



FINANCIAL REPORT

2019

Unédic

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SUMMARY

MANAGING DIRECTOR'S MANAGEMENT REPORT

CHARACTERISTICS OF 2019

Growth in France slowed down markedly in 2019: gross domestic product (GDP) grew by +1.2% (annual average), following +1.7% growth in 2018. Domestic demand (consumption and investment) became stronger and contributed 1.8 point to GDP growth. Changes in inventory contributed negatively (-0.4 point). Exports slowed down while imports increased, with foreign trade thereby negatively contributing to GDP growth by volume (-0.2 point).

Purchasing power of household gross disposable income decreased due to price acceleration. The household savings rate increased slightly, while the margin rate of non-financial companies increased significantly to 32.5%, which was tied to switch in 2019 from the competitiveness and employment tax credit (credit d'impôt pour la compétitivité et l'emploi (CICE)) to lower employer contributions, which temporarily improved company margins due to the combination of both measures in 2019.

The creation of jobs affiliated with the unemployment insurance scheme shot up: +210,000 jobs, up from 2018 numbers (+163,000 jobs). At the same time, growth of the gross average salary per capita dipped slightly (+1.6%, following +2.0% the year before). The wage bill, on which unemployment insurance contributions are based, increased by +3.1% in 2019, compared to +3.5% in 2018.

The unemployment rate as defined by the ILO and as measured by Insee stood at 8.1% at the end of 2019, its lowest level since 2008. The number of jobseekers who were required to take positive steps to seek work and who were unemployed (category A) also shrank over 2019: -137,000 individuals. The average number of jobseekers receiving benefits in the form of the back-to-work allowance (allocations de retour à l'emploi (ARE)), the back-to-work and training allowance (allocations de retour à l'emploi formation (AREF)), or career safeguarding benefits (allocations de sécurisation professionnelle (ASP)) from the unemployment insurance scheme (2.8 million on average in all of France) increased over the year (+0.2%).

The regulatory changes to the financing of unemployment insurance since 2018 have progressively changed the system's resources: financing for the unemployment insurance system is derived from earned income. Up until 2019, Unédic was financed by private sector employee and employer contributions. Since 2019, private sector salaries continue to finance over 85% of Unédic's revenues through employer contributions and the earned income based general social contribution (contribution sociale généralisée sur les revenus d'activité).



MANAGING DIRECTOR'S MANAGEMENT REPORT

| INCOME STATEMENT FOR THE FINANCIAL YEAR | | | |
|--|----------------|----------------|---------------|
| In € millions | 2018 | 2019 | % CHANGE |
| Main contributions and other financing | 37,138 | 38,666 | 4.1% |
| Special contributions | 457 | 439 | |
| Other income | 239 | 428 | |
| Total technical income | 37,834 | 39,533 | 4.5% |
| Back-to-work allowances (ARE) | -30,927 | -31,550 | 2.0% |
| Other benefits | -2,338 | -2,480 | |
| Redeployment benefits | -678 | -765 | |
| Validation of pension credits | -2,073 | -2,105 | |
| 10% Pôle emploi contribution | -3,419 | -3,521 | |
| Other expenses | -671 | -726 | |
| Total technical expense | -40,105 | -41,147 | 2.6% |
| Technical management result | -2,271 | -1,614 | -28.9% |
| Administrative management profit/loss | -33 | -31 | |
| Financial result | -365 | -334 | -8.5% |
| Extraordinary income | 13 | 11 | |
| Corporate income tax | -2 | -3 | |
| NET RESULT | -2,658 | -1,970 | -25.9% |

Principal contributions and other financings increased by 4.1%, through the effect of the increase in the affiliated wage bill in 2019 (+3.1%) and upward movement in earned income based GSC (+3.4%). Average growth of salaried employees in 2019 (+1.1%, after +1.5% in 2018) along with the increase in average per capita wages in 2019 (+1.6%, after +2.0% in 2018) support the wage bill uptrend.

Special contributions were down slightly, due to a decrease in the number of defaulting companies and decreased use of the career safeguarding contract. Other income (amounting to 428 million euros) rose, due to:

- ancillary income paid in respect of earned income based GSC (late payment fees, penalties, other);
- CCMSA adjustments based on the 2017 nominative social declaration in the amount of 32 million euros;
- reversals of provisions for doubtful receivables in the amount of 74 million euros; and
- the issue (postponed to 2019) of anterior repayment requests to Member States within the framework of European Regulation 883/2004.

Total technical income thus grew by 4.5% between 2018 and 2019.

Back-to-work benefits (ARE) increased by +2.0%, principally due to a 2.27% increase in the average daily benefit paid, which was offset by a 0.16% decrease in the number of days paid.

The average number of jobseekers receiving benefits dropped by 0.57%, decreasing from 2,761,448 average jobseekers receiving unemployment benefits in respect of at least one day in 2018 to 2,745,607 in 2019.

The other allowances (AREF and ASP, essentially) increased overall (6%), with a clear increase in AREF (+12%) and a 2% dip in ASP (decrease in number of days paid).

After taking the unemployment insurance scheme's contribution to Pôle emploi's operations into account (3.521 billion euros), technical management expense increased 2.6% between 2018 and 2019.

MANAGING DIRECTOR'S MANAGEMENT REPORT

Technical management result was in deficit by 1.614 billion euros, a comparative improvement to 2018's deficit of 2.271 billion, due to a stronger uptrend in contributions than in benefits paid and the effects of the 2017 convention.

After taking the administrative management result (-31 million euros), financial management result (-334 million euros), extraordinary income and tax on real estate rents, the net result amounts to a deficit of 1.970 billion euros.

Regarding the 2019 financing plan for the unemployment insurance scheme, Unédic raised an aggregate amount of 2.5 billion euros on the bond markets, in issues benefitting from an explicit guarantee by the French State.

CHANGE IN CASH BALANCE IN THE FINANCIAL YEAR

The net change in cash balance and in respect of the unemployment insurance scheme's transactions is negative by 1.238 million euros and is broken down as follows:

| In € millions | 31/12/2018 | 31/12/19 | 2019/2018 CHANGE |
|---|----------------|----------------|------------------|
| Bonds | -29,500 | -29,900 | -400 |
| Negotiable short-term securities (NEU CP) | -4,175 | -6,225 | -2,050 |
| Negotiable medium-term securities (NEU MTN) | -5,850 | -4,950 | 900 |
| Overdrafts | 0 | 0 | 0 |
| Investments | 2,835 | 3,000 | 165 |
| Bank balances | 1,159 | 1,260 | 102 |
| TOTAL | -35,531 | -36,815 | -1,283 |

The transition between change in the cash balance (-1,283 million euros) and the result for the financial year (-1,970 million euros) can be broken down as follows:

| NET RESULT TO CHANGE IN CASH BALANCE (in € million) | |
|--|---------------|
| Accounting loss for the 2019 financial year | -1,970 |
| Transactions with no effect on cash flows (increase in technical provisions) | 153 |
| Decreased need tied to the business cycle | 533 |
| 2019/2018 CHANGE IN CASH BALANCE | -1,283 |

The decrease in cash requirements is tied to the dynamic of improvement in the unemployment insurance system's accounts.

The negative net equity position, amounting to -35,227 million euros at the end of 2018, deteriorated by -1,970 million euros, due to losses in the 2019 financial year, reaching a negative net position of -37,197 million euros at 31 December 2019.

| in € millions | 2018 | 2019 |
|--------------------------------|----------------|----------------|
| Retained earnings and reserves | -32,569 | -35,227 |
| Result for the financial year | -2,658 | -1,970 |
| NET POSITION | -35,227 | -37,197 |

MANAGING DIRECTOR'S MANAGEMENT REPORT

The transition between the -37,197 million negative net equity position and the net debt position of -36,815 million euros (less balance sheet cash assets) breaks down as follows:

| FROM NET POSITION TO NET DEBT POSITION (in € millions) | |
|--|-----------------|
| NET POSITION AT 31/12/2019 | - 37,197 |
| Transactions with no effect on cash flow (financing capacity represented by the accumulated amortization and provisions at 31 December 2019) | 3,006 |
| Gross fixed assets at 31 December 2019 | -175 |
| Cash requirements represented by financing surplus operating receivables out of operating liabilities | -2,691 |
| Cash resources tied to accrued interest on borrowings and the staggering of deferred financial expenses (issue premiums, accrued interest, etc.) | 243 |
| NET DEBT POSITION AT 31 DECEMBER 2019 | - 36,815 |

THE CHANGE IN THE UNEMPLOYMENT INSURANCE SCHEME'S FINANCING

After employee contributions for unemployment insurance were subject to progressive exemptions in 2018, article 54 of French law no. 2018-771 of 5 September 2018 on the freedom to choose one's professional future eliminated employee unemployment insurance contributions starting 1 January 2019.

In order to neutralize the effects of doing away with employee contributions, article 26 of French law no. 2018-1203 of 22 December 2018 on the 2019 social security budget provided for the appropriation to Unédic of 1.47% of the earned income based GSC. A specific financial convention defines the implementation terms, and in particular the pace of payments by AcoSS. As a result, 14.3 billion euros were recorded in 2019, in line with an initial forecast of 14.26 billion euros. Since the trends in earned income based GSC and in the contribution bases used to calculate unemployment insurance contributions are very similar, the rate of 1.47% of earned income based GSC was applied in the 2020 social security budget law.

In addition, article 8 of the 2019 social security budget law extended four employer unemployment insurance contribution exemptions: LODEOM (LOi de DEveloppement de l'Outre-Mer), domestic workers, shipowners and seasonal agricultural workers (occasional workers-jobseekers). For Unédic, these exemptions represented 317 million euros, which were fully compensated for by the ministries in question. The terms for this compensation are defined in a framework agreement signed by the parties in question.

Finally, the 2019 social security budget law provided for extending the general reduction to unemployment insurance contributions starting 1 October 2019 for all employers, with the exception of certain special contracts, agricultural production, employers located in the overseas departments, Saint-Barthélemy and Saint-Martin which had already benefited from the reduction since 1 January 2019. AcoSS provided full compensation for the general reduction in unemployment insurance contributions. Thus, 943 million euros were recorded for 2019, in respect of an initial financial schedule of 1,298 million euros.

THE COST OF THE UNEMPLOYMENT INSURANCE SYSTEM'S DEBT

Unédic's indebtedness has been rising since 2008, increasing from 5 billion euros in 2008 to 36.8 billion euros at the end of 2019. This increase, which was generated over the course of a particularly long economic crisis, helped the unemployment insurance scheme maintain a benefit level equivalent to the levels guaranteed by the most protective of the European countries, without weighing down employees' purchasing power or labor costs.

MANAGING DIRECTOR'S MANAGEMENT REPORT

In view of the counter-cyclical role of the unemployment insurance scheme, Unédic borrows when the economic situation worsens, and therefore when interest rates are low. In recent years, the particularly favorable level of interest rates is explained by the European Central Bank (ECB)'s adoption of an accommodating monetary policy and by the social partners' ability to institute a funding strategy that is readily grasped by Unédic's investors and stakeholders.

The financing strategy phased in between 2009 and 2019 was designed to limit the impacts on interest expense of rising interest rates in a context of expanded borrowing by Unédic: the amount of annual loan repayments was limited to 10% of Unédic's revenues, resulting in average debt maturity of somewhat less than 6 years; all the borrowings are taken out at fixed rates and in euros, thereby mechanically limiting Unédic's exposure to market risks.

Borrowings issued under this strategy made it possible to limit borrowing costs. Thus, the average rate of interest paid on borrowings amounted to 0.91% at the end of 2019 and net financial expense for 2019 amounted to 334 million euros, i.e., less than 1% of revenues.

NET INDEBTEDNESS AT THE END OF THE YEAR AND FINANCIAL EXPENSE OVER THE 2014-2019 PERIOD (in € millions)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Net debt | 21,398 | 25,674 | 29,758 | 33,549 | 35,540 | 36,815 |
| Net financial expense | 295 | 301 | 324 | 352 | 365 | 334 |
| Net financial expense/net debt ratio | 1.38% | 1.17% | 1.09% | 1.11% | 1.03% | 0.91% |

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Covid-19 epidemic should have major consequences on the national and international macro-economic environment, on an unprecedented scale and that will be assessed in light of how the health crisis evolves and the gradual return to normal economic activity in all activity sectors.

The emergency health and economic measures taken (or that are planned to be taken) by the public authorities based on emergency French law no. 2020-290 of 23 March 2020 aimed at addressing the Covid-19 crisis and the various subsequent measures create unprecedented financing requirements for Unédic.

The impact can be felt both on revenues (through a lesser uptrend in revenues, and even a decrease in revenues due to the slowdown in salaried employment) and on expenditures (through a lower decrease in expenditures or an increase in expenditures due to a slowdown in the return to work due to the lockdown). This has already greatly deteriorated Unédic's financial situation, due to its expanded role as a social shock absorber (manager of the unemployment insurance system, and the financing of one-third of the wage subsidy scheme (activité partielle) expenditures), the amount of which will depend on how the health crisis evolves.

The exceptional program includes measures relating to the wage subsidy scheme and the back-to-work allowance (ARE), as well as operational measures in terms of collecting contributions and organizing the benefit payment service:

Wage subsidy scheme

In order to facilitate maintaining workers suffering the consequences of the health crisis, the public authorities decided to simplify the procedure for using the wage subsidy scheme (activité partielle), improve financial coverage, revisit the State (2/3) / Unédic (1/3) co-financing terms that remain to be adapted, and extend the program's benefits to new populations.



Back-to-work allowance (ARE) and other replacement income

In light of the fact that the effective date of the new methods for determining entitlement to the back-to-work allowance (ARE) (duration, amount, payment dates) were postponed to 1 September 2020, the corresponding rules resulting from the 14 April 2017 unemployment compensation convention and its implementing texts continue to apply until 1 September 2020. The new measures relating to the new method for calculating the daily reference salary, which were to have come into force on 1 April 2020, should reduce Unédic's 2020 expenditures by about 250 million euros. In addition, the period during which various replacement revenues are paid (various types of back-to-work allowances and solidarity allowances aimed specifically at casual workers in the entertainment industry) was extended in order to allow beneficiaries who were approaching the end of their entitlements to, starting 12 March 2020, extend the current entitlement payments at least until the end of the general lockdown.

Contributions

Exceptional measures within the Urssaf network are to be implemented to support employers, allowing them to postpone payment of their social security contributions for 3 months and by suspending forced collection proceedings.

Other effects and summary of financial impact estimates

As for expenditures, the financing of the wage subsidy scheme, the payment of benefits to 100% of beneficiary recipients holding short-term contracts, the reduction in unemployment exits due to the freeze in many economic activities, the extended payment of benefits to certain categories of jobseekers and, finally, additional expenditures (notably, payments to supplemental pension funds) are all measures whose most significant impacts on Unédic's expenditures are expected in the short term.

As for revenues, they will be impacted by the decrease in revenues from unemployment insurance contributions and the earned income based GSC and by the lag in employer contribution payments.

This exceptional program seeks to allow the unemployment insurance scheme to continue to play its role during this period – which is decisive for the French economy – as an economic and social stabilizer for households and companies. At the date of this report and since mid-March, the unemployment insurance scheme's budget balance deteriorated by 11.5 billion euros. Unédic expects that the deterioration in the system's cash position will continue at a lesser extent in subsequent months: the deficit is expected to stand at 25.7 billion euros at the end of 2020, due both to the increase in benefit expenditures and decreased revenues.

EFFECT ON THE UNEMPLOYMENT INSURANCE SCHEME'S DEBT LEVELS

Unédic's 2020 financing program was increased to help Unédic ensure the continuity of its unemployment insurance scheme management activities and to deploy emergency measures. In order to cover Unédic's cash requirements, on 26 March, Unédic's Bureau approved an increase in its short-term debt program, from 10 billion euros to 18 billion euros. The Bureau meeting held on 28 April increased the long-term bond issue program from 34 billion euros to 50 billion euros. In parallel, within the framework of the second 2020 budget amendment dated 25 April 2020, the French State's guarantee of Unédic's bond program increased from 2 billion euros to 10 billion euros.

In the first quarter of 2020, Unédic issued a new bond benchmark of 1.25 billion euros on the 10-year tenor (2030) and a realized a tap on the 8-year tenor (2028) amounting to 750 million euro. It also honored its 1.25 billion euros bond reimbursement due 5 March 2020.

Since the health crisis began, Unédic finalized and put in place a social bond framework aimed at future issuances under the medium- and long-term financing programs. Two issues, one through the NEU MTN program and one through the EMTN program, were successfully issued, allowing 8 billion euros to be raised and to secure financing over the short term.

Finally, short term debt outstanding (NEU CP) (formerly Billet de Trésorerie) increased by more than 10 billion euros since the beginning of the year.

This strategy allowed financing needs tied to the crisis (wage subsidy scheme, additional benefit expenditures, decreased revenues) to be addressed in the first half of 2020.

This crisis has had multiple effects and add to the scheme's indebtedness, which amounted to close to 37 billion euros at the end of 2019. The 25.7-billion-euro deficit expected for 2020, which is unprecedented in the unemployment insurance scheme's history, would increase indebtedness to 63.1 billion euros by the end of 2020.

Liquidity risk is constantly hedged by proactive liquidity management and access to diverse sources of financing, both long-term (EMTN program of an aggregate amount of 50 billion euros) and short-term (NEU MTN program of an aggregate amount of 10 billion euros and a NEU CP program of an aggregate amount of 18 billion euros).

Since 31 March, the social partners managing Unédic put a steering committee in place that includes representatives of the employment and training general delegation (Délégation générale à l'emploi et à la formation professionnelle (DGEFP)), Pôle emploi, and representatives of the Ministry of Economy and Finances. The purpose of the steering committee is to regularly monitor the wage subsidy scheme and unemployment compensation, and to exchange about changes to the programs, notably due to the financial impacts on Unédic.

The sustainability of the financing for the unemployment insurance scheme and the secured management of its financial trajectory allow the unemployment insurance scheme to continue to fully pay its role as a social and economic stabilizer.



FINANCIAL STATEMENTS

ASSOCIATION UNÉDIC – BALANCE SHEET ASSETS

| ASSETS (in € millions) | 2019 | | 2018 | |
|--------------------------|---------|----------------|---------|----------------|
| Fixed assets | | 55.8 | | 64.8 |
| Intangible fixed assets | | 0.3 | | 0.2 |
| Tangible fixed assets | | 36.2 | | 43.6 |
| Financial assets | | 19.4 | | 21.0 |
| Current assets | | 9,388.4 | | 9,145.5 |
| Receivables: | | 4,831.3 | | 4,895.3 |
| Beneficiaries | 468.1 | | 445.5 | |
| Affiliates | 4,363.1 | | 4,449.8 | |
| Other receivables | | 294.9 | | 255.0 |
| Marketable securities | | 3,000.1 | | 2,834.9 |
| Available cash | | 1,260.2 | | 1,158.7 |
| Prepaid expenses | | 1.9 | | 1.6 |
| Deferred expenses | | 31.0 | | 32.2 |
| Bond redemption premiums | | 98.7 | | 100.3 |
| TOTAL ASSETS | | 9,573.9 | | 9,342.8 |

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| ASSOCIATION UNÉDIC – BALANCE SHEET LIABILITIES | | | | | | |
|---|-------------|-----------|----------------|-------------|-----------|----------------|
| LIABILITIES (in € millions) | 2019 | | | 2018 | | |
| Net position | | | -37,196.9 | | | -35,227.3 |
| Reserves | | 0.8 | | | 0.8 | |
| Retained earnings | | -35,228.0 | | | -32,569.9 | |
| Result for the financial year | | -1,969.7 | | | -2,658.2 | |
| Provisions for contingencies and expenses | | | 123.0 | | | 115.1 |
| Debts | | | 46,492.0 | | | 44,336.0 |
| Borrowings and financial debts: | | 41,291.7 | | | 39,772.2 | |
| Bond issues | 30,114.0 | | | 29,739.6 | | |
| Other loans and financing | 11,177.4 | | | 10,027.7 | | |
| Bank loans and overdrafts | 0.0 | | | 0.0 | | |
| Other financial debts | 0.4 | | | 4.9 | | |
| Other Payables | | 5,200.4 | | | 4,563.8 | |
| Affiliates | 305.0 | | | 129.6 | | |
| Beneficiaries | 3,022.8 | | | 2,970.2 | | |
| Tax and social security | 149.9 | | | 70.7 | | |
| Suppliers | 7.9 | | | 7.9 | | |
| State | 0.0 | | | 0.0 | | |
| Other | 1,714.7 | | | 1,385.5 | | |
| Adjustment account | | | 155.8 | | | 119.0 |
| TOTAL LIABILITIES | | | 9,573.9 | | | 9,342.8 |



FINANCIAL STATEMENTS

ASSOCIATION UNÉDIC – INCOME STATEMENT

INCOME STATEMENT (in € millions)

| TECHNICAL MANAGEMENT | | 2019 | | 2018 | |
|---|----------|-----------------|-----------------|-----------------|-----------------|
| Income | | 39,533.0 | | 37,834.4 | |
| Contributions | 39,105.1 | | 37,595.0 | | |
| Other income | 102.5 | | 59.5 | | |
| Reversals of provisions | 74.7 | | 10.6 | | |
| Transferred expenses | 250.7 | | 169.3 | | |
| Expenses | | 41,146.7 | | 40,105.3 | |
| Back-to-work allowance | 31,550.1 | | 30,927.4 | | |
| Other benefits | 2,480.0 | | 2,337.9 | | |
| Redeployment benefits | 765.0 | | 677.7 | | |
| Validation of pension credits | 2,104.6 | | 2,072.5 | | |
| Other expenses | 3,990.2 | | 3,875.3 | | |
| Impairment charge | 256.9 | | 214.6 | | |
| TECHNICAL RESULT | | -1,613.7 | | -2,270.9 | |
| ADMINISTRATIVE MANAGEMENT | | 2019 | | 2018 | |
| Income | | 54.8 | | 51.9 | |
| Provision of services | 44.4 | | 43.4 | | |
| Other income | 10.4 | | 8.6 | | |
| Expenses | | 85.6 | | 85.1 | |
| Purcha | 0.5 | | 0.6 | | |
| External services | 39.2 | | 40.8 | | |
| Taxes and levies | 4.6 | | 4.6 | | |
| Salaries and social security costs | 29.5 | | 27.6 | | |
| Other expenses | 0.0 | | 0.0 | | |
| Amortization and provisions | 11.7 | | 11.4 | | |
| ADMINISTRATIVE MANAGEMENT RESULT | | -30.8 | | -33.1 | |
| FINANCIAL MANAGEMENT | | 2019 | | 2018 | |
| Financial income | | 57.6 | | 55.3 | |
| Financial expense | | 391.4 | | 420.3 | |
| FINANCIAL RESULT | | -333.8 | | -364.9 | |
| EXTRAORDINARY TRANSACTIONS | | 2019 | | 2018 | |
| Technical management | | 0.0 | | 0.0 | |
| Administrative management | | 11.5 | | 13.0 | |
| EXTRAORDINARY RESULT | | 11.5 | | 13.0 | |
| Corporate and similar taxes | | | -2.9 | | -2.1 |
| RESULT | | | -1,969.7 | | -2,658.2 |

01 HIGHLIGHTS

1.1 — REGULATORY MEASURES

1.1.1 — Decree no. 2019-797 of 26 July 2019 relating to the unemployment insurance scheme

Decree no. 2019-797, which was published in the Journal Officiel on 28 July 2019, repealed the approval of the 14 April 2017 unemployment insurance convention and its related texts, effective 1 November 2019. This decree results from the termination of unemployment insurance negotiations in February 2019 and was adopted pursuant to article 57 of French law no. 2018-771 of 5 September 2018 on the freedom to choose one's professional future and the last paragraph of article L. 5422-20 of the French Labor Code, pursuant to which the unemployment insurance rules are defined by a decree receiving an opinion of the Conseil d'Etat if the social partners fail to agree.

The unemployment insurance regulation attached to decree no. 2019-797 of 26 July 2019 now defines the regulations applicable to benefit payment terms for workers deprived of work and to unemployment insurance contributions.

The decree's provisions, which apply until 1 November 2022, went into force in part on 1 November 2019. The implementation of all measures is scheduled for 1 September 2020, subsequent to the postponement of the effective date of measures that ordinarily would have applied as of 1 April, as provided for by decree no. 2020-361 of 27 March 2020.

The principal changes introduced by the unemployment insurance regulation that apply since 1 November 2019 to all beneficiaries whose employment contract ended between 1 November 2019 and 31 August 2020 (inclusive) or whose termination procedure was commenced during such period are as follows:

- Creation of a new legitimate grounds for resigning for child minders (assistant maternel) who resign after their employers refuse to have their child vaccinated pursuant to article L. 3111-2 of the French Public Health Code (art. 2 §2, 26 July 2019 unemployment insurance regulation);
- Change in the minimum affiliation condition to 130 days worked or 910 hours over a reference period of 24 or 36 months preceding the end of the employment contract (art. 3 §4, 26 July 2019 unemployment insurance regulation);
- Change in the minimum benefit payment term to 182 days (art. 9 §1, 26 July 2019 unemployment insurance regulation);
- Implementation of a degressivity system (art. 17 bis, 26 July 2019 unemployment insurance regulation);
- Change in the minimum affiliate condition in the case of renewed rights (art. 28, 26 July 2019 unemployment insurance regulation);
- Potential payment of the back-to-work allowance (ARE) during training that is not part of the personal employment access plan (projet personnalisé d'accès à l'emploi) financed in full or in part by the personal training account (compte personnel de formation) (art. 4 b, 26 July 2019 unemployment insurance regulation));
- Eligibility for unemployment insurance for certain resigning employees who have a professional project (art. 2 §4, 26 July 2019 unemployment insurance regulation));
- Details relating to the self-employed worker allowance: coordination and combination rules (arts. 63 and 64, 26 July 2019 unemployment insurance regulation).

The measures relating to the new methods for determining the daily reference salary, the period during which benefits will be paid and the benefit calculation will apply starting 1 September 2020 in respect of all employment contracts ending as of such date and termination proceedings commenced as of such date.



The decree's financial impacts were therefore very limited in 2019.

The measures relating to the new bonus/penalty system will apply commencing 1 January 2021.

1.1.2 — Eligibility for the back-to-work allowance for resigning employees and creation of a self-employed worker allowance

Decree nos. 2019-796 of 26 July 2019 and 2019-976 of 20 September 2019 include the implementing measures for the new provisions of the law on the freedom to choose one's professional future regarding:

- Eligibility for unemployment benefits for resigning employees who are pursuing a professional project;
- Creation of a self-employed worker allowance; and
- Experimenting with a job search journal.

1.1.2.1—Expanding eligibility for the back-to-work allowance to resigning employees who are pursuing a professional project

Jobseekers who satisfy all of the entitlement conditions after having resigned in order to pursue a professional project benefit from the back-to-work allowance under the same terms as other beneficiaries (same amount and duration, benefit from the combination of employment income/unemployment benefits, etc.).

However, certain provisions are specific to these workers. Thus, benefitting from this allowance is subject to a specific affiliation period, which is longer than what is required in cases of involuntary job loss, and job search monitoring is adapted.

1.1.2.2— Creation of an allowance for self-employed workers

Independent workers who satisfy conditions on resources, the duration of their activity and prior employment income and whose termination of activity is evidenced by a court ordered liquidation or a rehabilitation proceeding (when the court subjects the adoption of the rehabilitation plan to the replacement of the manager) may benefit from replacement income in the form of a lump sum allowance which is separate from the back-to-work allowance and is paid by Pôle emploi on Unédic's behalf for a period of six months.

This measure applies to self-employed workers whose enterprises are the subject of an order commencing court-ordered liquidation procedures or a rehabilitation procedure that includes the manager's removal, issued in accordance with article L. 5424-25 since 1 November 2019.

1.1.3 — Schedules VIII et X

Decree no. 2019-797 of 26 July 2019 amends the regulations that focus on entertainment industry workers (Schedules VIII and X). The principal changes are the following:

- It should be noted that schedules VIII and X are now issued under the unemployment insurance regulation attached to the decree and therefore modify the 2019 unemployment insurance regulation. As a result, schedules VIII and X are no longer issued under the 2006 general regulation;
- The scope of schedule VIII is established in view of collective agreement identifiers (identifiants de convention collective, IDCC) and French activity codes (nomenclature d'activités française, NAF). As a reminder, this scope was now determined in view of the IDCCs, which had replaced the NAF codes in 2016 without having the effect of expanding the scope of schedule VIII (decree no. 2016-961 of 13 July 2016, as amended in particular by decree no. 2016-1749 of 16 December 2016, which had transposed the agreement of 28 April 2016 relating to unemployment benefits in the entertainment industry);
- The requirement of the "providers of live entertainment services" label was removed from list 4 (technical services for creation and events);
- The decree of 26 July 2019, as amended by decree no. 2020-361 of 27 March 2020, also substantially amends the schedule VIII roles list.

1.1.4 — Schedule IX

The law of 5 September 2018 on the freedom to choose one's professional future maintained commencing 1 January 2019 the 2.40% employee unemployment insurance contribution for expat employees whose employer does not fall within the scope of article L. 5422-13.

Order no. 2019-861 of 21 August 2019 changed the rules that apply to expat employees who are affiliated by their employer on an optional basis, falling within the scope of chapter 2 of schedule IX. These employees are no longer required to pay employee contributions since 23 August 2019.

Decree no. 2019-797 of 26 July 2019 changed the rules that apply to expat employees who are affiliated on an individual basis, falling within the scope of chapter 3 of schedule IX. These employees must continue to pay a contribution, which stands at 4.05% since 1 November 2019.

In addition, decree no. 2019-797 of 26 July 2019 includes since 1 April 2020 employees of embassies and consulates located in France which are affiliated with the general social security scheme within the scope of the mandatory unemployment insurance scheme affiliation requirement (art. 2 bis, 26 July 2017 unemployment insurance regulation). However, international organizations remain subject to the optional affiliation scope governed by schedule IX.

1.1.5 — Increase in the employer contribution rate in respect of certain fixed-term contracts customarily used in certain industries

The 0.50 point surcharge in employer unemployment insurance contributions provided for by article 4 § 1 of the 14 April 2017 unemployment insurance convention in respect of fixed-term contracts customarily used in certain industries (CDD d'usage) having a term of 3 or less months no longer applies to compensation paid in respect of employment periods running since 1 April 2019.

Nevertheless, decree no. 2019-797 of 26 July 2019 reintroduced this 0.50% surcharge in respect of fixed-term contracts customarily used in certain industries with terms of 3 or less months for entertainment workers and occasional dockers starting 1 January 2020 (art. 50-1, 26 July 2017 unemployment insurance regulation).

1.1.6 — Legislative measures relating to contributions

Two major reforms impacted unemployment insurance contributions in 2019:

- The definitive elimination of employee unemployment insurance contributions, with the exception of employee categories clearly identified by law;
- The inclusion of employer unemployment insurance contributions in numerous social security contribution exemption programs.

1.1.6.1—Elimination of the employee unemployment insurance contribution

The law of 5 September 2018 on the freedom to choose one's professional future eliminated, commencing 1 January 2019, employee unemployment insurance contributions for all workers, with the exceptions of workers working in Monaco and workers falling within the scope of schedules VIII and X in respect of the employee share of the special contribution.

In order to compensate for the financial loss resulting from removing this contribution, article L. 131-8 of the French Social Security Code (as amended by article 26 of the 2019 social security budget law) provided for the allocation to Unédic of 1.47% of the earned income based general social contribution (GSC) commencing 1 January 2019.

Acoss, which centralizes earned income based GSC collected by the various collection bodies, is responsible for allocating and distributing the collected GSC to the various recipients.

These financing arrangements were the subject of a financial agreement between Unédic-Acoss-Pôle emploi dated 23 January 2019 relating to Acoss's payment of the earned income based GSC allocated to Unédic.



1.1.6.2—Inclusion of employer unemployment insurance contributions in exemption programs

■ Elimination of specific employer contribution exemption programs in favor of general reductions applicable to the employer unemployment insurance contribution

On 1 January 2019, four specific employer contribution exemptions were eliminated in favor of the application of general reductions that were extended to unemployment insurance contributions: intermediary associations (associations intermédiaires (AI)), integration workshops and projects (ateliers et chantiers d'insertion (ACI)), apprenticeship contracts and the professionalization contract.

By special dispensation, agricultural production employers and employers located in Guadeloupe, Guyana, Martinique, La Réunion, Saint-Barthélemy and Saint-Martin also benefitted from general reductions extended to unemployment insurance contributions starting 1 January 2019. All other employers benefitted from general reductions extended to unemployment insurance contributions starting 1 October 2019.

From an operating perspective, expanding the general reductions to employer unemployment insurance contributions led Unédic to enter into a financial agreement Unédic-Acoss-CCMSA-Pôle emploi relating to the implementation of the general reduction of employee unemployment insurance contributions in respect of 2019.

■ Extension of specific exemption programs to employer unemployment insurance contributions

Article 8 of the 2019 social security budget law provided for extending to employer unemployment insurance contributions effective 1 January 2019 three specific exemptions – LODEOM (overseas), TO-DE (seasonal agricultural workers) and domestic workers – and the extension of the ship owner exemption to ships sailing under flags of European countries as part of the system that today applies to ships sailing under the French flag.

These four extended exemption programs were compensated by the general State budget:

- LODEOM: compensated through the Ministry of Overseas Departments under the 138 program “overseas employment”, action no. 1 “support for enterprises”;
- TO-DE: compensated through the Ministry of Agriculture under program 149 “competitiveness and agricultural, agri-food, forest, fishing and aquaculture durability”, action no. 25, and by the order of 4 June 2019 relating to the methods for allocating the fraction of VAT provided for by article 96 of law no. 2018-1317 of 28 December 2018 (2019 budget law);
- Domestic workers: compensated through the Ministry of Labor under program 103 “support for economic change and development of employment”, under action no. 03-01 “Lowering the cost of employment in order to facilitate the development of regions and sectors with high employment potential”;
- Ship owners: compensated through the Ministry of Environmental and Solidary Transition, under program 205 “Marine affairs”, action no. 3 “commercial fleet”.

From an operational point of view, the compensation through the State's budget led Unédic to enter into a financial framework agreement among the State, Unédic, Acoss, CCMSA, and Pôle emploi relating to the management arrangements, the dates and amounts of the payments made by the State to Unédic's benefit under the compensation for targeted unemployment insurance contributions exemptions.

1.2—RELATIONS BETWEEN PÔLE EMPLOI AND UNÉDIC

The statutory tripartite agreement between the French State, Unédic and Pôle emploi defines the strategic objectives of Pôle emploi's service offering and action, defines the resources made available to it and specifies the tools for controlling its performance.

The 2019-2022 agreement was signed on 20 December 2019, and defines three strategic objectives for Pôle emploi:

- Accelerating and facilitating jobseekers' return to sustainable employment by adapting how support is personalized and enhanced in view of each person's needs, throughout his/her career;
- Fighting more effectively against companies' difficulties with recruiting, by responding in a personalized and reactive way to business's needs, and small and medium sized enterprises in particular;
- Developing and highlighting jobseeker skills and qualifications in order to promote recruitments, notably by proposing more relevant, personalized, legible and rapidly accessible training.

Each year, the financial relationships tied to implementing this agreement are the subject of a cash-management agreement between Unédic and Pôle emploi that specifies the amount and payment terms applicable to the contribution due by Unédic under statutory provisions. Under article L. 5422-24 of the French Labor Code, the amount of the unemployment insurance scheme's aggregate contribution to Pôle emploi's budget equals 10% of the system's resources, amounting to a technical management expense of 3,521.3 million euros in 2019, which was recognized as income.

It should be noted that, in accordance with decree no. 2019-797 of 26 July 2019 on the unemployment insurance system, Unédic's annual contribution is set (excluding any special agreements with Unédic) at 11% of the resources referred to in articles L.5422-9, L.5422-11 and L.5422-20 of the French Labor Code as such articles were drafted and in effect in respect of 2021 and subsequent years, and, in respect of 2020, as such articles were drafted before the publication of law no. 2018-771 of 5 September 2018 on the freedom to choose one's professional future, in accordance with article 55 of that law.

On Unédic's behalf, Pôle emploi pays benefits to the unemployment insurance scheme's beneficiaries and collects the contributions for certain of employee categories. In the 2019 financial year, the contributions received by Pôle emploi amounted to 864 million euros (excluding AGS contributions) and benefits and allowances amounted to 34,795 million euros.

An agreement between Unédic and Pôle emploi organizes the implementation of this services delegation and their operational cooperation (see below).

Pôle emploi is also entrusted with implementing specific programs under an agreement on the financing of support to individuals benefiting from the career safeguarding contract (CSP) which followed on the CRP and CTP programs, with an expense of 58.1 million euros recognized in 2019 in respect of the CSP.

Regarding the operating budgets of the two organizations, it is important to bear in mind that rents and charges in the amount of 2.6 million euros were invoiced to Pôle emploi in respect of its occupation of properties belonging to Unédic.

Unédic-Pôle emploi Agreement dated 21 December 2012

The bipartite Unédic-Pôle emploi agreement signed on 21 December 2012 lays down the conditions on the exercise of the missions delegated to Pôle emploi by Unédic (i.e., the service of providing to jobseekers benefits and assistance financed by the unemployment insurance scheme).

The terms of the exercise of these delegations were designed with the aim of ensuring complementarity between Unédic and Pôle emploi so that the roles and responsibilities of their respective decision-making bodies are upheld.

The text is in line with the multi-year agreements signed between the State, Unédic and Pôle emploi in 2011, 2014 and 2019.

It recalls the need for performance driven management, adapted to the social partner's objectives, in view of offering high-quality services to jobseekers.

The bipartite agreement includes procedures for monitoring objectives, among which feature a decision rate of less than 15 days, timely first payment rate, benefit application processing quality rate and the share of non-recouped unduly made payments.



However, changes over the past few years, particularly with respect to steering and data access indicators (with the 2019 tripartite agreement), comitology, and, more generally, practices shared by the two organizations, led Unédic to propose that the agreement be revised in order to bring it in line with current realities.

1.3—STATE-UNEDIC JOINT ARRANGEMENTS

1.3.1— Wage subsidy scheme

The amount paid by Unédic for the wage subsidy scheme (activité partielle) amounted to 37.6 million euros in 2019, compared to 44.22 million in 2018.

The wage subsidy allowance is paid by the services and payment agency (Agence de Services et de Paiement, ASP) on behalf of the State and Unédic on the basis of separate financial agreements that specify for each of the two financing entities the application details applicable to the related financial management.

Following the transposition of the wage subsidy scheme in Mayotte by order no. 2016-1579 of 24 November 2016 and decree no. 2016-1583 dated 24 November 2016 in the place and stead of short time work (chômage partiel), two financial agreements similar to those referred to in the preceding paragraph apply in Mayotte.

1.3.2— The career safeguarding contract

The social partners signed two new amendments to the 26 January 2015 agreement relating to the career safeguarding contract:

- Amendment no. 4 dated 12 June 2019 extended the 26 January 2015 agreement on the career safeguarding contract to 30 June 2021. It also provided for an extension of the career safeguarding contract's duration to the extent of sick leave periods (of up to 4 months) and maternity leave periods (up to the statutory maternity leave duration).
- Amendment no. 5 dated 8 January 2020 harmonized the 26 January 2015 agreement on the career safeguarding contract with the text in force after the reform of the unemployment insurance scheme, all while maintaining that contract's specificities.
 - the affiliation condition remains 4 months (i.e., 88 days worked or 610 hours worked), and is taken into account over the reference period defined by the unemployment insurance regulation;
 - for workers involved in a layoff procedure based on economic grounds commenced as of 1 September 2020, the reference salary used to calculate the amount of the benefit paid will now be made up of the compensation under the employment contract that gave rise to adhering to the career safeguarding contract.

The financial agreement between the State and Unédic did not change. As a reminder, it provides for equal co-financing of support expenditures by the State and Unédic. It also provides that the State take charge of job security allowance (allocation de sécurisation professionnelle, ASP) paid to beneficiaries with between 12 to 24 months of seniority in a company at the time they adhere to the program (in respect of the share that exceeds the back-to-work allowance, less 80% of the contributions due by the employers if their employers sign up to the program). Unédic's operating expenses in respect of the career safeguarding contract amounted to 58.1 million in 2019.

1.4—FINANCIAL RELATIONSHIPS WITH THE COLLECTION AGENCIES

Several entities collect contributions to Unédic: Acooss, CCMSA, Pôle emploi, Caisse de compensation des services sociaux (CCSS) de Monaco, Caisse de prévoyance sociale (CPS) de Saint-Pierre-et-Miquelon.

The total amount of 2019 contribution and other financing amounted to 39.1 billion euros (all collection bodies combined, excluding AGS). In comparison, the total amount of 2018 collections represented 38.1 billion euros. Acooss accounted for 94% of the amount of the unemployment insurance scheme's collections, amounting to 36.9 billion euros. Acooss's and Unédic's financial relationship is organized by the Unédic-Pôle emploi-Acooss-AGS agreement dated 17 December 2010 relating to the collection of contributions due by employers.

CCMSA is the second largest collection body, ahead of Pôle emploi, representing collected amounts of 0.91 billion and 0.86 billion in 2019, respectively.

The law of 5 September 2018 regarding the freedom to choose one's professional future eliminated employee unemployment insurance contributions starting 1 January 2019. To offset the elimination of this contribution, the 2019 social security budget law provided for the allocation to Unédic of 1.47% of the earned income based GSC collected by AcoSS.

The arrangements for transfers to Unédic are organized by the agreement of 23 January 2019 between Unédic, AcoSS and Pôle emploi.

The amount of AcoSS's financial compensation for the elimination of employee contributions in 2019 represented an aggregate amount of 14.4 billion euros (including accruals and after provisions for doubtful receivables and litigation).

The 2019 social security financing law also provided for the extension of the general reduction to unemployment insurance contributions starting 1 October 2019 to all employers (with the exception of certain types of special contracts, agricultural production, employers located in the overseas departments, in Saint-Barthélemy and in Saint-Martin, who had benefited from the arrangement since 1 January 2019). AcoSS provides full compensation for the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by AcoSS to Unédic.

These methods of transfers to Unédic are organized by the agreement between Unédic, AcoSS and Pôle emploi dated 23 January 2019.

The amount of AcoSS's financial compensation for the 2019 general reduction represents an aggregate amount of 943 million euros (including accruals).

1.5 — UPWARD REVIEW OF UNEMPLOYMENT INSURANCE BENEFITS

At its meeting held on 26 June 2019, Unédic's Board of Directors decided to increase unemployment benefits by 0.70% starting 1 July 2019:

- The amount of the fixed portion of the back-to-work allowance (ARE);
- The amount of the minimum back-to-work allowance;
- The lower limit of the back-to-work-and-training allowance.

Reference salaries were also raised by 0.70%. The increase applies to beneficiaries whose reference salary consists entirely of remuneration dating back at least six months, i.e., prior to 1 January 2019.

The minimum amount of the back-to-work allowance and the lower limit on the back-to-work-and-training allowance in Mayotte were also increased by the same percentage.

Unemployment benefits in Mayotte were also increased by the same percentage.

1.6 — FINANCING THE UNEMPLOYMENT INSURANCE SCHEME

Unédic's indebtedness has been rising since 2008, increasing from 5 billion euros in 2008 to 36.8 billion euros at the end of 2019. This increase, which was generated over the course of a particularly long economic crisis, helped the unemployment insurance scheme maintain a benefit level equivalent to the levels guaranteed by the most protective of the European countries, without weighing down employees' purchasing power or labor costs.

In view of the counter-cyclical role of the unemployment insurance scheme, Unédic borrows when the economic situation worsens, and therefore when interest rates are low. In recent years, the particularly favorable level of interest rates is explained by the European Central Bank (ECB)'s adoption of an accommodating monetary policy and by the social partners' ability to institute a funding strategy that is readily grasped by Unédic's investors and stakeholders.



HIGHLIGHTS

The financing strategy phased in between 2009 and 2018 was designed to limit the impacts on interest expense of rising interest rates in a context of expanded borrowing by Unédic: the amount of annual loan repayments was limited to 10% of Unédic's revenues, resulting in average debt maturity of somewhat less than 6 years; all the borrowings are taken out at fixed rates and in euros, thereby mechanically limiting Unédic's exposure to market risks.

Borrowings issued under this strategy made it possible to limit borrowing costs. Thus, the average rate of interest paid on borrowings amounted to 0.91% at the end of 2019 and net financial expense for 2019 amounted to 334 million euros, i.e., less than 1% of revenues. In the context of the beginning of 2019, which was one in which the unemployment insurance scheme was on a trajectory towards a return to a balanced budget, on 15 February 2019, Unédic's Board of Directors agreed on the principle of changing the financial strategy so as to reduce maturities on borrowings with the return of projected surpluses. In the context of an economic crisis, the unemployment insurance scheme once again finds itself with exceptional deficits, leading it to postpone the implementation of this strategy.

However, one of the decisions applies and is being implemented: to have Unédic adopt the best market practices for responsible finance, and sensitize the public and highlight the human, economic and social added value of the unemployment insurance scheme's technical measures, after a long period where attention was focused on the sustainability of the economic model.

At the end of the 2019 financial year, the net position of outstanding borrowings amounted to 36.815 billion euros:

INDEBTEDNESS AT YEAR END AND FINANCIAL EXPENSE OVER THE 2014-2019 PERIOD (in € millions)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Net debt | 21,398 | 25,674 | 29,758 | 33,549 | 35,540 | 36,815 |
| Net financial expense | 295 | 301 | 324 | 352 | 365 | 334 |
| Financial expense to net debt ratio | 1.38% | 1.17% | 1.09% | 1.11% | 1.03% | 0.91% |

Total outstanding borrowings: 41.08 billion euros

- bond issues : 29,90 billion euros,
- NEU CP: 6,23 billion euros,
- NEU MTN: 4,95 billion euros,

Total available cash: 4,26 billion euros

- investments: 3,0 billion euros,
- bank balances: 0,66 billion euros,
- Treasury account: 0,60 billion euros.

1.6.1 — Bond issues and bank loans

The maximum outstanding amount under the EMTN program was lowered to 34 billion euros by a 29 January 2018 resolution of the Board of Directors (it previously was 37 billion euros). This decision is explained by the unemployment insurance scheme's expected return to a balanced budget, making it possible to reduce the size of the financing program to a size that allowed Unédic's forecasted financing needs through 2021 to be covered.

Pursuant to a delegation by the Board, on 26 September 2018, Unédic's Bureau decided on the issuance of new bonds in one or more tranches in maximum amount of 2.5 billion euros for 2019. Given the constraints imposed by article 213-15 of the French Monetary and Financial Code governing the issuance of bonds on the financial markets by non-profit associations, Unédic sought the French State's guarantee. The guarantee was authorized by the amended budget law of 28 December 2018 in the requested amount of 2.5 billion euros.

In 2019, Unédic raised a total of 2.5 billion euros on the bond markets: 1.5 billion euros due 2029 (10 years) and 1 billion euros due 2033 (14 years).

All these issuances benefited from the rating assigned to Unédic by Fitch Ratings (AA) and Moody's (Aa2) at the time of their issuance.

1.6.2 — NEU MTN (Negotiable Medium-Term Notes, formerly Bons à Moyen Terme Négociables)

The implementation of a 3-billion-euro Negotiable Medium-Term Notes program was authorized by a 27 June 2014 decision of the Board of Directors, in order to reduce outstanding commercial paper liability and to extend the average maturity of the unemployment insurance scheme's debt. The maximum outstanding amount under the program was increased to 6 billion euros by a 28 January 2016 resolution of the Board of Directors. The maximum outstanding amount under the program was increased to 8 billion euros and the maximum maturity of the issue extended to 7 years by a 31 January 2017 resolution of the Board of Directors.

The maximum outstanding amount under the program was increased to 10 billion euros by a 29 January 2018 resolution of the Board of Directors.

At its creation, the program benefited from a rating assigned by Fitch Ratings (AA) and Moody's (Aa1, and then Aa2 after French sovereign debt was downgraded in 2016).

Unédic took advantage of the reform of the negotiable debt securities market to draft NEU MTN documentation (the new name for medium term negotiable notes) complying with the provisions of the Prospectus Directive. The development of this innovative documentation allows NEU MTN instruments to be listed on Euronext.

1.6.3 — NEU CP (Negotiable European Commercial Paper, formerly Billets de trésorerie)

Use of this type of financing by non-profit associations was authorized under certain conditions by article 37 of law no. 2003-706 dated 1 August 2003. The initial 2014 amount of 1.2 billion euros was progressively increased, eventually amounting to up to 12 billion euros authorized by the Board of Directors in June 2012. This limit was decreased to 10 billion euros following January 2016 resolutions by the Board of Directors. The total amount outstanding under the program at 31 December 2019 was 6.23 billion euros. NEU CP issues are drawn as needs require.

Today, the NEU CP program is rated "P-1" by Moody's and "F1+" by Fitch Ratings.

Initially, at the request of the ratings agency, confirmed and syndicated credit lines had been put in place in order to ensure that this program was covered and thereby mitigate any dysfunctions in the European money markets.

Since July 2012, these credit lines have been replaced with a liquid asset reserve of a minimum of 2 billion euros, the level of which varies depending on the use of the commercial paper program and the amount of projected cash outflows over the rolling 15-day period.

1.6.4 — Conventional bank financing

Very short-term financing needs are covered by mutually negotiated bank overdrafts with Unédic's banking partners (about 1 billion euros negotiated). No significant amounts were drawn from these overdraft lines during the 2019 financial year.

1.6.5 — Investments and liquidity

Taking the balance of investments totaling 3.0 billion euros at 31 December 2019 and bank balances totaling 1.26 billion euros into account, the liquidity reserve (as mentioned earlier and covering forecasted disbursements for the first 15-day period in January 2020 to be covered) amounted to 4.26 billion euros.



02 ACCOUNTING PRINCIPLES, RULES AND METHODS

2.1—GENERAL PRINCIPLES

Unédic's annual financial statements for the year ended 31 December 2019, which are drawn up in euros, include a balance sheet, income statement and the notes to the accounts. They were prepared in accordance with the unemployment insurance organizations' chart of accounts approved by the National Accounting Council (CNC) on 9 January 1995 (notice of compliance no. 79).

These financial statements take into account the specific information tied to the unemployment insurance scheme's reliance on declarations and the resulting consequences both as regards affiliates' declarations and the payments to benefits recipients.

The organizations which signed the unemployment insurance agreement of 14 May 2014 (as modified by the amendments of October 2014 and March 2015, and extended by decree no. 2016-869 of 29 June 2016) and the new agreement of 14 April 2017, and in light of decree no. 2019-797 and having regard to article L. 5422-9 of the French Labor Code on the method of financing benefits paid under this scheme, certify that unemployment insurance is a specific "pay as you go" scheme.

The financial statements of Unédic Association include the financial statements of Unédic and Délégation Unédic-AGS.

Unédic's annual financial statements were drawn up on the basis of the financial information provided by the following operators: AcoSS, CCMSA, Pôle Emploi, CCSS (Monaco), CPS (Saint-Pierre and Miquelon) and summarized in digest documents reflecting the transactions carried out on behalf of the unemployment insurance scheme.

2.2—UNEMPLOYMENT BENEFITS

2.2.1—Expenses

Under the regulations, jobseekers are required to register and then submit evidence of their seeking work to Pôle emploi on a monthly basis to avoid their entitlements being revoked. These formalities mean that the benefits can be recognized on a monthly basis under technical management expenses.

Due to this monthly recognition, benefit expenses recognized during a financial year only include benefits paid in respect of the 2019 financial year, i.e., benefits paid during the current financial year and benefits to be paid at the start of the following financial year.

Thus, in addition to December benefits paid in January of the following year, payment adjustments may be made in subsequent months. In this context, for accrued benefits payable, Unédic retains an additional provision corresponding to February and March of year Y +1 relating to financial year Y and earlier years.

Regarding accrued aid payable, the provision relates only to the month of January in year Y, since the generating event for aid payable in 2 tranches (such as ARCE, which represented 75.69% in 2019) is the date the assistance was granted. Accordingly, there is no certainty that aid disbursed in February and March of Y +1 can be attributable to year Y.

2.2.2 — Benefit payables

Under the “Benefit payables” item, the amount of benefits considered as being due for the current financial year according to the principles referred to above. This amount is calculated using the benefits paid in January, February and March payable in respect of the current financial year.

2.2.3 — Benefit recipient receivables

The accounts receivable from benefit recipients (overpayments and advances) are covered by a provision entered in light of the age of the receivables.

Regarding overpayments of less than 25,000 euros: the write-down is calculated on the basis of a statistical law projecting the prospects of recovering overpayments over a period of 4 years. Write-down rates are determined over a 12-month reference period running from 1 December Y-1 to 30 November of year Y. This rate was applied to the stock of overpayments at 31 December.

For overpayments in excess of 25,000 each: the identification and case-by-case assessment of the probability of recovery is carried out on the basis of the stock of overpayments at the end of the month of November of year Y. In this context, overpayments relating to cases of fraud must be written down to 100% unless the information available indicates that they will be recovered in the short term. In the event of a significant impact, an update is requested in January Y+1 in order to take into account the December transactions (any new overpayments and changes in December in respect of the stock at the end of November).

2.3 — CONTRIBUTIONS AND OTHER FINANCING

2.3.1 — Income

As a reminder, article 54 of French law no. 2018-771 of 5 September 2018 on the freedom to choose one’s professional future eliminated employee unemployment insurance contributions commencing 1 January 2019 (except for entertainment workers (who remain liable only for the specific contribution referred to in article L.5424-20 of the Labor Code), expat employees whose employer are not required to become affiliated under article L.5422-13 of the French Labor Code and employees working in the Principality of Monaco). To compensate for this elimination, article 26 of French law no. 2018-1203 of 22 December 2018 on the 2019 social security budget provides for the allocation to Unédic of 1.47% of the earned income based GSC collected by Acoss.

The 2019 social security budget law provided for the extension to all employers of the general reduction of unemployment insurance contributions as of 1 October 2019, with the exception of certain specific types of contracts, agricultural production, and employers located in the French overseas departments, in St. Barthélemy and St. Martin, which had benefited from this reduction since 1 January 2019. Acoss provides full compensation for the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by Acoss to Unédic, after reduction of a recovery balance rate (taux de reste à recouvrer) set at 0.84%.

In addition, article 8 of the 2019 social security budget law extended four unemployment insurance employer contribution exemptions: LODEOM, domestic help, ship owing and seasonal agricultural workers (TO-DE). These exemptions are fully compensated for by the four ministries in question: Overseas, Agriculture, Labor and Environmental Transition. The terms of this compensation are defined in a framework agreement signed by the relevant parties.

Technical management income thus corresponds to contributions and other financings:



2.3.1.1—Contributions

- Technical management income corresponds to general and specific contributions that **employers** are required to pay in respect of a year on the basis of the mandatory periodic declarations they make to Urssaf (social security contribution collection agencies), agricultural sector social security organizations (mutualité sociale agricole), Pôle emploi and Pôle emploi's Regional Departments, CCSS (Monaco) and CPS (Saint-Pierre-et- Miquelon). Nominative Social Declarations (NSD) received in January of Y +1 are deemed to relate to the current year. For NSDs received in February of Y+1, the previous year and earlier year references make it possible to record declared amounts as accrued income.
- These contributions are supplemented by the amounts of **general and specific exemption reductions** compensated by Acoiss and the Ministries.

2.3.1.2— Other financing

- This relates to the **share of the earned income GSC** transferred by Acoiss as compensation for the former employee contribution share. GSC accounting income is recorded net of technical expenses and provisions, sent by Acoiss.

2.3.2 — Affiliate receivables

Contributions accrued in respect of the year are determined according to the income recognized in January and February of year Y+1 and relating to the prior and earlier financial years.

A provision is recognized at the year-end in respect of affiliate receivables that judged to be doubtful. This provision is calculated according to the age of the receivables and forecasts of the companies' ability to pay in light of their characteristics.

2.3.3 — Payables to affiliates

Funds paid by affiliates and collected by the various operators making collections on Unédic's behalf and that could not be assigned to an identified receivable are shown under balance sheet liabilities.

2.3.4 — Acoiss receivables

The changes to the unemployment insurance scheme's financing structure led to accrued income receivables at year end in respect of earned income based GSC and the general reduction. This income is determined by the operator.

- **Earned income based GSC.** At the end of the year, Unédic records a provision for doubtful receivables and a provision for reduction of income and litigation on the basis of information communicated by Acoiss.
- **General reduction.** No receivable impairment charges are recorded in respect of the general reduction. An allowance representing the non-collection rate is applied to the annual amount of the contribution reductions. This rate was set at 0.84% for 2019.

2.3.5 — Receivables and payables vis a vis the French State

The contractual arrangement relating to targeted exemptions provides for invoicing of actual amounts to the relevant ministries (Overseas Departments, Agriculture, Labor, Ecological Transition) in respect of the 2019 employment periods. At the end of the fiscal year, a balance results (either a receivable or payable between invoicing and instalments paid during the year).

Thus, at 31 December 2019, 52 million remained due by the French State (30 million by the Ministry of Labor and 22 million by the Ministry of Overseas Departments (see § 4.1.2.1)) and Unédic still owed 13 million euros under this specific exemption scheme (4 million euros to the Ministry of Environmental and Solidary Transition and 9 million euros to the Ministry of Agriculture) – see §4.2.4.5.

2.4— OTHER ITEMS

2.4.1 — Fixed assets

Intangible and tangible fixed assets are recorded in the accounts in accordance with the provisions of Comité de la réglementation comptable (CRC) regulation no. 2002-10 on the amortization and depreciation of assets and CRC regulation no. 2004-06 on the definition, accounting and valuation of assets.

Depreciation is charged according to the straight-line method over the following durations:

| FIXED ASSETS | DEPRECIATION PERIOD |
|-----------------------------|---------------------|
| Software | 5 years |
| Buildings and structures | 10 to 40 years |
| Fixtures and fittings | 10 to 20 years |
| IT facilities and equipment | 3 to 6 years |
| Office furniture | 10 years |
| Office equipment | 5 years |
| Other | 4 to 10 years |

2.4.2 — Commitments to employees

In light of the provisions of the national collective agreement applicable to the personnel of the unemployment insurance scheme, Unédic is required to pay retirement indemnities calculated as monthly wage by number of years' service.

In addition, gratuities are payable for long-service awards (médailles du travail).

Commitments are determined on the basis of the following information:

- Provisions of the national collective agreement: amendment of 10 February 2011, use of individuals' data: age, sex, salary, seniority;
- Determination of internal actuarial assumptions: staff turnover rate (0% to 3% depending on the employee's age), retirement age and terms (60 to 65 according to the year of birth assuming retirement at the employee's initiative, 3% wage increase rate including inflation);
- Application of a discount rate to the commitment, corresponding to the iBoxx Corporate Bonds AA 10+, i.e., 0.80% compared to 1.55% in respect of the 2018 financial year.

Using this data, commitment amounts are calculated individually for each employee in service, it being understood that, for long-service bonuses, the commitment must be calculated for bonuses that are liable to be paid for the entire work period, i.e., a maximum of 4 bonus levels.

The amounts thus obtained are recognized in the accounts as provisions for contingencies and expenses, and changes in these provisions are recognized as income for the period, including the impacts of assumption changes.

Added to this from 2010 onwards is the amount of commitments due under the defined benefits pension plan for the senior executives of the unemployment insurance scheme in service at 1 January 2001 who have had served for 8 years in this role and who ended their career in an unemployment insurance institution.

2.4.3 — Extraordinary result

Extraordinary result includes:

- Technical management operations which do not arise from ordinary activities and relate to the benefit-recipient or collection domains;
- Items relating to administrative management, i.e., the items provided in the general chart of accounts and, in particular, capital gains or losses on disposals of tangible and intangible fixed assets. The aforementioned notwithstanding, capital gains/losses on disposals of financial assets are recorded as financial transactions.

2.5 — FINANCIAL RELATIONSHIPS WITH THIRD PARTIES

2.5.1 — Management on behalf of AGS

By agreement dated 18 December 1993 and its amendments, AGS entrusted Unédic with managing the collection of its contributions and setting up a national delegation and six regional delegations to manage the salary guarantee scheme.



AGS terminated the above-mentioned 18 December 1993 management agreement on 27 June 2019 effective 31 December 2019 in order to commence negotiations seeking to clarify AGS's and Unédic's respective roles and responsibilities.

These negotiations commenced but could not be completed before 31 December. Consequently, the parties mutually agreed to extend the 18 December 1993 agreement terminated on 27 June 2018 and to defer the effects of the termination so as to enable negotiations between the parties to continue until 31 December 2020.

The 18 December 1993 agreement and its various amendments will continue to apply without change until 30 June 2020, with each party performing its obligations.

In the context of the reform of the organization of the public employment service, on 1 January 2011, Unédic transferred to Acoess the task of collecting unemployment insurance contributions and AGS contributions. However, the accounts were kept in a third-party account by Unédic in the light of the results communicated. In the framework of this transfer, AGS is a stakeholder in the agreement between Unédic, Pôle emploi, Acoess, and AGS dated 17 December 2010.

2.5.2 — Beneficiaries' contribution to financing supplementary pensions

Pôle emploi's regional boards withhold and record beneficiaries' contributions to financing supplementary pensions. This withholding, which is subsequently taken over by Unédic, is deducted from the expense tied to the validation of retirement credits. The credits are counted in accordance with the agreements signed with AGIRC-ARRCO, IRCANTEC, CNBF (French lawyer pension fund) and CRPN (flight crew pension fund).

2.5.3 — Beneficiary at-source withholding

Since 1 January 2019, each month, Pôle emploi withholds income tax from beneficiaries. This withholding is then paid to the DGFIP the following month. This results in a tax liability at the end of the financial year (see §4.2.4.3).

2.5.4 — Community coordination of unemployment insurance systems

Regulation (EC) no. 883/2004 sets forth the rules and procedures for reimbursing unemployment benefits paid to a resident in France who is paid benefits in respect of a job worked in another country of the European Community.

The expenses of reimbursing benefits owed to the applicant country and the income from reimbursements receivable are recognized upon receipt of the benefit reimbursement request from the other State or upon the dispatch of the benefit reimbursement request to the other State.

2.5.5 — Management agreements

Pursuant to article L. 5424-2 of the French Labor Code, Unédic has signed management agreements with businesses and public institutions which are not affiliated with the unemployment insurance scheme. These agreements provide that employees falling within their scope are paid benefits by Pôle emploi, and the signatory organizations pay a lump sum to Unédic.

The management agreements signed with Unédic before 19 December 2008 were terminated by 2017 at the latest. The public employers in question were able to sign new management agreements directly with Pôle emploi. Pôle emploi is responsible for the administrative and financial management of benefits paid to former employees of public employers who so wish under the new management agreements entered into since 19 December 2008 (the date Pôle emploi was created).

Since then, the residual financial flows for Unédic with respect to these management agreements are of little significance.

03 EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

The following events which occurred after the end of the financial year ended 31 December 2019 should be reported:

The crisis tied to Coronavirus had major and immediate effects on employment and the unemployment insurance system¹:

➤ The **wage subsidy scheme** was used on an unprecedented scale starting with the beginning of the lockdown. In order to adapt the scheme dating back to 2013 to the exceptional nature of the situation, decree no. 2020-325 of 25 March 2020 relating to the wage subsidy scheme was published in the Journal officiel of Thursday, 26 March. This text fully revisited the methods for calculating the wage subsidy allowance and ended the flat rate approach, moving to a proportional approach. This text's provisions "apply to benefit requests sent to the services and payment agency (Agence de Services et de Paiement, ASP) or renewed in connection with placing employees under the wage subsidy scheme starting 1 March 2020". The remaining amount due by businesses is now zero with respect to wages of up to 4.5 times the minimum wage. The text also provides for an easing of application procedures, deadlines and the scope of eligible employees. Under the proposed 2020 amendment no. 1 to the State-Unédic agreement concerning the wage subsidy scheme, Unédic pays for 33% of the wage subsidy allowance, and the State pays the remaining 67%. The estimated cost of the wage subsidy scheme for Unédic during the health crisis is estimated to be 8 billion euros for the period running between March to May 2020.

➤ **The following additional benefit expenditures exist on top of the wage subsidy scheme:**

- The Government approved the extension to 1 September 2020 of the effective date of the unemployment insurance reform measures planned for 1 April 2020;
- Extension to 31 May 2020 of benefit payments to benefit recipients arriving at the end of their benefit entitlement (order concerning emergency measures in respect of replacement income referred to in article L. 5421 of the French Labor Code (25/03/2020));
- Suspension of the benefits' degressivity measure for high earners (decree no. 202-425 of 14 April 2020);
- And the extension of benefits for workers in the entertainment and cultural sectors (exceptional measures of 19 March 2020);
- Added to the new regulatory measures were the effects of the decreased activity of benefit recipients who combine benefits and employment income, the entry of new compensated jobseekers to the system and deferred exits.

➤ **And lower contribution income** from March to June 2020 (principal contributions and earned income based GSC), due to extensions of the payment dates for social contribution payments, or because of lower contributions tied to the wage subsidy scheme, sick leave, and the decreased beneficiary activity.

➤ **Unédic had to adapt its funding strategy during this period.** The funding plan for 2020 was increased in order to ensure the continuity of Unédic's unemployment insurance management activities and to roll out the emergency measures. For the purpose of covering its Unédic's cash requirements, on 26 March, the Unédic's Bureau approved an increase in for its short-term debt programme (NEU CP) from 10 billion to 18 billion euros, and on 28 April, the Bureau approved an increase of Unédic's long-term bond programme (EMTN), from 34 to 50 billion euros. In parallel, in the framework of the second amendment to the 2020 budget law dated 25 April 2020, the State's guarantee of Unédic's bond issue program increased from 2 billion euros to 10 billion euros.

In the first quarter of 2020, Unédic issued a new bond benchmark of 1.25 billion euros on the 10-year tenor (2030) and a realized a tap on the 8-year tenor (2028) amounting to 750 million euro. It also honored its 1.25 billion euros bond reimbursement due 5 March 2020.

1. This event did not have an impact on the 2019 accounts.



Since the beginning of the health crisis, Unédic finalized and put in place a social bond framework covering all future issues under the medium- and long-term financing programs. An initial social bond NEU MTN issue (6-year tenor, maturity 2026) was carried out in the amount of 4 billion euros.

Finally, more than 10 billion euros in NEU CP was issued since the beginning of the crisis, which will be progressively converted into long-term debt.

This strategy made it possible to cover the financing needs resulting from the crisis (wage subsidy scheme, additional benefit expenditures, lower revenues) in the first half of 2020.

New financing should be issued to cover any needs in respect of the second half of 2020, given that the issues of the first half of the year were very well received by investors.

Other measures: tax on short-term contracts customary in certain sectors and the PACTE law

➔ Article 145 of the 2020 budget law no. 2019-1479 of 28 December 2019 established a 10-euro tax due by employers which must be affiliated with the unemployment insurance scheme and by public employers which are affiliated on a revocable or irrevocable basis in respect of each short-term contract customarily used in certain sectors (contrat à durée déterminée d'usage, or CDDU) entered into pursuant to point 3 of article L. 1242-2 of the French Labor Code. CDDUs entered into starting 1 January 2020 are taxed in the same way, irrespective of their duration and the compensation paid (flat-rate tax). However, certain CDDUs are not subject to this tax:

- CDDUs entered into by intermediary associations for integration through economic activity (associations intermédiaires d'insertion par l'activité économique);
- CDDUs of entertainment workers and occasional dockers, as they are already subject to a 0.5% unemployment insurance contribution surcharge CDDUs of a term of less than or equal to 3 months (art. 50-1 and art. 50 of schedules VII and X of the regulation attached to the decree of 26 July 2019);
- CDDUs entered into within the context of an expanded branch agreement providing for a minimum duration for each CDDU and a duration as from which requalification into a permanent contract is an entitlement. The relevant activity sectors are the subject of a ruling of the Labor Minister. A ruling dated 27 January 2020 (amending the ruling of 30 December 2019) excludes the removals transport, sales promotion and store shelf optimization sectors.

➔ Article 52 of law no. 2019-486 of 22 May 2019 relating to the growth and transformation of business (PACTE law) broadened the scope of irrevocable affiliation with the unemployment insurance scheme to all chamber of commerce and industry personnel. Previously, affiliation was possible only for non-statutory salaried employees of the industrial and commercial services of these chambers. In order for this measure to be financially neutral to the unemployment insurance scheme, this affiliation is coupled with specific financing in order to compensate Unédic for the new financial expense resulting from paying compensation to the commerce and industry chamber's statutory personnel (Labor Code, art. L. 5424-5-1).

Decree no 2019-1550 of 30 December 2019 creates a specific contribution to be paid by:

- chambers of commerce and industry which become affiliated via an irrevocable option as of 1 January 2020 (new affiliations) in respect of all of their personnel;
- chambers of commerce and industry which become affiliated via an irrevocable option in respect of their non-statutory salaried employees in industrial and commercial departments before the PACTE law (prior affiliations) and which extend affiliation to all of their personnel commencing 1 January 2020. The extension request must be made in writing to Urssaf. In addition to the generally applicable 4.05% employer contribution, the employer must also pay a specific 0.2% contribution which is based on personnel compensation, up to the generally applicable cap on unemployment insurance contributions. This specific contribution is due for a period of 24 months commencing the month following the affiliation date or the date affiliation with the unemployment insurance scheme is extended to all of the chamber's personnel (Labor Code, art. D. 5424-6-1).

04 BALANCE SHEET ANALYSIS

4.1 — ANALYSIS OF BALANCE SHEET ASSETS

4.1.1 — Fixed assets

4.1.1.1 — Tangible and intangible fixed assets

Twenty-one real estate sites and a parcel of land were sold during the financial year. The transactions recognized concerning fixed assets and amortization/depreciation over the 2019 financial year are set out below:

| CHANGES IN GROSS FIXED ASSETS IN 2019 | | | | | |
|--|------------------------------|----------------------------|--------------------------|------------|----------------------------------|
| In € millions | (1) | (2) | (3) | (4) | (5)=(1)+(2)-(3)+(4) |
| | Gross value at opening of FY | Acquisitions and creations | Sales or decommissioning | Transfers | Gross value at the end of the FY |
| Total intangible fixed assets (A) | 2.0 | 0.2 | 0.0 | 0.8 | 2.1 |
| Total tangible fixed assets (B) | 186.1 | 2.0 | 34.2 | 0.0 | 153.8 |
| Property: Land, buildings and fittings | 182.5 | 0.5 | 34.1 | 0.0 | 148.9 |
| Other tangible fixed assets | 3.5 | 0.6 | 0.1 | 0.0 | 4.1 |
| Tangible fixed assets under construction | 0.0 | 0.9 | 0.0 | 0.0 | 0.9 |
| TOTAL (A+B) | 188.0 | 2.1 | 34.2 | 0.0 | 156.0 |

| CHANGE IN AMORTIZATION/DEPRECIATION OF FIXED ASSETS IN 2019 | | | | | |
|---|---|------------------|---|------------|----------------------------------|
| In € millions | (1) | (2) | (3) | (4) | (5)=(1)+(2)-(3)+(4) |
| | Amortization at the beginning of the FY | Charge increases | Decreases tied to disposals and decommissioning | Transfers | Gross value at the end of the FY |
| Total intangible fixed assets (A) | 1.8 | 0.1 | 0.0 | 0.0 | 1.9 |
| Total tangible fixed assets (B) | 141.7 | 3.0 | 27.6 | 0.0 | 117.1 |
| Property: land, buildings and fittings | 138.7 | 2.8 | 27.6 | 0.0 | 114.0 |
| Other tangible fixed assets | 3.0 | 0.2 | 0.0 | 0.0 | 3.2 |
| TOTAL (A+B) | 143.5 | 3.1 | 27.6 | 0.0 | 119.0 |

In addition, a provision for depreciation of buildings and fittings amounting to 0.6 million euros was recognized in connection with the proposed sale of certain sites for which a purchase proposal in lieu of a sales price estimate was lower than the net book value.

4.1.1.2 — Financial assets

This item, amounting to 19.4 million euros, includes loans at their original amount in the framework of construction aid (19.3 million euros), and deposits and guarantees paid (0.1 million euros).



BALANCE SHEET ANALYSIS

4.1.2 — Current assets

4.1.2.1 – Receivables

a) Benefit recipient receivables – Overpayments to recipients

The gross value of the “Benefit recipient receivables” increased by 14.3% compared to the previous financial year: 1,551.6 million euros, from 1,357.1 million euros. These consist of overpayments to benefit recipients that are repayable to the unemployment insurance scheme.

The table below presents transactions concerning unemployment insurance overpayments:

| In € millions | 2019 | 2018 | 2019/2018 CHANGE |
|---|--------------|--------------|------------------|
| Overpayments-advances-prepayments at beginning of FY (A) | 1,310.0 | 1,137.2 | 15.20% |
| TOTAL detected unemployment insurance overpayments (B) | 1,118.8 | 1,132.8 | -1.24% |
| TOTAL reimbursed and recovered (C) | 794.1 | 806.5 | -1.54% |
| Write offs and losses on overpayments (D) | 136.8 | 153.7 | -11.00% |
| Advances and prepayments paid (E) | 7.5 | 7.9 | -5.06% |
| Advances and prepayments recovered (F) | 7.4 | 7.7 | -3.90% |
| Debtor beneficiaries at the end of the FY (including advances-prepayments) (G) = (A) + (B) - (C) - (D) + (E) - (F) | 1,498.0 | 1,310.0 | 14.35% |
| Provision made for disputed receivables (H) | -1,056.6 | -889.3 | 18.81% |
| Provision rate (H) / (G) | 70.53% | 67.9% | 3.90% |
| NET BOOK VALUE (I) = (G) - (H) | 441.4 | 420.7 | 4.92% |

The risk of not recovering overpayments is covered by a provision equal to 70.53% of the receivable, a 3.90% increase from the provision for the 2018 financial year (67.9%).

b) Debtor beneficiaries - Advance payments

The table below presents transactions concerning unemployment insurance overpayments:

| In € millions | 2019 | 2018 | 2019/2018 CHANGE |
|---|-------------|-------------|------------------|
| Overpayments-advances-prepayments at beginning of FY (A) | 46.3 | 44.3 | 4.51% |
| TOTAL detected unemployment insurance overpayments (B) | 321.5 | 333.3 | -3.54% |
| TOTAL reimbursed and recovered (C) | 314.8 | 331.3 | -4.98% |
| Write offs and losses on overpayments (D) | 0.0 | 0.0 | |
| Advances and prepayments paid (E) | 0.0 | 0.0 | |
| Advances and prepayments recovered (F) | | | |
| Debtor beneficiaries at the end of the FY (including advances-prepayments) (G) = (A) + (B) - (C) - (D) + (E) - (F) | 53.0 | 46.3 | 14.47% |
| Provision made for disputed receivables (H) | -26.7 | -22.1 | 20.81% |
| Provision rate (H) / (G) | 50.37% | 47.7% | 5.54% |
| NET BOOK VALUE (I) = (G) - (H) | 26.3 | 24.2 | 8.68% |

The risk of not recovering advance benefit payments is covered by a provision equal to 50.37% of the receivable, an increase compared to the 2018 financial year (47.7%).

c) Affiliates and other financers

Gross contributions and other financing remaining to be recovered at 31 December 2019 amounted to 5,942.9 million euros, of which 5,782.1 million euros related to the unemployment insurance scheme. This amount of 5,782.1 million euros is broken down as follows:

- Main contributions: 3,900.5 million euros, i.e., 67.5 % of the total
- Other financing (GSC): 1,213.2 million euros, i.e., 21% of the total
- Special contributions: 458.9 million euros, i.e., 7.9 % of the total
- Additional contributions: 209.5 million euros, i.e., 3.6% of the total

These contributions also break down into undisputed contribution receivables for which recovery procedures were carried out in January or February 2020, amounting to 3,866.2 million euros (of which 85 million euros in respect of AGS), and disputed contribution receivables amounting to 2,076.7 million euros (of which 75.9 million euros in respect of AGS).

Under the delegated-management agreement between AGS and Unédic Association, affiliate debt receivables from AGS are recognized in a counterpart entry in the AGS current account on the liabilities side of the balance sheet.

After analysis of the stage reached in the recovery procedure or the business's characteristics, disputed receivables were the subject of a provision made for the risk of non-recovery amounting to 1,579.8 million euros (of which 56.8 million euros in respect of AGS).

The provision is calculated by each of the collecting agencies responsible for recovering unemployment insurance contributions, in the light of the results of recovering disputed receivables over previous years.

d) État

The contractual arrangement relating to targeted exemptions provides for invoicing of actual amounts to the relevant ministries (Overseas Departments, Agriculture, Labor, Environmental Transition) in respect of the 2019 employment periods. At the end of the fiscal year, a balance results (either a receivable or payable between invoicing and instalments paid during the year).

Thus, at 31 December 2019, 52 million euros remain payable by the French State (30 million by the Ministry of Labor and 22 million euros by Ministry of Overseas Departments).

4.1.2.2 – Other receivables

This item, which amounts to 242.9 million euros (net of impairment provisions) mainly includes:

- ➔ Accrued income connected with the repayment by Member States to France of benefits paid to French cross-border workers in the amount of 189.6 million euros, net of impairment provisions for long-standing receivables;
- ➔ A receivable against the ASP Service and Payment Agency of 7.5 million euros;
- ➔ A receivable against entities with management agreements amounting to 0.3 million euros;
- ➔ A 10.1-million-euro receivable against Monaco relating to ordinary contribution-recovery transactions;
- ➔ A 19.6-million-euro against Acooss, corresponding to the balance of contributions paid by employers during December, to be transferred to Unédic;
- ➔ A 11.6-million-euro receivable against Acooss relating to the general social contribution;
- ➔ A receivable against Saint-Pierre and Miquelon in the amount of 0.3 million euros relating to ordinary contribution-recovery transactions;
- ➔ AGS's share of aggregated affiliates concerning Acooss, amounting to 5.5 million euros.

4.1.2.3 – Marketable securities

This item, which amounted to 3,000 million euros, corresponds to money-market funds dedicated to NEU CP issues in the event of market failure.

| MARKETABLE SECURITY INVENTORY AT 01/01/2019 (in € millions) | ACQUISITIONS IN 2019 | DISPOSALS IN 2019 | MARKETABLE SECURITIES INVENTORY AT 31/12/2019 |
|---|----------------------|-------------------|--|
| 2,835 | 65,347 | 65,182 | 3,000 |

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4.1.2.4 – Bank balances

This item, amounting to 1,260 million euros, mainly corresponds to interest-bearing deposits.

4.1.3 — Deferred expenses

This item, which amounts to 31 million euros, concerns bonds and NEU MTN issue costs, which are apportioned on a straight-line basis over the term of the borrowings.

In € millions

| YEAR OF RELEASE | DEFERRED COMMISSIONS AND EXPENSES | PRIOR AMORTIZATION | 2019 AMORTIZATION | FULLY AMORTIZED COMMISSIONS ON BORROWINGS MATURING IN 2019 | ACCUMULATED AMORTIZATION AT 31/12/2019 | BORROWINGS COMMISSION BALANCE AT 31/12/2019 |
|--------------------------------|-----------------------------------|--------------------|-------------------|--|--|---|
| | (a) | (b) | (c) | (d) | (e) = (b) + (c) - (d) | (f) = (a) - (d) - (e) |
| 2012 | 2.0 | 1.9 | 0.1 | 2.0 | 0.0 | 0.0 |
| 2013 | 5.3 | 3.7 | 0.6 | 0.4 | 3.9 | 1.0 |
| 2014 | 10.6 | 5.8 | 1.3 | 0.6 | 6.4 | 3.5 |
| 2015 | 11.2 | 4.9 | 1.3 | 0.6 | 5.5 | 5.1 |
| 2016 | 8.4 | 2.7 | 1.0 | 0.0 | 3.7 | 4.7 |
| 2017 | 11.4 | 1.8 | 1.1 | 0.0 | 2.9 | 8.5 |
| 2018 | 4.2 | 0.1 | 0.4 | 0.0 | 0.5 | 3.7 |
| 2019 | 4.9 | 0.0 | 0.3 | 0.0 | 0.3 | 4.6 |
| TOTAL DEFERRED EXPENSES | 57.9 | 20.8 | 6.0 | 3.6 | 23.2 | 31.0 |

4.1.4 — Redemption premiums

The bonds and NEU MTNs issued by Unédic include an issue premium, which corresponds to the difference between the nominal value of the bonds and their issue value. These premiums are amortized over the term of the borrowing:

In € millions

| YEAR OF RELEASE | ISSUE PREMIUM AMOUNT | PRIOR AMORTIZATION | 2019 AMORTIZATION | FULLY AMORTIZED ISSUE PREMIUMS ON BORROWINGS MATURING IN 2019 | ACCUMULATED AMORTIZATION AT 31/12/2019 | ISSUE PREMIUM BALANCE 31/12/2019 |
|----------------------------|----------------------|--------------------|-------------------|---|--|----------------------------------|
| | (a) | (b) | (c) | (d) | (e) = (b) + (c) - (d) | (f) = (a) - (d) - (e) |
| 2012 | 3.0 | 2.9 | 0.1 | 3.0 | 0.0 | 0.0 |
| 2013 | 7.8 | 5.9 | 1.1 | 0.0 | 7.0 | 0.9 |
| 2014 | 19.2 | 10.0 | 2.3 | 0.0 | 12.3 | 6.9 |
| 2015 | 48.8 | 17.4 | 4.7 | 0.0 | 22.1 | 26.7 |
| 2016 | 33.2 | 10.4 | 3.7 | 0.0 | 14.1 | 19.1 |
| 2017 | 27.3 | 4.2 | 2.8 | 0.0 | 7.0 | 20.3 |
| 2018 | 12.2 | 0.4 | 1.0 | 0.0 | 1.4 | 10.8 |
| 2019 | 15.2 | 0.0 | 1.2 | 0.0 | 1.2 | 14.1 |
| ISSUE PREMIUM TOTAL | 166.7 | 51.1 | 16.9 | 3.0 | 65.0 | 98.7 |

BALANCE SHEET ANALYSIS

4.2 — ANALYSIS OF BALANCE SHEET LIABILITIES

4.2.1 — Net position

The net position at the end of the 2019 financial year was negative by 37,196.9 million euros and its change over the year can be broken down as follows:

- ➔ Net position at 31 December 2018: -35,227.3 million euros
- ➔ Net loss for the 2019 financial year: -1,969.7 million euros
- ➔ Net position at 31 December 2019: -37,196.9 million euros

4.2.2 — Provisions for contingencies and expenses

This item, totaling 123 million euros, principally includes the following provisions:

- ➔ A provision for disputes with affiliates, in the amount of 98.9 million euros;
- ➔ A provision for litigation contingencies relating to benefit recipients and recovery matters reported by Pôle emploi's regional departments, in the amount of 6 million euros;
- ➔ Provisions for employee-related commitments:
 - Provision for retirement indemnities (Indemnités de Départ à la Retraite, IDR), in the amount of 14.8 million euros;
 - Provision for long-service bonuses, in the amount of 2.1 million euros.
- ➔ A provision for personnel-related contingencies and expenses, in the amount of 1.2 million euros.

The following table presents changes in provisions for contingencies and expenses over the 2019 financial year:

| In € millions | OPENING BALANCE | PROVISION | WRITE BACK (PROVISION USED) | WRITE BACK (PROVISION NOT USED) | CLOSING BALANCE |
|--------------------------------|-----------------|-------------|-----------------------------|---------------------------------|-----------------|
| Acoss | 91.5 | 7.4 | | | 98.9 |
| Personnel expenses | 1.1 | 0.9 | 0.8 | | 1.2 |
| Retirement indemnities | 1.0 | 0.9 | 1.1 | | 14.8 |
| Long-service bonuses | 1.9 | 0.2 | | | 2.1 |
| Public employer reimbursements | 0.0 | | | | 0.0 |
| Other | 5.6 | 1.1 | 0.7 | | 6.0 |
| TOTAL | 115.1 | 10.5 | 2.6 | | 123.0 |

4.2.3 — Borrowings and financial debt

The following table presents the change in financing over the course of the 2019 financial year:

| FINANCING In € millions | OPENING BALANCE | OF WHICH 2018 ACCRUED INTEREST | 2019 ADDITIONAL FINANCING | 2019 FINANCING REPAYMENT | CLOSING BALANCE | OF WHICH 2019 ACCRUED INTEREST |
|--------------------------------|-----------------|--------------------------------|---------------------------|--------------------------|-----------------|--------------------------------|
| Acoss | 29,740 | 240 | 2,500 | 2,100 | 30,114 | 214 |
| Retirement indemnities | 2,752 | 2 | - | 1,500 | 1,251 | 1 |
| Long-service bonuses | 3,101 | 1 | 600 | - | 3,701 | 1 |
| Public employer reimbursements | 4,175 | - | 16,080 | 14,030 | 6,225 | - |
| Other | - | - | - | - | - | - |
| TOTAL | 39,768 | 243 | 19,180 | 17,630 | 41,291 | 216 |



BALANCE SHEET ANALYSIS<

4.2.3.1 – Bonds

La dette obligataire s'élève à 29 900 millions d'euros à la clôture de l'exercice 2019.

| BOND DEBT (in € millions) ISSUE | AMOUNT | ISSUE DATE | MATURITY | COUPON RATE (%) |
|---------------------------------------|---------------|------------|----------|-----------------|
| 8.1 | 1,500 | 05/04/13 | | |
| 8.2 | 500 | 22/05/14 | 05/04/23 | 2.250% |
| 10.1 | 1,500 | 29/05/13 | 29/05/20 | 1.250% |
| 11.1 | 2,500 | 20/02/14 | 25/05/24 | 2.375% |
| 12.1 | 1,500 | 16/04/14 | | |
| 12.2 | 150 | 30/10/14 | 16/04/21 | 1.500% |
| 12.3 | 500 | 14/12/15 | | |
| 13.1 | 1,500 | 05/09/14 | | |
| 13.2 | 250 | 01/10/15 | 25/10/22 | 0.875% |
| 13.3 | 500 | 04/05/16 | | |
| 14.1 | 3,000 | 17/02/15 | 17/02/25 | 0.625% |
| 15.1 | 1,250 | 21/10/15 | | |
| 15.2 | 750 | 04/05/16 | 21/10/27 | 1.250% |
| 16.1 | 1,000 | 04/11/15 | 04/11/21 | 0.300% |
| 17.1 | 2,000 | 03/03/16 | | |
| 17.2 | 250 | 20/06/17 | 03/03/26 | 0.625% |
| 18.1 | 1,750 | 31/03/16 | 24/11/23 | 0.250% |
| 19.1 | 2,000 | 28/03/17 | | |
| 19.2 | 250 | 31/08/17 | 28/03/27 | 1.250% |
| 20.1 | 1,750 | 20/04/17 | | |
| 20.2 | 750 | 30/08/17 | 20/04/32 | 1.500% |
| 21.0 | 1,000 | 30/05/18 | | |
| 21.1 | 1,000 | 29/05/19 | 25/05/33 | 1.250% |
| 22.0 | 1,250 | 01/10/18 | 25/05/28 | 0.875% |
| 23.0 | 1,500 | 20/03/19 | 20/03/29 | 0.500% |
| TOTAL | 29,900 | | | |

Added to this is an amount of 214 million euros, which corresponds to accrued coupon interest at the end of the financial year.

4.2.3.2 – Loans from credit institutions and miscellaneous financings

The total amount of this item amounts to 6,225 million euros and corresponds to NEU CP (formerly Billets de trésorerie) issued by Unédic.

Transactions in 2019 relating to NEU CP:

In € millions

| INVENTORY AT 01/01/2019 | 2019 ISSUES | 2019 REPAYMENTS | INVENTORY AT 31/12/2019 |
|-------------------------|-------------|-----------------|-------------------------|
| 4,175 | 16,080 | 14,030 | 6,225 |

The maturities of these NEU CP are as follows:

| COMMERCIAL PAPER DUE DATE | IN Q1 2020 | IN Q2 2020 | IN Q3 2020 | IN Q4 2020 | TOTAL |
|---------------------------|------------|------------|------------|------------|-------|
| In € millions | 2,750 | 2,175 | 900 | 400 | 6,225 |

BALANCE SHEET ANALYSIS

4.2.3.3 – Loans from credit institutions and miscellaneous financings

At the end of 2019, Unédic had 1,250 million euros in outstanding negotiable medium-term notes (bons à moyen terme négociable).

| ISSUES | AMOUNT (IN € MILLIONS) | ISSUE DATE | MATURITY | COUPON RATE (%) |
|--------|------------------------|------------|------------|-----------------|
| 6 | 1,250 | 05/03/2015 | 05/03/2020 | 0.125% |

At the end of December 2019, accrued interest amounted to 1.3 million euros.

4.2.3.4 – NEU MTN (formerly, Negotiable Medium-Term Notes)

At the end of 2019, Unédic had 3,700 million euros in outstanding NEU MTN.

| ISSUES | AMOUNT (IN € MILLIONS) | ISSUE DATE | MATURITY | COUPON RATE (%) |
|--------|------------------------|------------|----------|-----------------|
| | 500 | 04/10/16 | 25/11/20 | 0.000% |
| 1 | 1,250 | 16/01/17 | 25/05/22 | 0.125% |
| 2 | 100 | 13/02/17 | 25/11/20 | 0.000% |
| 4 | 1,250 | 28/11/17 | 25/11/24 | 0.125% |
| 6 | 600 | 04/10/19 | 04/10/22 | 0.000% |
| | 3,700 | | | |

At the end of December 2019, accrued interest amounted to 1.1 million euros.

In summary

In € millions

| BOND AND NEU MTN | MATURITY ≥ 1 YEAR | MATURITY BETWEEN > 1 YEAR AND ≤ 5 YEARS | MATURITY > 5 YEARS |
|------------------|-------------------|---|--------------------|
| 34,850 | 3,350 | 17,750 | 13,750 |

4.2.3.5 – Bank overdrafts

None.

4.2.4 – Other liabilities

4.2.4.1 – Affiliate payables

This item, amounting to 305 million euros, corresponds to amounts received from employers that could not be allocated to receivables at the end of the financial year.

4.2.4.2 – Benefit recipient payables and other accounts payable

This item totaling 3,022.8 million euros principally corresponds to benefits to be paid:

- For the month of December 2019 and paid in January 2020, i.e., 3,022.4 million euros, and 50.8 million euro for redeployment benefits to be paid to benefit recipients;
- In respect of 2019 and paid in February and March 2020, in the amount of 71.9 million euros; less
- Pension withholdings, in the amount of 131.3 million euros.



4.2.4.3 – Tax and social security debts

This item amounted to 149.9 million euros and consists primarily of:

- Provisions for paid leave, holiday bonuses and 13th month bonuses, in the amount of 2.9 million euros;
- Benefit recipient withholdings remaining to be paid, i.e., 58.6 million euros, corresponding to benefits paid in December 2019;
- Outstanding benefit recipient income tax withholdings, i.e., 77.7 million euros, corresponding to benefits paid in December 2019;
- Wage subsidies, in the amount of 6.1 million euros;
- Other tax and social security debts, in the amount of 4.6 million euros.

4.2.4.4 – Supplier payables

The amount of 7.9 million euros, representing outstanding invoices payable at 31 December 2019, is divided under two headings:

- Suppliers of goods and services: 7.4 million euros,
- Suppliers of fixed assets: 0.5 million euros.

4.2.4.5 – Other payables

The principle items under this heading, the amount of which stands at 1,714.7 million euros, principally relates to:

- The accrued payable at 31 December 2019 to the various retirement funds in respect of the validation of benefit recipients' supplemental pension credits:
 - 584.9 million euros due to ARRCO, broken down as follows:
 - 656.1 million euros, corresponding to contributions remaining to be paid in respect of 2019;
 - -16.7 million euros in respect of the semi-finalized 2019 position;
 - -54.5 million euros in respect of the 2018 adjustment.
 - 299.8 million euro due to AGIRC, broken down as follows:
 - 146.8 million euros, corresponding to contributions remaining to be paid in respect of 2019;
 - 38.5 million euros in respect of the semi-finalized 2019 position;
 - 6 million euros due by AGIRC in respect of the 2018 adjustment;
 - 108.5 in provisions for 2019 payable expenses.
 - 35.7 million euros due to other supplemental pension organizations, including Ircantec (31.3 million euros).
- The Pôle emploi liaison accounts, for a total amount of 487.9 million euros, including the account relating to the financing of Pôle emploi through the 10% contribution, the balance of which amounted to 506.7 million euros.
- The debt payable to AGS in respect of affiliate receivables arising from AcoSS collections, in the gross amount of 161.7 million euros (less the deduction of a 56.8 million euro provision).
- A debt payable to CCMSA in the amount of 39.3 million euros relating to ordinary contribution-recovery transactions.
- A debt payable to AcoSS in respect of the general reduction, in the amount of 131.5 million euros.
- A debt payable to AGS in the amount of 1.3 million euros in respect of management expenses.
- A debt payable to the Ministry of the Environment, in the amount of 4 million euros in respect of specific exemptions relating to ship builders.
- A debt payable to the Minister of Agriculture amounting to 9.2 million euros in respect of specific exemptions relating to seasonal agricultural workers.
- The balance due by Unédic to the French State at 31/12/2019, in the amount of 1.2 million euros in respect of its financial participation relating to deferred amounts (Schedule VIII and X).

BALANCE SHEET ANALYSIS

4.2.5 — Adjustment accounts

Deferred income, i.e., 155.8 million euros, relates to:

- The payments made by public companies and institutions which are not affiliated with the unemployment insurance scheme but which have signed a management agreement with Unédic. The payments are made for benefit recipients who are registered as unemployed and whose acquired entitlements may be spread out over several financial years depending on their age. This represents an amount of 0.1 million euros.
- Opportunity costs on bond issues and NEU MTN, representing 146.6 million euros. They are amortized over the life of the borrowing.

In millions of euros

| YEAR OF RELEASE | FINANCIAL INCOME AMOUNT | PRIOR AMORTIZATION | 2019 AMORTIZATION | WRITE BACKS OF LOANS REPAYED IN 2019 | ACCUMULATED AMORTIZATION AT 31/12/2019 | DEFERRED INCOME BALANCE AT 31/12/2019 |
|------------------------------|-------------------------|--------------------|-------------------|--------------------------------------|--|---------------------------------------|
| | (a) | (b) | (c) | (d) | (e) = (b) + (c) - (d) | (f) = (a) - (d) - (e) |
| 2012 | 3.6 | 3.5 | 0.2 | 3.6 | 0.0 | 0.0 |
| 2013 | 20.8 | 19.6 | 1.2 | 20.8 | 0.0 | 0.0 |
| 2014 | 92.1 | 68.3 | 12.6 | 59.8 | 21.0 | 11.3 |
| 2015 | 36.2 | 18.1 | 5.9 | | 24.1 | 12.1 |
| 2016 | 54.6 | 20.0 | 7.8 | | 27.8 | 26.8 |
| 2017 | 37.1 | 4.1 | 3.0 | | 7.2 | 29.9 |
| 2018 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 |
| 2019 | 69.7 | 0.0 | 3.3 | | 3.3 | 66.4 |
| TOTAL DEFERRED INCOME | 314.2 | 133.6 | 34.0 | 84.2 | 83.3 | 146.6 |

- Other income in the amount of 9.1 million euros relates to deferred income on NEU CP (commercial paper, formerly Billets de trésorerie) interest.



05 ANALYSIS OF THE INCOME STATEMENT

5.1 — TECHNICAL MANAGEMENT

5.1.1 — Income

5.1.1.1 — Contributions and other financing

Income from contributions and other financings in the 2019 financial year increased by 4.02% compared to 2018:

| In € millions | 2019 | 2018 | 2019/2018 CHANGE |
|-----------------------|------------------|------------------|------------------|
| Main contributions | 24,307.33 | 37,137.97 | -34.55% |
| Other financing | 14,358.64 | 0.00 | 100.00% |
| Special contributions | 439.14 | 457.04 | -3.92% |
| TOTAL | 39,105.11 | 37,595.01 | 4.02% |

This increase is due to a 3.1% increase in the wage bill (change in the wage bill to be reconciled with average wage per capita of 1.6% and a 1.1% increase in the salaried workforce), and a stronger than expected increase in the earned income GSC (+3.4%).

Special contributions decreased by 3.92%, due to a decrease in the number of company defaults.

5.1.1.2 — Other income

This item, which amounts to 102.5 million euros, principally includes income from management agreements, i.e., 1.5 million euros, and late payment surcharges and penalties in the amount of 99.1 million euros.

5.1.1.3 — Net write-back of provisions

The total amount of provision decreases or write-backs stood at 74.7 million euros, and related to:

- The write-back of a 0.7-million-euro provision for Pôle emploi contingencies and liabilities.
- The write-back of a provision for doubtful affiliate receivables in the amount of 73.9 million euros.
- The write-back of a benefit recipient fraud provision in the amount of 0.1 million euros.

5.1.1.4 — Transferred expenses

This item, which amounted to 250.7 million euros, mainly includes:

- Affiliates' repayment of benefits, in the amount of 18.9 million euros;
- The repayment of benefits between the EU countries, in the amount of 231.5 million euros; the 2019 issuances include 102 million euros in repayment requests in respect of 2018 which were issued late, after the statutory prescription period, by Pôle emploi subsequent to an internal IT malfunction within Pôle emploi;
- The partial payment by the State of 2011 career safeguarding contract allowances (Contrat de sécurisation professionnelle, CSP), in the amount of 0.1 million euros;
- The partial payment by the State for the individualized job-seeking program (Parcours d'accompagnement personnalisé, PAP), in the amount of 0.1 million euros;
- The repayment of the deferred back to work benefit (Aide au retour à l'emploi, ARE) contribution, in the amount of 0.1 million euros.

ANALYSIS OF THE INCOME STATEMENT

5.1.2 — Expenses

Total technical management expenses increased by 2.6% to 41,117 million euros in 2019 compared to 40,105 million euros in 2018. This was essentially due to the increase in average benefit payments under the back-to-work benefit (ARE) and the back-to-work-and-training benefit (ARE Formation). Benefit expenses, other technical management expenses (benefit and affiliate write offs), the cost of validating pension points and Unédic's contribution to Pôle emploi's operations (3,521.3 million euros in 2019, compared to 3,418.7 million euros in 2018, i.e., +102.6 million euros), represent the majority of technical management expenses.

5.1.2.1 – Benefits

The overall cost of benefits increased by 2.30% in 2019, as follows:

| In € millions | 2019 | 2018 | 2019/2018 CHANGE |
|---|-----------------|-----------------|------------------|
| Back-to-work allowance | 31,550.1 | 30,927.4 | 2.01% |
| Other benefits | 2,479.9 | 2,337.8 | 6.08% |
| Back-to-work-and training benefit | 1,447.1 | 1,280.6 | 13.00% |
| Special redeployment benefits (ASR)/Benefits from the specific temporary fund (ASR) | 1,021.1 | 1,044.7 | -2.26% |
| Other | 11.7 | 12.5 | 6.40% |
| TOTAL | 34,030.0 | 33,265.2 | 2.30% |

Expenses per benefit result from taking into account:

- Payments to benefit recipients made during the financial year;
- A reduction in expenses tied to the detection of overpayments;
- The write-back of the provision recognized in 2018 for benefits to be paid from the previous financial year;
- The additional expenses represented by the provision recognized for benefits paid in the beginning of 2020 for periods in 2019 or prior periods.

| In € millions | BENEFITS PAID IN 2019 (+) | 2019 OVERPAYMENTS DETECTED (-) | 2019 BENEFITS PAID IN 2020 (+) | WRITE BACKS OF 2018 BENEFITS PAID IN 2019 (-) | EXPENSES IN THE FINANCIAL (=) |
|----------------------|---------------------------|--------------------------------|--------------------------------|---|-------------------------------|
| ARE | 32,860.2 | 1,378.5 | 2,827.2 | 2,796.9 | 31,512.0 |
| ARE CSP/CTP/EJEN/AAP | 39.7 | 1.5 | 3.2 | 3.3 | 38.1 |
| TOTAL ARE | 32,899.9 | 1,380.0 | 2,830.4 | 2,800.2 | 31,550.1 |
| Training ARE | 1,475.5 | 42.3 | 172.5 | 158.6 | 1,447.1 |
| ASR/ASP | 1,035.6 | 13.8 | 90.2 | 90.9 | 1,021.1 |
| Various others | 11.5 | 0.0 | 1.1 | 0.9 | 11.7 |
| Other benefits | 2,522.6 | 56.1 | 263.8 | 250.4 | 2,479.9 |
| ARE TOTAL | 35,422.5 | 1,436.1 | 3,094.2 | 3,050.6 | 34,030.0 |

The 2011 professional safeguarding benefit replaced the specific redeployment benefit and the career transition benefit for persons signed up to this support measure as of 1 September 2011 and up to 31 January 2015. The professional safeguarding benefit has been in place since 2015.

The main changes in benefit payments are as follows:

- ARE payments represented 32.90 billion euros in 2019, compared with 32.20 billion euros in 2018; this 2.17% increase is explained by a 2.27% increase in the average daily benefit amount, offset by a 0.16% decrease in the number of days for which benefits were paid;



ANALYSIS OF THE INCOME STATEMENT

- Training ARE payments (excluding social contributions amounting to 100.3 million euros) amounted to 1.375 billion euros in 2019, compared to 1.228 billion euros in 2018, an 11.97% increase;
- ASR and ASP payments (excluding the career safeguarding contract extra payment) amounted to 1.036 billion euros in 2019, compared to 1.067 billion euros in 2018, i.e., a 2.91% decrease that is explained by a 4.09% decrease in the number of days benefits were paid, offset by a 2.16% increase in the average daily benefit amount.

a) Redeployment benefits

Redeployment benefits amounted to 765 million euros in 2019, compared to 677.7 million euros in 2018, and break down as follows:

| In € millions | 2019 | 2018 | 2019/2018 CHANGE |
|---|--------------|--------------|------------------|
| IDR – ASP differential deployment benefit | 8.2 | 9.2 | -10.87% |
| ADR – Differential Redeployment Allowance | 0.1 | 0.1 | 0.00% |
| ARCE – Allowance for the takeover or creation of a business | 579.0 | 498.8 | 16.08% |
| IDR – CRP differential redeployment benefit | 0.0 | 0.0 | |
| 2015 Career safeguarding contract bonus | 160.0 | 150.4 | 6.38% |
| Other benefits | 17.7 | 19.2 | -7.81% |
| TOTAL REDEPLOYMENT BENEFITS | 765.0 | 677.7 | 13% |

The allowance for the takeover or creation of a business (Aide à la reprise ou à la création d'entreprise, ARCE) represented the principal benefit, amounting to 579 million euros, i.e. 75.69% of all redeployment benefits. Its amount increased by 16.08% in 2019.

The differential redeployment allowance (Aide différentielle au reclassement, ADR) was discontinued in 2015.

The 2015 institution of the career safeguarding contract (Contrat de sécurisation professionnelle, CSP) was accompanied by the creation of the career safeguarding contract bonus.

b) Validation of pension credits

This item corresponds to the cost incurred in connection with validating benefit recipients' supplemental pension credits, amounting to 2,104.6 million euros in 2019, compared to 2,072.5 million in 2018. This slight increase is explained by expense adjustments in respect of the prior financial year.

The breakdown by pension regime is as follows:

| In € millions | TOTAL |
|--------------------------------------|-----------------|
| ARRCO | 2,657.30 |
| AGIRC | 750.30 |
| Other funds (IRCANTEC - CRPNPAC) | 133.70 |
| TOTAL PENSION FUNDS | 3,541.30 |
| Benefit recipient contributions | -1,436.70 |
| VALIDATION OF PENSION CREDITS | 2,104.60 |

ANALYSIS OF THE INCOME STATEMENT

c) Other technical management expenses

This item, which corresponds to 3,990.2 million euros increased by 2.96% compared to 2018.

The main expenses consist of:

- Write-offs and cancellations of affiliate receivables, in the amount of 225.3 million euros;
- Write-offs of benefit recipient debt in the amount of 136.8 million euros;
- Unédic's 10% contribution due to Pôle emploi, in the amount of 3,521.3 million euros;
- Unédic's contribution to the career safeguarding contract, in the amount of 58.1 million euros;
- Unédic's contribution to the financing of the wage subsidy scheme, in the amount of 37.6 million euros.

d) Provisions

Provisions total 256.9 million euros and break down as follows:

- Impairment of affiliate receivables, in the amount of 1.0 million euros;
- Impairment of overpayments to benefit recipients, in the amount of 171.9 million euros;
- Provisions in respect of bordering countries (EESSI) in the amount of 75.4 million euros; the bulk of this provision relates to receivables against Switzerland. This specific provision concerning the late issue of 2018 invoices in 2019 due to an internal dysfunction at Pôle emploi represents the financial risk recorded in Unédic's accounts;
- Provisions for contingencies and liabilities in the amount of 8.6 million euros, which notably relate to a provision for Acoess litigation (7.5 million euros) and a 1.1-million-euro provision for Pôle emploi contingencies and liabilities.

5.2 — ADMINISTRATIVE MANAGEMENT

5.2.1 — Income

5.2.1.1 — Provision of services

This item, which amounts to 44.4 million euros, is essentially made up of income received from third parties in the framework of management agreements:

| In € millions | 2019 | 2018 |
|-------------------------------------|-------------|-------------|
| AGS | 43.6 | 42.5 |
| Pôle Emploi | 0.2 | 0.4 |
| Other agreements with third parties | 0.1 | |
| Other provisions of services | 0.5 | 0.4 |
| TOTAL | 44.4 | 43.3 |

5.2.1.2 — Other income

This item, which amounts to an aggregate amount of 2.8 million euros, principally represents rent paid in connection with the use of the unemployment insurance scheme's real estate assets.

5.2.2 — Expenses

Expenses amounted to 85.6 million euros in 2019, a 0.6% increase compared to 2018.

The depreciation of the real estate stock, and the maintenance and management thereof, represent a significant administrative management expense. 94 sites remained at the end of 2019.



ANALYSIS OF THE INCOME STATEMENT

5.2.2.1 – Purchases

This item represented 0.6% of administrative management expenses, i.e., 0.5 million euros, a slight decrease of 0.04 million euros compared to 2018.

5.2.2.2 – External services

This item represents 45.8% of administrative management expenses.

| In € millions | 2019 | 2018 |
|---|-------------|-------------|
| Work and services provided by third parties | 4.7 | 4.9 |
| Renting of movables and immovables | 3.0 | 2.8 |
| Other external services | 3.9 | 3.8 |
| Transportation and travel | 1.2 | 0.1 |
| Postal and telecommunications expenses | 0.3 | 0.4 |
| Notarial fees and costs | 16.9 | 19.6 |
| Bank and post expenses | 5.0 | 4.4 |
| Miscellaneous | 4.2 | 3.8 |
| TOTAL | 39.2 | 40.8 |

The “Other external services” heading includes in particular expenditures relating to the financing of employer and union organizations in the context of the management of the unemployment insurance scheme, i.e. 3.8 million euros in 2019.

5.2.2.3 – Taxes and levies

This item represents 5.4% of administrative management expenses and breaks down as follows:

| In € millions | 2019 | 2018 |
|--------------------------|------------|------------|
| Taxes on earnings | 2.3 | 2.2 |
| Other taxes and payments | 2.3 | 2.4 |
| TOTAL | 4.6 | 4.6 |

5.2.2.4 – Salaries and social security charges

This item represents 34.5% of administrative management expenses, and breaks down as follows:

| In € millions | 2019 | 2018 |
|-------------------------|-------------|-------------|
| Salaries | 20.1 | 18.7 |
| Social security charges | 9.4 | 8.9 |
| TOTAL | 29.5 | 27.6 |

5.2.2.5 – Amortization and provisions

This item represented 13.7% of administrative management expenses, i.e., an amount of 11.7 million euros, compared to 11.4 million euros in 2018.

5.3 — FINANCIAL MANAGEMENT

The financial result is negative:

- (333.8) million euros in 2019;
- (364.9) million euros in 2018.

2019 expenses amounted to 391.4 million euros, and essentially consisted of the following:

- Structured finance expenses, in the amount of 371.4 million euros, of which 367.7 million euros pertained to bond issues and NEU MTN;
- Amortization of bond issue redemption premiums, in the amount of 16.9 million euros.

The average financing rate in 2019 amounted to 0.91%.

5.4 — EXTRAORDINARY RESULT

The result from extraordinary transactions is positive (+11.5 million euros), and essentially relates to capital gains on disposals of fixed assets.

5.5 — CORPORATE INCOME TAX

Unédic is liable for corporate income tax in respect of earnings from property revenue and investment income. The tax due amounted to 2.9 million euros for 2019.

5.6 — RESULT FOR THE FINANCIAL YEAR

This item represents the unemployment insurance scheme's net result for the 2019 financial year. The result is negative (-1,969.7 million euros).



06 ADDITIONAL INFORMATION

6.1 — ESTIMATED BENEFITS PAYABLE TO BENEFIT RECIPIENTS WITH OPEN ENTITLEMENTS AT YEAR-END

The “pay-as-you-go” management method implies that certain technical provisions that could be set aside in the context of an insurance or welfare activity are not set aside in the specific context of unemployment insurance. However, they constitute forecasts of potential expenses calculated at the end of the financial year, which can only be called into question in the future as dictated by the financial equilibrium of the unemployment insurance scheme or a change in regulations.

With the aim of providing better information to third parties, we set forth below estimates (that are not defined by accounting standards) of the benefits to be paid to benefit recipients with open entitlements at year end and the method of calculating such benefits.

The management report contains more comprehensive information about expenditures and revenues, reflecting the work regularly conducted by the unemployment insurance scheme on the balance between benefits and contributions and the coverage of its financing needs.

It is noted that these estimates were prepared on the basis of the context and data available at 31 December 2019. As a result, they do not take into account the impacts of the Covid-19 epidemic, and in particular:

- **The measures taken in light of the health emergency crisis that had an impact on the rights of benefit recipients;**
- **The deterioration in the job market resulting from that crisis.**

6.1.1 — Estimate of benefits remaining to be paid by the unemployment insurance scheme to benefit recipients with open entitlements at the end of the financial year

The amount of benefits to be paid over the average duration of unemployment remaining to be covered as from 31 December 2019 to benefit recipients registered on that date was assessed by Unédic’s Studies and Analyses Department to amount to 27,456 million euros. This amount does not take into account the benefits to be paid to recipients whose benefits are maintained until they retire. The methods and assumptions used to calculate this estimate are as follows:

- Determination of benefits paid in 2019 to recipients entitled to benefits at 31 December 2018 (2,714,652 benefit recipients), i.e., 17,712 million euros;
- Calculation of benefits remaining to be paid to this population after 31 December 2019, i.e., 10,146 million euros. This population represents 31.20% of current benefit recipients at 31 December 2018;
- For this population in 2018, the total amount of benefits remaining to be paid by the unemployment insurance scheme is 27,858 million euros;
- This amount is updated, taking into account a 1.44% decrease in the number of benefit recipients at 31 December 2019 compared to 31 December 2018; the estimate of benefits remaining to be paid to the recipients receiving benefits at the end of the 2019 financial year is 27,456 million euros.

6.1.2 — Estimate of benefits remaining to be paid by the unemployment insurance scheme to benefit recipients entitled to maintained benefits

These benefits concern job-seeking benefit recipients who may under certain conditions receive their benefit payments up to retirement age.

The amount of benefits remaining to be paid to these benefit recipients registered at the end of the financial year was assessed by Unédic's Studies and Analyses Department at 681 million euros. The calculation is conducted by extending the indemnification rate used as at 31 December 2019 to up until the day before the retirement date, with the maximum age being 67.

6.1.3 — Estimate of the total financial commitment

Thus, the total benefits remaining to be paid to unemployment insurance beneficiaries with open entitlements at 31 December 2019 is estimated to amount to 28,136 million euros.

6.2 — NUMBER OF UNEMPLOYMENT INSURANCE STAFF

At 31 December 2019, Unédic had 337 employees, of which 233 were assigned to the Unédic-AGS Delegation.

6.3 — TRANSACTIONS CARRIED OUT ON BEHALF OF THIRD PARTIES

The employees' claims guarantee management association (Association pour la gestion du régime de Garantie des créances des Salariés – AGS), which is an employers' organization created in early 1974 and financed by businesses, pays debts resulting from employment contracts in the event of a business enters into recovery or court-ordered liquidation proceedings. A management agreement was entered into between AGS and Unédic, the latter being responsible for managing contribution collections, making the necessary funds available to court-appointed representatives and administrators, recovering advanced amounts and keeping accounts for these transactions. Unédic itself entered into an agreement with Pôle emploi on 19 November 2008 relating to recovering unemployment insurance contributions and AGS contributions (via the regional departments and Pôle emploi service).

The transfer of collections to Acoiss generated accounting and financial flows beginning in 2010 in the framework of two pilot phases. An agreement signed on 17 December 2010 by Unédic, AGS, Acoiss and Pôle emploi defined the rules and procedures for generalizing the handling of contribution collection by Acoiss and its network.

The contribution rate changed from 0.25% (rate applicable since 1 January 2016) to 0.20% starting 1 January 2017, following a December 2016 decision of AGS's board of directors, and was subsequently lowered to 0.15% from 1 July 2017 onwards.

6.4 — STATUTORY AUDITORS' FEES

Fees relating to statutory auditor assignments in 2019 amounted to 406 thousand euros (including VAT), which were split equally by the two co-signatory accounting firms, FCN and Grant Thornton.

REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended 31 December 2019

To the members of Association Unédic's Board of Directors,

Opinion

Pursuant to the mission entrusted to us by your Board of Directors, we audited Association Unédic's annual financial statements relating to the financial year ended 31 December 2019, as they are attached to this report. These accounts were approved by the Managing Director on 19 June 2020 on the basis of the information available on such date in a context of change generated by the health crisis tied to Covid-19.

We certify that, the annual financial statements are regular and accurate and fairly present the results of operations for the year ended 31 December 2019 and of the Association's financial position and assets at the end of such financial year, in accordance with French accounting rules and principles.

The above opinion is consistent with the content of our report to the Audit Commission.

Basis for our opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe that the information we collected was sufficient and appropriate to provide a basis for our opinion. Our responsibilities under these standards are described in the "Responsibilities of the statutory auditors regarding the audit of the annual financial statements" section of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from 1 January 2019 to the issue date of our report. In particular, we have not provided any services prohibited under Article 5(1) of Regulation (EU) no. 537/2014 or by the statutory auditors' professional code of ethics.

In addition, services other than account certification that we furnished to your entity over the course of the financial year and that are not mentioned in the management report or in the notes to the financial statements are as follows:

- ➔ Report on findings resulting from the agreed-upon procedures relating to the assessment of the internal control program relating to operations managed on AGS's behalf;
- ➔ Audit report on the accounting statements tied to the operations managed on AGS's behalf.

Observations

Without calling the opinion expressed above into question, we draw your attention to the following points described in the annual financial statements:

- ➔ Notes 1.6 "Financing of the unemployment insurance scheme" and 3 "Post-Closing Events" relating to measures taken in order to ensure the financing of the unemployment insurance scheme in light of the economic context and the major impacts the health crisis caused by Covid-19 have on employment and the unemployment insurance scheme;
- ➔ Note 2.1 "General principles", which notes that the unemployment insurance scheme is a special "pay as you go" scheme (regime spécifique par répartition) and that the accounts were prepared in accordance with the chart of accounts for unemployment insurance bodies approved by the Conseil National de la Comptabilité. When establishing annual financial statements, the specificities of the declaration-based nature of the unemployment insurance scheme and the related consequences are taken into account, both as regards affiliate declarations and payments to benefit recipients.

Justification of our assessments – Key audit issues

In accordance with the provisions of articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification for our assessments, we bring to your attention the key audit issues related to the risk of material misstatements which, in our professional judgement, were the most significant for the audit of the financial statements for the year and our responses to those risks.

These assessments were performed as part of the audit of the financial statements taken as a whole, and approved as described above, and led to our opinion as expressed above. We express no opinion on the individual elements contained in these annual financial statements.

The risk of material misstatements we identified and that constitute key audit issues relate to contributions and benefits.

1) Contributions collected by Acooss

Risk identified

As indicated in note 2.1 “General Principles” of the notes to the financial statements, Unédic’s financial statements were prepared on the basis of financial information produced by the agencies responsible for collecting unemployment insurance contributions.

Unemployment insurance contributions are collected on behalf of Unédic principally by Acooss via the Urssaf network and the Cgss, by CCMSA as regards the agricultural sector, and by Pôle emploi as regards special contributions.

The 2019 financial year was also marked by:

- ➔ A total exemption of employee contributions, which was offset by the earned income based GSC;
- ➔ The expansion of the general reduction referred to in article L. 241-13 of the French Social Security Code to unemployment insurance contributions;
- ➔ The extension of specific exemptions to employer unemployment insurance contributions.

In this context and in light of the uncertainties inherent in the cash flows generated by third parties and the weight of the contributions managed by Acooss, we considered that the accuracy, comprehensiveness and correct transcription of the financial information produced by Acooss constituted a key audit issue, given that Acooss collects the majority of contributions and fully compensates the elimination of the employee contribution and the general reductions.

Audit procedures implemented in response to this risk

We informed the Cour des comptes of the expected procedures and verifications over the unemployment insurance scheme’s cash flows and balances managed on Unédic’s behalf with respect to accuracy, comprehensiveness and the evaluation of contributions by asking them to provide us:

- ➔ Their opinion on the quality of the internal control program implemented by Acooss;
- ➔ Reasonable assurances about the unemployment insurance scheme’s cash flows, both as regards income and collections.

In order to make a decision about the relevance and sufficiency of the information obtained, we reviewed their interim summaries and their conclusions on the final controls and exchanged with members of the sixth chamber regarding both the results of their work on internal controls and the audit of the accounts.

The account certification report relating to the general social security regime’s (collection branch) 2019 accounts was made public on 19 May 2020. The 2019 conclusions are similar to the 2018 conclusions. The collection branch’s accounts were certified with reservations, which we assessed as having no material impact on cash flows relating to Unédic.

On the basis of tests of internal controls and substantive tests, we also assured ourselves of:

- The relevance and effectiveness of internal controls implemented within Unédic to ensure that the cash flows managed by AcoSS are correctly re-transcribed;
- The correct re-transcription of the statements issued by AcoSS, the flows of which are reviewed and approved by its certifying bodies;
- The reality and exhaustiveness of the compensation received in connection with the elimination of the employee contribution and the general reduction.

2) Benefits

Risk identified

As indicated in note 2.1 “General principles” of the notes to the financial statements, Unédic’s accounts were established on the basis of financial information produced by the entity responsible for paying benefits.

Pôle emploi thus managed all benefits.

In this context and in light of the uncertainties inherent in the cash flows managed by third parties, we considered that the fair presentation, comprehensiveness, reality and accuracy of Unédic’s benefits constituted a key audit issue.

They rely on the quality of the procedures implemented within Unédic itself and on:

- The quality of the internal control system implemented by Pôle emploi within the context of the transactions that organization manages on your behalf;
- The quality of the process used by Pôle emploi to prepare financial information necessary for drawing up Unédic’s accounts.

Audit procedures implemented in response to this risk

We sent audit instructions containing special procedures to Pôle emploi’s statutory auditors, and asked them to provide us their opinion on:

- The quality of the internal control system implemented by Pôle emploi within the context of the transactions that organization manages on Unédic’s behalf;
- The quality of the process used by Pôle emploi to prepare financial information necessary for drawing up Unédic’s accounts.

We had discussions with Pôle emploi’s statutory auditors during review meetings on internal control on 26 November 2019 and on account audits on 22 April 2020.

In order to assess the relevance and the adequacy of the information we obtained, we reviewed the conclusions of their interim work and their substantive work. We assured ourselves that this work covered all the procedures we communicated to them.

In addition, Pôle emploi's statutory auditors provided us their report entitled "Statutory auditors' audit report on Pôle emploi's accounting statements relating to managing affiliate contributions and benefit recipient payments on Unédic's behalf" dated 19 May 2020 in respect of the 2019 financial year, which contains a favorable opinion.

On the basis of tests of internal controls and substantive tests, we also assured ourselves of:

- ▣ The reliability of internal controls implemented within Unédic to ensure that the cash flows managed by Pôle emploi are correctly re-transcribed;
- ▣ The correct re-transcription into Unédic's accounts of Pôle emploi's accounting statements as approved by its statutory auditors.

Specific verifications

We also carried out the specific verifications provided for by legal and regulatory texts, in accordance with professional standards applicable in France.

We have no observation to make on the sincerity and consistency with the annual financial statements of the information contained in the executive director's management report dated 19 June 2020 and the other documents sent to members of the Board of Directors on the financial situation and annual financial statements. Regarding events that occurred and information known subsequent to the closing date for the financial statements relating to the effects of the Covid-19 crisis, management has informed us that such events and information will be the subject of a communication to the Board of Directors meeting called to approve the financial statements.

Disclosures resulting from other legal and regulatory obligations

Appointment of statutory auditors

We were appointed statutory auditors of Association Unédic by the Board of Directors on 14 April 1994, as regards FCN, and on 29 June 2019, as regards Grant Thornton.

At 31 December 2019, Grant Thornton was in its 2nd consecutive year as statutory auditor and FNC was in its 26th consecutive year, of which 2 and 10 years, respectively, since Association Unédic became a public interest entity pursuant to paragraph 6 of section III of article L. 820-1 of the French Commercial Code.

Responsibilities of management and individuals charged with corporate governance in respect of the annual financial statements

It is management's responsibility to prepare annual financial statements giving a fair view in accordance with French accounting principles and to implement the internal control procedures it deems necessary in order to ensure that the annual financial statements are free of material misstatements, whether due to fraud or error.

When preparing the annual financial statements, management is responsible for assessing the Association's ability to continue as a going concern, to include in these statements, as applicable, the necessary information related to continuing as a going concern, and to apply the going concern basis of accounting, except if the Association is expected to be wound up or cease operating.

It is the Audit Commission's responsibility to monitor the process used to prepare the financial information and the effectiveness of internal control and risk management systems and, as applicable, internal audit systems, as these apply to procedures relating to preparing and processing accounting and financial information.

The annual financial statements were approved by the Managing Director.

Statutory auditors' responsibilities regarding the audit of the annual financial statements

Audit objectives and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements, taken as a whole, are free of material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will systematically identify any material misstatements. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users of the financial statements make based thereon.

As specified in article L.823-10-1 of the French Commercial Code, our role in certifying the financial statements does not consist of guaranteeing the viability or quality of your Association's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit. They also:

- Identify and assess the risks that the annual financial statements contain material misstatements, whether due to fraud or error, define and perform audit procedures in light of those risks, and obtain evidence that they deem sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for a material misstatement resulting from error, as fraud may involve collusion, falsification, intentional omissions, misrepresentations, or the circumvention of internal control;
- Obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the internal control;

REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as related disclosures provided in the annual financial statements;
- Assess the appropriateness of management's use of the going concern accounting policy and, based on the evidence obtained, whether a material uncertainty exists related to events or circumstances that could jeopardize the Association's ability to continue as a going concern. This assessment is based on the evidence obtained up to the date of their report. However, subsequent events or conditions may cause the jeopardize the ability to continue as a going concern. If they conclude that a material uncertainty exists, they will draw the attention of readers of their report to the disclosures in the annual financial statements about such uncertainty, or, if such disclosures are not provided or are not relevant, they will either issue a qualified opinion or refuse to certify the statements;
- Evaluate the overall presentation of the annual financial statements and whether the annual financial statements reflect the underlying transactions and events in a manner that provides a fair presentation.

Report to the Audit Commission

We provide a report to the Audit Commission that includes information about the scope of the audit, the work program implemented, and the findings resulting from our audit. As appropriate, we also bring to the Audit Commission's attention material weaknesses in internal control that we identified as regards the procedures for preparing and processing accounting and financial information.

Among the information contained in our report to the Audit Commission are the risks of material misstatement that we consider to have been the most significant to the audit of the annual financial statements for the financial year and which therefore constitute the audit's key issues. It is our responsibility to describe these in this report.

We also provide the Audit Commission with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. As appropriate, we discuss with the Audit Commission any risks to our independence and the safeguards applied.

Paris et Neuilly-sur-Seine, 29 June 2020

The Statutory Auditors

Grant Thornton
French member of
Grant Thornton International

FCN

Cyril Brogniart
Partner

Serge Floch
Partner

Patrick Vicens
Partner

See also



2019 Activity Report,
Unédic social partner
for our common good



2019 report on risk
management, controls
and audit

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4, rue Traversière
75012 Paris
Tel.: 01 44 87 64 00



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