR	27,280	1.5%	46,100	3.7%
Total	1,767,560	100.0%	1,255,438	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 Employment Fund's unemployment insurance contribution receivables, liability component receivables, reconciliation receivables based on the Employment Contracts Act, 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).

The number of bankruptcy petitions was higher than in 2021. The number of corporate restructurings decreased in the two first quarters of 2022 compared to 2021. However, the number of corporate restructurings increased towards the end of 2022, as forecast in the half-year report. However, the changes to the Restructuring of Enterprises Act, which entered into force on 1 July 2022 and state that companies can seek early restructuring have not had any impact on the collection activities of Employment Fund.

The changes to the Credit Information Act entered into force on 1 December 2022. The removal of the payment default entry 30 days after the details of the debt payment have been entered in the credit information register is the most important change concerning the collection activities of Employment Fund. It is still too early to estimate the impact of these changes on the effectiveness of Employment Fund's collection activities.

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. The Fund also has EUR 600 (800) million in committed revolving credit facilities (RCF) with four commercial banks. The revolving credit facilities have not been utilised.

The figures in the tables are in EUR million.

	31 December 2022	31 December 2021
Unused committed revolving credit facilities		
RCF due in one year (state guarantee)	0	800
RCF due in more than one year *	600	0
Total	600	800

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

	31 December 2022	31 December 2021
Unused uncommitted revolving credit facilities		
Commercial paper programme	200	200
Total	200	200

Employment Fund also secured its liquidity through debt financing during 2022. For financing, the Fund relies on the capital markets, and domestic markets for commercial papers.

Employment Fund has the following issuer credit ratings as confirmed by Standard & Poors (7 October 2022):

- 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 (100) million in commercial papers were in use. No bank loans were in use on 31 December 2022 (EUR 0 on 31 December 2021).

Fixed interest rate periods for loans

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

31 Dec 2022 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2023	600	0.46	0.00%	16 June 2023	AA+
Bond 2027	600	4.46	0.01%	16 June 2027	AA+
Commercial papers	100	0.25	-0.05%	1–12 months	No rating
Total	1,300	2.28			

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 June 2023	AA+
Bond 2027	600	5.46	0.01%	16 June 2027	AA+
Commercial papers	100	0.25	-0.30%	1–12 months	No rating
Total	1,300	3.20			

Maturity of financial liabilities

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

The figures are in EUR thousand.

Maturities of financial liabilities based on contracts 31 Dec 2022	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	881	0	0	0	881	881
Loans	700,060	0	120	600,120	1,300,300	1,298,609
Liabilities associated with right-of-use assets	3,588	0	0	0	3,588	3,588
Total	704,529	0	120	600,120	1,304,769	1,303,077

Maturities of financial liabilities based on contracts 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	0	0	0	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	0	0	0	3,735	3,735
Total	104,656	0	600,120	600,180	1,304,956	1,303,783

4.2 Business cycle buffer

Under 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, Employment Fund maintains a business cycle buffer that accrues on the basis of the difference between the Fund's income and expenses. In 2022, the maximum amount of the buffer corresponded to the annual expenditure for an unemployment rate of six percentage points. During a severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure. The investment of the assets accrued in the buffer is regulated by the Fund's investment principles and 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 the buffer is calculated by dividing 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. The figures are in EUR million.

Business cycle buffer	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Amount	1,258	633
Maximum amount	1,868	2,220
Minimum amount	-1,868	-2,220

5 UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Employer's unemployment insurance contributions		
Employer's insurance contributions	1,323,956	1,156,781
Employer's insurance contributions, co-owners	2,021	2,082
Total	1,325,977	1,158,862
Employee's unemployment insurance contributions		
Employee's insurance contributions	1,420,828	1,238,402
Employee's insurance contributions, co-owners	2,979	2,705
Total	1,423,808	1,241,107
Collection fee income		
Interest on overdue employer contributions	299	340
Interest on overdue employee contributions	330	281
Collection fee income	275	159
Total	905	780
Liability components of employer's unemployment security		
Liability components	19,595	14,944
Accruals	2,729	7,826
Total	22,324	22,770
Compensation based on the Employment Contracts Act		
Compensation and lay-off income according to the ECA	974	1,127
Settlement to the Ministry of Social Affairs and Health	-489	-473
Total	484	654
Contributions from the Ministry of Social Affairs and Health		
Earnings-related unemployment allowance	703,550	896,630
Job alternation compensation	11,012	9,225
Equalisation payment for the previous year	-121	2,635
Adult education benefits	2,892	2,192
Total	717,334	910,681
Total unemployment insurance contributions	3,490,831	3,334,855

6 FINANCING CONTRIBUTIONS PAID

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Contributions paid by Employment Fund		
Other earnings-related unemployment allowance	-684,505	-875,669
Additional days of allowance	-138,902	-115,638
Lay-off allowance	-191,114	-442,243
Job alternation compensation	-14,481	-11,960
Compensation for administrative expenses	-10,732	-12,656
Equalisation payment for the previous year	822	-4,627
Total	-1,038,912	-1,462,793
Government contribution paid to unemployment funds		
Other earnings-related unemployment allowance	-688,419	-878,234
Job alternation compensation	-11,012	-9,225
Unemployment allowance/entrepreneurs	-6,963	-8,623
Compensation for administrative expenses	-8,169	-9,773
Equalisation payment for the previous year	386	-3,572
Total	-714,176	-909,426
Finnish Centre for Pensions		
Equalisation payment for the previous year	36,872	-66,779
Payment for the current financial period	-633,000	-835,000
Total	-596,128	-901,779

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
State Pension Fund		
Equalisation payment for the previous year	505	-1,139
Payment for the current financial period	-8,570	-10,087
Total	-8,065	-11,226
Social Insurance Institution of Finland		
Equalisation payment for the previous year	1	1
Basic allowance, additional component, employment programme additional benefit	-242,700	-239,000
Total	-242,699	-238,999
Adult education benefits		
Scholarships for qualified employees	-11,467	-10,415
Adult education allowance	-177,871	-175,307
Collection expenses for benefits	-8	-6
Total	-189,347	-185,728
Ministry of Economic Affairs and Employment		
Equalisation payment for the previous year	0	0
Payment for the current financial period	-19,786	-14,391
Total	-19,786	-14,391
Member State invoicing for unemployment allowances		
Invoiced by Member States	-61	-40
Invoiced by the Fund	92	73
Total	31	33
Total financing contributions paid	-2,809,083	-3,724,310

7 ADMINISTRATIVE EXPENSES

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Personnel expenses		
Salaries, bonuses, and benefits	-8,474	-7,887
Pension expenses – defined contribution plans	-1,494	-1,341
Social security expenses	-297	-258
Total	-10,265	-9,486
Personnel expenses, management salaries, and bonuses		
Management Group (excl. Managing Director)	-635	-635
Managing Director	-197	-169
Board of Directors and Supervisory Board	-152	-155
Pension expenses – defined contribution plans	-159	-151
Total	-1,143	-1,110
Other administrative expenses		
IT expenses	-3,258	-3,019
Other personnel expenses	-450	-575
Expenses for office premises	-232	-975
Office expenses	-1,528	-2,114
Other expenses	-4,177	-4,410
Amortisation	-2,689	-4,801
Total	-12,335	-15,893
Auditor's fee		
Statutory audit	-85	-92
Other fees	0	-33
Total	-85	-126
Total administrative expenses	-22,685	-25,505

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Number of personnel		
Permanent employees	151	135
Fixed-term employees	16	16
Total	167	151

8 FINANCING COSTS

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Loan financing expenses		
Revolving credit facility fees	-1,400	-2,350
Accrued expenses from loans	-262	-267
Interest expenses from loans	690	730
Total	-972	-1,887
Interest on the contributions paid to the Finnish Centre for Pensions	2,673	1,119
Interest on the contributions paid to the State Pension Fund	106	102
Total financing costs	1,806	-666

9 PROPERTY, PLANT AND EQUIPMENT

The figures are in EUR thousand.

	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2022	0	0	3,735	3,735
Additions	0	0	198	198
Decreases	0	0	0	0
Acquisition costs, 31 Dec 2022	0	0	3,933	3,933
Accumulated depreciation, 1 Jan 2022	0	0	0	0
Depreciation during the period	0	0	568	568
Accrued depreciation of decreases	0	0	0	0
Accumulated depreciation, 31 Dec 2022	0	0	568	568
Carrying value, 1 Jan 2022	0	0	3,735	3,735
Carrying value, 31 Dec 2022	0	0	3,365	3,365

	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2021	1,013	1,741	3,257	6,011
Additions	0	0	3,735	3,735
Decreases	-1,013	-1,741	-3,257	-6,011
Acquisition costs, 31 Dec 2021	0	0	3,735	3,735
Accumulated depreciation, 1 Jan 2021	1,013	1,697	2,571	5,281
Depreciation during the period	0	43	686	729
Accrued depreciation of decreases	-1,013	-1,741	-3,257	-6,011
Accumulated depreciation, 31 Dec 2021	0	0	0	0
Carrying value, 1 Jan 2021	0	43	686	730
Carrying value, 31 Dec 2021	0	0	3,735	3,735

10 INTANGIBLE ASSETS

The figures are in EUR thousand.

	Software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2022	910	13,892	0	14,802
Additions	0	0	1,088	1,088
Transfers between items	0	0	0	0
Acquisition costs, 31 Dec 2022	910	13,892	1,088	15,891
Accumulated depreciation, 1 Jan 2022	856	10,331	0	11,187
Depreciation during the period	41	2,081	0	2,122
Accumulated depreciation, 31 Dec 2022	897	12,412	0	13,309
Carrying value, 1 Jan 2022	54	3,560	0	3,614
Carrying value, 31 Dec 2022	13	1,479	1,088	2,581

	Software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2021	910	11,250	1,975	14,135
Additions	0	0	667	667
Transfers between items	0	2,642	-2,642	0
Acquisition costs, 31 Dec 2021	910	13,892	0	14,802
Accumulated depreciation, 1 Jan 2021	803	6,428	0	7,231
Depreciation during the period	53	3,903	0	3,956
Accumulated depreciation, 31 Dec 2021	856	10,331	0	11,187
Carrying value, 1 Jan 2021	107	4,821	1,975	6,902
Carrying value, 31 Dec 2021	54	3,560	0	3,614

* The item 'Intangible assets in progress' consists of capitalised development costs, giving rise to an internally generated intangible asset. In 2022, capitalised development costs consisted of the development expenses required for complying with the new Restructuring Protection Act.

11 RECEIVABLES AND PAYABLES FROM UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The figures are in EUR thousand.

	31 December 2022	31 December 2021
Receivables from unemployment insurance contributions		
Receivables from employer's unemployment insurance contribution *	9,911	922
Receivables from employee's unemployment insurance contribution *	3,154	1,980
Overdue contribution and collection fee receivables *	560	455
Receivables from unemployment insurance contributions	13,626	3,356
Deferred unemployment insurance contribution receivables	701,769	622,164
Total unemployment insurance contribution receivables	715,394	625,520

* Includes credit loss provisions for insurance contribution receivables ([note 12](#)).

	31 December 2022	31 December 2021
Unemployment insurance contribution liabilities		
Prepayments	401	298
Refunds	1,132	1,548
Total unemployment insurance contribution payables	1,533	1,846

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

The figures are in EUR thousand.

	Receivables from employer's unemployment insurance contribution	Receivables from employee's unemployment insurance contribution	Overdue contribution and collection fee receivables	Liability component and receivables based on the Employment Contracts Act	Adult education benefits to be recovered	Total
1 January 2022	-2,654	-5,442	-600	-297	-139	-9,132
Change	798	1,233	95	-160	-17	1,949
31 December 2022	-1,856	-4,209	-505	-457	-156	-7,183

	Receivables from employer's unemployment insurance contribution	Receivables from employee's unemployment insurance contribution	Overdue contribution and collection fee receivables	Liability component and receivables specified in the Employment Contracts Act	Adult education benefits to be recovered	Total
1 January 2021	-2,434	-4,944	-522	-206	-120	-8,225
Change	-220	-498	-78	-91	-19	-906
31 December 2021	-2,654	-5,442	-600	-297	-139	-9,132

13 OTHER RECEIVABLES

The figures are in EUR thousand.

Non-current other receivables	31 December 2022	31 December 2021
Other receivables (rental deposit)	0	328
Total	0	328

Current other receivables	31 December 2022	31 December 2021
Receivables from unemployment funds	30,995	14,311
Finnish Centre for Pensions, capital accruals	25,500	0
Finnish Centre for Pensions, compensatory interest	8,211	9,437
Education allowance receivables	1,719	1,678
Receivables from the Government related to training compensation	3	3
Employer's liability component receivables and compensation based on the Employment Contracts Act	1,845	1,500
Receivables from the State Pension Fund	1,343	102
Receivables from the Ministry of Social Affairs and Health	292	5,072
Receivables from the Social Insurance Institution of Finland	24,341	46
Prepayments	1,020	312
Securities in settlement	20	0
Tax assets	10	10
Pay security (Ministry of Economic Affairs and Employment)	1,049	13,821
Total	96,348	46,292

Other receivables	31 December 2022	31 December 2021
Total other receivables	96,348	46,621

14 NET FAIR VALUE GAINS ON INVESTMENTS

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Dividend income	1,753	659
Gains on disposals	5,263	1,980
Other income	671	38
Net interest income	7,034	3,460
Net foreign exchange gains	391	10
Net change in value	-35,402	9,115
Losses on disposals	-15,667	-10,889
Other expenses	-199	-247
Net gains on investments	-36,155	4,124

15 INVESTMENTS

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and are measured at fair value. The measurement of these assets is primarily based on 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 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 period. The figures are in EUR thousand.

31 December 2022	Level 1	Level 2	Level 3	Total
State and municipal bonds	181,471	49,587	0	231,058
Bank bonds	297,854	0	0	297,854
Corporate bonds	166,536	0	0	166,536
Investments in funds and shares	146,135	13,795	0	159,931
Mezzanine funds	0	0	1,030	1,030
Deposits	0	168,165	0	168,165
Certificates of deposit	0	372,754	0	372,754
Municipal papers	0	7,979	0	7,979
Commercial papers	0	181,288	0	181,288
Alternative investments	0	0	73,928	73,928
Total	791,997	793,568	74,958	1,660,524

31 December 2021	Level 1	Level 2	Level 3	Total
State and municipal bonds	118,939	75,079	0	194,018
Bank bonds	232,603	0	0	232,603
Corporate bonds	148,066	0	0	148,066
Investments in funds and shares	221,257	18,815	0	240,072
Mezzanine funds	0	0	1,988	1,988
Deposits	0	105,140	0	105,140
Certificates of deposit	0	21,017	0	21,017
Municipal papers	0	1,000	0	1,000
Commercial papers	0	61,512	0	61,512
Alternative investments	0	0	40,877	40,877
Total	720,864	282,563	42,865	1,046,293

Changes in Level 3 financial assets measured at fair value. The figures are in EUR thousand.

	1 January 2022	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 December 2022
Mezzanine funds	1,988	-130	0	17	-845	1,030
Alternative investments	40,877	2,312	0	30,739	0	73,928
Total	42,865	2,182	0	30,756	-845	74,958

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

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 any 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 are classified at Level 1. The amount of equity investments is minor.

16 CASH AND CASH EQUIVALENTS

The figures are in EUR thousand.

Cash and cash equivalents	31 December 2022	31 December 2021
Bank deposits	224,711	292,326
Total cash and cash equivalents	224,711	292,326

17 LOANS

The figures are in EUR thousand.

Long-term loans	31 December 2022	31 December 2021
Employment Fund bonds	598,205	1,198,945
Total long-term loans	598,205	1,198,945

Short-term loans	31 December 2022	31 December 2021
Employment Fund bonds	600,358	0
Commercial papers	100,046	100,242
Total short-term loans	700,404	100,242

18 OTHER LIABILITIES

The figures are in EUR thousand.

Other liabilities	31 December 2022	31 December 2021
Accounts payable	881	861
Accruals	7,112	3,481
Accruals of adult education allowance	16,290	11,618
Accruals of liability component income	8,482	11,270
Ministry of Economic Affairs and Employment, pay security accruals	20,835	28,212
Finnish Centre for Pensions, debiting interest	6,299	8,319
Accrual for the State Pension Fund	0	610
Ministry of Social Affairs and Health, liability	72,788	9
ECA Ministry share	534	564
Administrative expense accruals	439	531
Liabilities to unemployment funds	2,641	7,937
Holiday pay accruals	1,213	1,144
Lease liability	3,588	3,735
Benefits withholding tax liability	3,733	5,689
Interest accruals	-29	-166
Total other liabilities	144,805	83,813

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

The figures are in EUR thousand.

	31 December 2022	31 December 2021
Committed capital	5,250	5,250
Realised	-5,056	-5,039
Total investment commitments	194	211

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 three 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 one year and ten months.

20 RELATED PARTIES

Related parties of the Fund comprise the Supervisory Board, the Board of Directors and the Management Group. Employment Fund's Supervisory Board is appointed by the Government on the proposal of 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 operations of Employment Fund are supervised by the Financial Supervisory Authority. The Ministry of Social Affairs and Health also has the right to receive information about the Fund's operations.



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

The regulations on related-party transactions set out in the Limited Liability Companies Act are not applicable to Employment Fund's operations. However, Employment Fund complies with IFRS standards and guidelines regarding related-party transactions (IAS 24). The related parties of Employment Fund comprise the members of the Supervisory Board, members of the Board of Directors, the Managing Director, the main auditor, the members of the Management Group, and their spouses, trustees, and controlled undertakings. Transactions involving related parties are handled in accordance with the guidelines on related-party transactions approved by the Board of Directors. There were no major related-party transactions in 2022.

The salaries, bonuses and benefits paid to the related parties are summarised in the table attached. The figures are in EUR thousand and they do not include social security contributions. More detailed breakdowns by each body can be found in the section presenting Employment Fund's remuneration report for 2021.

Fees and other benefits paid to the Board of Directors and the Supervisory Board	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Salaries, bonuses, and benefits	152	155
Pension expenses – defined contribution plans	28	26
Total	180	181

Remuneration of the Management Group members (excluding the Managing Director)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Salaries, bonuses, and benefits	568	612
Pension expenses – defined contribution plans	100	97
Total	668	732

Managing Director's salaries and bonuses	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Salaries, bonuses, and benefits	179	170
Pension expenses – defined contribution plans	31	28
Total	209	197

SIGNATURES ON THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Helsinki, 28 February 2023

Vesa Rantahalvari,
ChairPekka Piispanen,
Vice Chair

Tuomas Aarto

Markku Jalonen

Heikki Taulu

Jarkko Eloranta

Patrizio Lainà

Pirjo Väänänen

Minna Etu-Seppälä

Henrika Nybondas-Kangas

Janne Metsämäki,
Managing Director

Riikka Heikinheimo

Antti Palola

Minna Helle

Saana Siekkinen

AUDITOR'S STATEMENT

An audit report has been provided today.

Helsinki, 1 March 2023

KPMG Oy Ab
Marcus Tötterman
Authorised Public Accountant, KHT

Auditor's Report

To the Supervisory Board of the Employment Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Employment Fund (business identity code 1098099-7) for the year ended 31 December, 2022. The financial statements comprise the statement of net position, the statement of changes in net position and statement of cash flows and notes including a summary of significant accounting policies.

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

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the *Audit of the Financial Statements* section of our report.

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

We have not provided any non-audit services to the fund.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are

material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Determination and collection of unemployment insurance contributions (note 5 to the financial statements)	
<ul style="list-style-type: none"> • The determination and collection of unemployment insurance contributions by the Employment Fund is based on legislation. The unemployment insurance contributions which have been presented in the statement of changes in net position for the year 2022, amounted to EUR 3.5 billion. • The unemployment insurance contributions must be determined in such a way so that the Employment Fund is able to meet the obligations being responsible for. Unemployment insurance contributions are determined once per calendar year, in the preceding year. • The Employment Fund determines the contribution amounts and makes prepayment decisions based on the contribution rates which have been ratified by Parliament and the Employment Fund collects these prepayments. • The Employment Fund monitors defaults concerning the obligation to pay unemployment insurance contributions. • As the amount of unemployment insurance contributions is significant in the financial statements and the determination and collection of the contributions is subject to legal requirements, it has been identified as a key audit matter. 	<ul style="list-style-type: none"> • Our audit has included assessing the process to determine the unemployment insurance contributions and evaluating the control environment. • We have evaluated the process of invoicing, collecting and managing unemployment insurance contributions and have performed substantive testing on chains of transactions. • We have assessed and tested the controls for determining and receiving contributions and for monitoring of payments received. • We have verified the correctness of the relevant payment rates applied in the system environment of the Employment Fund. • In addition, we have familiarised ourselves with the methods for accruing unemployment insurance contributions in accordance with the accruals principle and accounting for impairment of unemployment insurance receivables. • The audit has also included testing of the controls in place over the flow of key data, change management and the transfer of information between systems.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the

going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the fund or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of accounting policies used and the

reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements

represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We

describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

Employment Fund was established in 2019 and became a public interest entity during the financial year 2020. We have been the fund's auditors since its establishment.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements 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 of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 1 March, 2023

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT



Työllisyysrahasto

Sysselsättningsfonden | Employment Fund