

2021 Financial Report



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Statutory auditors' report on the financial statements

CEO's report

2021: a pivotal year, from crisis to recovery

2021 was marked by a succession of events that once again tested the management of the unemployment insurance scheme. The crisis continued in the first half of the year, before an economic recovery that was faster than expected.

The gradual cessation of emergency measures enacted in the context of the health crisis explains most of the improvement in the balance of unemployment insurance in 2021. Nevertheless, the scheme's spending remains substantial, in parallel with a level of revenue close to what it was before the crisis, driven by the dynamism in activity and employment in the second half of the year.

The unemployment insurance reform was postponed several times and entered into force on 1 October and 1 December 2021. This includes two important provisions that will impact the scheme's finances from 2022 onwards: new rules for calculating benefits and determining the reference period.

In anticipation of the economic recovery phase, the social partners have been working on the development of return-to-work tools. On 28 June 2021, they signed an amendment to extend the agreement on the professional safeguarding contract (CSP) until 31 December 2022. The aim of this contract is to secure the trajectory of people made redundant for economic reasons at companies with less than 1,000 employees.

A clear rebound in macroeconomic indicators at year-end

After a 1st quarter 2021 still marked by curfews and administrative closures, economic activity was very dynamic in the 2nd and 3rd quarters (+1.3% and +3.1%) thanks to the recovery of the sectors most affected by the health crisis. It has therefore returned to pre-crisis levels more quickly than anticipated. At the end of the year, activity showed signs of slowing down, with growth of +0.7%. This slowdown is explained by a catch-up potential that has weakened in most sectors. Indeed, only some of them, such as accommodation and catering or the manufacture of transport equipment, continued to see activity levels that were still lower than those recorded at the end of 2019. On an annual average, according to Insee, GDP growth was +6.8% following a decline in activity of -7.8% in 2020.

As a result of the lifting of the main health restrictions in France and abroad and the measures to support businesses and employment that remain in force, 2021 is characterised by an exceptional rebound in employment in the field affiliated to Unemployment Insurance: +648,000, an increase of nearly +3.3% (after a decrease of 1.8% in 2020).

During the first half of 2021, employment gains were very significant: nearly 446,000 jobs were created, mainly on “long” contracts i.e. open-ended contracts (CDI) and fixed-term contracts (CDD) of more than a month, while temporary and fixed-term contracts of less than a month remained weak.

In the second half of the year, job creation showed a decline but was still sustained: +202,000 jobs, especially due to a significant increase in temporary hires. This sector accounted for 40% of job creation in the first half of the year. They have thus taken over the job creation from CDI and long CDD contracts.

Massive recruitment of “contact-tracing” staff and short-term hires to compensate for sick leave, which has risen sharply due to the contagious nature of the Omicron variant, are all potential explanations for the rebound in temporary and short CDD contracts observed at the end of 2021. The very strong increase in people going into apprenticeships in 2020 (+42% compared to 2019) and 2021 (+38% compared to 2020) could also partly explain the strong increase in employment observed in 2021. These increases are mainly supported by contracts to prepare for higher education (a level of 2 to 5 years of higher education).

A furloughing scheme in less demand and more secure

Having had its scale changed in 2020 in order to limit the economic and social consequences of the health crisis, the furloughing scheme was renewed in 2021, as was the specific system for the long-term furloughing scheme (APLD). The contributions to funding made by the State and Unédic was also retained, at 67% for the State and 33% for Unédic.

The portion funded by Unédic has thus undergone highly contrasting developments over the last three years:

In millions of euros	2019	2020	2021
Pre-health crisis PY	38	6	1
AP/APLD health crisis		7,291	2,381
Sole-trader employer AP		152	4
Provisions and accrued expenses as at 31 December – AP/APLD health crisis		1,600	165
TOTAL	38	9,049	2,551

Less in demand than in 2020, the furloughing scheme still accounted for more than 5.3% of Unédic’s spending in 2021, while accounting for less than 0.1% in 2019.

The 2021 financial year was also marked by the intensification and strengthening of the various control mechanisms. Unédic's services have, throughout the year, continued their exchanges with the services of the Services and Payment Agency (ASP) and the General Delegation for Employment and Vocational Training (DGEFP), for the improvement and security of the mechanisms put in place in 2020.

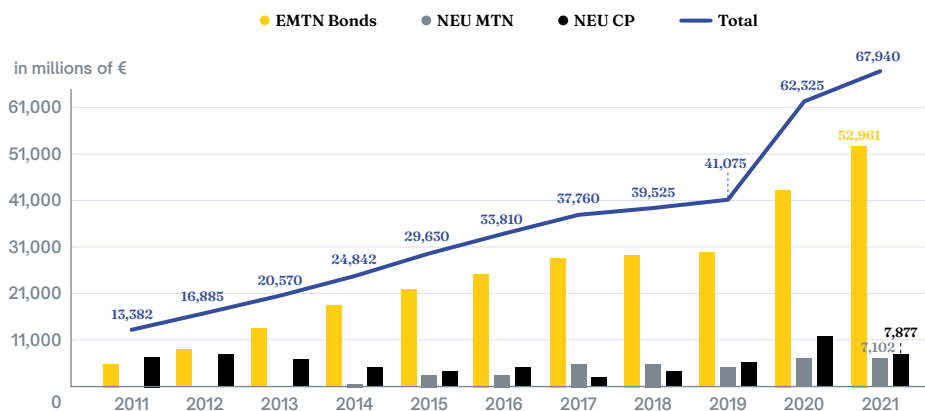
A level of indebtedness amounting to almost 68 billion euros at the end of 2021

To support the unemployment insurance scheme, on 26 January 2021, the Board of Directors approved the increase of the long-term bond programme to 60 billion euros (having been 50 billion euros at the end of 2020 and 34 billion euros at the end of 2019).

In 2021, Unédic issued 8 loans on the financial markets for a total amount of 12.5 billion euros, including 10 billion euros in the form of Social Bonds.

This funding programme must be placed in perspective with the history of Unédic on the financial markets. Indeed, the total amount of medium and long-term issues realised in 2021 is down by more than 30% compared to 2020, but it remains 47% higher than the maximum pre-crisis Covid-19 programme that was reached in 2015.

Evolution of financial debt



This debt has made it possible to ensure continuity of payment for traditional unemployment insurance schemes and emergency measures while the scheme's funds were not sufficient to cover the needs.

The scheme's net debt, which amounted to nearly 41 billion euros at the end of 2019, therefore stood at 68 billion euros at year-end 2021.

Cost of Unemployment Insurance debt under control

For 10 years, Unédic has seen its debt increase, from €13 billion at the end of 2011 to almost €68 billion at the end of 2021.

Because of Unemployment Insurance's counter-cyclical model, 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 (ECB) monetary policies since 2015, including the Pandemic Emergency Purchase Programme (PEPP) to support financial markets during the Covid-19 crisis;
- ▶ The ability of the 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 loans are taken out 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 the annual repayment schedule for debt represented only a fraction of the annual funds of the unemployment Insurance scheme.

In order to control the refinancing of borrowings during periods of deficit, two identified risks are controlled:

- ▶ by spreading the outstanding amounts over all years of the debt repayment schedule (set at a maximum of 15 years since 2017), the maximum amount of each issue does not exceed €4 billion in order to control liquidity risk;
- ▶ taking advantage of the low-rate environment to issue fixed-rate debt with a long maturity, the risk of interest rates is secured by management surpluses, which allow debt to be repaid when it matures without having to renew a significant portion of the debt at a higher interest rate.

The magnitude of the economic shock of the Covid-19 crisis has upset the scheme's financial situation. Unédic's medium- and long-term debt stocks (NEU MTN and EMTN programmes) increased substantially, from €34.85 billion at the end of 2019 to €59.85 billion at the end of 2021.

Despite the magnitude of this shock to Unédic's finances, the refinancing risk is currently under control, thanks to a weighted average lifetime of medium- and long-term debt that stands at nearly 7 years, and the prospect of management surpluses that limit the need for Unemployment Insurance funding in the coming years. However, the environment of significant interest rate increases calls for vigilance on the part of the scheme's managers. Therefore, the average interest rate (weighted by daily outstandings) for all financing tools was less than 0.5% for 2021. The net financial expense amounted to only 303 million euros, i.e. less than 0.8% of revenues.

Debt at year-end and financial expenses for the period 2015-2021

In millions of euros	2015	2016	2017	2018	2019	2020	2021
Net debt (total outstanding debt less available cash) as at 31/12	25,674	29,758	33,549	35,540	36,815	54,611	63,639
Net financial expense	301	324	352	365	334	315	303
Ratio of net financial expense on net debt	1.17%	1.09%	1.11%	1.03%	0.91%	0.58%	0.48%

INCOME STATEMENT FOR THE FINANCIAL (in millions of euros)	2020	2021
Main contributions and Other funding (including CSG)	36,089	39,762
Special contributions	430	571
Other income	383	705
Total technical income	36,902	41,038
ARE	(35,616)	(33,644)
Other benefits	(2,769)	(3,302)
Redeployment benefits	(617)	(677)
Validation of pension credits	(2,680)	(2,449)
Furloughing scheme funding	(9,049)	(2,551)
11% Pôle emploi contribution	(4,075)	(4,255)
Other expenses	(909)	(666)
Total technical expense	(55,716)	(47,545)
TECHNICAL MANAGEMENT EXPENSE	(18,813)	(6,507)
ADMINISTRATIVE MANAGEMENT EXPENSE	(34)	(36)
NET FINANCIAL EXPENSE	(315)	(303)
NET EXCEPTIONAL INCOME	7	13
Corporate income tax and similar expense	0	0
NET RESULT	(19,155)	(6,833)

While the crisis aggravated Unédic's 2020 result to an unprecedented extent, the 2021 accounts for the scheme are in deficit, but are improving significantly.

Following an historic decline of 6.7% in 2020, funds show a strong recovery dynamic in 2021 (+11.2%) in line with the macroeconomic context.

The expenses recorded under return-to-work benefits (ARE) amounted to 33.6 billion euros in 2021, compared to 35.6 billion euros in 2020, i.e. a decrease of 5.5%, due to a fall in the number of days for which benefits were paid and in the number of recipients between 2020 and 2021.

The expenses recorded under ARE Training amounted to 2,061 billion euros in 2021, compared to 1,607 billion euros in 2020, an increase of 28.2%;

The expenses recorded under ASR and ASP (excluding the professional safeguarding contract (CSP) extra payment) amounted to 1.233 billion euros in 2021, compared to 1.150 billion euros in 2020, i.e. an increase of 7.3%, due mainly to an increase in the number of days for which benefits were paid under CSP, coupled with an increase in the average rate.

After taking into account the Unemployment Insurance scheme's contribution to the funding of benefit recipients' supplementary pensions (2,449 million euros), to the operation of Pôle Emploi (4,255 million euros) and to the unprecedented funding of the furloughing scheme (2,551 million euros), technical management expenses increased by 14.7% between 2020 and 2021.

There was a technical management loss of €6,507 million, a significant improvement on the loss of €18,813 million in 2020.

After taking into account the administrative management loss of 36 million euros, the financial management loss of 303 million euros, the exceptional loss and the tax on property rents, there was a net accounting loss for the financial year of 6,833 million euros.

A change in negative cash position following the loss for the financial year

The Unemployment Insurance scheme's cash position is €-9,026 million and breaks down as shown in the chart below:

In millions of euros	31/12/2020	31/12/2021	Change
Bond issues	(43,400)	(52,750)	(9,350)
Short-term negotiable commercial paper (NEU CP)	(11,825)	(7,877)	3,948
Negotiable medium-term notes (NEU MTN)	(7,100)	(7,100)	0
Overdrafts	0	0	0
Investments	6,658	3,139	(3,519)
Bank balances	1,056	951	(106)
Total	(54,611)	(63,637)	(9,026)

The loss for the financial year of €-6,833 million and the change in cash position of €-9,026 million is explained as follows:

From the loss for the financial year to the change in cash position (in millions of euros)

Accounting loss for 2021	(6,833)
Transactions generating no change in cash (increase in underwriting reserves)	200
Decrease in cash requirements linked to business cycle	1,994
2021/2020 change in cash position	(9,026)

Net equity decreased by 6,833 million euros in 2021 because of the loss for the 2021 financial year, leading to the 2020 year-end net equity of -56,352 million euros decreasing to 63,185 million euros at 31 December 2021.

In millions of euros	31/12/2020	31/12/2021
Retained loss and Reserves	(37,197)	(56,352)
Net profit	-19,155	(6,833)
Net situation	(56,352)	(63,185)

The net bank debt of -63,637 million euros, after deduction of the cash recorded under assets on the balance sheet, is calculated from the net equity position of -63,185 million euros as follows:

From net equity to net bank debt (in millions of euros)

Net position at 31 December 2021	(63,185)
Transactions generating no change in cash (funding capacity represented by cumulative amortisation, depreciation and provisions as at 31 December 2021)	3,307
Gross non-current assets at 31 December 2021	(121)
Cash requirement represented by the funding of the difference between operating receivables and operating payables	(4,054)
Cash sources linked to accrued interest on borrowings and deferment of borrowing costs to be distributed (share premiums, accrued interest, etc.)	416
Net bank debt as at 31 December 2021	(63,637)

A funding structure for Unemployment Insurance identical to the one for 2020

Article 54 of 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.

To neutralise the effects of this, Article 26 of Law No 2018-1203 of 22 December 2018 on Social Security funding for 2019 provided for Unédic to be allocated 1.47% of the CSG tax levied on income from employment. As the dynamics of the bases used respectively for calculating unemployment insurance contributions and the generalised social contribution (CSG) on income from employment are very similar, the CDG rate of 1.47 percentage points on income from employment was renewed in the 2020 and 2021 Social Security Funding Acts. A specific financial agreement sets out how this measure is to be implemented, including the timing of payments by Urssaf Caisse nationale.

Therefore, in 2021, CSG of €13.2 billion was recorded in income from employment.

In addition, the 2019 Social Security Funding 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, agricultural production and employers located in the French overseas departments and in Saint-Barthélemy and Saint-Martin, who had already been benefiting from this reduction since 1 January 2019. Urssaf Caisse nationale makes up the shortfall arising from the general reduction in unemployment insurance contributions. After the first year of scaling up the system, 3.4 billion euros were recognised in 2020, followed by 3.8 billion euros in 2021.

Finally, Article 8 of the 2019 Social Security Funding Act extended five employer contribution exemptions to unemployment insurance contributions: LODEOM (Overseas Development Act), home help providers, apprentices, sea armaments and seasonal agricultural workers (TO-DE - casual jobseekers). For Unédic, these exemptions amounted to 335 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.

Events occurring following the closing of the 2021 accounts are still numerous

The following events, which occurred subsequent to the year ended 31 December 2021, are to be noted:

- ▶ The 2020 Social Security Funding Act redefined the financial relationship between the general scheme and the beneficiaries of Urssaf Caisse nationale (Central Agency of Social Security Bodies – Acoss) as of 1 January 2022, moving from a system of repayment of receipts to a system of repayment of sums due (amounts declared, adjusted as a result of controls), after a deduction representative of a statistical rate of non-recovery and management fees. Thus, in order to incorporate these changes, a new agreement between Unédic, Urssaf Caisse nationale, AGS and Pôle Emploi relating to the collection of contributions due from employers was signed on 19 May 2022. This agreement incorporates in particular the provisions provided for by Decree No. 2022-136 of 5 February 2022 on management and withholding fees for non-recovery costs applied and transmission of information by the Central Agency of Social Security Bodies to recipients of social security contributions;
- ▶ Signature of an amendment to the agreement of 23 January 2019 between Unédic, Urssaf Caisse nationale, CCMSA and Pôle Emploi relating to the implementation of the system for the general reduction of employers' contributions to unemployment insurance, including the harmonisation of the methods for calculating fees for non-recovery;
- ▶ Signature of a new amendment relating to “targeted exemptions” for 2022;
- ▶ Issuance of Decree No.2022-682 of 26 April 2022 temporarily derogating from the terms of the increase in the limitation period for claims against the State and modifying the imposition of the limitation period for claims for compensation for furloughing;
- ▶ Signature of an amendment to the AGS loan agreement on 31 March 2022. As a result of this renegotiation, Unédic's explicit guarantee granted to AGS on social credit now covers a total amount of 500 million euros and no longer 1.5 billion euros. As an off-balance sheet commitment of Unédic, it will be monitored on a regular basis.
- ▶ The military operations in Ukraine that began on 24 February and the consequences of the sanctions imposed on Russia by a number of States are considered to be events taking place after closure that had no impact on the accounts as at 31 December 2021. No probable impairment related to the conflict on the valuation of Unédic's assets and liabilities is to be reported for 2022.

On 29 June 2021, Unédic's Board of Directors decided to authorise the issue of 8.65 billion euros of new bonds for 2022 on the basis of the financial forecasts known to date. In view of Unédic's actual figures at year-end 2021 and its own assumptions for 2021, the State finally decided to grant Unédic an explicit guarantee in the amount of €6.25 billion for 2022 (LAW no. 2021-1900 of 30 December 2021 on funding for 2022). On 13 January 2022, an order of the Minister of Economy and Finance was published in the Official Journal to grant the State guarantee in respect of Unédic's bond issues in the amount of 4 billion euros.

In this context, on 26 January 2022, the Board of Directors decided to increase the ceiling of the EMTN programme to 6.25 billion euros and confirmed the characteristics of the:

- ▶ EMTN funding programme, in the maximum amount of 60 billion euros;
- ▶ NEU MTN, funding programme, in the maximum amount of 10 billion euros;
- ▶ NEU CP, funding programme, in the maximum amount of 18 billion euros;
- ▶ a liquidity buffer, in the maximum amount of 2 billion euros.

In 2022, Unédic will continue to play a pivotal role at the heart of the employment system

In 2021, Unédic worked closely with Pôle Emploi and the DGEFP (General Delegation for Employment and Vocational Training) to implement the new unemployment insurance rules, with Urssaf Caisse nationale to secure the collection of contributions, with Service and Payment Agency (ASP) to fund the furloughing scheme, and with Agence France Trésor (AFT) in the context of the scheme's debt issues.

In addition, relations with Agirc-Arrco were strengthened by the signing, in December 2021, of a new agreement to fund additional pension credits accrued by jobseekers in receipt of unemployment insurance benefits.

In the light of economic developments, Unédic regularly updates its spending and revenue forecasts. The last financial forecast was presented on 8 June 2021. Despite deep-seated economic uncertainties, Unédic anticipates surpluses for the period 2022-2024, especially in view of the ending of measures related to the health crisis.

Debt linked to the unemployment insurance scheme remains high. On 26 January 2022, the Board of Directors authorised the issue of 6.25 billion euros of new bonds for 2022. These legislative provisions, as well as the decisions taken by the Board of Directors, have therefore enabled Unédic to initiate its 2022 funding programme. Indeed, the first issue took place on 17 May, for an amount of 1 billion euros and at a rate of 1.834% over a 10-year maturity (25 November 2032).

Financial statements

Balance Sheet - Assets – Unédic Association

ASSETS (in millions of euros)	2021		2020	
Non-current assets	39.9		47.2	
Intangible assets	1.0		0.6	
Tangible assets	21.9		28.4	
Non-current financial assets	17.0		18.1	
Current financial	10,572.2		14,395.2	
Receivables:	5,834.8		5,434.2	
- <i>Benefit recipients</i>	449.0		451.7	
- <i>Affiliates</i>	5,385.8		4,982.5	
Other receivables	577.1		1,176.0	
Marketable securities	3,139.2		6,657.7	
Cash and cash equivalents	950.5		1,056.4	
Prepaid expenses	70.6		70.9	
Deferred expenses	66.3		56.1	
Bond redemption premiums	128.2		107.0	
TOTAL ASSETS	10,806.6		14,605.5	

Balance Sheet - Equity and Liabilities – Unédic Association

EQUITY AND LIABILITIES (in millions of euros)	2021		2020	
Net situation		(63,185.0)		(56,352.3)
Reserves		0.8		0.8
Retained loss		(56,353.0)		(37,197.7)
Net profit		(6,832.7)		(19,155.3)
Provisions for contingencies and expenses		116.6		119.1
Debts		73,477.0		70,533.9
Loans and borrowings:		67,939.8		62,538.9
- Bond issues	52,960.9		43,612.1	
- Other loans and borrowings	14,978.5		18,926.5	
- Short-term bank facilities	0.0		0.0	
- Other borrowings	0.3		0.3	
Other liabilities:		5,537.2		7,995.0
- Affiliates	397.3		500.0	
- Benefit recipients	2,845.6		3,296.4	
- Tax and social security	142.5		151.5	
- Suppliers	6.3		7.4	
- State	110.8		208.5	
- Other	2,034.8		3,831.3	
Accruals and deferred income		398.0		304.7
TOTAL EQUITY AND LIABILITIES		10,806.6		14,605.5

Income Statement - Unédic Association

INCOME STATEMENT (in millions of euros)

2021

2020

TECHNICAL MANAGEMENT						
Income		41,038.1			36,902.2	
Contributions	40,332.7			36,518.7		
Other income	51.1			43.2		
Reversals of provisions	268.1			22.5		
Transfers of expenses	386.3			317.8		
Expenses		47,545.3			55,715.6	
Return-to-Work Allowance	33,644.2			35,616.4		
Other benefits	3,302.4			2,768.9		
Redeployment benefits	677.4			616.7		
Validation of pension credits	2,448.7			2,679.8		
Furloughing scheme	2,551.5			9,049.2		
Other expenses	4,817.3			4,463.2		
Charge to provisions	103.8			521.3		
TECHNICAL LOSS			(6,507.2)			(18,813.4)
ADMINISTRATIVE MANAGEMENT						
Income		63.3			75.5	
Provision of services	39.1			40.3		
Other income	24.2			35.3		
Charges		98.8			109.2	
Purchases	0.4			0.5		
External services	51.1			62.7		
Taxes and duties	4.2			4.4		
Wages and social security expenses	30.1			29.4		
Other expenses	0.0			0.1		
Amortisation, depreciation and provisions	13.0			12.1		
ADMINISTRATIVE MANAGEMENT EXPENSE			(35.5)			(33.6)
FINANCIAL MANAGEMENT						
Financial income		101.7			85.7	
Financial expenses		404.5			400.5	
NET FINANCIAL EXPENSE			(302.8)			(314.7)
EXCEPTIONAL TRANSACTIONS						
Technical management		0.0			0.0	
Administrative management		13.0			6.7	
NET EXCEPTIONAL INCOME			13.0			6.7
Corporate income tax and similar expense			(0.3)			(0.2)
RESULTS			(6,832.7)			(19,155.3)

Unédic is the joint association that manages unemployment Insurance in France. It is governed by the social partners: it has a Board of Directors and a Committee 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, to safeguard 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 Pôle Emploi and, since the beginning of March 2020, the funding of the exceptional furloughing scheme, alongside the State.

Unédic's workforce at 31 December 2021 comprised 331 employees: 112 employees specialised in the management of the unemployment insurance scheme and 220 employees who work at a Unédic-AGS establishment in connection with the mandate of managing the wage guarantee scheme.

Unédic's net administrative management costs amounted to €35.5 million in 2021 (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/rebilled (€38.4 million).

1. Significant events during the financial year

1.1 - Regulatory measures

1.1.1 - EMERGENCY MEASURES RELATING TO ANNEXES VIII AND X TAKEN IN RESPONSE TO THE HEALTH CRISIS CAUSED BY THE 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 includes a measure to extend the duration of benefits for benefit recipients covered by Annexes VIII and X to the unemployment insurance regulations until 31 December 2021, known as the blank year (year of no change), which was originally scheduled to come to an end on 31 August 2021. 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 30 June 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 30 June 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 to the employment contract from 31 July 2020 until 31 August 2021.

In view of the continuing economic, financial and social consequences of the Covid-19 epidemic on the entertainment sector, measures additional to those initially planned under the Culture Plan have been introduced, namely:

- ▶ An extension, for a further four months, i.e. until 31 December 2021, of the mechanism for extending the duration of compensation for beneficiaries covered by Annexes VIII and X, the setting of a 'floor' anniversary date, the adjustment of the arrangements for benefiting from the catch-up clause and the application of these derogating review arrangements to persons who have experienced periods of sickness, maternity or paternity leave or adoption leave as at 31 December 2021;
- ▶ Also added to these measures is the creation of a new allowance for new entrants to Annexes VIII and X under the age of 30, known as the return-to-work allowance for young technical workers and performing artists.

1.1.2 – LEGISLATIVE MEASURES RELATING TO CONTRIBUTIONS

1.1.2.1 - Support measures for enterprises, including unemployment insurance contributions

In order to cope with the economic difficulties experienced by particularly affected enterprises as a result of the health crisis, Article 65 of the 2021 Social Security Funding Act made changes to their payment of social security contributions, including contributions paid to the unemployment insurance scheme in respect of their employees' employment. This provision provides for a system of exemption from employers' social security contributions (Art. 9-I) and a measure to assist in the payment of social security contributions (Art. 9-II).

Exemption from employers' social security contributions (Art. 9-I) (€200 million in 2021)

The exemption scheme applied to the period of employment between 1 September or 1 October 2020 and 30 April 2021, as the case may be (or, for employers for whom the ban on welcoming the public had been extended, until the last day of the month preceding that in which the public was authorised), and concerned:

- ▶ Employers with less than 250 employees who exercise their main activity in sectors particularly affected by the economic and financial consequences of the spread of the Covid-19 epidemic, fixed by decree (Decree No.2021-75 of 27/01/2021). The latter had to come under the tourism, hotel, catering, sport, culture, air transport and event sectors (the so-called "S1" sectors). This also applies to employers who carry out their main activity in those sectors which depend on them (the so-called 'S1a' sectors). With the exception of professional sports clubs, these employers must, during the month following that in which the exemption is applicable, either have been the subject of measures prohibiting the reception of the public (with the exception of delivery activities, withdrawal of orders or sales to take away), or have observed a decrease in their turnover of at least 50% compared to the same period the previous year;
- ▶ Employers with fewer than 50 employees whose main activity falls within other sectors (known as "S2") which, during the month following that for which the exemption is applicable, have been subject to a ban on receiving the public, primarily affecting the continuation of their activity (with the exception of delivery activities, withdrawal of orders or sale to take away) pursuant to Decree No. 2020-1310 of 29 October 2020. These provisions also apply to activities that have not been authorised under the same decree.

Assistance in payment of all contributions, of both employees and employers, payable to collection agencies (Art. 9-II)

The 2021 Social Security Funding Act also provides for assistance in payment of all contributions, of both employees and employers, payable to collection agencies. 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.

The payment aid takes the form of a contribution credit payable to all contributions, both employers' and employees', remaining payable by the employer in respect of the years 2020 and 2021 after application of the contribution exemption scheme and any other total or partial exemption applicable. The aid is payable on all the sums due to the collection agencies referred to in Article L. 5427-1 of the French Labour Code for 2020 and 2021, namely the Urssaf and CGSS, the agricultural social mutuality funds (MSA) and Pôle Emploi for the employment of temporary workers in entertainment and expatriate workers. The Caisse de Sécurité sociale de Mayotte (CSSM) and the Caisse de prévoyance sociale de Saint-Pierre-et-Miquelon (CPS) are also entitled to grant this payment aid.

1.1.2.2 - Entry into force, on 1 October 2021, of certain provisions of Decree no. 2019-797 of 26 July 2019

To cope with the economic, financial and social consequences of the spread of the Covid-19 virus, and having regard to the decisions of the Council of State of 25 November 2020 and of 22 June 2021, certain provisions of the unemployment insurance reform provided for by Decree No 2019-797 of 26 July 2019 were postponed 5 times and finally entered into force on 1 October 2021. This concerns the provisions on:

- ▶ the duration of benefits;
- ▶ the reference wage;
- ▶ the daily reference salary;
- ▶ deferrals of benefits.

Until 30 September 2021, the provisions relating to the calculation of unemployment benefit resulting from the agreement of 14 April 2017 (Decree No. 2021-843 of 29 June 2021). From 1 October 2021 (Decree No. 2021-1251 of 29 September 2021), new rules relating to the calculation of the return-to-work allowance, the duration of payments and the starting point for payment of the allowance shall apply to jobseekers whose employment contracts are terminated or who are dismissed as from that date.

1.1.2.3 - Change, on 1 December 2021, in the minimum eligibility requirement and implementation the taper-off of the return-to-work allowance (ARE)

From 1 December 2021, two conditions resulting from the provisions of Decree No. 2019-797 of 26 July 2019, which had been temporarily suspended from a clause of return to better fortune of the employment situation, shall apply.

Therefore, the minimum requirement for eligibility in the unemployment insurance scheme is re-established at 130 days worked or 910 hours worked (instead of 88 days worked or 610 hours worked) and, for the beneficiaries concerned, the number of days at the end of which the ARE is allocated a taper-off coefficient is reduced to 182 days (instead of 243 days).

1.1.2.4 - Bonus - Penalty

The bonus-penalty was reinstated by a decree of 30 March 2021, with adjustments for its first application.

The bonus-penalty consists, for employers of 11 employees and more in certain sectors of activity, of modulating the rate of employers' contribution to unemployment insurance by 4.05%, between 3% (bonus) and 5.05% (penalty), depending on the number of endings of employment contracts attributable to the company giving rise to registration with Pôle Emploi.

The bonus-penalty consists of modulating the unemployment insurance contribution rate, which is currently 4.05%, upwards (penalty) or downwards (bonus), depending on the separation rate of the companies concerned.

This separation rate corresponds to the number of terminations of employment contracts or temporary assignments associated with a registration at Pôle Emploi, compared to the average annual workforce. The amount of the bonus or penalty will be calculated based on the comparison between the separation of the undertakings concerned and the median separation ratio of their sector of activity, within the limits of a floor (3%) and a ceiling (5,05%).

To take into account the consequences of the health crisis, the bonus-penalty will apply for the first time from 1 September to 31 October 2022 (taking into account the end of the application of the decree from 26 July 2019 to 1 November 2022), on the basis of the end of the contract that will take place between 1 July 2021 and 30 June 2022. However, for the first application of the bonus-penalty in 2022, the sectors of activity most affected by the health crisis such as hotels and restaurants are not affected.

1.2 - State-Unédic joint systems

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 paid 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 spending for Unédic of just over €6 million for the financial year 2020.

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 employ, 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. In view of the continuation of the Covid-19 epidemic, this compensation scheme was maintained in 2021 and until 31 March 2022 for certain sectors still affected by the Covid-19 crisis (companies whose main activity involves receiving the public and which has been interrupted, partially or totally, due to the measures taken to limit the spread of Covid-19, a company located in a territorial district subject to specific restrictions of conditions for the exercise of economic activity and the movement of persons taken by the administrative authority in order to cope with the Covid-19 epidemic in the context of the state of health emergency, when it undergoes a significant decrease in turnover).

As from 1 April 2022, the common law rates should apply to all undertakings (allowance and allowance respectively equal to 60% and 36% of the hourly remuneration limited to 4.5x the minimum wage). Only the placement on furlough of employees who are unable to continue working (people providing childcare and vulnerable persons) will continue to give rise to an allowance equal to 70% of the gross hourly remuneration.

However, public authorities have the option of continuing the modulation of the rates of partial activity allowances and allowances until July 2022.

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. Initially applicable for a period of 24 consecutive or non-consecutive months over a period of 36 months and limited to agreements sent to the administrative authority for validation, by 30 June 2022 at the latest, these modalities have been adapted to deal with the economic consequences of the war in Ukraine. Thus, recourse to the scheme is now authorised for a period of 36 consecutive or non-consecutive months over a period of 48 months, while the limit for the filing of unilateral agreements and documents has been postponed to 31 December 2022.

In the event of recourse to the APLD, the reduction of employees' working time is limited to 40% of the legal term. The benefit and the furloughing scheme allowance are increased respectively to 70% and 60% of the reference gross hourly remuneration (limited to 4.5x the minimum wage).

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.

Two other amendments to the agreement allowed these financing arrangements to be extended until 31 December 2022: amendment no. 2 of 16 June 2021 and amendment no. 3 of 3 January 2022. Amendment No 1 also provided for Unédic to be able to audit the ASP, as well as the data exchange arrangements to ensure the management and financial monitoring of the system.

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 2021, €2.6 billion of expenses were recorded in Unédic's accounts (€2.4 billion in expenditures, and a little less than €0.2 billion in accrued expenses and provisions for expenses). In addition, the amount of off-balance-sheet commitments on this system takes the Unédic share (33%) to 160.4 million euros (see section 6.2 below).

1.2.2 - PROFESSIONAL SAFEGUARDING CONTRACT

Amendment No 5 of 28 June 2021, approved by Order of the Prime Minister of 24 September 2021, extended the agreement of 26 January 2015 relating to the professional safeguarding contract (CSP) until 31 December 2022.

The Social Partners have introduced specific rules for the CSP which differ, in certain aspects, from the unemployment insurance regulations resulting from the decree of 26 July 2019, currently in force. These rules are applicable, on the one hand, from 1 July 2021 (this concerns maintaining the provisions of the agreement of 26 January 2015 referring to the agreement of 14 April 2017, maintained in part by the decree of 26 July 2019) and, on the other hand, in the case of an amendment to the unemployment insurance regulations resulting from the entry into force of the suspended provisions of the decree of 26 July 2019.

Following the entry into force of the second part of the unemployment insurance reform on 1 October 2021, these are therefore specific rules for calculating the occupational security benefit (ASP), and are different from those resulting from the unemployment insurance regulation, which are applicable to employees subject to redundancy for economic reasons initiated from that date:

- ▶ specific minimum eligibility condition, fixed at 88 days worked or 610 hours worked, during a reference membership period aligned with that applicable to ARE beneficiaries, namely 24 months (employees aged under 53) or 36 months (employees aged 53 and over);
- ▶ the ASP is calculated on the basis of the remuneration resulting from the only employment contract that gave rise to eligibility for the CSP;
- ▶ the taper-off coefficient is not applicable to the ASP;
- ▶ the duration of the CSP remains fixed at 12 months, for beneficiaries with at least one year of service, subject to the cases for extension provided for: periods of sick leave, up to four months, and periods of maternity leave, up to the legal duration of maternity leave (amendment no. 4), to which are added new cases introduced by amendment no. 5: paternity, adoption or family caregiver leave intervening during the CSP and leading to a suspension of the system.

Moreover, to cope with the economic consequences of the Covid-19 crisis, a measure to extend the ASP benefits for benefit 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.

Three agreements between the State, Unédic and Pôle Emploi, relating to the methods of funding and implementing the CSP, need to be developed. Discussions between the State and the social partners should focus in particular on the funding of training and support for CSP beneficiaries.

Indeed, since 2020, the State no longer participates in the funding of training and support for CSP beneficiaries. This disengagement of the State follows Law No.2018-771 of 5 September 2018 for the freedom to choose one's professional future which modified the management and funding scheme for training actions for CSP beneficiaries, which was previously based on the FPSPP and the approved joint collecting bodies (Opca), as well as on the one-point increase in Unédic's overall contribution to the Pôle Emploi budget as part of "strengthening support for jobseekers", which results from the decree of 26 July 2019.

It is specified that, at this stage, there are no plans to modify the funding of the Professional Security Allowance (ASP), which is divided between the State and Unédic (in practice, State funding is nil since there is no balance to be borne).

1.3 - Funding of Unemployment Insurance

From 2008, Unédic saw its debt increase from €5 billion in 2008 to €63.9 billion at the end of 2021. 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 implementation of the European Central Bank's (ECB) accommodative monetary policies since 2015, and in particular the Pandemic Emergency Purchase Programme (PEPP) to support markets during the Covid-19 crisis;
- ▶ The ability of the social partners to put in place a funding strategy that is understood by Unédic investors and stakeholders.

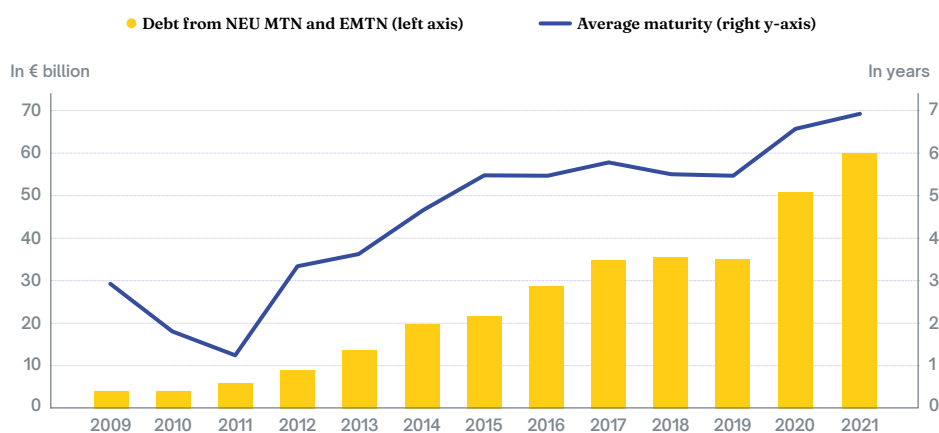
The funding strategy put in place between 2009 and 2021 aimed to limit the consequences of a rise in interest rates on the cost of servicing the debt in a context of growing debt for Unédic. Indeed, all loans are taken out at a fixed rate and in euros, thereby limiting Unédic's exposure to market risks.

Until the end of 2019, the successive funding programmes were undertaken such that in no year did Unédic's 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 and 2021, as a result of the crisis, Unédic's medium- and long-term debt increased substantially (from €34.85 billion at the end of 2019 to €59.85 billion at the end of 2021). 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 with long maturity.

At the end of 2021, the average maturity of Unédic's medium- and long-term debt was 6 years and 11 months.

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



Source: Unédic – DFC

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 0.420% for 2021, and the net financial expense for 2021 amounted to 303 million euros, i.e. less than 1% of revenues.

Following a 2020 marked by the Covid-19 crisis and the deployment of measures, 2021 was also marked by significant economic and social support from Unédic. In this context, on 28 January 2021, Unédic's Board of Directors approved a medium- and long-term funding programme of 13 billion euros. This was carried out to the tune of €12.5 billion through eight financing operations, 80% of which via syndications in the form of Social Bonds. The strong economic recovery in the second half of 2021 contributed significantly to the improvement in Unédic's financial situation. For this reason, it was not necessary to mobilise all of the €13 billion funding programme for 2021.

Debt at year-end and financial expenses for the period 2015-2021

In millions of euros	2015	2016	2017	2018	2019	2020	2021
Net debt	25,674	29,758	33,549	35,540	36,815	54,611	63,639
Net financial expense	301	324	352	365	334	315	303
Ratio of net financial expense on net debt	1.17%	1.09%	1.11%	1.03%	0.91%	0.58%	0.48%

At year-end 2021, Unédic's net debt stood at €63,639 billion, i.e.:

TOTAL DEBT	67.727 billion euros
Bond issues	52.750 billion euros
NEU MTN	7.100 billion euros
NEU CP	7.877 billion euros
TOTAL CASH AND CASH EQUIVALENTS	4.088 billion euros
Investments	3.139 billion euros
Bank balances	0.348 billion euros
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 60 billion by the Board of Directors decision of 28 January 2021 (was 50 billion euros at the end of 2020 and 34 billion euros at the end of 2019). This decision was justified by the increase in funding needs related to the deployment of emergency measures to cope with 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 2021 finance law published on 29 December 2020 initially granted the State guarantee to the loans contracted by Unédic during 2021, in principal and interest, within the limit of an overall ceiling of 13 billion euros to meet the deficit forecast at the time as well as the redemption of bonds in the amount of 3.15 billion euros.

The economic recovery, particularly in the second half of the year, has led to a faster than expected improvement in Unédic's finances, with a total budget of €13 billion. has been fully consumed. Eight issues were executed through Unédic's EMTN programme, for a total of €12.5 billion:

	Amount of the issue (in €m)	Maturity	OAT (1)	Risk premium (2)	Issue premium(3)	Effective interest rate (1+2+3)
EMTN 29.1	3,000	13 years	- 0.009%	0.140%	0.010%	0.141%
EMTN 30.1	3,000	10 years	- 0.085%	0.120%	0.010%	0.045%
EMTN 31.1	2,000	15 years	0.424%	0.080%	0.020%	0.524%
EMTN 32.1	2,000	10 years	- 0.066%	0.100%	0.010%	0.044%
EMTN 19.3	1,000	5 years	- 0.279%	0.130%	0.010%	- 0.139%
EMTN 23.2	1,000	7 years	- 0.052%	0.110%	0.025%	0.083%
EMTN 11.2	350	3 years	- 0.693%	0.190%	0.030%	- 0.473%
EMTN 24.2	150	9 years	- 0.068%	0.145%	0.020%	0.097%
TOTAL	12,500				AVERAGE RATE	0.119%

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”)

The set-up 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. In view of the improvement in Unédic's financial trajectory observed in 2021, on 29 June 2021, the Board of Directors decided to reduce the maximum maturity to 5 years.

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.

This programme, on the other hand, was not requested in 2021.

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.

In 2021, the improvement in Unédic's financial situation made it possible first to stabilise the stock of short-term debt, and then even to reduce it at the end of the year. Indeed, the average daily outstanding amount of NEU CP in 2021 is 10.7 billion euros while the outstanding amount at 31 December 2021 reached its lowest point of the year at 7.9 billion euros. The average interest rate of the outstanding amount of NEU CP at the end of December 2021 was - 0.584%. 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 reserve 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 2021 financial year.

1.3.5 INVESTMENTS AND CASH AND CASH EQUIVALENTS

In 2021, the improvement in Unédic's financial situation made it possible to limit the range of movements on Unédic's liquidity buffer, which stabilised between 2 and 6 billion euros in the second half of the year.

By way of reminder, following the publication of the social issue 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. This was also the case throughout 2021.

At the end of 2021, Unédic's investments totalled 4.1 billion euros.

The average rate of remuneration from investments and cash and cash investments at the end of December 2021 was -0.448%. Negative remuneration is 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 more relevant, personalised training that is easier to access.

The financial relations related to the implementation of this agreement are the subject each year of a cash 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. Until 31 December 2019, this contribution was 10% of Unédic's N-2 resources, and is now set at 11%.

This translates into a technical management charge of €4.3 billion for the 2021 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 2021, contributions collected by Pôle Emploi amounted to 0.9 billion euros (excluding AGS contributions) and benefits and aid amounted to 38 billion euros.

An agreement between Unédic and Pôle Emploi governs this delegation of services and operations between the two bodies (see above).

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 professional safeguarding contract (CSP), which followed the CRP and CTP mechanisms, and translated into Unédic recording a charge of 63 million euros in 2021 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 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 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 (professional safeguarding 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 Unemployment Insurance and AGS contributions contributions: Acoiss (now Urssaf Caisse nationale), CCMSA, Pôle Emploi, Caisse de compensation des services sociaux (CCSS) de Monaco and Caisse de prévoyance sociale (CPS) de Saint-Pierre-et-Miquelon.

In 2021, collections of contributions and other funding, for all agencies combined, excluding AGS, were recognised as income in the amount of €40 billion. This compares to 35.4 billion euros recorded for the same item in 2020. The collection agency Acoiss (Urssaf Caisse nationale) accounted for 94% of the amount of collections in respect of the unemployment insurance scheme, which amounted to 37.6 billion euros.

The financial relationship between Acoiss and Unédic is governed by the Unédic-Pôle Emploi-Acoiss-AGS agreement of 17 December 2010, relating to the collection of contributions and contributions due from employers. This agreement is currently being updated.

The CCMSA and Pôle Emploi are the two largest recovery operators after the Urssaf Caisse nationale, each having recovered 0.85 million euros in 2021.

EUR thousands	Urssaf Caisse nationale	CCMSA	Pôle Emploi	Other	Total
2021 collections	37.56	0.85	0.85	0.66	39.92
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 Urssaf Caisse nationale. This rate was renewed by the 2020 and 2021 Social Security Funding Act.

These arrangements for payment to Unédic are governed by the agreement of 23 January 2019 between Unédic, Urssaf Caisse nationale and Pôle Emploi.

In 2021, the amount of GSC on income from employment allocated to Unédic totalled 14.9 billion euros (including income receivable and net of provision for impairment of bad debts and provision for litigation).

The 2019 Social Security Funding 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. Urssaf Caisse nationale makes up the shortfall arising from the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by Urssaf Caisse nationale to Unédic.

These arrangements for payment to Unédic are governed by the agreement of 23 January 2019 between Unédic, Urssaf Caisse nationale, CCMSA and Pôle Emploi.

The amount of financial compensation by the Urssaf Caisse nationale de la réduction générale in 2021 totalled 3.8 billion euros (including accrued income).

Some exemptions did not include the general reduction in 2019. This concerns exemptions:

- ▶ LODEOM (Overseas Economic Development Act);
- ▶ home help;
- ▶ casual workers - jobseekers (TO-DE);
- ▶ maritime armaments companies;
- ▶ apprentices in the public sector not in the industrial and commercial sector.

The compensation by the State to Unédic for these exemptions amounted to a total of 355 million euros in 2021.

1.6 - Increase in unemployment benefits

At its meeting of 29 June 2021, Unédic's Board of Directors decided to increase unemployment insurance benefits (including for Mayotte) by 0.60% as from 1 July 2021:

- ▶ 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);
- ▶ the floor of paragraph 2 of § 1 of Article 17a of the Unemployment Insurance Regulation relating to the application of the taper-off coefficient;
- ▶ the floor of paragraph 2 of section 1 of Article 17a of the Unemployment Insurance Regulation relating to the application of the taper-off coefficient.

Reference salaries were also increased by 0.60%. 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 2021.

2. Accounting policies and methods

2.1 - General Principles

Unedic's financial statements for the year ended 31 December 2021 drawn up in euros, comprising the balance sheet, income statement and notes thereto have been prepared in accordance with the chart of accounts of 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 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 unemployment insurance is a specific pay-as-you-go scheme.

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

Unédic's annual financial statements have been prepared based on financial information produced by the following agencies: Urssaf Caisse nationale, CCMSA, Pôle Emploi, the services and payment agency (for the furloughing scheme component), CCSS (Monaco), CPS (Saint-Pierre-et-Miquelon) and summarised in digest documents reflecting transactions undertaken on behalf of the unemployment insurance scheme.

2.2 - Unemployment benefits

2.2.1 - EXPENSES

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

In the context of 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 71.75% in 2021) 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 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 of Y-1 to 30 November of year Y. This rate was applied to the stock of overpayments at 31 December.

For overpayments in excess of 25,000 each: the identification and case-by-case assessment of the probability of recovery is carried out on the basis of the stock of overpayments at the end of the month of November of year Y. In this context, overpayments relating to cases of fraud must be written down 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 and long-term furloughing scheme) 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 (ASP) through the network of regional departments for the economy, employment, labour and solidarity (DREETS, formerly DIRECCTE), for payment approval. The ASP is mandated to implement the payment of furloughing scheme grants to employers.¹

2.3.1 - EXPENSES

Furloughing scheme expenses are recognised based on monthly invoices from ASP and Urssaf Caisse nationale.

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;
- ▶ the potential additional hours to be compensated, for the periods of employment of in year N, less the above expenses effectively paid;
- ▶ additional provisions under the temporary derogation from the terms of increase of the limitation period for claims introduced by Decree No. 2022-682 of 26 April 2022.

In the balance sheet, these are included in other liabilities (€165 million at 31 December 2021).

2.3.3 - ACCRUED INCOME IN THE FORM OF REFUNDS OF PAYMENTS MADE TO PUBLIC-SECTOR 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 notifications, accrued income has been taken into account by Unédic, calculated on the basis of claims specified by mail which are not disputed.

On the balance sheet, it appears in other receivables (€112 million at 31 December 2021).

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.54245424 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).

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

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 Urssaf Caisse nationale. This rate was renewed by the 2020 and 2021 Social Security Funding Act.

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. Urssaf Caisse nationale makes up the shortfall arising from the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by Urssaf Caisse nationale to Unédic, after application of a recovery rate (TRAR) set at 1.10% for 2021.

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 and 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 URSSAF (social security contribution collection agencies), agricultural sector social security organisations (mutualité sociale agricole), Pôle emploi and Pôle Emploi's Regional Departments, CCSS (Monaco) and CPS (Saint-Pierre-et-Miquelon). Electronic payroll declarations (DSNs) 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 the Acof and the ministries.

2.4.1.2 - Other funding

- ▶ This is the portion of GSC income from employment transferred by Urssaf Caisse nationale as compensation for the former employee contribution share. GSC accounting income is recorded net of technical expenses and provisions, sent by Urssaf Caisse nationale.

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 rate of impairment is communicated by the operators.

For the 2021 financial statements, given the health crisis and receivables linked to contribution deferrals granted during this period, certain receivables do not have the same expectation of recovery as those normally recorded at year end. The principle adopted in the previous financial statements, of removing these receivables, the recovery of which is expected in the context of the clearance plans, from the scope of those impaired by the traditional method to depreciate them on the basis of a more favourable expectation of recovery, was maintained. As a majority of the plans were initiated in 2021, this expectation of recovery was largely determined based on the observed conditions of compliance with these plans.

2.4.3 - AFFILIATE PAYABLES

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 – RECEIVABLES FROM URSAF NATIONAL MUTUAL

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 Urssaf Caisse nationale.

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 1.10% for 2021.

2.4.5 - RECEIVABLES AND PAYABLES VIS-À-VIS 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 indicating either a receivable or payable between invoicing and instalments paid during the year.

As at 31 December 2021, no amount remains due by the State to Unédic for the exemptions in question.

Thus, at 31 December 2020, Unédic recorded a debt by the State of 32.2 million euros, consisting of 32.2 million euros by the Ministry of Labour and 1.8 million euros by the Ministry of Ecological Transition).

At year-end 2020, Unédic owed the State, represented by the Department of Social Security, 73 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 01/08/2020).

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. 1%, compared to 0.35% for the 2020 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, 18 December 2020, 23 June 2021, 16 September 2021 and 22 October 2021).

Up to 31 December 2022, the 18 December 1993 agreement and its various amendments will continue to apply without change until 30 June 2020, with each party performing its obligations.

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) and CRPN (flight crew pension fund).

In December 2021, Unédic and Agirc-Arrco signed a new agreement to fund additional pension credits acquired by jobseekers receiving unemployment insurance benefits. This new text takes account of the merger of the Agirc and Arrco supplementary pension schemes.

2.6.3 - BENEFICIARY WITHHOLDING AT SOURCE

Since 1 January 2019, each month, Pôle Emploi has withheld 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 - EUROPEAN COMMUNITY COORDINATION OR UNEMPLOYMENT INSURANCE SCHEMES

Regulation (EC) 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 have been of little significance.

3. Events occurring after the reporting date

The following events, occurring after the year ended 31 December 2021 are to be reported:

- ▶ the 2020 Social Security Funding Act redefines the financial relations between the general scheme and the beneficiaries of the Urssaf Caisse nationale as of 1 January 2022 by moving from a repayment of receipts to a repayment of sums due (amounts declared, corrected following the checks), after a deduction representative of a statistical rate of non-recovery and management fees;
- ▶ signature on 19 May 2022 of the new Unédic–Urssaf Caisse nationale–AGS–Pôle Emploi agreement relating to the collection of contributions and contributions due from employers. This agreement incorporates in particular the provisions provided for by Decree No. 2022-136 of 5 February 2022 relating to management fees and withholding for non-recovery applied and transmission of information by the Central Agency of Social Security Bodies to recipients of social security contributions;
- ▶ signature of an amendment to the Unédic –Urssaf Caisse nationale–CCMSA–Pôle Emploi agreement of 23 January 2019 relating to the implementation of the general reduction scheme employers' contributions to unemployment insurance, including the harmonisation of calculation of non-recovery fees;
- ▶ Signature of a new amendment relating to “targeted exemptions” for 2022;
- ▶ Decree No. 2022-682 of 26 April 2022 temporarily derogating from the terms for increasing the limitation period for claims against the State, modifying the application of the limitation period for claims for compensation for the furloughing scheme;
- ▶ Signature of an amendment to the AGS loan agreement on 31 March 2022. As a result of this renegotiation, Unédic's explicit guarantee granted to the AGS on the Credit now covers a total amount of 500 million euros and no longer 1.5 billion euros. As an off-balance sheet commitment of Unédic, it will be monitored on a regular basis.
- ▶ the military operations in Ukraine that began on 24 February and the consequences of the sanctions imposed on Russia by many states are considered to be events subsequent to the closure without impact on the accounts as of 31 December 2021. No probable impairment related to the conflict on the valuation of Unédic's assets and liabilities is to be reported for 2022.

On 29 June 2021, Unédic's Board of Directors decided to authorise the issue of 8.65 billion euros of new bonds for 2022 on the basis of the financial forecasts known to date. In view of Unédic's actual figures at year-end 2021 and its own assumptions for 2021, the State finally decided to grant Unédic an explicit guarantee in the amount of €6.25 billion for 2022 (LAW no. 2021-1900 of 30 December 2021 on funding for 2022). An order of the Minister of Economy and Finance was published in the Official Journal on 13 January 2021 which granted the State guarantee in respect of Unédic's bond issues in the amount of 4 billion euros.

In this context, on 26 January 2022, the Board of Directors decided to increase the ceiling of the EMTN programme to 6.25 billion euros and confirmed the characteristics of the:

- ▶ EMTN funding programme, with an outstanding ceiling of 60 billion euros;
- ▶ NEU MTN funding programme, with an outstanding ceiling of 10 billion euros;
- ▶ NEU CP funding programme, with an outstanding ceiling of 18 billion euros;
- ▶ a liquidity buffer, with a minimum amount of 2 billion euros.

These legislative provisions, as well as the decisions taken by the Board of Directors, have therefore enabled Unédic to initiate its 2022 funding programme. Indeed, the first issue was made on 17 May, for an amount of 1 billion euros and a rate of 1.834% over a 10-year maturity (25 November 2032).

In the event that Unédic's funding needs for the year 2022 prove to be greater than the €4 billion authorised by the first ministerial decree, a second one would be necessary within the limit of €6.25 billion provided for by the legislative provisions. In the event of a deterioration of the financial situation beyond the amounts forecast in finance law, 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.

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

Twenty-one real estate sites were sold during the financial year.

The transactions recognised concerning non-current assets and amortization/depreciation over the 2021 financial year are set out below:

Changes in gross non-current assets in 2021

In millions of euros	Gross value at the beginning of the year (1)	Acquisitions and creations (2)	Sales or decommissioning (3)	Transfers (4)	Gross value at the end of the year (5)=(1)+(2)-(3)+(4)
Total intangible assets (A)	2.6	0.5	0.0	0.0	3.1
Total non-current assets (B)	132.7	1.1	32.5	0.0	101.3
Property: land, buildings and fixtures	128.2	0.3	32.4	0.0	96.1
Other property, plant and equipment	4.5	0.6	0.2	0.0	4.9
PP&E in progress	0.0	0.2	0.0	0.0	0.2
TOTAL (A+B)	135.3	1.6	32.5	0.0	104.4

Change in amortisation, depreciation and impairment of non-current assets in 2021

In millions of euros	Amortisation at the beginning of the year (1)	Charge increase (2)	Decreases, disposals and decommissioning (3)	Transfers (4)	Gross value at the end of the year (5)=(1)+(2)-(3)+(4)
Total intangible assets (A)	2.0	0.2	0.0	0.0	2.1
Total non-current assets (B)	103.8	2.3	27.5	0.0	78.6
Property: buildings and fixtures	100.4	2.0	27.3	0.0	75.1
Other property, plant and equipment	3.3	0.3	0.2	0.0	3.5
TOTAL (A+B)	105.7	2.5	27.5	0.0	80.7

In addition, a provision for impairment of buildings and facilities amounting to €0.8 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 17 million euros, includes loans for their original amount in the framework of construction aid (16.8 million euros) and deposits and guarantees paid (0.2 million euros).

4.1.2 - CURRENT ASSETS

4.1.2.1 - Debtors

a) Benefit recipient receivables - Overpayments to recipients

The gross value of the item “Benefit recipient receivables” increased by 0.37% compared to the previous year: 1,719.3 million euros, compared with 1,725.6 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:

In millions of euros	2021	2020	2021/2020 change
Overpayment-advances-prepayments at beginning of FY (A)	1,665.1	1,498.0	11.15%
TOTAL detected unemployment insurance overpayments (B)	1,142.0	1,069.0	6.83%
TOTAL reimbursed and recovered (C)	836.3	770.7	8.51%
Write-offs and losses on overpayments (D)	308.8	131.2	135.37%
Advances and prepayments paid (E)	5.7	6.2	- 7.32%
Advances and prepayments recovered (F)	5.4	6.2	- 12.34%
Benefit recipient receivables at the end of the FY (including advances-prepayments) (G) = (A)+(B)-(C)-(D)+(E)-(F)	1,662.3	1,665.1	- 0.17%
Provision made for disputed receivables (H)	(1,240.4)	(1,242.3)	- 0.15%
Provision rate (H) / (G)	74.62%	74.61%	0.02%
NET CARRYING VALUE (I) = (G) - (H)	421.9	422.8	- 0.21%

The risk of not recovering overpayments is covered by a provision equal to 74.62% of the receivable, a 0.02% increase compared to the 2020 financial year.

b) Benefit recipient receivables - Advance payments

Transactions concerning unemployment insurance overpayments are shown in the table below:

In millions of euros	2021	2020	2021/2020 change
Overpayment-advances-prepayments at beginning of FY (A)	60.1	53.0	13.40%
TOTAL detected unemployment insurance overpayments (B)	258.5	322.7	- 19.89%
Reimbursed and recovered (C)	261.7	315.6	- 17.08%
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)	56.9	60.1	- 5.32%
Provision made for disputed receivables (H)	(29.8)	(31.5)	- 5.47%
Provision rate (H) / (G)	52.28%	52.36%	- 0.15%
NET CARRYING VALUE (I) = (G) - (H)	27.2	28.6	- 5.17%

The risk of not recovering advance benefit payments is covered by a provision equal to 52.28% of the receivable, an increase compared to the 2020 financial year.

c) Affiliates and other funders

Gross contributions and other funding remaining to be recovered at 31 December 2021 amounted to 7,189.01 million euros, of which 6,999.28 million euros related to the Unemployment Insurance scheme. This amount of 6,710.4 million euros is broken down as follows:

Main contributions	4,460,10 million euros, i.e. 63.72% of the total
Other funding (GSC)	1,781,91 million euros, i.e. 25.46% of the total
Special contributions	534,16 million euros, i.e. 7.63% of the total
Additional contributions	223,11 million euros, i.e. 3.19% of the total

These affiliates and other funders receivables also break down into undisputed contribution receivables for which recovery procedures were carried out in January or February 2022, amount to 4,408.1 million euros (of which 85.8 million euros in respect of AGS) and disputed contribution receivables in the amount of 2,780.9 million euros (of which 103.9 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 1,803.3 million euros (of which 62.3 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

Since 2020, given the health crisis, an ad hoc method has been applied by Urssaf Caisse nationale on receivables arising from exceptionally granted deferrals of payments measures.

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 indicating either a receivable or payable between invoicing and instalments paid during the year.

As at 31 December 2021, no amount remains due by the State to Unédic for the exemptions in question.

4.1.2.2 - Other receivables

This item, which amounts to 577.08 million euros (net of impairment provisions), mainly includes:

- ▶ Accrued income connected with the repayment by EU Member States to France of benefits paid to French cross-border workers in the amount of 319.2 million euros, net of impairment provisions for long-standing receivables;
- ▶ A receivable against the services and payment agency (ASP) of 20.1 million euros;
- ▶ a receivable against institutions with management agreements amounting to 0.3 million euros;
- ▶ a receivable against the Monaco CCSS of 10.6 million euros relating to ordinary contribution-recovery transactions;
- ▶ a receivable against Urssaf Caisse nationale of 61.5 million euros corresponding to the General Reduction;
- ▶ a receivable against Urssaf Caisse nationale of 21.4 million euros corresponding to the general social contribution;
- ▶ a receivable against the Saint Pierre and Miquelon CPS in the amount of 0.4 million euros, relating to ordinary contribution-recovery transactions;
- ▶ AGS's share of aggregated affiliates concerning Urssaf Caisse nationale and Pôle Emploi, amounting to 6.9 million euros ;
- ▶ accrued income receivable from the services and payment agency (ASP), in the amount of 111.6 million euros, in respect of the estimation of Unédic's reimbursement of furloughing scheme payments it made in 2021 to public sector employers.

4.1.2.3 - Marketable securities

This item, which amounted to 3,139 million euros, corresponds to monetary-market funds dedicated to NEU CP issues in the event of market failure.

Marketable securities inventory at 01/01/2021	Acquisitions in 2021	Disposals in 2021	Marketable securities inventory at 12/31/2021
€6,658 million	€89,461 million	€92,979 million	€3,139 million

4.1.2.4 - Bank balances

This item, which amounts to 950.5 million euros, mainly corresponds to interest-bearing deposits.

4.1.3 - DEFERRED EXPENSES

This item, which amounts to 66.3 million euros, concerns the issue costs of bond and NEU MTN issues, which are apportioned on a straight-line basis over the term of the borrowings.

In millions of euros

Year of release	Deferred commissions and expenses (a)	Prior amortisation (b)	2021 amortisation (c)	Fully amortised commissions on borrowings maturing in 2021 (d)	Accumulated depreciation at 12/31/2021 (e)=(b)+(c)-(d)	Borrowings commission balance at 12/31/2021 (f)=(a)-(d)-(e)
2013	2.6	2.0	0.3	0.0	2.3	0.3
2014	9.9	7.6	0.9	2.4	6.1	1.4
2015	10.0	6.0	1.1	1.9	5.2	2.9
2016	8.2	4.5	0.9	0.0	5.4	2.8
2017	11.4	4.0	1.1	0.0	5.1	6.3
2018	4.2	0.9	0.4	0.0	1.2	3.0
2019	4.9	0.8	0.5	0.0	1.3	3.6
2020	32.2	1.6	3.5	0.0	5.0	27.1
2021	20.0	0.0	1.1	0.0	1.1	18.9
TOTAL DEFERRED EXPENSES	103.4	27.3	9.7	4.3	32.7	66.3

4.1.4 - REDEMPTION OF PREMIUMS

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

In millions of euros

Year of release	Issue premium amount (a)	Prior amortisation (b)	2021 amortisation (c)	Fully amortised issue premiums on borrowings maturing in 2021 (d)	Accumulated depreciation at 12/31/2021 (e)=(b)+(c)-(d)	Issue premium balance at 12/31/2021 (f)=(a)-(d)-(e)
2013	1.5	1.1	0.1	0.0	1.3	0.2
2014	19.2	14.6	2.2	1.6	15.2	2.4
2015	48.8	26.8	4.7	0.7	30.8	17.3
2016	33.2	17.8	3.7	0.0	21.5	11.7
2017	27.3	9.8	2.8	0.0	12.6	14.7
2018	12.2	2.4	1.0	0.0	3.3	8.8
2019	15.2	2.7	1.5	0.0	4.2	11.0
2020	26.1	1.1	2.2	0.0	3.4	22.7
2021	41.8	0.0	2.4	0.0	2.4	39.5
TOTAL ISSUE PREMIUM	225.2	76.4	20.7	2.3	94.7	128.2

4.1.5 - ADJUSTMENT ACCOUNTS

Prepayments amounted to 70.6 million euros:

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

4.2 - Analysis of balance sheet – equity and liabilities

4.2.1 - NET POSITION

The net position at the end of the 2021 financial year was negative at €63,185 million and its change over the year can be broken down as follows:

Net position at 31 December 2020	(56,352.3) million euros
Net loss for the 2021 financial year	(6,832.7) million euros
Net position at 31 December 2021	(63,185.0) million euros

4.2.2 - PROVISIONS FOR CONTINGENCIES AND CHARGES

This item, totalling 116.7 million euros, mainly includes the following provisions:

- ▶ the provision for litigation by Urssaf Caisse nationale affiliates, in the amount of 92.2 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 7.1 million euros;
- ▶ provisions for employee-related commitments:
 - provision for retirement indemnities, in the amount of 14.2 million euros,
 - a provision for long-service bonuses, in the amount of 2.2 million euros;
- ▶ a provision for employee-related contingencies and expenses, in the amount of 1 million euros.

Changes in provisions for contingencies and expenses during the 2021 financial year are shown in the table below:

In millions of euros	Opening balance	Provision	Write back (provision used)	Write back (provision not used)	Closing balance
Urssaf Caisse nationale	95.2	3.2	6.2		92.2
Personnel costs	1.4		0.4		1.0
Retirement indemnities	15.8		1.6		14.2
Long-service bonuses	2.3		0.1		2.2
Other	4.5	2.9	0.3		7.1
TOTAL	119.1	6.2	8.6		116.7

4.2.3 - LOANS AND BORROWINGS:

The change in finance during the 2021 financial year is shown in the table below:

Finance (in millions of euros)	Opening balance	Of which 2020 accrued interest	2021 additional finance	2021 finance repayment	Closing balance	Of which 2021 accrued interest
Bond issues	43,612	212	12,500	3,150	52,961	211
Negotiable medium-term notes						
Negotiable European medium term notes (NEU MTN)	7,102	1			7,102	1
Borrowings from credit institutions (NEU CP)	11,825		46,675	50,623	7,877	
Short-term bank facilities						
TOTAL	62,539	214	59,175	53,773	67,939	212

4.2.3.1 - Bond issues

Bond debt in respect of the EMTN programme amounted to 52,750 million euros at the end of the 2021 financial year.

Issues	In millions of euros	Issue date	Maturity	Coupon rate
8.1	1,500	05 April 2013	05/04/2023	2.250%
8.2	500	22 May 2014		
11.1	2,500	20 February 2014	25/05/2024	2.375%
11.2	350	01 December 2021		
13.1	1,500	05 September 2014	25/10/2022	0.875%
13.2	250	01 October 2015		
13.3	500	04 May 2016		
14.1	3,000	17 February 2015	17/02/2025	0.625%
15.1	1,250	21 October 2015	21/10/2027	1.250%
15.2	750	04 May 2016		
17.1	2,000	03 March 2016	03/03/2026	0.625%
17.2	250	20 June 2017		
18.1	1,750	31 March 2016	24/11/2023	0.250%
19.1	2,000	28 March 2017	28/03/2027	1.250%
19.2	250	31 August 2017		
15.7	1,000	20 October 2021		
33.0	1,750	20 April 2017	20/04/2032	1.500%
20.2	750	30 August 2017		
21.0	1,000	30 May 2018	25/05/2033	1.250%
21.1	1,000	29 May 2019		
22.1	1,250	01 October 2018	25/05/2028	0.875%
22.2	750	31 March 2020		
23.0	1,500	20 March 2019	20/03/2029	0.500%
23.2	1,000	21 October 2021		
24.1	1,250	05 March 2020	05/03/2030	0.000%
24.2	150	01 December 2021		
25.1	4,000	17 June 2020	25/11/2029	0.250%
26.1	2,000	16 July 2020	16/07/2035	0.250%
26.2	1,500	04 November 2020		
27.1	3,000	15 October 2020	25/11/2028	0.000%
28.1	2,500	19 November 2020	19/11/2030	0.000%
29.1	3,000	16 February 2021	25/05/2034	0.100%
30.1	3,000	01 April 2021	25/05/2031	0.010%
31.1	2,000	23 June 2021	25/05/2036	0.500%
32.1	2,000	27 July 2021	25/11/2031	0.010%
TOTAL	52,750			

Added to this is an amount of 211 million euros, which corresponds to accrued coupon interest at the end of the financial year.

4.2.3.2 - Loans from credit institutions and miscellaneous finance

The total amount of this item amounts to 7,877 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 2021 are shown in the table below:

Inventory at 01/01/2021	2021 issues	2021 repayments	Inventory at 12/31/2021
€11,825 million	€46,675 million	€50,623 million	€7,877 million

The maturities of this NEU CP are as follows:

	In Q1 2022	In Q2 2022	In Q3 2022	In Q4 2022	Total
Maturity of NEU CP	€5,505 million	€1,322 million	€790 million	€250 million	€7,877 million

4.2.3.3 - Loans from credit institutions and miscellaneous finance

At the end of 2021, Unédic had no outstanding negotiable medium-term notes (BMTN).

4.2.3.4 - NEU MTN (formerly BMTN)

At the end of 2021, Unédic had 7,100 million euros in outstanding NEU MTN.

Issues	Amount	Issue date	Maturity	Coupon rate
1	€1,250 million	16/01/2017	25/05/2022	0.125%
4	€1,250 million	28/11/2017	25/11/2024	0.125%
6	€600 million	04/10/2019	04/10/2022	0.000%
7	€4,000 million	25/05/2020	25/11/2026	0.100%
TOTAL	€7,100 million			

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

In summary

Maturities of bonds and NEU MTN	Maturity ≤ 1 year	Maturity > 1 year and ≤ 5 years	Maturity > 5 years
€59,850 million	€4,100 million	€22,350 million	€33,400 million

4.2.3.5 - Short-term bank facilities

None.

4.2.4 – OTHER DEBT

4.2.4.1 - Affiliate payables

This item, amounting to 397.3 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 2,845.6 million euros, mainly corresponds to benefits payable:

- ▶ for the month of December 2021 and paid in January 2022, i.e. 2,905 million euros, and 18.6 million euros for redeployment benefits payable to benefit recipients;
- ▶ in respect of 2021 and paid in February and March 2022, in the amount of 40.2 million euros; less
- ▶ pension withholdings, in the amount of 125.9 million euros.

4.2.4.3 - Tax and social security debts

This item amounted to 142.5 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. 60.8 million euros, corresponding to benefits paid in December 2021;
- ▶ outstanding benefit recipient income tax withholdings, i.e. 73.8 million euros, corresponding to benefits paid in December 2021;
- ▶ other tax and social security debts, in the amount of 4.3 million euros.

4.2.4.4 - Supplier payables

The amount of 6.3 million euros, representing outstanding invoices payable at 31 December 2021, is divided under two headings:

- ▶ Suppliers of goods and services: 6.098 million euros;
- ▶ Suppliers of non-current assets: 0.194 million euros.

4.2.4.5 - Other payables

This item, which amounts to 2,145.5 million euros, comprises debts owed to the State and miscellaneous debts.

a) State

The main items under this heading, which total 110.8 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 indicating either a receivable or payable between invoicing and instalments paid during the year. At 31 December 2021, Unédic recorded a debt by the State of 32.2 million euros (33.4 million euros by the Ministry of Labour, 29.6 million euros by the Ministry of Overseas Territories and 1.8 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, 73 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 01/08/2020).

▶ Cross-Border benefit expenditure (EESSI)

At 31 December 2021, Unédic owed Member States 4.3 million euros in respect of invoices received and not yet paid.

▶ **The balance owed by Unédic to the State at 31 December 2021** of 0.97 million euros in respect of its financial contribution to the deferral (Annexes VIII and X).

b) Other payables

The main items under this heading, which total 2,034.8 million euros, mainly relate to:

▶ **The expenses payable at 31 December 2021** to the various pension funds in respect of the validation of benefit recipients' supplemental pension credits:

- 165.1 million euros due as Arrco contributions, broken down as follows:
 - 284.9 million euros, corresponding to the outstanding contributions by Unédic in respect of the year 2021 and 12.3 million euros in respect of the 2020 adjustment,
 - decrease of 132.1 million euros owed by Agirc-Arrco to Unédic in respect of the semi-finalised 2021 position;
- 104.9 million euros due as Agirc contributions, mainly comprising:
 - 98.6 million euros, corresponding to the outstanding contributions by Unédic in respect of the year 2021 and 28.7 million euros in respect of the 2020 adjustment,
 - decrease of 22.4 million euros owed by Agirc-Arrco to Unédic in respect of the semi-finalised 2021 position;
- 12.1 million euros due to other supplementary pension institutions, Ircantec owing Unédic 2.5 million euros.

- ▶ **Pending accounts with Pôle Emploi** for a cumulative total (debts/receivables) of 1,156.1 million euros. These accounts include the account relating to the funding of Pôle Emploi, by Unédic, as part of the 11% financial contribution, the balance of which amounted to 1,184.8 million euros in favour of Pôle Emploi.
- ▶ **The debt payable to AGS in respect of affiliate receivables** arising from the Urssaf Caisse nationale collections, in the gross amount of 190.5 million euros (less a provision of 62.2 million euros);
- ▶ **A debt payable to CCMSA** in the amount of 19.7 million euros, relating to ordinary contribution-recovery transactions;
- ▶ **A debt payable to Urssaf Caisse nationale** in the amount of 277.6 million euros, relating to ordinary contribution-recovery transactions;
- ▶ **A debt payable in respect of the furloughing scheme** in the amount of 165.3 million euros (accrued expenses and provision for expenses).

4.2.5 - ADJUSTMENT ACCOUNTS

Deferred income, i.e. 398 million euros, relates to:

- ▶ The difference between the contractual interest rate and the value of coupons on bonds and NEU MTN for a balance of 369.8 million euros. These are amortised over the life of the borrowing.

In millions of euros

Year of release	Financial income amount (a)	Prior amortisation (b)	2021 amortisation (c)	Reversal of loans repaid in 2021 (d)	Accumulated depreciation at 12/31/2021 (e)=(b)+(c)-(d)	Deferred income balance at 12/31/2021 (f)=(a)-(d)-(e)
2013	0.0	0.0	0.0		0.0	0.0
2014	32.3	24.8	3.7	7.7	20.8	3.8
2015	36.2	30.0	5.7	31.8	3.9	0.5
2016	47.0	27.5	5.9		33.4	13.5
2017	36.9	10.0	3.0		13.0	23.9
2018	0.0	0.0	0.0		0.0	0.0
2019	69.7	10.4	7.2		17.6	52.0
2020	172.6	6.0	17.7		23.8	148.8
2021	131.6	0.0	4.4		4.4	127.2
TOTAL DEFERRED INCOME	526.2	108.8	47.6	39.5	116.9	369.8

- ▶ An amount of 28.2 million euros relating to the negative interest of NEU CP (commercial paper) deferred at year end.

5. Income statement analysis

5.1 - Technical management

The technical management result remains in deficit but has fallen sharply from a deficit of 18,813 million euros in 2020 to a deficit of 6,507 million euros in 2021, due to the combined effect of an increase in contributions and a decrease in benefit and furloughing scheme spending.

5.1.1 - INCOME

5.1.1.1 - Contributions and other funding

Income from contributions and other funding for the 2021 financial year increased by 10.44% compared to 2020:

In millions of euros	2021	2020	2021/2020
Main contributions	24,889.95	22,922.00	8.59%
Other funding	14,871.96	13,166.60	12.95%
Special contributions	570.81	430.10	32.72%
TOTAL	40,332.72	36,518.70	10.44%

Thanks to the restart in the sectors that had been most affected by the health crisis, activity resumed a positive trajectory from the spring of 2021. More specifically, after a 1st quarter still marked by curfews and administrative closures, activity was very dynamic in the 2nd and 3rd quarters. These increases allowed activity to return to pre-crisis levels more quickly than anticipated. On an annual average, according to Insee, GDP growth was 6.8% following a decline in activity of -7.8% in 2020.

5.1.1.2 - Other income

This item, which amounts to 51.1 million euros, mainly comprises income in respect of management agreements, i.e. 0.1 million euros, and late payment surcharges and penalties in the amount of 49.8 million euros.

5.1.1.3 - Net reversal of provisions

The total amount of provision decreases or reversals stood at 268 million euros, and is related to:

- ▶ a provision for Pôle Emploi contingencies and miscellaneous expenses, in the amount of 0.3 million euros;
- ▶ a provision for doubtful debts of affiliates, in the amount of 195.2 million euros;
- ▶ a provision for benefit recipients overpayments, in the amount of 3.6 million euros;
- ▶ a provision for EESSI receivables, in the amount of 13.4 million euros;
- ▶ a provision for Urssaf Caisse nationale disputes, in the amount of 6.2 million euros.

5.1.1.4 - Expense transfers

This item, which amounted to 386.2 million euros, mainly comprises:

- ▶ affiliates' repayment of benefits, in the amount of 14.5 million euros;
- ▶ the repayment of benefits between EU countries, in the amount of 289.6 million euros;
- ▶ the estimated repayment expected from the service and payment agency (ASP) in respect of the furloughing scheme of public-sector employers paid in 2021, in the amount of 0.4 million euros;
- ▶ Unédic's fraction of the furloughing scheme for paid holidays paid to companies in 2021 and reimbursed by the services and payment agency for 79.45 million euros;
- ▶ spontaneous furloughing scheme repayments received by companies in 2020 and 2021 and transferred to Unédic for 2 million euros;
- ▶ miscellaneous reimbursements from the State for participatory schemes amounting to 0.1 million euros;
- ▶ 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 fell by 14.76% to 47,494 million euros in 2021, compared to 55,716 million in 2020.

This decrease, in 2021, compared to the exceptional situation experienced in 2020 related to the health crisis, is explained by a significant decrease in allocations expenditures (1,972 million euros) and furloughing scheme expenditures in the amount of 6,549 million euros. On the other hand, there has been an increase in expenditure on training in the amount of 454 million euros.

Other allowance and 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 (4,255 million euros in 2021, compared to 4,075 million euros in 2020), represent the majority of technical management expenses.

5.1.2.1 - Benefits

The total benefits expenditure increased by 3.75% in 2021, as follows:

In millions of euros	2021	2020	2021/2020
ARE	33,644.2	35,616.5	- 5.54%
Other benefits	3,302.4	2,769.0	19.26%
ARE training	2,060.7	1,606.7	28.26%
ASR/ASP	1,233.5	1,150.2	7.24%
Other	8.2	12.1	- 32.23%
TOTAL	36,946.6	38,385.5	- 3.75%

Expenses per benefit result from 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 2020 for benefits payable from the previous financial year;
- ▶ the additional expenses represented by the provision recognised for benefits paid at the beginning of 2022 for 2021 or prior periods.

In millions of euros	Benefits paid in 2021 (+)	2021 overpayments detected (-)	2021 benefits paid in 2022 (+)	Reversal of 2020 benefits paid in 2021 (-)	Expense for the financial year (=)
ARE	35,373.3	1,328.9	2,652.9	3,085.7	33,611.6
ARE CSP/CTP/EJEN/AAP	37.0	1.5	1.4	4.3	32.6
ARE TOTAL	35,410.3	1,330.4	2,654.3	3,090.0	33,644.2
ARE training	2,098.8	52.0	209.8	195.9	2,060.7
ASR/ASP	1,286.2	14.3	79.8	118.2	1,233.5
Miscellaneous other	8.6	0.0	1.2	1.6	8.2
Other benefits	3,393.6	66.3	290.8	315.7	3,302.4
TOTAL	38,803.9	1,396.7	2,945.1	3,405.7	36,946.6

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 35.4 billion euros in 2021, compared to 36.7 billion euros in 2020, i.e. a decrease of 3.54%, due to a decrease in the number of days for which benefits were paid between 2020 and 2021 (-4%) and a fall in the number of beneficiaries (-1.6%);
- ▶ ARE Training payments (excluding social security contributions of 124.7 million euros) amounted to 2,098 million euros in 2021, compared to 1,625 million euros in 2020, i.e. an increase of 29.11%;
- ▶ ASR and ASP payments (excluding the CSP extra payment) amounted to 1.286 billion euros in 2021, compared to 1.135 billion euros in 2020, i.e. an increase of 13.30%, due to an increase in the number of days for which benefits were paid under the CSP (+12%) coupled with an increase in the average daily benefit amount (+4.3%).

5.1.2.2 - Redeployment benefits

Redeployment benefits amounted to 677.4 million euros in 2021, compared to 616.7 million euros in 2020, and breaks down as follows:

In millions of euros	2021	2020	2021/2020
IDR – ASP differential deployment benefit	8.8	6.6	33.33%
ADR - Differential Redeployment Allowance	0	0	
ARCE – Allowance for the takeover or creation of a business	486	453.7	7.12%
IDR – CRP differential deployment benefit	0	0	
2015 professional safeguarding contract bonus	166.8	136.6	22.11%
Other benefits	15.8	19.8	- 20.20%
TOTAL	677.4	616.7	10.00%

The allowance for the takeover or creation of a business (ARCE) represented the principal benefit, amounting to 486 million euros, i.e. 71.74% of all redeployment benefits. Its amount decreased by 7.12% in 2021.

The differential redeployment allowance (ADR) was discontinued in 2015.

The 2015 institution of the professional safeguarding contract (CSP) was accompanied by the creation of the professional 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 2,448.7 million euros in 2021, compared to 2,679.8 million in 2020. This decrease is explained by a labour market that has returned to a more favourable level than that of 2020 caused by the health crisis, resulting in a significant decrease in the number of benefit recipients in 2021.

The breakdown by pension regime is as follows:

In millions of euros	Total
Arrco	2,983.90
Agirc	930.80
Other funds (Ircantec - CRPNPAC)	116.5
TOTAL PENSION FUNDS	4,031.20
Benefit recipient contributions	(1,582.50)
VALIDATION OF PENSION CREDITS	2,448.70

5.1.2.4 - Other technical management expenses

This item, which amounts to 7,368.8 million euros, fell substantially compared to 2020, mainly due to the fall in furloughing scheme expenses (6,498 million euros).

The main expenses consist of:

- ▶ Write-offs and cancellations of affiliate receivables, in the amount of 188.7 million euros;
- ▶ Write-offs and cancellations of benefit recipient receivables, in the amount of 308.8 million euros;
- ▶ Unédic's 11% contribution due to Pôle Emploi, in the amount of 4,254.9 million euros;
- ▶ Unédic's contribution to the professional safeguarding contract (CSP), in the amount of 62.8 million euros;
- ▶ Unédic's contribution to the funding of the furloughing scheme, in the amount of 2,551.5 million euros;

5.1.2.5 - Provisions

Provisions total 103.8 million euros and break down as follows:

- ▶ impairment of affiliate receivables, in the amount of 86.2 million euros;
- ▶ additional provision on EESSI receivables in the amount of 11.4 million euros;
- ▶ the Urssaf Caisse nationale disputes provision for contingencies and expenses, in the amount of 3.2 million euros;
- ▶ provision for Pôle Emploi contingencies and miscellaneous expenses, in the amount of 3 million euros.

5.2 - Administrative management

A net loss of 35.5 million euros was recorded for administrative management in 2021, compared to 33.6 million in 2020.

5.2.1 - INCOME

5.2.1.1 - Provision of services

This item, which amounts to 39.1 million euros, is essentially made up of income received from third parties in the framework of management agreements:

In millions of euros	2021	2020
AGS	38.4	39.4
Pôle Emploi	0.1	0.3
Other agreements with third parties	0.0	0.1
Other provisions of services	0.5	0.5
TOTAL	39.1	40.3

5.2.1.2 - Other income

This item, which totals 1.4 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 20 million euros, records the spread of commissions on the costs of issuing loans, particularly numerous in 2021.

5.2.2 - EXPENSES

Expenses amounted to 99.9 million euros in 2021, a decrease of 9.3% (- 9.3 million euros) compared to 2020. This decrease was mainly due to commissions on the costs of issuing loans and is to be reconciled with the change in expense transfers mentioned above (-12.2 million euros).

The depreciation of the property stock, and the maintenance and management thereof, represent a significant administrative management expense. There were 61 sites at the end of 2021.

5.2.2.1 - Purchases

This item represented 0.4% of administrative management expenses, i.e. 0.4 million euros.

5.2.2.2 - External services

This item represents 52.2% of administrative management expenses.

In millions of euros	2021	2020
Work and services rendered by third parties	4.9	4.8
Renting of movables and immovables	3.6	3.4
Other external services	3.5	3.2
Transportation and travel	0.5	0.4
Postal and telecommunications expenses	0.2	0.3
Notarial fees and costs	15.1	14.2
Bank and postal charges	20.4	32.5
Miscellaneous	3.9	3.9
TOTAL	52.1	62.7

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 2021.

Bank charges include commissions on the costs of issuing loans.

5.2.2.3 - Taxes

This item accounts for 4.2% of administrative management costs and breaks down as follows:

In millions of euros	2021	2020
Taxes on earnings	2.4	2.3
Other taxes and payments	1.9	2.1
TOTAL	4.2	4.4

5.2.2.4 - Salaries and social security contributions

This item represents 30.1% of administrative management expenses. It breaks down as follows:

In millions of euros	2021	2020
Salaries	20.5	20.0
Social security contributions	9.6	9.3
TOTAL	30.1	29.4

5.2.2.5 - Amortisation, depreciation and provisions

This item represents 13% of administrative management costs, i.e. 13 million euros, compared to 12.1 million euros in 2020.

5.3 - Financial management

There was a net financial expense of:

- ▶ 302.8 million euros in 2021;
- ▶ 314.7 million euros in 2020.

Expenses in 2021 amounted to 404.5 million euros, and mainly comprise:

- ▶ structured finance expenses, in the amount of 383.4 million euros, including 362.7 million euros for bonds and NEU MTN;
- ▶ amortisation of bond redemption premiums, in the amount of 20.7 million euros.

The weighted average financing rate for 2021 was 0.42%.

5.4 - Net exceptional income

Unédic posted a net exceptional expense 13 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 0.3 million euros for 2021.

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 - Loss for the financial year

This is the Unemployment Insurance scheme's net loss for the 2021 financial year.

The scheme posted a net loss of 6,832.7 million euros.

6. 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 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 benefit recipients with open entitlements at year end and the method of calculating such benefits.

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

6.1.1 - ESTIMATE OF BENEFITS REMAINING TO BE PAID BY THE UNEMPLOYMENT INSURANCE SCHEME TO BENEFIT RECIPIENTS WITH OPEN ENTITLEMENTS AT THE END OF THE FINANCIAL YEAR

The amount of benefits to be paid over the average duration of unemployment remaining to be covered as from 31 December 2021 to benefit recipients registered on that date was assessed by Unédic’s Studies and Analyses Department to amount to 27,656 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 2021 to recipients entitled to benefits at 31 December 2020 (2,868,270 benefit recipients), i.e. 21,743 million euros;
- calculation of benefits remaining to be paid to this population after 31 December 2021, i.e. 10,070 million euros. This population represents 27.40% of current benefit recipients at 31 December 2020;
- for this population in 2020, the total amount of benefits remaining to be paid by the Unemployment Insurance scheme is 31,813 million euros;
- this amount is updated, taking into account a decrease in benefit recipients of 13.07% at 31 December 2021 compared to 31 December 2020; the estimate of benefits remaining to be paid to benefit recipients in receipt of benefits at the end of 2021 is 27,656 million euros.

6.1.2 - ESTIMATE OF BENEFITS REMAINING TO BE PAID BY THE UNEMPLOYMENT INSURANCE SCHEME TO BENEFIT RECIPIENTS ENTITLED TO MAINTAINED BENEFITS

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

The amount of benefits remaining to be paid to these benefit recipients registered at the end of the financial year was assessed by Unédic's Studies and Analyses Department at 816 million euros. The calculation is performed by extending the indemnification rate used as at 31 December 2021 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 unemployment insurance benefit recipients with open entitlements at 31 December 2021 is thus estimated to amount to 28,473 million euros.

6.2 - Off-balance-sheet commitments related to the 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 (DGEFP) to calculate the amount of off-balance sheet commitments relating to the long-term furloughing scheme (APLD) at 31 December 2021.

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 2021 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-Directe);
- ▶ 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.

Given the marginal volume of APPLD benefits at the end of December 2020, the model developed in 2020 did not distinguish between the furloughing scheme and the APPLD.

Given the increasing use of the APPLD since the beginning of 2021, a model distinct from that of the furloughing scheme (based on the same methodological construction, however) was developed this year on the APPLD.

The work is based on a photograph of the data at 31 December 2021 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, 34 cohorts were formed according to the end months of the ADs (ten 2020 cohorts according to the AD end dates between March and December 2020, 12 2021 cohorts according to the AD end dates between January and December 2021 and 12 2022 cohorts according to the AD end dates between January and December 2022).

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

- ▶ Dividing the data into cohorts makes it possible to isolate those commitments that have already expired, in 2020 and 2021. These data are crucial, making it possible to estimate the number of AD remaining open at the end of 2021 and which may, therefore, give rise to GA in 2022. Isolating the closed ADs in respect of 2020 and 2021 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 2021;
- ▶ 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 2022, taking into account the end date of the AD.

6.2.2 - EXOGENOUS PARAMETERS OF THE MODEL

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

6.2.2.1 - Estimated potential additional payments

The estimated potential additional payments correspond to the estimates of additional payments expected to be made after 31 December 2021 in respect of 2021. This parameter reflects the GAs that will be paid in 2022, but which relate to furloughing periods in 2021 ("AD filed late" or for which the month of payment differs from the furloughing month).

This parameter is expressed in terms of number of hours per month between March 2020 and December 2021. Added to the GA for which payments are effectively paid over the year, this GA additional payment per month makes it possible to estimate the proportion of ADs that will ultimately give rise to a GA, GA, even if the payment has not yet been made over the course of the year.

This parameter is of structural importance in the model since it makes it possible to estimate, by way of subtraction, the number of hours remaining in respect of current ADs at 31 December 2021 that may give rise to GAs in 2022.

6.2.2.2 - Forecasts of GA hours consumed in 2021

The estimated number of GA hours consumed in 2022 used to calculate off-balance-sheet commitments are produced from the DGEFP's work.

6.2.2.3 - Average monthly furlough scheme allowance hours for 2022

To obtain a measure of the overall financial volume, or estimated number of furlough scheme allowance hours consumed ("PREX"), for 2022, 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 2021 off-balance-sheet commitment hours has been calculated, these parameters make it possible to know the financial amount of these commitments for 2021.

6.2.3 - DETERMINATION OF THE RATES AT WHICH ADS ARE CONVERTED INTO GAS

After observing a strong stabilisation of the rate of conversion of ADs into GAs between June 2020 and June 2021 for the furloughing scheme and between February and May 2021 for the APLD, a rate of conversion of 29.7% for the furloughing scheme and 15.5% for the APLD scheme was used in the calculation of off-balance-sheet commitments at 31 December 2021.

It corresponds to the geometric average of the transformation rates observed on the cohorts from March 2020 to June 2021.

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 before 31 December 2021 but for a furloughing period from 1 January 2022.

The ADs are thus divided into 34 different groups, or "cohorts", according to the end date of the ADs (prior to 31 December 2021 and for each month of 2022), 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 2021 (residual ADs = ADs validated in 2020 and 2021 - GAs for which a payment was made in 2020 and 2021 - Potential additional GA payment made after 31/12/2021 in respect of 2021);
- ▶ these residual ADs and estimated number of furlough scheme allowance hours consumed are distributed over 2022, 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 previous extinguished cohorts);
- ▶ this operation is carried out for each month of 2022 (until the cohort is extinguished) and the commitment corresponds to the sum of the monthly commitments.

Using this method, and taking into account Decree No. 2022-682 of 26 April 2022 temporarily derogating from the terms for increasing the limitation period for claims on the State, one obtains an amount of off-balance-sheet commitments for the furloughing scheme of 140 million euros and an amount of off-balance-sheet commitments for the APLD of 346 million euros, i.e. a total amount of off-balance-sheet commitments of 486 million euros, with Unédic's share amounting to 160.4 million euros (33%).

6.3 - Explicit guarantee by Unédic of the loan taken out by AGS

In 2020, the French economy was hit by an unprecedented crisis due to the Covid-19 pandemic. In this context, which was 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 (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. As an off-balance sheet commitment of Unédic, it will be monitored on a regular basis.

It turns out that the AGS's financial situation, which remained stable in 2020, even improved in 2021, in particular as a result of the various support measures deployed for companies and the strong economic recovery.

Therefore, as of 31 December 2021, the loan has not been used. This is why a renegotiation of its terms was initiated at the end of 2021 in order to limit the overall cost for the AGS. Indeed, following the annual meeting held on 17 December 2021 between the AGS and the union's banks, a letter of partial cancellation and request for amendment was sent to the banks on 20 December 2021. The new conditions have been applicable since 26 January 2022 and have led to savings for the AGS.

6.4 - Number of employees assigned to Unemployment Insurance

At 31 December 2021, Unédic had 331 employees, 219 of whom were assigned to the Unédic-AGS Delegation.

6.5 - Operations undertaken on behalf of third parties

The employees' claims guarantee management association (Association pour la gestion du régime de Garantie des créances des Salariés – AGS), which is an employers' 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 Urssaf Caisse nationale 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, Acof and Pôle emploi set out the rules and procedures for generalising the handling of contribution collection by Acof 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 2021 amounted to 451,000 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 the 2021 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: Urssaf Caisse nationale, 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 financial statements must take into account two parameters that went unpublished in 2020:

- ▶ 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;
- ▶ 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 2021, despite the uncertainties arising from the specific situation of the health crisis, a significant part of the 2020 receivables and debts resulting from operations delegated to the Urssaf Caisse nationale and the ASP were cleared. The elements which came to light *a posteriori* make it possible to assess the reliability of the estimates made at the end of December 2020.

Reduced use of furloughing scheme

With regard to the €1,600.3 million of accrued expenses and provisions for expenses recorded at 31 December 2020 in respect of the periods of furloughing in 2020, €1,059.2 million was the subject of compensation in 2021. Subtracted from the portion of accrued expenses and provisions for expenses 2020 recorded at 31 December 2021 (5 million euros), the overstatement of expenses 2020 amounted to 536 million euros, or 6% of the total amount of partial activity expenses actually compensated in 2020 (8,361.5 million euros), and was due to an overstatement of the total number of hours compensated in 2020. However, the difference remains reasonable in relation to the total number of hours compensated (2.44 million hours compensated, 33 per cent of which are covered by Unédic).

In addition, 1.162 billion euros had been disclosed in the notes on the 2020 financial statements for off-balance-sheet commitments. The amount recalculated *a posteriori* by the DGEFP amounted to 1.110 billion euros, a difference of 52 million euros (4.5% of total off balance sheet). The main differences between the recorded achievement and the data estimated at 31 December 2020 can be explained by:

- ▶ A 3rd lockdown in March-April 2021 which had not been anticipated;
- ▶ a stronger than expected decrease in the rate of use of the partial activity over the rest of 2021.

Overall, we thus observe a greater overestimation of the 2021 execution forecast in terms of hourly volume, which is naturally explained by the high uncertainty that reigned at the end of 2020 with regard to the extension and potential tightening of health restrictions in 2021. Following the mass vaccination campaign over the year 2021 and the improvement of sanitary conditions, the use of the furloughing scheme was less extensive than expected.

Concerning the recovery operations delegated to Urssaf Caisse nationale

In the report on the certification of the 2021 accounts of the general social security scheme (recovery branch), published on 24 May 2022, the Court of Auditors noted that it was unable to certify that the accounts of the recovery activity were, in accordance with the accounting standards applicable to social security bodies, regular and sincere and gave a true and fair view of the results of the operations for the year then ended and of the financial position and assets at the end of the year.

This opinion (refusal to certify) is mainly supported by:

- ▶ the impact on the 2021 accounts of the automatic deduction of self-employed income carried out in 2020, estimated by the Court of Auditors at €6.7 billion, which concerns Unédic only in respect of the CSG share of income from employment which is returned to it. According to the figures provided by the Court's rapporteurs, the overstatement of the amount received in 2021 that ought to have been allocated to the 2020 financial year is 314.8 million euros for the beneficiary Unédic;
- * an excess of impairment expense of receivables recognised in 2020 which leads to an increase in income corresponding to their reversal in 2021. The Court of Auditors estimates the amount of this overestimation of impairment in 2020 at between €1 billion and €1.5 billion for all beneficiaries. According to our estimate in relation to the distribution rate of receivables and provisions allocated to Unédic in 2020 (13.26%), the maximum impact would be 199 million euros for Unédic.

It should thus be noted that the uncertainties existing at the closure of the accounts for the 2020 financial year have a positive accounting impact on the 2021 financial year of the order of 1,050 million euros (536 million euros + 314.8 million euros + 199 million euros).

7. Statutory auditors' report on the financial statements

Financial year ended 31 December 2021

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

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 2021.

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 the end of this period 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 of opinion

AUDITING STANDARDS

We conducted our audit in accordance with approved standards on auditing 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 2021 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;
- ▶ Moderate assurance report on the “Allocation and impact report - Social issues 2020”.

Comments

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 assessments – Key audit matters

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 changing context that, in accordance with the requirements of Articles L.8239 and R.8237 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgement, were of most significance in our audit of the parent company financial statements for the fiscal 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.

CONTRIBUTIONS COLLECTED BY URSSAF CAISSE NATIONALE

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 collecting Unemployment Insurance contributions.

In accordance with the provisions of Decree 2009-1708 of 30 December 2009 which sets the collection transfer date, Unemployment Insurance contributions are collected or compensated, on behalf of Unédic, mainly by the Urssaf Caisse nationale *via* the Urssaf and the CGSS, by the CCMSA for the agricultural sector and by Pôle Emploi for special contributions. Thus, note 6.7 “Special parameters to be taken into account regarding the 2021 financial statements” sets out the consequences of the clearance in 2021 of 2020 receivables and debts resulting from operations delegated to the Urssaf Caisse nationale and the resulting impact on the result for the 2021 financial year.

In this context and in the light of the uncertainties inherent in the cash flows managed by third parties and the weight of the contributions managed by Urssaf Caisse nationale, we considered that the accuracy, completeness, measurement and correct transcription of the financial information produced by the Urssaf Caisse nationale constituted a key audit issue.

Audit procedures implemented in response to this risk

In accordance with Article L. 141-10 of the Code of Financial Jurisdictions, we informed the Court of Auditors of the due diligence and checks expected with regard to the flows and balances of Unemployment Insurance, managed on behalf of Unédic, in terms of the accuracy, completeness and measurement of contributions, asking them to give us:

- ▶ their opinion on the quality of the internal control system deployed by the Urssaf Caisse nationale;
- ▶ reasonable assurance on Unemployment Insurance flows in terms of both revenue and receipts.

We had an oral exchange with the rapporteurs of the Court of Auditors on 22 July, 23 September, 30 November 2021, 28 January, 29 April, 17 and 25 May 2022.

In our discussions with the Sixth Chamber of the Court of Auditors, we obtained and analysed extracts from their interim work on the internal control system and their final work on the accounts. In particular, we obtained the result of specific work carried out by the Court of Auditors on the audit trail concerning the companies' declarations and the amounts recorded in the accounts, as well as additional information from the Urssaf Caisse nationale.

We have also read and analysed the report on the certification of the accounts of the general social security scheme published on 24 May 2022, which states the refusal to certify the accounts of the collection activity. We have analysed the basis of the Court's opinion in order to identify and assess the absence of risks of material misstatement on the flows and balances relating to Unédic.

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

- ▶ the adequacy and effectiveness of internal controls implemented within Unédic to ensure that the cash flows managed by Urssaf Caisse Nationale are correctly re-transcribed;
- ▶ the correct re-transcription of the statements issued by Urssaf Caisse nationale and whose flows are reviewed and validated by its certifiers.

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. In accordance with the provisions of Law No. 2008-126 of 13 February 2008 on the reform of the public employment service, Pôle Emploi thus managed all unemployment insurance benefits.

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 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.

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

Audit procedures implemented in response to this risk

In accordance with our professional doctrine, we sent audit instructions concerning specific issues to the statutory auditors at 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 22 November 2021 and on the audit on 27 April 2022.

In order to assess the relevance and the adequacy of the information we obtained, we reviewed the conclusions of and analysed 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 2022 in respect of the 2021 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.

FURLOUGHING SCHEME EXPENDITURES

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 furloughing benefits on behalf of the State and Unédic, the Service and Payment Agency (ASP). In addition, note 6.7 "Special parameters to be taken into account with regard to the 2021 financial statements" sets out the consequences of the clearance in 2021 of 2020 receivables and debts arising from operations delegated to the Service and Payment Agency (ASP) and the implications resulting from the result of the 2021 financial year.

Unédic is dependent on the information transmitted by the ASP, which does not have a certifying body.

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 furloughing benefits constituted a key audit issue.

Audit procedures implemented in response to this risk

As mentioned in note 1.2. "Furloughing scheme" to the notes, in 2021, €2.6 billion of expenses were recorded in Unédic's accounts (€2.4 billion in expenditures, and a little less than €0.2 billion in accrued expenses and provisions for expenses). In addition, the amount of off-balance-sheet commitments on this device amounted to €160.4 million for the Unédic share (33%).

In order to assess the accuracy, completeness and extent of flows and balances related to the furloughing scheme, and in the absence of a certifying body to certify ASP's accounts and to transmit reports of agreed procedures, our audit approach was based on the information provided to us and included the following work:

- ▶ to familiarise ourselves with the design and test the effectiveness of general IT controls, on-board key controls and the correct transfer of flows between applications within the ASP;
- ▶ to learn about the design and test the effectiveness of the internal control system put in place by ASP and DREETS;
- ▶ to verify the absence of material misstatement within the accounting flow framework with ASP calls for funds.

In order to assess the reasonableness of the estimate of the amount of provisions for accrued expenses and off-balance-sheet commitments, we examined, with the help of our actuarial specialists, the estimation model developed by the DGEFP and taken up by Unédic and analysed the relevance of the calculation methodology and the assumptions used.

Specific verifications

In accordance with the professional standards applicable in France, we also carried out the specific verifications required by the laws and regulations.

We have no matters to report as to the fair presentation and the consistency with the parent company financial statements of the information provided in the CEO's Management Report and in the other documents on the financial position and the parent company financial statements given to Board of Directors members.

Report on other legal and regulatory requirements

APPOINTMENT OF THE 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 2021, Grant Thornton was in its 3rd consecutive year as statutory auditor and FNC was in its 28th consecutive year, of which 4 and 12 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.

MANAGEMENT'S AND CORPORATE GOVERNANCE OFFICERS' RESPONSIBILITY FOR THE 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 FOR THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

Objectives and audit approach

It is our responsibility to prepare a report on the annual financial statements. We are required to plan and perform the audit to obtain reasonable assurance that the annual financial statements taken as a whole are free from 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 823-10-1 of the French Commercial Code, our task of certifying the financial statements is not to guarantee the viability or quality of the management of your Association.

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:

- ▶ identifies and assesses the risks of material misstatement of the company financial statements, whether due to fraud or error; designs and performs audit procedures responsive to those risks; and obtains audit evidence considered to be sufficient and appropriate to provide a basis for its 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;
- ▶ obtains 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 purpose of expressing an opinion on the effectiveness of internal control;
- ▶ assess the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the information concerning them provided in the financial statements;
- ▶ assesses 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 conditions may cause the jeopardise the ability to continue as a going concern. If they conclude that a material uncertainty exists, they will draw the attention of readers of their report to the disclosures in the annual financial statements about such uncertainty, or, if such disclosures are not provided or are not relevant, they will either issue a qualified opinion or refuse to certify the statements;
- ▶ assess the overall presentation of the financial statements and evaluate whether the financial statements reflect their underlying transactions and events so as to give a true and fair view of them.

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 2022

Statutory Auditors

Grant Thornton
French member of Grant Thornton
International

FCN

Cyril Brogniart
Shareholder

Serge Floch
Shareholder

Pamela Bonnet
Shareholder





Unédic

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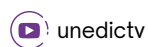


2021 REPORT ON RISK MANAGEMENT, CONTROLS AND AUDIT



2021 ACTIVITY REPORT OF THE JOINT REGIONAL BODIES

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