

2021

# COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

WE SUPPORT



# LETTER TO OUR STAKEHOLDERS



Dear Mr Secretary General, dear readers,

ESI stands by our founding principle: to protect lives. This is reflected in our **core commitment to enable clean, safe and productive industry globally**. 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 being an “outstanding sustainable partner” promoting **Virtual Prototype for good**, whilst being a “committed employer” putting **people first** and fostering motivation of talents by ensuring a mutual engagement in an international environment that promotes meaningful work professional growth, diversity and inclusion. ESI also efforts at being an “ethical and committed company” that supports **transparency and compliance** across the globe. Last but not least our engagement of being an **environmental friendly** player by operating in a cleaner way and engage our people in the creation of a green world, completes the four elements on which our CSR policy is based on. 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.

Member since 2018, I am pleased to express, with this forth 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



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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 virtualizing 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 impact 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, Aerospace, 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 2021 continued on the trend seen these past years with a major impact on the expectations and practices of both consumers and industrial players: Corporate Social Responsibility (CSR) has become a key and visible element to assess the Company's performance. 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

Our Corporate Purpose stands for: 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.

## 1.3. ESI values

ESI's values infuse this recognized organization with a culture and an ambition that have produced innovation for the benefit of the Group's customers, partners and employees for nearly 50 years.

These values – Passion, Global, Change, Trust, Social Responsibility and Energy – anchor the Group's identity and fit logically together, as can be seen in the Corporate Social Responsibility actions defined.

## 2. ESI – A COMMITTED GROUP

### 2.1. Setting priorities: CSR framework

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:

|   |   |   |   |   |   |
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## ESI Group's CSR approach

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 in response of the four main challenges: Transparency/Compliance, Virtual Prototype for good, People first and Environmentally friendly.

### 2021 performance







## 2.2. 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 2021.

This matrix represents a key tool in the execution of the CSR 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:

- 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 2020 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).

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 through two global surveys (Internal questionnaire to all employees and external questionnaire addressed to some of the main stakeholders).

For 2021, ESI has decided to focus its efforts to understand the challenges of a priority group (in the context of the Company's Transformation), represented by the direct reports of the Leadership Team. To this end, an investigation was launched to recover their inputs.

In the same line, we wanted to broaden the feedback from our external stakeholders, in particular our customers, without forgetting our suppliers, investors, financial and legal ecosystem. A dedicated and targeted survey was launched which allowed us to increase our customer return rate compared to last year and to collect valuable information to proceed with the update of our Matrix.

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 reviewed.

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:

- The **"Critical Impact"** section contains ESI's six (6) priority commitments;
- The **"Important impact"** component encompasses six (6) major commitments;
- The **"Moderate Impact"** section includes one (1) commitment.

## 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.

## 2.3. CSR distinctions and commitments

### 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 2021 Gaia campaign for mid-caps with annual revenues under €150 million for its 5<sup>th</sup> time.

The Gaia Index ([www.gaia-index.com](http://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](http://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.

The ratings are based on 174 criteria (economic, governance, human capital, environment and stakeholders) and are used by the main management companies in their management process and their investment decisions.



### Global Compact

Since 2018, ESI Group signed the Global Compact (United Nations 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 a Communication on Progress (COP).

For more information, visit: [www.unglobalcompact.org](http://www.unglobalcompact.org).



### 3. BEING A COMMITTED EMPLOYER

ESI Group is a key technology provider operating in a vibrant market. As employer the Group aims to create a great work environment for the best employee engagement and experience.

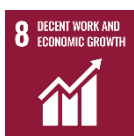
ESI Group's employees consist primarily of highly trained engineers and PhDs from prestigious universities and institutes worldwide. In addition to the close relationship that the Group has always had with these schools, there are a number of other factors that exemplify ESI's commitment to value employees' 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's mission as employer is based on:

- Develop talents and encourage leadership and collaborative management;
- Promote diversity and multicultural exchanges;
- Contribute to the well-being of employees and ensuring the quality of working life.

This policy draws on various tools, including the Human Resources Information System (HR-IS), on a worldwide scope, 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.

## 3.1. Developing talents and encouraging leadership and collaborative management



Employees are the major contributors to the success of our company “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”. Talent Development is the key for improved business performance for the Group’s sustainability. Indeed, in order to respond to the industrial market transformation and the new challenges, the Group constantly ensure to foster the employee engagement, empowerment, and motivation, to get great achievements individually and as a whole organization.

Moreover, the Group has developed the “OneESI 2024 – Focus to Grow” plan by globalizing its operating model, focusing its offerings & innovation management and leveraging its global technical expertise.

Also, the Group’s transformation and its end-to-end software solutions are an opportunity to develop and enrich the professions and skills of existing teams.

### / Policies

In this way, ESI focuses on:

- Onboarding Programs: Ensure the future performance of new talents with the onboarding program “Welcome Days”;
- Performance Management: Promote talents, measure and develop employees’ skills;
- Learning Programs: Deploying training enabling employees to develop their expertise and supporting in the career growth;
- Partnerships with Universities: Participating in the training and development of junior population and employment-enhancing;
- Internal and transparent communication: Promoting the dissemination of information to all employees.

### / Results

#### Recruiting and retention of talents

The Group pays particular attention to the integration of new talents through onboarding programs. In the context of the globalization, the standard tools and the intranet portal have 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 the first days, weeks and months at ESI Group.

Since 2018, the Group integrated a practical onboarding, called “Welcome Days”, for culturally integrate new joiners into the company within a short time. 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 digital process for evaluating the performance and development of each employee, which aims to organize at least once a year with his or her direct report an evaluation of the past year’s performance in relation to previously assigned objectives and to define the objectives for the coming year.

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 2021, 230 employees took language courses, including 76% in English, 17% 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. 246 licenses have been given to employees to take part of several hundred online technical training courses. In 2021, 1,340 hours of online courses were taken in 12 countries, Most of them concerned Python programming language and C++ language.

In addition, in 2021, thanks to the implementation in 2020 of our interaction platform Metacompliance, we provided our employees with online training in the areas of management, GDPR and information security. In 2021 alone, we delivered 13 “online” courses for a total of 412 hours, all countries combined (for 2020, we had produced eight online training courses for a total of 474 hours).

#### 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: ENSAM (Bordeaux, Angers, Aix, Metz, Lille and Paris), Gustave Eiffel University, Saint-Étienne University, South Brittany University, Notre Dame University (Lebanon), UTT (Troyes), UTC (Compiègne);
- In Germany: Aachen University;
- In India: Indian Institute of Science, BMS College of Engineering, Rashtrreeya Vidyalyaya College of Engineering (RVCE), PES University, Dayanand Sagar College of Engineering; IIT Bombay; Vellore institute;
- In Russia: Ural Federal University, Siberian Federal University, Toliatti State University;

- In Malaysia and in Thailand with universities of Suranaree University of Technology;
- In Spain: EHU, UJI, UJRC, University of Zaragoza;
- In Czech Republic: University of West Bohemia;
- In Tunisia: ENIT;
- In Korea: Hongik University;
- In UK: University College London, Swansea University.

In 2021, the Group has welcomed a total of 18 trainees from different universities and business school (interns and apprentices).

### Internal communication

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.

At the end of 2021 the Group launched a new communication tool, Yammer, an enterprise social network, to create a strong internal communication, highlight the initiatives, and give a safe and open place to the employees to share and collaborate, boosting a global sense of belonging.

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:

- The Group also created, a internal exchange format which aimed 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. These talks were delivered until June 2021;
- 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 2021, six 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 Sales Kick Off Meeting. The Software Engineering 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 2021, these events took place online, due to the global pandemic;

- 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.

### Change management

2021 was marked by the creation and the implementation of the Group three-year plan called "OneESI 2024 – Focus to Grow". To accompany the change, the Group created several initiatives:

- The Group initiated quarterly global Q&A sessions in 2019. In 2021, these sessions were transformed in quarterly talks now called Global Townhall Meetings led by the CEO and the leadership team. The objective of these talks are to accompany, cascade and inform all employees about the transformation and its progresses;
- As these global townhall were, by definition, global, to accompany the team more closely, PU (performance unit) townhall have been created and hosted at least once a quarter or once a month. These PU townhall are led by each Leadership team member. During these sessions they cascade the messages delivered by the top management while disseminating them to their perimeter: impact of decisions in their team, their team evolution, challenges, objectives, etc.;
- The change is a long process where all stakeholders need to receive the adequate level and type of communication, support and answers. As a global company, with dispersed teams, the Group created three types of groups aiming to play a specific role in the transformation to come:
  - The core transformation team mainly composed by the management team in charge of thinking, designing, implementing the transformation,
  - The extended transformation team initially composed by change agents in the middle management with a key role to play in the transformation either because of their new function or because of their crucial contribution in transversal projects key for the transformation project and now composed by the direct report of the leadership team,
  - The "Change Ambassadors" with a role 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.

### 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 favour 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 based on total headcount of 1,144 people:

### Distribution of staff by geographical area

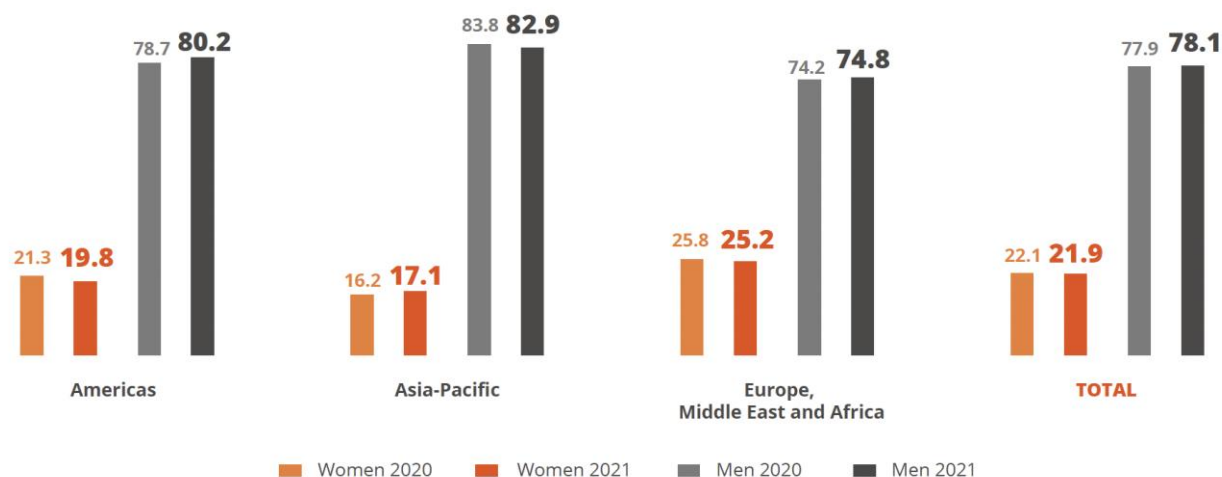
|                                | 2021  | 2020  |
|--------------------------------|-------|-------|
| Europe, Middle East and Africa | 56.9% | 56.6% |
| Asia-Pacific                   | 34.7% | 34.5% |
| Americas                       | 8.4%  | 8.9%  |

### Distribution of staff in the main countries

|               | 2021  | 2020  |
|---------------|-------|-------|
| France        | 25.8% | 26.2% |
| India         | 21.1% | 20.5% |
| Germany       | 16.7% | 15.9% |
| United States | 7.6%  | 8.1%  |
| Japan         | 7.9%  | 7.2%  |
| Others        | 20.9% | 22.1% |

### Gender distribution and equity

(In %)



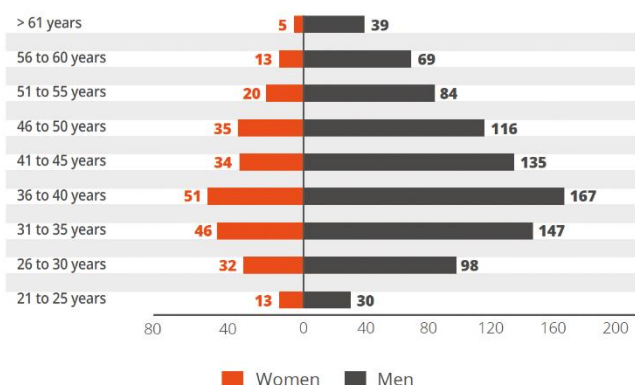
The proportion of female employees with open-ended contracts, at 22%, is relatively low and stable compared to previous years. This low representativeness can be explained in particular by the low number of women in engineering schools that are the main source of recruitment for the Group, as well as 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 2021, 26 women joined the Group, representing 28% of total newcomers.

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



## Age pyramid



The average age of the Group's employees is 41.4 years (women: 39.8 years and men: 41.8 years).

ESI Group respects the laws in favour of the accession and retention of employees, regardless of their age. Thus, 23.2% of employees are over 50 years, *i.e.* 265 employees worldwide.

66% of the population aged over 50 is located in EMEA, compared to 15% in the Americas and 19% in Asia.

In addition, 76% of employees hired on permanent contracts are under 35 years old.

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: 33/40;

The gap in individual rates of pay increase: 10/20;

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: 15/15;

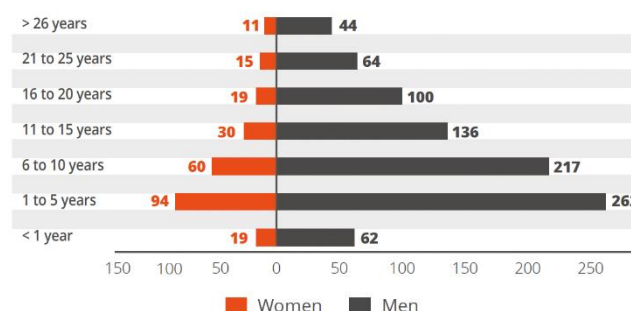
The gap in promotion rates between women and men: 15/15;

Total: 78/100, 3 points above the requirement.

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.

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

## Breakdown of workforce by seniority



The average seniority in the Group is 9.8 years (8.7 years for women and 10.1 years for men).

## DEI – Diversity, Equity and Inclusion

22% of employees are holding a management role, including 18,6% of women.

The Ethics Committee (composed of two women and two men) 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 equity is an integral part of the Group's strategy, aiming to increase both the percentage of women managers and the percentage of women engineers.

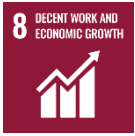
In France a group is working on a Charter for FY22 on the topic of harassment. India has an Anti-Sexual Harassment Charter signed in July 2019 and established an Anti-Sexual Harassment Committee composed of a Chairperson and eight members. Local information sessions have been organized on the subject. 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 sites in France to ensure selective sorting. Elise is a company called "adapted" which create open-ended contracts for the persons with disabilities.

ESI cares about its employees and uses remote communication systems with closed captions to help mitigating hearing problems.

## 3.3. Fostering Employee well-being and job satisfaction



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;
- “No-Meeting Day”: one-day per week dedicated to restoring the importance of taking time, without meetings, enabling employees to work differently;
- Working from home policy to encourage a great work life balance;
- Improve working conditions (such as modern and well-equipped office), which has a direct impact on the well-being, efficiency and motivation of employees;

- Create a favourable social climate;
- Employee Listening Campaigns.

### / Results

Headcount data is calculated on the basis of the number of employees present at December 31 of each fiscal year<sup>1</sup>.

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, 2021, ESI Group's workforce stood at 1,144 employees.

96% of the Group's workforce is 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 4% of the workforce. ESI continued to pursue its ambitions to control its workforce in line with business evolution.

## Employee turnover

| Recruitments                          | 2021      | 2020      | 2019       |
|---------------------------------------|-----------|-----------|------------|
| <b>Europe, Middle East and Africa</b> | <b>60</b> | <b>67</b> | <b>88</b>  |
| Apprenticeship/internship             | 12        | 15        | 20         |
| Short-term contracts                  | 10        | 13        | 22         |
| Open-ended contracts                  | 38        | 39        | 46         |
| <b>Americas</b>                       | <b>6</b>  | <b>8</b>  | <b>24</b>  |
| Apprenticeship/internship             | 1         | 4         | 15         |
| Open-ended contracts                  | 5         | 4         | 9          |
| <b>Asia-Pacific</b>                   | <b>28</b> | <b>23</b> | <b>37</b>  |
| Apprenticeship/internship             | 8         | 1         | 8          |
| Short-term contracts                  | 9         | 4         | 6          |
| Open-ended contracts                  | 11        | 18        | 23         |
| <b>TOTAL</b>                          | <b>94</b> | <b>98</b> | <b>149</b> |

| Leavers                               | 2021       | 2020       | 2019       |
|---------------------------------------|------------|------------|------------|
| <b>Europe, Middle East and Africa</b> | <b>100</b> | <b>81</b>  | <b>94</b>  |
| Apprenticeship/internship             | 12         | 18         | 18         |
| Short-term contracts                  | 7          | 19         | 8          |
| Open-ended contracts                  | 81         | 44         | 68         |
| <b>Americas</b>                       | <b>20</b>  | <b>20</b>  | <b>28</b>  |
| Apprenticeship/internship             | 1          | 9          | 10         |
| Open-ended contracts                  | 19         | 11         | 18         |
| <b>Asia-Pacific</b>                   | <b>53</b>  | <b>17</b>  | <b>28</b>  |
| Apprenticeship/internship             | 2          | 1          | 4          |
| Short-term contracts                  | 18         | 4          | 4          |
| Open-ended contracts                  | 33         | 12         | 20         |
| <b>TOTAL</b>                          | <b>173</b> | <b>118</b> | <b>150</b> |

In 2021, ESI Group recruited 54 employees on open-ended contracts, i.e. 57% of total hirings.

The departure rate of employees on open-ended contracts is 12% in 2021. (number of departures under open-ended contracts/total headcount under open-ended contracts at the beginning of the period) × 100] compared to 6% in 2020.

The turnover rate on open-ended contracts is 8.4% in 2021 [(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 5.6% for the year 2020.

### Working time

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

Due to Covid 19 period we realised we were able to work on a remote way. ESI sets up a work from home policy depending of local practise and type of job position. For instance, for France, the agreement plans eight days of remote per month

In 2021, 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.

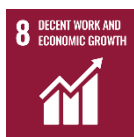
As part of the pandemic crisis management in France, representatives of Health, Safety and Working Condition Commission met regularly with ESI's management to consider the best strategy of a safe working environment.

## 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 Parties with team building activities;
- Step Challenge creating friendly competition in the workplace while also encouraging healthy living;
- Digital yoga and fitness sessions in some countries, such as France and India.

## Health and safety: a leitmotiv of the year 2021



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 Benefits

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.

The Group sets workplace health and safety best practices to protect the employees. For example, 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 or Spain offer a free medical check-up to employees, and Tunisia 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 on short and long term.

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.

As part of its "OneESI 2024 – Focus to Grow" plan, the Group is gradually deploying an Long Term Incentive stock plan to catch up with best practices in software companies.

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.

### 3.4. Set up initiatives to interact with civil society (give-back)



By developing part-nerships 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 countries: 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;
- With ICC, an entity of the Kanazawa Institute of Technology, in Japan for the manufacture of composites;
- In India with the National Institute of Advanced Manufacturing Technology (NIAMT); Birla Institute of Technology and Science, Pilani.

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 Zaragoza*, University of Barcelona, Madrid;
- In France: Valenciennes University, UBS (Bretagne Sud), Bordeaux University, *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*;
- Globally at the European level, ESI as a founding member is a member of the EDUCATION programs of EIT Manufacturing (European institute for Innovation and Technology). As such, ESI has provided teaching at Master's level and developed training materials with universities for future engineers in the manufacturing sector;
- In India at the IIT in Bombay.

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). This portal is also accessible from the EIT Manufacturing GLP platform.

#### 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 CO<sub>2</sub> 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; Along with Renault and Constellium, ESI is also involved in the ISA3 project, which aims to reduce the weight of all-aluminum doors by 15% and their cost by 20%.
- 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), Systematic (Île-de-France). A few more detailed examples:

- **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;
- **AerospaceValley.** ESI is a facilitator within the Materials, Structures and Processes group of the Ecosystem of Excellence. ESI participates in the development of the roadmap and is regularly involved in the organization of thematic days around simulation and digital transformation.

## 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 a member of the France Committee of NAFEMS which is a global organization whose mission is to provide knowledge, international collaboration and educational opportunities for the use and validation of simulations in engineering. ESI is a member of several Working Groups (Composites, Manufacturing, Additive) and Chairman of the Composites Manufacturing working group.

And also in Europe: The Group contributes to several European organisations and initiatives, namely: European Green Vehicles Initiative, EIT Manufacturing, European Factories of the Future Research Association (now MADE IN EUROPE), European Technology Platform for Road Transport and ETP4HPC Association (European Technology Platform For High Performance Computing), Big Data Value Association, BATTERIES EUROPE, EARPA, European Material Modeling Council, European Welding Federation (European Sector Skills Strategy).

ESI also contributes to the Composites Materials Handbook (CMH-17), an American organization supported by the FAA and the world aeronautics industry, which has the vision of being the world's focal point for technical information on composite materials and structures. ESI collaborates with the University of Bologna (I) on this subject.

## Scientific societies

ESI is a member of societies such as AMAC, SAMPE, ESAFORM, etc.

ESI is a member of the ESAFORM jury for the yearly Best industrial research thesis award.



## 4. BEING AN OUTSTANDING PARTNER

To respond effectively to the transformations of the industries it serves, ESI Group places its activities and the solutions it delivers within the framework of the broad ecosystem of players who also contribute to these responses through their products and services.

It is the combination of ESI's capacity for innovation and the development of relationships of trust with its partners that will ultimately ensure customer satisfaction by meeting their quality and safety requirements in particular.

### 4.1. Support the transformations of industries and customers by developing a network of partners who share ESI's values of innovation and performance



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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?

The industries served by ESI's solutions must face multiple challenges related in particular to the extraordinary increase in the intrinsic complexity of the products they deliver, but also to the additional constraint for these products to function and deliver a service by interconnecting themselves with other products or systems.

The best example of this evolution is perhaps in the automotive industry and with the autonomous vehicle which, beyond its own functionalities, will have to communicate and synchronize in real time with other vehicles and multiple urban systems.

It also appears that the diversity and scale of the problems to be solved in this area, to bring the marketed solutions to the expected levels of performance and security, can only be achieved by the active collaboration between multiple contributors.

This example illustrates quite well the need for ESI Virtual Prototyping and simulation solutions to be integrated over time with other solutions covering in a complementary manner all the disciplines involved in development, validation and certification of the products and services concerned. An expected benefit of this integration will also be to make the use of simulation more natural and more accessible in the chain of activities relating to the development and use of the product in operation.

#### / Policies

In its approach, ESI strives to:

- Meet its customers' demand for ever more innovative products;
- The methodical identification of partners;
- An active collaboration between multiple contributors.

#### / Outcomes

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

ESI's desire to adapt to the requirements mentioned on the previous chapter resulted in the course of 2021 in the methodical identification of the partners who will best be able to contribute to meeting these requirements and this for all components of the solutions we offer and for all of our strategic development projects too.

This resulted initially in the engagement of exchanges with various players falling under three categories:

- technology and platform providers;
- software players complementary to ESI solutions and finally integrators; and
- service providers ensuring the quality of deployment required to enable customers to achieve their objectives.

From these commitments emerge some trends that deserve mentioning in particular the need for ESI to develop close relationships with the following actors:

- Those whose solutions in real-time contact with the product or manufacturing process provide Hybrid Twin solutions with the quality data they require;
- The main players in PLM (Product Lifecycle Management) who are both suppliers of the 3D geometry to which part of the ESI solutions apply, but who also host the collaborative processes for managing the life of products and for manufacturing processes at its optimization to what ESI contributes;
- And finally the ecosystem of suppliers of solutions related to systems engineering whose digital integration is required to access the expected levels of quality and security.

To remain at the forefront of innovation while sustaining productivity the Group invested 29,8% of its Licenses activities revenues in R&D in 2021.

## 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 towards the improvement of processes and to actively participate to create a Global Quality Management System (QMS) that will be the cornerstone of our performance execution.

Since 2010, ESI has extended the scope of its Global Quality Management System certification. 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.

In 2021, ESI completed a global coverage for its QMS, the certification now covers all ESI Group subsidiaries and sites worldwide.

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. The scope of this certification was reinforced in 2021 with the integration of other ESI sites such as Germany (Wolfsburg) and for 2022 in Dresden.

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".

### 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 on our internal systems and updated periodically;

- The selection and evaluation procedure includes CSR & environmental criteria;
- Makes sure not to create a situation of dependence on suppliers and subcontractors.

The achievement of the results expected by our customers can call on multiple forms of partnerships, here are some of areas explored by ESI during the year 2021:

- Direct integration with third-party solutions such as ESI's Virtual Reality solution IC.IDO with a market-leading PLM platform to accelerate the access to PLM data from the IC.IDO environment and to launch a Virtual Reality review right after and that from a PLM user's workstation. In both cases the saving in terms of time and process efficiency at customer side are significant.
- The development of ESI's relationships with certain cloud players allows its customers to scale up the access to simulation without incurring in long and heavy investments (IT infrastructure).
- Finally, the collaboration between ESI and certain service players accelerates the dissemination and access of its solutions by customers of all sizes who, for various reasons, do not have the time or the resources necessary to accelerate the adoption of advanced solutions.

## 5. BEING AN ETHICAL AND COMMITTED COMPANY

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.

As a priority, the Group strives to maintain a diversified and efficient governance. By separating, since February 1, 2020, the functions of Chief Executive Officer and that of Chairman of the Board of Directors, ESI has ensured a better balance of powers. In February 2021, the Board of Directors appointed an independent non-executive Chairman. Now composed of seven members, six of whom are independent and one observer, the Board is aligned with best practices in terms of governance.

On the other hand, ESI being a group with an international dimension, its governance takes care to integrate the different nationalities representative of the territories in which it carries out its activities. Thus, beyond fulfilling the conditions for gender balance as required by law, the composition of the Board of Directors reflects the diversity of nationalities, skills, and experience of which the Group avails itself (see section 2.3.1 of this document).

In addition, the Chief Executive Officer relies on an array of operational committees (in the field of sales, technologies and techniques, finance, human resources) through global steering bodies. This organizational structure makes it possible to benefit from the diversity and complementarity of the expertise of the members of these committees.

### 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 four-member Ethics Committee (two women and two men) 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](mailto: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.

## 6. BEING AN ENVIRONMENTALLY FRIENDLY PLAYER

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 2021, 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 2021, seven 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

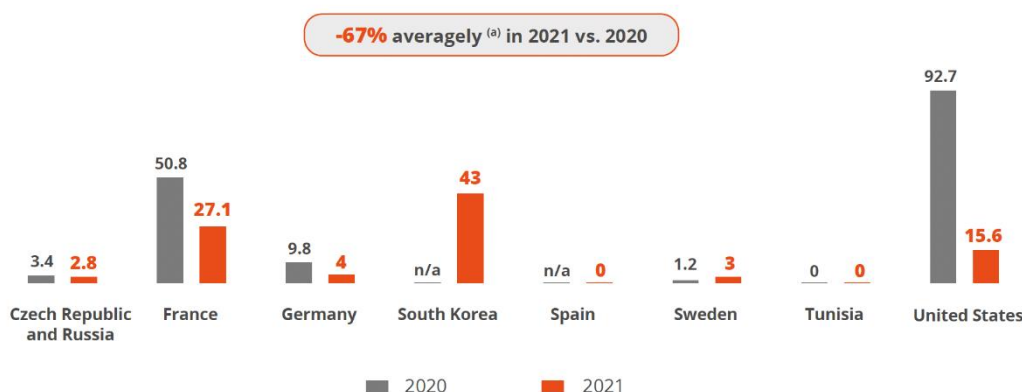
In order to reduce its carbon footprint, ESI is committed to a process of:

- Limit emissions resulting from employees' business travel by train, plane and company car;
- Limit CO<sub>2</sub> 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 CO<sub>2</sub> emissions are CO<sub>2</sub> emissions due to employee travel by train and plane (for countries for which ESI has data):

#### CO<sub>2</sub> emissions due to employee travel by train and plane

(In tons)



(a) Average of emissions calculated for countries with data available for the last three consecutive years.

For Czech Republic, France, Germany, Russia, Tunisia and the United States, these emissions amounted to 49,5 tons, down 67% compares to 2020. For all countries mentioned above, the data is supplied by

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 its environmental footprint, the Group continues to promote a proactive policy aimed at restricting travel to what is strictly necessary. The use of the plane is reserved for journeys above three hours and the use of the railway must be the preferred option. The use of a single centralized travel management tool makes it possible to consolidate a global, vision common to all the subsidiaries. In addition, in 2021 the car use policy was updated to include environmental requirements for company cars.

In 2021, following the trend in 2020 but to a lesser extent, was marked by restrictions in terms of travel in order to mitigate the spread of SARS-COV2, that coupled with the maintaining of a proactive work from home policy. The Group's desire, for the years to come, is to continue to limit these emissions, by promoting a hybrid working model, mixing face-to-face and working from home by encouraging the use of web conferencing tools.

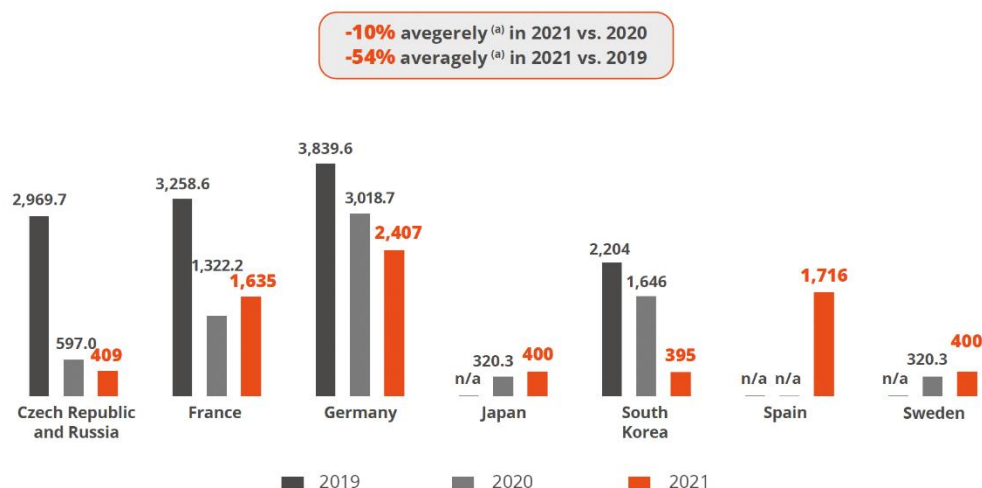
the travel agencies responsible for booking the travel requests. Any reservations taken directly by employees are not counted because the information is not available.



CO<sub>2</sub> emissions due to employee travel by company car (for countries for which ESI has data):

## CO<sub>2</sub> emissions due to employee travel in company cars

(In Kg:car)



(a) Average of emissions calculated for countries with data available for the last three consecutive years.

In 2021, 49 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 2021. 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 1.56 tons/car averagely, down 10.58% compared to 2020.

For the safety of its employees, the Group has continued the home office policy in 2021, 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. The average number of planned meetings from August 2021 to January 2022 was 320 meetings per day.

In 2021, the level of use of Teams continued to be very strong, with an average over the year of 92.4% of users active on the platform. The Group has implemented, since March 2021, a more exhaustive reporting to have a clearer vision on the use of our online communication tools (see image below).

On average, between March 2021 and January 2022, there were more than one thousand (>1000) "calls" (unplanned meeting) per day.

### 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. In 2021 this initiative allowed us to avoid 445Km, this represents savings of 10 times on the average distance to deliver the brochures traditionally.

## 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 2021, energy consumption has dropped significantly at several sites, mainly due to the effect 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.

In October 2021, the Group moved its Data Center towards an external structure with the intention to gain both in information security and in energy efficiency.

Thus, total consumption at the above-mentioned sites amounted to 1,058,355 kWh in 2010, of which 564,620 kWh correspond to its site in Ter@tec (Data Center). This consumption, up of around 19.78% compared to 2020 (883,611 kWh) can be explained by the fact that the "Aix-en-Provence" site was not included in 2020 and that for the Colomiers site a low estimate was taken into account for the final result.

#### For other countries:

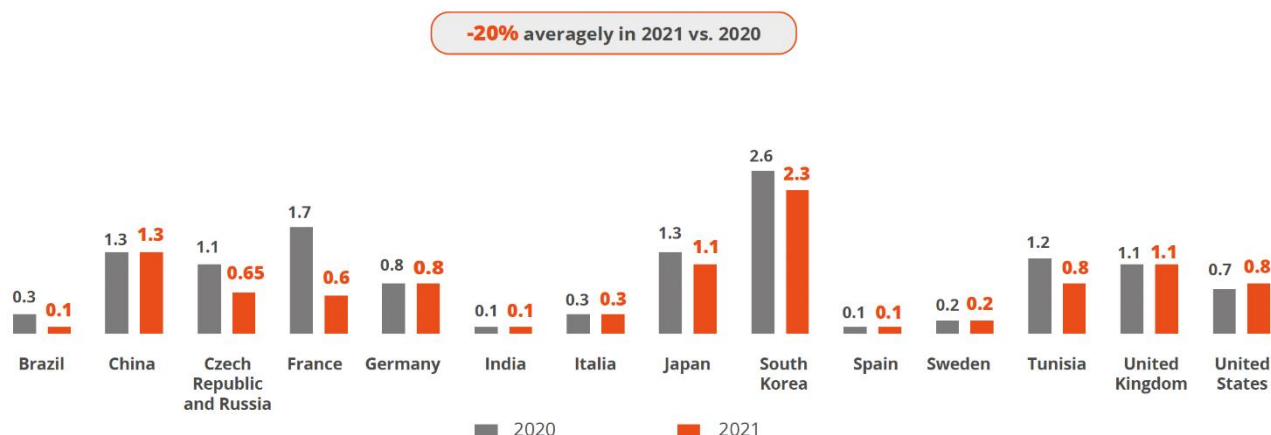
- In Brazil, Czech Republic, Germany, India and Russia, average consumption per employee accounted to 2,159.7 kWh, down 12.3% compared to 2020;
- In Japan and South Korea, consumption per employee averagely accounted to 2331,1 kWh and 8,599.8 kWh respectively, with an decrease of of 11,7 and 8,2% respectively;

### 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 20% in 2021, with an average of 0,7 reams of paper per employee (vs. 2 in 2018, 1,6 in 2019 and 0,9 in 2020). This is mainly due to the effect of home office, the deployment in France and

- In Tunisia, total consumption was about 110,115 kWh in 2021, an increase of 53% compared to 2020. This overconsumption can be partly explained by the refurbishment work done in the offices;
- Finally, energy consumption is not measurable in Italy, 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.

In 2021, the Group has begun to implement a workspace rationalization initiative (New Ways of Working) which will ultimately allow us to find economic and ecological gains in the way we manage our physical resources. The first effects of this initiative happened in 2021 with, for example, the move to co-working spaces and the relocation of the Data Center.

This rationalization exercise will continue in 2022 and the appearance of the "Coworking spaces" concept will offer us an additional tool to host our employees (in certain countries and regions) in a more flexible, secure, economical and ecological manner.

Germany of a secured and controlled printing solution (its deployment to others location will continue over 2022) as well as the evolvement of employees' behaviour toward reasonable and more sustainable consumption.

Even if access to the premises has been reduced due to COVID-19, the list of initiatives below, mentioned in 2020, is still relevant and allows us to act in a sustainable way during our “on site” operational activities:

- 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;
- 2021 saw the perpetuation and expansion of the use of DocuSign allowing authenticated and electronically traced signatures. This service has proven to be even more essential in this year 2021 due to the pandemic context. The utilization rate increased by 139% between 2020 and 2021 (885 envelopes in 2020, 2,122 envelopes in 2021);
- ESI perpetuated in France the use of Digiposte to dematerialize HR documents such as pay slips and uses Metacompliance to digitally send each newcomer all the documents they need to know;
- 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 2019, the Group continued to stop printing its Universal Registration Document in paper format, reflecting ESI's desire to adapt to sustainable trends in communication. 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 its tertiary activity, ESI mainly generates office waste. To the best of its knowledge, the Group does not generate any hazardous waste, except Waste Electrical and Electronic Equipment (WEEE).

In France, employees are made aware of selective sorting in their daily lives, thanks in particular to the implementation of dedicated waste bins. On the Rungis and Lyon sites, ESI works with Elise, a waste collection and recycling company that provides stable employment for people with integration difficulties, particularly with disability issues. In 2021, Elise recovered 710 kg of waste, including 174 kg of paper. Recycling of paper helped saving 455 kg of CO<sub>2</sub> emissions, 5,095 kWh of energy consumption and 7,847 liters of water.

All the German, American, Czech, Japanese, Spanish and Italian 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. In Japan, end-of-life material is returned to the subcontractor. In India the collection of our obsolete equipment is managed jointly with the municipal waste management services. WEEE wastes are 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=nUldRRLDgRk&ab\\_channel=ESI Group](https://www.youtube.com/watch?v=nUldRRLDgRk&ab_channel=ESI+Group)).

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>.

In 2021, we planted 2000 trees in Portugal and we have just re-engaged with ReforestAction on a new planting project in Washington State in the US for 2000 additional trees.

The benefits of the 2000 trees in Portugal are:

- a. 300 tonnes of CO<sub>2</sub> stored;
- b. 6 000 animal shelters created;
- c. 8 000 months of oxygen generated;
- d. 2 000 hours of works created.

## 7. EUROPEAN TAXONOMY

The European Taxonomy of Sustainable Economic Activities aims to establish a classification of economic activities considered environmentally sustainable based on ambitious and transparent technical criteria. The implementation of this framework aiming to distinguish the economic activities contributing to the European objective of carbon neutrality – the Green Deal – underlines the scale of the economic and industrial transformations to be accomplished. Aligned with its environmental, social and societal commitments, ESI Group is closely following the work of the European Commission which consists in analyzing activities in order to drive the public and private investments towards projects contributing to the transition towards a sustainable and low carbon <sup>(1)</sup> economy.

In accordance with European Regulation 2020/852 of June 18, 2020 on the establishment of a framework aimed at promoting sustainable investments within the European Union (EU <sup>(2)</sup>), ESI Group is required to publish, for the 2021 financial year, the share of its eligible revenues, investments and operating expenses resulting from products and/or services associated with economic activities considered as sustainable within the meaning of the classification and criteria defined in the Taxonomy for the first two climate objectives.

This first reporting on the eligibility of the Group's activities was produced based on:

- The Climate Delegated Regulation of June 4, 2021, and its appendices <sup>(3)</sup> supplementing the Regulation 2020/852 specifying the technical criteria for determining under which conditions an economic activity can be considered as contributing substantially to the mitigation of climate change or to its adaptation;
- The Delegated Regulation 2021/2178 of July 6, 2021, and its appendices supplementing the Regulation 2020/852 specifying the way to calculate the performance indicators as well as the narrative information to be published <sup>(4)</sup>;
- The FAQ of February 2, 2022, providing details on the texts mentioned above.

The methodological elements used by the Group are described below. The Group will revise its methodology, analysis and calculations as the Taxonomy is implemented and as the evolution of the activities and the technical review criteria that complement it.

<sup>10</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities\\_fr](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_fr)

<sup>20</sup> <https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32020R0852&from=F>

<sup>30</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PL\\_COM:C\(2021\)2800&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PL_COM:C(2021)2800&from=EN)

<sup>40</sup> <https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32021R2178&from=EN>

## 7.1. Determination of eligible activities within the meaning of the taxonomy

Convinced of the environmental benefits of Virtual Prototyping and its role in the overall reduction of greenhouse gas emissions, the Group carried out the analysis of eligible activities. As a result, all of its revenues contribute to the reduction of greenhouse gas emissions thanks to the benefits of its solutions such as:

- Replacement of physical prototypes by digital twins;
- Improving product performance through simulation;
- Making products lighter to reduce the resources needed to use them;
- Optimizing the manufacturing process to reduce errors and waste and the resources required.

However, pending clarification from the regulator and market practices, ESI Group has considered its activity ineligible under the Taxonomy regulation. Thus, the Group has decided not to value any items in relation to its revenues. With regard to capital and operating expenditures, the Group limits itself to following the regulation by valuing only the capital and operating expenditures related to the so-called individual measures of the Taxonomy that lead to reductions in greenhouse gas emissions and mainly on its real estate assets.

Activities leading to capital and operating expenditures associated with economic activities that can be considered individually eligible from an environmental point of view:

| Environmental objective                  | Activity covered by the European Taxonomy  |
|--|--|
| Climate Change Mitigation <sup>(a)</sup> | <b>6.5.</b> Transport by motorbikes, passenger cars and light commercial vehicles<br><b>7.4.</b> Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)<br><b>7.6.</b> Installation, maintenance and repair of renewable energy technologies<br><b>7.7.</b> Acquisition and ownership of buildings<br><b>8.1.</b> Data processing, hosting and related activities |

(a) Where the Group's activities are cited in both the climate change mitigation and adaptation objectives, it has been determined that these activities should be allocated to the mitigation objective

## 7.2. Methodology for calculating the KPIs

The Group has calculated the indicators in accordance with the provisions of Delegated Regulation 2021/2178 of the European Commission of July 6, 2021, and its annexes supplementing Regulation (EU) 2020/852, based on its existing processes and reporting systems and on assumptions made by management.

The results cover all the Group's activities included in the scope of financial consolidation as of December 31, 2021. The financial information used has been identified through the accounting information reporting used to prepare the consolidated statements and has been supplemented by discussions with Group management.

As part of this approach, the analysis focused on analyzing the eligibility of capital expenditures (CAPEX) and operating expenditures (OPEX) in relation to investments in real estate assets and individual measures that enable the target activities to become low-carbon or lead to greenhouse gas reductions.

ESI Group's eligible capital expenditures (CAPEX) performance indicator for the year 2021 is 43.6% with a numerator of 5.3 million euros, 99% of which are acquisitions of fixed assets corresponding to the IFRS16 standard. The Group's share of eligible capital expenditures (CAPEX) is determined by dividing the sum of capital expenditures of eligible activities by the change in capital expenditures reported in the consolidated financial statements (including rights of use calculated in accordance with IFRS 16, mainly associated with building and vehicle leases).

ESI Group's performance indicator for eligible operating expenditures (OPEX) for the year 2021 is 5.6% with a numerator of €2 million. The Group's share of eligible operating expenditures (OPEX) is determined by dividing the sum of the operating expenditures of eligible activities by the operating expenditures retained by the Group pursuant to the provisions of Annex 1 to Delegated Regulation 2021/2178 of July 6, 2021 concerning research and development expenditures, including in particular associated personnel costs; short-term rental contracts and maintenance, maintenance and repair expenses for real estate assets, including associated personnel costs.

## 8. REPORTING

### 8.1. Reporting methodology

#### 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, 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 2021, 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 2021:

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;

- 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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**French limited company (*société anonyme*) with a share capital of €18,109,776**

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