

FINANCIAL
REPORT
2020



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CEO's report

2020: YEAR PROFOUNDLY MARKED BY COVID-19

The Coronavirus epidemic has had unprecedented, major consequences for the national and international macroeconomic environment. In this context, the Unemployment Insurance scheme has protected employees and jobseekers through exceptional measures it has taken and its systems established through collective agreement.

In paying all or part of the income of more than three million unemployed and eight million temporarily laid off (furloughed) workers at the height of the 2020 crisis, Unédic played its full role as an economic and social stabiliser throughout the year.

The health and economic measures taken by the public authorities based on the emergency law No 2020-290 of 23 March 2020 to deal with the COVID-19 epidemic (and the various orders that followed) strongly weighed on Unédic's accounts, while the scheme's finances were expected to return to balance by the end of 2020 and to surplus by 2021.

The exceptional measures deployed by the State mainly concern the scope of the furloughing scheme, return-to-work allowance (ARE) and operational measures for the collection of contributions.

To facilitate the retention of workers suffering the consequences of the health crisis, the public authorities decided to simplify access to the furloughing scheme, improve financial support, review the terms of State (67%) - Unédic (33%) co-funding and extend the scheme to new populations.

The introduction of the new procedures for determining entitlement to the return-to-work "ARE" allowance (duration, amount and date of payment), initially scheduled for 1 April 2020, as part of the unemployment insurance reform, was pushed back to 1 September 2020 and then 1 July 2021.

Two exceptional extensions were made to the periods of payments for those jobseekers whose entitlements had ended or were due to end between 1 March and 31 May 2020 and from 30 October 2020.

To assist the entertainment sector, the period during which jobseekers to whom Annexes VIII and X to the unemployment insurance regulation apply receive benefits was extended until 31 August 2021, in connection with the "year of no change" for casual workers employed in the entertainment industry.

Moreover, as early as March 2020, business support measures enabled businesses to defer payment of their unemployment insurance contributions paid to the collection agencies.

Subsequently, Article 65 of the third amending finance law for 2020 made changes to their payment of social security contributions, including contributions paid to the unemployment insurance scheme in respect of their employees' employment.

The impact of these various measures in support of households and businesses was mainly on Unédic's expenditures (with the funding of the furloughing scheme, benefits paid to workers on short-term contracts who failed to find jobs, fall in numbers finding jobs due to the suspension of numerous economic activities, benefits paid to new jobseekers and extension of benefits paid to some categories of jobseekers) on the one hand, and on revenues (impacted by the fall in unemployment contributions and "GSC" tax on income from employment and deferral of payment of contributions by employers) on the other.

DETERIORATION IN MACROECONOMIC INDICATORS

In 2020, the Covid-19 pandemic and measures taken by the authorities to address it led to an unprecedented fall in gross domestic product (GDP) of -8.2%, compared with an increase of +1.5% in 2019. This is the largest fall in GDP since the creation of the national accounts in 1949.

Despite this unprecedented drop in activity, the purchasing power of households did not fall to the same extent. On the contrary, households saw a +0.6% increase in their purchasing power, thanks to intervention from the authorities, providing a safety net to people affected by the crisis. In detail, the main support measures included the furloughing scheme for employees belonging to sectors affected by administrative closures or that suffered a significant loss of activity, deferral of tax and social security contributions for some companies and the self-employed, creation of a solidarity fund, guarantees of bank loans, etc. These government measures provided compensation for lost income due to the fall in activity because of lockdown measures.

The Covid-19 health crisis profoundly changed the labour market. Given this unfavourable context and to support those finding themselves out of work, some aspects of the unemployment insurance reform were postponed (e.g. calculation of the daily reference salary) while other aspects, which entered into force in November 2019, were suspended, such as the sliding scale of unemployment benefits and minimum duration of membership before benefit claims can be made.

In terms of employment, INSEE recorded 320,200 year-on-year job losses in the private sector in 2020, a decrease of 1.6% in the numbers in work. Although this is the highest recorded fall in employment in France since the Second World War, it is not commensurate with the extent of the economic crisis; the furloughing scheme, one-third funded by Unédic and two-third funded by the State, greatly protected jobs during the health crisis.

The gross average wage per capita (AWPC) in the non-agricultural market sector fell by -4.0%, compared with a +1.9% rise in 2019. This decrease was mainly due to the use of the furloughing scheme, which reduced employees' pay because allowances are not considered as components of pay. Finally, in 2020, total private-sector payroll, which accounts for the majority of unemployment contributions, shrank by -5.7%. Together with this fall in the numbers in work contribution deferrals adversely affected Unédic's revenues in 2020.

Unemployment indicators show contrasting trends. First, the ILO unemployment rate was 8.0% on average in 2020, which was 0.4 percentage points lower than its 2019 average. This development is in contradiction with the increase in the number of jobseekers. Indeed, the number of jobseekers required to actively look for work (category A) rose sharply: +295,000 people between December 2019 and December 2020. Finally, the trend in the number of unemployed receiving benefits increased because of the health crisis and the extension of payments for jobseekers covered under the general scheme whose entitlements had ended or were about to end, as well as, to a lesser extent, the extension of benefits for those covered under Annexes 8 and 10 ('year of no change').

In total, the number of jobseekers receiving end-of-month return-to-work allowance (ARE), return-to-work training benefits (AREF) and professional safeguarding benefits (ASP) under Unemployment Insurance increased by 211,600 between December 2019 and December 2020; the number of unemployed receiving benefits thus stood at 2,926,900 in December 2020.

UNPRECEDENTED JOB RETENTION SCHEME

To limit the economic and social consequences of the health crisis, the furloughing (temporarily laying off workers) scheme was substantially reformed during 2020. First, the State and Unédic agreed to set their contribution to funding the scheme at 67% and 33% respectively of the allowances paid.

Then, Decree No 2020-325 of 25 March 2020 modified the terms of compensation for companies, increasing the amount of the furloughing scheme allowance to 70% of the employee's reference gross remuneration (limited to 4.5 x minimum wage), regardless of the numbers they employed. As from 1 June 2020, Order No 2020-770 of 24 June 2020 and Decree No 2020-810 of 29 June 2020 introduced a change in the amount of the furloughing scheme allowance, maintaining it at 70% of the reference wage for companies in the economic sectors most affected by the health crisis, and lowering it for other companies to 60% of the reference wage.

Order No 2020-346 of 27 March 2020 also extended the scheme to new categories of employers and employees.

In addition, a specific long-term furloughing scheme (APLD) was introduced on 1 July 2020. This scheme's introduction was subject to the signing of a collective agreement, which includes commitments to maintaining jobs, and was approved beforehand by the administrative authority.

EFFECT ON LEVEL OF UNEMPLOYMENT INSURANCE SCHEME'S DEBT

To enable Unédic to ensure the continuity of the Unemployment Insurance scheme's management activities and to deploy emergency measures, there was an increase in funding for 2020. To cover its cash needs, the Bureau of 26 March approved an increase in the short-term debt programme from 10 to 18 billion euros, and the Bureau of 28 April approved an increase in the long-term bond programme from 34 to 50 billion euros. At the same time, under the second Amending Finance Law for 2020 of 25 April 2020, the State guarantee on Unédic's bond programme increased from 2 to 10 billion euros, then to 15 billion euros (Amending Finance Law of 30 July 2020).

At the beginning of the health crisis, Unédic also finalised and implemented a framework for "Social Bond" issues for future medium- and long-term funding programmes.

In 2020, Unédic's NEU CP (Negotiable European Commercial Paper) programme was used first to fund the sudden and significant increase in cash requirements during the first lockdown between March and May. Thus, the total amount of short-term debt securities quickly reached the programme's ceiling of 10 billion euros in April, before the decision to increase this ceiling to 18 billion euros. The amounts borrowed continued to rise rapidly until the end of May, reaching the programme's ceiling of almost 18 billion euros.

Unédic's medium- and long-term (NEU MTN and EMTN) funding programmes were revised upwards and used from mid-May, ensuring the continuity of funding as a substitute for NEU CP short-term debt issues. As a result, the stock of NEU CP securities was able to be reduced from the summer of 2020, to 11.8 billion euros at the end of 2020.

In May, Unédic undertook its first social bond issuance via the NEU MTN programme, in the amount of 4 billion euros. In 2020, Unédic also issued seven bonds through its EMTN (euro medium-term note) programme (five of which in the form of Social Bonds), which were undertaken for a total of 15 billion euros. Total medium- and long-term funding amounted to 19 billion euros on maturities of 6-15 years, for a weighted average funding rate of 0.07%.

This strategy covered the funding needs linked to the Covid-19 crisis (furloughing scheme, additional benefit expenditure and lower revenues) over the whole of 2020.

The scheme's net debt, which amounted to nearly 37 billion euros at the end of 2019, thus stood at 54.6 billion euros at year-end 2020.

COST OF UNEMPLOYMENT INSURANCE DEBT

Since 2008, Unédic saw its debt increase from €5 billion in 2008 to €54.6 billion at the end of 2020. This increase has enabled the Unemployment Insurance scheme to maintain a level of benefits equal to that of those European countries providing the highest protection, without affecting employees' purchasing power or labour costs.

Because of Unemployment Insurance's counter-cyclical role, Unédic's debt increases when the economic situation deteriorates, particularly when interest rates are low. In recent years, the particularly low level of base rates, on which the interest rates of Unédic's loans are calculated, is explained by:

- the European Central Bank's accommodative monetary policies since 2015;
- the ability of social partners to put in place a funding strategy that is understood by Unédic investors and stakeholders.

The funding strategy put in place between 2009 and 2020 aimed to limit the consequences of a rise in interest rates on the cost of servicing the debt in a context of growing debt for Unédic. Indeed, all borrowings are subscribed at a fixed rate and in euros, thereby limiting Unédic's exposure to market risks on its debt.

Until the end of 2019, the successive funding programmes were undertaken such that in no year did Unédic's debt repayments exceed 10% of its revenues. To comply with this constraint, Unédic extended the average maturity of the debt, notably by increasing the maximum maturity of several issues (fixed at 15 years since 2017). In 2020, as a result of the crisis, Unédic's medium- and long-term debt increased substantially (from €29.9 billion at the end of 2019 to €43.4 billion at the end of 2020). It was therefore decided to pursue this strategy of extending the average maturity of the debt, to limit the risks of:

- refinancing, by distributing the maturity dates over Unédic's debt schedule, to limit the amount of annual repayments;
- higher rates, by taking advantage of the low-rate environment to issue debt of long maturity.

At the end of 2020, the average maturity of Unédic's medium- and long-term debt was 6 years and 7 months.

The borrowings issued under this strategy helped to limit the cost of the debt. Thus, the average interest rate (weighted by daily outstandings) paid on borrowings was 0.562% for 2020, and the net financial expense for 2020 amounted to 315 million euros, i.e. less than 1% of revenues.

DEBT AT YEAR-END AND FINANCIAL EXPENSE FOR 2015-2020

| EUR MILLIONS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------|--------|--------|--------|--------|--------|
| Net debt | 25,674 | 29,758 | 33,549 | 35,540 | 36,815 | 54,611 |
| Net financial expense | 301 | 324 | 352 | 365 | 334 | 315 |
| Ratio of net financial expense on net debt | 1.17% | 1.09% | 1.11% | 1.03% | 0.91% | 0.58% |

INCOME STATEMENT FOR THE YEAR

| EUR MILLIONS | 2019 | 2020 | CHANGE IN % |
|---|----------------|----------------|-----------------|
| Main contributions and other funding | 38,666 | 36,089 | -6.7% |
| Special contributions | 439 | 430 | |
| Other income | 428 | 383 | |
| Total technical income | 39,533 | 36,902 | -6.7% |
| Return-to-work allowances (ARE) | 31,550 | -35,616 | 12.9% |
| Other benefits | -2,480 | -2,769 | 11.7% |
| Redeployment benefits | -765 | -617 | |
| Validation of pension credits | -2,105 | -2,680 | |
| 11% Pôle emploi contribution | -3,521 | -4,075 | |
| Furloughing scheme | -38 | -9,049 | |
| Other expenses | -688 | -909 | |
| Total technical expense | -41,147 | -55,716 | 35.4% |
| Technical management result | -1,614 | -18,813 | 1,065.9% |
| Administrative management result | -31 | -34 | |
| Net financial expense | -334 | -315 | -5.7% |
| Net exceptional income | 11 | 7 | |
| Corporate income tax | -3 | -0 | |
| NET ACCOUNTING RESULT | -1,970 | -19,155 | 872.5% |

Main contributions and other funding decreased by 6.7% in 2020 due to the decrease in the affiliated payroll in 2020 (-5.7%), combined with a decrease in GSC on income from employment of -8.3%. The average decrease in the number of employees of -1.7% in 2020 (compared to +1.1% in 2019) and the decrease in the average wage per capita (AWPC) of -4.6% in 2020 (compared to +1.6% in 2019) explain the decrease in payroll.

Special contributions were down very slightly, due to the decrease in the number of company failures and reduced use of the CSP (job safeguard contract).

Other income at €383 million was also down, due to:

- lower surcharges for late payment on contributions and other funding (GSC on income from employment) due to the suspension of collection at the height of the health crisis;
- decrease in reversals of provisions for doubtful debts.

Total technical income decreased by 6.7% between 2019 and 2020.

Return-to-work allowances (ARE) increased by 12.9%, mainly due to a 9.76% increase in the number of days paid and a 2.33% increase in the average daily allowance paid.

The average number of jobseekers receiving benefits increased by 5.46%, from 2,766,791 in 2019 to 2,917,831 in 2020.

The other benefits (AREF and ASP, essentially) increased overall (+11.7%), with an increase in AREF (return-to-work training benefits) benefits of 10% and in ASP benefits of 12%.

After taking into account the unemployment insurance scheme's contribution to the funding of benefit recipients' supplementary pensions, to the functioning of Pôle emploi (4,075 million euros) and to the unprecedented funding of the furloughing scheme (9,049 million euros), technical management expenses increased by +35.4% between 2019 and 2020.

There was a technical management loss of 18,813 million euros, a sharp deterioration compared to the 2019 loss of 1,614 million euros, due to the impacts of the Covid-19 epidemic, both on expenditures (exceptional furloughing scheme and increase in benefits paid) and on the level of contributions.

After taking into account the administrative management expenses of 34 million euros, the financial management expenses of 315 million euros, the exceptional result and the tax on property rents, there was a net accounting loss for the year of 19,155 million euros.

As regards the 2020 Unemployment Insurance funding plan, Unédic raised 19 billion euros in total on the euro-denominated fixed-rate debt market, including 15 billion raised through bond issues benefiting from the explicit guarantee of the French State.

CHANGE IN CASH POSITION FOR THE YEAR

The employment insurance's cash position decreased by €17,796 million and breaks down as shown in the chart below:

| EUR MILLIONS | 31/12/2019 | 31/12/2020 | 2020/2019 CHANGE |
|---|----------------|----------------|------------------|
| Bond issues (EMTN) | -29,900 | -43,400 | -13,500 |
| Short-term negotiable commercial paper (NEU CP) | -6,225 | -11,825 | -5,600 |
| Negotiable medium-term notes (NEU MTN) | -4,950 | -7,100 | -2,150 |
| Overdrafts | 0 | 0 | 0 |
| Investments | 3,000 | 6,658 | 3,658 |
| Bank balances | 1,260 | 1,056 | -204 |
| TOTAL | -36,815 | -54,611 | -17,796 |

The decrease in cash position of -€17,796 million is calculated from the loss for the year of €19,155 million as follows:

| FROM ACCOUNTING RESULT FOR THE YEAR TO CHANGE IN CASH POSITION (IN MILLIONS OF EUROS) | |
|---|----------------|
| Accounting result for 2020 | -19,155 |
| Transactions generating no change in cash (increase in underwriting reserves) | 501 |
| Decrease in cash requirements linked to business cycle | 858 |
| 2020/2019 CHANGE IN CASH POSITION | -17,796 |

Net equity decreased by 19,155 million euros in 2020 because of the loss for the 2020 financial year, leading to the 2019 year-end net equity of -37,197 million euros decreasing to -56,352 million euros at 31 December 2020.

| EUR MILLIONS | 2019 | 2020 |
|--------------------------------|----------------|----------------|
| Retained loss and Reserves | -35,227 | -37,197 |
| Accounting result for the year | -1,970 | -19,155 |
| NET EQUITY | -37,197 | -56,352 |

The net debt of 54,611 million euros, after deduction of the cash recorded under assets on the balance sheet, is calculated from the net equity position of -56,352 million euros as follows:

| FROM NET EQUITY TO NET DEBT (IN MILLIONS OF EUROS) | |
|---|----------------|
| NET EQUITY AT 31/12/2020 | -56,352 |
| Transactions generating no change in cash (funding capacity represented by cumulative amortisation, depreciation and provisions as at 31 December 2020) | 3,507 |
| Gross non-current assets at 31 December 2020 | -153 |
| Cash requirement represented by the funding of the difference between operating receivables and operating payables | -1,968 |
| Cash sources linked to accrued interest on borrowings and deferment of borrowing costs to be distributed (issue premiums, accrued interest, etc.) | 356 |
| NET DEBT AS AT 31 DECEMBER 2020 | -54,611 |

CHANGES IN STRUCTURE OF FUNDING OF UNEMPLOYMENT INSURANCE

Article 54 of Law No 2018-771 of 5 September 2018 for the freedom to choose one's professional future scrapped employee unemployment insurance contributions as from 1 January 2019.

To neutralise the effects of this scrapping, Article 26 of Law No 2018-1203 of 22 December 2018 on the Social Security funding for 2019 provided for Unédic being allocated 1.47% of the GSC tax levied on income from employment. As the dynamics of the bases used respectively for calculating unemployment insurance contributions and the generalised social contribution (GSC) on income from employment are very similar, the GSC rate of 1.47 percentage points on income from employment was renewed in the Social Security funding law for 2020. A specific financial agreement sets out how this measure is to be implemented, including the timing of payments by AcoSS, France's central agency for social security bodies.

Thus, in 2020, GSC of €13.2 billion was recorded in income from activities.

In addition, the 2019 Social Security Financing Act provided for the extension of the general reduction in unemployment insurance contributions on 1 October 2019 for all employers, except for certain types of contract, of agricultural production and employers located in the French overseas departments and in Saint-Barthélemy and Saint-Martin, who had already benefited from the reduction since 1 January 2019. AcoSS makes up the shortfall arising from the general reduction in unemployment insurance contributions. After a first year of scaling up the system, 3.4 billion euros were recognised in 2020.

Finally, Article 8 of the 2019 Social Security Financing Act extended five employer contribution exemptions to unemployment insurance contributions: LODEOM (Overseas Development Act), home helpers, apprentices, sea armaments and seasonal agricultural workers (TO-DE - casual jobseekers). For Unédic, these exemptions amounted to 279 million euros, fully funded by the ministries concerned. The terms and conditions of this funding are set out in a framework agreement signed between the interested parties.

POST-BALANCE SHEET EVENTS

The following events, subsequent to the year ended 31 December 2020 are to be reported:

- As the emergency arrangements relating to the furloughing scheme are being maintained in 2021, amendment No 2 to the State-Unédic agreement of 1 November 2014, currently being made and entered into, must extend the effects of amendment No 1 of 18 December 2020 beyond 31 March 2021.
- Practical arrangements must be determined for reimbursing Unédic for the sums charged to Unédic that were paid as part of the supplementary aid measures, in connection with the funding of the furloughing scheme. It concerns:
 - the funding of the furloughing scheme allowance paid to the private-law staff of public employers (set out in Article 2 of Order No 2020-346 of 27 March 2020) who are not members of the unemployment insurance scheme because of the right granted them by Article L. 5424-2 of the French Labour Code;
 - exceptional assistance to companies whose employees come into contact with the public in respect of paid leave taken by their employees (decrees No 2020-1787 of 30 December 2020 and No 2021-44 of 20 January 2021).
- Decree No 2021-346 of 30 March 2021 reintroduces new rules relating to the calculation of the return-to-work allowance, duration of payments and starting point for payment of the allowance, which will enter into force on 1 July 2021. Other provisions (condition of membership and sliding scale) will come into force, based on economic criteria for determining the return to a more robust labour market ("retour à meilleure fortune"). However, an amending decree is expected to be introduced by the end of May, which will include the taking into account of periods of maternity, sickness and temporary lay off through the furloughing scheme in the calculation of the return-to-work allowance, to avoid any inequality if the beneficiary has experienced such periods.
- The October 2020 Bureau approved the 2021 funding level requirement of €13 billion, based on the forecasts published by Unédic on the same day. In view of Unédic's actual figures at year-end 2020 and its own assumptions for 2021, the State finally decided to grant Unédic an explicit guarantee in the amount of €13 billion for 2021 (2021 finance law published on 29 December 2020).

An order of the Minister of Economy and Finance of 13 January 2021 granted the State guarantee in respect of Unédic's bond issues in the amount of 8 billion euros. This first ministerial decree thus makes it possible to initiate the Unédic bond funding programme for 2021. A second decree to finance the remaining balance will be necessary to issue the €13 billion provided for in the legislation.

In the event of a deterioration of the financial situation beyond the amounts forecast, the NEU CP and NEU MTN programmes will be able to provide part of the cash requirements. Should the situation worsen, emergency provisions in amending finance laws would be necessary to allow the State to take the necessary measures. Unédic will then have to turn to the State services to ensure that specific provisions are put in place and to increase its funding capacity or secure sources of funding, as was done in 2020.

In this context, on 28 January 2021, the Board of Directors decided to increase the ceiling of the EMTN programme to 60 billion euros, authorised the issuance of 13 billion euros of new bonds for 2021 and confirmed the continuation of funding programmes:

- NEU CP, in the maximum amount of 18 billion euros;
- NEU MTN, in the maximum amount of 10 billion euros;
- placements, in the minimum amount of 2 billion euros.

2021 OUTLOOK

In the light of economic developments, Unédic regularly updates its expenditure and revenue forecasts. The last financial forecast was realised in June 2021.

The beginning of 2021 is still marked by a worsening in the health situation and restrictions. As part of its mission of economic and social support, Unédic continued to be very active during the period and used debt to finance exceptional measures to support employment, businesses and jobseekers, while ensuring the continuity of payments under unemployment insurance schemes established through collective agreement.

As mentioned above, on 28 January 2021, the Board of Directors authorised the issue of 13 billion euros of new bonds for 2021, and the State granted Unédic an explicit guarantee in the amount of 13 billion euros for 2021.

In this context, two public issues were already undertaken in February and March 2021 in the total amount of €6 billion.

Financial statements

BALANCE SHEET - ASSETS UNÉDIC ASSOCIATION

| ASSETS (EUR MILLIONS) | 2020 | 2019 |
|---------------------------------|-----------------|----------------|
| Non-current assets | 47.2 | 55.8 |
| Intangible assets | 0.6 | 0.3 |
| Property, plant and equipment | 28.4 | 36.2 |
| Non-current financial assets | 18.1 | 19.4 |
| Current assets | 14,395.2 | 9,388.4 |
| Receivables: | 5,434.2 | 4,831.3 |
| - <i>Beneficiaries</i> | 451.7 | 468.1 |
| - <i>Affiliates</i> | 4982.5 | 4,363.1 |
| Other receivables | 1,176.0 | 294.9 |
| Marketable securities | 6,657.7 | 3,000.1 |
| Cash and cash equivalents | 1,056.4 | 1,260.2 |
| Prepaid expenses | 70.9 | 1.9 |
| Deferred expenses | 56.1 | 31.0 |
| Bond redemption premiums | 107.0 | 98.7 |
| TOTAL ASSETS | 14,605.5 | 9,573.9 |

BALANCE SHEET - EQUITY AND LIABILITIES
UNÉDIC ASSOCIATION

| EQUITY AND LIABILITIES (EUR MILLIONS) | 2020 | | 2019 | |
|--|----------|------------------|----------|------------------|
| Net equity | | -56,352.3 | | -37,196.9 |
| Reserves | | 0.8 | | 0.8 |
| Retained loss | | -37,197.7 | | -35,228.0 |
| Accounting result for the year | | -19,155.3 | | -1,969.7 |
| Provisions for contingencies and expenses | | 119.1 | | 123.0 |
| Liabilities | | 70,533.9 | | 46,492.0 |
| Loans and borrowings: | | 62,538.9 | | 41,291.7 |
| - Bond issues | 43,612.1 | | 30,114.0 | |
| - Other loans and borrowings | 18,926.5 | | 11,177.4 | |
| - Short-term bank facilities | 0.0 | | 0.0 | |
| - Other borrowings | 0.3 | | 0.4 | |
| Other liabilities | | 7,995.0 | | 5,200.4 |
| - Affiliates | 500.0 | | 305.0 | |
| - Beneficiaries | 3,296.4 | | 3,022.8 | |
| - Tax and social security | 151.5 | | 149.9 | |
| - Suppliers | 7.4 | | 7.9 | |
| - State | 208.5 | | 0.0 | |
| - Other | 3,831.3 | | 1,714.7 | |
| Accruals and deferred income | | 304.7 | | 155.8 |
| TOTAL EQUITY AND LIABILITIES | | 14,605.5 | | 9,573.9 |

INCOME STATEMENT – UNÉDIC ASSOCIATION

| INCOME STATEMENT (EUR MILLIONS) | 2020 | | 2019 | |
|---|------------------|-------|-----------------|-------|
| TECHNICAL MANAGEMENT | | | | |
| Income | 36,902.2 | | 39,533.0 | |
| Contributions | 36,518.7 | | 39,105.1 | |
| Other income | 43.2 | | 102.5 | |
| Reversals of provisions | 22.5 | | 74.7 | |
| Transfers of expenses | 317.8 | | 250.7 | |
| Expenses | 55,715.6 | | 41,146.7 | |
| Return-to-Work Allowance | 35,616.4 | | 31,550.1 | |
| Other benefits | 2,768.9 | | 2,480.0 | |
| Redeployment benefits | 616.7 | | 765.0 | |
| Validation of pension credits | 2,679.8 | | 2,104.6 | |
| Furloughing scheme | 9,049.2 | | 37.6 | |
| Other expenses | 4,463.2 | | 3,952.6 | |
| Charge to provisions | 521.3 | | 256.9 | |
| TECHNICAL RESULT | -18,813.4 | | -1,613.7 | |
| ADMINISTRATIVE MANAGEMENT | | | | |
| Income | 75.5 | | 54.8 | |
| Provision of services | 40.3 | | 44.4 | |
| Other income | 35.3 | | 10.4 | |
| Expenses | 109.2 | | 85.6 | |
| Purchases | 0.5 | | 0.5 | |
| External services | 62.7 | | 39.2 | |
| Tax | 4.4 | | 4.6 | |
| Wages and social security expenses | 29.4 | | 29.5 | |
| Other expenses | 0.1 | | 0.0 | |
| Amortisation, depreciation and provisions | 12.1 | | 11.7 | |
| ADMINISTRATIVE MANAGEMENT RESULT | -33.6 | | -30.8 | |
| FINANCIAL MANAGEMENT | | | | |
| Financial income | | 85.7 | | 57.6 |
| Financial expenses | | 400.5 | | 391.4 |
| NET FINANCIAL MANAGEMENT RESULT | -314.7 | | -333.8 | |
| EXCEPTIONAL TRANSACTIONS | | | | |
| Technical management | | 0.0 | | 0.0 |
| Administrative management | | 6.7 | | 11.5 |
| NET EXCEPTIONAL RESULT | 6.7 | | 11.5 | |
| Corporate income tax and similar expense | -0.2 | | -2.9 | |
| ACCOUNTING RESULT FOR THE YEAR | -19,155.3 | | -1,969.7 | |

Unédic is the joint association that manages the Unemployment Insurance in France. It is governed by the social partners: it has a Board of Directors and a Bureau made up of representatives of trade unions and employers' organisations.

Its main tasks are to advise the social partners through studies and analyses of the labour market, secure the rules on benefits and ensure the funding of benefits payable by the Unemployment Insurance scheme. Unédic's expenditures mainly comprise the allowances paid to jobseekers, the funding of the Pôle emploi operator and, since the beginning of March 2020, the funding of the exceptional furloughing scheme, alongside the State.

Unédic's workforce at 31 December 2020 comprised 331 employees: 110 employees specialised in the management of the Unemployment Insurance scheme and 221 employees who work at a Unédic-AGS establishment in connection with the mandate of managing the wage guarantee scheme (AGS).

Unédic's net administrative management costs amounted to €33.6 million in 2020 (including management of Unédic's real estate assets and payments to trade union and employers' organisations). The AGS management mandate is neutral in Unédic's accounts, since the associated expenses are recharged/billed (€39.4 million).

SECTION 1

Significant events during financial year

The Coronavirus crisis had a major and immediate impact on jobs and the Unemployment Insurance scheme.

The use of the furloughing scheme, used on a large scale to protect jobs and businesses, took on new proportions from the first lockdown. To adapt the system then in place since 2013 to the exceptional situation, Decree No 2020-325 of 25 March 2020 relating to the furloughing scheme reviewed the methods for calculating the allowance and ended Unédic's fixed contribution to the scheme's funding, in favour of a proportional contribution, making the remainder payable by companies equal to zero for wages up to 4.5 times the minimum wage.

In accordance with Amendment No 1 to the State-Unédic agreement of 1 November 2014 relating to the furloughing scheme, Unédic pays 33% of the furloughing scheme allowance. The State covers the remaining 67%.

The government also took a number of urgent measures, including the extension of benefit payments for benefit recipients at the end of their entitlements, extension of entitlements of casual workers employed in the entertainment industry and postponement of the entry into force of the 2019 Unemployment Insurance reform measures.

During 2020, Unédic had to adapt its funding strategy. To ensure the continuity of Unemployment Insurance management activities and to duly deploy the emergency measures, the funding programme was exceptionally revised upwards for 2020.

To coordinate these various measures, a steering committee was set up between the State and Unédic on 31 March 2020.

1.1 – REGULATORY MEASURES

1.1.1 – EMERGENCY MEASURES IMPLEMENTED FOR JOBSEEKERS IN RESPONSE TO COVID-19 HEALTH CRISIS

To take into account the consequences on the labour market of the Covid-19 epidemic, including following the introduction of two travel restrictions between 1 March and 31 May 2020 and from 30 October 2020, the government decided to implement several emergency measures to respond to the economic and social consequences of the epidemic on the situation of jobseekers receiving benefits.

In this context, Order No 2020-324 of 25 March 2020, Order No 2020-1442 of 25 November 2020 and Order No 2021-135 of 10 February 2021 provided for two exceptional extensions to the periods of benefit payments. This applied to jobseekers receiving the return-to-work allowance (ARE and ARE-Mayotte) whose entitlements either ended between 1 March and 31 May 2020 or were to end between 30 October 2020 and 30 June 2021 (subject to a decree providing for an end to the upstream measure in the event of an improvement in the health situation).

In parallel, several emergency measures were implemented, namely:

- extension of the membership reference period to include the days included in the travel restriction periods, namely from 1 March to 31 May 2020 and from 30 October 2020 to 31 March 2021 (subject to publication of a new order);
- extension of the time limit for these periods;
- creation of two new cases of legitimate resignations, provided:
 - that they occur before 17 March and between 1 June and 29 October 2020 for the purpose of entering into a fixed-term contract a minimum duration of 3 months or contract of indefinite durations,
 - that the employer terminates the contract before the expiry of a period of 3 months, or if the hiring fails to materialise, and
 - the decision for benefits to be paid is taken between 16 April and 31 May 2020 and between 30 December 2020 and 31 March 2021 (subject to publication of a new order);
- cumulative total of ARE and revenues from the tasks of general interest undertaken in the context of the management of the health crisis and fight against Covid-19 set by the order of 16 March 2021, regardless of the hourly intensity of these activities (total cumulation within the limit of 50 hours excluding the measure), until 31 December 2021;
- extension, under the same terms and conditions as ARE, of payments of CSP benefit recipients receiving ASP benefits, whose entitlements to this allowance ends between 30 October 2020 and 30 June 2021;
- retention of jobseekers in the 'vocational training trainees' category when training is suspended, entailing maintenance of return-to-work training benefits, including in the event of suspension for a period of more than 15 days.

1.1.2 – EMERGENCY MEASURES RELATING TO ANNEXES VIII AND X TAKEN IN RESPONSE TO HEALTH CRISIS CAUSED BY COVID-19 EPIDEMIC

To cope with the economic, financial and social consequences of the spread of the Covid-19 virus, the Government decided to implement a Culture Plan designed to assist the entertainment sector and, as a result, benefit recipients compensated under Annexes VIII and X considered to be permanently impacted by the state of health emergency set up to cope with the epidemic.

With regard to the Unemployment Insurance scheme, this Culture Plan contains a measure to extend the duration of benefits for recipients covered by Annexes VIII and X to the unemployment insurance regulations until 31 August 2021, known as the “year of no change”. Upon its completion, a review of entitlements to the return-to-work allowance will be conducted under the conditions of common law provided for by the provisions of Annexes VIII and X resulting from Decree No 2019-797 of 26 July 2019, subject to certain adjustments.

In addition to the exceptional extension of entitlements until 31 August, several measures were put in place, some for benefit recipients not yet in receipt of benefits under Annexes VIII and X ('new entrants'):

- the exceptional extension of the time limit for the number of days not covered by a contract between 1 March and 31 May 2020 and between 30 October 2020 and 28 February 2021;
- the extension of the reference membership period of 12 months, by:
 - the number of days between 1 March and 31 May 2020 concurrent with the reference period, provided that it is justified by an end of the employment contract from 16 April 2020, or

- the total number of days between 1 March and 31 May 2020, i.e. 92 days, provided that it is justified by a termination of the employment contract from 31 May 2020 until 29 December 2020, or
- the number of days relating to the reference period between 1 March and 31 May 2020 and between 30 October 2020 and 28 February 2021, provided that it is justified by an end of employment contract from 30 December 2020;
- on a transitional basis and until 31 May 2020, the valuation of days of suspension of the employment contract under the furloughing scheme at 7 hours of work per day of suspension or per stamp, instead of 5 hours;
- the doubling of the maximum number of training hours for the entitlement to unemployment benefit under Annexes VIII and X where it is justified by an end of the employment contract from 31 July 2020 until 31 August 2021.

1.1.3 – LEGISLATIVE MEASURES RELATING TO CONTRIBUTIONS

1.1.3.1 – Support measures for enterprises, including unemployment insurance contribution

As early as March 2020, to respond to the difficulties encountered by companies particularly affected by the health crisis, several acts of legislation put in place measures to support businesses. Order No 2020-312 of 25 March 2020 (amended by Order No 2020-560 of 13 May 2020) notably suspended out-of-court recovery actions and forced contributions and social contributions to which a company could be subject and, moreover, allowed the latter to postpone payment of unemployment insurance contributions payable to collection agencies.

Subsequently, Article 65 of the Third Amending Finance Law for 2020 (Law No 2020-935 of 30 July 2020) made changes to the payment by companies of their social security contributions, including the contributions payable to the Unemployment Insurance scheme in respect of the employment of their employees. This provision provides for:

- a system of exemption from employers' social security contributions (Art. 65-I);
- a measure to assist in the payment of contributions (Art. 65-II);
- the possibility of concluding debt discharge plans and benefiting from debt forgiveness (Articles 65-VI and VII).

Exemption from employers' social security contributions (Art. 65-I)

The exemption scheme applied to the period of employment between 1 February and 30 April or 31 May 2020, as the case may be, and concerned:

- employers with fewer than 10 employees whose principal activity, involving its staff coming into contact with the public, was interrupted (excluding voluntary closures);
- employers with less than 250 employees whose main activity was particularly reduced during the period, including because it involved its staff coming into contact with the public, as well as employers in the same sectors whose main activity was dependent on those mentioned above and that experienced a significant drop in revenue.

Assistance in payment of all contributions, both employees' and employers', payable to collection agencies (Art. 65-II)

This aid is equal to 20% of the amount of remuneration in respect of which the employer is subject to the exceptional exemption from contributions. II of Article 65 provides that "the amount of this aid is payable on all the sums due to the collection agencies referred to in Articles L. 213-1 and L. 752-4 of the French Social Security Code and Article L. 725-3 of the French Rural and Maritime Fisheries Code for 2020", namely USFAFF and CGSS centres and agricultural social mutual funds (CMSA).

Debt discharge plan and debt remission (Art.65-VI and VII)

If social security contributions, both employees' and employers', remained due on 30 June 2020, those companies with less than 250 employees concerned could benefit from debt discharge plans agreed with the collection agencies.

To this end, before 30 November 2020, collection agency directors proposed a debt clearance plan to all companies with fewer than 250 employees. Employers who did not receive such a plan could also benefit upon request. Compliance with the selected clearance plan allowed for the automatic remission of penalties and late payment surcharges at the end of the plan.

In addition, employers with fewer than 250 employees on 1 January 2020 that did not benefit from the contribution exemption but whose activity was reduced by at least 50% between 1 February and 31 May 2020 compared to the same period of the previous year could request the partial remission of arrears on employers' contributions accrued over the period of activity from 1 February 2020 to 31 May 2020.

Note : *Article 9 of Law No 2020-1576 of 14 December 2020 on the funding of the Social Security for 2021 extended the system of exemption from employers' social security contributions and the measure to aid payment of social security contributions (by extending the measure to unemployment insurance contributions recovered by Pôle emploi).*

1.1.3.2 – Scrapping of fixed-charge tax on contracts for very short-term or part-time work

Article 145 of Finance Law No 2019-1479 of 28 December 2019 for 2020 introduced a fixed-charge tax of €10 on contracts for very short-term or part-time work (“contrats d’usage” or “CDUU”) made pursuant to Article L. 1242-2 of the French Labour Code. This tax came into force on 1 January 2020 (Circ. Unédic No 2020-04 of 12 February 2020).

Article 54 of the Amending Finance Law No 2020-935 of 30 July 2020 repealed, as from 1 July 2020, Article 145 of Law No 2019-1479 of 28 December 2019. As a result, the fixed charge of €10 was scrapped for contracts for very short-term or part-time work concluded from 1 July 2020.

1.1.3.3 – Increase in employer contribution rate for certain CDDU contracts

The increase of 0.50 percentage points in employers' unemployment insurance contributions, provided for in Article 4(1) of the agreement of 14 April 2017 on unemployment insurance in respect of CDDU contracts of a duration of three months or less, no longer applies to remuneration paid for periods of employment from 1 April 2019.

Nevertheless, Decree No 2019-797 of 26 July 2019 reintroduced this increase of 0.50% for CDDU contracts with a duration of less than or equal to three months for casual workers employed in the entertainment industry and occasional dockworkers, from 1 January 2020 (unemployment insurance Regulation 26/07/2019, Art. 50-1).

1.1.3.4 – New arrangements for Chambers of Commerce and Industry employees to join the unemployment insurance scheme

Article 52 of Law No 2019-486 of 22 May 2019 on the growth and transformation of enterprises (PACTE Law) extended the scope of irrevocable membership of the unemployment insurance scheme to all staff of the Chambers of Commerce and Industry (CCI). Previously, membership was only open to those staff employed in industrial and commercial departments of, and whose roles are set out in the articles of association of, the CCIs.

In order for this measure to be financially neutral for the unemployment insurance scheme, this membership is accompanied by specific funding to compensate Unédic for the new financial burden of paying benefits to CCI staff whose roles are set out in the CCI's articles of association (French Labour Code, Art. L. 5424-5-1). A specific contribution of 0.2% applies, for employers and employees concerned, to the remuneration paid for periods of employment running from 1 January 2020.

This specific contribution is due for a period of 24 months, starting from the month following the date of membership or the date of extension of membership of the unemployment insurance scheme for all staff of the CCI (French Labour Code, Art. D. 5424-6-1).

1.1.4 – Postponement of the entry into force of certain provisions of Decree No 2019-797 of 26 July 2019 on the unemployment insurance scheme and maintenance of related provisions of general regulation annexed to the unemployment insurance agreement of 14 April 2017

To cope with the economic, financial and social consequences of the spread of the Covid-19 virus, including following the introduction of two travel restrictions between 1 March and 31 May 2020 and from 30 October 2020, several decrees amended Decree No 2019-797 of 26 July 2019 on the unemployment insurance scheme.

These acts of legislation provided for several postponements (to 1 September and then to 1 January) of the entry into force of certain provisions of Decree No 2019-797 of 26 July 2019 relating to the unemployment insurance scheme. This concerns the provisions on:

- the duration of benefits;
- the reference wage;
- the daily reference salary;
- deferrals of benefits;
- the resumption of payment of aid for creating or taking over a business (ARCE).

These provisions remained governed by the regulations resulting from the general regulation annexed to the unemployment insurance agreement of 14 April 2017.

In a decision of 25 November 2020, the Council of State decided to cancel the rules relating to the determination of the allowance and the duration of its payment, as well as the rules relating to the “bonus-malus” scheme, whereby employers' unemployment insurance contributions are either increased or decreased, resulting from the decree of 26 July 2019. Following this decision, Decree No 2020-1716 of 28 December 2020, published in the OJ of 29 December 2020, took account of this decision by providing for the maintenance, until 31 March 2021, of the rules relating to the duration of the allowance, reference salary and the daily reference salary arising from the general regulation annexed to the unemployment insurance agreement of 14 April 2017. The provisions relating to allowance deferrals and their scheduling were scrapped.

Decree No 2021-346 of 30 March 2021 reintroduces new rules relating to the calculation of the return-to-work allowance, duration of payments and starting point for payment of the allowance, which will enter into force on 1 July 2021. Other provisions (condition of membership and sliding scale) will come into force, based on economic criteria for determining the return to better conditions on the labour market (“*retour à meilleure fortune*”).

1.1.5 – Maintaining adjustments to regulations of Decree No 2019-797 of 26 July 2019 on unemployment insurance scheme

Temporary adjustments to the unemployment insurance regulations, initially in force until 31 December 2020 and now until 30 June 2021, were also introduced to deal with the economic, financial and social consequences of the spread of the Covid-19 virus and the two periods of travel restrictions.

They concern:

- the minimum membership condition, changed to 88 days worked or 610 hours (i.e. four months compared to six months from 1 November 2019 and until 1 August 2020) for employment contracts ending on or after 1 August 2020 (note: the minimum period of ARE allowance payments is 122 calendar days);
- the suspension of the counter prefiguring the allowance's sliding-scale measure between 1 March 2020 and 30 June 2021.

1.1.6 – Annex IX

Decree No 2019-797 of 26 July 2019 incorporates, from 1 April 2020, employees of embassies and consulates located in France who are members of the general social security scheme within the scope of compulsory membership to the unemployment insurance scheme (unemployment insurance Regulation 26/07/2019, Art. 2bis). On the other hand, international organisations remain within the scope of optional membership governed by Annex IX.

1.2 – STATE-UNÉDIC SCHEMES

1.2.1 – FURLOUGHING SCHEME

Before the beginning of the health crisis, the employer paid employees an amount equal to 70% of their usual gross hourly pay for each hour not worked. In consideration, the employer received a furloughing allowance funded by the State and Unédic equal to €7.74 for each hour paid for companies with a workforce of 250 employees or less and €7.23 for other companies, (including €2.90 funded by Unédic, in accordance with the terms set out in the State-Unédic funding agreement of 1 November 2014).

This scheme was in place until 28 February 2020 and represented a charge for Unédic of just over €6 million for the financial year.

Following the Covid-19 epidemic, to limit the economic and social consequences of the health crisis, the furloughing (temporarily laying off workers) scheme was substantially reformed during 2020. Decree No 2020-325 of 25 March 2020 modified the terms of compensation for companies, increasing the amount of the furloughing scheme allowance to 70% of the employee's reference gross remuneration (limited to 4.5 x minimum wage), regardless of the numbers they employed, which modification took effect on 1 March 2020.

Order No 2020-346 of 27 March 2020 extended the scope of benefit recipients of the scheme to new categories of employers and employees, who were previously excluded (employers that are private individuals, employees of companies not having establishments in France, employees of agencies with sole financial autonomy that manage a public service of an industrial or commercial nature, ski lifts, ski slopes or thermal cures, employees under private law of some public employers, as well as employees furloughed on child care leave, vulnerable employees and employees cohabiting with vulnerable persons).

As from 1 June 2020, Order No 2020-770 of 24 June 2020 and Decree No 2020-810 of 29 June 2020 introduced a change in the amount of the furloughing scheme allowance, maintaining it at 70% of the reference wage for companies in the economic sectors most affected by the health crisis, and lowering it for other companies to 60% of the reference wage.

Given the continuation of the Covid-19 epidemic, this benefits scheme was maintained until 31 May 2021. From this date, pursuant to Decrees No 2020-1316 and 2020-1319 of October 30, 2020 and No 2021-674 of May 28, 2021, the amounts of benefits paid to employees and furloughing allowance received by companies are gradually reduced. Thus, in unprotected sectors, the amount of the furloughing scheme benefit paid to employees is maintained at 70% of the reference salary during the month of June 2021, before being reduced to 60% from July 2021. The amount of the furloughing scheme allowance paid to the employer was reduced to 52% of the reference salary during the month of June 2021 and to 36% from July 2021.

In protected sectors, the amount of the furloughing scheme benefit paid to employees will be maintained at 70% of the reference salary until 31 August 2021. The amount of the allowance paid to the employer was maintained at 70% of the reference salary during the month of June 2021, then reduced to 60% during the month of July 2021 and to 52% during the month of August 2021. From September 2021, there will be no increase in benefits or allowances for these sectors.

Moreover, in the economic sectors most affected by the health crisis, the rates of benefits and allowances will be maintained at 70% of the reference salary until 31 October 2021.

From 1 November 2021, in all sectors of activity, employees will receive a benefit reduced to 60% of their reference remuneration (limited to 4.5 x minimum wage) and the employer, an allowance equal to 36% of the reference hourly remuneration (limited to 4.5 x minimum wage).

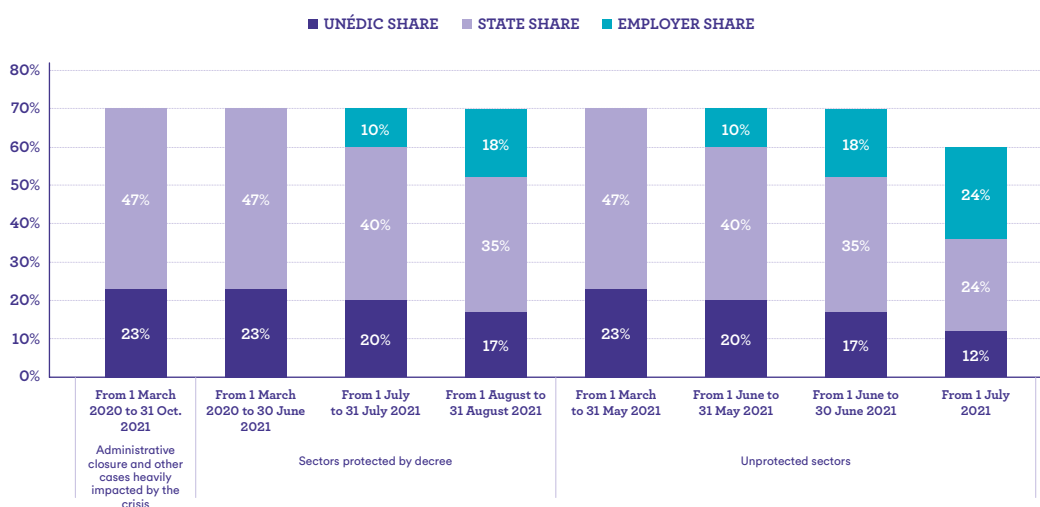
In addition, a specific long-term furloughing scheme (APLD) applied from 1 July 2020. This scheme's introduction was subject to the signing of a collective agreement, which includes commitments to maintaining jobs, and was approved beforehand by the administrative authority. This scheme shall apply for a period of 24 consecutive or non-consecutive months over a period of 36 months and shall be limited to agreements sent to the administrative authority for validation, by 30 June 2022 at the latest. In this context, the reduction of employees' working time is limited to 40% of the legal period and the benefit they receive is increased to 70% of the reference gross hourly wage (limited to 4.5 x minimum wage). The furloughing scheme allowance paid to the employer is set, depending on each case, at 60% or 70% in protected areas.

In amendment No 1 of 18 December 2020 to the State-Unédic agreement of 1 November 2014, the State and Unédic agreed to set their contribution to funding the scheme at 67% and 33% respectively of the allowances paid.

Finally, the operational terms of payment of Unédic's share of ASP benefits are set out in Amendment No 1 of 24 February 2021 to the Unédic - ASP agreement of 24 February 2015. It is specified that the sums wrongly charged to Unédic for exceptional aid granted to companies whose staff came into contact with the public, in respect of paid leave taken by their employees between 1 January and 7 March 2021, are refunded in full to Unédic according to subsequent terms.

In 2020, **€9.0 billion of expenses** were recorded in Unédic's accounts (€7.4 billion in expenditures, and €1.6 billion in accrued expenses and provisions for charges).

Funding of benefits of the general furloughing scheme, paid to employees based on percentage of their gross salary between 1 March 2020 and 31 October 2021 (for wages between 2.2 x minimum wage and 4.5 x minimum wage)



Source: Unédic

Comments: Chart based on announcements relating to benefit rates known at the end of May 2021.

* This category includes 1) establishments closed by administrative decision, 2) establishments located in a territory subject to special restrictions concerning the conditions under which economic activity is conducted and the movement of persons and experiencing a decrease of at least 60% in revenue (from 1 January 2021), 3) establishments located in the catchment area of a ski resort during the period of administrative closure of ski lifts subject to meeting a condition of a decrease of 50% in their revenue (from 1 December 2020), 4) sectors protected by decree having experienced a decrease in revenue of at least 80% (measure applicable from 1 March 2021 and from 31 May 2021). The cases of employers that are private individuals and vulnerable employees or furloughed on childcare leave are not detailed.

1.2.2 – JOB SAFEGUARD CONTRACT

Amendment No 4 of 12 June 2019 extended the agreement of 26 January 2015 relating to the job safeguard contract (CSP) until 30 June 2021. It also provides for the extension of the duration of the CSP for periods of sick leave, up to four months, and periods of maternity leave, up to the legal duration of maternity leave.

The social partners had concluded an agreement (amendment No 5 of 8 January 2020) to set specific rules on the condition of membership and calculation of the daily reference salary, taking into account the initial entry into force of the unemployment insurance reform on 1 April 2020. However, in view of the successive postponements of the entry into force of the reform, the request for approval of this amendment was suspended.

To cope with the economic consequences of the Covid-19 crisis, a measure to extend the ASP benefits for recipients whose entitlements to those benefits had just ended or were about to end and who did not qualify for the ARE allowance was put in place by the social partners on the same terms as the exceptional extension of the ARE allowance.

New negotiations are expected to be opened from April 2021 in view of the expiry date of the CSP agreement on 30 June 2021 (including the Mahorese CSP agreement). The financial agreement between the State and Unédic remains unchanged. As a reminder, the agreement provides for the co-funding of accompanying expenditure, in equal parts, between the State and Unédic. Provision is also made for the State to bear the cost of ASP benefits paid to recipients with 12-24 months of service at the company at the time of joining the scheme, for the part above the ARE allowance and after deduction of 80% of the contributions payable by employers their employees are covered under the scheme.

1.3 – FUNDING UNEMPLOYMENT INSURANCE

Since 2008, Unédic saw its debt increase from €5 billion in 2008 to €54.6 billion at the end of 2020. This increase has enabled the Unemployment Insurance scheme to maintain a level of benefits equal to that of those European countries providing the highest protection, without affecting employees' purchasing power or labour costs.

Because of the Unemployment Insurance scheme's counter-cyclical role, Unédic's debt increases when the economic situation deteriorates, particularly when interest rates are low. In recent years, the particularly low level of base rates, on which the interest rates of Unédic's loans are calculated, is explained by:

- the European Central Bank's accommodative monetary policies since 2015;
- the ability of social partners to put in place a funding strategy that is understood by Unédic investors and stakeholders.

The funding strategy put in place between 2009 and 2020 aimed to limit the consequences of a rise in interest rates on the cost of servicing the debt in a context of growing debt for Unédic. Indeed, all borrowings are subscribed at a fixed rate and in euros, thereby limiting Unédic's exposure to market risks.

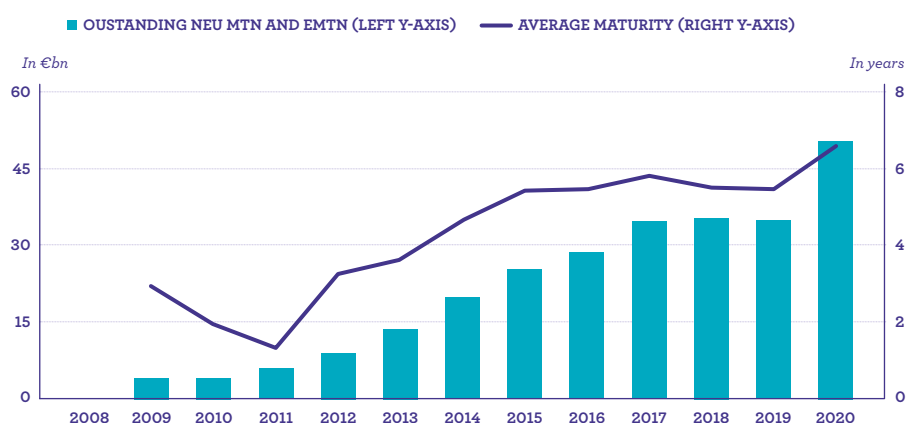
Until the end of 2019, the successive funding programmes were undertaken such that in no year did Unédic's debt repayments exceed 10% of its revenues. To comply with this constraint, Unédic extended the average maturity of the debt, notably by increasing the maximum maturity for new issuances (fixed at 15 years since 2017). In 2020, as a result of the crisis, Unédic's medium- and long-term debt increased substantially (from €29.9 billion at the end of 2019 to €43.4 billion at the end of 2020).

It was therefore decided to pursue this strategy of extending the average maturity of the debt, to limit the risks of:

- refinancing, by distributing the maturity dates over Unédic's debt schedule, to limit the amount of annual repayments;
- higher rates, by taking advantage of the low-rate environment to issue debt of long maturity.

At the end of 2020, the average maturity of Unédic's medium- and long-term debt was 6 years and 7 months.

Change in structure of Unédic's medium- and long-term debt



Source: Unédic.

The borrowings issued under this strategy helped limit the cost of the debt. Thus, the average interest rate (weighted by daily outstandings) paid on borrowings was 0.562% for 2020, and the net financial expense for 2020 amounted to 316 million euros, i.e. less than 1% of revenues.

In the context of the beginning of 2020, which was that of a trajectory of return to balance of the accounts of the short-term Unemployment Insurance scheme, on 29 January 2020, Unédic's Board of Directors authorised the issuance of two billion euros of new bonds and putting in place of a procedure for social debt or Social Bond issues, while seeking approval of its funding programmes.

The Covid-19 crisis led to a turning point in the financial management of the unemployment insurance scheme. Indeed, the trajectory was changed and new decisions were taken during the Bureaux of March and April 2020 and during the Board of Directors meeting of June 2020 which:

- confirmed the characteristics of the funding tools historically implemented by Unédic, amended by the decisions of the Bureaux of March and April 2020:
 - NEU CP issues programme (formerly commercial paper) with a maximum total outstanding of 18 billion euros,
 - NEU MTN issues programme (formerly BMTN) with a maximum total outstanding of 10 billion euros and maximum maturity when issued of 7 years,
 - EMTN programme with a maximum total outstanding of 50 billion euros;
- delegated to the Bureau the power to decide the amount of bond issues in 2020 and 2021, based on multi-year forecasts;
- decided to continue the management of the liquidity reserve allowing to secure NEU CP subscribers, to ensure the best possible rating and therefore the best rate on the securities issued. This cash reserve also ensures the continuity of the payment of short-term allowances in the event of the closure of financial markets.

DEBT AT YEAR-END AND FINANCIAL EXPENSE FOR 2015-2020

| EUR MILLIONS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------|--------|--------|--------|--------|--------|
| Net debt | 25,674 | 29,758 | 33,549 | 35,540 | 36,815 | 54,611 |
| Net financial expense | 301 | 324 | 352 | 365 | 334 | 315 |
| Ratio of net financial expense on net debt | 1.17% | 1.09% | 1.11% | 1.03% | 0.91% | 0.58% |

At year-end 2020, Unédic's net debt stood at €54.611 billion, i.e.:

| TOTAL OUTSTANDING DEBT | 62.325 BILLION EUROS |
|------------------------|----------------------|
| Bond issues (EMTN) | 43.400 billion euros |
| NEU MTN | 7.100 billion euros |
| NEU CP | 11.825 billion euros |

| TOTAL CASH AND CASH EQUIVALENTS | 7.714 BILLION EUROS |
|------------------------------------|---------------------|
| Investments | 6.658 billion euros |
| Bank balances | 0.455 billion euros |
| French Treasury Department account | 0.601 billion euros |

1.3.1 – BONDS AND BANK LOANS

The maximum outstanding amount of the EMTN (Euro Medium Term Notes) programme was increased to EUR 50 billion by the Bureau decision of 28 April 2020 and confirmed by the Board of Directors of 30 June 2020 (previously it was EUR 34 billion). This decision was justified by the increase in funding needs related to the Covid-19 crisis.

In view of the constraints imposed by Article 213-15 of the French Monetary and Financial Code governing the issue of bonds by associations on the financial markets, Unédic has requested the guarantee of the State. The 2020 finance law published on 28 December 2019 initially granted the State guarantee to the bonds issued by Unédic during 2020, in principal and interest, within the limit of an overall ceiling of 2 billion euros to meet the deficit forecast at the time as well as the redemption of bonds in the amount of 1.5 billion euros. In the course of 2020, this amount was increased twice:

- The Amending Finance Act of 25 April 2020 granted Unédic a guarantee ceiling of 10 billion euros, an increase of 8 billion euros;
- The Amending Finance Law of 30 July 2020 granted Unédic a guarantee ceiling of 15 billion euros, an increase of 5 billion euros.

The €15 billion envelope was fully consumed by seven issues as part of Unédic's EMTN programme, five of which were Social Bond issues:

| | Amount of the issue (€m) | Maturity | OAT (1) | Risk premium (2) | Issue premium (3) | Effective interest rate (1+2+3) |
|--------------|--------------------------|----------|---------|------------------|---------------------|---------------------------------|
| EMTN 24.1 | 1,250 | 10 years | -0.229% | 0.125% | 0.015% | -0.089% |
| EMTN 22.2 | 750 | 8 years | 0.081% | 0.17% - 0.20%* | 0.08% - 0.11%* | 0.361% |
| EMTN 25.1 | 4,000 | 10 years | 0.016% | 0.23% - 0.25%* | 0.00% - 0.02%* | 0.266% |
| EMTN 26.1 | 2,000 | 15 years | 0.098% | 0.210% | 0.000% | 0.308% |
| EMTN 27.1 | 3,000 | 8 years | -0.408% | 0.190% | 0.000% | -0.218% |
| EMTN 26.2 | 1,500 | 15 years | -0.108% | 0.143% | 0.007% | 0.042% |
| EMTN 28.1 | 2,500 | 10 years | -0.274% | 0.150% | 0.000% | -0.124% |
| TOTAL | 15,000 | | | | AVERAGE RATE | 0,063 % |

All these issues benefited from the rating given to Unédic by the rating agencies Fitch Ratings (AA) and Moody's (Aa2) when undertaken.

1.3.2 – NEU MTN (FORMERLY “BONS À MOYEN TERME NÉGOCIABLES – BMTN”)

The putting in place of a 3 billion-euro BMTN (negotiable medium-term notes) programme was authorised by the Board of Directors' decision of 27 June 2014, to reduce the stock of commercial paper and extend the average duration of the Unemployment Insurance scheme's debt. The programme's authorised maximum outstanding amount and maturity were successively increased to a maximum of 10 billion euros and 7 years respectively. These characteristics are still currently in force.

In 2016, Unédic took advantage of the transferable debt securities market reform to create NEU MTN (formerly BMTN) documentation that complies with the provisions of the Prospectus Directive. The development of this documentary innovation allows the listing of NEU MTN securities on Euronext.

In 2020, Unédic undertook an issue through its NEU MTN programme (not covered by the State guarantee). Indeed, while the first guarantee tranche initially granted in respect of borrowings contracted by Unédic through its EMTN programme (€2 billion) had already been used in its entirety at the end of the first quarter and the amending finance law increasing this same amount of guarantee had not yet been published, Unédic undertook in May its first Social Bond issue through its NEU MTN programme that did not benefit from the explicit guarantee of the State to meet its cash requirements.

| | Amount of the issue (€m) | Maturity | OAT (1) | Risk premium (2) | Issue premium (3) | Effective interest rate (1+2+3) |
|-----------|--------------------------|----------|---------|------------------|-------------------|---------------------------------|
| NEU MTN 7 | 4,000 | 6 years | -0.248% | 0.33% - 0.36%* | 0.00% - 0.03%* | 0.112% |

1.3.3 – NEU CP (FORMERLY “BILLETS DE TRÉSORERIE”)

The use of this means of funding for associations was authorised, under certain conditions, in Article 37 of Law No 2003-706 of 1 August 2003. The initial amount of €1.2 billion in 2004 was gradually raised to reach a ceiling of €12 billion authorised by the Board of Directors in June 2012 and then reduced to €10 billion in January 2016 following the decisions of the Board of Directors. The total outstanding amount of the programme at 31 December 2019 was 6.23 billion euros.

In 2020, Unédic's NEU CP (Negotiable European Commercial Paper) programme was used first to fund the sudden and significant increase in cash requirements during the first lockdown between March and May. Thus, the total amount of short-term debt securities quickly reached the programme's ceiling of 10 billion euros in April and it was decided to increase this ceiling to 18 billion euros. The amounts borrowed continued to rise rapidly until the end of May, reaching the programme's ceiling of almost EUR 18 billion. Unédic's medium- and long-term funding programmes were revised upwards and used from mid-May, ensuring the continuity of funding as a substitute for NEU CP short-term debt issues. As a result, the stock of NEU CP securities was able to be reduced from the summer of 2020, to 11.8 billion euros at the end of 2020.

The average interest rate of the outstanding amount of NEU CP at the end of December 2020 was -0.459%. The use of these funding tools generates financial income.

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

Initially, at the request of the rating agencies, syndicated and confirmed credit lines had been set up to ensure the coverage of this programme and thus to offset any impaired functioning of the money market.

Since July 2012, these lines of credit have been replaced by a minimum liquidity buffer of EUR 2 billion, the level of which varies depending on the use of the commercial paper programme and amount of projected disbursements in the rolling fortnight, [cf. 1.3.5 Investments and cash and cash equivalents](#).

1.3.4 – BANK FINANCE - OVERDRAFTS

The very short-term funding needs are covered in the form of bank overdrafts negotiated over the counter with Unédic's banking partners (of the order of 1 billion euros negotiated).

None of these overdraft lines were used for significant amounts in the 2020 financial year.

1.3.5 – INVESTMENTS AND CASH AND CASH EQUIVALENTS

Due to uncertainty about the changes in Unédic's financial situation during 2020, its stock of investments fluctuated significantly. A trough was reached on 5 May at 1.975 billion euros, explained in particular by the furloughing scheme expenditures while the peak was reached on 17 July at 11.473 billion euros following completion of the entire guarantee envelope granted by the amending finance law of 25 April 2020, i.e. 10 billion euros.

Following the publication of the social bond framework document, Unédic undertook, on a best effort basis, to place its liquidity in responsible investments. As a result, a monitoring of funds with the SRI label awarded by the French Ministry of Economy and Finance was put in place. At the end of 2020, Unédic's total cash reserves invested in monetary vehicles, i.e. €6.7 billion, were invested in SRI-labelled funds.

At the end of 2020, Unédic's investments totalled 7.7 billion euros. The average rate of remuneration from investments and cash and cash equivalents at the end of December 2020 was -0.390%. Negative remuneration was therefore recorded as a financial expense.

1.4 – RELATIONS BETWEEN PÔLE EMPLOI AND UNÉDIC

The tripartite agreement between the State, Unédic and Pôle emploi, as provided for by law, sets the strategic objectives of the offer of service and operator's action, sets out the resources placed at its disposal and determines the tools for managing its performance.

The 2019-2022 agreement was signed on 20 December 2019. It sets out three strategic thrusts for Pôle emploi:

- increase speed and facilitate the return to sustainable employment for jobseekers, adapting the personalisation and intensification of support to the needs of each person throughout his or her career;
- combat more effectively difficulties faced by companies in recruiting, by responding in a personalised and responsive way to the needs of companies, in particular small and medium-sized enterprises;
- develop and enhance the skills and qualifications of jobseekers to promote recruitment, including by offering trainings that are more relevant, more personalised and easier to access.

The financial relations related to the implementation of this agreement are the subject each year of a cashflow management agreement concluded between Unédic and Pôle emploi which specifies the amount and methods of payment of the contribution payable by Unédic regarding what is provided for by law. Up till 31 December 2019, this contribution was 10% of Unédic's resources.

In accordance with Decree No 2019-797 of July 26, 2019 relating to the unemployment insurance scheme, for 2020, the annual contribution of Unédic is fixed, excluding special agreements with Unédic, **at 11% of the resources** mentioned in Articles L.5422-9, L.5422-11 and L.5422-20 of the French Labour Code in their wording prior to the publication of Law No 2018-771 of 5 September 2018 for the freedom to choose one's professional future in accordance with Article 55 of this law.

This translates into a technical management charge of €4.1 billion for the 2020 financial year, recognised in the income statement.

Pôle emploi is responsible for paying the benefits to members of the Unemployment Insurance scheme and for collecting contributions for some categories of employees, on behalf of Unédic. In 2020, contributions collected by Pôle emploi amounted to 0.7 billion euros (excluding AGS contributions) and benefits and aid amounted to 39 billion euros.

An agreement between Unédic and Pôle emploi governs this delegation of services and operations between the two bodies **see next page**.

In addition, Pôle emploi is responsible for implementing specific mechanisms through the conclusion of an agreement for the funding of the support of participants of the job safeguard contract (CSP), which followed the CRP and CTP mechanisms, and translated into Unédic recording a charge of 53 million euros in 2020 relating to the CSP support expenses.

UNÉDIC-PÔLE EMPLOI AGREEMENT OF 21 DECEMBER 2012

The Unédic-Pôle emploi bipartite agreement signed on 21 December 2012 specifies the conditions for the exercise of the missions delegated by Unédic to Pôle emploi, namely the service of paying benefits and aid funded by the Unemployment Insurance to jobseekers and collecting unemployment insurance contributions relating to certain populations, including expatriates and casual workers employed in the entertainment industry.

The arrangements for the provision of these delegated services were designed to ensure complementarity between Unédic and Pôle emploi, in accordance with the roles and responsibilities of their respective decision-making bodies.

The text is faithful to the objectives of the multiannual agreements signed between the State, Unédic and Pôle emploi in 2011, 2014 and 2019.

It reproduces the need for performance-based management, adapted to the objectives of the social partners, to offer a quality service to jobseekers and businesses.

The bipartite agreement sets out the procedures for monitoring the objectives, including decisions to be taken in less than 15 days, first payments to be made on time, quality rate of processing benefit claims, collection rate of overdue payments and collection rate of outstanding CSP contributions (job safeguard contract). However, developments in recent years, including concerning management indicators and access to data (with the 2019 tripartite agreement), comitology and, more generally, concerning practices between the two bodies, has led Unédic to propose revising this agreement to adapt it to current circumstances.

This proposal by Unédic is currently being examined by Pôle emploi and no decision has been taken due to the current health crisis.

1.5 – FINANCIAL RELATIONS WITH COLLECTION AGENCIES

Unédic has several agencies collecting its contributions: Acoff, CCMSA, Pôle emploi, Caisse de compensation des services sociaux (CCSS) de Monaco, Caisse de prévoyance sociale (CPS) de Saint-Pierre-et-Miquelon.

In 2020, collections of contributions and other funding, for all agencies combined, excluding AGS, were recognised as income in the amount of €35.4 billion. This compares to 39.1 billion euros recorded for the same item in 2019. The collection agency Acoff accounted for 94% of the amount of collections in respect of the unemployment insurance scheme, which amounted to 33.4 billion euros.

The financial relationship between Acoff and Unédic is governed by the Unédic-Pôle emploi-Acoff-AGS agreement of 17 December 2010, relating to the collection of contributions and contributions due from employers.

The CCMSA is the second largest collection agency before Pôle emploi, accounting for €0.78 billion and €0.70 billion respectively in 2020.

| EUR BILLIONS | ACOSS | CCMSA | PÔLE EMPLOI | OTHER | TOTAL |
|---------------------|-------|-------|-------------|-------|--------------|
| 2020 collections | 33.38 | 0.78 | 0.70 | 0.59 | 35.44 |
| Share as % of total | 94% | 2% | 2% | 2% | 100% |

The Law of 5 September 2018 for the freedom to choose one's professional future scrapped employee unemployment insurance contributions (2.40%) as from 1 January 2019. To compensate for this scrapping, the Law on the social security funding for 2019 provided for Unédic being allocated **1.47% of the GSC tax levied on income from employment collected** by AcoSS. This rate was renewed by the Social Security Funding Act for 2020.

These arrangements for payment to Unédic are governed by the agreement of 23 January 2019 between Unédic, AcoSS and Pôle emploi.

In 2020, the amount of GSC on income from employment allocated to Unédic totalled 13.2 billion euros (including income receivable and net of provision for impairment of bad debts and provision for litigation).

The 2019 Social Security Financing Act also provided for the extension of the **general reduction** in unemployment insurance contributions on 1 October 2019 for all employers, except for some types of contract, of agricultural production and employers located in the French overseas departments, Saint-Barthélemy and Saint-Martin, who had already benefited from the reduction since 1 January 2019. AcoSS makes up the shortfall arising from the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by AcoSS to Unédic.

These arrangements for payment to Unédic are governed by the agreement of 23 January 2019 between Unédic, AcoSS and Pôle emploi.

After a first year of scaling up the arrangement in 2019, the amount paid to Unédic by AcoSS as compensations for the general reduction in 2020 totalled 3.4 billion euros (including accrued income).

1.6 – REVALUATION OF UNEMPLOYMENT INSURANCE BENEFITS

At its meeting of 30 June 2020, Unédic's Board of Directors decided to increase unemployment insurance benefits (including for Mayotte) by 0.40% as from 1 July 2020:

- the amount of the fixed part of the return-to-work allowance (ARE);
- the minimum ARE amount;
- the floor of return-to-work training benefits (AREF).

Reference salaries were also increased by 0.40%. The increase applies to benefit recipients whose reference salary is composed entirely of the previous remuneration of at least six months, i.e. before 1 January 2020.

SECTION 2

Accounting policies and methods

2.1 – GENERAL PRINCIPLES

The Unedic's financial statements for the year ended 31 December 2020 drawn up in euros, comprising the balance sheet, income statement and notes thereto have been prepared in accordance with the chart of accounts of the Unemployment Insurance bodies approved by the National Accounting Council on 9 January 1995 (Notice of Compliance No 79).

They take into account the specificities of the declaratory nature of the Unemployment Insurance and the consequences thereof, both as regards the declarations by affiliates and payments to the benefit recipients.

The signatory organisations of the agreement of 14 May 2014 (amended by the amendments of October 2014 and March 2015, extended by Decree No 2016-869 of 29 June 2016) and the agreement of 14 April 2017, having regard to Decree No 2019-797 of 26 July 2019, having regard to Article L. 5422-9 of the French Labour Code relating to the method of funding of benefits paid under this scheme, certify that the Unemployment Insurance is a specific pay-as-you-go scheme.

The Unédic Association's financial statements include the financial statements of the following institutions: Unédic and Unédic-AGS Delegation.

Unédic's annual financial statements have been prepared based on financial information produced by the following agencies: AcoSS, CCMSA, Pôle emploi, the services and payment agency ("Agence de services et de paiement" – ASP) (for the furloughing scheme component), CCSS (Monaco), CPS (Saint-Pierre-et-Miquelon) and summarised in digest documents.

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 recognised on a monthly basis under technical management expenses.

Due to this monthly recognition, benefit expenses recognised during a financial year only include benefits paid in respect of the 2020 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 two tranches (such as ARCE, which represented 73.57% in 2020) is the date the aid 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

The amount of benefits considered as being due for the current financial year according to the principles referred to above is included in the “Benefit payables” item. 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 recognised based on 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 euros 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 at 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 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 – FURLOUGHING SCHEME BENEFITS

Expenses related to the job retention scheme (furloughing scheme, or “*activité partielle*” and long-term furloughing scheme, or “*activité partielle de longue durée*” - APLD) are recorded under other technical management expenses. They consist of grant applications made by companies for hours not worked by their employees for periods of employment in year Y, and for the capped gross reference pay of each employee for the said period.

The grant applications are processed by the services and payment agency (“*Agence de services et de paiement*” – ASP) through the network of regional departments for the economy, employment, labour and solidarity (“*Directions régionales de l’économie, de l’emploi, du travail et des Solidarités*” – DREETS, formerly DIRECCTE), for payment approval. The ASP is mandated to implement the payment of furloughing scheme grants to employers¹.

¹ – Exceptionally, for employers that are individuals, it is the central agency of social security bodies (Acoss) which is in charge of the scheme.

2.3.1 – EXPENSES

Furloughing scheme expenses are recognised based on monthly invoices from ASP and Acooss.

2.3.2 – ACCRUED EXPENSES

The calculation of accrued expenses and provisions for expenses is based on:

- employers' grant applications in respect employment periods in year Y and assessed by the ASP departments between January and March Y+1;
- any additional hours to be compensated, assessed by the Department for the Coordination of Research, Studies and Statistics (*"Direction de l'animation de la recherche, des études et des statistiques"* – DARES) of the French Ministry of Labour, for the employment periods in year Y, less the above expenses effectively paid.

In the balance sheet, they are included in Other liabilities.

2.3.3 – ACCRUED INCOME IN FORM OF REFUNDS OF PAYMENTS MADE TO PUBLIC EMPLOYERS

Article 2 of Order No 2020-346 of 27 March 2020 provides that furloughing scheme grants paid by Unédic to public employers are to be refunded to Unédic. Pending a decision on how these refunds are to be paid, Unédic has recorded an amount accrued income, calculated based on the amounts paid by Unédic to public employers in 2020.

On the balance sheet, it appears in Other receivables.

2.4 – CONTRIBUTIONS AND OTHER FUNDING

2.4.1 – 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 scrapped employee unemployment insurance contributions as from 1 January 2019 (except for casual workers employed in the entertainment industry [who remain liable only for the specific contribution referred to in Article L.5424-20 of the Labour Code], expat employees whose employer is not required to become affiliated under Article L.5422-13 of the French Labour Code and employees working in the Principality of Monaco). To compensate for this scrapping, Article 26 of Law No 2018-1203 of 22 December 2018 on the social security funding for 2019 provided for Unédic being allocated 1.47% of the GSC tax levied on income from employment collected by Acooss. This rate was renewed by the Social Security Funding Act for 2020.

The 2019 Social Security Financing Act provided for the extension of the general reduction in unemployment insurance contributions on 1 October 2019 for all employers, except for some types of contract, of agricultural production and employers located in the French overseas departments, Saint-Barthélemy and Saint-Martin, who had benefited from the reduction since 1 January 2019. Acooss makes up the shortfall arising from the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by Acooss to Unédic, after application of a recovery rate (*"taux de reste à recouvrer"* – TRAR) set at 0.71% for 2020.

In addition, Article 8 of the 2019 Social Security Financing Act extended five employer contribution exemptions to unemployment insurance contributions: LODEOM, home helpers, apprentices, maritime armament, and seasonal agricultural (TO-DE). These exemptions are fully compensated for by the four ministries concerned: Overseas, Agriculture, Labour and Ecological Transition. The terms and conditions of this funding are set out in a framework agreement signed between the interested parties.

The revenue from technical management thus comprises contributions as well as other funding:

2.4.1.1 – 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 social security contribution collection agencies (*“Union de recouvrement des cotisations de sécurité sociale et d’allocations familiales”* – URSSAF), agricultural sector social security organisations (*“Mutualité sociale agricole”* – MSA), Pôle emploi’s Regional Departments and Pôle emploi Services, CCSS (Monaco) and CPS (Saint-Pierre-et- Miquelon). Electronic payroll declarations (*“déclaration sociale nominative”* – DSN) received in January of Y+1 are deemed to relate to the current year. For DSNs 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 reductions and specific exemptions** compensated by AcoSS and the ministries.

2.4.1.2 – Other funding

- This is the **fraction of GSC** on income from employment transferred by AcoSS, as compensation for the former employee contribution share. GSC accounting income is recorded net of technical expenses and provisions, sent by AcoSS.

2.4.2 – AFFILIATE RECEIVABLES

Contributions accrued in respect of the year are determined according to the income recognised in January and February of year Y+1 and relating to the prior and earlier financial years. A provision is recognised at the year-end in respect of affiliate receivables that are 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.

The provision rate is communicated by AcoSS, but Unédic determines its own doubtful receivables base, taking into account the actual collections of January and February Y+1.

For the 2020 financial statements, given the health crisis and sharp increase in receivables linked to contribution deferrals, some receivables are of a different type to those normally recorded at year end. The likelihood of their being collected should therefore be higher than in the past few years and, therefore, to estimate the amount by which they are provisioned based on the standard method alone is no longer relevant (risk of high over-provisioning).

Because the health crisis was unprecedented and a context of great uncertainty concerning the collection of debts arising during the crisis, the measure was taken to isolate certain receivables from the scope of those impaired according to the standard impairment method and, instead, impair them using specific methods based on conventional assumptions of recoverability, which are generally more favourable than those resulting from the traditional method.

2.4.3 – PAYABLES TO AFFILIATES

Funds paid by affiliates and collected by the various operators on behalf of Unédic which could not be attributed to an identified receivable are recorded under liabilities on the balance sheet.

2.4.4 – ACROSS RECEIVABLES

The changes in the Unemployment Insurance scheme's funding structure led to accrued income receivables at year end in respect of GSC on income from employment and the general reduction. This income is determined by the operator.

GSC on income from employment

At year end, Unédic recognises a provision for impairment of doubtful debts and a provision for reduction in income and litigation, based on data provided by Acoiss.

General reduction

No provision for impairment of receivables is recognised for the general reduction. A write-down corresponding to the non-collection rate is applied to the annual amount of contribution reductions. The rate was set at 0.71% for 2020.

2.4.5 – RECEIVABLES AND PAYABLES TOWARDS THE FRENCH STATE

The contractual arrangement relating to targeted exemptions provides for invoicing of actual amounts to the relevant ministries (Overseas Departments, Agriculture, Labour, Ecological Transition) in respect of the 2020 employment periods. At year end, a balance results (receivable or payable between invoicing and instalments paid during the year).

Thus, at 31 December 2020, 0.036 million euros remained due by the State (by the Ministry of Agriculture and Food) and 55.6 million euros remained due by Unédic under this specific exemption scheme (33.4 million euros with the Ministry of Labour, 17 million euros with the Ministry of Overseas Territories and 5.2 million euros with the Ministry of Ecological Transition).

Exceptionally, as at 31 December 2020, in connection with the funding of the compensation of specific exemptions from social security contributions of companies, self-employed workers and author artists affected by the health crisis, Unédic owed the State, represented by the French Department of Social Security, 148 million euros.

2.5 – OTHER ITEMS

2.5.1 – NON-CURRENT ASSETS

Intangible assets and property, plant and equipment are accounted for in accordance with the provisions of CRC Regulation No 2002-10 relating to the depreciation, amortisation and impairment of assets and CRC Regulation No 2004-06 relating to the definition, accounting and measurement of assets.

Assets are amortised or depreciated on a straight-line basis over the following periods:

| | |
|--------------------------------------|-------------|
| Software | 5 years |
| Buildings and structures | 10-40 years |
| Fixtures and fittings | 10-20 years |
| Computer installations and equipment | 3-6 years |
| Office furniture | 10 years |
| Office equipment | 5 years |
| Other | 4-10 years |

2.5.2 – EMPLOYEE-RELATED COMMITMENTS

Under the Unédic company agreement, Unédic is bound to pay retirement benefits calculated as monthly wage by number of years' service.

In addition, ex gratia payments are made in respect of long-service awards.

Commitments are calculated based on the following elements:

- provisions of the company agreement: use of individual data: age, sex, salary and length of service;
- determination of internal actuarial assumptions: staff turnover rate (0-3% depending on the employee's age), retirement age and terms (60 to 65 years depending on the year of birth with departure 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+ index, i.e. 0.35%, compared to 0.80% for the 2019 financial year.

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

The amounts thus obtained are recognised in provisions for contingencies and expenses, and changes in these provisions are recognised in profit or loss, including the effects of changes in assumptions.

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.

2.5.3 – NET EXCEPTIONAL INCOME

Net exceptional income comprises:

- 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, including capital gains or losses on disposals of intangible assets and property, plant and equipment.

The aforementioned notwithstanding, capital gains and losses on disposals of non-current financial assets are recorded as financial transactions.

2.6 – FINANCIAL RELATIONS WITH THIRD PARTIES

2.6.1 – 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 wage guarantee scheme.

As part of the reform of the organisation of the public employment service, Unédic transferred the collection of unemployment insurance contributions and AGS contributions to Acoess on 1 January 2011. 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.

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 agreement by means of three extension amendments (concluded on 19 December 2019, 18 June 2020 and 18 December 2020).

The 18 December 1993 agreement and its various amendments will continue to apply without change until 30 June 2021, with each party performing its obligations.

2.6.2 – BENEFICIARIES' CONTRIBUTION TO FUNDING SUPPLEMENTARY PENSIONS

Pôle emploi's regional departments withhold and record benefit recipients' contributions to the funding of supplementary pensions. This withholding, which is subsequently taken over by Unédic, is deducted from the expense linked 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, or "*Caisse nationale des barreaux français*") and CRPN (flight crew pension fund, or "*Caisse de retraite du personnel navigant*").

2.6.3 – BENEFICIARY AT-SOURCE WITHHOLDING

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

2.6.4 – COMMUNITY COORDINATION OF UNEMPLOYMENT INSURANCE SCHEMES

European regulation No 883/2004 sets out 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 recognised upon receipt of the benefit reimbursement request from the other State or upon the dispatch of the benefit reimbursement request to the other State.

2.6.5 – MANAGEMENT AGREEMENTS

In accordance with Article L.5424-2 of the Labour Code, Unédic has signed management agreements with companies and public institutions that are not affiliated to the Unemployment Insurance scheme. These agreements provide that employees falling within the scope of these agreements are paid benefits by Pôle emploi, and the signatory organisations pay a lump sum to Unédic.

Management agreements signed with Unédic before 19 December 2008 were terminated no later than 2017. 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 the 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 relating to these management agreements are of little significance.

SECTION 3

Events occurring after the reporting date

The following events, subsequent to the year ended 31 December 2020 are to be reported:

- As the emergency arrangements relating to the **furloughing scheme** are being maintained in 2021, amendment No 2 to the State-Unédic agreement of 1 November 2014, currently being made and entered into, must extend the effects of amendment No 1 of 18 December 2020 beyond 31 March 2021.

- Practical arrangements must be determined for reimbursing Unédic for the sums charged to Unédic that were paid as part of the supplementary aid measures, in connection with the funding of the furloughing scheme. It concerns:

- the funding of the furloughing scheme allowance paid to the private-law staff of public employers (set out in Article 2 of Order No 2020-346 of 27 March 2020) who are not members of the unemployment insurance scheme because of the right granted them by Article L. 5424-2 of the French Labour Code;
- exceptional assistance to companies whose employees come into contact with the public in respect of paid leave taken by their employees (decrees No 2020-1787 of 30 December 2020 and No 2021-44 of 20 January 2021).

- Decree No 2021-346 of 30 March 2021 reintroduces **new rules relating to the calculation of the return-to-work allowance**, duration of payments and starting point for payment of the allowance, which will enter into force on 1 July 2021. Other provisions (condition of membership and sliding scale) will come into force, based on economic criteria for determining the return to a more robust labour market ("*retour à meilleure fortune*").

However, an amending decree is expected to be introduced by the end of May, which will include the taking into account of periods of maternity, sickness and temporary lay off through the furloughing scheme in the calculation of the return-to-work allowance, to avoid any inequality if the beneficiary has experienced such periods.

- The October 2020 Bureau approved the 2021 funding level requirement of €13 billion, based on the forecasts published by Unédic on the same day. In view of Unédic's actual figures at year-end 2020 and its own assumptions for 2021, the State finally decided to grant Unédic an explicit guarantee in the amount of €13 billion for 2021 (2021 finance law published on 29 December 2020).

An order of the Minister of Economy and Finance of 13 January 2021 granted the State guarantee in respect of Unédic's bond issues in the amount of 8 billion euros. This first ministerial decree thus makes it possible to initiate the Unédic bond funding programme for 2021. A second decree to finance the remaining balance will be necessary to issue the €13 billion provided for in the legislation.

In the event of a deterioration of the financial situation beyond the amounts forecast, the NEU CP and NEU MTN programmes will be able to provide part of the cash requirements. Should the situation worsen, emergency provisions in amending finance laws would be necessary to allow the State to take the necessary measures. Unédic will then have to turn to the State services to ensure that specific provisions are put in place and to increase its funding capacity or secure sources of funding, as was done in 2020.

In this context, on 28 January 2021, the Board of Directors decided to increase the ceiling of the EMTN programme to 60 billion euros, authorised the issuance of 13 billion euros of new bonds for 2021 and confirmed the continuation of funding programmes:

- NEU CP, in the maximum amount of 18 billion euros;
- NEU MTN, in the maximum amount of 10 billion euros;
- placements, in the minimum amount of 2 billion euros.

SECTION 4

Balance sheet analysis

4.1 – ANALYSIS OF BALANCE SHEET ASSETS

4.1.1 – NON-CURRENT ASSETS

4.1.1.1 – Tangible assets and property, plant and equipment

Twelve real estate sites were sold during the financial year.

The transactions recognised concerning non-current assets and amortization/depreciation over the 2020 financial year are set out below:

CHANGE IN GROSS NON-CURRENT ASSETS IN 2020

| EUR MILLIONS | (1) | (2) | (3) | (4) | (5) = (1)+(2) - (3)+(4) |
|--|--|----------------------------|--------------------------|------------|------------------------------------|
| | Gross value at the beginning of the year | Acquisitions and creations | Sales or decommissioning | Transfers | Gross value at the end of the year |
| Total intangible assets (A) | 2.1 | 0.5 | | | 2.6 |
| Total non-current assets (B) | 153.8 | 0.7 | 21.9 | 0.0 | 132.7 |
| - Property: land, buildings and fixtures | 148.9 | 1.0 | 21.8 | 0.0 | 128.1 |
| - Other property, plant and equipment | 4.1 | 0.3 | 0.1 | 0.2 | 4.5 |
| - PP&E under construction | 0.9 | -0.6 | | -0.3 | 0.0 |
| TOTAL (A+B) | 156.0 | 1.2 | 21.9 | 0.0 | 135.3 |

CHANGE IN AMORTISATION, DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS IN 2020

| EUR MILLIONS | (1) | (2) | (3) | (4) | (5) = (1)+(2) - (3)+(4) |
|---------------------------------------|---|-----------------|--|------------|------------------------------------|
| | Amortisation at the beginning of the year | Charge Increase | Decreases, disposals and decommissioning | Transfers | Gross value at the end of the year |
| Total intangible assets (A) | 1.9 | 0.1 | | | 2.0 |
| Total non-current assets (B) | 117.1 | 2.7 | 16.0 | 0.0 | 103.8 |
| - Property: buildings and fixtures | 114.0 | 2.4 | 15.9 | | 100.4 |
| - Other property, plant and equipment | 3.2 | 0.3 | 0.1 | | 3.3 |
| TOTAL (A+B) | 119.0 | 2.8 | 16.0 | 0.0 | 105.7 |

In addition, a provision for impairment of buildings and facilities amounting to €0.6 million was recognised in connection with the proposed sale of certain sites for which a purchase proposal in lieu of an estimate of the sale price was lower than the net carrying amount.

4.1.1.2 – Non-current financial assets

This item, amounting to 18.1 million euros, includes loans for their original amount in the framework of construction aid (18 million euros) and deposits and guarantees paid (0.1 million euros).

4.1.2 – CURRENT ASSETS**4.1.2.1 – Receivables****a) Benefit recipient receivables - Overpayments to recipients**

The gross value of the item "Benefit recipient receivables" increased by 11.22% compared to the previous year: 1,725.6 million euros, compared with 1,551.6 million euros. These are overpayments to benefit recipients that are repayable to the Unemployment Insurance scheme. Transactions concerning Unemployment Insurance overpayments are shown in the table below:

| EUR MILLIONS | 2020 | 2019 | 2020/2019 CHANGE |
|--|----------------|----------------|------------------|
| Overpayment-advances-prepayments at beginning of FY(A) | 1,498.0 | 1,310.0 | 14.35% |
| TOTAL detected Unemployment Insurance overpayments (B) | 1,069.0 | 1,118.8 | -4.45% |
| TOTAL reimbursed and recovered (C) | 770.7 | 794.1 | -2.95% |
| Write-offs and losses on overpayments (D) | 131.2 | 136.8 | -4.09% |
| Advances and prepayments paid (E) | 6.2 | 7.5 | -18.00% |
| Advances and prepayments recovered (F) | 6.2 | 7.4 | -16.76% |
| Benefit recipient receivables at the end of the FY (including advances-prepayments) (G) = (A)+(B)-(C)-(D)+(E)-(F) | 1,665.1 | 1498 ,0 | 11.15% |
| Provision made for disputed receivables (H) | -1,242.3 | -1,056.6 | 17.58% |
| Provision rate (H) / (G) | 74.61% | 70.53% | 5.78% |
| NET CARRYING VALUE (I) = (G) - (H) | 422.8 | 441.4 | -4.22% |

The risk of not recovering overpayments is covered by a provision equal to 74.61% of the receivable, a 5.78% increase compared to the 2019 financial year (70.53%).

b) Benefit recipient receivables - Advance payments

Transactions concerning Unemployment Insurance overpayments are shown in the table below:

| EN MILLIONS D'EUROS | 2020 | 2019 | VARIATION 2020/2019 |
|--|-------------|-------------|---------------------|
| Overpayment-advances-prepayments at beginning of FY(A) | 53.0 | 46.3 | 14.47% |
| TOTAL detected unemployment insurance overpayments (B) | 322.7 | 321.5 | 0.37% |
| TOTAL reimbursed and recovered (C) | 315.6 | 314.8 | 0.25% |
| 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) | 0.0 | 0.0 | |
| Benefit recipient receivables at the end of the FY (including advances-prepayments) (G) = (A)+(B)-(C)-(D)+(E)-(F) | 60.1 | 53.0 | 13.40% |
| Provision made for disputed receivables (H) | -31.5 | -26.7 | 17.87% |
| Provision rate (H) / (G) | 52.36% | 50.37% | 3.94% |
| NET CARRYING VALUE (I) = (G) - (H) | 28.6 | 26.3 | 8.86% |

The risk of not recovering advance benefit payments is covered by a provision equal to 52.36% of the receivable, an increase compared to the 2019 financial year (50.37%).

c) Affiliates and other funders

Gross contributions and other funding remaining to be recovered at 31 December 2020 amounted to 6,903.7 million euros, including 6,710.4 million euros related to the Unemployment Insurance scheme. This amount of 6,710.4 million euros is broken down as follows:

| | |
|---------------------------------|--|
| Main contributions | 4,468.8 million euros, i.e. 66.6% of the total |
| Other funding (GSC) | 1,550 million euros, i.e. 23.1% of the total |
| Special contributions | 480.2 million euros, i.e. 7.2% of the total |
| Additional contributions | 211.4 million euros, i.e. 3.1% of the total |

These contributions also break down into undisputed contribution receivables for which recovery procedures were carried out in January or February 2021, amount to 4,060.9 million euros (of which 83.3 million euros in respect of AGS) and disputed contribution receivables in the amount of 2,842.8 million euros (of which 109.9 million euros in respect of AGS).

Under the delegated-management agreement between AGS and Unédic Association, affiliate debt receivables from AGS are recognised 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 1,921.2 million euros (of which 71.2 million euros in respect of AGS).

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

Exceptionally in 2020, given the health crisis, an ad hoc method was applied by AcoSS on receivables arising in 2020.

d) State

The contractual arrangement relating to targeted exemptions provides for invoicing of actual amounts to the relevant ministries (Overseas Departments, Agriculture, Labour, Ecological Transition) in respect of the 2020 employment periods. At year end, a balance results (receivable or payable between invoicing and instalments paid during the year).

Thus, at 31 December 2020, 36 thousand euros remained payable to Unédic by the State (Ministry of Agriculture and Food), compared to 52 million euros that remained payable at year-end 2019 distributed between various ministries).

4.1.2.2 – Other receivables

This item, which amounts to 1,175.9 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 231.9 million euros, net of impairment provisions for long-standing receivables;
- a receivable against the services and payment agency (ASP) of 313 million euros;
- a receivable against institutions with management agreements amounting to 0.3 million euro;
- a receivable against the Monaco CCSS of 9.4 million euros relating to ordinary contribution-recovery transactions;
- a receivable against AcoSS of 75.4 million euros corresponding to the General Reduction;
- a receivable against AcoSS of 415.5 million euros corresponding to the general social contribution (GSC);

- a receivable against the Saint Pierre and Miquelon SPC in the amount of 0.4 million euros, relating to ordinary contribution-recovery transactions;
- AGS's share of aggregated affiliates concerning Acoos, amounting to 9.1 million euros;
- accrued income receivable from the services and payment agency (ASP), in the amount of 111.2 million euros, in respect of the estimation of Unédic's reimbursement of furloughing scheme payments it made in 2020 to public employers.

4.1.2.3 – Marketable securities

This item, which amounted to 6,658 million euros, corresponds to monetary-market funds dedicated to NEU CP issues in the event of market failure.

| (EUR MILLIONS) | | | |
|---|----------------------|-------------------|---|
| MARKETABLE SECURITIES INVENTORY AT 01/01/2020 | ACQUISITIONS IN 2020 | DISPOSALS IN 2020 | MARKETABLE SECURITIES INVENTORY AT 31/12/2020 |
| 3,000 | 121,538 | 117,881 | 6,658 |

4.1.2.4 – Bank balances

This item, which amounts to 1,056.4 million euros, mainly corresponds to interest-bearing deposits.

4.1.3 – DEFERRED EXPENSES

This item, which amounts to 56.1 million euros, concerns the issue costs of bonds (EMTN) and NEU MTN issues, which are apportioned on a straight-line basis over the term of the borrowings.

| (EUR MILLIONS) | | | | | | |
|------------------------------------|---|-----------------------|----------------------|---|--|--|
| YEAR OF RELEASE | Deferred commissions and expenses | Prior amortisation | 2020 amortisation | Fully amortised commissions on borrowings maturing in 2019 | Accumulated amortisation at 31/12/2020 | Borrowings commission balance at 31/12/2020 |
| | (a) | (b) | (c) | (d) | (e) = (b)+(c)-(d) | (f) = (a)-(d)-(e) |
| 2013 | 4.9 | 3.9 | 0.4 | 2.3 | 2.0 | 0.6 |
| 2014 | 9.9 | 6.4 | 1.2 | 0.0 | 7.6 | 2.4 |
| 2015 | 10.6 | 5.5 | 1.1 | 0.6 | 6.0 | 4.0 |
| 2016 | 8.4 | 3.7 | 1.0 | 0.2 | 4.5 | 3.7 |
| 2017 | 11.4 | 2.9 | 1.1 | 0.0 | 4.0 | 7.4 |
| 2018 | 4.2 | 0.5 | 0.4 | 0.0 | 0.9 | 3.3 |
| 2019 | 4.9 | 0.3 | 0.5 | 0.0 | 0.8 | 4.1 |
| 2020 | 32.2 | 0.0 | 1.6 | 0.0 | 1.6 | 30.6 |
| TOTAL Deferred expenses | 86.5 | 23.3 | 7.2 | 3.1 | 27.4 | 56.1 |

4.1.4 – REDEMPTION PREMIUMS

The bonds (EMTN) and NEU MTN 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 amortised over the term of the borrowings.

| (EUR MILLIONS) | | | | | | |
|----------------------------|----------------------|--------------------|-------------------|---|--|-------------------------------------|
| YEAR OF RELEASE | Issue premium amount | Prior amortisation | 2020 amortisation | Fully amortised issue premiums on borrowings maturing in 2020 | Accumulated amortisation at 31/12/2020 | Issue premium balance at 31/12/2020 |
| | (a) | (b) | (c) | (d) | (e) = (b)+(c)-(d) | (f) = (a)-(d)-(e) |
| 2013 | 7.8 | 7.0 | 0.5 | 6.4 | 1.1 | 0.3 |
| 2014 | 19.2 | 12.3 | 2.3 | 0.0 | 14.6 | 4.5 |
| 2015 | 48.8 | 22.1 | 4.7 | 0.0 | 26.8 | 22.0 |
| 2016 | 33.2 | 14.1 | 3.7 | 0.0 | 17.8 | 15.4 |
| 2017 | 27.3 | 7.0 | 2.8 | 0.0 | 9.8 | 17.5 |
| 2018 | 12.2 | 1.4 | 1.0 | 0.0 | 2.4 | 9.8 |
| 2019 | 15.2 | 1.2 | 1.5 | 0.0 | 2.7 | 12.5 |
| 2020 | 26.1 | 0.0 | 1.1 | 0.0 | 1.1 | 24.9 |
| TOTAL Issue premium | 189.8 | 65.0 | 17.7 | 6.4 | 76.4 | 107.0 |

4.1.5 – PREPAYMENTS ACCRUED INCOME

Prepayments amounted to 70.9 million euros:

- 69 million euros in respect of the contribution to the funding of Pôle emploi;
- the balance concerning the administrative management.

4.2 – ANALYSIS OF BALANCE SHEET LIABILITIES

4.2.1 – NET POSITION

The net position at the end of the 2020 financial year was negative at €56,352.3 million and its change over the year can be broken down as follows:

| | |
|---|-------------------------|
| Net position at 31 December 2019 | -37,196.9 million euros |
| Net result (loss) for the 2020 financial year | -19,155.3 million euros |
| Net position at 31 December 2020 | -56,352.3 million euros |

4.2.2 – PROVISIONS FOR CONTINGENCIES AND CHARGES

This item, totalling 119.1 million euros, mainly includes the following provisions:

- a provision for disputes with affiliates, in the amount of 95.2 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 4.5 million euros;
- provisions for employee-related commitments:
 - provision for retirement indemnities, in the amount of 15.8 million euros,
 - provision for long-service bonuses, in the amount of 2.3 million euros;
- a provision for employee-related contingencies and expenses, in the amount of 1.3 million euros.

Changes in provisions for contingencies and expenses during the 2020 financial year are shown in the table below:

| EUR MILLIONS | Opening balance | Provision | Write back (provision used) | Write back (provision not used) | Closing balance |
|------------------------|-----------------|------------|--------------------------------|---------------------------------------|-----------------|
| Acoss | 98.9 | | 3.7 | | 95.2 |
| Personnel expenses | 1.2 | 0.3 | 0.2 | | 1.3 |
| Retirement indemnities | 14.8 | 1.2 | 0.2 | | 15.8 |
| Long-service bonuses | 2.1 | 0.2 | | | 2.3 |
| Other | 6 | 0.5 | 2 | | 4.5 |
| TOTAL | 123 | 2.2 | 6.1 | | 119.1 |

4.2.3 – LOANS AND BORROWINGS

The change in outstanding debt during the 2020 financial year is shown in the table below:

| EUR MILLIONS | Opening balance | Of which 2019 accrued interest | 2020 additional finance | 2020 finance repayment | Closing balance | Of which 2020 accrued interest |
|---|-----------------|--------------------------------------|-------------------------------|---------------------------|--------------------|--------------------------------------|
| Bond issues (EMTN) | 30,114 | 214 | 15,000 | 1,500 | 43,612 | 212 |
| Negotiable medium-term notes (BMTN) | 1,251 | 1 | - | 1,250 | - | - |
| Negotiable European medium term notes (NEU MTN) | 3,701 | 1 | 4,000 | 600 | 7,102 | 1 |
| Negotiable European Commercial Paper (NEU CP) | 6,225 | - | 52,725 | 47,125 | 11,825 | - |
| Short-term bank facilities | - | - | - | - | - | - |
| TOTAL | 41,291 | 216 | 71,725 | 50,475 | 62,539 | 214 |

4.2.3.1 – Bond issues

Bond debt in respect of the EMTN programme amounted to 43,400 million euros at the end of the 2020 financial year.

| ISSUES | AMOUNT (IN EUR MILLIONS) | ISSUE DATE | MATURITY | COUPON RATE |
|--------|-----------------------------|------------|------------|-------------|
| 8.1 | 1,500 | 05/04/2013 | 05/04/2023 | 2.250% |
| 8.2 | 500 | 22/05/2014 | | |
| 11.1 | 2,500 | 20/02/2014 | 25/05/2024 | 2.375% |
| 12.1 | 1,500 | 16/04/2014 | 16/04/2021 | 1.500% |
| 12.2 | 150 | 30/10/2014 | | |
| 12.3 | 500 | 14/12/2015 | | |
| 13.1 | 1,500 | 05/09/2014 | 25/10/2022 | 0.875% |
| 13.2 | 250 | 01/10/2015 | | |
| 13.3 | 500 | 04/05/2016 | | |
| 14.1 | 3,000 | 17/02/2015 | 17/02/2025 | 0.625% |
| 15.1 | 1,250 | 21/10/2015 | 21/10/2027 | 1.250% |
| 15.2 | 750 | 04/05/2016 | | |
| 16.1 | 1,000 | 04/11/2015 | 01/11/2021 | 0.300% |
| 17.1 | 2,000 | 03/03/2016 | 03/03/2026 | 0.625% |
| 17.2 | 250 | 20/06/2017 | | |
| 18.1 | 1,750 | 31/03/2016 | 24/11/2023 | 0.250% |
| 19.1 | 2,000 | 28/03/2017 | 28/03/2027 | 1.250% |
| 19.2 | 250 | 31/08/2017 | | |
| 20.1 | 1,750 | 20/04/2017 | 20/04/2032 | 1.500% |
| 20.2 | 750 | 30/08/2017 | | |
| 21.0 | 1,000 | 30/05/2018 | 25/05/2033 | 1.250% |
| 21.1 | 1,000 | 29/05/2019 | | |
| 22.1 | 1,250 | 01/10/2018 | 25/05/2028 | 0.875% |
| 22.2 | 750 | 31/03/2020 | | |
| 23.0 | 1,500 | 20/03/2019 | 20/03/2029 | 0.500% |
| 24.1 | 1,250 | 05/03/2020 | 05/03/2030 | 0.000% |
| 25.1 | 4,000 | 17/06/2020 | 25/11/2029 | 0.250% |
| 26.1 | 2,000 | 16/07/2020 | 16/07/2035 | 0.250% |
| 26.2 | 1,500 | 04/11/2020 | | |
| 27.1 | 3,000 | 15/10/2020 | 25/11/2028 | 0.000% |
| 28.1 | 2,500 | 19/11/2020 | 19/11/2030 | 0.000% |
| | 43,400 | | | |

Added to this is an amount of 212 million euros, which corresponds to accrued coupon interest at the end of the financial year.

4.2.3.2 – Negotiable European Commercial Paper (NEU CP)

The total amount of this item amounts to 11,825 million euros and corresponds to the amount outstanding on the short-term debt NEU CP (formerly “*billets de trésorerie*”) programme issued by Unédic.

Transactions relating to NEU CP in 2020 are shown in the table below:

| IN EUR MILLIONS | | | |
|-------------------------|-------------|-----------------|-------------------------|
| INVENTORY AT 01/01/2020 | 2020 ISSUES | 2020 REPAYMENTS | INVENTORY AT 31/12/2020 |
| 6,225 | 52,725 | 47,125 | 11,825 |

The maturities of this NEU CP are as follows:

| MATURITY OF COMMERCIAL PAPER (EUR MILLIONS) | | | | |
|---|------------|------------|------------|---------------|
| IN Q1 2021 | IN Q2 2021 | IN Q3 2021 | IN Q4 2021 | TOTAL |
| 4,730 | 3,930 | 1,815 | 1,350 | 11,825 |

4.2.3.3 – Negotiable medium-term notes (BMTN)

At the end of 2020, Unédic had no outstanding negotiable medium-term notes (BMTN).

4.2.3.4 – Negotiable European medium term notes (NEU MTN – formerly BMTN)

At the end of 2020, Unédic had 7,100 million euros in outstanding NEU MTN.

| ISSUES | AMOUNT (IN EUR MILLIONS) | ISSUE DATE | MATURITY | COUPON RATE |
|--------|--------------------------|------------|------------|-------------|
| 1 | 1,250 | 16/01/2017 | 25/05/2022 | 0.125 % |
| 4 | 1,250 | 28/11/2017 | 25/11/2024 | 0.125 % |
| 6 | 600 | 04/10/2019 | 04/10/2022 | 0.000 % |
| 7 | 4,000 | 25/05/2020 | 25/11/2026 | 0.100 % |
| | 7,100 | | | |

At year-end 2020, accrued interest amounted to 1.5 million euros.

IN SUMMARY

| IN EUR MILLIONS | | | |
|--------------------------------------|-------------------|---------------------------------|--------------------|
| OUTSTANDING BONDS (EMTN) AND NEU MTN | MATURITY ≤ 1 YEAR | MATURITY > 1 YEAR AND ≤ 5 YEARS | MATURITY > 5 YEARS |
| 50,500 | 3,150 | 20,850 | 26,500 |

4.2.3.5 – Short-term bank facilities

None.

4.2.4 – OTHER LIABILITIES

4.2.4.1 – Affiliate payables

This item, amounting to 500 million euros, corresponds to sums 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, totalling 3,296.4 million euros, mainly corresponds to benefits payable:

- for the month of December 2020 and paid in January 2021, i.e. 3,355.3 million euros, and 27.1 million euros for redeployment benefits payable to benefit recipients;
- in respect of 2020 and paid in February and March 2021, in the amount of 50.3 million euros;
- pension withholdings, in the amount of 145.4 million euros.

4.2.4.3 – Tax and social security debts

This item amounted to 151.5 million euros and mainly comprises:

- provisions for paid leave, holiday bonuses and 13th month bonuses, in the amount of 3.6 million euros;
- benefit recipient withholdings payable, i.e. 66.1 million euros, corresponding to benefits paid in December 2020;
- outstanding benefit recipient income tax withholdings, i.e. 77.5 million euros, corresponding to benefits paid in December 2020;
- other tax and social security debts, in the amount of 4.3 million euros.

4.2.4.4 – Supplier payables

The amount of 7.4 million euros, representing outstanding invoices payable at 31 December 2020, is divided under two headings:

| | |
|---------------------------------|---------------------|
| Suppliers of goods and services | 7.316 million euros |
| Suppliers of non-current assets | 0.052 million euros |

4.2.4.5 – Other payables

This item, which amounts to 4,039.7 million euros, comprises debts owed to the State and miscellaneous debts.

a) State

The main items under this heading, which total 208.2 million euros, mainly relate to:

▪ Targeted exemptions

The contractual arrangement relating to targeted exemptions provides for invoicing of actual amounts to the relevant ministries (Overseas Departments, Agriculture, Labour, Ecological Transition) in respect of the 2020 employment periods. At year end, a balance results (receivable or payable between invoicing and instalments paid during the year).

Thus, at 31 December 2020, Unédic recorded a debt by the State of 55.6 million euros (33.4 million euros by the Ministry of Labour, 17 million euros by the Ministry of Overseas Territories and 5.2 million euros by the Ministry of Ecological Transition).

▪ Public health crisis exemption

At year-end 2020, Unédic owed the State, represented by the Department of Social Security, 148 million euros in respect of the funding of the compensation of specific exemptions from social security contributions of companies, the self-employed and author artists affected by the health crisis (agreement of 23 October 2020, which entered into force on 1 August 2020).

■ **Cross-Border benefit expenditure (EESSI)**

At year-end 2020, Unédic owed Member States 3.6 million euros in respect of invoices received and not yet paid.

- The balance owed by Unédic to the State at 31 December 2020 of 1 million euros in respect of its financial contribution to the deferral (Annexes VIII and X).

b) Other payables

The main items under this heading, totalling 3,862.1 million euros, mainly relate to:

- the expense payable at 31 December 2020 to the various pension funds in respect of the validation of benefit recipients' supplemental pension credits:
 - 734 million euros due to ARRCO, broken down as follows:
 - › 764.5 million euros, corresponding to outstanding contributions for 2020
 - › -10.6 million euros in respect of the semi-finalised 2020 position
 - › -19.9 million euros in respect of the 2019 adjustment
 - 717.2 million euros due to AGIRC, mainly comprising:
 - › 183.9 million euros, corresponding to outstanding contributions in respect of 2020
 - › 181.9 million euros in respect of the semi-finalised 2020 position
 - › 158 million euros owed by AGIRC in respect of the 2019 adjustment
 - › 90.6 in provisions for 2019 accrued expenses
 - › 102.8 in provisions for 2020 accrued expenses
 - 31.4 million euros due to other supplementary pension institutions, including IRCANTEC (23.1 million euros);
- Pôle emploi liaison accounts, for a total of 514.2 million euros, including the account relating to the funding of Pôle emploi through the 11% contribution, the balance of which amounted to 675.7 million euros;
- the debt payable to AGS in respect of affiliate receivables arising from the AcoSS collections, in the gross amount of 194.1 million euros (less a provision of 71.2 million euros);
- a debt payable to CCMSA in the amount of 18.8 million euros, relating to ordinary contribution-recovery transactions;
- a debt payable to AcoSS in the amount of 81.2 million euros, relating to ordinary contribution-recovery transactions;
- a debt payable in respect of the furloughing scheme, in the amount of 1,600.3 million euros (accrued expenses and provision for expenses).

4.2.5 – ADJUSTMENT ACCOUNTS

Deferred income, i.e. 304.7 million euros, relates to:

- 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 over several financial years depending on their age. This represents an amount of 0.02 million euros;
- the difference between the contractual interest rate and the value of coupons on bonds and NEU MTN for a balance of 285.8 million euros. They are amortised over the life of the borrowing.

| IN EUR MILLIONS | | | | | | |
|------------------------------|-------------------------|--------------------|-------------------|----------------------------------|--|---------------------------------------|
| YEAR OF RELEASE | Financial income Amount | Prior amortisation | 2020 amortisation | Reversal of loans repaid in 2020 | Accumulated amortisation at 31/12/2020 | Deferred income balance at 31/12/2020 |
| | (a) | (b) | (c) | (d) | (e) = (b)+(c)-(d) | (f) = (a)-(d)-(e) |
| 2013 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 |
| 2014 | 32.3 | 21.0 | 3.8 | | 24.8 | 7.5 |
| 2015 | 36.2 | 24.1 | 5.9 | | 30.0 | 6.2 |
| 2016 | 54.6 | 27.8 | 7.4 | 7.7 | 27.5 | 19.5 |
| 2017 | 37.1 | 7.2 | 3.0 | 0.2 | 10.0 | 26.9 |
| 2018 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 |
| 2019 | 69.7 | 3.3 | 7.2 | | 10.4 | 59.2 |
| 2020 | 172.6 | 0.0 | 6.0 | | 6.0 | 166.6 |
| TOTAL Deferred income | 402.5 | 83.3 | 33.4 | 7.8 | 108.8 | 285.8 |

- An amount of 18.9 million euros relating to the negative interest of NEU CP (commercial paper) deferred at year end.

Analysis of the income statement

5.1 – TECHNICAL MANAGEMENT

A loss of 18.813 million euros was recorded in respect of technical management for 2020, due to the combined effect of a decrease in contributions and substantial increase in benefit and furloughing scheme expenditures.

5.1.1 – INCOME

5.1.1.1 – Contributions and other funding

Income from contributions and other funding for the 2020 financial year decreased by 6.61% compared to 2019:

| IN EUR MILLIONS | 2020 | 2019 | 2020/2019 CHANGE |
|-----------------------|------------------|------------------|------------------|
| Main contributions | 22,922.00 | 24,307.33 | -5.70% |
| Other funding | 13,166.60 | 14,358.64 | -8.30% |
| Special contributions | 430.10 | 439.14 | -2.06% |
| TOTAL | 36,518.70 | 39,105.11 | -6.61% |

This decrease is due to a 5.7% decrease in the payroll (change in the payroll to be reconciled with the 4.6% decrease in the average wage per capita (AWPC) and 1.7% decrease in the salaried workforce), and a less favourable than expected change in GSC on income from employment (-8.3%).

Special contributions decreased by 2.06%, due to a decrease in the number of company failures.

5.1.1.2 – Other income

This item, which amounts to 43.2 million euros, mainly comprises income in respect of management agreements, i.e. 0.4 million euros, and late payment surcharges and penalties in the amount of 40.1 million euros.

5.1.1.3 – Net reversal of provisions

The total amount of provision decreases or reversals stood at 22.5 million euros, and related to:

- the reversal of the Pôle emploi provision for contingencies and expenses, in the amount of 2 million euros;
- the reversal of the provision for doubtful debts of affiliates, in the amount of 3.4 million euro;
- the reversal of the EESSI provision, in the amount of 13.4 million;
- the Acoos disputes provision for contingencies and expenses, in the amount of 3.7 million euros.

5.1.1.4 – Expense transfers

This item, which amounted to 317.8 million euros, mainly comprises:

- affiliates' repayment of benefits, in the amount of 10.9 million euros;
- the repayment of benefits between EU countries, in the amount of 195.6 million euros;
- the estimated repayment expected from the service and payment agency (ASP) in respect of the furloughing scheme of public employers paid in 2020, in the amount of 111.2 million;
- repayment of the deferred return-to-work benefit (ARE) contribution, in the amount of 0.1 million euros.

5.1.2 – EXPENSES

Total technical management expenses increased by 35.41% to 55,716 million euros in 2020, compared to 41,147 million in 2019. This exceptional increase was due to the Coronavirus crisis, an unprecedented use of the furloughing scheme (9,049 million) and the increase in benefits paid. Benefit expenses, furloughing scheme, other technical management expenses (benefit and affiliate write-offs), the cost of validating benefit recipients' pension points and Unédic's contribution to Pôle emploi's operations (4,075.5 million euros in 2020, compared to €3,521.3 million in 2019, i.e. +554.2 million euros), represent the majority of technical management expenses.

5.1.2.1 – Benefits

The total benefit expense increased by 12.8% in 2020, as follows:

| IN EUR MILLIONS | 2020 | 2019 | 2020/2019 CHANGE |
|--|-----------------|-----------------|------------------|
| Return-to-work allowance (ARE) | 35,616.5 | 31,550.1 | 12.89% |
| Other benefits | 2,769.0 | 2,479.9 | 11.66% |
| - Return-to-work training (AREF) | 1,606.7 | 1,447.1 | 11.03% |
| - Special redeployment benefits (ASR)/professional safeguarding benefits (ASP) | 1,150.2 | 1,021.1 | 12.64% |
| Other | 12.1 | 11.7 | 3.42% |
| TOTAL | 38,385.5 | 34,030.0 | 12.8% |

Expenses per benefit result from the taking into account:

- payments to benefit recipients made during the financial year;
- a reduction in expenses related to detection of overpayments;
- the reversal of the provision recognised in 2019 for benefits payable from the previous financial year;
- the additional expenses represented by the provision recognised for benefits paid at the beginning of 2021 for 2020 or prior periods.

| IN EUR MILLIONS | Benefits paid in 2020 (+) | 2020 overpayments detected (-) | 2020 benefits paid in 2021 (+) | Reversal of 2019 benefits paid in 2020 (-) | Expense for the year (=) |
|-----------------------|---------------------------|--------------------------------|--------------------------------|--|--------------------------|
| ARE | 36,644.6 | 1,332.5 | 3,085.7 | 2,827.2 | 35,570.6 |
| ARE CSP/CTP/EJEN/AAP | 46.2 | 1.4 | 4.3 | 3.2 | 45.9 |
| TOTAL ARE | 36,690.8 | 1,333.9 | 3,090.0 | 2,830.4 | 35,616.5 |
| AREF | 1,625.4 | 42.1 | 195.9 | 172.5 | 1,606.7 |
| ASR/ASP | 1,134.6 | 12.4 | 118.2 | 90.2 | 1,150.2 |
| Miscellaneous other | 11.7 | 0.1 | 1.6 | 1.1 | 12.1 |
| Other benefits | 2,771.7 | 54.6 | 315.7 | 263.8 | 2,769.0 |
| ARE TOTAL | 39,462.5 | 1,388.5 | 3,405.7 | 3,094.2 | 38,385.5 |

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 amounted to 36.7 billion euros in 2020, compared to 32.90 billion euros in 2019, an increase of 11.55%, due to a 2.33% increase in the average daily benefit amount and an 9.76% increase in the number of days for which benefits were paid;
- AREF payments (excluding social security contributions of 100 million euros) amounted to 1,625 million euros in 2020, compared to 1,375 million euros in 2019, an increase of 18.21;
- ASR and ASP payments (excluding the job safeguard contract (CSP) extra payment) amounted to 1.135 billion euros in 2020, compared to 1.036 billion euros in 2019, an increase of 9.56%, due to a 7.66% increase in the number of days for which benefits were paid and a 4.02% increase in the average daily benefit amount.

5.1.2.2 – Redeployment benefits

Redeployment benefits amounted to 616.7 million euros in 2020, compared to 765 million euros in 2019, and breaks down as follows:

| IN EUR MILLIONS | 2020 | 2019 | 2020/2019 CHANGE |
|---|--------------|------------|------------------|
| IDR – ASP differential deployment benefit | 6.6 | 8.2 | -19.51% |
| ADR - Differential Redeployment Allowance | 0 | 0.1 | -100.00% |
| ARCE – Allowance for the takeover or creation of a business | 453.7 | 579 | -21.64% |
| IDR – CRP differential deployment benefit | 0 | 0 | |
| 2015 Career safeguarding contract bonus | 136.6 | 160 | -14.63% |
| Other benefits | 19.8 | 17.7 | 11.86% |
| TOTAL | 616.7 | 765 | -19.00% |

The allowance for the takeover or creation of a business (*“Aide à la reprise et à la création d’entreprise”* – ARCE) represented the principal benefit, amounting to 453.7 million euros, i.e. 73.57% of all redeployment benefits. Its amount decreased by 21.64% in 2020.

The differential redeployment allowance (*“Aide différentielle au reclassement”* – ADR) was discontinued in 2015.

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

5.1.2.3 – Validation of pension credits

This item corresponds to the cost incurred in connection with validating benefit recipients’ supplemental pension credits, amounting to 2,679.8 million euros in 2020, compared to 2,104.6 million in 2019. This increase is explained by expense adjustments in respect of the prior financial year and the sharp increase in the number of benefit recipients in 2020.

The breakdown by pension regime is as follows:

| IN EUR MILLIONS | TOTAL |
|--|-----------------|
| ARRCO | 3,044.10 |
| AGIRC | 1,145.20 |
| Other pension funds (IRCANTEC - CRPNPAC) | 129.40 |
| Total pension funds | 4,318.70 |
| Benefit recipient contributions | -1,638.90 |
| VALIDATION OF PENSION CREDITS | 2,679.80 |

5.1.2.4 – Other technical management expenses

This item, which amounts to 13,512.4 million euros, increased substantially compared to 2019, mainly due to furloughing scheme expenses and the increase in Unédic's contribution to Pôle emploi's funding.

The main expenses consist of:

- Write-offs and cancellations of affiliate receivables, in the amount of 194.3 million euros;
- Write-offs and cancellations of benefit recipient receivables, in the amount of 131.2 million euros;
- Unédic's 11% contribution due to Pôle emploi, in the amount of 4,075.5 million euros;
- Unédic's contribution to the career safeguarding contract (CSP), in the amount of 52.8 million euros;
- Unédic's contribution to the funding of the furloughing scheme, in the amount of 9,049.2 million euros.

5.1.2.5 – Provisions

Provisions total 521.3 million euros and break down as follows:

- impairment of affiliate receivables, in the amount of 330.4 million euros;
- impairment of benefit recipients overpayments, in the amount of 190.5 million euros;
- provision for Pôle emploi contingencies and miscellaneous expenses, in the amount of 0.5 million euros.

5.2 – ADMINISTRATIVE MANAGEMENT

A net loss of 33.6 million euros was recorded for administrative management in 2020, compared to 30.8 million in 2019.

5.2.1 – INCOME**5.2.1.1 – Provision of services**

This item, which amounts to 40.3 million euros, is essentially made up of income received from third parties in the framework of management agreements:

| IN EUR MILLIONS | 2020 | 2019 |
|-------------------------------------|-------------|-------------|
| AGS | 39.4 | 43.6 |
| Pôle emploi | 0.3 | 0.2 |
| Other agreements with third parties | 0.1 | 0.1 |
| Other provisions of services | 0.5 | 0.5 |
| TOTAL | 40.3 | 44.4 |

5.2.1.2 – Other income

This item, which totals 2.3 million euros, principally represents rent paid in connection with the use of the Unemployment Insurance scheme's property assets.

5.2.1.3 – Expense transfers

This item, which amounts to 32.2 million euros, mainly records the spread of commissions on the costs of issuing loans, particularly numerous in 2020.

5.2.2 – EXPENSES

Expenses amounted to 109.2 million euros in 2020, an increase of 21.6% (+23.6 million euros) compared to 2019. This increase was mainly due to commissions on the costs of issuing loans and is to be reconciled with the change in expense transfers mentioned above (+27.3 million euros).

The depreciation of the property stock, and the maintenance and management thereof, represent a significant administrative management expense. There were 82 sites at the end of 2020.

5.2.2.1 – Purchases

This item represented 0.5% of administrative management expenses, i.e. 0.5 million euros.

5.2.2.2 – External services

This item represented 57.5% of administrative management expenses.

| IN EUR MILLIONS | 2020 | 2019 |
|---|-------------|-------------|
| Work and services rendered by third parties | 4.8 | 4.7 |
| Renting of movables and immovables | 3.4 | 3.0 |
| Other external services | 3.2 | 3.9 |
| Transportation and travel | 0.4 | 1.2 |
| Postal and telecommunications expenses | 0.3 | 0.3 |
| Notarial fees and costs | 14.2 | 16.9 |
| Bank and postal charges | 32.5 | 5.0 |
| Miscellaneous | 3.9 | 4.2 |
| TOTAL | 62.7 | 39.2 |

The “Notarial fees and costs” item includes the expenses relating to the funding of employer and trade union organisations in connection with the management of the Unemployment Insurance scheme, i.e. 2.8 million euros in 2020.

Bank charges include commissions on the costs of issuing loans.

5.2.2.3 – Taxes

This item accounts for 4% of administrative management costs and breaks down as follows:

| IN EUR MILLIONS | 2020 | 2019 |
|--------------------------|------------|------------|
| Taxes on earnings | 2.3 | 2.3 |
| Other taxes and payments | 2.1 | 2.3 |
| TOTAL | 4.4 | 4.6 |

5.2.2.4 – Salaries and social security contributions

This item represents 26.9% of administrative management expenses. It breaks down as follows:

| IN EUR MILLIONS | 2020 | 2019 |
|-------------------------------|-------------|-------------|
| Salaries | 20.0 | 20.1 |
| Social security contributions | 9.3 | 9.4 |
| TOTAL | 29.4 | 29.5 |

5.2.2.5 – Amortisation, depreciation and provisions

This item represents 11.1% of administrative management costs, i.e. 12.1 million euros, compared to 11.7 million euros in 2019.

5.3 – FINANCIAL MANAGEMENT

There was a net financial expense of:

- 314.7 million euros in 2020;
- 333.8 million euros in 2019.

Expenses in 2020 amounted to 400.5 million euros, and mainly comprise:

- structured finance expenses, in the amount of 382.7 million euros, including 364.3 million euros for bonds (EMTN) and NEU MTN;
- amortisation of bond redemption premiums, in the amount of 17.7 million euros.

The weighted average financing rate for 2020 was 0.56%.

5.4 – EXCEPTIONAL RESULT

Unédic posted an exceptional operating result of 6.7 million euros, which mainly comprised capital gains on disposals of non-current 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 0.2 million euros for 2020.

The financial income accounts also record interest income on short-term debt securities issued as part of NEU CP programme put in place by Unédic. These items are excluded from the tax base.

5.6 – FINANCIAL RESULT FOR THE YEAR

This is the Unemployment Insurance scheme's net loss for the 2020 financial year. The scheme posted a net loss of 19,155.3 million euro.

Additional information

6.1 – ESTIMATED BENEFITS TO BE PAID TO BENEFIT RECIPIENTS AT FINANCIAL 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 the 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 out below estimates (that are not defined by accounting standards) of the benefits to be paid to 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 funding needs.

6.1.1 – ESTIMATE OF BENEFITS REMAINING TO BE PAID BY THE UNEMPLOYMENT INSURANCE SCHEME TO 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 2020 to benefit recipients registered on that date was assessed by Unédic’s Studies and Analyses Department to amount to 36,492 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 2020 to recipients entitled to benefits at 31 December 2019 (2,649,232 benefit recipients), i.e. 20,633 million euros;
- calculation of benefits remaining to be paid to this population after 31 December 2020, i.e. 13,424 million euros. This population represents 38.30% of current benefit recipients at 31 December 2019;
- for this population in 2019, the total amount of benefits remaining to be paid by the Unemployment Insurance scheme is 33,958 million euros;
- this amount is updated, taking into account an increase in benefit recipients of 7.46% at 31 December 2020 compared to 31 December 2019; the estimate of benefits remaining to be paid to benefit recipients receiving benefits at the end of 2020 is 36,492 million euros.

6.1.2 – ESTIMATE OF BENEFITS REMAINING TO BE PAID BY THE UNEMPLOYMENT INSURANCE SCHEME TO 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 recipients registered at the end of the financial year was assessed by Unédic's Studies and Analyses Department at 752 million euros. The calculation is done by extending the indemnification rate used as at 31 December 2020 to up until the day before the retirement date, with the maximum age being 67.

6.1.3 – ESTIMATE OF TOTAL FINANCIAL COMMITMENT

The total benefits remaining to be paid to recipients of the Unemployment Insurance with open entitlements at 31 December 2020 is thus estimated to amount to 37,245 million euros.

6.2 – OFF-BALANCE SHEET COMMITMENTS RELATED TO FURLOUGHING SCHEME

Unédic chose to align its methods with those of the French State and so adopted the model developed by the French department for employment and occupational training (*"Délégation générale à l'emploi et à la formation professionnelle"* – DGEFP) to calculate the amount of off-balance sheet commitments relating to the furloughing scheme at 31 December 2020.

The purpose of the model is to anticipate the volume of grant applications (GAs) attributable to decisions on authorisation of use of the furloughing scheme at 31 December 2020 and for which payments will be paid in relation to a furloughing (or temporary lay-offs) period after 1 January 2021.

6.2.1 – INPUT DATA

The model uses the following input data:

- the authorisation decisions (or ADs), expressed as a number of hours: companies estimate the duration and extent to which they will draw on the furloughing scheme, for a period of time set by the company itself and validated by the territorially competent departmental unit (UD-Direccte);
- grant applications (or GAs), expressed as a number of hours, corresponding to periods where the company's employees are effectively temporarily laid off, made by companies, validated by DIRECCTE regional departments, and resulting in a payment by the operator.

These data are accessible in the information systems for all months between March 2020 and December 2020.

The work is based on a photograph of the data at 31 December 2020 held in the ASP's IS relating to the furloughing scheme (furloughing scheme IS). These data consist of all ADs made and filed since 1 March 2020. The data includes the initial ADs, any amendments and all the GAs filed for the months of March to December.

Cohort extraction

The source data were then processed so as to be used to calculate the off-balance-sheet commitments, by being divided into groups of data, or “cohorts”. A cohort comprises the ADs whose end date defines the name of the cohort.

Thus, 22 cohorts were formed according to the end months of the DAs (ten 2020 cohorts according to the DA end dates between March and December 2020 and twelve 2021 cohorts according to the DA end dates between January and December 2021).

Dividing the data into cohorts according to the end date of the DAs has the following advantages:

- Dividing the data into cohorts makes it possible to isolate those commitments that have already expired, in 2020. These data are crucial, making it possible to estimate the number of ADs remaining open at the end of 2020 and which may, therefore, give rise to GAs in 2021. Isolating the closed ADs in respect of 2020 also makes it possible to distribute the estimated potential (defined below) between the different cohorts to determine the number of available hours of the ADs open at the end of 2020;
- Grouping by cohort makes it possible to correlate the authorised available hours with the forecast number of hours consumed for each month and, therefore, to define a preliminary schedule of GA hours consumed over the months of 2021, taking into account the end date of the ADs.

6.2.2 – EXOGENOUS PARAMETERS OF THE MODEL

Three parameters exogenous to the input data were incorporated in the model:

1) Estimated potential additional payments

The estimated potential additional payments correspond to the estimates of additional payments expected to be made after 31 December 2020 in respect of 2020. This parameter reflects the GAs that will be paid in 2021, but which relate to furloughing periods in 2020 (“GAs filed late” or for which the month of payment differs from the furloughing month). This parameter, expressed in terms of number of hours per month between March 2020 and December 2020, is determined by DARES.

Added to the GAs for which payments are effectively paid in 2020, this GA additional payment per month makes it possible to estimate the proportion of ADs that will ultimately give rise to a GA, even if the payment has not yet been made in 2020.

This parameter is of structural importance in the model since it makes it possible to estimate, by subtraction, the number of hours remaining in respect of current ADs at 31 December 2020 that may give rise to GAs in 2021.

2) Forecasts of GA hours consumed in 2021

The estimated number of GA hours consumed in 2021 used to calculate off-balance-sheet commitments are produced from the DGEFP’s work.

These estimates are produced by making projections of the number of furloughed employees (expressed in terms of number of full-time equivalent employees), based on the data for March to December 2020, for the 720 sub-sectors analysed, for the months of 2021.

3) Average monthly furlough scheme allowance hours for 2021

To obtain a measure of the overall financial volume, or estimated number of furlough scheme allowance hours consumed (“PREX”), for 2021, the estimated volume of hours should be correlated with the estimated number of furlough scheme allowance hours.

To this end, the DGEFP has built a model that associates each sector, month by month, with a mechanism based on the nature of the specific restrictions that may affect it. Extrapolations have been made to determine an average allowance for each sector.

The average monthly allowance was then estimated each month by calculating the average of the estimated average monthly allowances for each sector, weighted by the relative weight of the number of full-time equivalent employees of each of the sectors.

Once the number of 2020 off-balance-sheet commitment hours has been calculated, these parameters make it possible to know the financial amount of these commitments for 2020.

6.2.3 – DETERMINATION OF THE RATES OF CONVERSION OF ADS INTO GAs

After observing a levelling off of the rate at which ADs converted into GAs between June and December 2020, a conversion rate of 30.4% was used to calculate the off-balance sheet commitments of the furloughing scheme at 31 December 2020.

It corresponds to the geometric average of the transformation rates observed on the cohorts from June to December.

6.2.4 – ASSESSMENT OF OFF-BALANCE-SHEET COMMITMENTS AND CONSISTENCY WITH ACCRUED EXPENSES AND PROVISIONS FOR EXPENSES

The off-balance-sheet commitments correspond to the estimates of GAs for which payments will be made in respect of an AD opened in 2020 and for a period where workers are furloughed from 1 January 2021.

The ADs are thus divided into 22 different groups, or “cohorts”, according to the end date of the ADs (prior to 31 December 2020 and for each month of 2021), and the calculation is performed by following the procedure as set out below:

- to estimate the change in GAs within the cohorts, it is necessary to start from the residual ADs (“remaining to be consumed”) at 31 December 2020 (residual ADs = ADs validated in 2020 - GAs for which a payment was made in 2020 - Potential additional GA payment made after 31/12/2020 in respect of 2020);
- these residual ADs and estimated number of furlough scheme allowance hours consumed are distributed over 2021, based on the weight of each cohort. The weight of a cohort is determined according to a number of participants/FTE employees to which the cohort applies, compared with the total number of participants/FTE employees to which all cohorts combined apply. The greater the number of participants to which the cohort applies, the greater share of the AD the cohort will have;
- for each cohort, the commitment for each month corresponds to the lower of the pro-rated estimated number of furlough scheme allowance hours consumed of the cohort of the month in question and the total residual ADs of the cohort (net of consumption of previous months and estimated potential additional payments of the cohort, multiplied by the rate of transformation of ADs into GAs observed on the cohorts extinguished from June to December 2020);
- this operation is carried out for each month of 2021 (until the cohort is extinguished) and the commitment corresponds to the sum of the monthly commitments.

Using this method, a total amount of off-balance-sheet commitments of 3,522 billion euros is obtained, with **Unédic's share amounting to 1.162 billion euros (33%)**.

6.3 – EXPLICIT GUARANTEE BY UNÉDIC OF THE LOAN CONTRACTED BY AGS

In 2020, the French economy was hit by an unprecedented crisis due to the Covid-19 pandemic.

In a context marked by a reduction in revenues (deferral and decrease in employer contributions, reduction in the amount of distributions on the part of official receivers) and an increase in expenditures (extension of the AGS guarantee), the association for the management of the wage guarantee scheme (*Association pour la gestion du régime de Garantie des créances des Salariés – AGS*) wished to put in place a short-term bank facility to cope with the high demand on its cash resources expected for the coming period.

The forecasts made by Rexecode for the AGS in September 2020 showed a finance need of the order of 2 billion euros until the end of 2021, with an assumption of a contribution rate unchanged and maintained at 0.15%.

In its capacity as AGS's agent for the financial management of AGS and in accordance with the decisions of the Board of Directors of 30 June 2020, Unédic set up, in the name and on behalf of the AGS, a syndicated structured bank facility meeting AGS's funding needs, with maturities of 3 and 4 years, in the maximum total amount of 2 billion euros.

Considering the financial solidarity between the institutions as provided for in Article L3253-14 of the French Labour Code, Unédic also put in place an explicit guarantee, autonomous at first request, for the benefit of the banking syndicate, to guarantee the loan contracted by the AGS.

At 31 December 2020, this facility had not yet been used.

As an off-balance sheet commitment of Unédic, it will be monitored on a regular basis.

6.4 – NUMBER OF UNÉDIC EMPLOYEES

At 31 December 2020, Unédic had 331 employees, 221 of whom were assigned to the Unédic-AGS Delegation.

6.5 – OPERATIONS UNDERTAKEN ON BEHALF OF THIRD PARTIES

The association for the management of the wage guarantee scheme (*Association pour la gestion du régime de Garantie des créances des Salariés – AGS*), which is an employers' organisation created in early 1974 and financed by businesses, pays debts resulting from employment contracts if 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 AcoSS 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, AcoSS and Pôle emploi set out the rules and procedures for generalising the handling of contribution collection by AcoSS 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.

6.6 – STATUTORY AUDITORS' FEES

Fees relating to statutory auditor assignments in 2020 amounted to 412 thousand euros (including VAT), which were split equally by the two co-signatory accounting firms, FCN and Grant Thornton, excluding work conducted on the furloughing scheme, which will be billed separately.

6.7 – SPECIAL PARAMETERS TO BE TAKEN INTO ACCOUNT REGARDING 2020 FINANCIAL STATEMENTS

As indicated in paragraph 2.1 "General principles" of these notes, Unédic's accounts were prepared based on financial information produced by State operators: AcoSS, for the collection of the majority of unemployment insurance contributions, and the Service and Payment Agency (ASP) for the payment of furloughing scheme allowances on behalf of the State and Unédic.

Due to the 2020 health context, there was a reduction in the time available to check transactions, because the operational priority of the operator teams was to design and then implement emergency measures.

The work of certifying the Unemployment Insurance scheme's financial statements is based on the work of certifying the operators mentioned above. The opinion of the auditors responsible for certifying Unédic's 2020 financial statements must take into account two unprecedented parameters:

- in the report on the certification of the 2020 financial statements of the general social security scheme (collection branch) published on 18 May 2021, the Court noted that it was unable to certify the consolidated accounts for the collection activity for the 2020 financial year. It is unable to give an opinion on whether the accounts give a true and fair view of the financial position and the assets and liabilities of the collection activity as at 31 December 2020 and the results thereof for the year then ended, due to the significant, cumulative and diffuse nature of five factors and their interaction:
 - major uncertainties and disagreements affect the accounting records, related to measures in favour of contributors in the context of the health crisis: revenues from social security contributions of the self-employed; impairment of receivables related to deferrals granted in 2020 to contributors; exemptions and support for the payment of contributions in favour of the most affected companies,

- the inadequacies of general internal control systems that have been weakened in the context of the health crisis, provide only limited assurance on the control of risks of a financial nature,
 - the internal controls of the main processes of collecting social security contributions continue to be weakened and do not sufficiently cover financial risks,
 - disagreements relate to the accounting treatment of certain income and expense items and uncertainties affect the calculation of accounting estimates (provisions for contingencies and expenses, impairment of receivables and accrued income,
 - uncertainties affect part of the accrued income in respect of discounts due from pharmaceutical companies and the provisioning for related disputes;
- in view of the material nature of the transactions managed by ASP in respect of the furloughing scheme, Unédic coordinated with the State services (DGFIP, DGEFP, etc.) to use convergent account closing methods, particularly for off-balance sheet commitments.

In the absence of a certifying body to certificate ASP's accounts and absence of reports of agreed procedures from an external auditor, Unédic and its college of auditors conducted an audit in respect of the 2020 financial year to assess the internal control system put in place by ASP and the DREETS regional departments.

This audit is based on all the mechanisms deployed by the French Ministry of Labour for its own accounting and financial controls. The audit was conducted based on a entirely new organisation and put in place urgently to support society and the economy in a context of unprecedented crisis. The financial flow architecture (which involved up to 8 million employees) has therefore had to deal with more complex and numerous operational problems than before. The security of accounting transactions is thus difficult to apply in the case of a new system because of its scale and purpose: to safeguard companies' economic situation of businesses and employees' jobs.

The work required for the audit of internal control was initiated thanks to the strong mobilisation of stakeholders and contributors, despite the constraints of travel restrictions and schedule for closing the year's accounts, even if additional tests and sampling are still to be done. At this stage of the audit, the ex post internal controls undertaken by the DREETS regional departments do not appear to be entirely the same for the different regions and a method for calculating the financial impact of the controls carried out for the whole of France is currently being designed. The audit of information systems and risk management system will thus continue regarding the certification of the accounts for the 2021 financial year to obtain the most sincere and realistic view possible of all the accounting and financial flows related to furloughing scheme payments.

The activities which constitute the core functions of the Unemployment Insurance scheme, benefit payments and their funding, are not concerned by these opinions affecting the collection branch and ASP.

The share of transactions delegated to State operators, namely AcoSS and ASP, has been indicated in Unédic's financial statements set out below (balance sheet and income statement).

BALANCE SHEET - ASSETS
UNÉDIC ASSOCIATION

| ASSETS (EUR MILLIONS) | 2020 | | ACOSS SHARE | | ASP SHARE | |
|---------------------------------------|-----------------|--|----------------|-----|----------------|-----|
| | | | Amount (€m) | % | Amount (€m) | % |
| Non-current assets | 47.2 | | | | 55.8 | |
| Intangible assets | 0.6 | | | | | |
| Tangible assets | 28.4 | | | | | |
| Non-current financial assets | 18.1 | | | | | |
| Actif circulant | 14,395.2 | | | | 9,388.4 | |
| Receivables: | 5,434.2 | | | | | |
| - <i>Benefit recipients</i> | 451.7 | | | | | |
| - <i>Affiliates and other funders</i> | 4982.5 | | 4,690.9 | 94% | | |
| Other receivables | 1,176.0 | | 490.9 | 42% | 424.2 | 36% |
| Marketable securities | 6,657.7 | | | | | |
| Cash and cash equivalents | 1,056.4 | | | | | |
| Prepaid expenses | 70.9 | | | | | |
| Deferred expenses | 56.1 | | | | | |
| Bond redemption premiums | 107.0 | | | | | |
| TOTAL ASSETS | 14,605.5 | | | | | |

BALANCE SHEET - EQUITY AND LIABILITIES
UNÉDIC ASSOCIATION

| EQUITY AND LIABILITIES (EUR MILLIONS) | 2020 | | ACOSS SHARE | | ASP SHARE | |
|--|----------|------------------|----------------|------------|------------------|-----|
| | | | Amount (€m) | % | Amount (€m) | % |
| Net situation | | -56,352.3 | | | -37,196.9 | |
| Reserves | | 0.8 | | | | |
| Retained loss | | -37,197.7 | | | | |
| Loss for the financial year | | -19,155.3 | | | | |
| Provisions for contingencies and expenses | | 119.1 | 95.2 | 80% | | |
| Debt | | 70,533.9 | | | | |
| Loans and borrowings: | | 62,538.9 | | | | |
| - Bond issues (EMTN) | 43,612.1 | | | | | |
| - Other loans and borrowings | 18,926.5 | | | | | |
| - Short-term bank facilities | 0.0 | | | | | |
| - Other borrowings | 0.3 | | | | | |
| Other liabilities: | | 7,995.0 | | | | |
| - Payables to affiliates | 500.0 | | 487.0 | 97% | | |
| - Benefit recipients | 3,296.4 | | | | | |
| - Tax and social security | 151.5 | | | | | |
| - Suppliers | 7.4 | | | | | |
| - State | 208.5 | | | | | |
| - Other | 3,831.3 | | 81.2 | 2% | 1,600.3 | 42% |
| Accruals and deferred income | | 304.7 | | | | |
| TOTAL EQUITY AND LIABILITIES | | 14,605.5 | | | | |

INCOME STATEMENT – UNÉDIC ASSOCIATION

| INCOME STATEMENT (EUR MILLIONS) | 2020 | | ACOSS SHARE | | ASP SHARE | |
|--|------------------|-----------------|-----------------|-----|----------------|-----|
| | | | Amount (€m) | % | Amount (€m) | % |
| TECHNICAL MANAGEMENT | | | | | | |
| Income | 36,902.2 | | | | | |
| Contributions and other funding | 36,518.7 | | 34,776.9 | 95% | | |
| Other technical management income | 43.2 | | 36.4 | 84% | | |
| Reversals of depreciation, amortisation and provisions | 22.5 | | 3.7 | 16% | | |
| Transfers of expenses | 317.8 | | | | 111.2 | 35% |
| Expenses | 55,715.6 | 41,146.7 | 41 146,7 | | | |
| Return-to-Work Allowance | 35,616.4 | | | | | |
| Other benefits | 2,768.9 | | | | | |
| Redeployment benefits | 616.7 | | | | | |
| Validation of pension credits | 2,679.8 | | | | | |
| 11% Pôle emploi contribution | 4,075.5 | | | | | |
| Furloughing scheme | 9,049.2 | | | | 8,897.5 | 98% |
| Other expenses | 387.7 | | 169.9 | 44% | | |
| Depreciation, impairment and provisions | 521.3 | | 315.3 | 60% | | |
| TECHNICAL LOSS | -18,813.4 | | | | | |
| ADMINISTRATIVE MANAGEMENT | | | | | | |
| Income | 75.5 | | | | | |
| Provision of services | 40.3 | | | | | |
| Other income | 35.3 | | | | | |
| Expenses | 109.2 | | | | | |
| Purchases | 0.5 | | | | | |
| External services | 62.7 | | | | | |
| Tax | 4.4 | | | | | |
| Wages and social security expenses | 29.4 | | | | | |
| Other expenses | 0.1 | | | | | |
| Amortisation, depreciation and provisions | 12.1 | | | | | |
| ADMINISTRATIVE MANAGEMENT LOSS | -33.6 | | | | | |
| FINANCIAL MANAGEMENT | | | | | | |
| Financial income | | 85.7 | | | | |
| Financial expenses | | 400.5 | | | | |
| NET FINANCIAL EXPENSE | -314.7 | | | | | |
| EXCEPTIONAL TRANSACTIONS | | | | | | |
| Technical management | | 0.0 | | | | |
| Administrative management | | 6.7 | | | | |
| NET EXCEPTIONAL INCOME | 6.7 | | | | | |
| Corporate income tax and similar expense | -0.2 | | | | | |
| LOSS FOR THE YEAR | -19,155.3 | | | | | |

OFF-BALANCE-SHEET COMMITMENTS
UNÉDIC ASSOCIATION

| OFF-BALANCE-SHEET COMMITMENTS (EUR MILLIONS) | 2020 | | ACOSS SHARE | | ASP SHARE | |
|--|------|---------|----------------|---|----------------|------|
| | | | Amount (€m) | % | Amount (€m) | % |
| Furloughing scheme | | 1,162.2 | | | 1,162.2 | 100% |

Statutory auditors' report on the financial statements

Financial year ended 31 December 2020

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

QUALIFIED OPINION

In compliance with the assignment entrusted to us by your Board of Directors, we have audited the accompanying annual financial statements of Association Unédic for the year ended 31 December 2020.

Subject to the reservations set out in the section "Basis for our qualified opinion", in our opinion the annual financial statements have been properly drawn up in accordance with French accounting standards so as to give a true and fair view of the financial position and the assets and liabilities of the association as at 31 December 2020 and the results of its operations for the year then ended.

The opinion given above is consistent with the content of our audit report.

BASIS FOR OUR QUALIFIED OPINION

REASONS FOR RESERVATIONS

Reservation for limitation concerning technical management revenues, expenses, receivables and payables communicated by Acoiss.

As mentioned in the notes to the annual financial statements in notes 1.5 "Relations with collection agencies", 2 "Accounting policies and methods" and 6.7 "Special parameters to be taken into account regarding 2020 financial statements", Unédic's annual financial statements have been prepared based on the financial information produced by Acoiss.

The Court of Auditors, in its report on the certification of the accounts of the general social security scheme, stated that it was unable to certify the accounts of the collection activity for the 2020 financial year because of the health crisis, deficiencies in internal control, major uncertainties and disagreements concerning the revenues and receivables allocated to its benefit recipients, and disagreements concerning the recognition of income and expenses and limitations concerning accounting records and estimates.

In view of these elements, we were unable to verify the absence of material misstatement in the annual financial statements, concerning the following items:

■ **Of the income statement:**

- “Contributions and other funding” (95% of which is related to financial information from Acoess);
- “Depreciation, impairment and provisions” (concerned at 60%).

■ **Of the balance sheet:**

- “Affiliates and other funders” (concerned at 94%);
- “Other receivables” (42%);
- “Payables to affiliates” (concerned at 97%).

Information on the items concerned by the operations delegated to Acoess is also disclosed in paragraph 6.7 of the notes to the financial statements.

Reservation for limitation concerning furloughing scheme revenues, expenses, receivables and payables

As mentioned in the notes to the annual financial statements in notes 1.2 “Furloughing scheme”, 2.3 “Furloughing scheme benefits” and 6.7 “Special parameters to be taken into account regarding 2020 financial statements”, Unédic’s annual financial statements at 31 December 2020 were impacted by the implementation of the exceptional furloughing scheme and were established based on the information produced by ASP - Services and Payment Agency.

In the context of the health crisis and implementation of the exceptional furloughing scheme, shortcomings in internal control were noted, including the lack of homogeneity of ex post controls conducted for the different regions and absence of financial impact of the anomalies found when checks were carried out (amounts of adjustments and suspicion of fraud).

This situation did not allow us to verify the absence of material misstatement in the annual financial statements concerning the following items:

■ **Of the income statement:**

- “Other technical management expenses” (66% of which is related to financial information produced by ASP);
- “Transfers of expenses” (concerned at 35%).

■ **Of the balance sheet:**

- “Other receivables” (concerned at 36%);
- “Other liabilities” (concerned at 40%).

■ **Of the notes to the financial statements:**

- Off-balance-sheet commitment of 1.162 billion euros.

Information on the items concerned by the operations delegated to ASP is also disclosed in paragraph 6.7 of the notes to the financial statements.

Basis for our opinion

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 2020 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 system relating to operations managed on AGS's behalf;
- Audit report on the accounting statements tied to the operations managed on AGS's behalf.

OBSERVATIONS

We draw your attention to the following points set out in the notes to the annual financial statements:

- note 1.3 "*Funding of Unemployment Insurance*" concerning the measures taken to ensure the funding of Unemployment Insurance, taking into account the economic context and effects of the Covid-19 health crisis on employment and the Unemployment Insurance scheme;
- note 2.1 "*General principles*" specifying that Unemployment Insurance is a specific pay-as-you-go scheme, and that the financial statements have been prepared in accordance with the chart of accounts of the Unemployment Insurance bodies approved by the National Accounting Council. Thus, the specificities of the declaratory nature of Unemployment Insurance and the consequences thereof, both as regards the declarations by affiliates and payments to the benefit recipients, were taken into account when preparing the annual financial statements.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT ISSUES

The global crisis to which the Covid-19 pandemic has given rise creates special conditions in which to prepare and audit the financial statements for this financial year. The crisis and exceptional measures taken in connection with the health emergency has had many consequences for companies, including on their activity and funding, and have given rise to great uncertainty concerning companies' outlook for the future. Some of these measures, such as the restrictions on travel and remote working, have also had an impact on the internal organisation of companies and the way audits are conducted.

It is in this complex and evolving context that, in accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, besides the points set out in the section "Basis for our qualified opinion", we inform you of the key audit issue relating to risks of material misstatement which, in our professional judgment, was the most significant for the audit of the financial statements for the year, as well as how we addressed 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.

Unemployment benefits

Risk identified

As indicated in note 2.1 "General principles" of the notes to the financial statements, Unédic's financial statements were prepared based on the financial information produced by the agency in charge of paying benefits. Pôle emploi thus managed all unemployment insurance benefits.

In this context and in the light of the uncertainties inherent in the cash flows managed by third parties, we considered that the sincerity, completeness, correct transcription and accuracy of Unédic's benefits constituted a key audit issue.

They are based on the quality of the procedures implemented at Unédic itself as well as on:

- the quality of the internal control system deployed by Pôle emploi as part of the operations that this body manages on your behalf;
- the quality of the preparation process by Pôle emploi of the financial information, necessary for the preparation of Unédic's financial statements.

Audit procedures implemented in response to this risk

We sent audit instructions concerning specific issues to the statutory auditors of Pôle emploi requesting that they provide us with their opinion on:

- the quality of the internal control system deployed by Pôle emploi as part of the operations that this body manages on behalf of Unédic;
- the quality of the preparation process by Pôle emploi of the financial information necessary for the preparation of Unédic's financial statements.

We had discussions with the auditors of Pôle emploi during the summary meetings on internal control on 24 November 2020 and on the audit on 23 April 2021.

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 11 May 2021 in respect of the 2020 financial year, which contains a favourable 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.

Except for any impact of the issues set out in the section "Basis for our qualified opinion", we have no observation to make on the sincerity and consistency with the annual financial statements of the information contained in the CEO's report and the other documents sent to members of the Board of Directors on the financial situation and annual 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 2018, as regards Grant Thornton.

At 31 December 2020, Grant Thornton was in its 3rd consecutive year as statutory auditor and FNC was in its 27th consecutive year, of which 3 and 11 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 CEO.

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;
- 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 jeopardise 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 circumstances could jeopardise the going concern principle. 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 programme 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 and Neuilly-sur-Seine, 28 June 2021

Statutory Auditors

Grant Thornton
French member of Grant Thornton
International

Cyril Brogniart
Partner



FCN

Serge Floch
Partner

Signé électroniquement le 28/06/2021 par
Serge Floch



Signix FCN
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AUDIT
CONSEIL

Unédic

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2020 Activity Report



2020 Report on risk management, controls and audit

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