

Annual Report

# 2023

1 Jan–31 Dec 2023



Työllisyysrahasto  
Sysseleätningsfonden | Employment Fund



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## The year of Employment Fund in brief

The employment situation in Finland remained good and as a result, the Fund posted a clear profit surplus for the year.



From the beginning of the year, we have been collecting transition security contributions from employers to finance the new transition security scheme.



We provided EUR

# 2,934

million for the funding of unemployment and pension security and adult education benefits.



The announced abolition of adult education benefits prompted a major change project in the Fund.

## Managing Director's review

Employment Fund experienced successes and achieved many of its objectives during 2023. However, the Fund also experienced unpleasant surprises that changed our plans for the second half of the year.

At the start of the year, we successfully deployed our new information system for collecting and processing transition security contributions. We increased the degree of automation in the processing of applications for adult education allowances and extended the automated decision-making to applications for continued eligibility for the allowance.

Employment Fund's Board of Directors approved the new strategic objectives for the Fund in May. In line with the updated objectives, we produce digital services reliably and with high quality, we increase productivity and efficiency, we create an excellent customer and personnel experience.

In our role as an executor of social security, we put great emphasis on social responsibility in our operations. In 2022 and 2023, we prepared a sustainability concept for the Fund to support the achievement of the sustainable development goals set by the UN in its 2030 Agenda. Sustainability is also reflected in such areas as our investment activities, acquisition of debt financing, and our equality and diversity work.

### **CUSTOMER SURVEY PRODUCED NEW INFORMATION ON THE USE OF ADULT EDUCATION ALLOWANCES**

In spring, we examined why recipients of adult education allowance decide to take up studies, how they perceive the impact of the allowance on work careers and whether they feel that they have achieved their goals. This was the first such survey in the history of the adult education allowance and nearly 5,000 persons took part. Career changing plans, high work load experienced in the current job, and the desire for career advancement were



key reasons behind the decision to take up studies during the work career. Quantitative and qualitative responses showed that the recipients use the allowances responsibly and in a diverse manner to tackle challenges arising in working life.

We published the results of the customer survey on the perceived impact of the adult education allowances in a seminar on 15 June. The Programme of Prime Minister Petteri Orpo's Government was published the following day and it was stated in an appendix to the document that the adult education allowance scheme would be abolished. This was followed by an announcement that the scholarship scheme for qualified employees would also end.

### **ABOLITION OF THE ADULT EDUCATION BENEFITS IS A MAJOR CHANGE FOR THE FUND AND OUR CUSTOMERS**

Discontinuation of the adult education benefits is a major change for Employment Fund even though our other statutory tasks will not be affected. Termination of the allowance scheme will also have substantial impacts on our personnel. In fact, the focus in the second half of 2023 was on change management and preparation for the change. At the same time, we produced information on the implementation of the adult education allowance scheme for the media and our stakeholders, compiled an assessment of various development proposals, and communicated extensively with our customers.

The Government proposal for the act abolishing the adult education benefits was submitted to Parliament in February 2024. The final form and approval of the act are still pending, and it has not yet been decided whether the adult education allowance scheme will be replaced with other types of support. The Ministry of Social Affairs and Health has appointed a working group to examine how continuous learning should be supported. The work will be concluded at the end of March 2024.



### **POSITIVE TREND IN EMPLOYMENT ALLOWED SUBSTANTIAL LOWERING OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS FOR 2024**

For Employment Fund, the year 2023 was characterised by good economic performance. The employment situation remained good and as a result, the Fund posted a clear surplus for the year and our business cycle buffer was approaching its maximum amount. Moreover, the economic and employment outlook as well as the fact that the measures set out in the Government Programme are estimated to decrease expenditure prompted us to propose a substantial reduction in unemployment insurance contributions for 2024.

The changes to unemployment security envisaged in the Government Programme will have limited impact on the expenditure financed by the Fund in 2024, but the impact will be greater in the coming years.

In autumn 2023, a working group was appointed to examine how the savings accumulated by social insurance funds could be channelled to benefit central government finances. As part its work, the working group is also examining the channelling of the savings accumulated by Employment Fund. We have provided the working group with information on our activities and held discussions with public officials. The tasks of Employment Fund are laid down in the law. Our main task is to finance unemployment security and other separately specified social security with the unemployment insurance contributions that we collect from employers and employees. All assets that we collect are intended for the funding tasks that we carry out as part of our statutory obligations. It is important that under the legislation based on the working group's proposals and the Government's decisions, the Fund will be able to manage the financing of unemployment security and

other social insurance and to use the business cycle buffer to balance fluctuations in contributions.

The activities of Employment Fund are based on the work input of skilled and competent personnel. During the second half of 2023, we lived in uncertainty trying to prepare for the change without knowing the final content of the proposal for abolishing the adult education benefits. Our personnel are change-capable and work together for a common goal. Working together is our key resource. This is demonstrated by the fact that despite the change and uncertainty, we were able to provide our customers with an excellent customer experience and perform all our statutory tasks impeccably.

**JANNE METSÄMÄKI**  
Managing Director

# Key figures 2023

The figures are in EUR million.

Income	2019	2020	2021	2022	2023	Change EUR	Change %
Employer contribution income	1,238	993	1,160	1,327	1,413	86	6%
Employee contribution income	1,379	1,073	1,241	1,424	1,490	66	5%
Government contributions	688	1,248	911	717	704	-13	-2%
Liability component and transition security contribution income	39	26	23	22	20	-2	-9%
<b>Total income</b>	<b>3,345</b>	<b>3,340</b>	<b>3,335</b>	<b>3,491</b>	<b>3,627</b>	<b>137</b>	<b>4%</b>

Expenses	2019	2020	2021	2022	2023	Change EUR	Change %
Unemployment funds, Employment Fund's contributions	-954	-1,372	-1,463	-1,039	-1,098	60	6%
Unemployment funds, government's contributions	-685	-1,245	-909	-714	-700	-14	-2%
Finnish Centre for Pensions	-577	-870	-902	-596	-600	4	1%
Social Insurance Institution of Finland	-206	-207	-239	-243	-263	20	8%
Adult education benefits	-187	-197	-186	-189	-201	12	6%
Ministry of Economic Affairs and Employment	-24	-25	-14	-20	-30	10	52%
State Pension Fund	-8	-9	-11	-8	-8	-1	-6%
Administrative expenses	-19	-21	-26	-23	-34	11	48%
<b>Total expenses</b>	<b>-2,659</b>	<b>-3,947</b>	<b>-3,750</b>	<b>-2,832</b>	<b>-2,934</b>	<b>102</b>	<b>4%</b>
<b>Net financial income</b>	<b>8</b>	<b>-16</b>	<b>3</b>	<b>-34</b>	<b>69</b>		
<b>Change in net position</b>	<b>694</b>	<b>-623</b>	<b>-412</b>	<b>625</b>	<b>763</b>		

Net position	2019	2020	2021	2022	2023	Change EUR	Change %
Investment assets and cash and cash equivalents	1,020	1,831	1,339	1,885	1,869	-16	-1%
Receivables, accruals and fixed assets	725	593	679	818	859	42	5%
Short-term and long-term loans	0	1,287	1,299	1,299	599	-700	-54%
Unemployment insurance contribution and other liabilities	78	92	86	146	109	-38	-26%
<b>Net position</b>	<b>1,668</b>	<b>1,045</b>	<b>633</b>	<b>1,258</b>	<b>2,021</b>	<b>763</b>	<b>61%</b>

# 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; we are a united team.

In May 2023, the Fund's Board of Directors approved our updated strategic goals, which are based on the strategy and scenario work started in 2022. We summarised our strategic goals as follows:

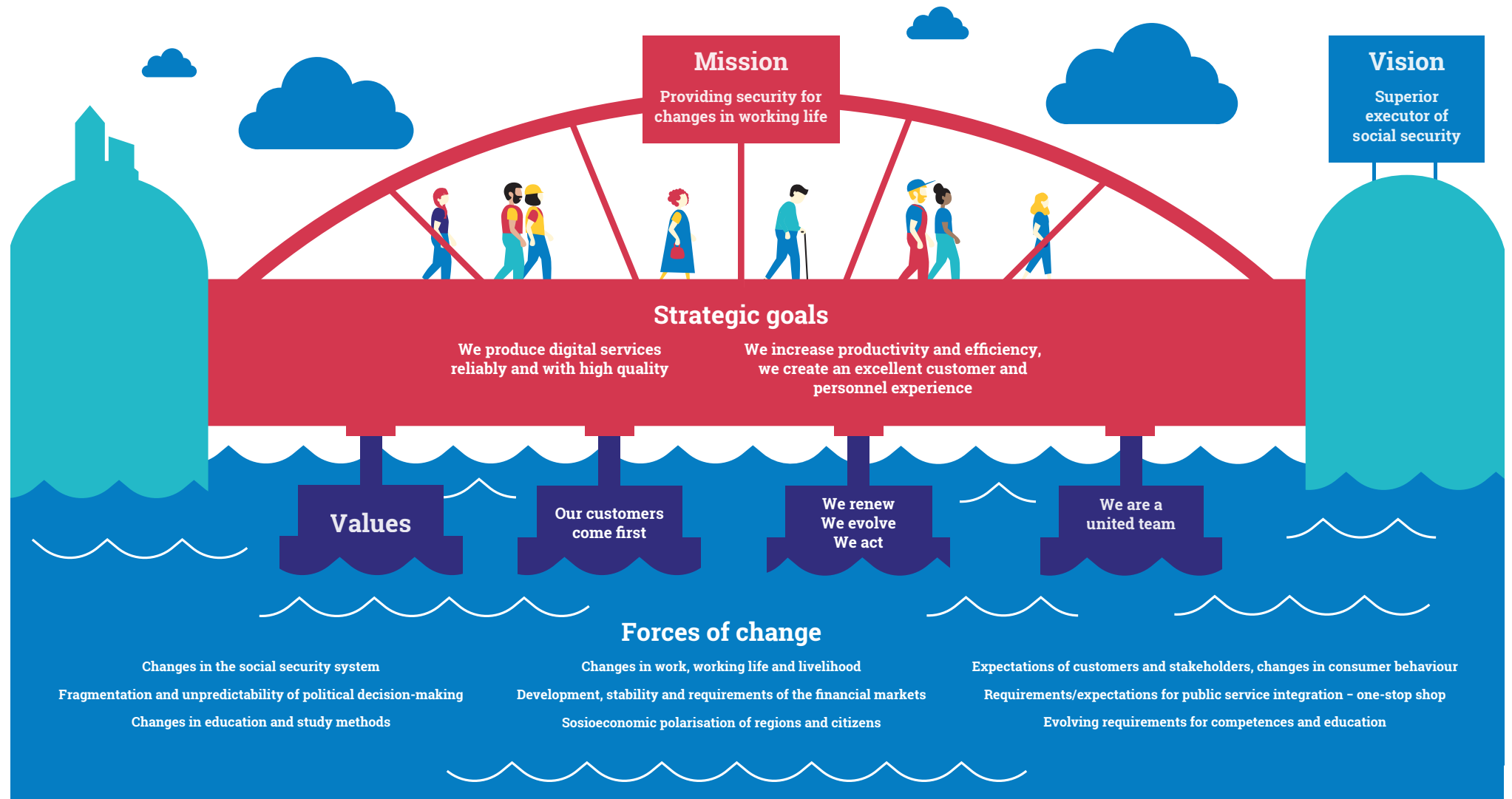
- We produce digital services reliably and with high quality.
- We increase productivity and efficiency, we create an excellent customer and personnel experience.

The emphasis in our objectives is on efficient and reliable management of our statutory tasks and utilisation of digitalisation. The importance of the current development projects and the aim of enhancing our IT capabilities are also reflected in the objectives.





### Employment Fund's strategy



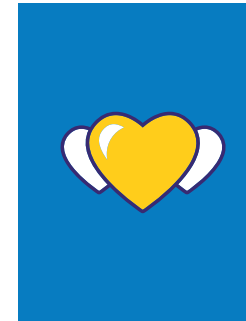
We update the integrations and architecture and implement the changes and measures specified in the regulatory framework. We increase the level of automation in a controlled manner to improve services and to boost efficiency.

Thanks to our efforts, the customer experience is now at a good level. We are determined to improve it further. Enhancing the employee experience is also a key objective of Employment Fund.

In 2023, we promoted our objectives by proceeding with strategic development projects and by strengthening the IT capabilities required as part of digitalisation. We monitored the achievement of these goals, giving priority to efficiency, customer experience, and staff satisfaction indicators. The Fund's Board of Directors monitors progress on the objectives on a regular basis and assesses the need to update the strategy in its strategy meeting each year.

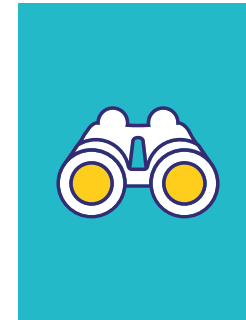


Thanks to our efforts, the customer experience is now at a good level.



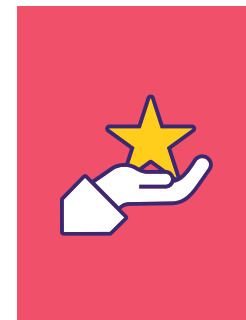
### MISSION

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 graphic of a swan in a light pink color, positioned on the left side of the page. The swan is facing right, with its neck curved upwards and its tail feathers visible. The graphic is semi-transparent, allowing the background color to show through.

# Report of the Board of Directors

## Duties of Employment Fund

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

We collect the unemployment insurance contributions paid by employers and employees. We determine the unemployment insurance contributions on the basis of the information reported by the employers to the Incomes Register. Parliament approves the contribution rates by passing a bill on the contributions each year.

The Fund maintains a business cycle buffer arising from the difference between its income and expenses, and its purpose is to keep increases in contributions at moderate levels. With the buffer, we can ease the upward pressure on contributions when unemployment security expenditure increases.

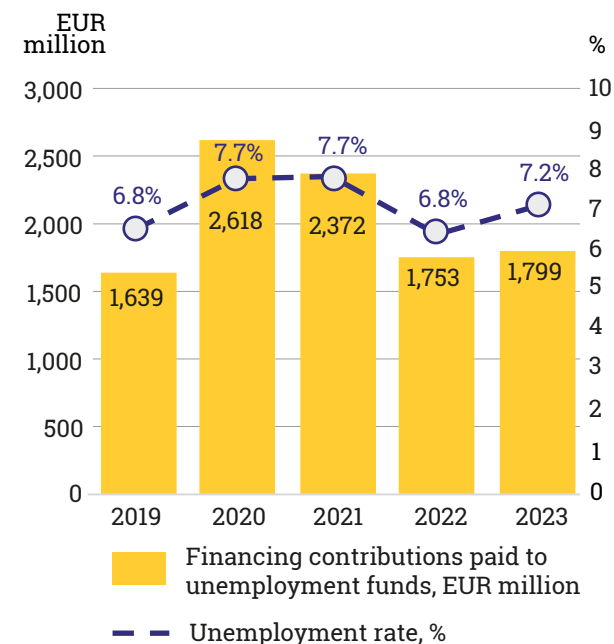
The benefits financed by Employment Fund include the unemployment allowance paid by unemployment funds and the Social Insurance Institution of Finland as well as the adult education allowances and scholarships for qualified employees paid directly by the Fund. Employment Fund is also responsible for financing the transition security scheme.

According to the Programme of Prime Minister Petteri Orpo's Government, the adult education allowance scheme will be abolished from 1 August 2024. The scholarship scheme for qualified employees would also be discontinued from the same date.

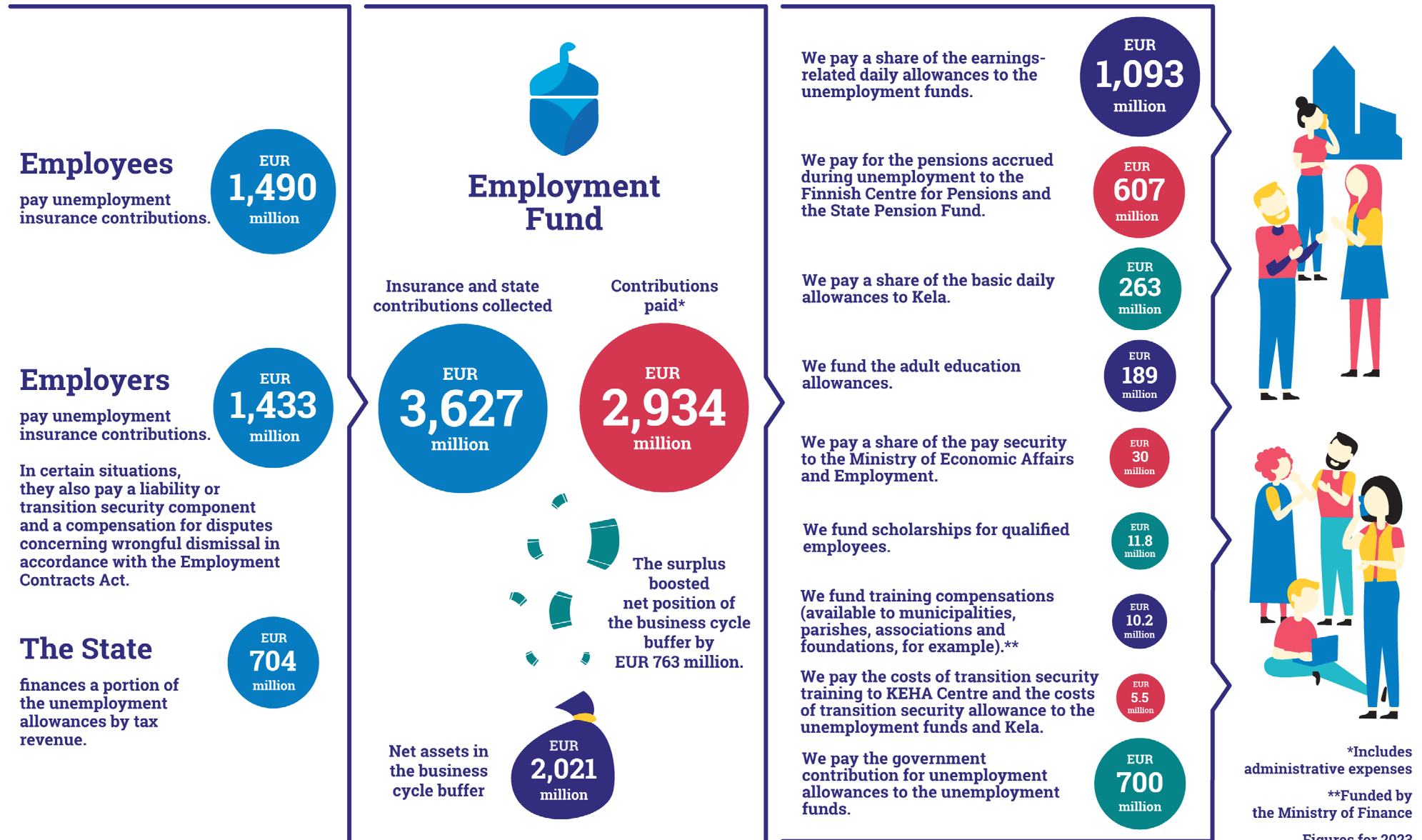
We are also responsible for financing the earnings-related pensions accrued during the periods when daily unemployment allowances, job alternation compensation and adult education allowances are paid. We remit a payment amounting to the basic daily allowance paid by the state to contribute to the daily 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



## Cooperation with stakeholders

Employment Fund cooperates extensively with a broad range of different parties. In the management of our statutory tasks, we work closely with ministries, especially the Ministry of Social Affairs and Health, Ministry of Economic Affairs and Employment, Ministry of Education and Culture and the Ministry of Finance.

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. Our role as a guarantor of liquidity requires smooth and effective cooperation with banks and financial institutions. Labour market central organisations participate in the administration of Employment Fund and we cooperate with these organisations.

In our role as the payer of adult education allowances, we cooperate closely with education institutions, and we also collaborate with the Service Centre for Continuous Learning and Employment (SECLE). Last year, we took part in SECLE's letter

campaign, which was directed at individuals with only basic education.

As the party responsible for financing the transition security scheme, we arranged a transition security event for unemployment funds in January, and in April, we provided information on transition security in an event organised for entrepreneurs by the Federation of Finnish Enterprises and the Employment and Economic Development Office.

We use a regular newsletter to communicate with Members of Parliament and employers paying unemployment insurance contributions. Over the past few years, we have organised webinars for education institutions and customers applying for adult education allowance. By making customer advice more effective, webinars supplement other available services channels.

In spring 2023, we conducted a customer survey to find out what prompts recipients of adult education allowance to take up studies. Nearly 5,000 persons took part in the survey, which was the first of its kind. We published

the survey findings on the perceived impact of the adult education allowance in a seminar in Helsinki in June. In the seminar, we heard the views of adult education allowance recipients and met with experts to determine what the results mean for individuals and society at large. After the announcement that the adult education allowance scheme would be abolished, it became essential to find out more about the matter, and the number of information requests coming from the media and stakeholder representatives increased substantially. We also produced information on the use of adult education allowance for social media and public debate.

Our goal is to act as an interesting source of information for the media in matters concerning 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. In August, we held a media event on unemployment insurance contribution rates, financing of unemployment insurance, and the adult education allowance scheme.

# Customer service at Employment Fund

We continued to develop different aspects of the customer experience and service processes.

## CUSTOMER SATISFACTION AT EXCELLENT LEVEL

In 2023, our focus was on enhancing the customer experience based on the results of customer experience surveys. We also worked to ensure the best possible service level, when it comes to our customer service channels and processing times. In the background, we streamlined customer service paths and internal processing and increased process automation in benefit services.

As a result of these development measures, customer satisfaction with our services remained at an excellent level throughout the year even though the announcement that the adult education benefits would be abolished increased our workload. The customer satisfaction score (CSAT) indicating the percentage of satisfied and highly satisfied customers of all customers stood at 85% for 2023 as a whole.

The highest customer satisfaction score was recorded among the users of unemployment insurance and benefit service telephone service. For them, CSAT remained above 90% through the year. The unemployment insurance online service and the submitting of information by employers for adult education allowance applications were the areas with the lowest customer satisfaction scores. By making changes to the employer process of the adult education allowance, we were able to increase CSAT from 61% (in 2022) to 76%. The service design process, which will start



in 2024, is the first stage of the unemployment insurance online service reform.

### **MOST OF THE CUSTOMER SERVICE WAS PROVIDED IN WRITING**

The year 2023 did not bring major changes to the volumes or priorities of customer service. Most of the customer service is provided in writing through online services. The number of telephone contacts remained at previous years' levels or even declined slightly whereas the usage of the written customer service has remained unchanged or decreased slightly, depending on the month. The only major peak in demand for customer service was experienced in August in connection with the announcement of the abolition of the adult education allowance scheme and the start of studies in autumn. That month, the benefit service received 7,117 customer messages and 4,766 customer calls.

Most of the customer service on benefit services was provided via the messaging functionality. In 2023, we received a total of 62,789 (64,592) messages. We continuously developed the messaging functionality so

that we would be able to process all incoming contacts effectively. Customer satisfaction with the messaging service increased and stood at 81% (74%) in 2023.

In advice on unemployment insurance matters, the telephone channel is still more popular than the online service. One reason is probably because judging from 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 12,033 (12,783) calls in 2023. In 12% of them, the customer chose the callback option instead of waiting on hold. The number of telephone inquiries concerning benefits also remained at the same level as in previous years. In 2023, we answered 31,950 (36,254) 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 2023. In benefit services, our average callback rate was 87%.

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 stakeholders.

In addition to customer service, we also gave a high priority to customer communications. This was prompted by the announcement that the adult education benefits would be abolished. We arranged several webinars on the adult education allowance scheme, and they attracted a record number of participants during the last months of 2023. We also produced content for our social media channels, developed our website contents and sent newsletters to such customer groups as educational institutions. Successful customer communications have made it significantly easier for the Fund to manage its service capacity in customer service advisory channels.



## Unemployment insurance contributions

Employment Fund determines and collects the unemployment insurance contributions and ensures that the employers manage their obligations concerning the unemployment insurance contributions.

The obligation 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 employer was liable to pay the unemployment insurance contributions if the wages paid by it exceeded EUR 1,400 during 2023. 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. We determine the employer's unemployment insurance contributions on the basis of the earnings payment data obtained from the Incomes Register. We collect the contributions four times each year (in January, April, July and October) on the basis of the wages paid in the previous three months.

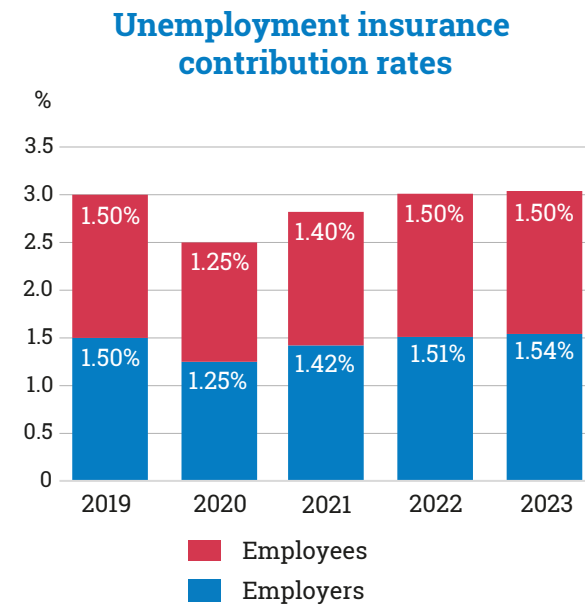
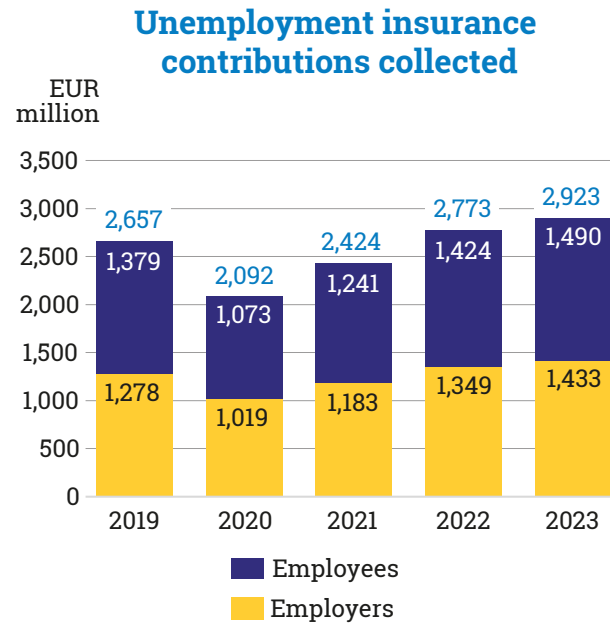


Thanks to the Incomes Register, the process has been extensively automated: A total of 99.1% (98.4%) of the decisions on contributions were issued automatically in 2023.

### UNEMPLOYMENT INSURANCE CONTRIBUTION IN 2023

While the unemployment insurance contributions remained at 2022 levels, a separate 0.03 percentage point increase was included in the employer’s average contribution to finance the transition security scheme that entered into force on 1 January 2023.

In 2023, the unemployment insurance contribution income collected from employers totalled EUR 1,413 (1,327) million and the liability components and transition security contributions paid by employers amounted to EUR 20 (22) million. The unemployment insurance contributions paid by employees totalled EUR 1,490 (1,424) million.



## UNEMPLOYMENT INSURANCE CONTRIBUTION RATES WILL BE LOWERED IN 2024

In August 2023, we proposed that the unemployment insurance contributions for the year 2024 should be lowered by 1.4 percentage points. The proposal for lowering the contributions was made possible by the outlook for the economy and employment, the assets that had accumulated in the Fund's business cycle buffer and the fact that the measures set out in the Government Programme are estimated to decrease expenditure. President of the Republic approved the act on the contributions for 2024 in December 2023.

Unemployment insurance contribution rates (%)	2022	2023	2024
Employee's unemployment insurance contribution	1.50	1.50	0.79
Employer's unemployment insurance contribution, lower (1)	0.50	0.52	0.27
Employer's unemployment insurance contribution, higher (2)	2.05	2.06	1.09
Employer's average unemployment insurance contribution	1.51	1.54	0.82
Employee's unemployment insurance contribution for part-owners	0.74	0.75	0.43
Employer's unemployment insurance contribution for part-owners	0.50	0.52	0.27
Unemployment insurance contribution for unincorporated state enterprises, lower (1)	0.50	0.52	0.27
Unemployment insurance contribution for unincorporated state enterprises, higher (2)	1.18	1.22	0.65
Unemployment insurance contribution for universities, lower (1)	0.50	0.52	0.27
Unemployment insurance contribution for universities, higher (2)	1.49	1.52	0.71

(1) Up to a payroll of EUR 2,197,500 (2022); EUR 2,251,500 (2023); and EUR 2,337,000 (2024).

(2) Exceeding the payroll of EUR 2,197,500 (2022); EUR 2,251,500 (2023); and EUR 2,337,000 (2024).

### **SUPERVISION OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

Employment Fund supervises that the employers meet their obligations to pay 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 we are able to collect the unemployment insurance contributions in correct amounts.

We check the accuracy of the earnings payment data reported to the Incomes Register. If we notice that an employer has reported earnings payment data to the Incomes Register incorrectly we contact the employer in question and examine the earnings payment data in more detail. In addition to the Incomes Register data, Employment Fund also uses information on employers received from other authorities and social insurance providers in its supervisory activities.

We provide employers with advice on matters concerning the payment obligation and the reporting of wages. The incorrect earnings payment data is usually the result of errors in the payroll system, misunderstandings concerning the payment obligation, or other errors.

In 2023, we investigated 894 (640) cases for supervision. Based on the supervision, we ordered additional payments totalling EUR 289,646 (EUR 251,050) and paid refunds amounting to EUR 16,087 (EUR 16,087).



**In 2023, we investigated 894 (640) cases for supervision.**



## The transition period for the liability component will end by the year 2035.

### EMPLOYER'S LIABILITY COMPONENT

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. We use liability component payments to finance unemployment benefit expenses resulting from 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).

Under the legislative changes approved by Finnish Parliament in 2022, the right to the additional days of unemployment security will be abolished. This also means that the collection of liability components will end.

The new statutory transition security contribution 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. The transition period for the liability component will end by the year 2035.

We received about 6,700 (9,700) new liability component cases in 2023. We imposed a liability component on the employer in about 1,000 (1,300) cases. The number of cases decreased because the transition period preceding the abolition of the liability component began.

We recorded about EUR 14 (22) million in liability components in 2023. The average processing time in cases that led to a payment decision was 46 (50) days.

### TRANSITION SECURITY CONTRIBUTION FOR EMPLOYERS DISMISSING EMPLOYEES

We started to collect the transition security contribution from employers dismissing employees in January 2023. Provisions on determining the transition security contribution 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 transition security contribution if the employer has dismissed an employee aged 55 or over on production-related or financial grounds and the employee had been employed by the employer in question for at least five years. We collect the transition security contributions to finance the employee's transition security package. The transition security package consists of transition security training and transition security allowance. The Employment and Economic Development Office provides the dismissed employee with transition security training corresponding to two months' pay. The Social Insurance Institution of Finland or the unemployment fund will also pay the employee a transition security allowance corresponding to one month's pay.

We received about 1,000 transition security cases in 2023. We ordered the employer to pay a transition security contribution in about 500 cases.

We recorded about EUR 6 million in transition security contributions in 2023. The average processing time in cases that led to a payment decision was 75 days.

#### **RECONCILIATION BASED ON THE EMPLOYMENT CONTRACTS ACT**

An employer that has laid off an employee or ended 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 daily 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. We issued 718 (640) statements and contract comments in 2023.



### TRAINING COMPENSATION

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

An employer may apply for training compensation from Employment Fund each insurance year by the end of January following the insurance year. Employment Fund grants and pays the training compensation based on the application submitted by the employer.

In 2023, we paid EUR 10.2 (8.8) million in training compensation to 616 (591) employers for training days in 2022. The employers eligible for the compensation applied for compensation on the basis of 451,522 (407,738) training days. Of the employers that received training compensation, 304 (308) were cities and other municipalities.



In 2023, we paid EUR 10.2 (8.8) million in training compensation to 616 (591) employers for training days in 2022.

# Our aim is to have efficient digital services and satisfied customers

## UNEMPLOYMENT INSURANCE CONTRIBUTIONS WERE PAID BY



**133,510**

employers and other parties liable to pay them

## NUMBER OF UNEMPLOYMENT INSURANCE DECISIONS



**520,880** pcs

of which **99%** were automated decisions



## AMOUNT OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS COLLECTED

EUR **2,923** million

51%

49%

EUR **1,490** million

were paid by employees

EUR **1,433** million

were paid by employers

Uncollected contributions accounted for

**0.2%** of the total

## NUMBER OF CASES FOR SUPERVISION



**894** pcs

Decisions based on supervision

**1,234** pcs

## CUSTOMER CONTACTS FOR UNEMPLOYMENT INSURANCE CONTRIBUTIONS (PCS)



Logins to online service

**21,208**



Messages in online service

**4,289**



Emails

**21,632**



Phone calls

**12,033**



Calculators were used

**6,106** times\*



Website visits\*

**95,641**

## TRAINING COMPENSATIONS WERE REFUNDED TO



**616** employers

And they totalled EUR **10** million



## Adult education benefits

Employment Fund grants and pays adult education allowances 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. The granting of adult education allowances and scholarships for qualified employees is based on the Act on Adult Education Benefits (1276/2000).

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

In 2023, we granted a total of EUR 201 (189) million in adult education allowances and scholarships for qualified employees. The amount of the adult education benefits granted increased by 6.4% compared to 2022.

### ADULT EDUCATION ALLOWANCE TO SUPPORT DEVELOPMENT OF PROFESSIONAL COMPETENCE

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 allowance recipients work alongside studies.

### MORE AND MORE PEOPLE COMBINE WORK AND STUDIES

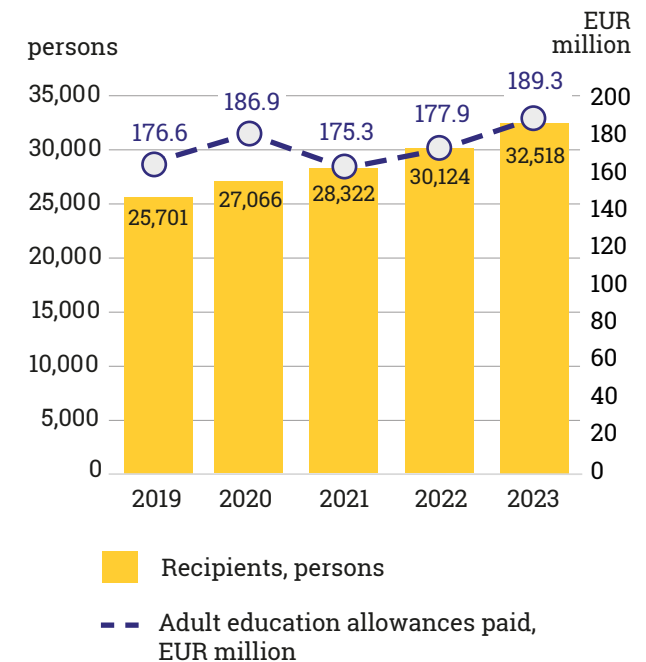
Under the current legislation on the adult education allowance scheme, which entered into force on 1 August 2020, there is more room for flexible combination of work and studies than in the past. More and more allowance recipients work alongside studies. A total of 19% (15%) of the recipients made use of this option in 2023. Thus, the number of allowance recipients combining work and studies is increasing steadily.

### THE POPULARITY OF ADULT EDUCATION ALLOWANCE CONTINUED TO INCREASE

We paid a total of EUR 189.3 (177.9) million in adult education allowances to 32,518 (30,124) persons. The amount paid was about 6.4% higher than in 2022. Of the recipients, 1,079 received entrepreneurs' adult education allowance and 31,439 received employees' adult education allowance.

In recent years, most of the recipients of adult education allowance have been women aged under 40. The gender distribution remained unchanged in 2023: 76% were women and 24% were men.

Number of recipients and  
adult education allowances paid

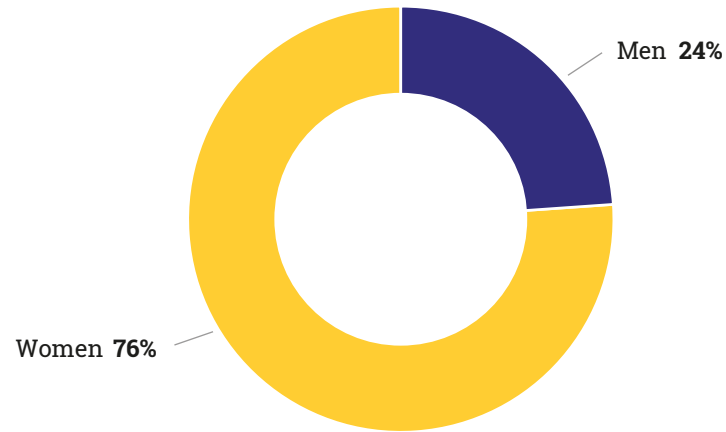


The age distribution of the recipients also remained unchanged. The breakdown of the age groups (from the largest to the smallest) was as follows:

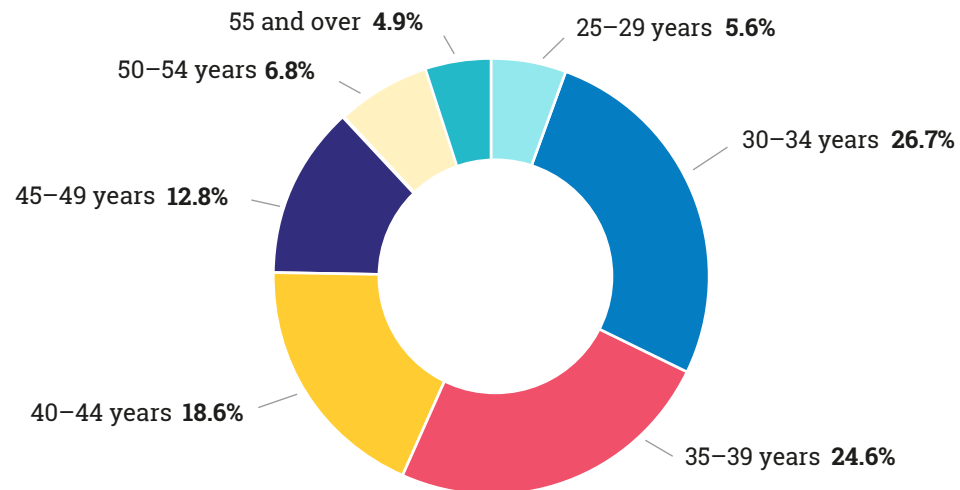
- 30–34, 26.7%
- 35–39, 24.6%
- 40–44, 18.6%
- 45–49, 12.8%
- 50–54, 6.8%
- 25–29, 5.6%
- over 55, 4.9%

In 2023, about 47% (45%) of the recipients studied in universities of applied sciences, 23% (26%) in vocational institutions, 27% (26%) in universities and 3% (3%) in other education institutions.

**Recipients of adult education allowance by gender in 2023**



**Recipients of adult education allowance by age in 2023**



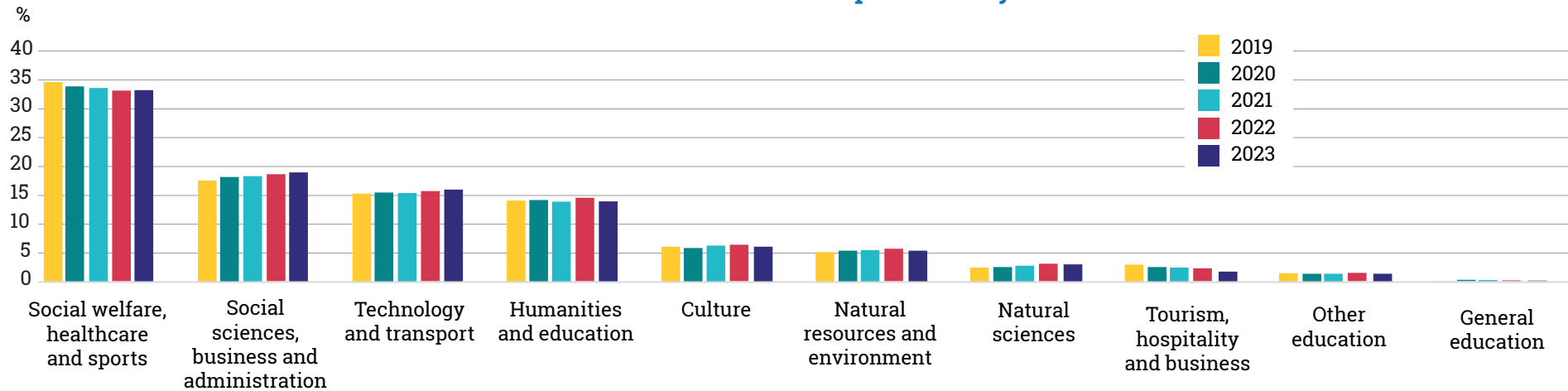
The majority of the recipients (82.8%) used the adult education allowance for education leading to a degree. A total of 13.7% of the recipients used the allowance for studies leading to a partial degree or further or continuing vocational training, and 3.5% used it for other training.

The most popular fields studied by the recipients were the social, health and sports sector 33.2% (33.0%) and social sciences, business and administration 19.0% (18.5%). They were followed by technology and transport, 16.0% (15.6%) and humanities and education 14.0% (14.4%).

**MORE THAN A THIRD OF ALL APPLICANTS FOR ADULT EDUCATION ALLOWANCES WORK IN PUBLIC ADMINISTRATION**

In terms of employment, persons working in public administration and national defence were the largest single group using the adult education allowance. They accounted for 31.1% (27.2%) of all recipients.

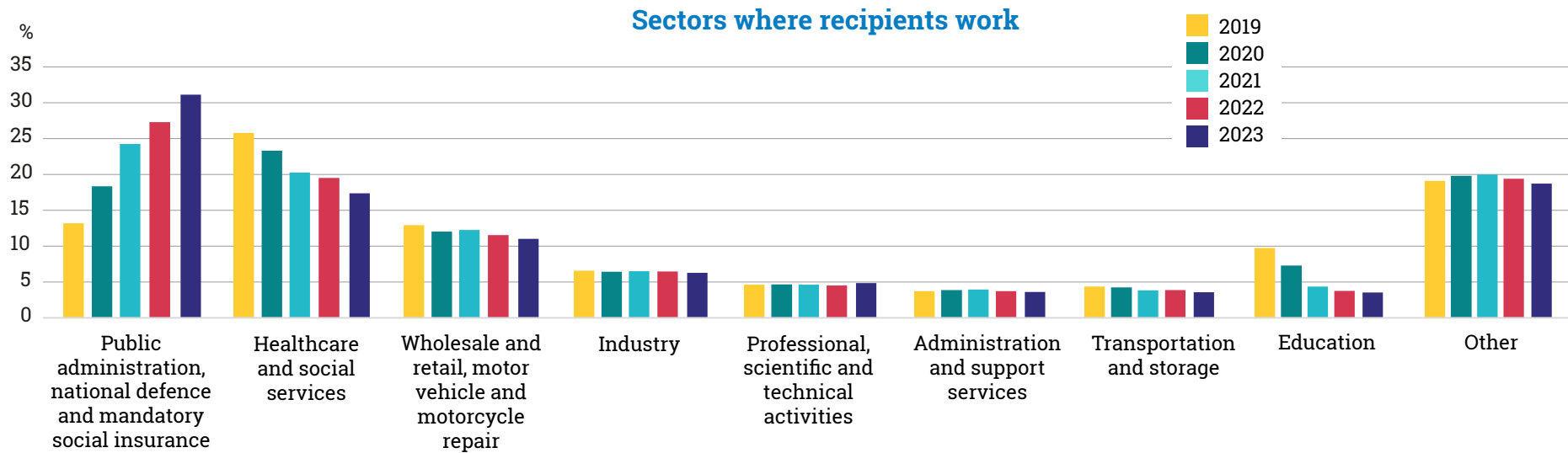
**Fields where recipients study**



The proportion of applicants working in these sectors has increased by 17.9% over the past five years. Persons working in healthcare and social services (17.4%) and wholesale and retail trade (11%) were the next largest group of recipients in terms of employment. The number of recipients

working in healthcare and social services has decreased by 8.4% over the past five years. The decrease is partly explained by statistical change because in the statistics, the wellbeing services counties are entered under public administration and national defence. There has been a steady decline

in the proportion of persons working in the education sector: in 2023, they accounted for 3.5% of all applicants (compared to 9.7% five years ago).



### **ANNOUNCEMENT THAT THE ADULT EDUCATION ALLOWANCE SCHEME WOULD BE ABOLISHED PROMPTED THE FUND TO START A MAJOR CHANGE PROJECT**

According to the Programme of Prime Minister Petteri Orpo's Government published in June 2023, the adult education allowance scheme would be abolished from 1 August 2024. In August, the Ministry of Social Affairs and Health set up a legislative project to prepare for the abolition. Abolishing the scholarship scheme for qualified employees was also included in the project. The Government proposal for abolishing the adult education benefits was circulated for comments between 12 December 2023 and 5 January 2024. The Government bill was submitted to Parliament on 15 February 2024.

The announcement that the adult education benefits would be abolished prompted the benefit service and Employment Fund to start a major change project, which will progress in accordance with the abolition timetable proposed by the ministry.

### **THE ANNOUNCEMENT THAT ADULT EDUCATION BENEFITS WOULD BE ABOLISHED LED TO RECORD NUMBER OF APPLICATIONS DURING THE SECOND HALF OF THE YEAR**

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 this, the applicant can apply for an allowance payment retrospectively for each month on a separate payment application. The applicant can apply for allowance extension by submitting a new application for eligibility.

In 2023, the number of applications was again at record levels. The publication of the Government Programme had an impact on the number of applications during the second half of the year. In 2023, we received 41,096 (33,615) initial and extension applications and 144,608 (133,689) payment applications. As in 2022, the largest number of initial and extension applications

was received in August (6,275, compared to 3,612 in August 2022), which has been one of the busiest periods for such applications for many years. November, with 16,389 (14,874) applications, and December, with 16,982 (15,270) applications, were the busiest months for payment applications. The number of applications received in November and December 2023 were the highest ever in the history of Employment Fund. Despite the larger number of applications, we were able to shorten the processing times. In 2023, the average processing time for initial and extension applications was 13.8 (17.1) days and for payment applications 0.5 (0.8) days.



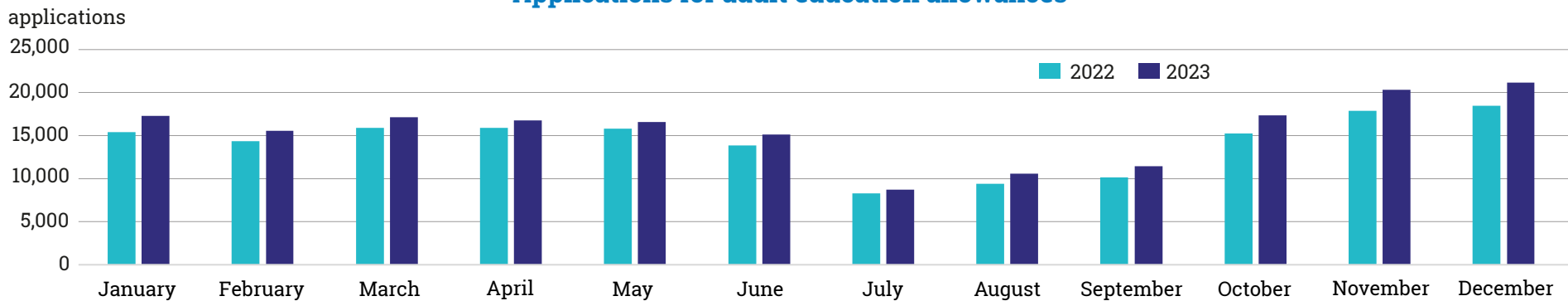
**AUTOMATION OF THE EXTENSION APPLICATION PROCESS INCREASED THE AUTOMATION LEVEL**

Most of the applications for the payment of adult education benefits (about 80%) are submitted to our benefit service in the first week of the month, which puts pressure on our resources. To ensure our service capacity, we have developed the automated application processing in recent years. In 2023, automated payment decisions already accounted for 83.5% (78%) of all payment

decisions. We increased the automation level by introducing automated processing of extension applications. For the first time, we implemented the legislation on automated decision-making that entered into force on 1 May 2023. In 2023, a total of 20.1% of the extension applications were processed automatically. When this figure is examined, it should be noted that the automation solution was put into production use in June.

In 2023, we achieved further progress in the automation in scholarship processing, and 40.6% of the applications for these benefits were processed automatically.

**Applications for adult education allowances**



### SCHOLARSHIPS FOR QUALIFIED EMPLOYEES ON THE BASIS OF A VOCATIONAL QUALIFICATION

Scholarships for qualified employees were introduced 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 (qualifications received after 1 January 2022).

### POPULARITY OF THE SCHOLARSHIP INCREASED SLIGHTLY

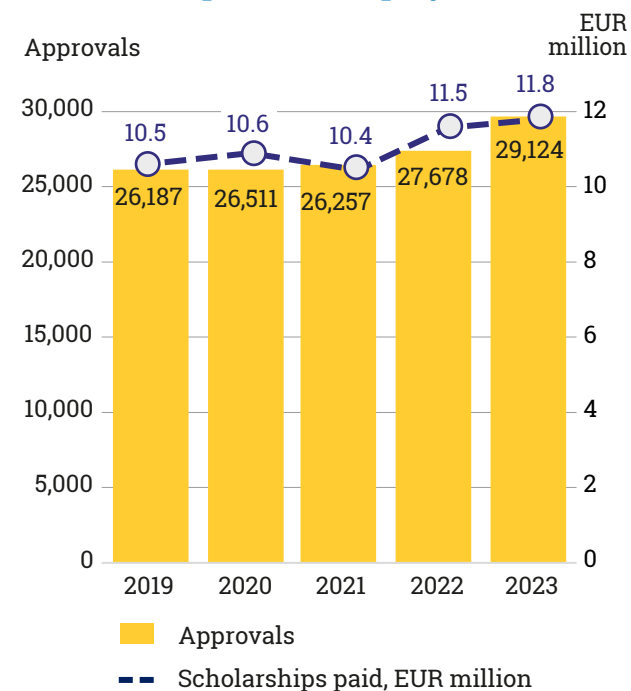
We granted scholarships for qualified employees to 28,485 (27,755) persons in 2023. We paid a total of EUR 11.8 (11.5) million in scholarships.

The application for the scholarship can be submitted after graduation and therefore often at the end of the semester. In 2023, the highest number of applications was

received in June (5,715), December (3,882), and May (3,699). The number of applications received during these three months accounted for 41% of the total number of applications received during the year. We were able to shorten the process times from the previous year by using automation in the processing of applications. The average processing time for scholarship applications was 7 days, compared to 10 days in 2022.

A total of 43% of the scholarships were granted on the basis of a further vocational qualification, 33% on the basis of a secondary vocational qualification, and 25% on the basis of a specialist vocational qualification. As in previous years, in 2023, the most common qualifications completed by scholarship recipients were the further vocational qualification in supervisory work 10.1% (9.1%), vocational upper secondary qualification in social welfare and healthcare 9.6% (9.1%), and a specialist qualification in business management and leadership 7.4% (7.7%). A substantial majority (64%) of the scholarship recipients were women.

### 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 allowances have the right to appeal the decision. The first appellate body is the Social Security Appeal Board. The second and final appellate body is the Insurance Court. In 2023, the Appeal Board received 248 (288) complaints. The Insurance Court received 30 (17) complaints. 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 a benefit has been paid without justification or the amount paid out was too high, the excess must be recovered from the recipient. A total of 1,318 (1,198) recovery decisions were made.

### **THANKS TO CONTINUOUS IMPROVEMENTS, CUSTOMER SATISFACTION REACHED RECORD LEVELS**

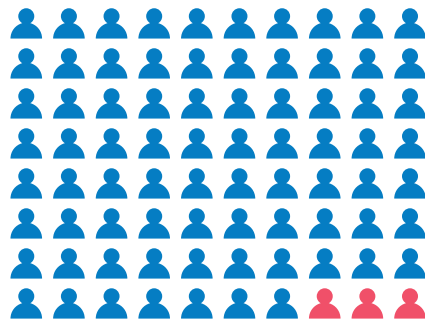
In spring 2023, we continued the customer-oriented development of our benefit services on the basis of customer feedback. Our aim was to speed up processing times and streamline the services. The focus in the development work was on the online service and increasing automation in application processing. In services, the most important improvements were achieved in the benefit application process, as a result of which the customer satisfaction score (CSAT) for online service again reached a new level (85%). With the development of automation, overall benefit processing automation level exceeded the 70% limit for the first time in the history of the benefit service.

During the spring, we conducted an extensive survey to examine the reasons why our customers apply for adult education allowances and the perceived impact of the adult education allowance. Nearly 5,000 customers took part in the survey. The findings could provide several inputs for developing the benefit and its impact.

After the publication of the Government Programme, we shifted the development focus to more relevant matters, considering the abolition of the allowance scheme.

## Aiming for efficient digital services and customer satisfaction

### ADULT EDUCATION ALLOWANCES WERE GRANTED TO



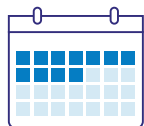
**32,518**

persons of whom  
**96.7% were employees**  
 and **3.3% entrepreneurs**

### NUMBER OF ADULT EDUCATION ALLOWANCE DECISIONS FOR EMPLOYEES

#### Allowance right decisions

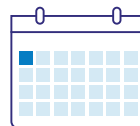
**41,048** pcs



Average processing time  
**11 days**

#### Payment decisions

**144,659** pcs



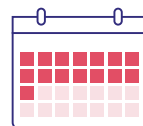
Average processing time  
**0.5 days**

**10%** of all decisions were automatic decisions

**84%** of all decisions were automatic decisions

### NUMBER OF ADULT EDUCATION ALLOWANCE DECISIONS FOR ENTREPRENEURS

**1,415** pcs



Average processing time  
**15 days**



### CUSTOMER CONTACTS FOR ADULT EDUCATION ALLOWANCE (PCS)



Logins to online service

**661,844**



Messages in online service

**62,789**



Emails

**8,076**



Phone calls

**36,540**



Calculators were used  
**278,356**  
 times\*



Website visitors\*  
**2,117,196**

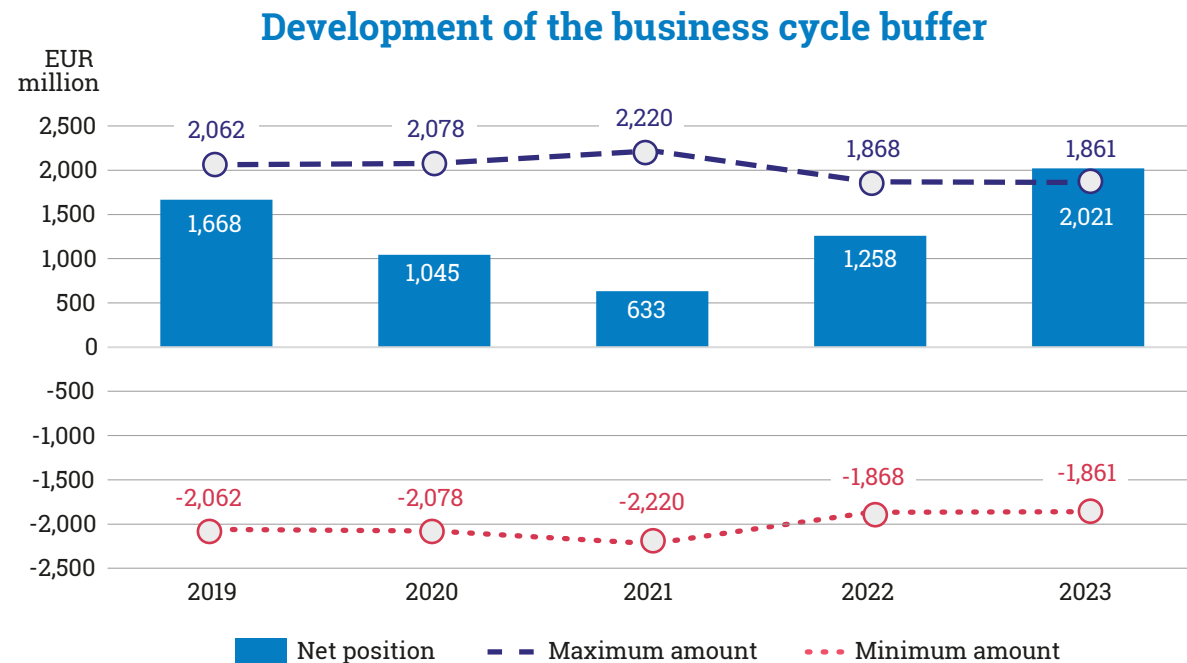
## Finance

### NET POSITION OF THE BUSINESS CYCLE BUFFER NOW SIGNIFICANTLY STRONGER

Under section 3 of the Act on the Financing of Unemployment Benefits, Employment Fund maintains a business cycle buffer to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy. The business cycle buffer accrues on the basis of the difference between Employment Fund's assets and liabilities. When the unemployment insurance contributions are set, the forecast for the maximum amount of assets or liabilities in the buffer may not exceed liabilities corresponding to an unemployment rate of six percentage points. When the decision on the level of unemployment insurance contributions is made, the forecast for the business cycle buffer may by law exceed the maximum amount of assets over two years during a three-year review period in order to ensure a steady payment trend. In

that case, however, unemployment insurance contributions may not be set higher than in the previous year. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements.

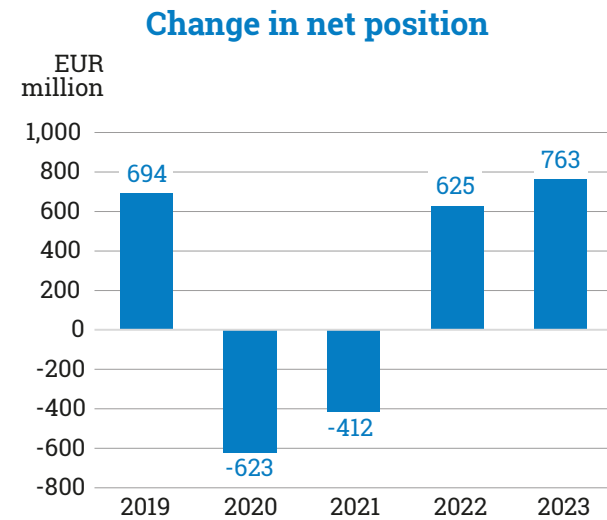
The maximum value of the buffer is calculated by dividing the annual expenses for which Employment Fund is liable (EUR 2,233 million in 2023) by the average unemployment rate for the year (7.2%), and multiplying the result by six. The maximum



amount of the business cycle buffer allowed under the Act on the Financing of Unemployment Benefits was EUR 1,861 (1,868) million in 2023.

In our half-year report, we estimated that the change in Employment Fund's net position would be positive to the amount of about EUR 780 million in 2023, and positive to the amount of about EUR 2,040 million at the end of 2023. The change in Employment Fund's net position was EUR 763 (625) million in 2023. Employment Fund's net position was EUR 2,021 (1,258) million positive at the end of 2023.

According to the budget for 2024, which we submitted to the Ministry of Social Affairs and Health in August 2023, the change in Employment Fund's net position in 2024 would be negative to the amount of EUR 338 million and its net position would be positive to the amount of EUR 1,701 million on 31 December 2024. When preparing our financial statements for 2023, we estimated that the change in Employment Fund's net position would be negative to the amount of about EUR 570 million in 2024, which would mean a positive net position of about EUR 1,450 million at the end of 2024.





The Fund repaid loans totalling EUR 700 million as planned.

#### LIQUIDITY AND DEBT FINANCING

Under the investment principles approved by Employment Fund's Supervisory Board, in fixed-income investments with less than one year's maturity, the Fund must keep an amount that covers at least one month's expenses. In 2023, this amount was about EUR 300 million. On average, the liquidity buffer described above was 2.6 times the minimum amount in 2023.

For liquidity purposes, the Fund also has a EUR 300 million commercial paper programme (31 Dec 2022: EUR 300 million). In addition, the Fund also has EUR 600 million in committed revolving credit facilities (RCF) with four banks (31 Dec 2022: EUR 600 million). The commercial paper programme and the revolving credit facilities remained unused at the end of 2023 (31 Dec 2022: commercial papers with a value of EUR 100 million were in use).

At the end of 2023, Employment Fund had a bond of EUR 600 million issued in 2020, which is due on 16 June 2027.

In 2023, Employment Fund repaid the bond of EUR 600 million withdrawn in 2020 on its due date in June 2023. Employment Fund also repaid commercial papers with a value of EUR 100 million during the first half of 2023.

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.

## 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 in accordance with the investment principles approved by the Fund's Supervisory Board, and the investment plan set by the Board of Directors. Employment Fund's investment and financial assets totalled EUR 1,869 (1,885) million at the end of 2023.

### FINANCIAL OPERATING ENVIRONMENT

The war in Ukraine and geopolitical tensions continued to slow down global economic growth in 2023. The Finnish economy contracted slightly, but the employment situation remained relatively stable in 2023.

Rapid acceleration of inflation and the raising of key interest rates, a measure taken by central banks to combat inflation, continued until late 2023. The cycle of raising key interest rates came to an end in the USA in July, and the European Central Bank stopped using this instrument in October 2023.

### THE INVESTMENT MARKET

For the most part, the stock market grew strongly during 2023. In North America, stock indices increased by about 22% and in Europe by about 17%. The performance of the domestic stock exchange was modest and the index yield was -0.5%.

The returns on fixed-income investments in European bonds were high. This was due to stronger pricing of credit risks and (especially towards the end of the year) lower interest on bonds; this development was mainly prompted by the statements issued by central banks and reports on a substantial slowdown of inflation in both the USA and Europe.



Market trends of alternative investments during the year depended to a great extent on the investment category concerned. For example, investments in the domestic real estate sector yielded low returns during 2023, whereas investments in the forestry sector were characterised by strong returns.

### ALLOCATION OF INVESTMENTS

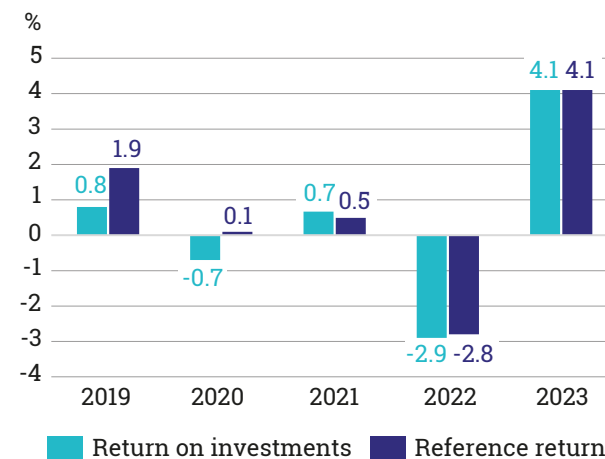
We actively invested our assets in money market instruments, bonds, equities and alternative investments. Depending on the asset class, the Fund made direct investments or invested its assets through funds. We increased the weight of bonds in the 2023 investment plan. In June 2023, we reduced the weight of money market investments to facilitate repayment of a bond of EUR 600 million that we had taken out in 2020. At the end of the financial period, EUR 820 (1,098) million of the Fund’s assets were invested in money market instruments, EUR 958 (669) million in bonds, EUR 39 (36) million in equities, and EUR 83 (75) million in alternative investments.

In 2023, the return on our investments was 4.1% (-2.9%). The return exceeded the expectation entered in our investment plan (2.8%) and was at the level of the reference return on our investment activities.

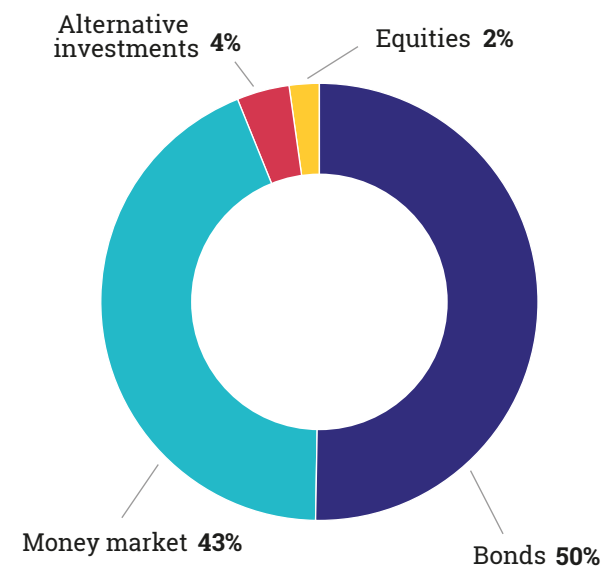
Our investment plan for 2024 was approved by Employment Fund’s Board of Directors on 28 November 2023. Only minor changes were made to the weighting of the plan. They included a slight increase in the size of the alternative investment category and a slight reduction in the weight of short-term fixed-income investments.

Sustainability issues are also a consideration when we make our investment decisions. Sustainability in the Fund’s investment activities is described in more detail in the section on sustainability on page 41.

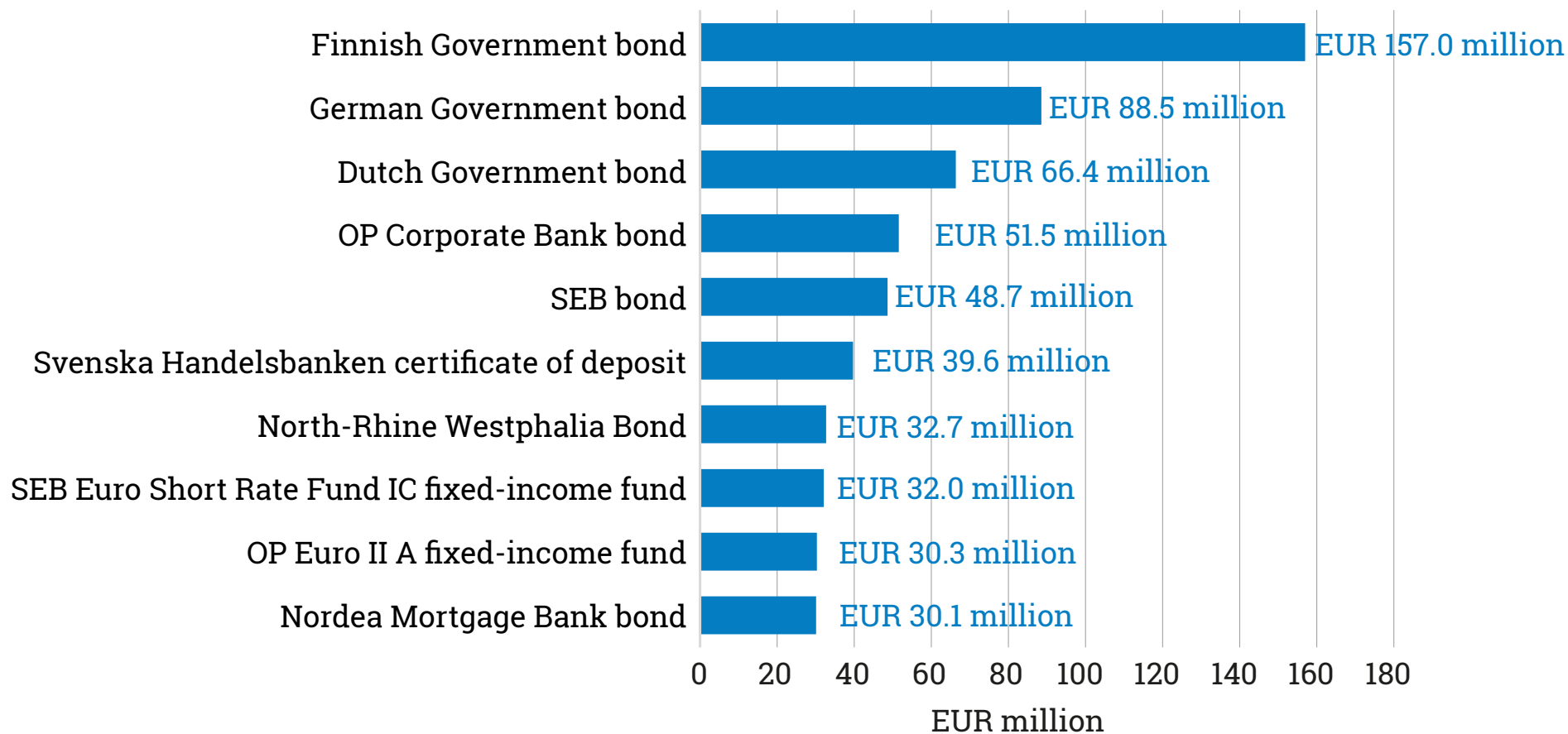
### Return on investments



### Asset allocation



## Largest investments





## Sustainability

We promote sustainable development and sustainability in the areas where we can maximise our influence through our core activities.

In our role as an executor of social security, we put great emphasis on social responsibility themes. In 2022 and 2023, we prepared a sustainability concept for the Fund to support the achievement of the sustainable development goals set by the UN in its 2030 Agenda. In addition to our sustainability concept, sustainability is also reflected in our investment activities, acquisition of debt financing and our equality and diversity work.

During 2023, we also made use of a variety of different networks to develop our sustainability competence. We joined the corporate responsibility network FIBS, which organises events on topical sustainability themes and provides news and information services on related topics. We also took part in the events organised by the sustainability network maintained by the State Treasury, in which public administration organisations share information on such matters as best practices of sustainability and sustainability reporting.

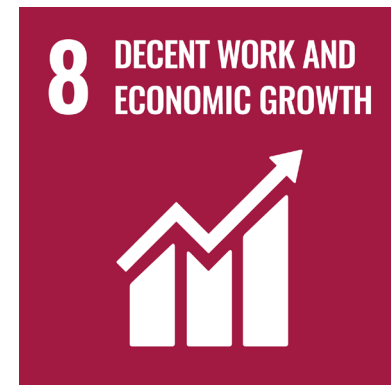


### WE DEFINED OUR SUSTAINABILITY GOALS

In 2022 and 2023, we carried out a materiality analysis to create the basis for the Fund's own sustainability concept. The purpose of the analysis has been to identify the sustainable development goals of the UN on which we can exert maximum positive influence with our own core activities. We selected the following key goals of the 2030 Agenda as such objectives:

- Quality education
- Decent work and economic growth
- Peace, justice and strong institutions

These key goals are directly linked to the Fund's core tasks, such as the financing of unemployment security and adult education benefits. The work on the Fund's concrete sustainability measures and indicators is still under way and the work will continue during 2024. Our aim is to build a foundation for systematic sustainability work so that we can report on our sustainability activities on a regular basis in the coming years.



### FRAMEWORK FOR SOCIAL FUNDING

The Fund prepared a framework for social funding in spring 2023. The framework was prepared in accordance with the social bond principles of the International Capital Market Association (ICMA) updated in 2021 and the social loan principles of the European Loan Market Association (LMA) updated in 2023. Within the framework, the Fund is able to acquire different types of debt financing specifically promoting social improvements.

It also enables us to establish a close link between our debt financing and positive social impacts. Using the framework, we can also promote 'Quality education' and 'Decent work and economic growth', two of the UN sustainable development goals selected by the Fund for its sustainability work. The financing taken out in this manner will be used to cover the expenses that meet the eligibility criteria (provide security for changes in working life). They include the funding of unemployment benefits and the

adult education allowance scheme, which supports the maintenance and development of vocational competence. At the end of 2023, Employment Fund did not have any debt financing to which the social funding framework would have been applied.

### EQUALITY AND DIVERSITY WORK

In spring 2023, the Fund established a diversity working group the aim of which is to identify and discuss issues concerning the diversity of the work community and define the practical development measures that may be needed in our work community. The task of the working group is also to promote the experience of all our employees of an open and equal work community. With our equality and diversity work, we can contribute to the achievement of the objective 'Decent work and economic growth', one of the key goals of the UN 2030 Agenda that we have selected for our sustainability work.

During 2023, we assessed the current state of the Fund using the diversity management self-assessment tool developed by the FIBS corporate sustainability network. In the assessment, we identified a number of preliminary development priorities. The aim of the diversity working group is to prepare an updated non-discrimination, equality and diversity plan for the Fund during 2024.

## SUSTAINABLE INVESTING

Sustainability in our investment activities means that we take responsibility and sustainability matters 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. We also invest in companies that comply with the UN Global Compact wherever possible.

Numerical methods of assessment are used to monitor and analyse the sustainability of Employment Fund's investments. The goal is to provide a picture of the Fund's sustainability profile and map its development as comprehensively and diversely as possible. Similar metrics have been used for monitoring since 2019. The sustainability analysis includes a review of operational

sustainability 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. The assessment is based on SFDR and MiFID II regulation and EU taxonomy. According to the latest sustainability assessment, our investments performed well against the ESG criteria.

The ESG analysis of Employment Fund's investments covers 54% of the Fund's investment assets. The analysed assets do not include such items as investments in government bonds, which account for a substantial proportion of the Fund's investment assets. According to an analysis assessing the sustainability of our investments in December 2023 conducted by an asset management institution, the environmental indicators of our investments (carbon footprint, carbon intensity, weighted carbon intensity and water use) have increased compared to the analysis conducted in June 2023. The increase has been driven by a growing proportion of the bonds issued by energy companies and forest industry companies in our investments. However, the carbon footprint of our investments still remains significantly lower than the benchmark index.

Some 79% of our liquid fund investments are investments promoting sustainability

factors (in funds meeting the requirements of Article 8 of SFDR), and 16% are investments meeting the requirements of Article 9 of SFDR (in funds for sustainable investments). We have given 80% of our investments ambitious goals in climate work and emission reductions. Some 77% of our investments are estimated to have a positive impact on the sustainable development goals of the UN.

The social factor indices relevant to our investments (gender equality, independent governance, equal pay and higher employment) showed a negative trend compared to the year 2019 when the monitoring started, but they are nevertheless in line with the benchmark index. In particular, the equal pay index is significantly above the benchmark index.

There are no non-compliant companies (as classified by ISS) in the direct investments made by Employment Fund. As part of index fund investments, 0.1% of the Fund's investments have been directed at such companies.



## Risk management

Risk management is part of Employment Fund's internal control. Its aim is to ensure risk awareness in decision-making and to support the Fund in the achievement of its objectives. Risk management produces high-quality information on risks and threats facing the Fund and provides recommendations for measures to prevent them.

### WE USE EXTENSIVE RISK MANAGEMENT TO ENSURE THE CONTINUITY OF OUR ACTIVITIES

We monitor and manage such risks as strategic and operational risks, regulatory, economic and financial risks as well as risks arising from our operating environment.

Identifying strategic-level risks and managing them on a systemic basis help the Fund to achieve its goals within the framework of a specific risk appetite level. In 2024, we took further measures to develop our strategic-level risk management.

The purpose of operational risk management is to safeguard the continuity of our key functions and statutory activities and to ensure that the Fund can also operate during emergencies. Over the past few years we have focused on building digitalisation to improve our services and to boost the efficiency of our operations. By increasing automation, we have been able to reduce operational risks and to speed up implementation processes. Providing the personnel with training and instructions on information security matters are also an important part of the prevention of cyber risks.

By managing regulatory risks, we can ensure that Employment Fund acts in compliance with the law and other requirements and in an ethical and responsible manner. Active monitoring of legislative changes is an key part of this process. We also actively monitor developments in information security legislation. We developed data protection processes, especially in the field of impact assessment, and provided our personnel with training in personal data processing.

To manage financial risks arising from changes in the operating environment, we rely on such means as diverse forecasting methods and timely adjustments of unemployment insurance contributions. To safeguard our liquidity, we make low-risk investments and strive to secure good borrowing possibilities. Employment Fund also has a statutory business cycle buffer to reduce the need for changes in the level of unemployment insurance contributions due to cyclical fluctuations. Financial risk

management in Employment Fund has relied on the same principles as before.

Employment Fund has an anonymous channel for reporting misconduct where matters specified in the Whistleblower Act and violations of ethical guidelines can be reported.

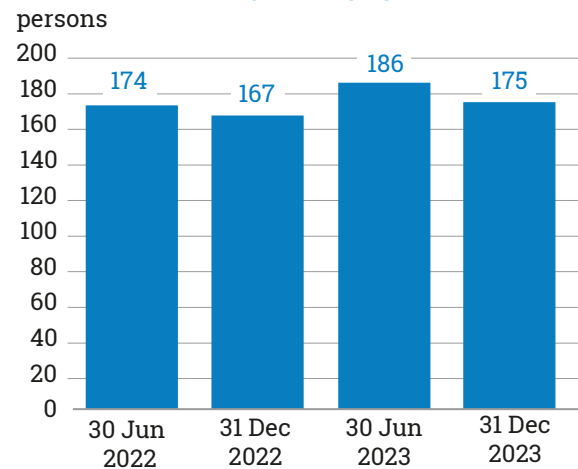
# Personnel

At the end of 2023, the Fund had 175 (167) employees. When measured in person-years, the number of personnel was 159 (147) at the end of 2023.

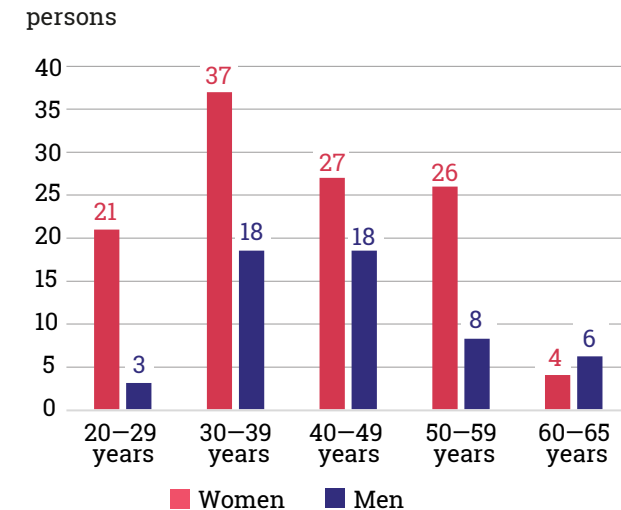
We paid EUR 9,842 thousand in wages, including EUR 59 thousand in fringe benefits. Our pay system is based on the complexity of work, and we also use a bonus system supporting the achievement of our strategic objectives.

Men accounted for 56 (54) and women for 119 (113) of the personnel. The average employee age was 41.5 (41) years, and the average duration of employment in Employment Fund was 6.3 years. Voluntary staff turnover was 8.53% and sick leave percentage 3.23%.

**Number of personnel 2022–2023**



**Age and gender breakdown 2023**





## WE ANALYSED AND DEVELOPED EMPLOYEE EXPERIENCE

Employee wellbeing is a key priority in the Fund, and it is constantly monitored and developed. In spring 2023, we conducted an extensive personnel survey to examine the employee experience of our personnel. We also carried out two pulse surveys to monitor progress in matters identified as development priorities. At the end of the year, we also carried out an Aisti wellbeing survey to analyse the resource and workload factors in our work community in more detail.

The results showed that our staff members appreciate the Fund's flexible hybrid work model, opportunities for combining work with other aspects of life and the friendly and encouraging work atmosphere. The work in the Fund is considered interesting and meaningful, and the view is that the values of the Fund are also applied in practice.

Our People Power Index decreased slightly, from 68.3 to 66.5. Based on the personnel survey, we identified clarity of decision-making and availability of information needed in the work as key development priorities. Based on the follow-up surveys, we achieved improvements in both areas during 2023. We have also determined that improvements are needed in workload management and cognitive ergonomics.

In the spring personnel survey, we also examined the experiences of diversity, equity

and inclusion among Fund employees. The findings indicate that the overall situation is good, but at the same time, we also identified the need for more systematic management of the above-mentioned themes. Accordingly, in early summer, the Fund set up a diversity working group, which will participate in the development work and promote diversity, equity and inclusion in our work community.





The work to update and develop our organisation continued during 2023.

### **WE TRAINED OUR PERSONNEL AND STRENGTHENED OUR TECHNOLOGICAL COMPETENCE**

The work to update and develop our organisation continued during 2023. The most extensive development measures were carried out in the Technology and Development service area, which we are strengthening with new roles and expertise so that it can better meet our current and future needs.

In 2023, the focus in the work to develop the competence of the Fund's personnel was on organizational communication, service design, coaching, accessibility and system development. All Fund employees have access to the continuously expanding contents of our internal learning environment and the training provided by our external partner to improve digital and other skills.

The average number of training hours during the year was 14.09 (9.93) per person. The increase in the time invested in training compared to 2022 supports our goal of establishing a closer link between competence development and the work of each employee.

### **SUPPORT IN CHANGES**

The uncertainties arising from the discontinuation of the adult education allowance scheme have been reflected in the employee experience. This is because if implemented, the legislative change will mean that the tasks of the personnel processing adult education benefits will be reduced and ultimately abolished. In autumn, we provided supervisors with coaching for supervisory work in change situations. All employees were provided with support in the handling of the emotions arising from the change situation and in ensuring that the resources and the motivation are not affected by the change. In a challenging situation, Fund employees have shown excellent capacity for change and they are prepared for a smooth implementation of the legislative change.



## Events after the financial period

No significant changes occurred in Employment Fund's financial position after the end of the review period.

Helsinki 27 February 2024

Employment Fund

Board of Directors



## Corporate governance

The corporate governance statement of Employment Fund for 2023 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, some of which were due for repayment in 2023, while the remainder will mature in 2027.

Employment Fund has a commercial paper programme of EUR 300 million (31 Dec 2022: EUR 300 million). The commercial paper programme remained unused at the end of 2023.

Where applicable, Employment Fund conducts its operations in compliance with the Finnish Corporate Governance Code, which is publicly available on the Securities Market Association's website ([www.cgfinland.fi](http://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), Government Decree on the Financing of Unemployment Benefits (1227/2014) 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 Board members are not fully 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, there is no evaluation of whether the audit committee members are independent of significant shareholders.

- **Recommendation 21:** Under the Decree on the Rules of Procedure of Employment Fund, the Supervisory Board elects the members and chair of the Board of Directors. The chair is elected from among the Board of Directors 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 for the Supervisory Board and the principles of

compensation for travelling expenses. The Supervisory Board decides on the remuneration of the Board of Directors. 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), the Supervisory Board, which has between 10 and 18 members, is Employment Fund's most senior decision-making body.

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). In autumn 2023, the Government appointed the members of Employment Fund's Supervisory Board for the three-year period 1 January 2024–31 December 2026.

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 2023, the Supervisory Board was chaired by Annika Rönni-Sällinen.

**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.

The Supervisory Board met twice in 2023.



The members of the Supervisory Board in 2023 were:

Name	Year of birth	Education	Main occupation	Attendance at meetings of the Supervisory Board
Annika Rönni-Sällinen, chair	1976	Master of Laws	President, Service Union United (PAM ry)	2/2
Antti Zitting, vice chair	1956	Master of Science (Technology)	Board chair, Sacotec Oy	2/2
Riku Aalto	1965	Master of Administrative Sciences	President, Industrial Union	2/2
Jari Jokinen	1967	Master of Science (Technology)	Executive Director, Tekniikan Akateemisten Liitto (TEK ry)	2/2
Teemu Kokko	1961	Doctor of Science (Business Administration)	President, CEO, Haaga-Helia University of Applied Sciences	2/2
Antti Korpiemi	1961	Master of Agriculture and Forestry Sciences	CEO, Berner Ltd	2/2
Tomi Lantto	1970	Master of Economic Sciences	CEO, Antell Oy	2/2
Kirsi-Marja Lievonen	1962	Licentiate of Laws trained on the bench	Human Resources Manager, City of Vantaa	1/2
Petri Lindroos	1965	Master of Education	Director of Negotiations, Trade Union of Education in Finland (OAJ ry)	2/2
Salla Luomanmäki	1963	Master of Arts	Executive Director, Akava Special Branches (Ae ry)	1/2
Jorma Malinen	1959	Automation Designer	President, Trade Union Pro	1/2
Matti Mettälä	1963	Master of Laws trained on the bench	EVP, Kesko Corporation	2/2
Taina Niiranen	1966	Master of Administrative Sciences	HR Director, Pirkanmaa Wellbeing Services County	2/2
Olli Nikula	1967	Master of Economic Sciences	CEO, Saint-Gobain Finland Ltd	2/2
Silja Paavola	1956	Assistant Nurse	Chair, the Finnish Union of Practical Nurses (SuPer ry)	2/2
Juha Rostedt	1963	Trade Technician	Vice-chair, Local Government and County Employers (KT)	2/2
Saila Ruuth	1981	Master of Political Science	Vice President, Trade Union for the Public and Welfare Sectors (JHL ry)	1/2
Millariikka Rytönen	1975	Midwifery, Bachelor's Degree, Nursing, Master's Degree	Chair, Union of Health and Social Care Professionals in Finland (Tehy ry)	2/2



## 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 of Directors 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. 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 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 2023 were:

Name	Year of birth	Education	Main occupation	Attendance at meetings of the Board of Directors
Vesa Rantahalvari, chair	1967	Master of Administrative Sciences	Chief Policy Adviser, Confederation of Finnish Industries (EK)	11/11
Pekka Piispanen, vice chair	1960	Master of Arts	Director, Confederation of Unions for Professional and Managerial Staff in Finland (Akava ry)	11/11
Tuomas Aarto	1973	Master of Laws trained on the bench	CEO, Management, Service Sector Employers (PALTA ry)	11/11
Jarkko Eloranta	1966	Master of Political Science	President, Central Organisation of Finnish Trade Unions (SAK ry)	10/11
Minna Etu-Seppälä	1972	Master of Laws trained on the bench	Director, Chemical Industry Federation of Finland (KT ry)	9/11
Riikka Heikinheimo	1963	Doctor of Philosophy	Director, Confederation of Finnish Industries (EK)	11/11
Minna Helle	1972	Master of Laws	Executive Director, Technology Industries of Finland	11/11
Markku Jalonen	1960	Licentiate of Social Sciences	Managing Director, Local Government and County Employers (KT)	11/11
Patrizio Lainà	1985	Doctor of Political Science, Master of Economic Sciences	Chief Economist, Finnish Confederation of Professionals (STTK ry)	11/11
Henrika Nybondas-Kangas	1974	Master of Laws trained on the bench	Director of Negotiations, Local Government and County Employers (KT)	11/11
Antti Palola	1959	Sea Captain	President, Finnish Confederation of Professionals (STTK ry)	11/11
Saana Siekkinen	1972	Master of Social Sciences	Director, Central Organisation of Finnish Trade Unions (SAK ry)	10/11
Heikki Taulu	1973	Master of Social Sciences	Economist, Confederation of Unions for Professional and Managerial Staff in Finland (Akava ry)	11/11
Pirjo Väänänen	1971	Bachelor in Social Services	Head of Social Affairs, Central Organisation of Finnish Trade Unions (SAK ry)	10/11

**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 2023, the Board of Directors was chaired by Vesa Rantahalvari.

**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 members of the Board of Directors between meetings, as 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 2023, the Board of Directors met 11 times. The Board of Directors also held two strategy seminars, 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 2023, 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 from among its members. 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 2023, the audit committee met six times.

Audit committee	Attendance at meetings
Henrika Nybondas-Kangas, chair	6/6
Heikki Taulu, vice chair	6/6
Minna Helle	6/6
Pirjo Väänänen	6/6

### 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 assists 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 2023, the members of the Management Group were:

Name	Year of birth	Education	Duties/responsibilities
Janne Metsämäki	1960	Master of Laws	Managing Director
Tapio Oksanen, until 31 July 2023	1958	Master of Economic Sciences	Chief Financial Officer
Virpi Halme	1976	Master of Laws	Director, Technology and Development
Katja Knaapila,	1966	Master of Business Administration	Director, HR and Communication
Karo Nukarinen, from 18 July 2023	1976	Master of Economic Sciences	Chief Financial Officer
Tuulikki Saari	1979	Master of Arts	Director, Customer Relations

In addition to the Management Group, the Managing Director is also assisted in operational management by the extended Management Group, which in addition to the Management Group, has the following members: Paula Kuntsi-Ruuska, Risk Manager; Antti Lähde, Head of PMO; Johanna Rahunen, Service Manager; Terhi Savikko, Communications Manager; Pekka Räsänen, CISO; and Emma Siekkinen, Development Specialist (personnel representative). The extended Management Groups meets once each month. The Fund's projects are also steered and monitored by the portfolio management group.

## LEGALITY AND COMPLIANCE OF OPERATIONS

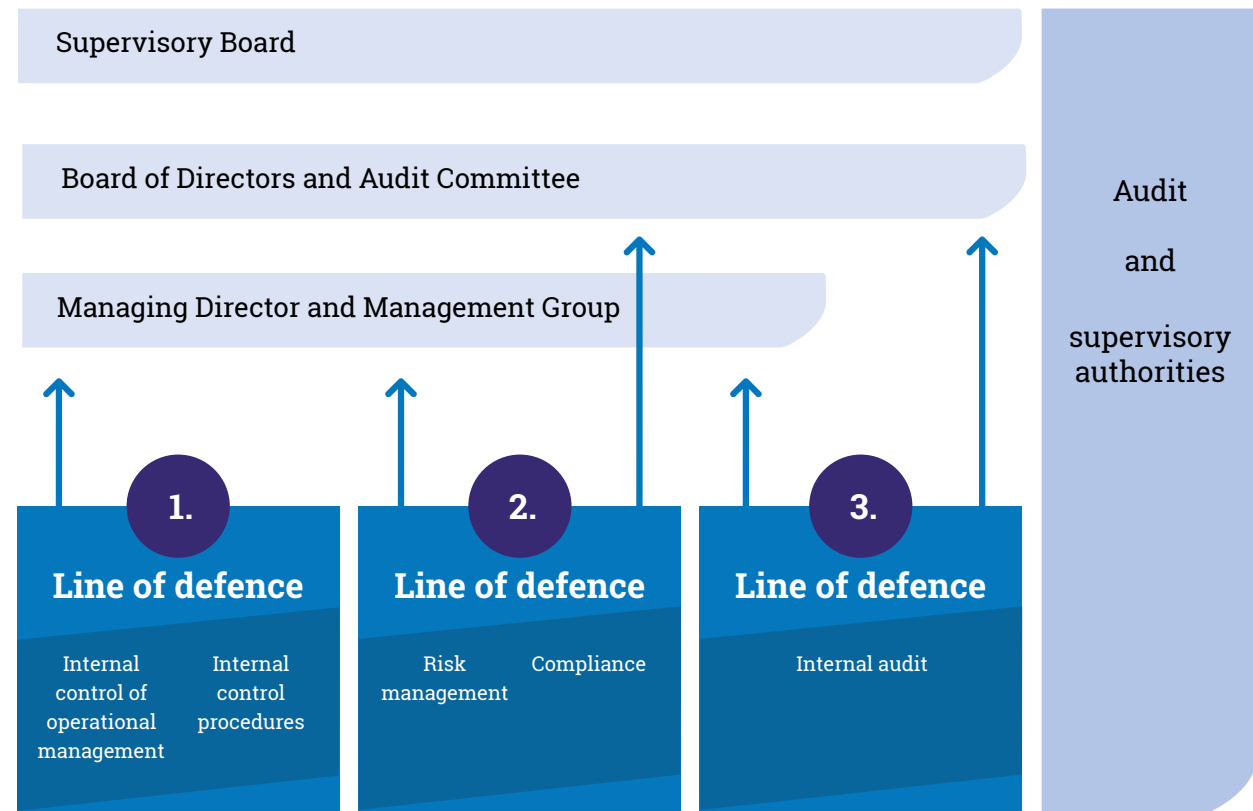
Employment Fund's operations comply with the law, the guidelines and regulations applying to the Fund, and the requirements of good governance.

## 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.

Risk management and compliance are part of internal control. Risk management means the systematic and proactive way of identifying, analysing and managing threats and opportunities arising from the operations. The purpose of the compliance 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.

Employment Fund's internal control is based on the '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 2023, 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 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, 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, but only the 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 internal intranet website 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, the 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 2023. Marcus Tötterman, Authorised Public Accountant, KHT, acted as the main auditor. The auditor's fees for 2023 comprise EUR 91,297 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 2023 has been drawn up, where applicable for Employment Fund, in compliance with the Finnish Corporate Governance Code 2020 ([www.cgfinland.fi](http://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. The Supervisory Board met twice in 2023.



In 2023, 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 2023	Attendance at meetings of the Supervisory Board
Annika Rönni-Sällinen, chair	820	3,720		4,540	2/2
Antti Zitting, vice chair	620	0	106	726	2/2
Riku Aalto	620	0		620	2/2
Jari Jokinen	620	0		620	2/2
Teemu Kokko	620	0		620	2/2
Antti Korpiemi	620	0		620	2/2
Tomi Lantto	620	0		620	2/2
Kirsi-Marja Lievonon	310	0		310	1/2
Petri Lindroos	620	0		620	2/2
Salla Luomanmäki	310	0		310	1/2
Jorma Malinen	310	0		310	1/2
Matti Mettälä	620	0		620	2/2
Taina Niiranen	620	0	268	888	2/2
Olli Nikula	620	0		620	2/2
Silja Paavola	620	0		620	2/2
Juha Rosted	620	0	126	746	2/2
Saila Ruuth	310	0		310	1/2
Millariikka Rytönen	620	0		620	2/2
<b>Total</b>	<b>10,120</b>	<b>3,720</b>	<b>500</b>	<b>14,340</b>	

## 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 2023, the Board of Directors met 11 times. The Board of Directors also held two strategy meetings, for which no remuneration is paid.

In 2023, 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 2023	Attendance at meetings of the Board of Directors
Vesa Rantahalvari, chair	12,360	4,510	16,870	11/11
Pekka Piispanen, vice chair	9,840	3,410	13,250	11/11
Tuomas Aarto	6,180	2,805	8,985	11/11
Jarkko Eloranta	6,180	2,550	8,730	10/11
Minna Etu-Seppälä	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
Markku Jalonen	6,180	2,805	8,985	11/11
Patrizio Lainà	6,180	2,805	8,985	11/11
Henrika Nybondas-Kangas	6,180	2,805	8,985	11/11
Antti Palola	6,180	2,805	8,985	11/11
Saana Siekkinen	6,180	2,550	8,730	10/11
Heikki Taulu	6,180	2,805	8,985	11/11
Pirjo Väänänen	6,180	2,550	8,730	10/11
<b>Total</b>	<b>96,360</b>	<b>40,815</b>	<b>136,665</b>	

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 2023, the audit committee met six times.

In 2023, the fees for the members of the audit committee were paid as follows:

Name	Meeting fees for the audit committee	Total on 31 December 2023	Attendance at audit committee meetings
Henrika Nybondas-Kangas, chair	2,460	2,460	6/6
Heikki Taulu, vice chair	1,530	1,530	6/6
Minna Helle	1,530	1,530	6/6
Pirjo Väänänen	1,530	1,530	6/6
<b>Total</b>	<b>7,050</b>	<b>7,050</b>	

#### 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 2023 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Managing Director	174,739	13,162	187,901	178,559

#### 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 2023, the maximum bonus was set at 12% of the annual salary including fringe benefits. The fixed salary comprises a monetary compensation and taxable benefits (meal and telephone benefits and car benefit).

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 2023 are shown in the following table. Social security contributions are excluded.

Position	Salary and fringe benefits	Variable performance-related bonus	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Management Group	515,224	30,413	545,637	567,749

### 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) 2023

## STATEMENT OF CHANGES IN NET POSITION

The figures are in EUR thousand.

Change in net position	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Contributions collected</b>			
Unemployment insurance contributions and other income	5	3,627,462	3,490,831
<b>Total contributions collected</b>		<b>3,627,462</b>	<b>3,490,831</b>
<b>Financing contributions paid</b>			
Financing contributions paid	6	-2,900,224	-2,809,083
Administrative expenses	7	-33,528	-22,685
<b>Total financing contributions paid</b>		<b>-2,933,752</b>	<b>-2,831,768</b>
Net fair value gains on investments	14	70,642	-36,155
Financing costs	8	-1,293	1,806
<b>Total change in net position</b>		<b>763,059</b>	<b>624,714</b>

**STATEMENT OF NET POSITION**

The figures are in EUR thousand.

Assets	Note	31 Dec 2023	31 Dec 2022
<b>Non-current assets</b>			
Property, plant and equipment	<a href="#">9</a>	3,210	3,365
Intangible assets	<a href="#">10</a>	872	2,581
<b>Total non-current assets</b>		<b>4,083</b>	<b>5,946</b>
<b>Current assets</b>			
Receivables from unemployment insurance contributions	<a href="#">11</a>	16,158	13,626
Accruals of unemployment insurance contributions	<a href="#">11</a>	730,652	701,769
Other receivables	<a href="#">13</a>	108,567	96,348
Investment assets	<a href="#">15</a>	1,652,468	1,660,524
Cash and cash equivalents	<a href="#">16</a>	216,479	224,711
<b>Total current assets</b>		<b>2,724,324</b>	<b>2,696,977</b>
<b>Total assets</b>		<b>2,728,407</b>	<b>2,702,923</b>

Net position and liabilities	Note	31 Dec 2023	31 Dec 2022
<b>NET POSITION</b>			
For previous periods		1,257,977	633,263
For the period		763,059	624,714
<b>Total net position</b>		<b>2,021,036</b>	<b>1,257,977</b>
<b>Non-current liabilities</b>			
Bonds	<a href="#">17</a>	598,638	598,205
<b>Total non-current liabilities</b>		<b>598,638</b>	<b>598,205</b>
<b>Current liabilities</b>			
Loans	<a href="#">17</a>	0	700,404
Unemployment insurance contribution liabilities	<a href="#">11</a>	1,444	1,533
Other liabilities	<a href="#">18</a>	107,289	144,805
<b>Total current liabilities</b>		<b>108,733</b>	<b>846,741</b>
<b>Total liabilities</b>		<b>707,371</b>	<b>1,444,946</b>
<b>Total net position and liabilities</b>		<b>2,728,407</b>	<b>2,702,923</b>



**STATEMENT OF CASH FLOWS**

The figures are in EUR thousand.

<b>Cash flows</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Unemployment insurance contributions collected	3,516,887	3,484,581
Benefits paid	-2,856,752	-2,901,148
Interests paid	-5,531	-2,186
<b>Net cash flow from ordinary operations</b>	<b>654,603</b>	<b>581,247</b>
<b>Cash flows from investments</b>		
Purchases of intangible assets	-212	-971
Investments in financial instruments	-3,794,334	-2,954,750
Sales of investment instruments and realised income	3,831,681	2,307,437
<b>Net cash flow from investments</b>	<b>37,136</b>	<b>-648,283</b>
Loans withdrawn and repaid	-699,971	-578
<b>Net cash flow from financing activities</b>	<b>-699,971</b>	<b>-578</b>
Net increase/decrease in cash and cash equivalents	-8,232	-67,615
Cash and cash equivalents at the beginning of the financial period	224,711	292,326
<b>Cash and cash equivalents at the end of the financial period</b>	<b>216,479</b>	<b>224,711</b>

# Notes to the financial statements

## Accounting policies of the financial statements

### 1 GENERAL INFORMATION

Employment Fund ('the Fund') (business identity code 1098099-7), established in 2019 by law, is an independent institution managed by labour market parties and supervised by the Ministry of Social Affairs and Health and the Financial Supervisory Authority. Its main task is 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 and transition security contribution. The Fund also grants and pays employer's training compensations. The training compensation is based on the Act on Compensations for Training (1140/2013). 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 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 2023. 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 17 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 judgments 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 determines and collects 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 per year based on the earnings payment data for the three preceding calendar months. Unemployment insurance contribution income is recognised in the financial statements on an accrual basis, and the unemployment insurance contribution income for the final quarter of the year is recognised in the balance sheet under prepayments and accrued income.

### Employer's liability components and transition security contributions

Employment Fund determines and collects liability components from employers. The liability component applies to employers whose payroll, serving as the basis for the calculation of the unemployment insurance contribution, exceeds the minimum level of EUR 2,251,500 (in 2023). An employer may be obligated to pay the 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.

The statutory transition security scheme entered into force in January 2023. Employment Fund can collect the transition

security contribution from an employer dismissing an employee on production-related or financial grounds if the employee in question has reached the age of 55 and has been employed by the employer in question for at least five years. The transition security contribution applies to large employers whose payroll on which the unemployment insurance contributions are based exceeds a specific minimum level in the year preceding the date of dismissal. In 2023, the minimum level stood at EUR 2,251,500.

The additional days of unemployment allowance will soon be abolished. The persons born in 1964 are the last age group eligible for the additional days. This also means that the employer will no longer be obliged to pay a liability component for employees that they have dismissed or laid off. This means that the transition period

for the liability component will end by the year 2035.

Transition security is intended for employees aged 55 or over dismissed on production-related or financial grounds, and it contains a transition security allowance, right to training and an extended job search leave. The transition security training is provided by the Employment and Economic Development Office and it corresponds to the maximum of two months' salary of the dismissed employee. The transition security allowance is paid by the unemployment fund or the Social Insurance Institution of Finland and it corresponds to one month's salary of the dismissed employee.

Employment Fund will finance the transition security scheme with a transition security contribution collected from the employer. The contribution comprises two

parts of equal size: a common part and a portion collected from the employer dismissing the employee. The common part is collected from all employers by raising the unemployment insurance contribution. A common part of 0.03 percentage points is included in the unemployment insurance contributions collected by Employment Fund from employers. The contributions collected from individual employers are recognised in the results for the financial period on an accrual basis under the account category 'Liability component and transition security contribution'. The non-invoiced part of the contributions is recognised in the balance sheet under prepayments and accrued income.

**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 judgment 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 unemployment fund either as a receivable or liability in its accounts. This accrual is recognised by benefit type. The transition security allowance was added to the benefit types offered by the unemployment funds from the start of 2023. Transition security is used to finance expenses arising from the transition security allowance intended for dismissed employees aged 55 and over.

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 2023, 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 ministries and the expenditures paid to the unemployment funds have been recognised in amounts corresponding to the benefit

payments made by the funds to their customers. The Ministry of Social Affairs and Health will approve the financial statements of the unemployment funds on the basis of final information in summer 2024, 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 the interest on them**

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, and the difference between the final payment and payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, in the following year's financial statements. The revised payment for the year and the equalisation payment for the previous year have been specified in the notes to the financial statements.

The Finnish Centre for Pensions assigns interest on the charges imposed on 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 unemployment funds**

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 Statistics 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 the Social Insurance Institution of Finland during the financial period. The transition security allowance was added to the benefits financed from 1 January 2023. Transition security is used to finance expenses arising from the transition security of dismissed employees aged 55 and over who are not members of unemployment funds.



**Adult education benefits**

Employment Fund grants and pays adult education allowances 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.

**Transition security training**

The transition security scheme that entered into force from the start of 2023 includes transition security training for employees aged 55 and over dismissed on production-related or financial grounds. Employment Fund is responsible for financing the training. Employees covered by transition security are eligible for transition security training corresponding to pay of two months purchased by a TE Office. The Development and Administration Centre for ELY Centres and TE Offices (KEHA) compiles the information on training expenses and invoices them on a quarterly basis from Employment Fund in accordance with actual costs.

**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 value 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 value. 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 value 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. IFRS 9 specifies how an entity should classify and measure financial assets. It also includes a model for impairment charges based on expected losses and general requirements for hedge accounting. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at amortised cost, those measured at fair value through other comprehensive income and those measured at fair value through profit and loss. For financial liabilities, the standard retains most of

the IAS 39 requirements. 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 13.

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 determined 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 2023.

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

Employment Fund may make investments directly, or indirectly through investment funds. At the end of the review period, 17% (31 Dec 2022: 14%) of the investments were indirect.



On 31 December 2023 and 31 December 2022, the market risks for the investments were as follows:

Investment item, 31 Dec 2023	Risk, per cent	Capital, EUR thousand	Risk, EUR thousand
Bank deposits	0.50%	247,468	1,237
Money market	1.00%	572,186	5,722
State and municipal bonds	4.00%	419,124	16,765
Bank bonds	4.50%	289,759	13,039
Corporate bonds	5.00%	249,064	12,453
Equities	25.00%	38,997	9,749
Alternative investments	10.00%	83,333	8,333
<b>Total risk</b>	<b>3.54%</b>	<b>1,899,931</b>	<b>67,298</b>

Investment item, 31 Dec 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
<b>Total risk</b>	<b>3.09%</b>	<b>1,878,632</b>	<b>58,019</b>

The total risk was 3.54% (31 Dec 2022: 3.09%) of the Fund's assets and 1.9% (31 Dec 2022: 1.7%) of the Fund's income in 2023. The risk posed by the investment portfolio is moderate due to its conservative structure and moderately low risk level of the securities in the portfolio.

All money market investments carry variable interest rates (31 Dec 2022: 100%). Of the bonds, 7% (31 Dec 2022: 8%) 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 2023, the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other variables remained constant, the total change in net position would have been EUR 9.8 million (31 Dec 2022: EUR 9.4 million) smaller. Respectively, if on 31 December 2023 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 EUR 9.8 million (31 Dec 2022: EUR 9.4 million) higher.

**Credit risk**

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in banks in the Nordic countries that 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 review period was 1.63 years (31 Dec 2022: 1.28 years).

The average credit rating of the investment portfolio is evaluated on Standard & Poors' rating scale, which is based on historical probabilities of credit losses. The investment portfolio credit rating is estimated to be approx. BBB+ on 31 December 2023 (31 Dec 2022: BBB+).

The Fund's investments mainly consist of state and bank bonds as well as money market investments. 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 following table describes Employment Fund's fixed-income investments and credit-worthiness by group.

Investments distributed by the issuer's rating	31 Dec 2023, EUR thousand	31 Dec 2023, per cent	31 Dec 2022, EUR thousand	31 Dec 2022, per cent
AAA	272,696	15.3%	112,814	6.4%
AA+	250,698	14.1%	130,509	7.4%
AA	13,148	0.7%	7,391	0.4%
AA-	404,829	22.8%	555,907	31.5%
A+	174,641	9.8%	348,434	19.7%
A	77,990	4.4%	47,589	2.7%
A-	91,922	5.2%	145,574	8.2%
BBB+	106,350	6.0%	102,284	5.8%
BBB	213,420	12.0%	176,883	10.0%
BBB-	82,110	4.6%	67,250	3.8%
BB+	29,363	1.7%	40,965	2.3%
BB	9,196	0.5%	4,678	0.3%
BB-	4,959	0.3%	0	0.0%
B+	0	0.0%	0	0.0%
B	215	0.0%	0	0.0%
B-	0	0.0%	0	0.0%
CCC+	0	0.0%	0	0.0%
CCC	0	0.0%	0	0.0%
NR	46,061	2.6%	27,280	1.5%
<b>Total</b>	<b>1,777,598</b>	<b>100.0%</b>	<b>1,767,560</b>	<b>100.0%</b>

The amount of Employment Fund's unemployment insurance contribution receivables, liability component receivables, ECA receivables, and interest receivables, are included in the credit risk. The most important factor in the realisation of the aforementioned credit risk is related to cases in which customers liable for paying unemployment insurance contributions become insolvent (due to bankruptcy, corporate restructuring or debt restructuring).

In 2023, the number of corporate restructurings and bankruptcies increased substantially, compared to 2022. Businesses declared bankrupt in 2023 included a large number of construction companies with wage payments subject to unemployment insurance contributions. This was also reflected in the workload of Employment Fund's collection activities, which increased by about 35% from 2022. However, this has not yet had any corresponding impact on the effectiveness of the Fund's collection process. Especially in corporate restructurings, several years will pass before it becomes clear whether or not the payment plans have been realistic. The

actual credit losses on unemployment insurance contributions in 2023 totalled EUR 4.6 (4.0) million.

### 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, in fixed-income investments with less than one year's maturity, the Fund keeps an amount that covers at least one month's expenses. When the liquidity buffer decreases below this limit, the Fund can also use short-term borrowing to cover the temporary liquidity deficit. For this purpose, the Fund also has a EUR 300 million commercial paper programme (31 Dec 2022: EUR 300 million). In addition, the Fund also has EUR 600 million in committed revolving credit facilities (RCF) with four banks (31 Dec 2022: EUR 600 million). The commercial paper programme and the revolving credit facilities remained unused at the end of 2023 (31 Dec 2022: commercial papers with a value of EUR 100 million were in use).

The figures in the tables are in EUR million.

Unused committed revolving credit facilities	31 Dec 2023	31 Dec 2022
RCF due in more than one year	600	600
<b>Total</b>	<b>600</b>	<b>600</b>

Unused uncommitted revolving credit facilities	31 Dec 2023	31 Dec 2022
Commercial paper programme	300	200
<b>Total</b>	<b>300</b>	<b>200</b>

Employment Fund has also taken measures to safeguard its debt financing capacity by means of credit ratings. The Fund has the following issuer credit ratings as confirmed by Standard & Poors (4 July 2023):

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

Employment Fund also secured its liquidity through debt financing during 2023. At the end of the review period, EUR 600 million in bonds (31 Dec 2022: EUR 1,200 million) and EUR 0 million in commercial papers (31 Dec 2022: EUR 100 million) were in use. No short-term bank loans were in use on 31 December 2023 (31 Dec 2022: EUR 0 million).

### Fixed interest rate periods for loans

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

Loans, 31 Dec 2023	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2027	600	3.46	0.01%	16 June 2027	AA+
<b>Total</b>	<b>600</b>	<b>3.46</b>			

Loans, 31 Dec 2023	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
<b>Total</b>	<b>1,300</b>	<b>2.28</b>			

### Maturities 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.

Financial liabilities, 31 Dec 2023	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	2,319	0	0	0	2,319	2,319
Loans	60	0	120	600,060	600,240	598,638
Liabilities associated with right-of-use assets	377	375	1,482	1,446	3,680	3,419
<b>Total</b>	<b>2,756</b>	<b>375</b>	<b>1,602</b>	<b>601,506</b>	<b>606,239</b>	<b>604,376</b>

Financial liabilities, 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	346	346	1,372	2,047	4,111	3,588
<b>Total</b>	<b>701,287</b>	<b>346</b>	<b>1,492</b>	<b>602,167</b>	<b>1,305,292</b>	<b>1,303,077</b>

#### 4.2 Business cycle buffer

Under section 3 of the Act on the Financing of Unemployment Benefits, Employment Fund maintains a business cycle buffer to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy. When the decision on the level of unemployment insurance contributions is made, the forecast for the business cycle buffer may by law exceed the maximum amount of assets over two years during a three-year review period in order to ensure a steady payment trend. In that case, however, unemployment insurance contributions may not be set higher than in the previous year. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements. 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.

<b>Business cycle buffer</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Amount	2,021	1,258
Maximum amount	1,861	1,868
Minimum amount	-1,861	-1,868

## 5 UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The figures are in EUR thousand.

Unemployment insurance contributions by contribution type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Employer's unemployment insurance contributions</b>		
Employer's insurance contributions	1,409,566	1,323,956
Training compensation reimbursements	-10,244	-8,765
Training compensation settlements paid by the Ministry of Finance	10,244	8,765
Employer's insurance contributions, co-owners	2,012	2,021
<b>Total</b>	<b>1,411,578</b>	<b>1,325,977</b>
<b>Employee's unemployment insurance contributions</b>		
Employee's insurance contributions	1,486,405	1,420,828
Employee's insurance contributions, co-owners	2,876	2,979
<b>Total</b>	<b>1,489,281</b>	<b>1,423,808</b>
<b>Collection fee income and credit losses</b>		
Interest on overdue employer contributions	513	299
Interest on overdue employee contributions	502	330
Collection fee income	439	275
<b>Total</b>	<b>1,455</b>	<b>905</b>
<b>Employer's liability components and transition security contributions</b>		
Liability components	15,637	19,595
Transition security contributions	5,970	0
Accruals	-1,188	2,729
<b>Total</b>	<b>20,419</b>	<b>22,324</b>

Unemployment insurance contributions by contribution type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Deductions under the Employment Contracts Act (ECA)</b>		
Deductions and lay-off income under ECA	915	974
Settlement to the Ministry of Social Affairs and Health	-538	-489
<b>Total</b>	<b>377</b>	<b>484</b>
<b>Contributions from the Ministry of Social Affairs and Health</b>		
Earnings-related unemployment allowance	690,817	703,550
Job alternation compensation	10,507	11,012
Equalisation payment for the previous year	-1,056	-121
Adult education benefits	4,084	2,892
<b>Total</b>	<b>704,352</b>	<b>717,334</b>
<b>Total unemployment insurance contributions</b>	<b>3,627,462</b>	<b>3,490,831</b>



## 6 FINANCING CONTRIBUTIONS PAID

The figures are in EUR thousand.

Financing contributions	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Employment Fund contributions paid to unemployment funds</b>		
Other earnings-related unemployment allowance	-653,539	-684,505
Additional days of allowance	-147,060	-138,902
Transition security allowance	-5,037	0
Lay-off allowance	-270,200	-191,114
Job alternation compensation	-13,358	-14,481
Compensation for administrative expenses	-10,873	-10,732
Equalisation payment for the previous year	1,615	822
<b>Total</b>	<b>-1,098,453</b>	<b>-1,038,912</b>
<b>Government contribution paid to unemployment funds</b>		
Other earnings-related unemployment allowance	-676,196	-688,419
Job alternation compensation	-10,507	-11,012
Unemployment allowance/entrepreneurs	-6,261	-6,963
Compensation for administrative expenses	-8,360	-8,169
Equalisation payment for the previous year	1,056	386
<b>Total</b>	<b>-700,268</b>	<b>-714,176</b>

Financing contributions	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Finnish Centre for Pensions</b>		
Equalisation payment for the previous year	31,310	36,872
Payment for the current financial period	-631,000	-633,000
<b>Total</b>	<b>-599,690</b>	<b>-596,128</b>
<b>State Pension Fund</b>		
Equalisation payment for the previous year	378	505
Payment for the current financial period	-7,942	-8,570
<b>Total</b>	<b>-7,564</b>	<b>-8,065</b>

<b>Financing contributions</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
<b>Social Insurance Institution of Finland</b>		
Equalisation payment for the previous year	29	1
Basic allowance, additional component, employment programme additional benefit	-262,910	-242,700
Social Insurance Institution of Finland, transition security	-65	0
<b>Total</b>	<b>-262,947</b>	<b>-242,699</b>
<b>Adult education benefits</b>		
Scholarships for qualified employees	-11,827	-11,467
Adult education allowances	-189,303	-177,871
Collection expenses for benefits	-5	-8
<b>Total</b>	<b>-201,135</b>	<b>-189,347</b>
<b>Ministry of Economic Affairs and Employment</b>		
Equalisation payment for the previous year	0	0
Payment for the current financial period	-29,779	-19,786
Transition security from the Development and Administration Centre for ELY Centres and TE Offices	-381	0
<b>Total</b>	<b>-30,159</b>	<b>-19,786</b>
<b>Member State invoicing for unemployment allowances</b>		
Invoiced by Member States	-52	-61
Invoiced by the Fund	43	92
<b>Total</b>	<b>-9</b>	<b>31</b>
<b>Total financing contributions paid</b>	<b>-2,900,224</b>	<b>-2,809,083</b>

## 7 ADMINISTRATIVE EXPENSES

The figures are in EUR thousand.

Administrative expenses by expense type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Personnel expenses</b>		
Salaries, bonuses, and benefits	-10,073	-8,474
Pension expenses – defined contribution plans	-1,730	-1,494
Social security expenses	-395	-297
<b>Total</b>	<b>-12,198</b>	<b>-10,265</b>
<b>Other administrative expenses</b>		
IT expenses	-7,798	-3,258
Other personnel expenses	-763	-450
Expenses for office premises	-109	-232
Office expenses	-1,751	-1,528
Other expenses	-8,450	-4,177
Amortisation	-2,361	-2,689
<b>Total</b>	<b>-21,231</b>	<b>-12,335</b>
<b>Auditor's fee</b>		
Statutory audit	-98	-85
<b>Total</b>	<b>-98</b>	<b>-85</b>
<b>Total administrative expenses</b>	<b>-33,528</b>	<b>-22,685</b>

Number of personnel	31 Dec 2023	31 Dec 2022
Permanent employees	168	151
Fixed-term employees	7	16
<b>Total</b>	<b>175</b>	<b>167</b>

## 8 FINANCING COSTS

The figures are in EUR thousand.

Financing costs by expense type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Loan financing expenses</b>		
Revolving credit facility fees	-899	-1,400
Accrued expenses from loans	-163	-262
Interest expenses from loans	11	690
<b>Total loan financing expenses</b>	<b>-1,051</b>	<b>-972</b>
Interest on the contributions paid to the Finnish Centre for Pensions	-394	2,673
Interest on the contributions paid to the State Pension Fund	151	106
<b>Total financing costs</b>	<b>-1,293</b>	<b>1,806</b>

## 9 PROPERTY, PLANT AND EQUIPMENT

The figures are in EUR thousand.

Changes in property, plant and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2023	3,933	3,933
Additions	498	498
<b>Acquisition costs, 31 Dec 2023</b>	<b>4,431</b>	<b>4,431</b>
Accumulated depreciation, 1 Jan 2023	568	568
Depreciation during the period	653	653
<b>Accumulated depreciation, 31 Dec 2023</b>	<b>1,221</b>	<b>1,221</b>
<b>Book value, 1 Jan 2023</b>	<b>3,365</b>	<b>3,365</b>
<b>Book value, 31 Dec 2023</b>	<b>3,210</b>	<b>3,210</b>

Changes in property, plant and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2022	3,735	3,735
Additions	198	198
<b>Acquisition costs, 31 Dec 2022</b>	<b>3,933</b>	<b>3,933</b>
Accumulated depreciation, 1 Jan 2022	0	0
Depreciation during the period	568	568
<b>Accumulated depreciation, 31 Dec 2022</b>	<b>568</b>	<b>568</b>
<b>Carrying value, 1 Jan 2022</b>	<b>3,735</b>	<b>3,735</b>
<b>Carrying value, 31 Dec 2022</b>	<b>3,365</b>	<b>3,365</b>

**10 INTANGIBLE ASSETS**

The figures are in EUR thousand.

Changes in intangible assets	Software	Software development expenses	Intangible assets in progress*	Total
Acquisition costs, 1 Jan 2023	910	13,892	1,088	15,891
Additions	0	0	0	0
Transfers between items	0	1,088	-1,088	0
<b>Acquisition costs, 31 Dec 2023</b>	<b>910</b>	<b>14,981</b>	<b>0</b>	<b>15,891</b>
Accumulated depreciation, 1 Jan 2023	897	12,412	0	13,309
Depreciation during the period	13	1,695	0	1,708
<b>Accumulated depreciation, 31 Dec 2023</b>	<b>910</b>	<b>14,107</b>	<b>0</b>	<b>15,017</b>
<b>Book value, 1 Jan 2023</b>	<b>13</b>	<b>1,479</b>	<b>1,088</b>	<b>2,581</b>
<b>Book value, 31 Dec 2023</b>	<b>0</b>	<b>872</b>	<b>0</b>	<b>872</b>

Changes in intangible assets	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
<b>Acquisition costs, 31 Dec 2022</b>	<b>910</b>	<b>13,892</b>	<b>1,088</b>	<b>15,891</b>
Accumulated depreciation, 1 Jan 2022	856	10,331	0	11,187
Depreciation during the period	41	2,081	0	2,122
<b>Accumulated depreciation, 31 Dec 2022</b>	<b>897</b>	<b>12,412</b>	<b>0</b>	<b>13,309</b>
<b>Book value, 1 Jan 2022</b>	<b>54</b>	<b>3,560</b>	<b>0</b>	<b>3,614</b>
<b>Book value, 31 Dec 2022</b>	<b>13</b>	<b>1,479</b>	<b>1,088</b>	<b>2,581</b>

\* The item 'Intangible assets in progress' consists of capitalised development costs, giving rise to an internally generated intangible asset. There were no capitalised development costs in 2023.

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

The figures are in EUR thousand.

<b>Receivables from unemployment insurance contributions</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Receivables from employer's unemployment insurance contribution	13,948	11,768
Receivables from employer's unemployment insurance contribution, credit loss provision	-2,119	-1,856
Receivables from employee's unemployment insurance contribution	7,774	7,363
Receivables from employee's unemployment insurance contribution, credit loss provision	-4,412	-4,209
Overdue contribution and collection fee receivables	1,377	1,065
Overdue contribution and collection fee receivables, credit loss provision	-410	-505
<b>Receivables from unemployment insurance contributions</b>	<b>16,158</b>	<b>13,626</b>
Deferred unemployment insurance contribution receivables	730,652	701,769
<b>Total unemployment insurance contribution receivables</b>	<b>746,810</b>	<b>715,394</b>

<b>Unemployment insurance contribution liabilities</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Prepayments	290	401
Refunds	1,154	1,132
<b>Total unemployment insurance contribution liabilities</b>	<b>1,444</b>	<b>1,533</b>

**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.

Changes in expected credit losses	Receivables from employer's unemployment insurance contribution	Receivables from employee's unemployment insurance contribution	Overdue contribution and collection fee receivables for unemployment insurance contributions	Liability component and receivables specified in ECA	Adult education benefits to be recovered	Total
1 Jan 2023	-1,856	-4,209	-505	-457	-156	-7,183
Change	-263	-203	95	186	-65	-250
<b>31 Dec 2023</b>	-2,119	-4,412	-410	-271	-221	-7,433

Changes in expected credit losses	Receivables from employer's unemployment insurance contribution	Receivables from employee's unemployment insurance contribution	Overdue contribution and collection fee receivables for unemployment insurance contributions	Liability component and receivables specified in ECA	Adult education benefits to be recovered	Total
1 Jan 2022	-2,654	-5,442	-600	-297	-139	-9,132
Change	798	1,233	95	-160	-17	1,949
<b>31 Dec 2022</b>	-1,856	-4,209	-505	-457	-156	-7,183



**13 OTHER RECEIVABLES**

The figures are in EUR thousand.

<b>Current other receivables</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Receivables from unemployment funds	28,948	30,995
Transition security receivables	3,080	0
Finnish Centre for Pensions, capital accruals	0	25,500
Finnish Centre for Pensions, compensatory interest	11,853	8,211
Education allowance receivables	1,474	1,875
Adult education benefits, credit loss provision	-221	-156
Receivables from the Government related to training compensation	0	3
Employer's liability component receivables and compensation under the Employment Contracts Act	939	2,302
Liability component and receivables specified in ECA, credit loss provision	-271	-457
Receivables from the State Pension Fund	151	1,343
Receivables from the Ministry of Social Affairs and Health	1,326	292
Receivables from the Social Insurance Institution of Finland	17,514	24,341
Prepayments	776	1,020
Securities in settlement	42,979	20
Tax assets	17	10
Pay security (Ministry of Economic Affairs and Employment)	0	1,049
<b>Total current other receivables</b>	<b>108,567</b>	<b>96,348</b>

**14 NET FAIR VALUE GAINS FROM INVESTMENTS**

The figures are in EUR thousand.

<b>Types of income and expenses</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Dividend income	2,438	1,753
Gains on disposals	6,528	5,263
Other income	4,381	671
Net interest income	29,859	7,034
Net foreign exchange gains	0	391
Net change in value	36,768	-35,402
Losses on disposals	-9,034	-15,667
Other expenses	-298	-199
<b>Total net gains on investments</b>	<b>70,642</b>	<b>-36,155</b>

## 15 INVESTMENT ASSETS

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

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

**Level 2** The inputs used in valuations are also based, either directly or indirectly, on 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.

**Investments by financial instrument class 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.

<b>Financial instrument classes, 31 Dec 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
State and municipal bonds	419,124	29,828	0	448,952
Bank bonds	279,951	0	0	279,951
Corporate bonds	234,375	0	0	234,375
Investments in funds and equities	177,513	13,810	0	191,323
Mezzanine funds	0	0	829	829
Deposits	0	62,180	0	62,180
Certificates of deposit	0	154,908	0	154,908
Municipal papers	0	19,452	0	19,452
Commercial papers	0	177,994	0	177,994
Alternative investments	0	0	82,504	82,504
<b>Total</b>	<b>1,110,963</b>	<b>458,172</b>	<b>83,333</b>	<b>1,652,468</b>

<b>Financial instrument classes, 31 Dec 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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 equities	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
<b>Total</b>	<b>791,997</b>	<b>793,568</b>	<b>74,958</b>	<b>1,660,524</b>

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

Financial instrument classes	1 Jan 2023	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2023
Mezzanine funds	1,030	218	0	2	-421	829
Alternative investments	73,928	-4,061	51	12,637	-51	82,504
<b>Total</b>	<b>74,958</b>	<b>-3,843</b>	<b>51</b>	<b>12,639</b>	<b>-472</b>	<b>83,333</b>

Financial instrument classes	1 Jan 2022	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2022
Mezzanine funds	1,988	-130	0	17	-845	1,030
Alternative investments	40,877	2,312	0	30,739	0	73,928
<b>Total</b>	<b>42,865</b>	<b>2,182</b>	<b>0</b>	<b>30,756</b>	<b>-845</b>	<b>74,958</b>

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. Alternative investments are investment funds. Investment funds have been measured at the net asset value of the fund as reported by the fund manager as of the reporting date, and they have been classified as Level 1, 2 or 3 assets by their market activity and marketability.

Equity investments are quoted on the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor. No reclassifications have been made between levels during the financial period.

**16 CASH AND CASH EQUIVALENTS**

The figures are in EUR thousand.

Cash and cash equivalents	31 Dec 2023	31 Dec 2022
Bank deposits	216,479	224,711
<b>Total cash and cash equivalents</b>	<b>216,479</b>	<b>224,711</b>

**17 LOANS**

The figures are in EUR thousand.

Long-term loans	31 Dec 2023	31 Dec 2022
Employment Fund bonds	598,638	598,205
<b>Total long-term loans</b>	<b>598,638</b>	<b>598,205</b>

Short-term loans	31 Dec 2023	31 Dec 2022
Employment Fund bonds	0	600,358
Commercial papers	0	100,046
<b>Total short-term loans</b>	<b>0</b>	<b>700,404</b>

**18 OTHER LIABILITIES**

The figures are in EUR thousand.

Other liabilities	31 Dec 2023	31 Dec 2022
Accounts payable	2,319	881
Accruals	12,574	7,112
Accruals of adult education allowance	18,593	16,290
Accruals of liability component income	9,668	8,482
Finnish Centre for Pensions, capital accruals	3,000	0
Finnish Centre for Pensions, debiting interest	11,975	6,299
Ministry of Economic Affairs and Employment, pay security accruals	29,779	20,835
Ministry of Social Affairs and Health, liability	0	72,788
ECA Ministry share	540	534
Administrative expense accruals	1,009	439
Liabilities to unemployment funds	8,866	2,641
Holiday pay accruals	1,378	1,213
Lease liability	3,419	3,588
Adult education benefits, withholding tax liability	4,137	3,733
Interest accruals	33	-29
<b>Total other liabilities</b>	<b>107,289</b>	<b>144,805</b>

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

The figures are in EUR thousand.

Investment commitments	31 Dec 2023	31 Dec 2022
Committed capital	5,250	5,250
Realised	-5,058	-5,056
<b>Total investment commitments</b>	<b>192</b>	<b>194</b>

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 three cars on non-cancellable lease contracts. The remaining lease periods for the cars are 10 months, 2 years and 8 months, and 2 years and 11 months. On the balance sheet date, there are 2 years and 3 months remaining on the lease of the office and warehouse premises, after which the contract becomes cancellable and subject to a notice period of 9 months. Some of the office's premises can be released by cancelling the respective part of the contract effective 31 December 2024. The Fund also has a subordinated right to lease vacant premises under the terms of the lease contract.



## 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 2023.

The salaries, bonuses and benefits paid to the related parties are summarised in the table below. 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.

<b>Fees and other benefits paid to the Board of Directors and the Supervisory Board</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Salaries, bonuses, and benefits	158	152
Pension expenses – defined contribution plans	28	28
<b>Total</b>	<b>185</b>	<b>180</b>

<b>Remuneration of the Management Group members (excluding the Managing Director)</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Salaries, bonuses and benefits	546	568
Pension expenses – defined contribution plans	97	100
<b>Total</b>	<b>643</b>	<b>668</b>

<b>Managing Director's salaries and bonuses</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Salaries, bonuses and benefits	188	179
Pension expenses – defined contribution plans	33	31
<b>Total</b>	<b>221</b>	<b>209</b>



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

Helsinki 27 February 2024

Pekka Piispanen,  
chairVesa Rantahalvari,  
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 28 February 2024

KPMG Oy Ab  
Marcus Tötterman  
Authorised Public Accountant,  
KHT

# Auditor's report

## To the Supervisory Board of Employment Fund

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Employment Fund (business identity code 1098099-7) for the financial period

1 January–31 December 2023. The financial statements comprise the statement of net position, the statement of changes in net position and statement of cash flows and notes including the material information on the 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 judgement, 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 point (c) of Article 10(2) of EU Regulation No 537/2014 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.

Key audit matters	How the matter was addressed in the audit
<b>Determination and collection of unemployment insurance contributions (accounting policies and note 5 to the financial statements)</b>	
<ul style="list-style-type: none"> <li>• The determination and collection of unemployment insurance contributions by 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 2023, amounted to EUR 3.6 billion.</li> <li>• The unemployment insurance contributions must be determined in such a way so that Employment Fund is able to meet the obligations being responsible for. Unemployment insurance contributions are determined once per calendar year, in the preceding year.</li> <li>• Employment Fund determines the contribution amounts and makes the prepayment decisions, and collects the prepayments based on the contribution rates approved by Parliament and payroll data reported by employers to the Incomes Register.</li> <li>• Employment Fund monitors defaults concerning the obligation to pay unemployment insurance contributions.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Our audit has included assessing the process to determine the unemployment insurance contributions and evaluating the control environment.</li> <li>• We have evaluated the process of invoicing, collecting and managing unemployment insurance contributions and have performed substantive testing on chains of transactions.</li> <li>• We have assessed and tested the controls for determining and receiving contributions and for monitoring of payments received.</li> <li>• We have verified the correctness of the relevant contribution rates applied in Employment Fund's system environment.</li> <li>• 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.</li> <li>• 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.</li> </ul>

**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 it 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 judgement and maintain professional scepticism 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 the 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 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 28 February 2024**

KPMG OY AB

Marcus Tötterman

Authorised Public Accountant, KHT



Työllisyysrahasto

Sysselsättningsfonden | Employment Fund