

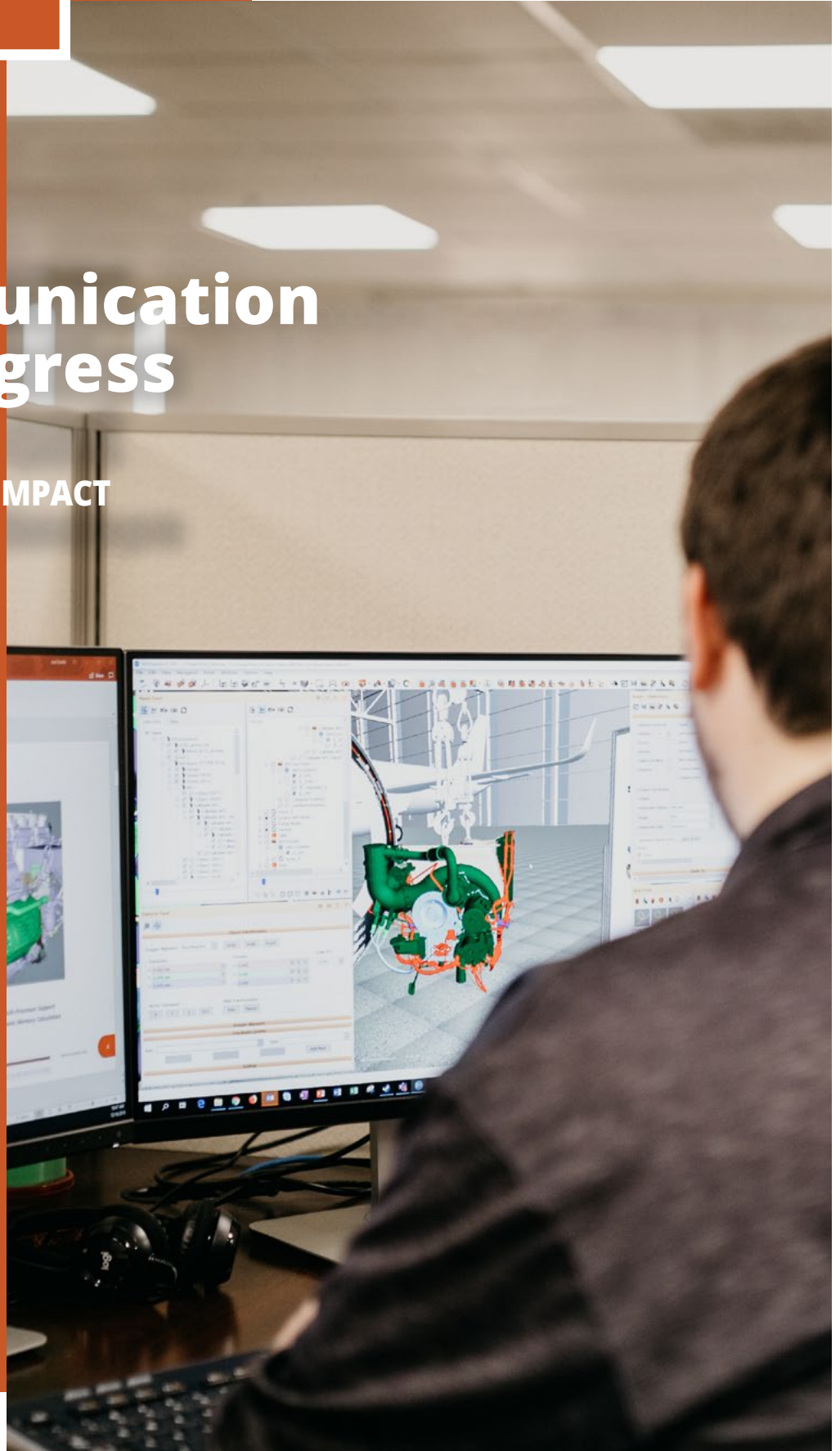
2020

esi
get it right

Communication on Progress

UN GLOBAL COMPACT

WE SUPPORT



LETTER TO OUR **STAKEHOLDERS**



Dear Mr Secretary General, dear readers,

At ESI Group, we envision a world where Industry commits to bold outcomes, addressing high stakes concerns - environmental impact, safety & comfort for consumers and workers, adaptable and sustainable business models. Our teams provide reliable and customized solutions anchored on predictive physics modeling and virtual prototyping expertise to allow industries to make the right decisions at the right time, while managing their complexity.

Creating value for our ecosystem while considering sustainability challenges has always been the ESI way since day one. Over the last half-century, this has been persistently translated in our commitment to putting technology at the service of sustainable performance.

Divided into 4 pillars and cascaded in 13 commitments, our CSR strategy aims at providing sustainable solutions for CUSTOMERS, while being committed to our EMPLOYEES worldwide, acting ethically and responsibly with CIVIL SOCIETY and limiting our environmental footprint and the one of our customers on the PLANET. Throughout these commitments, ESI supports 10 of the UN's Sustainable Development Goals.

Aware of the importance of constantly involving our stakeholders in our CSR assessment and strategy, we have confronted our commitments with the concerns of both our internal and external stakeholders, which helped identifying priorities and updating our materiality matrix.

With the creation of our new CSR Steering committee, we are committed more than ever to continue driving our business toward a more sustainable world, by constantly challenging and operationalizing our commitments, while tracking our performance and taking action.

Member since 2018, I am pleased to express, with this third version of our Communication on Progress, that **ESI Group is renewing its engagement within the Ten Principles of the United Nations Global Compact on human rights, labor, environment and anti-corruption.**

With this communication, we express our intent to continue implementing those principles. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day to day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

Sincerely yours,

Cristel de Rouvray

Chief Executive Officer - ESI Group

COP

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1. AT A GLANCE

1.1. VALUE CREATION

The development of certain products requires significant testing phases to ensure their safety and integrity. Traditionally, companies have used physical prototypes to test these products and assess their ability to meet technical requirements. The production of these prototypes can be time-consuming and can require significant amounts of materials and energy. Furthermore, it is difficult to assess the effects of time on a physical prototype, since we cannot abstract from the physical constraints.

The added value of ESI's solutions make it possible to meet these challenges: by dematerializing the innovation process, these solutions allow customers to accurately assess and evaluate the performance of their prototypes, virtually. In addition, ESI's solutions make it possible to simulate the consequences of time on their products, while making it possible to estimate the evolution of their performance during development and throughout their lifecycle. Hence, by means of ESI's offer, customers have the information they need to develop products that meet exacting standards more quickly, in a more efficient way and with a lower environmental impact.

This enriched software offer enables complete control of the lifecycle of an industrial product from its commissioning to its operational withdrawal. It also offers the possibility of anticipating possible developments during the lifecycle of the products while considering various contingencies such as defects, wear and tear maintenance operations, running-in of assisted piloting, etc. Henceforth, agile, smart

and autonomous, Virtual Prototyping accompanies manufacturers in the era of the factory of the future and smart digital products.

ESI designs, develops and distributes Virtual Prototyping software on the one hand, and, on the other hand, offers its customers access to consulting services associated with this software. The Group primarily targets customers operating in four sectors: Automotive & Land Transportation, Aerospace, Defense & Naval, Heavy Industry and Energy (for more details, see section 1.1.3 "Principal markets" of this document). Thus, the sustainability of the Group's business model depends on its ability to understand the industrial and technical challenges of its customers, to simulate them thanks to the new possibilities offered by technology and, to do so, to rely on the talent of its employees and the confidence of its stakeholders.

The year 2020 had a major impact on the expectations and practices of both consumers and industrial players: Corporate Social Responsibility (CSR) has not been overshadowed but has become more important since the outbreak of the global pandemic. This has accelerated the importance of companies' commitment to a responsible approach to their employees, the environment and all their stakeholders. Since its creation, ESI has been committed to supporting strong social and environmental topics such as safety and the reduction of the industry's environmental footprint. In the current particular year, ESI has strengthened its various commitments, as you will discover in this chapter.

1.2. OUR PURPOSE

In 2020, we formalized our Corporate Purpose: boost human creativity to drive industrial performance to ever higher levels. This emphasis on human ingenuity to steward massive change has always been the ESI way. We enable our customers to reach their next leap of performance in a sustainable manner, by equipping them with outcome-oriented solutions to anticipate and manage virtually the performance of their products and assets.

Our purpose is a bold affirmation of our historical, ethical and practical terms, as well as an expression of our journey as a leading innovator in Virtual Prototyping software and services. This purpose is also our guiding star, stimulating change and progress toward what we are seeking to achieve with our entire ecosystem, while keeping human well-being and human creativity in the heart of our business.

2. CSR APPROACH & FRAMEWORK

2.1. ESI - A COMMITTED GROUP

Since 2018, ESI Group is signatory of the United Nations (UN) Global Compact and thus undertakes to align its CSR strategy on the 10 United Nations principles, relating to human rights, international labor standards, the environment and the fight against corruption. The Group also undertakes to yearly communicate its progress to its stakeholders through the release of this Communication on Progress (COP).

Throughout its value chain and its CSR strategy, ESI Group addresses 10 different Sustainable Development Goals, mainly related to gender equality, decent work and economic growth, partnerships, innovation, ethics, climate change and more (see below).

The CSR report - including commitments and actions - has been made public and shared with ESI's stakeholders, including employees and investors.

The Sustainable Development Goals of the United Nations Global Compact to which ESI Group contributes.

As will be detailed below, the Group's CSR commitments are strongly linked to the following Sustainable Development Goals:



2.2. CSR APPROACH & PERFORMANCE

The Group's CSR approach is aligned with its business strategy and contributes to the achievement of its strategic objectives. It enables ESI to create social and economic value for its four CSR pillars: stakeholders: employees, customers, society and planet.

2020 performance

// SUSTAINABILITY CHALLENGES

// COMMITMENTS



EMPLOYEES

The Group's success is highly related to its commitment, talents and the ingenuity of its employees who design, develop and market solutions that aim to constantly meet customers' needs.

BEING A COMMITTED EMPLOYER

- Developing talents and fostering growth of expertise
- Encouraging Leadership and collaborative management
- Promoting diversity, inclusion and multicultural exchanges
- Fostering employee well-being and job satisfaction



CUSTOMERS

Customers need to manage many parameters, efficiently and more quickly, in order to optimize the performance of their operations and products. Facing this growing complexity, ESI provides them with solutions enhancing their competitive advantage.

BEING AN OUTSTANDING PARTNER

- Supporting customers in their digital transformation from physical to virtual by unleashing and securing innovation while sustaining productivity (Performance)
- Committing to continued customer satisfaction while meeting quality and safety requirements
- Being a long-term trusted advisor and partner to support the delivery of customers' outcomes and business values, involving the entire ecosystem



CIVIL SOCIETY

The social acceptability of ESI's operations is essential. Therefore, the Group ensures the integrity of its ethics and the robustness of its corporate governance. This enables ESI to ensure the sustainability of its business model.

BEING AN ETHICAL AND COMMITTED COMPANY

- Guaranteeing solid and diversified governance
- Acting ethically and responsibly
- Setting up initiatives to interact with civil society (give-back)



PLANET

While the Group's business sector has an impact on the environment, its services help to reduce the environmental footprint of its customers' business. Therefore, to increase the positive impact of its business, ESI is committed to limiting the impact of its operations as much as possible.

BEING AN ENVIRONMENTALLY FRIENDLY PLAYER

- Developing solutions aiming to have a positive impact on planet
- Moving toward the carbon-neutrality of the Group
- Engaging employees in the creation of a green world

// PERFORMANCE 2020



+1,200 EMPLOYEES SERVING CUSTOMERS WORLDWIDE, 80-100% WORKING FROM HOME OFFICE



3 "WELCOME DAYS" (ONLINE) HAVE BEEN ORGANIZED AROUND THE WORLD TO INTEGRATE NEW EMPLOYEES



11,916 HOURS DEVOTED TO TRAINING (+46% VS. 2019)



0 ALERT LINKED TO DISCRIMINATORY PRACTICES



€97.3M STABLE REPEAT BUSINESS +0% AT CONSTANT RATE



31.4% OF LICENSES REVENUE HAS BEEN DEDICATED TO R&D EFFORTS



14 JOINT-EVENTS ORGANIZED WITH CUSTOMERS AND **15** PUBLISHED SUCCESS STORIES



0 CUSTOMER-RELATED DATA INCIDENT (GDPR)



63% OF THE BOARD OF DIRECTORS ARE INDEPENDENT MEMBERS



43% OF THE GROUP EXECUTIVE COMMITTEE (GEC) MEMBERS ARE WOMEN



93% OF EMPLOYEES HAVE TAKEN A TRAINING/QUIZ ON THE ETHICS CHARTER



4 ALERTS HAVE BEEN HANDED TO AND MANAGED BY THE ETHICS COMMITTEE



ESI IS INSTALLING ECO-RESPONSIBLE EQUIPMENT TO LIMIT ITS ENERGY CONSUMPTION⁽¹⁾



85% LESS CO₂ EMISSIONS⁽²⁾ RELATED TO EMPLOYEE TRAVEL BY TRAIN AND PLANE



- 45% LESS PAPER⁽³⁾ WAS CONSUMED COMPARED TO 2019



1,274 KM (DELIVERY DISTANCE) WERE SAVED⁽³⁾ THANKS TO LOCAL AND ON-DEMAND PRINTING VIA GELATO

(1) Average calculated based on 2020 data provided by ESI sites in Germany, the United States, France, the Czech Republic, Russia and Tunisia.

(2) Average calculated based on 2020 data provided by all countries within the environmental scope of the study, representing 98,4% of the total workforce.

(3) Estimation for the year 2020, given by Gelato, a global print-on-demand platform used by ESI Group.

2.3. CSR FRAMEWORK

Aware of its responsibility in each of the three pillars of sustainable development, ESI has gradually developed a Corporate Social Responsibility (CSR) policy that contributes to shared economic and social development and the preservation of human balance.

ESI Group's ambition is to further strengthen its role as a leading player in Virtual Prototyping solutions, through a responsible innovation approach towards zero real tests, zero real prototypes and zero downtime. The Group thus intends to be its customers' preferred development partner, capable of understanding and supporting them in their efforts to bring innovative, quality, sustainable, ethical and highly resource-efficient products to market. The Group has carried out a review of major risks and opportunities, including the main CSR and sustainability challenges that could have a significant impact on its business, financial position or results.

In 2020, ESI has created a CSR Steering Committee. Composed of various profiles, this structure ensures the alignment of the Group's commitments with its strategy and offer, through the implementation and monitoring of social, societal and environmental initiatives with and for the Group's stakeholders.

With the help of this new CSR Steering Committee, ESI has updated its materiality matrix in 2020 to visualize its various priority challenges and their impact on the Company and its main stakeholders. For more details, please refer to chapter 3 "Risks and risk management" and the following section of this chapter. ESI's CSR strategy, which is divided into four axes and cascaded into thirteen (13) commitments, aims to continue ensuring harmonious working conditions for its employees, to provide its customers with innovative solutions enabling them to become long-term partners, and to limit the environmental footprint of the Group and its customers while acting ethically and responsibly within civil society. Through its activities, ESI has a very limited impact on the fight against food waste, food insecurity, respect for animal welfare, and the promotion of responsible, fair and sustainable food.

2.4. EVALUATING SUSTAINABILITY CHALLENGES: MATERIALITY ASSESSMENT

In line with ESI's commitment to ensuring responsible and sustainable business, while giving priority to issues that have the greatest impact on the society, economy, planet and governance, and that most influence stakeholders' decision-making, ESI has updated its materiality matrix in 2020.

This matrix represents a key tool in the execution of the corporate strategy. It enables priorities to be defined according to their importance for internal and external stakeholders and their impact on ESI's performance.

Materiality methodology

/ 1. Identification

The preparation of this matrix involves the identification and preliminary assessment of various risk and opportunity factors for ESI in terms of sustainable development.

This identification step is based on:

- ▶ Key parameters of reporting frameworks (SASB standards, GRI standards, the European directive on extra-financial reporting);
- ▶ Sustainable Development Goals (SDGs) defined by the United Nations Global Compact (UNGC), to which ESI contributes through its activities and its CSR approach. ESI is also a member of UNGC since 2018;
- ▶ Consultation of existing internal documentation, including the 2019 materiality assessment;
- ▶ A benchmark of the materiality assessment of other companies operating in the same sector.

The identified material challenges have been reviewed and consolidated by the CSR Steering Committee (presented under the previous section).

/ 2. Evaluation and prioritization

The objective of this step is to rank and assess the identified material challenges (called "commitments" henceforth according to their potential impact on the business and their importance to ESI's stakeholders).

Thirteen (13) commitments have been defined under four axes (presented above under the 2020 performance table, including 11 commitments from last year that have been slightly updated and two new commitments,

related to leadership and collaborative management (Employees) and the objective to engage Group's employees in actions for the Planet.

In 2019, and for its first materiality matrix, ESI evaluated its commitments thanks to an internal workshop with a limited staff representing several departments. In 2020, the Group structured its approach while generalizing the materiality assessment and confronted the defined commitments with the concerns of ESI's internal and external stakeholders, by conducting two global surveys:

- ▶ Internal survey sent to all ESI's employees to evaluate the impact and importance of each commitment on/for them on a scale of 1 to 4. Participation rate was about 26% out of total workforce;
- ▶ External survey sent to some of the Group's key external stakeholders (customers, suppliers, investors, financial and legal ecosystem, etc.) to evaluate the impact and importance of each commitment on/for these external stakeholders on a scale of 1 to 4. Participation rate was about 40% out of the 30 contacted stakeholders.

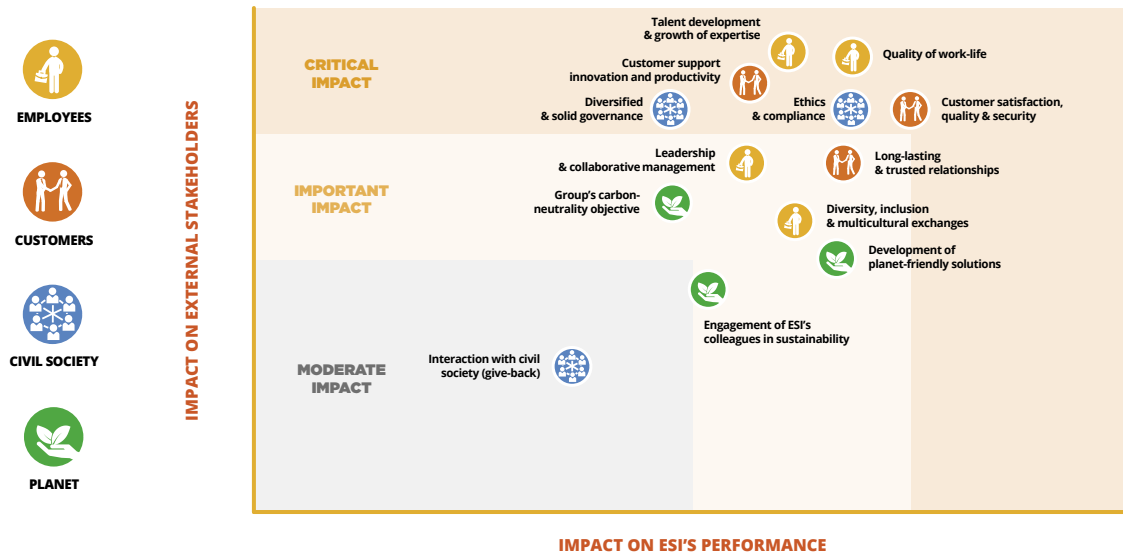
These commitments were then positioned in a matrix – the axes of which are represented by the two evaluated internal and external dimensions above, evaluated via the both surveys presented above.

/ 3. Validation

This step aims to verify that the results are well aligned with the Company's strategy and values. The matrix is therefore adjusted and validated by the members of the Company's general management.

Finally, the matrix followed an internal validation process and has been audited by an external CSR agency.

Materiality matrix



Understanding the materiality results

In the materiality matrix above, ESI's sustainable commitments (13) are divided into three distinct sections/areas, allowing a better visualization and understanding of the impact of each challenge and its importance to ESI's stakeholders, internally and externally.

Compared to last year, the commitments have been highly ranked this year, which has impacted the final shape of the matrix and changed the evaluation sections' size and content:

- ▶ **The "Critical Impact"** section contains ESI's six (6) priority commitments, which are closely linked to the evolution of the Company's business model and its positioning regarding its external stakeholders. Thus, these commitments reflect the Company's strategic priorities – top-tier commitments are related to customer satisfaction with a guarantee of quality and safety requirements, as ESI continues innovating and developing responsible solutions for its customers, while relying on the ever-growing expertise and talent of ESI's employees. Furthermore, employee's well-being and job satisfaction seem to be a critical commitment for both internal and external stakeholders. Also, the Group's commitment to ensuring solid and diversified governance has jumped up from the "important" to the "critical" section this year, especially as the global pandemic (Covid-19) reaffirmed the importance of solid and effective governance throughout 2020.
- ▶ **The "Important Impact"** section includes six (6) major commitments, mainly related to maintaining long-term and trusted relationships with customers, while acting ethically and responsibly and encouraging leadership and collaborative management internally. Moreover, all ESI's environment-related commitments are positioned under this section: developing eco-friendly solutions, moving toward the carbon-neutrality objective and engaging employees in the creation of a green world. However, on a mid-long-term point of view, these Planet commitments may be considered as having a

critical impact on the Group's interaction with its ecosystem, as ESI is committed to developing planet-friendly solutions and to helping its customers to achieve their sustainable objectives, while aiming for the zero-neutrality objective when it comes to ESI's own environmental footprint.

- ▶ **The "Moderate Impact"** section contains one (1) commitment related to the Group's willness to implement and promote initiatives and partnerships within civil society. Compared to other commitments, and despite its importance, this one has a limited impact on the Group and its stakeholders.

Above and beyond, it's important to note that the defined commitments are interconnected and interdependent. They must be considered in their entirety. For example, ethics and employee well-being can have a direct and/or indirect impact on the performance of the Company and its relationship with its stakeholders.

Exploiting the materiality results

The materiality matrix is made available and accessible to all ESI's internal and external stakeholders. In addition, the identified commitments are being constantly discussed by the CSR Steering Committee in the aim to continue developing concrete sustainable initiatives and monitor CSR performance, as part of the Group's commitment to ensuring a responsible and sustainable activity.

Furthermore, this materiality analysis has made it possible to identify the priority challenges with the greatest impact on the Company and its environment, in particular their impact on internal and external stakeholders. These sustainability commitments will be analysed and presented in detail in the next sections of this chapter.

2.5. CSR DISTINCTIONS

Gaia Index

Being rewarded for its continuous improvement approach to its social, societal, environmental and governance practices, ESI Group has once again ranked first in the 2020 Gaia campaign for mid-caps with annual revenues under €150 million. Also achieved between 2016 and 2018, this distinction reflects, once again, the Group's continuous commitment to Corporate Social Responsibility.

The Gaia Index (www.gaia-index.com) was created in 2009 and is now the benchmark sustainability index for medium-sized listed French companies. Developed by Ethifinance (www.ethifinance.com), the Gaia Index selects small and medium-sized companies based on their non-financial performance. It is composed of the 70 best stocks out of a panel of 230.



3. EMPLOYEES

ESI Group aims to be a leading employer among all software and service providers on the market and plans to stay that way on a long term.

ESI Group's employees consist primarily of highly trained engineers and PhDs from prestigious universities and institutes worldwide. In addition to the close relationship that the Group has always had with these schools, there are a number of other factors that exemplify ESI's commitment to value employees' experience and foster highly qualified recruitment and internal development. These factors include ESI's positioning in the field of virtual simulation that takes into account the physics of materials, the Group's prominence as a publicly listed company on the Paris stock exchange, the Group's continuing education programs, and its focus on internal promotion at an international level.

ESI Group's policy is based on the following axes:

- ▶ Develop talents and encourage leadership and collaborative management;

Grands Prix de la Transparence

In 2020, and for the second year in a row, ESI Group has been recognized for the quality of its financial and regulatory communication, by the "Grands Prix de la Transparence" and ranked third in the "non-SBF 120 companies" category.

For 11 years now, the "Grands Prix de la Transparence" measure and reward the public information materials provided by French CAC 40, SBF 120 companies, and non-SBF 120 companies since 2019, on the basis of four pillars defined with the regulator: Accessibility, Accuracy, Comparability and Availability of information, centered on 231 criteria. The purpose of this annual and objective evaluation is to make issuers aware of the quality of their transparency and to identify best practices in order to establish them as true market standards.

For more information, visit: www.grandsprixtransparence.com.



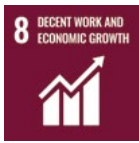
- ▶ Promote diversity and multicultural exchanges;
- ▶ Contribute to the well-being of employees.

This policy draws on various tools, including the Human Resources Information System (HR-IS) to consolidate the HR reporting process worldwide, and lends greater flexibility to the organization. It also promotes better use of resources by focusing on skills, to encourage a more involved, multi-disciplinary managerial culture. The platform provides an ongoing view of changes in employment indicators and makes it possible to drive our resource needs more easily.

A selection of HR KPI is provided monthly to the Group Executive Committee in order to measure the effectiveness of HR policies.

The data from HR-IS are provided on a worldwide scope.

3.1. DEVELOPING TALENTS AND ENCOURAGING LEADERSHIP AND COLLABORATIVE MANAGEMENT



Human resources are the greatest value of ESI and are part of the two sustainable development objectives: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” and “Promote

sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. Talents development is thus a key issue for the Group’s sustainability. Indeed, in order to respond to the increasingly complex issues facing manufacturers and remain at the forefront of technological innovation, the Group must retain its resources and continually improve their know-how.

Moreover, the Group’s size and distribution across many countries require a cross-functional management of numerous projects involving various entities and cultures. Leadership, expertise and collaborative management are therefore essential qualities for the success of the Group’s missions.

Also, the Group’s transformation and its new solutions oriented towards the *Hybrid Twin*, in line with ESI’s core business, are an opportunity to develop and enrich the professions and skills of existing teams.

/ Policies

In this way, ESI Group is committed to:

- ▶ Ensure the integration of new talents through “Welcome days” sessions (two to three days, organized in each region);
- ▶ Make the annual interviews more dynamic by promoting one to one interview in order to collect training needs and to develop competencies and to encourage the construction of plans of relevant and responsive local and/or global training to support business and strategy of ESI;
- ▶ Deploy training programs enabling employees to develop their expertise in terms of knowledge available in the portfolio of solutions and to strengthen their professional (technical, sales) and managerial skills;
- ▶ Develop partnership agreements with universities and engineering schools in order to participate actively in the training of junior population;
- ▶ Promote the dissemination of information to all employees of the Group.

/ Results

Recruiting and retention of talents

The Group pays particular attention to the integration of new talents through a locally managed induction program. In order to be more standard and global, an Intranet portal has been set up to guide the arrival of newcomers and guarantee that everyone has access to a single level of information to support them during their first days, weeks and months at ESI Group.

Since 2018, a corporate integration program is organized internally, called “Welcome Days”. The aim of this program is to enable all new joiners to have a better understanding of ESI, its business and its strategy. Organized at the regional level (EMEA, AMERICAS, ASIA), it allows newcomers to meet the top management and to exchange with colleagues from different countries.

The Group has also defined an internal mobility system integrated into the performance assessment tool that allows each employee to make his or her motivations known and thus highlighting its skills and know-how by applying to open opportunities within the Group in connection with the customer needs and projects.

Career path

The Group has a process for evaluating the performance and development of each employee, which aims to organize at least once a year with his or her direct supervisor an evaluation of the past year’s performance in relation to previously assigned objectives and to define the objectives for the coming year.

The digitalisation of annual interviews has been implemented for the entire Group since 2017, on a common online tool, for all employees around the world. This new step in the performance evaluation process is intended to make the annual interviews more dynamic by encouraging exchanges and access to the history of the employees’s career path, particularly for international teams (one third of managers supervise teams located in two to six countries)

These assessments are the first source for collecting the training and development needs and encourage the construction of local and/or global training plans that are relevant and meet the needs of the business’ development. They also provide an opportunity to detect the Company’s high potentials and thus implement development actions useful for their internal mobility. In addition, this system makes it possible to support some employees more specifically through an individual plan to improve their skills.

Training plan

At the same time, training programs are being rolled out in the Group’s various subsidiaries. The training plans are aligned with ESI Group’s strategy and market developments. They enable employees to develop their expertise in terms of knowledge of the solutions portfolio and to strengthen their professional (technical, sales) and managerial skills.

In order to facilitate exchanges between countries, a platform of language courses has been deployed in 20 countries. This platform suits to individual constraints and location, and helps to facilitate the sharing of knowledge and expertise across countries. In 2020, 378 employees took language courses, including 94% in English, 5% in French and the rest in German and Spanish.

In term of technical skills, the Group has set up a partnership with Pluralsight, an e-learning platform. 200 licenses have been given to employees to take part of several hundred online technical training courses. In 2020, 1,500 hours of online courses were taken in 14 countries, 25% of which concerned Python programming language and 8% C++ language.

Actions to promote trainee apprenticeship

Numerous partnership agreements with universities and engineering schools enable ESI Group to participate actively in the training of students.

Several partnerships are currently in place:

- ▶ In France: Sup'Aero Toulouse, ENSAM (Bordeaux, Angers, Aix, Metz, Lille and Paris), INSA Lyon, UTT Troyes, UBS Lorient, *École Centrale Nantes*, UPHF Valenciennes, UTC Compiègne;
- ▶ In India: Indian Institute of Science, BMS College of Engineering, Rashtrreeya Vidyalyaya College of Engineering (RVCE), PES University, Dayanand Sagar College of Engineering;
- ▶ In Russia: Ural Federal University, Siberian Federal University, Toliatti State University, MISIS, Irkutsk State Technical University;
- ▶ In Malaysia and in Thailand with universities of SUT, KMUTNB and RUTR;
- ▶ In Spain: UPM, UJI, UJRC;
- ▶ In Czech Republic: University of West Bohemia;
- ▶ In Tunisia: ENIT.

In 2020, the Group has welcomed a total of 28 trainees from different universities and business school (interns and apprentices).

Internal communication and collaborative functioning

In order to efficiently communicate internally, ESI Group has set up several tools to address its messages to its teams based in 20 countries.

A welcome portal has been set up on the Group's Intranet website. It allows each new employee to discover the Group, its organization and its values and to easily access all the information that will be useful for a smooth integration.

In addition, the Group's internal social network, Chatter, enables all employees to exchange, share, inform or learn about numerous subjects in different fields. A new focus group was set up in 2019, around environmental issues. Each employee of the Group can share his/her eco-responsible actions set up in their professional or personal life.

Also, multiple communication actions are proposed in order to strengthen information sharing and cohesion within the Group, such as web conferences worldwide, monthly newsletters, Flash Corporate News, Business News and webinars.

In addition, several internal communication initiatives have been launched during last years, as part of a new change management approach:

- ▶ Q&A (Question & Answer) sessions have also been initiated in 2018 to allow a more fluid and transparent exchange between the management team and the employees of the Group; these sessions have evolved to a quarterly format in 2019. They are now information sessions on the Company's transformation and strategy and broadcast live for all the Group's teams;
- ▶ Since the start of the pandemic, a new internal exchange format has been created to update employees on the evolution of the global health situation, answer their questions and announce internal measures to ensure the continuity of the Group's activity; in 2020, 10 global sessions have been organized;
- ▶ In 2020, ESI launched a series of internal "informal" discussions with key people in the Company, called "Break & Chat", enabling employees to talk to these people, beyond formal meetings, to discover their personality and career, their motivations and their role at ESI. In 2020, four sessions have been organized at the global level and one local session in India;
- ▶ Corporate events are also organized to allow different departments to exchange and meet on strategic issues. Two management meetings are organized each year, as well as one Kick Off Meeting more focused on sales and marketing of products. The Product Operations team organizes once a year an Engineering Management Meeting, a one-week seminar where the key managers of the organization as well as certain experts can meet. Unlike previous years, in 2020, these events took place online, due to the global pandemic;
- ▶ In order to develop and optimize employee experience, the Corporate Communications Department, in collaboration with other concerned departments, has created a global network, called "ESI Change Ambassadors", aiming to share and brainstorm on internal initiatives, create local initiatives and share important information and guidelines locally, which helps strengthening our internal communication and global sense of cohesion, which further enhances the effectiveness of the Group's internal communication;
- ▶ Adopted since 2019, the use of "Teams", a Microsoft platform, enables employees to exchange and organize remote meetings easily and more efficiently. During the pandemic, this tool has enabled employees to work from home efficiently, while continuing to keep in touch with their colleagues around the world, with a connectivity rate that has doubled compared to the pre-Covid period.

3.2. PROMOTING DIVERSITY, INCLUSION AND MULTICULTURAL EXCHANGES



Through its "Global" value, diversity is one of the six values promoted by the Group as it enhances the organization of the Company.

The Group's highly innovative solutions enable ESI to successfully develop its business throughout the world. As an international company, ESI Group is proud to be able to have a multicultural and diversified workforce. The Group has always valued differences and encouraged its employees to share their ideas across borders in order to create a modern and efficient work environment, able to better support its international customers. ESI strives to daily develop its know-how and expertise in recruiting the best talent from around the world. These challenges are in line with the following Sustainable Development Goals: "Ensure availability and sustainable management of water and sanitation for all" and "Reduce inequality within and among countries".

/ Policies

In order to promote diversity and reduce inequalities within the Group, ESI is committed to:

- ▶ Promote diversity and multicultural exchanges;
- ▶ Increase the proportion of female employees with permanent contracts;
- ▶ Respect the laws in favor of the accession and retention of employees regardless of age;
- ▶ Comply with laws and regulations prohibiting any discrimination based on age, race, sex, ethnic origin, nationality, religion, health, disability, marital status, sexual orientation, political or philosophical opinions, union membership or other characteristics protected by locally applicable law;
- ▶ Not tolerate any form of sexual, physical or moral harassment, coercion or persecution.

/ Results

The following tables present the distribution of staff by geographical area and country:

Distribution of staff by geographical area

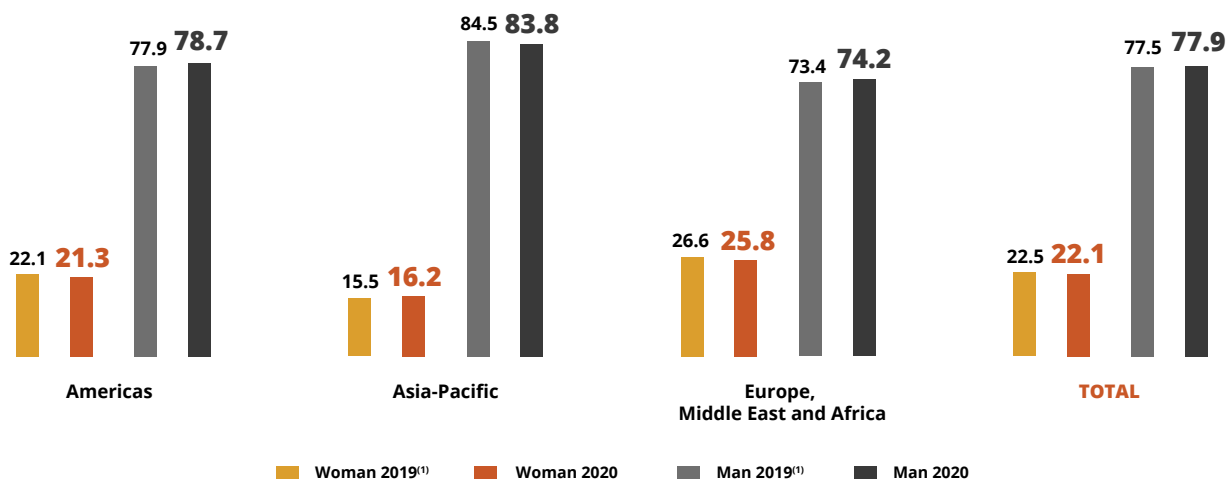
	2019 (Jan.-Dec.)	2020 (Jan.-Dec.)
Europe, Middle East and Africa	56.7%	56.6%
Asia-Pacific	33.4%	34.5%
Americas	9.9%	8.9%

Distribution of staff in the main countries

	2019 (Jan.-Dec.)	2020 (Jan.-Dec.)
France	26.3%	26.2%
India	19.9%	20.5%
Germany	15.6%	15.9%
United-States	9.1%	8.1%
Japan	6.9%	7.2%
Others	22.2%	22.1%

Gender distribution and equity

(In %)



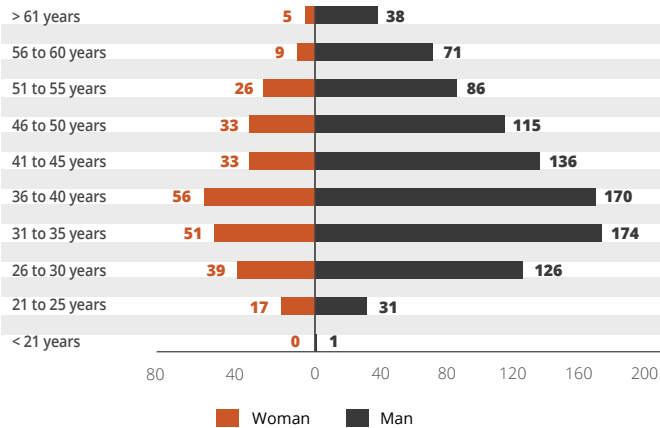
(1) January 1, 2019 – December 31, 2019.

The proportion of female employees with open-ended contracts, at 22.1%, is relatively low and stable compared to previous years. This low representativeness can be explained in particular by the low number of women in engineering schools that are the main source of recruitment for the Group, as well as by socio-geographical disparities that sometimes involve a relatively low female workforce participation rate.

Nonetheless, HR professionals are sensitive to the feminization of local teams as well as considering female candidates when recruiting for the Group. In 2020, 26 women joined the Group, representing 27% of total newcomers.

In this context, ESI is supporting Girls in Tech, a non-governmental organization focused on education and empowerment of women in the field of technology and entrepreneurship.

Age pyramid (2020)



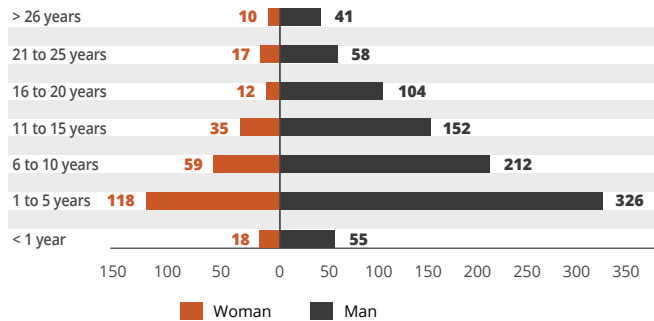
The average age of the Group’s employees is 40.7 years (female employees: 39.1 years and male employees: 41.1 years).

ESI Group respects the laws in favor of the accession and retention of employees, regardless of their age. Thus, 19.3% of employees are over 50 years, i.e. 235 employees worldwide.

65.5% of the population aged over 50 is located in Europe, compared to 16.5% in the Americas and 18% in Asia.

In addition, 71% of employees hired on permanent contracts are under 35 years old.

Breakdown of workforce by seniority (2020)



The average seniority in the Group is 9.3 years (8.02 years for women and 9.64 years for men).

Non-discrimination policy

20% of employees are holding a management role, including 16% of women.

The Ethics Committee (composed of two women and one man) also ensures that none of the above-mentioned discriminations is used within the Group (see 4.5.2).

The Group is also committed to improve the gender balance of the Group.

“Gender equality” is an integral part of the Group’s strategy, aiming to increase both the percentage of women managers and the percentage of women engineers.

Please note that, given the global health context, ESI did not carry out a global review of its salaries during the year 2020, which had an impact on the index result (as presented below) and in particular the indicator concerning employees returning from maternity leave. In this particular context, ESI is continuing its policy of monitoring professional equality and plans to establish a specific action plan in that sense.

Some countries have set regulatory obligations in order to serve the same purpose. France is one of them. “Equal pay for equal work” has been a principle of labour law enshrined in law for several decades. In this sense, the Avenir act aims to eliminate the pay gap between women and men.

In accordance with these regulations, ESI Group, in France, has calculated its Gender Equality Index, the results of which are as follows:

- ▶ The gender pay gap: 37/40;
- ▶ The gap in individual rates of pay increase: 20/20;
- ▶ The number of employees of the under-represented sex among the 10 highest paid employees: 5/10;
- ▶ The rate of employees having benefited from a salary in the year following their return from maternity leave: 0/15;
- ▶ The gap in promotion rates between women and men: 15/15;
- ▶ **Total: 77/100**, 2 points above the legal minimum.

In France, a panel of staff representatives, general management and the Human Resources Department has been engaged in a training program to identify and determine ways to combat sexual harassment.

India launched an Anti-Sexual Harassment Charter in July 2019 and established an Anti-Sexual Harassment Committee composed of a Chairperson and eight members. Local information sessions have been organized on the subject. ESI teams in the United States and South Korea are undergoing compulsory training on the same topic.

Integration of disabled workers

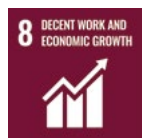
Since the beginning of 2016, the Group has been collaborating with Elise for the Lyon and Rungis site in France to ensure selective sorting. Elise is a company called “adapted” which create open-ended contracts for the persons with disabilities.

Six employees in Germany and France are currently recognised as disabled workers and benefit from specific accommodations linked to their disability, enabling them to carry out their duties.

ESI has been certified by Qualiopi as a training company. This implies the accessibility of the premises and training contents to employees with disabilities. A disability advisor has been nominated in France with the long term objective of deploying policy and process at national level. In October 2020, the process was presented to the nine ESI France trainers and validated by the CSSCT (Health and Safety and Working Conditions Commission).

3.3. CONTRIBUTING TO THE WELL-BEING OF EMPLOYEES AND ENSURING THE QUALITY OF WORKING LIFE

Ensuring decent employment and contributing to the well-being of employees



Every company is responsible for providing decent working conditions for all its employees. Promoting decent work with a decent wage and ensuring the well-being of employees are major global challenges, for which ESI is focused on. This challenge contributes to the following Sustainable Development Goal:

“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

/ Policies

As an employer ESI strives to:

- ▶ Control its workforce in connection with the growth of the activity;
- ▶ Offer its employees the benefit of flexible management of their schedules;
- ▶ Improve working conditions, which has a direct impact on the well-being, efficiency and motivation of employees;
- ▶ Create a favourable social climate.

/ Results

Headcount data is calculated on the basis of the number of employees present at December 31, 2020.

Total Group headcount includes employees on permanent and fixed-term contracts, as well as student contracts such as work-study contracts and interns. They do not include temporary employees, consultants and networks of external distributions.

At December 31, 2020, ESI Group's workforce stood at 1,217 employees. 1,238 at December 31, 2019.

91% of the Group's workforce is hired on permanent contracts. Precarious contracts such as internships, apprenticeship contracts, etc., are not covered by the Group's employment contract. and fixed-term contracts represent 9% of the workforce. total. ESI continued to pursue its ambitions to control its workforce in line with business evolution.

Employee turnover

Recruitments	2018 (Jan.-Dec.)	2019 (Jan.-Dec.)	2020
Europe, Middle East and Africa	107	88	67
Apprenticeship/internship	25	20	15
Short-term contracts	25	22	13
Open-ended contracts	57	46	39
Americas	17	24	8
Apprenticeship/internship	6	15	4
Open-ended contracts	11	9	4
	53	37	23
Apprenticeship/internship	13	8	1
Short-term contracts	11	6	4
Open-ended contracts	29	23	18
TOTAL	177	149	98

Departures	2018 (Jan.-Dec.)	2019 (Jan.-Dec.)	2020
Europe, Middle East and Africa	101	94	81
Apprenticeship/internship	28	18	18
Short-term contracts	13	8	19
Open-ended contracts	60	68	44
Americas	23	28	20
Apprenticeship/internship	5	10	9
Short-term contracts	0	0	0
Open-ended contracts	18	18	11
	48	28	17
Apprenticeship/internship	3	4	1
Short-term contracts	10	4	4
Open-ended contracts	35	20	12
TOTAL	172	150	118

In 2020, ESI Group recruited 61 employees on open-ended contracts, i.e. 62% of total hirings (compared to 52% in 2019).

The departure rate of employees on open-ended contracts is 6% in 2020. (number of departures under open-ended contracts/total headcount under open-ended contracts at the beginning of the period x 100] compared to 9.2% in 2019.

The turnover rate on open-ended contracts is 5.6% in 2020 [(Number of open-ended contract departures during year N + number of open-ended contract arrivals in year N*100/2/staff at the beginning of the period] against 8.1% for the year 2019.

Working time

The duration of the working time shall be set in accordance with the local legislation in force.

In the vast majority of its establishments, ESI Group offers its employees the benefit of flexible management of their schedules. In some countries, such as Japan, the timetables are set to meet the expectations of the business but are limited to eight hours a day.

In France, the organization of working time is based on working time measured in fixed days or according to a set schedule. An employee with a fixed daily rate works a defined number of days in the year and an employee with an hourly rate works the number of hours defined in the agreements:

- ▶ Full-time managers working on a fixed number of days per year work 217 days per year, plus one day for the solidarity day;
- ▶ For other employees, the average working week is set at 37 hours, with 10 days of reduced working hours per year for full-time employees.

In 2020, part-time work accounted for 6% of the total workforce; moreover, most part-time contracts are set up to meet the needs of employees who request them in order to arrange for parental leave, retirement or the resumption of their studies.

Social dialogue

The quality of the social climate is a determining factor for the quality of working life and the Company's productivity. The social dialogue, over and above strict regulatory compliance, constitutes a source of progress in this area. The value of social dialogue is based on the many exchanges between the Group's management and employees and their representatives.

Staff representative institutions shall be designated in accordance with the laws in force in the countries as for France, Brazil and Vietnam. They are regularly involved in matters relating to the employees' career within ESI and its development.

French legal entity has signed several agreements with its social partners, as part-time agreement, profit sharing agreement, employee saving agreement.

As part of the pandemic crisis management in France, representatives of Health, Safety and Working Condition Commission met regularly with ESI's management to consider the best strategy of a safe working environment.

Workplace Well-being

Due to the global Covid context, and the deployment of home office, each country managed to adapt and show creativity in supporting its teams in digital workplace and well-being actions. One of the objective was to maintain informal communication in this virtual work environment by using Team's tool:

- ▶ Organization of drawing and photo contests;

- ▶ E-coffee breaks and random coffee breaks to meet new colleagues;
- ▶ Digital Christmas meals;
- ▶ Digital yoga and fitness sessions in some countries, such as France and India.

Health and safety: a leitmotiv of the year 2020



The Group's approach is also in line with the implementation of social measures and benefits for our employees worldwide, especially, by ensuring the health of employees on their daily professional life.

This contributes to the following two Sustainable Development Goals: "Ensure healthy lives and promote well-being for all at all ages" and "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

/ Policies

As the health and safety of employees in the workplace and social benefits are necessary for the smooth running of activities, ESI has set itself the objective of:

- ▶ Providing a quality social security coverage for all its employees worldwide;
- ▶ Offering an attractive compensation and social benefits package.

About the coronavirus pandemic (Covid-19)

In order to maintain the well-being of the employees during the period of the Covid-19 epidemic, the Group has put in place several measures to protect its teams and ensure the continuity of its activities. The situation is managed globally and adapted to each local situation. Having a global presence, the Group's adaptability and reactivity are of paramount importance for all its stakeholders.

Among the measures implemented by the Group:

- ▶ The launch of the Group's Business Continuity Plan (BCP);
- ▶ The creation of a special Covid-19 crisis management team;
- ▶ The adoption of home office for all positions except for essential workers, while ensuring the safety of the workplaces;
- ▶ The ban on travel at Group level, in a more restrictive way according to the local situations;
- ▶ The use of digital tools and the organization of conferences and 100% digital events;
- ▶ The development of a communication plan to inform the employees on the preventive measures to be adopted in accordance with official recommendations, by email and via the Company's internal social network;
- ▶ The organization of internal activities (stress management tips, photo contest, drawing contest for children, etc.) and the creation of an online group for sharing advice, recipes, etc. during the confinement period;
- ▶ ESI has maintained a reasonable recruitment policy and has continued to invest in the training of its employees.

Health, Safety and

ESI Group has set itself the objective of providing coverage for to all of its employees worldwide, both in terms of with regard to health and old age but also the coverage of incapacity, disability and death.

13 out of 20 countries offer their employees the opportunity to finance a local health insurance in compliance with regulations and the well-being of employees. Some countries, such as India, now offer a free medical check-up to employees once a year, and Tunisia now offers five days of holidays since February 2017 and has set up a mutual insurance company that has been offered to its employees from the beginning of 2020.

Wage policy

To attract and retain the best talents on the market, ESI Group has set up an attractive compensation package and various benefits for its employees. This policy is intended to recognize talent by rewarding both individual and collective performance.

Employee compensation is made up of direct and indirect remuneration; the latter includes cash or in-kind supplements deferred from the monthly remuneration (bonuses, commissions, savings plan, fringe benefits, etc.). All the countries included in the scope of social reporting offer indirect compensation to their employees.

In Europe and the Americas, six subsidiaries have set up a system of indirect compensation for their employees.

Within this framework, an employee shareholding mutual funds ("FCPE") was created in France in 2013 in order to collect future flows of participation and payments, housed in the Group Savings Plan. This "FCPE" makes it possible to acquire shares of the Company and to benefit from a 100% matching contribution, up to an annual ceiling of €400. Beyond that, ESI subscribes to up to 20% of the payments within a range of between €401 and €2,000 maximum. At December 31, 2019, the FCPE held 29,500 shares of the Company, i.e. 0.49% of the capital.

4. CUSTOMERS

The Group solutions help its customers cope with the challenges of their digital transformation. These solutions meet the continuously changing regulations that govern the Group's businesses, in order to:

- ▶ Provide innovative solutions that meet our customers' requirements;

- ▶ Ensure customer satisfaction and meet quality and safety requirements;
- ▶ Maintain long term, trust-based relationships with stakeholders and ecosystem.

4.1. SUPPORTING CUSTOMERS IN THEIR DIGITAL TRANSFORMATION FROM PHYSICAL TO VIRTUAL BY UNLEASHING AND SECURING INNOVATION WHILE SUSTAINING PRODUCTIVITY (PERFORMANCE)



How can an organization bring innovative products to market while keeping costs and deadlines reasonable? How can an organization integrate new materials and processes safely? How can an organization reduce the impact of

these new materials, such as composites on product performance and integrity? What are the best practices for optimizing the product lifecycle and maintenance costs? What processes will ensure that recycling requirements are met?

The solutions offered by ESI are used to bring to market innovative products at a lower cost and with greater reliability and contributes through this section to two Sustainable Development Goals, notably objectives 8 and 9: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" and "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

/ Policies

In its approach, ESI strives to:

- ▶ Meet its customers' demand for ever more innovative products;
- ▶ Engage itself in a process toward zero real tests, zero real prototypes and zero downtime;
- ▶ Guarantee the quality of its products and services and ensure client satisfaction;
- ▶ Acquire a full global certification by 2021.

/ Outcomes

Innovative solutions to allow industries to make the right decisions at the right time

To meet its customers' demand for ever more innovative products, the Group offers Virtual Prototyping solutions that save manufacturers and their subcontractors significant amounts of time and money, and therefore support their efforts to innovate. These are all key advantages that help customers keep up with international competition. ESI gives its customers the capacity to perform virtual simulations as of the preliminary design phase, during detailed design phases, and throughout the product lifecycle, and also to approve the performance of their complete digital model step by step before producing a physical prototype. This approach makes it easier to make key decisions very early in the process. Innovation is made possible through reliable virtual prototypes and helps customers get their product right the first time. Virtual Prototyping makes it possible to prepare physical tests under the best conditions, going as far as pre-certification or eliminating the need to carry out physical tests until final validation.

Following the acquisitions of innovative companies in the last years, in new technologies such as Artificial Intelligence, Big Data, or Internet of Things, ESI is now able to represent the connected product as used in its operational environment, meaning after its launch on the market. This *Hybrid Twin* targets product predictive performance and maintenance, to optimize repairs, facilitate certification update, and minimize recalls. Once the brand-new product is "right the first time" thanks to its pre-certified Virtual Prototype, it must be kept right when in-Service, and perform right in real life, connected and operationally assisted in its digital version.

The Group's success also stems from an approach based on close collaboration with world leaders in each sector where the Group is active, including Renault-Nissan, Fiat Chrysler and Volkswagen in the Automotive industry, Boeing and Airbus in the Aeronautic industry, as well as EDF and Framatome in the Energy industry. By building strong relations with large industrial firms, the Group can perfectly match their Virtual Prototyping needs. These strategic partnerships help the Group's customers assess their innovation requirements and implement them jointly with ESI Group.

For instance, using Virtual Prototyping to design airbags or to reduce the manufacturing time of complex composite parts increases the safety and lightweight of vehicles for consumers.

To remain at the forefront of innovation while sustaining productivity, the Group invested 31.4% of its Licenses activity revenues in R&D in 2020.

4.2. COMMITTING TO CONTINUED CUSTOMER SATISFACTION WHILE MEETING QUALITY AND SAFETY REQUIREMENTS



In 2000, ESI Group obtained its first ISO 9001 certification, followed by the independent certification of its subsidiaries, to guarantee the quality of its products and services and ensure client satisfaction. The benefits of ISO 9001 certification accrue to external as well as in-company stakeholders. Outside the Company, certification guarantees that ESI provides products and services that meet the needs of its clients, while it continues to evaluate and improve its processes. Within the Company, certification calls on employees to actively engage in an overall consistent quality management system and in the growth of performance.

Since 2010, ESI has extended the scope of its certification using a global system common to all its subsidiaries. Since risk management and quality management are closely linked, this worldwide certification is a sign of confidence in the quality of the solutions that the Group offers its customers and guarantees that particular attention is paid to excellence and to the alignment of all the Group's processes. ESI's objective is to have full global certification in 2021 with the integration of the last four sites.

In 2020, the global certification applied to 98% of the workforce.

Global certification is now successfully applied in Europe, Asia and the United States, within the ESI Group parent company and most of its subsidiaries: ESI France; for Germany the certification covers the following companies (ESI SW Germany, ESI GmbH and ESI ITI

GmbH); MECAS ESI (Czech Republic); for the Southern Europe area the certification comprises ESI Hispania and ESI Italia; for the Northern European area the certification includes ESI UK and ESI Open CDF (in the United Kingdom) and ESI Nordics AB (in Sweden); ESI Tunisia; ESI India; ESI Japan, ESI Vietnam, ESI China and ESI Korea; for the United States the certification encompasses ESI NA and ESI US R&D.

ESI Group is also involved in an ISO 27001 certification project, and is implementing an information security management system that, through appropriate risk asset management, guarantees the confidentiality, integrity and availability of its information. This project considers specific demands of clients, particularly those from the automotive sector and crystallized under the TISAX. The TISAX (Trusted Information Security Assessment Exchange) certification was created on the initiative of the VDA (Association of the German Automotive Industry). This standard is based on the requirements of ISO 27001 and adapted to the specificities of this sector to secure exchanges between various players. In 2019, ESI achieved the TISAX certification for, ESI MECAS (Czech Republic) and ESI GmbH (Germany) and for ESI Hispania (Spain) in 2020.

Also, as a French company, ESI is complying with the European Union data protection regulations, which are supervised in France by the CNIL (*Commission Nationale Informatique et Libertés*). In 2020, no customer related GDPR (General Data Protection Regulation) incidents have been reported.

4.3. BEING A LONG-TERM TRUSTED ADVISOR AND PARTNER TO SUPPORT THE DELIVERY OF CUSTOMERS OUTCOMES AND BUSINESS VALUES, INVOLVING THE ENTIRE ECOSYSTEM



By developing a partnership ecosystem that respects the Group's values and commitments, ESI contributes to the Sustainable Development Goal 12: "Ensure sustainable consumption and production patterns", and goal 17: "Strengthen the means of implementation and revitalize the global partnership for sustainable development".

"Strengthen the means of implementation and revitalize the global partnership for sustainable development".

Maintaining long-term, trust-based relationships with stakeholders and ecosystem

ESI aims to continue being a long-term trusted advisor and partner to support its customers' digital transformation journey. In close

collaboration with both customers and partners, ESI is organizing a series of Live Events where industry thought leaders are coming together to exemplify how they are addressing future challenges and needs and how they support the delivery of customer outcomes and business values. In 2020, ESI organized around 14 joint-events with its customers.

The Group has a wide range of internal skills that cover its Software edition activity on the one hand and its services activities on the other one. However, when it is necessary to mobilize resources outside its usual scope of business, or when specific expertise is recommended, ESI may occasionally use external contractors.

ESI's ecosystem does not only contain subcontractors, but also collaborations with Research Institutes, Innovation Partners (Government) and Universities, which have a key role in ESI's development strategy.

Supporting customers' outcomes delivery and business values, involving the entire ecosystem

ESI remains fully responsible for all external subcontractors. In this regard, subcontractors are subject to the same rules and verifications as any other employee of the Group. ESI and its subcontractors shall, throughout all operations, be committed to ethical conduct and the respect for human rights in the spirit of internationally recognized standards.

To continue delivering quality customers' outcomes, ESI:

- ▶ Monitors and regularly evaluates all suppliers influencing quality through a questionnaire completed in-house to assess the supplier based on the service provided. A list of approved suppliers is made available for this purpose on the intranet and updated periodically;
- ▶ Includes an environmental criterion (energy consumption for operation, local purchasing, possibility of recycling the product, etc.) in the purchasing procedure of its suppliers and subcontractors;
- ▶ Makes sure not to create a situation of dependence on suppliers and subcontractors.

5. CIVIL SOCIETY

The Group considers its main stakeholders to be its employees, customers, suppliers, and industry and academic partners, but also its investors and shareholders.

Since its creation in 1973, ESI has placed Civil Society at the heart of its commitments.

People first!

For ESI, the main driver for technological progress is related to the impact on society in general, by using some applications which have been developed to help saving lives (for instance: the first simulation of a crash test in 1985), to improve the operational performance of industrial processes and to enhance workers' well-being, using virtual reality and artificial intelligence. These commitments provide the foundations of the Group's operational ethics.

Furthermore, ESI is hiring profiles with new technology skill-sets, thus preparing to be well positioned in the technological landscape for the coming decades.

Innovating sustainably and responsibly

Innovation is essential to preparing the future of society, but innovating responsibly is even more so. By developing solutions with a positive and optimal impact on the environment and the economy for its customers, and which are also safe, secure and human-centric, ESI contributes to the development of a safer and more responsible society.

ESI strongly believes that its ability to innovate and research is a key factor in its differentiation therefore of its competitiveness, which are the two key drivers to ensure a sustainable growth.

5.1. GUARANTEEING SOLID AND DIVERSIFIED GOVERNANCE



Nowadays, as the world has become more complex and requiring companies to constantly adapt, a strong and effective governance has become a real necessity and ESI Group attaches particular importance to governance topics as it ensures the coherence and sustainability of the Company's strategy, guaranteeing the best

framework to serve the interests of all its stakeholders: employees, customers, investors, etc. In February 2021, the Board of Directors appointed an independent non-executive Chairman.

The Group strives to maintain a mixed and efficient governance model. Since February 2020, the functions of CEO and President of the Board of Directors are held by two different members, thus

ensuring a better balance of power. The CEO relies on an array of operational committees both at Group level (e.g. sales, technologies, finance, HR) and at local level through piloting bodies, giving access to and benefiting from the wide range of diverse expertise skill of ESI's organizational piloting structure.

Being an international company, ESI aims to ensure that its governance represents the various nationalities of the different territories where it is present. Thus, beyond fulfilling the legal requirements with respect to the gender ratio, the Board of Directors also reflects the same diversity of nationalities, horizons, educational and professional backgrounds (see section 4.3 of the present document).

5.2. ACT ETHICALLY AND RESPONSIBLY – ETHICS CHARTER



The Ethics Charter applied across the Group is in line with the principles of Sustainable Development Goal 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and open institutions at all levels".

In 2016, the Group has issued its Ethics Charter (which is regularly updated) to promote the observance of its values and confirm its commitment to the main rules of conduct that the Group wishes to see applied internally. This Ethics Charter reaffirms the legal, regulatory and internal provisions relating to the respect of fundamental rights at work, professional integrity, the elimination of discrimination, and the prohibition of child and forced labour. It is based on the respect of the ethical provisions promoted by the conventions of the International Labour Organization. The Ethics Charter is disseminated to all employees and is available in six languages on the Group's internal and external websites.

A new version of the Charter has been communicated to all employees in 2018. This version strengthens the Group's position on corruption and frauds, and that in application of the French law "Sapin II". A new version will be available in 2021.

The full document can be consulted here (<https://bit.ly/3ab78o3>).

A three-member Ethics Committee (two women and one man) is responsible for creating a safe environment where employees can adhere to the Ethics Charter and ensure that its principles are upheld by everyone, on a daily basis. The Committee listens to and assists employees so that they can discuss any issue involving the implementation of and/or respect of the Ethics Charter. It also ensures that all Group's subsidiaries apply the principles set out in the Charter. This Committee meets regularly, at least once a year, to discuss ethics issues and propose corrective measures, if necessary.

Whistle-blowing policy

Any ESI employee, client, supplier, partner or third party who suspects or is informed of a possible breach of this charter or a violation of the law by the Company, or one of its employees, has a duty to report it. While it is natural to be reluctant to report abuse, everyone is strongly encouraged to do so, as silence can have highly detrimental consequences for the Company. The use of the whistleblowing procedure described below is neither mandatory nor exclusive.

The procedure for reporting abuse is as follows:

- ▶ The first contact is the local/regional HR correspondent or the direct manager;
- ▶ In the event of a conflict of interest involving the HR correspondent or the direct manager, contact the Group's HR Corporate Directors or the N+2 manager;
- ▶ Otherwise, contact the Ethics Committee directly at the following address: ethics@esi-group.com.

This procedure is secure and guarantees the strict confidentiality of the whistle-blower, the facts that are the subject of the report and the persons concerned. On the other hand, any abusive denunciation may lead to disciplinary sanctions and/or legal proceedings.

General Data Protection Regulation (GDPR)

Regarding the European Union data protection regulations, which are supervised in France by the CNIL (*Commission Nationale Informatique et Libertés*). Within this framework, the Group has put in place:

- ▶ A regularly updated treatment register;
- ▶ A public privacy policy available on the Group's digital platforms (websites, applications, etc.);
- ▶ Internal procedures to respect the rights of individuals and to manage incidents;
- ▶ Policies to guarantee data security "Implementation of ISO 27001 certification: ongoing";
- ▶ A contract to guarantee and control intergroup transfers;
- ▶ An impact analysis relating to data protection;
- ▶ Employee awareness via an e-Learning platform: Metacompliance;
- ▶ "Candidatus" recruitment platform to control compliance in the processing of applications. "Implementation in France".

As part of its continuous improvement approach, the Group has started using the "Metacompliance" platform, an innovative solution providing access to quality learning content on cybersecurity and compliance for all employees, mainly:

- ▶ E-Learning: to set up training dedicated to cybersecurity;
- ▶ Phishing: to simulate phishing attacks and raise awareness among our users;
- ▶ Privacy: to improve monitoring of GDPR compliance through a complete, visual and interactive interface.

5.3. SET UP INITIATIVES TO INTERACT WITH CIVIL SOCIETY (GIVE-BACK)



By developing partnerships with the various digital players, ESI Group is once again contributing to the following Sustainable

Development Goals (4, 5 and 17, respectively): "Ensure inclusive and equitable access to quality education and promote lifelong learning opportunities for all", "Achieve gender balance and empower all women and girls" as well as "Strengthening the means of implementation and revitalize the global partnership for sustainable development".

ESI believes that its by working with various players in the industrial, academic and associative digital community, that the Group will strengthen its position as a key player in digital transformation and as a leading player in Virtual Prototyping.

Academic Partnerships and R&D

In order to facilitate collaboration and encourage industrial innovation, the Group makes sure to create and maintain quality relationships with various players in the digital community, at the industrial, academic and associative levels.

ESI's Scientific Committee, led by Professor Francisco Chinesta and made up of in-house specialists and leading international professors, acts in support of the Group's research policy and strategy. This Committee has relays in some subsidiaries: the first one was created in 2019 in Germany, followed by two others, in Japan and USA, in the process of being set up (delayed by the pandemic).

ESI has built a fully comprehensive program of initiatives to support universities and research laboratories around the world. The Group participates in several academic chairs with prestigious universities and distinguished professors. Each chair incorporates a number of sponsored PhDs who research state-of-the-art technologies in specific domains, for instance:

- ▶ With ENSAM (*École Nationale Supérieure des Arts et Métiers* in France), on the subject of hybrid twins combining physics-based and data-based models;

- ▶ With Zaragoza University in Spain, on the subject of virtual and augmented multi-sensorial reality;
- ▶ With CEU-UCH University in Valencia in Spain, on the subject of real time process control;
- ▶ With ENISE, CNRS, Safran, Cetim, Airbus Helicopters, Framatome: the MISU chair (*Maîtrise de l'Intégrité de Surface des pièces Usinées*), regarding machine tooled piece integrity control.

ESI and CNRS partnered to build the “DesCartes” project supported by CNRS@CREATE, in Singapore, flagship project on hybrid modeling in the context of the digitally connected city.

In addition to the core activities covered by the Chair directly, an extended network of academic collaborators is also established in order to support widening the range of research topics, as well as to design and deliver some advanced teaching courses at the following universities:

- ▶ In Germany/Austria: HTW Berlin, RWTH Aachen, *Technikerschule München*, TU Dresden, TU Wein;
- ▶ In Spain: UPV (Valence), CEU (Valence), *Universidad de Saragossa*, *Universidad Cadiz* and Mondragon Bilbao University;
- ▶ In France: Valenciennes University, UBS (Bretagne Sud), *Université de Technologie* in Troyes, *Université de Technologie* in Compiègne, INSA Lyon, IPSA, the *École des Mines* in Albi and campuses ENSAM (Bordeaux, Metz, Aix, Angers, Lille and Chalons-en-Champagne);
- ▶ In the UK: Imperial College London, University of Nottingham, University College London, Swansea University, University of Leicester, University of Glasgow, University of Warwick, and University of Bristol;
- ▶ In Czech Republic: Czech Technical University Prague, University of West Bohemia, Brno University of Technology;
- ▶ In Italy: *Politecnico di Bari* and *Politecnico di Torino*.

This network also extends well beyond Europe to include leading national universities across Brazil, China, Estonia, USA, Greece, Ireland, Japan, Mexico, Portugal, Russia, Sweden and Switzerland.

Targeting to reach out further and support the wider academic community worldwide, by fully democratising access to its software for all students as part of their studies and research, ESI has created a new web-based portal (ESI Academy).

Industrial Innovation Programs

ESI participates in several innovative projects and industrial programs which promote technological progress in our society:

- ▶ Performance and industrial optimization;
- ▶ Decarbonization, especially transport electrification;
- ▶ Reduction of CO₂ emissions thanks to weight reduction of multi-material parts;
- ▶ Support green energy projects.

For instance:

- ▶ Excelcar: ESI is also one of the founding members of the Excelcar association, which aims to revitalize and create jobs around a FabLab technical platform of R&D excellence in Bretagne (France) dedicated to the automotive industry under the impetus of PSA. ESI participates in the AM2 innovation platform specifically for developing a digital simulation and Virtual Prototyping channel for new multi-material and composite architectures, with priority given to the automotive industry;

- ▶ CORAC: ESI actively participates in initiatives from the Council for Civil Aeronautics Research (CORAC) undertaken as part of the “*Plan d'Investissement d'Avenir*”. Thanks to ESI's participation in several projects, the Group helps to make commercial aircraft cockpits safer and more comfortable, and thus keep cost margins under control for manufacturing important parts in helicopter gear boxes.

Competitiveness Clusters

ESI Group participates in several competitiveness clusters, principally in France, namely: Aerospace Valley (Toulouse), Astech Paris Région (Île-de-France), Nuclear Valley (Bourgogne), NextMove (Normandy and Île-de-France), I-Trans (Nord-Pas-de-Calais and Picardie), ID4CAR (Nouvelle Aquitaine, Brittany and Pays-de-la-Loire), Systematic (Île-de-France), Pôle Viameca (Auvergne-Rhône-Alpes).

A few more detailed examples:

- ▶ ID4CAR: This cluster has appointed Vincent Chaillou, Chief Operating Officer of ESI Group, as the President of ID4CAR in February 2018, after a regular attendance to its Board of Directors since 2012. The aim of this cluster is to increase the competitiveness of the sustainable vehicles and transportation sector in western France through innovation. Through this presidency, ESI Group contributed to the development of its strategic plan for the automotive industry;
- ▶ SMART 4D: ESI Group has worked with the Nouvelle-Aquitaine Regional Council to create the “SMART 4D” simulation community within the Digital Aquitaine cluster. This group brings together a number of industrial, academic and institutional players from the region. It has led to the creation of the first interdisciplinary digital community dedicated to HPC simulation, Virtual Prototyping and immersive experience to support tomorrow's industries and applications;
- ▶ Nuclear Valley: ESI Group is also an active member of the Nuclear Valley cluster, which helps to restore the competitiveness of the nuclear industry on the international market by providing its expertise in virtual reality to facilitate the replacement of existing equipment or its maintenance.

Professional associations

In order to create favourable conditions for collaboration and industrial innovation, the Group strives to create and foster good relations with the digital ecosystem in France and Europe.

Notably in France:

- ▶ ESI is a member of the Board of Directors of the *Française de Mécanique* Association (AFM), a body for information exchange, dialogue and discussion for the mechanical engineering community with the mission of representing French mechanical engineering to its foreign counterparts;
- ▶ ESI is an active member of TECH IN France, association which helps promote the software publishing industry and develop digital simulation.

And also in Europe: The Group contributes to several European organisations and initiatives, namely: European Green Vehicles Initiative, European Factories of the Future Research Association, European Technology Platform for Road Transport and ETP4HPC Association (European Technology Platform For High Performance Computing), BATTERIES EUROPE, EARPA.

6. PLANET

Considering the nature of its activity – distribution of software and sales of consulting services – the Group believes its impact on the environment to be very limited. All of its activities are carried out in offices. However, the Group has still pledged to work towards limiting its environmental footprint.

The main environmental challenges identified by the Group are:

- ▶ Developing solutions that helps reducing the environmental footprint of customers;
- ▶ Progressing toward the Group's carbon neutrality;
- ▶ Engaging employees in the creation of a more sustainable world.

6.1. DEVELOPING SOLUTIONS AIMING TO HAVE A POSITIVE IMPACT ON PLANET



From the outset, by developing innovative Virtual Prototyping products, ESI Group has sought to measure the impact of its solutions on society. Indeed, ESI's solutions enable reductions in the number of physical prototypes, which are costly and require large amounts of energy, raw materials and time, and bringing more environmentally friendly production to the market. ESI Group contributes to through this challenge to the Sustainable Development Goal 9 of the United Nations "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation", as well as Goal 12: "Ensure sustainable consumption and production patterns".

/ Policies

ESI is committed through its solutions to helping its customers to:

- ▶ Reduce time-to-market;
- ▶ Reduce total product weight;
- ▶ Reduce waste associated with prototyping and manufacturing;
- ▶ Improve useful life of products;
- ▶ Reduce the environmental footprint of products.

/ Outcomes

Tighter regulations on greenhouse gas emissions and recycling requirements, higher fuel prices and consumers' growing environmental concerns are all boosting demand for more planet-friendly products. In 2020, the Covid-19 health crisis has reinforced the quest for meaning, responsibility and limitation of the environmental impact of customers,

as well as the need for industries to evolve toward standards more in line with these values. In this context, the solutions developed by ESI are undoubtedly essential.

Throughout 2020, ESI has supported its industrial partners and customers in developing products and solutions that meet their environmental expectations, while enhancing productivity and business continuity in a global context of limited presence in offices.

Among these topics, we can mention:

- ▶ Supporting the integration of new materials in manufacturing processes;
- ▶ Optimizing battery life for electric vehicles;
- ▶ Supporting for the definition of secure and adapted scenarios to allow the return to offices and assembly lines in the context of Covid-19;
- ▶ Reducing the number of prototypes and physical tests, which not only saves time and costs, but also reduces waste and raw materials or consumables;
- ▶ Using virtual reality solutions to design collaboratively and train operators remotely, thus reducing the need of travelling;
- ▶ Supporting the development of new products or business models – ecological by nature.

Several illustrations of these topics can be found on the Company's website (under the Press or Customer Success Stories sections) and on its blog and social networks.

In 2020, six press releases have spotlighted examples in this sense, as well as three customer success stories, six blog articles, as well as video testimonials presented during the 100% digital ESI Live event organized in November of the same year.

6.2. MOVING FORWARD TO THE CARBON-NEUTRALITY OF THE GROUP

Reducing greenhouse gas emissions



As ESI operates both in France and internationally, and as its activity is within the tertiary sector, transport is the main source of its greenhouse gas emissions. ESI's actions meet the Sustainable Development Goal 12 (presented above) and 13 "Take urgent action to combat climate change and its impacts".

/ Policies

In order to reduce its carbon footprint, ESI is committed to a process of:

- ▶ Limit emissions resulting from employees' business travel by train, plane and company car;
- ▶ Limit CO₂ emissions resulting from goods and documents transportation;
- ▶ Develop the use of web conferencing tools.

Considering the nature of its licensing activities and sales of consulting services, please note that the Group's CO₂ emissions are indirect ones, mainly part of Scope 3 of the greenhouse gas (GHG) emissions balance sheet, particularly those related to employee transportation.

/ Outcomes

Employees' business travel

In order to limit travel, the Group has updated its travel policy. This policy is global and adapts to local specificities. Employees are encouraged to travel by train rather than plane for journeys of less than three hours. ESI is using a tool to centralise travel requests and

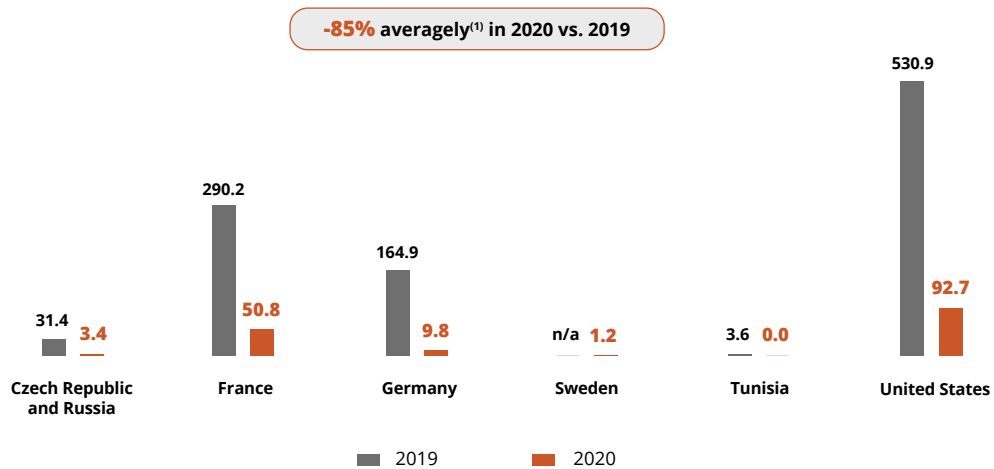
employee expenses at a global level, which allows better monitoring of travel requests globally. The implementation of this option has been delayed due to the global pandemic, as business travelling was restricted at the Group level. On the other hand, in 2020, a vehicle charter has been implemented worldwide, applicable to employees holding company cars.

In 2020, emissions due to employee travel decreased significantly, in view of international and local travel restrictions and the implementation of home office, in the aim to limit the spread of the pandemic. In the upcoming years, the Group intends to continue to limit these emissions by promoting home office and the use of web conferencing tools.

CO₂ emissions due to employee travel by train and plane (for countries for which ESI has data):

CO₂ emissions due to employee travel by train and plane

(In tons)



(1) Average of emissions above, excluding Sweden which joined the reporting scope for the first time in 2020.

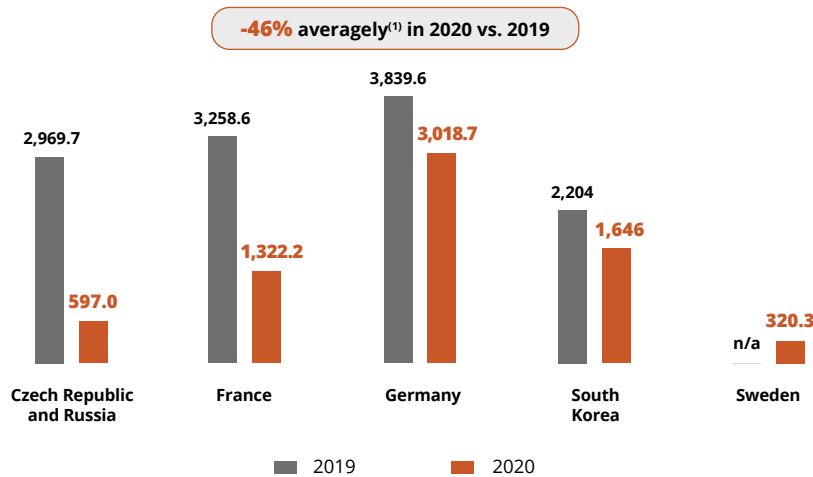
For Czech Republic, France, Germany, Russia, Tunisia and the United States, these emissions amounted to 156.8 tons, down 85% compared to 2019. For Sweden, which joined the scope of analysis for the first time in 2020, these emissions were about 1.2 tons in 2020. Please note

that data are provided by local travel agencies that manage directly travel bookings. Any reservations made directly by employees are not accounted due to lack of information.

CO₂ emissions due to employee travel by company car (for countries for which ESI has data):

CO₂ emissions due to employee travel in company cars

(In Kg.car)



(1) Average of emissions above, excluding Sweden which joined the reporting scope for the first time in 2020.

In 2020, 46 employees had a company car in France, 45 in Germany, 33 in the Czech Republic, five in Spain, five in Italy and four in Sweden. In China, India, Japan, South Korea and Switzerland, only one person had a company car. There were no company cars in Brazil, the United States, the United Kingdom and Tunisia in 2020. The higher allocation of company cars in Germany and France is due in particular to a higher proportion of sales staff and a culture that favours this form of compensation. For Czech Republic, France, Germany, Russia and South Korea, these emissions amounted to 1.64 tons/car averagely, down 46% compared to 2019. For Sweden, which joined the scope of analysis for the first time in 2020, these emissions were about 0.32 tons/car averagely.

For the safety of its employees, the Group has adopted and promoted home office in 2020, using Microsoft's "Teams" platform, allowing more efficient online audio-visual meetings for up to 250 people. In 2020, and due to the evolution of the Covid-19 pandemic, the use of "Teams" increased by 87% compared to 2019, with more than 560 meetings/day averagely.

Goods and documents transportation

For several years now, ESI has digitized the delivery of its software and associated documentation through its MyESI customer portal. For various reasons (practices, regulations, network infrastructure), some countries in the Group's Asia region still use physical formats. The Group's objective is to extend the coverage of this practice to its entire perimeter.

In addition, among the measures taken over the past several years, the adoption of the Gelato platform, which allows subsidiaries to order locally the amount of documents they need. This solution enabled the Group to save paper thanks to print-on-demand. In 2020, Gelato has enabled the Group to avoid the equivalent of 1,274 km, a 68% saving on the average distances taken to deliver brochures and other documents.

Managing resources in a more sustainable way



ESI Group believes that environmental responsibility should be a priority for all companies and strives to reduce its environmental impact and to manage its resources in a more sustainable way and contributes to the same Sustainable Development Goal as the previous section (13): "Take urgent action to combat climate change and its impacts".

/ Policies

The main environmental issues in which ESI is involved are:

- ▶ Limiting energy consumption;
- ▶ Limiting paper consumption and transitioning to the use of recycled paper;
- ▶ Develop a waste recycling process all over the sites.

/ Outcomes

Energy consumption

In 2020, energy consumption has dropped significantly at several sites, mainly due to the adoption of work-from-home at the Group's

level. Below is a presentation of the collected and consolidated data from different sites.

For France:

Before 2020, for France, the Group reported mainly on electricity consumption at the Rungis site. In 2020, ESI has integrated other sites within the French perimeter, including Aix-en-Provence, Compiègne, Ter@tec, Colomiers and Paris (definitely closed at the end of 2020). The Group estimates that these sites are accounting for approximately 98% of total electricity consumption; data from other French sites are not available as it is included in rental or collective bills.

Thus, total consumption at the above-mentioned sites amounted to 883,611 kWh in 2020, including the Rungis site consumption of 105,301 kWh in 2020 (a significant drop of 77%).

For other countries:

- ▶ In Brazil, Czech Republic, Germany, India and Russia, average consumption per employee accounted to 2,463.2 kWh, down 12% compared to 2019;
- ▶ In China, electricity consumption was about 1,304.1 kWh per employee averagely. This consumption doubled in 2020 due to the integration of new IT servers that require permanent air conditioning;
- ▶ In Japan and South Korea, consumption per employee averagely accounted to 2,641.6 kWh and 7,949.3 kWh respectively, with an increase of 4 and 6% respectively. This consumption was slightly higher than in 2019 – this is due to the fact that air-conditioned offices remained open for employees who wanted to work in there and air conditioning was maintained;
- ▶ In Tunisia, total consumption was about 71,948 kWh in 2020, with a decrease of 14.7% compared to 2019. On the other hand, electricity consumption per employee increased by 16% in 2020 (5,139.1 kWh) due to a 26% drop in the total Tunisian workforce;
- ▶ In Spain, consumption data are only available in the Madrid site, representing an average of 362.9 kWh per employee, with a decrease of 48% compared to 2019;
- ▶ In the United States, consumption is only measurable at the San Jose site, representing 885.8 kWh per employee averagely in 2020;
- ▶ Finally, energy consumption is not measurable in Italy, Switzerland and other sites not mentioned above. For these sites, energy consumption is included in common bills, measured annually along several parameters other than electricity.

To minimize energy consumption, the Group has installed LED lights at its Rungis, Paris and Ter@tec offices in France and at its offices in India. In addition, during upgrades of certain workspaces in France, the Group has given preference to lighting with low power consumption, removed hot water tanks from restrooms, and refurbished air conditioning systems. Motion sensors have been installed for lighting systems in Tunisia, in San Jose in the USA, and also in ESI Software in Germany (Stuttgart). In Japan, the lights automatically turn off after a while, in the absence of physical presence.

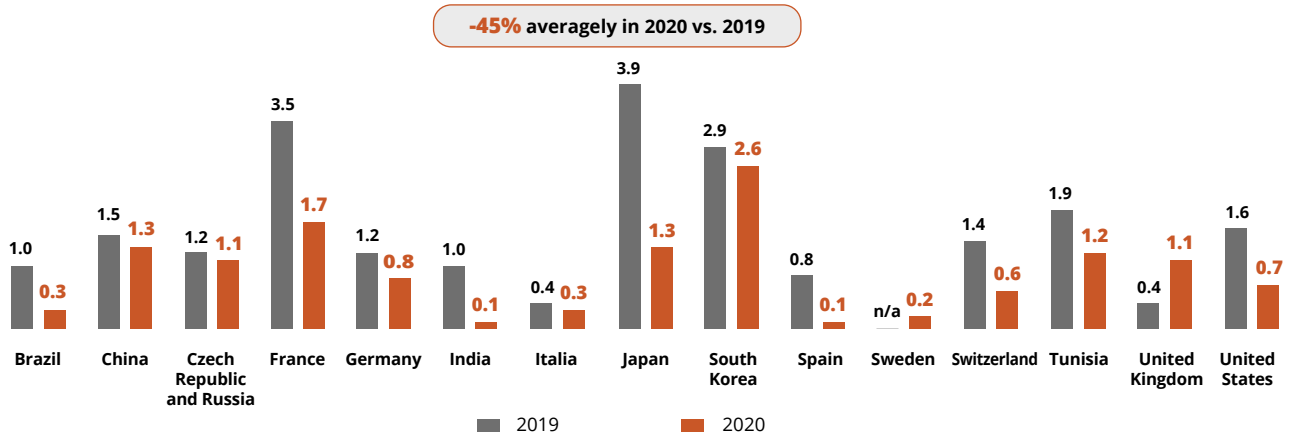
Finally, the Spanish office in Madrid has received a certification of compliance with the requirements of the LEED (Leadership in Energy and Environmental Design) standard, carried out by the building owner.

Paper consumption

Everyday use by employees is the main source of paper consumption.

Paper consumption per employee

(In number of reams of 500 sheets)



For the entire reporting scope, average paper consumption decreased by 45% in 2020, with an average of 0.9 reams of paper per employee (vs. 2 in 2018 and 1.6 in 2019). This is mainly due to the adoption of home office, as well as the evolvement of employees' behaviour toward reasonable and more sustainable consumption.

Paper consumption increased significantly in the United Kingdom (1.1 reams per employee vs. 0.4 in 2019), due to the inclusion of the legal entity "ESI OpenCFD" in the reporting scope.

Please note that, in view of the integration of the employees of AECC-ESI (Beijing) Technology Co. Ltd (joint-venture) in the environmental perimeter, paper consumption for China, in 2019, has been corrected to include them in the basis of calculation, and thus changed from 2.9 to 1.5 reams per employee. Thus, the overall average consumption in 2019 has also been corrected from 1.7 to 1.6 reams per employee.

Here are some of the actions taken to reduce paper consumption or develop the use of recycled paper internally:

- Japan made 100% of its prints with recycled paper, followed by Spain on 50% of its prints and China on 35%. More than 80% of the countries included in the scope have automatically set up black and white and double-sided printing;
- ESI continues its electronic documents program by implementing IT tools and processes to reduce the use of paper and energy consumption related to printing. Dematerialization has been established for many documents, including travel orders, leave requests and offer reviews. Employees are also strongly encouraged to use the cloud storage service under Microsoft 365, more specifically via the Sharepoint platform;
- In order to reduce the need to print contracts, invoices and other documents requiring an official signature, and to simplify the associated processes, the Group has implemented DocuSign, a platform that enables authenticated and electronically traced signatures. This service has become all the more essential in 2020 with the low office presence due to the health crisis context;
- In early 2017, employee representatives in France were elected via a fully electronic voting process, preventing the need to print ballots for the nine offices in France. Annual assessments have been 100% digitized thanks to the use of Loproline Systems platform;
- ESI also offers its employees in France the possibility to create a safe account on Digiposte to dematerialize HR documents such as periodic pay slips;

- The use of Gelato platform, a local printing and delivery tool, allows subsidiaries to locally order the necessary quantity of documents they need. Ultimately, this tool saves paper by printing on demand, which allows ordering only what is needed and on a local basis;
- Finally, since last year, the Group has decided to stop printing its Universal Registration Document in paper format, reflecting ESI's desire to continue reducing paper consumption and avoid waste of paper. As indicated in chapter 9 of this document, the Universal Registration Document will be available in electronic version on the Company's website and will be available for consultation at headquarters upon request.

Water consumption

The Company's business is not very water intensive as it does not require water for production. ESI's water is therefore solely for sanitary use and is drawn from urban networks.

Waste disposal and recycling

Due to the nature of its activity, ESI mainly generates non-hazardous waste, paper, cardboard and plastic. To the best of its knowledge, the Group does not generate any hazardous waste, except Waste Electrical and Electronic Equipment (WEEE).

In France, almost 100% of employees were made aware of the importance of selective wasting sorting in their daily lives, mainly thanks to the implementation of dedicated containers. At the Rungis and Lyon sites, ESI uses Elise's services, a waste collection and recycling company that provides stable employment for people with integration difficulties, particularly due to disabilities. In 2020, Elise recovered 822 kg of waste, including 194 kg of paper. Recycling this waste saved the equivalent of 256 kg of CO₂ emissions, 1,782.1 kWh of energy and 5.4 trees.

All the German, American, Czech, Japanese, Spanish, Italian and Swiss sites are also equipped with bins for sorting waste. It is planned to extend this measure to all European sites in the future.

When it comes to other specific waste, notably waste of electrical and electronic equipment (WEEE), ESI Group attaches great importance to the environmental management of its IT equipment, in terms of both its use and its recycling.

The Group's IT equipment mainly comprises desktop and laptop computers, servers, copiers and printers. The Group cannibalizes computer hardware (uses parts of one machine to repair another) whenever possible to give a second life to some faulty equipment.

In France and the United States, end-of-life or obsolete hardware is collected by an authorized provider that manages the processing of electronic waste. In Germany, the Cleaning and Facilities Management Department, in coordination with the IT Departments, is tasked with collecting used electronic equipment. Waste management is then

passed on to the local authority of each city. In Spain, an instruction explains where obsolete electronic equipment must be taken in order to be recycled.

Furthermore, on request to our supplier in France, printer cartridges are collected and recycled via a completely ecological chain.

Lastly, in the entire environmental scope, ink cartridges, batteries, defective light bulbs and fluorescent tubes are recovered by our various suppliers. Containers are available to staff for this purpose in offices.

6.3. ENGAGING EMPLOYEES IN THE CREATION OF A GREEN WORLD



ESI believes that a company's responsibility is not limited to acting on its clients' environmental footprint or its own, but also to raise awareness and engage its employees in implementing a proactive approach and in carrying out concrete actions. This commitment contributes to the same objective mentioned above (13): "Measures to combat climate change".

/ Policies

The main environmental topics to which ESI is committed are:

- ▶ Raising the awareness of its employees on an ongoing basis of the measures taken to avoid wasting energy;
- ▶ Suggesting concrete actions to employees to engage them in favour of the Planet.

/ Results

In 2018, ESI produced a short video for all employees on simple eco-responsible gestures to adopt at work (<https://www.youtube.com/watch?v=nuidrrldgrk>).

In 2019, a new online discussion group was set up, on the internal communication platform "Chatter", around environmental issues. This has enabled employees to share the eco-responsible actions carried out in their professional and/or personal environment around the world.

At the beginning of 2021, the Group communicated on its commitment to plant 10,000 trees by 2025, on the aim to contribute to the reforestation of the planet. By the end of 2021, several hundred trees will have been planted by ESI's customers and employees thanks to the Reforest'Action program, a social enterprise whose main mission is to preserve, restore and create forests in France and around the world through collective reforestation projects. Thus, each participant has the possibility to follow the evolution of this reforestation project and its benefits in real time (impact on climate, biodiversity, health and employment) at: <https://www.reforestaction.com/en/esi-group>.

7. REPORTING

Data collection and consolidation

The Company has implemented a differentiated data collection and consolidation process according to the themes. Social reporting is covered by an HR officer who works with local HR representatives. The corporate communication team is responsible for environmental and societal reporting through local professional representatives. The Group plans to gradually broaden the scope until it covers every subsidiary in a reliable manner.

The available data are sorted into three geographic areas corresponding to the Company's business divisions:

- ▶ Americas = Brazil and United States;
- ▶ Asia-Pacific = China, India, Japan, Malaysia, South Korea, Thailand and Vietnam;
- ▶ Europe, Middle East and Africa = Czech Republic, England, France, Germany, Italy, Netherlands, Russia, Spain, Sweden, Switzerland and Tunisia.

Scope

The Group's ambition is to gradually expand the scope of coverage until it achieves full and reliable coverage of its subsidiaries. In line with its commitments, in 2020, ESI Group continued its actions to increase the collection and analysis of indicators internationally.

- ▶ Scope of social reporting:
Since 2012, ESI's Human Resources Information System has been upgraded to Sales Force for all countries, with local management of all payroll systems in order to take into account local specificities. Social data thus represents 100% of the workforce.
- ▶ Scope of environmental reporting, representing 98.4% of total workforce in 2020:
It includes Brazil, China, the Czech Republic, France, Germany, India, Italy, Japan, Russia, South Korea, Spain, Sweden, Switzerland, Tunisia, the United Kingdom and the United States. Sweden integrated in the reporting scope for the first time in 2020, as well as the legal entity "ESI OpenCFD" under the United Kingdom.
Please note that, even though AECC-ESI (Beijing) Technology Co., Ltd (joint-venture) is not included in the Company's employee database, its employees are included in the environmental perimeter. 2019 data for China has been corrected as explained earlier in this document.
- ▶ Scope of societal reporting:
Societal information is provided at a global level. Hence, the reporting scope represents 100% of ESI's headcount since 2016.

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