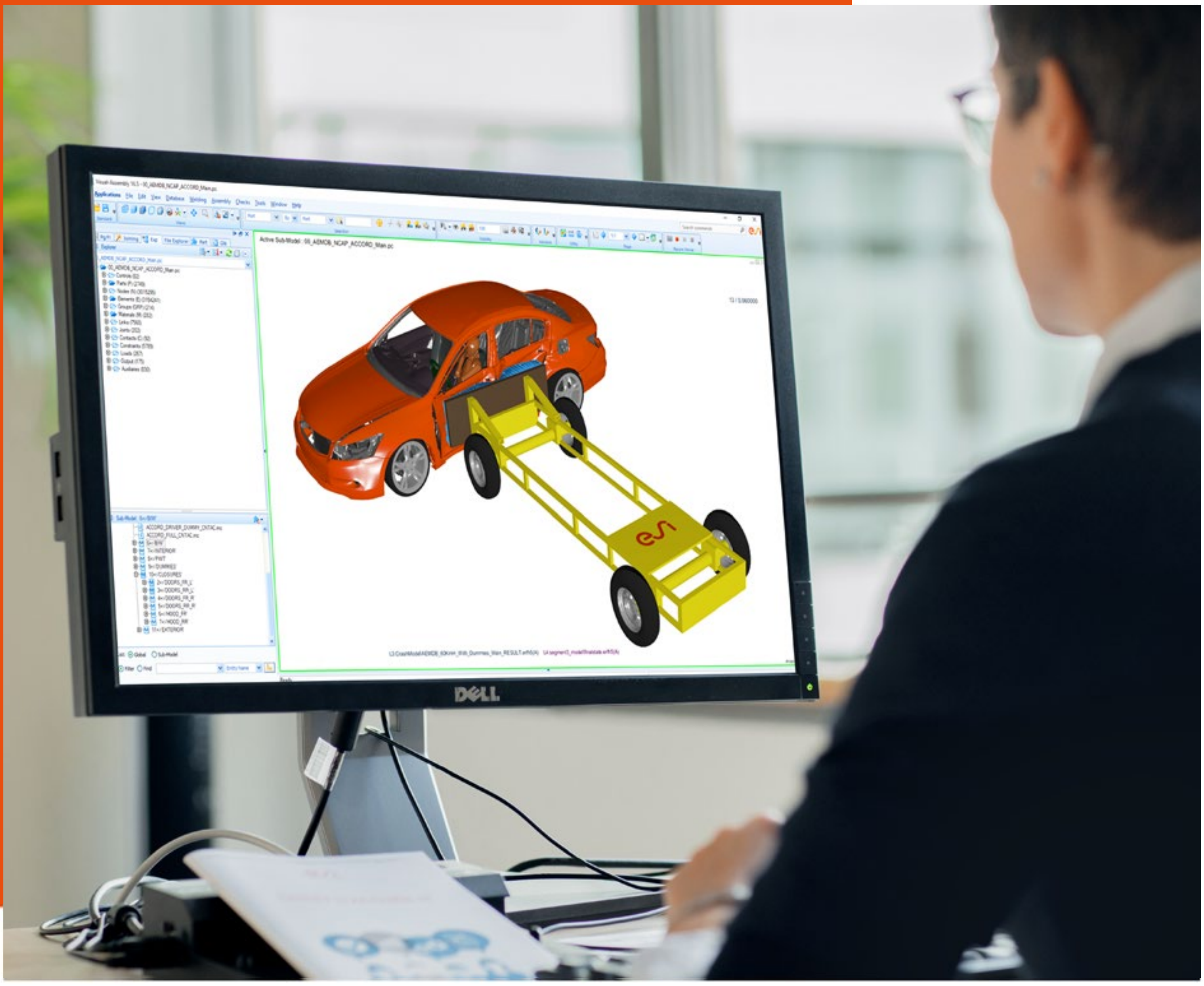
2021

UNIVERSAL REGISTRATION DOCUMENT

Including the annual financial report



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This Universal Registration Document was filed on April 11, 2022 with the Autorité des Marchés Financiers (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

This Universal Registration Document is available on ESI Group's website (www.esi-group.com) and on the AMF's website (www.amf-france.org).

This document is a non-binding "free" translation from French into English and has no legal value other than an informative one. Should there be any difference between the French and the English version, only the text in French language shall be deemed authentic and considered as expressing the exact information published by ESI Group.

French and English copies of this document are available free of charge from ESI Group (the "Company" or the "Group") – 3 bis rue Saarinen, 94150 Rungis, France.

SHAREHOLDERS MESSAGES

ALEX DAVERN'S MESSAGE

Chairman of the Board of Directors

ESI GROUP: New Core Strategic Vision to drive growth and new governance in line with the best market standards

2021 was a foundational year for ESI. It was marked by the introduction of new Core Strategic Vision for growth, a profound governance evolution and also by the communication of its first publicly shared three-year plan. The Group led by Cristel de Rouvray and her Leadership Team demonstrated their vision for future growth and profitability and their ability to lead and transform this company. The 2021 financial results released in March 2022 validated this motion. I thank Cristel, her team, and all employees for this performance in 2021.

When joining the group's Board of Directors as Chairman a year ago, I was convinced by the value of this Group and that by releasing some historical constraints, Cristel and her team would be able to transform it into a best-in-class software company.

To unlock this value, we needed to focus our innovation and modernize our governance, and that' what we did.

A Clear and focused Core Strategic Vision (CSV)

As Cristel discusses below ,she and the team introduced the new CSV to focus our innovation and drive the next phase of ESI's growth.

No majority shareholder

In May 2021, the legacy founders shareholders' agreement was terminated by its different stakeholders. The Group no longer has any majority shareholders.

Greater transparency

Continuing our journey toward more transparency in communication with its shareholders, the team unveiled the first-ever communicated three-year strategic plan.

An independent Board

Following the addition of both myself and Patrice Soudan, the former CFO and Deputy CEO of Legrand, the Board of Directors is now composed of seven Directors, including six independent ones, and is led by a Non-Executive Chairman.

The interests of ESI Group's stakeholders are now totally aligned in support of the new Core Strategic Vision and I'm convinced that the Group will unleash its full potential.

€136.6M
REVENUE
+4.6% cer
(constant exchange rate)

€12.7M
ADJUSTED EBIT [(a)]
9.6% [(b)]

(a) Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment charges and amortization of intangibles charges related to acquisition, the application of IFRS 16 standard on leases and other non-recurring items.

(b) Adjusted EBIT margin is calculated based on revenue excluding special projects (public grant for R&D projects).

CRISTEL DE ROUVRAY'S MESSAGE

Chief Executive Officer

2021, a turning point year *for ESI Group*

"We have introduced our new Core Strategic Vision to focus our innovation and deliver new value to our customers: 'To be a leading software partner in selected virtual test markets, by leveraging our predictive physics IP and platform for chaining'."

2021 was a turning point year for our Group.

The introduction of our new Core Strategic Vision is designed to focus our innovation and deliver new value to our customers. ESI's CSV is:

"To be a leading software partner in selected virtual test markets, by leveraging our predictive physics IP and platform for chaining."

By focusing on our innovation on our core markets and by investing to win we will strengthen our market position and accelerate our growth by adding new value to our customers through integrating previously siloed steps in the engineering workflow, to accelerate our customers time to market. In addition, we are also globalizing our distribution and executing in a more consistent fashion.

In 2021 we also successfully steered our company through a governance change, announced our redefining three-year strategic plan, and demonstrated considerable performance improvements. We reignited growth (€136.6 million, +4.6% YoY at constant exchange rate) and more than doubled our Adjusted EBIT margin (from 4.5% to 9.6%). On this excellent foundation, we now enter the 1st year of our "OneESI 2024 – Focus to grow" plan. Across the globe, all our stakeholders are now experiencing the early benefits of this significant change in our ability to focus and drive results. I am confident in our ability to deliver our communicated multi-year objectives and long-term value to our shareholders by repositioning our Group.

We are entering a period of unprecedented change in our history, driven and accelerated by our "OneESI 2024 - Focus to Grow" plan. In 2022, we are becoming more global, more user-friendly, more reliable, more ambitious, to address all the needs of our customers to become one of their key software solutions partners.

Now more than ever, our talents are mobilized to deliver ESI Group's full value to industry.

Thank you to all our shareholders for their support and confidence. They can count on our collective motivation and enthusiasm to make ESI Group a reference in its sector.

1 THE GROUP

In this Universal Registration Document, ESI Group is hereinafter referred to as "ESI Group", the "Company" or the "Parent Company". The Company and all its affiliated companies are hereinafter referred to as the "Group", "ESI Group" or "ESI".

Founded in 1973, ESI Group envisions 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.

ESI provides Virtual Prototyping software solutions anchored on predictive physics modeling and its capacity to chain the physics and its solutions to allow industries to make the right decisions at the right time, while managing their complexity.

Acting principally in automotive & land transportation, aerospace, energy and heavy industry, ESI is present in more than 20 countries, employs around 1,200 people globally and reported 2021 sales of €136.6 million.

ESI is headquartered in France and is listed on compartment B of Euronext Paris.

1.1. ACTIVITIES, STRATEGY AND MARKETS

1.1.1. Main activities

ESI's core strategic vision is to be a leading software partner in selected virtual test markets, leveraging its predictive physics IP and platform for chaining.

ESI's business model is based on software licensing with selected consulting services. Its software enables reliable and predictive simulation of the performance of products and industrial assets, the identification of optimum manufacturing processes and the development of solutions for real-time monitoring of product ageing during use. At all these stages, ESI's solutions help to address the following complex equation: innovation, reduction of production lead-time, control of environmental impact and cost reduction.

1.1.1.1. Software Editor/Distributor (Licensing activity)

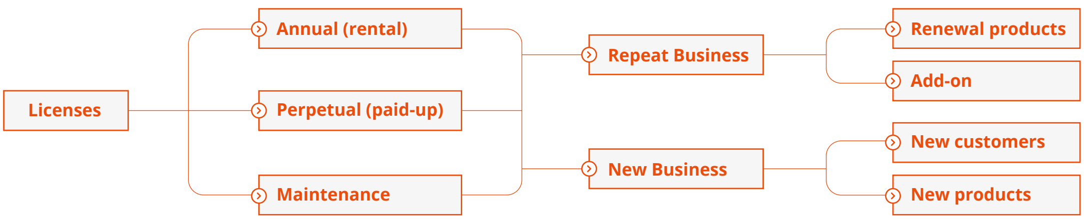
Licenses business is the Group's main activity, accounting for 81.5% of revenue in 2021. Software is marketed in the form of proprietary user licenses based for the most part on an annual leasing system that, by nature, generates highly recurring revenue.

The significant added value of ESI's solutions mobilizes highly qualified research engineers with expertise in multi-physics, multi-materials and complex simulation methodologies. ESI Group's approach – to continuous technological improvement, performance and disruption – requires research and development work carried out by the Group's Research & Innovation teams in situ or as part of a partnership.

Software solutions are distributed worldwide. In 2021, distribution subsidiaries directly managed 90.4% of license sales, the rest being entrusted to a network of third-party distributors and agents. The two distribution networks – direct and indirect – are complementary.

The Licensing activity may be broken down as follows:

- By contract type:
  - **Rental license** – user license contract renewable annually and including maintenance services; this type of contract is predominant;
  - **Maintenance contract** – maintenance includes updates and technical support applicable as of the second year of a perpetual license contract. As of the second year, maintenance revenue is recognized as software (maintenance) revenue;
  - **Paid-up license** – long term license contract (paid-up licenses for the duration of legal protection) including maintenance services for renewable one-year periods (also named Perpetual).
- Or, according to criteria concerning new client purchases:
  - **"Repeat Business"** includes contracts renewed by customers from one year to the next, as well as additional features purchased for software already installed in the system of an existing client;
  - **"New Business"** comprises new customers and new products purchased by existing clients.



The Group's approach is based on building close and long-lasting relationships which meet the specific needs of customers looking to successfully incorporate Virtual Prototyping into various industries (for example with Renault-Nissan, Volkswagen, or Honda in the Automotive, Boeing or Safran in the Aeronautics).

This approach drives the sustainability of ESI Group's business model visible in its repeat business performance and its ability to renew its contracts with its customers. In 2021, its repeat rate is: 91%.

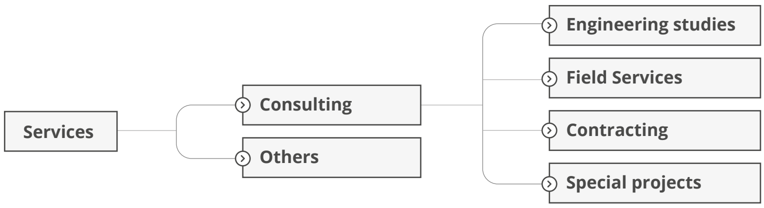
1.1.1.2. Consulting services (Services activity)

In addition to its main business activity of software publishing and distribution, the Group also provides consulting services directly related to Virtual Prototyping.

The Services activity, which represents 18.5% of 2021 revenues, includes consulting and other services.

Consulting covers the following four fields:

- **Engineering studies:** joint industrial projects carried out in partnership with major industrial corporations with the aim of promoting large-scale deployment of new applications with high economic potential that have already been proven technologically viable. The Group customizes its specialized software and the industry partner performs the prototype trials necessary to validate specialized simulation models. The Group invoices its partners for the cost of its services, but funds its own software development work. As a result, it retains the intellectual property rights to the software products developed or modified;
- **Field Services:** support services in conjunction with Licenses activity (on- and off-site training and technical assistance);
- **Contracting:** specific studies, in particular application tests (design verification and virtual performance testing of industrial products). These services are generally invoiced based on the time worked (lump sum or actual time spent) except for online support services which may be provided as part of the support services included with the annual license for the use of software packages;
- **Special projects:** R&D initiatives pertaining to the creation of pre-industrial digital simulation models for new applications. These cutting-edge, high-risk R&D projects can last from two to three years and are carried out in collaboration with university labs and/or corporate R&D Departments. The Group treats these projects as research and development or technology intelligence activities. In some cases, they lead to government-type co-financing arrangements in Europe and the United States. They allow the Group to become involved at a very early stage, as a scientific partner in a wide variety of innovative high-tech projects.



1.1.2. Main markets

1.1.2.1. The Simulation & Analysis market

/ Market characteristics

ESI's activity falls within the context of a major digitization of the industry. Part of this trend, the Product Lifecycle Management (PLM) sector is playing a key role.

CIMdata describes the S&A segment as follow: Simulation & Analysis includes a wide range of 0D/1D/2D/3D technologies such as structural and fatigue analysis, thermal analysis, dynamics, acoustics, multi-body simulation, computational fluid dynamics, materials characterization, systems modeling and simulation, design optimization/DoE/robust design, simulation results visualization, empirical data analytics, general math-based calculations, simulation process and data management, and others designed to enable engineers to simulate real world functional behavior via digital modeling and simulations to perform "what-if" scenarios, explore and evaluate alternative design and technology concepts, and gain deeper insight into system behavior during new product development; perform final performance validation of the "as built" product as well as to optimize the performance of products and systems in real world operations (*e.g.*, supporting digital twins).

The S&A segment, star of the PLM market for the last several years is expected be one of the more rapidly growing segments within the tools sector of PLM over the next five years ($12 billion in 2025 – CAGR 10%).

Global product development & Manufacturing trends are making simulation indispensable. It is the only way to enable the efficient development of complex systems that combine software and real industrial assets.

ESI's solutions bring a considerable and fundamental improvement in the decision-making process by allowing the physical properties and behaviour of the materials to be realistically taken into account in the digital model. Going beyond the CAD (computer-aided design) phase of the PLM model, ESI Group's CAE (computer-aided engineering) solutions allow complete control over the performance of products during their entire lifecycle (Product Performance Lifecycle).

/ A market in strong consolidation

By CIMdata's count there were 102 acquisitions during 2020 in the PLM market, down slightly over 2019. Simulation and Analysis (S&A) providers continued to acquire more physics to build out their multiphysics capabilities:

- Altair Engineering made five acquisitions, including newFASANT, a specialist in technology for computational and high-frequency electromagnetics; S&WISE Co. Ltd., a Seoul-based leading provider of polyurethane foaming simulation; Univa for HPC management capabilities; Ellexus for I/O analysis tools; and M-Base Engineering + software GmbH, an international supplier of material information with a focus on plastics.
- Ansys added two companies: Lumerical, a provider of photonic design and simulation tools; and Analytical Graphics, Inc. (AGI) in Q1, 2021, a provider of mission-driven simulation, modeling, testing, and analysis software for aerospace, defense, and intelligence applications.
- Tech Soft 3D made two simulation-related acquisitions. Ceetron, who offers 3D visualization technology for the CAE community; and Visual Kinematics, a maker of DevTools, a suite of component software development kits (SDKs) for CAE applications.

/ ESI, in the heart of a competitive market

The complexity of the problems addressed by the Group, its long-standing experience working closely with major industrial corporations, its significant investment in research and development, and the wide range of solutions it offers make it difficult for any newcomers to enter its market.

In particular, the specialized fields in which ESI Group works require an understanding not only of structured geometric data (digital modeling) provided by CFAO/CIAO, but also of the physical phenomena involved in simulation testing in order to make virtual models "realistic".

ESI's technologies draw on:

- Its predictive physics IP;
- Its capability to chain the different physics and solutions in order to offer a differentiating value to its customers;
- Highly skilled teams of researchers, whose specialized expertise and reputation in the field of physical simulation are known.

Today, we cannot exclude, *a priori*, the arrival, as competitors in ESI's sector of intervention, of larger companies with greater resources.

Given the considerable technical barriers that protect the Group's business, the arrival of new competitors could, in any event, only take place in the context of a consolidation movement affecting the sector. It would then be difficult for a new player in the sector to rapidly build up, through company takeovers, a range of physical simulation products as rich as that offered by ESI Group, and offering the same predictive qualities recognized by major clients.

/ The need for a methodology disruption

Although the solutions developed by ESI are typically used by major clients in highly specialized, mature markets – like the automotive industry – its products can be adapted to a wide range of industries.

However, large-scale adoption of these solutions would require a radical change in how things are done that breaks away from the traditional "trial and error" methods still widely used in many industrial fields.

The use of technologies such as massive data (Big Data), system modeling, machine learning or the interconnection of objects (Internet of Things – IoT), pushes for the acceleration of the implementation of the methodological change that is driving the massive growth of Virtual Prototyping, especially in industries such as aeronautics or heavy industry. This adds to the ESI's solutions an interactive decision-making space, in an immersive and real-time virtual environment.

The Product Performance Lifecycle approach, which enables manufacturers to develop a Hybrid Twin of the physical version of their product on day to day basis, brings ESI to target the wider market of professional users such as maintenance workers and certified technicians who interact with both the products and consumers.

1.1.2.2. Geographic areas

Geographic areas are based on the economic breakdown of the Company:

- Americas;
- Asia-Pacific;
- Europe, Middle East and Africa.

	2021 (Jan. 1 – Dec. 31)		2020 (Jan. 1 – Dec. 31)		2019, 12-month comparable (Jan. 1 – Dec. 31)	
Revenues	*(In € thousands)*	*(In % of the total)*	*(In € thousands)*	*(In % of the total)*	*(In € thousands)*	*(In % of the total)*
Europe, Middle East and Africa	65,767	48.1%	62,598	47.2%	70,957	48.5%
Asia-Pacific	49,716	36.4%	50,103	37.8%	52,264	36.2%
Americas	21,112	15.5%	19,867	15.0%	22,302	15.3%
TOTAL	**136,595**	**100.0%**	**132,568**	**100.0%**	**146,223**	**100.0%**

As in previous years, the Group maintained a strong international presence, with 87% of revenue generated outside France.

1.1.3. Core strategic vision

In October 2021, ESI Group announced a three-year strategic plan named "OneESI 2024 – Focus to Grow". To increase its performance both in term of revenue and in term of profitability, the Group built a self-help plan founded on the focus of its teams on core activities. To help in this focus exercise, the Group unveiled a new Core Strategic Vision: *"Being a leading software partner in selected virtual test markets, leveraging its predictive physics IP and platform for chaining."*

1.1.3.1. A software partner for industry

The industrial market is deeply changing while new challenges appear for its players. Draconian regulations, disruptive technologies (Artificial Intelligence, Big Data, Internet of Things...), strong competition, shorten time to market, constrain industrial players to be more demanding in terms of quality, reliability, safety, production deadlines, and by the need to embrace environmentally friendly manufacturing and production processes.

Well-aware of these challenges, ESI, as a leading software partner in selected Virtual Test markets, empowers industrials with technological solutions that enable them to commit to outcomes.

By combining its chaining capabilities with its predictive physics expertise, ESI helps customers develop virtual prototypes, thus eliminating the need for physical testing and prototyping of components and sub-assemblies during product design, manufacturing and maintenance.

Virtual reality technologies and Cloud/Saas availability significantly increase the collaborative potential of ESI's solutions, while drastically reducing acquisition and ownership costs for companies. By leveraging technologies such as Big Data, system modeling, machine learning, and the Internet of Things (IOT), ESI's solutions can be integrated into an interactive, immersive, virtual decision-making space in real time.

ESI's solutions enable industry players to achieve their performance and productivity objectives. More specifically, the Group's know-how enables its customers to meet the challenges of product pre-certification, digitization of production lines, use of an operator-centric approach, or predictability of product behavior and ageing, even before design or upstream of decision-making represented through its Hybrid Twin concept.

1.1.3.2. Selected virtual test markets

Focused on its customers' needs, ESI has organized its solutions by industry, prioritizing the four industrial sectors presented below:

/ The "Automotive & Land Transportation" industry (Automotive, Busses, Truck, Railway, etc.)

ESI has been supporting the automotive industry through its major digital transformations since the 1980s, notably with the invention of the virtual crash test carried out with a consortium of German car manufacturers in 1985.

In the race to bring electric, autonomous and connected vehicles to market, OEMs face a real challenge: to maintain profitability and growth, they must increase the efficiency of the existing transportation paradigm while accelerating the time-to-market of their new-generation concepts. Advanced simulation technologies are already widely used in the industry. However, tasks to process are still very complex to the point that more freedom and certainty in vehicle development have become a competitive advantage.

ESI supports players in this industry to help them:

- Design, manufacture and assemble future mobility vehicles;
- Meet their performance and quality goals with ever-shorter production deadlines;
- Guarantee passenger safety and comfort of and reducing vehicle operation and maintenance costs.

Main customers: Alstom Transport, Daimler, FAW Group Corporation, Fiat Chrysler Automobiles, Ford Motor Company, General Motors, Gestamp Group, Honda, HKMC, Mercedes-Benz, PSA, Renault-Nissan, Shanghai Automotive Industry Corporation, TATA Group, Toyota, TRW Automotive, Volkswagen Group, Faurecia, Volvo Group, Benteler, Autoliv, ZF, and Yanfeng.

/ The "Aerospace" industry

Over the past decade, aeronautical manufacturers had to face ramp up challenge, doubling in few years the production rate for the best-seller narrow-body aircraft segment. Although a deep digital transformation have been engaged, achieving such ramp up was achieved with an incremental approach mixing traditional legacy with new paradigm. Covid pandemic had a strong impact on the overall ecosystem, almost stopping flight, production, even engineering activity with a significant amount of cancellation dropping down the OEM backlog. Digital transformation did however not stop. OEM and their supply chain has benefitted from the production downtime to refine their strategy and speed-up the implementation of smart manufacturing and digital mindset. Industry bounce back natively goes for digital. In addition, sustainability and climate neutrality become more than ever an urgent matter that speed-up the engagement of several new programs as it had never been the case in the past. ESI value proposal is key to enable and support aerospace industry for this new journey.

Main customers: Airbus Group, Boeing, Bombardier, Embraer, BAE, Rolls-Royce, Safran, Raytheon Technologies (Pratt & Whitney) , General Electric, Honeywell, United Engine Corporation, AECC, PCC, ALCOA, NASA, Northrop Grumman, Lockheed Martin, Bell Flight, Joby, Lilium.

/ The Heavy Industry

From construction machinery to forestry machinery, agricultural machinery, lifting and handling equipment and mining machinery, including the supply chain of primary metals and parts, manufacturers of industrial machinery face many challenges related not only to the design but also to the manufacturing and operations of their products. Their goal is to provide safer, greener, and more productive machines, controlling costs and lead times through effective collaborative processes. ESI's solutions for engineering and manufacturing simulation covers well the needs related to this industry, while committing to performance levels over the lifetime of their products, even under the harshest operating conditions.

For this sector, ESI works with its customers to help them:

- Guarantee the safety and productivity of human source operations during manufacturing and maintenance operations;
- Design safe, clean and efficient products aimed for the toughest conditions;
- Support the journey towards zero manufacturing defects and zero interruption of operations.

Main customers: Komatsu, John Deere, Caterpillar, Cummins, Kion Group, Baker Hughes, Sumitomo, ThyssenKrupp, Arcelor Mittal, Nippon Steel.

/ The "Energy" industry

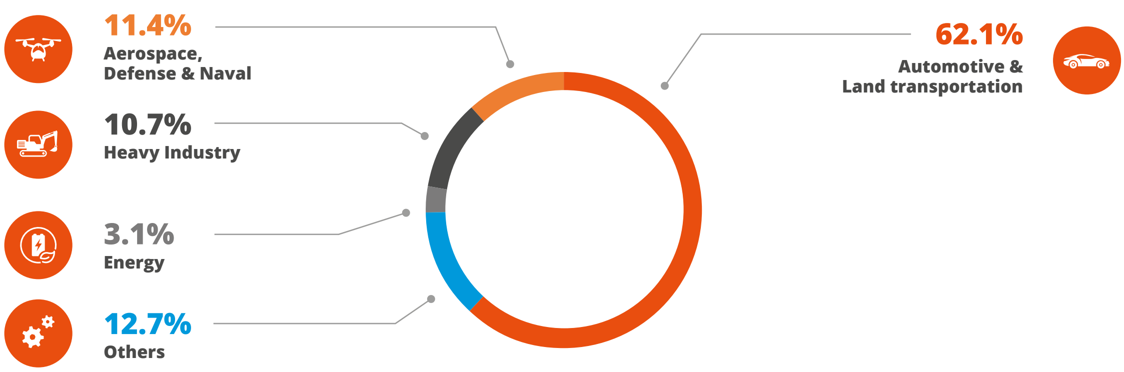
ESI's customers in the energy and power sector face a number of evolving challenges, ranging from resolving safety, environmental and sustainability issues to managing financial risks and strengthening technical requirements. Manufacturers must comply with increasingly complex regulatory requirements while improving operational efficiency. Solving these issues requires ad-hoc technical modeling methodologies that must accurately address operational and accidental events applicable to generation and transmission facilities. Therefore, effective realistic modeling is essential to remain competitive and requires a high level of innovation.

In this sector, ESI supports its customers to help them:

- Ensure optimal operations of new facilities while controlling costs and complying with safety standards;
- Manage profitability and plan the extension of the life cycle of operational installations;
- Control dismantling costs.

Main customers: EDF, Farasis, Framatome, GDF, General Electric, Japan Atomic Energy Agency, Samsung, Siemens.

In 2021, orders in the main industrial sectors above represented about 87% of software revenues, and broke down as follows:



1.1.3.3. Two differentiators – predictive physics IP and platform for chaining

Focused on its customers' needs, ESI has organized its solutions by industry, prioritizing its differentiators:

- Predictive physics IP to give the Group's customers the confidence to replace a physical test with a virtual test.
- Platform for chaining: ESI's differentiated capability to chain allowing the Company to give its customers the ability to connect previously siloed elements on the simulation workflow brought to life by a common user interface.

1.1.4. A focused multi-horizon offer

As part of its three-year plan, ESI is reshaping its offerings and innovation by focusing and investing on its core business. To do so, the Group is following three main principles:

- Focus on the core;
- Increase value;
- Invest to win.

/ Focus on the core

The core strategic vision is helping the Group focus. It helped clarify its core solutions and technologies. It will help ESI to invest significantly in the most important and to reduce investment in what is less important. It also implied end of life decisions for some products where the Group is not in a position to win. At the same time, the Group decided to open much more to the ecosystem and partners to complete and strengthen its offering.

An offering divided into three main business lines:

- **Product Performance Simulation:** enables gains in performance and productivity. Thanks to predictive models and process automation, industrialists can meet certification requirements and other validation needs without relying on physical tests.
- **Simulation of Smart Manufacturing processes:** establishes the right manufacturing processes to meet performance indicators for both industrial products (for instance reducing weight) and for associated processes (for example controlling distortions or reducing waste).
- **Simulation of Human Workflows:** allows customers to implement an operator centric approach to ensure the efficiency and safety of assembly and maintenance operations.

/ Increase value

The Group is intended to better package its offer in order to deliver more value to its customers, to answer their problematic rather than selling technology while reducing the complexity for its customers to purchase and combine its products. Historically, the Group sold discrete products to its customers which only addressed one element of the workflow, for example: casting, welding, vibro-acoustics, etc.

This approach clearly did not leverage its unique capability to chain its predictive physics IP through the workflow. So, ESI has started developing new industry solutions suited to more completely address the challenges of its customers. These Industry solutions are packaged specifically for that industrial workflow.

/ Invest to win

R&D investments

As introduced before, the objective of ESI Group's with its "OneESI 2024 – Focus to Grow" is to focus on its core. It doesn't imply to stop investing. On the opposite, thanks to its core strategic vision, the Group identified activities not aligned with its core and redeployed these investments to better invest to win, to outpace the competition in a selected market.

Part of its plan, the Group announced a redeployment of a significant portion of its R&D investment to more valuable growth opportunities. These actions will allow the Group to accelerate the delivery of software to the customers in its core markets.

Research & Innovation

The Group is prioritizing its mid-term innovation on investments on its core Hybrid Twin concept (enriching the existing knowledge consolidated in its simulation tools with data and Artificial Intelligence), in particular related to manufacturing problems (industry 4.0, to reduce scrap, energy usage, predictive maintenance) and Asset Health monitoring (reduce maintenance, warranty and operational cost). The value for the customer is to continuously becoming safer, cleaner, and more productive.

The Group's positioning is in progress with its world class research & innovation team and will involve partnerships and the development of ecosystems.

To ensure constant innovation, ESI also establishes partnerships with several first-rate universities, technological institutes and leading colleges, in many countries where the Group does business. The purpose of these collaborations is to share experiences and explore new technologies, encouraging young people to work in the industrial sector, training the finest employees of tomorrow, and foster innovation in education.

In 2019, Professor Francisco Chinesta, Professor and Researcher at the *École Nationale Supérieure des Arts et Métiers* (ENSAM) and Director of the Scientific Department and Chairman of the Scientific Committee of ESI, received the Silver Medal of the French National Centre for Scientific Research (CNRS) for his contribution to the Center's outreach and the advancement of research.

1.1.5. Research and development (R&D) policy

The R&D policy is applied at different levels depending on the maturity of the technologies and the target market:

- In close collaboration with customers and users for existing products to ensure product maintenance, integrate improvements and enhance functionalities to meet the expectations of the installed base and to gain new customers;
- By industrializing technical and hardware innovations, or innovation in usage modes (model reduction, new generations of processors, Cloud, etc.) in order to deliver new products that meet a confirmed market need and to ensure faster adoption of these products in an industrial environment;
- Through research contracts with industrial, academic and institutional partners (academic chairs, European projects, co-creation projects) in order to demonstrate the viability of new technologies or the relevance of solutions in new application areas or to meet new industrial requirements.

Each of these R&D areas is supported by different departments within the Group (products, innovation, Scientific Committee) and corresponds to a level of investment adapted to each stage, allowing to reduce risks through co-financing or the research tax credit (CIR).

In addition, the teams adopt a dual specific/generic approach to meet these different objectives:

- Ensure the "genericity" of the product and its components to cover multiple needs in multiple industrial segments;
- Maximize synergies between products to facilitate the release of new competitive and economical versions and minimize maintenance efforts;
- Ensure product competitiveness and productivity by targeting specific high-potential business applications and solutions.

1.1.6. Ecosystem

Since the foundation of the Company, ESI Group developed strong partnerships with the academic ecosystem. This strategy was not applied similarly with the Simulation & Analysis ecosystem. The industry's needs evolved. All the different industrial players are now tightening their supply chain and are looking for global solutions with streamlined processes. Their suppliers need to develop interoperable systems and solutions helping them to accelerate their development and to reduce their costs.

Aware of this trend, ESI Group integrated in its strategic plan the clear objective to develop strategic partnerships with its ecosystem in order to bring an integrated value proposition to its customers.

The Group develops partnerships with hardware suppliers, software solution providers, leading industrial companies, and technological and academic institutes alike.

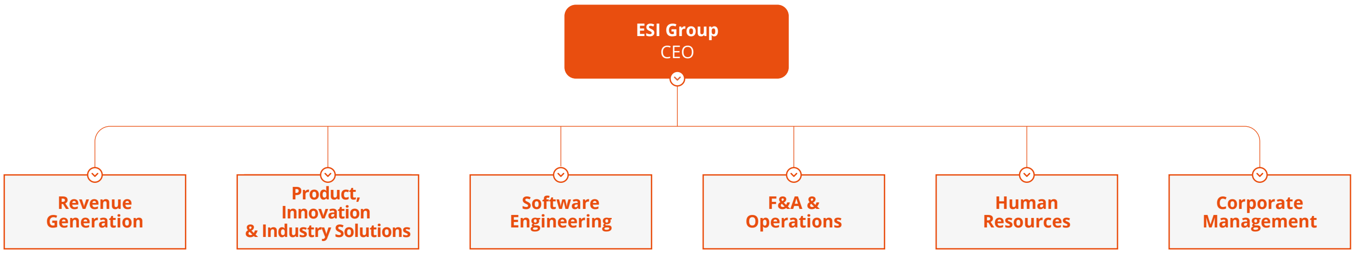
1.2. HISTORY OF THE GROUP

1973 to 1990	In 1973, Alain de Rouvray, Jacques Dubois, Iraj Farhoomand and Eberhard Haug, created ESI (Engineering System International). The Company initially operated as a consulting company for European defense, aerospace, and nuclear industries. In 1979, the Company opened a subsidiary in Germany. In 1985, ESI carried out the first successful digital crash test simulation for a German consortium led by Volkswagen. This marked the start of development of its flagship software package, PAM-CRASH.
1991 to 1999	In 1991, ESI became ESI Group and raised venture capital to enter the field of software edition. The Company set up subsidiaries in the United States, Japan, and South Korea. In 1997, it took over Framasoft (digital and mechanical simulation for the nuclear industry), followed by Dynamic Software (stamping simulation) in 1999.
2000 to 2010	In July 2000, ESI Group launched an IPO, raising some €30 million. From 2000 to 2008, ESI Group pursued a concerted external growth strategy, successively acquiring Mecas, strengthening its distribution network in Eastern Europe, STRACO (Vibro-Acoustic market), VASci (Vibro-Acoustic Sciences for noise and acoustic comfort simulation), ProCAST and Calcom (foundry and metallurgy simulation), the Product Division of CFD Research Corporation (fluid dynamics), the Service business of IPS International (virtual human models), ATE Technology International Ltd. (sector diversification in China), the Vdot software platform (product development process management), and finally Mindware Engineering Inc. (fluid dynamics sector). Meanwhile, ESI Group strengthened its international presence by opening subsidiaries in England, India, China, Italy, Brazil, and Tunisia.
2011 to 2018	In 2011, ESI Group acquired the company IC.IDO, or “I see, I do” (immersive virtual reality solutions), followed by Efield AB (virtual simulation of electromagnetic phenomena). The following year, ESI Group took over OpenCFD Ltd (leader in open-source fluid dynamics software) from SGI, thereby taking ownership of the OpenFOAM® brand. In 2013, ESI Group signed a joint venture agreement with AVIC-BIAM to collectively operate the new company “AVIC-ESI (Beijing) Technology Co. Ltd” (effective as of February 1, 2014), and subsequently acquired CyDesign Labs Inc. (system modeling). In 2015, ESI Group carried out the following acquisitions: CIVITEC (virtual simulation of automated driver assistance – ADAS), the business assets of PicViz Labs (Big data-based predictive analysis), the technology assets of Ciespace (Cloud/SaaS offering), and the Presto software platform (electronics cooling market). In 2016, ESI Group continued to extend its strategic positioning by acquiring ITI GmbH (realistic simulation of mechatronic and multi-domain systems) and Mineset Inc. (Big data visual analytics and machine learning). In early 2017, ESI Group took over Scilab Enterprises, publisher of the Scilab open source analytical calculation software. These numerous acquisitions have allowed ESI Group to enrich its solution portfolio, putting forth a comprehensive offering suited to the needs of industrial players.
2019	The Group has been through a major change in its governance on February 1, 2019 with the nomination of Cristel de Rouvray as Chief Executive Officer of the Group while Alain de Rouvray remains non-executive Chairman of the Board of Directors. ESI continues its transformation journey with, in particular, its commercial focus and resource allocation plan, announced in April 2019, aiming to develop specific industrial strategies by close cooperation with customers.
2021	2021 was marked by two major evolutions for the Group: a governance one and a strategy one. **The governance:** As part of the evolution of its governance, ESI Board appointed Alex Davern as Chairman of the Board of Directors, effective February 8, 2021, along other changes in the organization of the Board. **The strategy:** In October, ESI Group unveiled for the first time publicly a tree-year strategic plan “OneESI 2024 – Focus to Grow” including mid-term forward-looking statement both for its revenue and its profitability.

1.3. GROUP ORGANIZATION

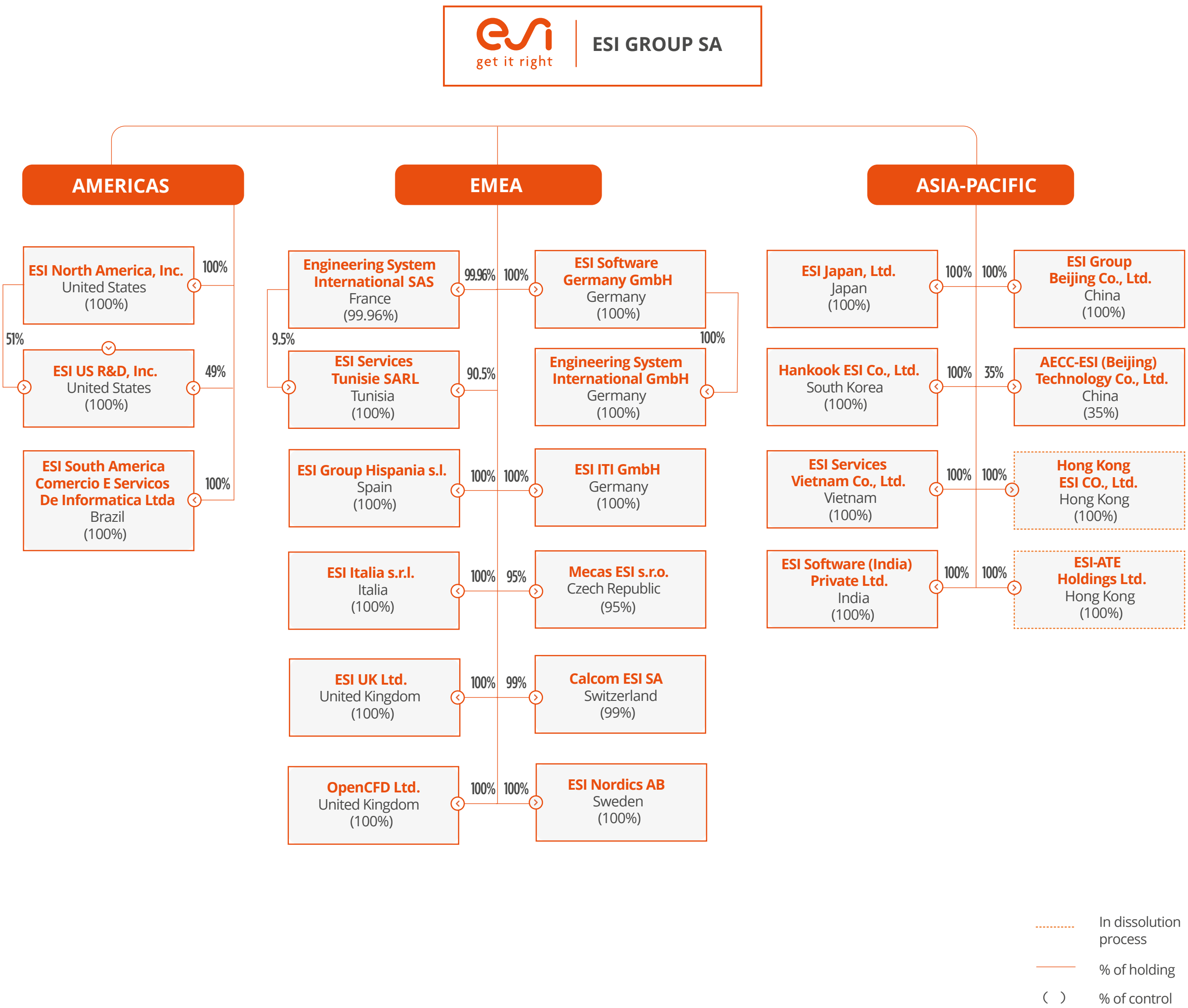
1.3.1. Operational flowchart

As of the date of this Universal Registration Document, the Group's operational flowchart was as follows:



1.3.2. Legal flowchart

As of the date of this Universal Registration Document, the Group's legal flowchart was as follows:



Note: the percentages of equity and voting rights are identical.
For more information, see note F.8 "Table of controlled entities and affiliates" (at December 31, 2021) in the notes to the consolidated financial statements.

1.4. SELECTED FINANCIAL INFORMATION

This information are extracted from the consolidated financial statements.

2021: Strong performance improvements as foundation for the Group OneESI 2024 strategic plan for higher growth and profitability

2021 results show that ESI Group continues delivering on its commitments. FY21 marks the first significant improvement in profitability, the result of actions initiated over a year ago while reigniting growth.

ESI Group generated revenues at the top end of the range communicated to the market (between €133.5 million and €136.5 million) at €136.6 million in 2021, up 4.6% at constant exchange rate (cer). For licenses, repeat business (Renewals + Add-ons) grew by 3.7% (cer) to €99.1 million and new business grew by 8.6% (cer). For services, consulting activity revenues increased by 9.6% cer at €24.8 million. Q4 revenues amounted to €30.6 million (vs €29.9 million in 2020), up 2.2% cer, for an H2 growth of 5.8% cer.

The geographical breakdown of full-year revenues showed that all regions grew: the EMEA region +4.5% (cer), Asia +2.7% (cer) and the Americas +10% (cer). Asia and Americas were negatively impacted by Forex (-3.5% for Asia and -3.7% for Americas).

In 2021, led by a renewed leadership team, ESI Group embarked on its three-year strategic plan "OneESI 24 – Focus to Grow" by initiating parallel and complementary projects aiming to transform its operating model and practices. The Group continued investing in talent, in its offerings, and its products within a healthy run-rate framework to help drive cost reductions (headcount -6%, costs to adjusted EBIT -2,3%). The growth of the topline of €4,0 million, combined with costs reduction, led to an increase in Adjusted EBIT1 of €6,9 million.

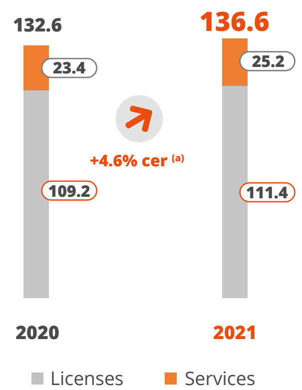
Gross margin rate increased to 75.3% vs 74.5% in 2020 due to higher licensing and consulting gross margins. In 2021, staff costs decreased to €91.3 million vs €93.4 million last year. The Group reduced its headcount as announced during its 2021 Investor's conference – from 1,217 (end of December 2020) to 1,144 (end of December 2021).

In 2021, ESI Group demonstrated its capacity to improve its financial situation. ESI Group controlled its costs, reduced its financial debt [(1)] (from €24.9 million in 2020 to €12.5 million in 2021) and significantly improved its gearing (net financial debt/Equity) from 28.4% in 2020 to 17.2% in 2021.

The Group has significantly increased its cash position end of year from €22.5 million to €30.3 million thanks to a substantial free cash flow [(2)] of €10.9 million.

Revenue evolution

(In € millions)

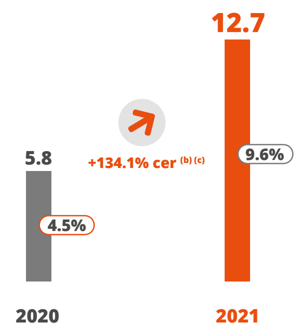


(a) Constant exchange rate.

(1) Gross financial debt retreated from available cash.
(2) Free cash flow is composed of net cash margin generated from operating activities, change in working capital and capital expenditures.

Adjusted EBIT [a]

(In € millions and % of revenue)



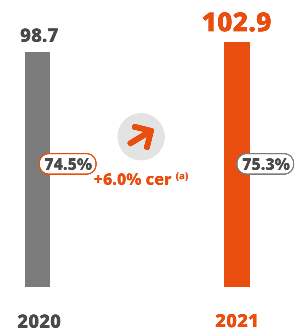
(a) *Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment charges and amortization of intangibles charges related to acquisition, the application of IFRS 16 standard on leases and other non-recurring items.*

(b) *Adjusted EBIT margin is calculated based on revenue excluding special projects (public grant for R&D projects).*

(c) *Constant exchange rate.*

Gross margin

(In € millions and % of revenue)



(a) *Constant exchange rate.*

Geographical revenue breakdown

2 REPORT ON CORPORATE GOVERNANCE

This section constitutes the report of the Board of Directors on corporate governance pursuant to Article L. 225-37 of the French Commercial Code. This report notably sets out the conditions of preparation and organization of the work of the Board of Directors and its committees, the powers of the corporate officers, the principles and rules adopted to define their remuneration and benefits of any kind granted to them, as well as other information to be included under Articles L. 225-37 *et seq*. and L. 22-10-3 *et seq*. of the French Commercial Code.

This report has been prepared on the basis of work carried out by various departments of the Company, in particular, the Legal Department, Finance and Administration Department and Human Resources Department.

This report was approved by the Board of Directors on February 28, 2022, after review and recommendation by the Board committees of the sections under their respective responsibilities and sent to the Statutory Auditors. It will be presented to the Combined General Meeting of June 28, 2022.

2.1. GOVERNANCE CODE

The Company is a limited company (*société anonyme*) with a Board of Directors. The Directors, the Chairman of the Board, the Chief Executive Officer ("CEO") and the Chief Operating Officer are referred to collectively in this Universal Registration Document by the term "corporate officers".

On the date of publication of this Universal Registration Document and to the Company's knowledge, there are:

- No family ties among the Company's corporate officers (the exception of the family tie between Alain de Rouvray, Board member, and Cristel de Rouvray, Board member and CEO, not being relevant anymore following Alain de Rouvray's resignation as Board member on December 16, 2021);
- No conflict of interest between the private interests of each corporate officers and their duties with regard to the Company;
- No arrangement or agreement concluded with the principal shareholders or with clients, suppliers or others, as a result of which any of the corporate officers would have been appointed in such position;
- No restriction on the sale by corporate officers of their shareholdings in the Company's capital (as the shareholders' agreement is no longer existing as described under section 8.2.5 of this Universal Registration Document);
- No service agreement binding the corporate officers to the Company or any of its subsidiaries that provides benefits to be granted to them, apart from the regulated agreements as set out under section 2.6 of this Universal Registration Document.

In addition, to the Company's knowledge on the date of this Universal Registration Document, no corporate officer has been in the last five years:

- Convicted of fraudulent offences;
- Associated with any bankruptcies, receiverships or liquidations;
- Subject to any official public incrimination and/or sanctions by statutory or regulatory authorities;
- Disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

During its Meeting of February 28, 2022, the Company confirmed it voluntarily referred to the Middlenext Code, which is available on the website www.middlenext.com as revised on September 2021. As every year, the Board of Directors reviewed its compliance with the recommendations, in particular the points of vigilance of the Code. As part of the "Comply or Explain" rule provided in Article L. 225-37-4 of the French Commercial Code, the Company considers that its practices comply with recommendations of the Code with the exception of the following recommendations for the reasons given below:

Exceptions to the Middlenext Code	Explanations
R.12. *Presence condition for Directors' remuneration*	*This criterion is applied to independent Directors but is not relevant for non-independent Directors, who are almost always present because of their executive role within the Company (see Directors' compensation policy for 2022 under section 2.4.1.1).*

2.2. FUNCTIONING OF THE GENERAL MANAGEMENT

2.2.1. Chief Executive Officer

In accordance with the legal provisions and articles of association, the Board of Directors decided on September 18, 2018 to separate the functions of Chairman of the Board of Directors and Chief Executive Officer ("CEO"): Cristel de Rouvray took function as CEO on February 1, 2019.

The CEO is vested with the broadest powers to act in all circumstances on behalf of the Company. The powers of the CEO are however limited by the Board of Directors (see section 2.2.3.1 below).

In accordance with Article L. 225-54-1 of the French Commercial Code, Cristel de Rouvray does not hold any other position as CEO in a public limited company with its registered office in France.

No one can be appointed CEO if he is over 80 years old. If the current CEO exceeds this age, he is deemed to have resigned from office. On the recommendation of the Nomination and Governance Committee, the Board of Directors, which met on 28 February 2022, decided to propose to the next General Meeting, called to approve the accounts for the financial year ending 31 December 2021, that the Company's Articles of Association be amended to lower the age limitation for the Chief Executive Officer to 65 years.

2.2.2. Chief Operating Officers

At the CEO's proposal, the Board of Directors may appoint one or more individuals as Chief Operating Officer to assist the CEO. In accordance with Article 14 of the articles of association, the number of Chief Operating Officers may not exceed five.

The Board of Directors determines the scope and duration of the powers granted to the Chief Operating Officer, with the CEO's agreement and sets their compensation. With respect to third parties, the Chief Operating Officer has the same powers as the CEO.

If the CEO resigns or is no longer able to carry out his duties, the Chief Operating Officers will retain their responsibilities and duties until the appointment of a new CEO unless the Board of Directors decides otherwise.

Chief Operating Officers may be dismissed at any time upon proposal of the CEO and by decision of the Board of Directors. If Chief Operating Officers are dismissed without just cause, such dismissal may be grounds for compensation.

As of the date hereof, no Chief Operating Officer has been appointed following the end of Vincent Chaillou's mandate as Chief Operating Officer on 22 June 2021 [(1)].

2.2.3. Limits on the powers of the Chief Executive Officer and Chief Operating Officers

2.2.3.1. Limits to the CEO's powers

The CEO represents the Company in its dealings with third parties. He is vested with the broadest powers to act in all circumstances on behalf of the Company, provided that the act he performs is part of the corporate object and is not expressly reserved to Shareholders' Meetings or to the Board of Directors.

Without prejudice to the legal provisions relating to authorizations to be granted by the Board of Directors (regulated agreements, sureties, endorsements and guarantees, transfers of participations or real estate, etc.), the Chief Executive Officer must obtain the prior authorization of the Board of Directors for the following operations that are outside the scope of day-to-day management, in accordance with its internal rules:

- Purchase or acquire, sell or dispose of, or mortgage any real estate, pledge any movable property and claim, where the transaction exceeds the amount of €100,000;
- Operations intended to consent to or contract any loans, credits or advances, where these exceed an amount of €2,000,000;
- Direct operations or equity investments that may affect the Group's strategy and substantially modify its financial structure or scope of business;
- Settle any dispute and take legal action, with the exception of debt recovery actions or any day to day operations and urgent actions such as provisional or conservatory measures;
- The issue of pledges, guarantees, endorsements or sureties where these exceed an annual amount of €100,000;
- The issue of securities, whatever their nature, which may lead to a change in the share capital, regardless of the amount.

(1) *Vincent Chaillou, whose employment agreement had been suspended because of his mandate as Chief Operating Officer, went back to his employee's missions from 23 June 2021 until 31 December 2021, date of his retirement.*

2.2.3.2. Limits to the Chief Operating Officers' powers

The powers of the Chief Operating Officers to act as legal representatives of the Company have been delegated by the Board of Directors.

The following powers have thus been delegated to the Chief Operating Officers:

- To represent the Company, in general, in all ongoing business affairs of ESI Group with respect to third parties and in compliance with the Group procedures;
- To enter into commercial contracts or agreements on behalf of the Company within its commercial territory and authority;
- To hire or terminate any employee, executive, consultant, sales representative, distributor or agent and to determine the scope of their powers and their title (with the exception of managers and Directors) and to establish or increase any compensation, commission or pension for all such individuals or legal entities. Annual compensation shall not exceed €100,000.

In all cases, the Chief Operating Officers require the Company's prior written consent to carry out solely the following transactions on behalf of the Company:

- To hire managers and Directors and determine or modify their annual compensation;
- To purchase or acquire, sell or dispose of, lease or rent, or mortgage any real estate property;
- To pledge any movable property or receivable;
- To enter into credit arrangements;
- To take out loans on behalf of the Company (with the exception of the use of bank overdrafts granted to the Company);
- To create or acquire stakes in other companies, to perform any other type of similar undertaking, to accept management positions in other companies, to establish or dissolve subsidiaries and to divest ownership interest;
- To propose mergers;
- To grant loans;
- To bind the Company as a guarantor or in any other debt-related situation with respect to third parties;
- To settle any disputes and to take legal action, with the exception of debt recovery actions that form part of the Company's ongoing operations and urgent actions such as provisional or conservatory measures that cannot be postponed in the interests of the Company;
- To set up retirement plans for the employees of the Company;
- To sell or dispose of, purchase or acquire, or transfer or mortgage any assets belonging to the Company worth more than €50,000;
- To enter into commercial contracts or transactions exceeding €250,000, with the exception of intra-Group contracts issued by the Company, which the Chief Operating Officers may sign without any limitation as to amount;
- In general, to take any action related to the Company involving an amount greater than €50,000;
- In general, to enter into any agreement or transaction involving other Group companies, clients or partners falling outside the Company's commercial territory or authority.

2.2.4. Leadership Team (ELT)

In the framework of ESI transformation plan, the Company modified its management organisation to reflect the Group evolution.The CEO is assisted by the Leadership Team for the Company's daily management pertaining to growth strategy.

The Leadership Team meets at least once a month and as often as the interest of the Company requires, to report on the activities of the Company to the CEO. The Leadership Team prepares, with the support of the specialized committees, all matters submitted to the prior authorization of the Board of Directors for the execution and/or implementation of strategic operations.

As at the date of this Universal Registration Document, the Leadership Team comprises the following members (by alphabetical order):

Cristel de Rouvray
Chief Executive Officer

Yannick Charron
Vice-President
Human Resources

Ajit Gokhale
Executive
Vice-President Engineering

Francis Griffiths
Executive
Vice-President Sales

Dominique Lefebvre
Senior Vice-President
Product Development
Planning

Emmanuel Leroy
Executive Vice-President
Product, Innovation &
Industry Solutions

Corinne Romefort-Régnier
Senior Vice-President General
Secretary & Governance

Mike Salari
Corporate Chief
Operating Officer,
Revenue Generation

Olfa Zorgati
Executive Vice-President
Operations &
Chief Financial Officer

2.3. BOARD OF DIRECTORS

2.3.1. Composition of the Board of Directors

In accordance with Article 10 of the articles of association, the Company is administered by a Board of Directors composed of at least three members and at most the maximum number of members permitted by law, unless a decision is made to increase this maximum in the event of a merger.

Directors are appointed by the annual Ordinary General Meeting, on proposal of the Board of Directors, for a term of four years, in accordance with the recommendations of the Middlenext Code (R.11). Directors may be re-elected. They may be dismissed at any time by the Ordinary General Meeting.

The age limit to serve on the Board of Directors is 80. If a member of the Board of Directors exceeds this limit, he will automatically be deemed to have resigned. He will nonetheless retain his seat until the first Board Meeting following the date at which the Director in question exceeded the age limit.

On the recommendation of the Nomination and Governance Committee, the Board of Directors, which met on February 28, 2022, decided to propose to the next General Meeting, called to approve the accounts for the financial year ending on December 31, 2021, that the Company's Articles of Association be amended to lower the age limitation for the Chairman of the Board to 75 years.

In accordance with the Group's policy to promote diversity (see section 4.3.2 of this Universal Registration Document for more details), the Board of Directors, based on the recommendations of the Nomination and Governance Committee, seeks to promote diversity in its composition with regard to criteria such as independence, age, gender or qualifications and professional experience. In view of the evolution of the Board's composition, these diversity criteria will be decisive in the choice of candidates for appointment.

Overview of the Board of Directors during 2021 and until the date of this Universal Registration Document [(a)]

For a better understanding of the table below, it is reminded that Alain de Rouvray was Chairman of the Board of Directors until 8 February 2021, when he was replaced by Alex Davern as Chairman of the Board of Directors.

Vincent Chaillou and Alain de Rouvray resigned as Directors respectively on August 26, 2021 and December 16, 2021.

	Age	Gender	Nationality	Strategic Committee	Audit Committee	Compensation Committee	Nomination and Governance Committee	Technology and Marketing Committee	Start of first term	Start of current term	End of current term	Expertise, experiences
Members considered as non independent by the Board of Directors (see section 2.3.1.3)												
Cristel de Rouvray	45	♀	French-American	✓ Chairman			✓	✓	1999	2021	SM 2025	Technologies, Leadership, CSR
Alain de Rouvray [(b)]	78	♂	French						1991	2015	SM 2023	Industries, Technologies, Leadership, M&A
Vincent Chaillou [(c)]	72	♂	French	✓				✓	2004	2020	SM 2024	Industries, Technologies, Leadership, M&A
Members considered as independent by the Board of Directors (see section 2.3.1.3)												
Alex Davern	55	♂	Irish, American	✓			✓ Chairman	✓	2021	2021	SM 2025	Finance, Leadership, M&A, Listed company
Yves de Balmann	75	♂	French, American	✓		✓			2016	2020	SM 2024	Finance, Leadership, M&A, Listed company
Éric d'Hotelans	71	♂	French	✓	✓	✓ Chairman	✓		2008	2019	SM 2023	Technologies, Finance, Leadership, Listed company
Véronique Jacq	54	♀	French	✓	✓			✓	2014	2018	SM 2022 [(d)]	Finance, M&A, Listed company
Rajani Ramanathan	55	♀	American, Indian	✓		✓	✓	✓ Chairman	2014	2018	SM 2022 [(d)]	Technologies, Business, Leadership, CSR
Patrice Soudan [(e)]	63	♂	French	✓	✓ Chairman	✓		✓	2021	2021	SM 2024	Finance, Leadership, Technologies, Listed Company
Observer												
Charles-Helen des Isnards	77	♂	French						2021	2021	SM 2022 [(d)]	Finance, M&A, Listed company

60 years
AVERAGE AGE [(f)]

85.7%
INDEPENDENT MEMBERS [(f) (g)]

3 WOMEN &
4 MEN [(f) (h)]

57.1%
DIVERSITY [(f) (i)]

SM: Shareholders' Meeting.
Chairman.
✓ *Member.*

(a) *Refer to the Universal Registration Document 2020 to see the composition of the Board of Directors from January 1st, 2021 until February 8, 2021. https://investors.esi-group.com/governance/governance.*
(b) *Board Member who resigned with effect on December 16, 2021.*
(c) *Board Member who resigned with effect on August 26, 2021, including Committee mandates.*
(d) *Mandates proposed to be renewed at the Shareholders' Meeting of June 28, 2022.*
(e) *Board member whose cooptation was decided by the Board of Directors on 3 September 2021, as a replacement for Vincent Chaillou, who had resigned.*
(f) *At the date of this Universal Registration Document and excluding the Board Observer.*
(g) *At the date of this Universal Registration Document and in accordance with the recommendation R.3 of the Middlenext Code which recommends that the Board include at least two independent Directors and sets the independence criteria.*
(h) *In accordance with the Article L. 22-10-3.*
(i) *Board members/Directors who are foreign nationals, at the date of this Universal Registration Document.*

2.3.1.1. Chair of the Board of Directors

Following the dissociation of functions decided by the Board of Directors on September 18, 2018 and in accordance with Article 11 of the articles of association, the Board must appoint a Chairman among its physical members, for a term which may not exceed his mandate.

Thus, Alain de Rouvray was Chairman of the Board of Directors until February 8, 2021. Since February 8, 2021, Alex Davern acts as Chairman of the Board.

As part of his duties, the Chairman sets the agenda for the Board Meetings. In accordance with the internal regulations, the Chairman also chairs the Meetings of the Board, directs the deliberations and ensures compliance with the internal regulations. The Chairman also ensures the quality of discussions and the collegiality of decisions. The Chairman maintains a regular dialogue with the CEO and the Directors and ensures that they are able to fulfil their mission. The Chairman may also request any document or information that may help the Board of Directors prepare for its meetings and ensures the quality of the information provided to the Directors prior to their meetings.

2.3.1.2. Changes in the composition of the Board of Directors and its committees

Changes in the composition of the Board of Directors in 2021 and until the date of this Universal Registration Document

Board members	Changes	Effective date
Alex Davern	Cooptation [(a)] Nomination as Chairman of the Board	February 8, 2021
	Renewal [(b)]	June 22, 2021
Cristel de Rouvray	Renewal [(b)]	June 22, 2021
Charles Helen des Isnards	Resignation from his mandate as Director	February 8, 2021
	Nomination as Board Observer	June 22, 2021
Vincent Chaillou	Resignation	August 26, 2021
Patrice Soudan	Cooptation [(c)]	September 3, 2021
Alain de Rouvray	Revocation as Chairman of the Board of Directors	February 8, 2021
	Resignation from his mandate as Director	December 16, 2021

(a) *Ratified by the General Meeting of 22 June 2021 for the remainder of the term of Charles Helen des Isnards' mandate,* i.e. *until June 22, 2021rs' Meeting.*
(b) *For a duration of four years, i.e until the General Meeting which will be held in 2025 to approve the accounts of the year 2024.*
(c) *Following recommendation of the Nomination and Governance Committee, as a replacement for Vincent Chaillou, who resigned, for the remaining duration of his mandate,* i.e. *until the General Assembly to be held in June 2024 to approve the accounts of the year 2023.*

Changes in the composition of the committees in 2021 and until the date of this Universal Registration Document

Board members	Changes	Committees	Committees' chairmanship	Effective date
Charles-Helen des Isnards	Resignation	■ Strategic Committee ■ Audit Committee ■ Compensation Committee ■ Nomination and Governance Committee	Audit Committee	
Alex Davern	Appointment	■ Nomination and Governance Committee ■ Technology and Marketing Committee ■ Strategic Committee	Nomination and Governance Committee	February 8, 2021
Alain de Rouvray	Removal by Board decision	■ Strategic Committee ■ Nomination and Governance Committee ■ Technology and Marketing Committee	Strategic Committee Nomination and Governance Committee	
Yves de Balmann	Appointment	■ Compensation Committee		
Cristel de Rouvray	Appointment		Strategic Committee	February 8, 2021
	Board decision	■ Nomination and Governance Committee		September 3, 2021
Véronique Jacq	Appointment		Audit Committee	February 8, 2021
	Board decision	■ Technology & Marketing Committee	Audit Committee	December 31, 2021
Patrice Soudan	Appointment	■ Strategic Committee ■ Compensation Committee ■ Technology and Marketing Committee	Audit Committee	September 3, 2021 January 1st 2022 for Chairmanship
Alex Davern	Board decision	■ Audit Committee		September 3, 2021

2.3.1.3. Independence

In accordance with the recommendations of the Middlenext Code (R.3), following the opinion of the Nomination and Governance Committee, the Board of Directors analysed and determined at a Meeting of February 28, 2022, the proportion of independent Directors within the Board. In particular, it examined each of the Directors' situations in light of the five criteria presuming independence defined by the Code, namely:

Criterion 1	Not to be and not to have been during the course of the previous five years, an employee or corporate officer of the Company or an entity of the Group
Criterion 2	Not to have been during the course of the previous two years and not to be in a significant business relationship with the Company or its Group (customer, supplier, competitor, service provider, creditor, banker)
Criterion 3	Not to be majority shareholder or not holding a significant percentage of the Company's voting right
Criterion 4	Not being related by close family ties to a corporate officer or a majority shareholder
Criterion 5	Not having been an Auditor of the Company during the course of the previous six years

The table below shows each Director's situation in light of the independence criteria as stated above, and the classification chosen by the Board of Directors. The Board identified six independent Director out of seven, representing 85.7% of independence, largely above the one-third of independence recommended by the Middlenext Code for a controlled company.

Director	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Classification chosen by the Board of Directors
Cristel de Rouvray	X	X	X	X	✓	Non-independent
Alex Davern	✓	✓	✓	✓	✓	Independent
Yves de Balmann	✓	✓	✓	✓	✓	Independent
Éric d'Hotelans	✓	✓	✓	✓	✓	Independent
Véronique Jacq	✓	✓	✓	✓	✓	Independent
Rajani Ramanathan	✓	✓	✓	✓	✓	Independent
Patrice Soudan	✓	✓	✓	✓	✓	Independent

X: Not compliant.
✓: Compliant.

2.3.1.4. Balanced gender representation on the Board

At the date of this Universal Registration Document, the Board of Directors is composed of three women and four men.

2.3.2. Offices of Directors

The number of directorships held by Directors is in accordance with the limits set forth in Article L. 225-21 of the French Commercial Code. This is an important guarantee of their commitment and availability to the Group.

Alex Davern

- Independent Board member since February 8, 2021
- Chairman of the Board of Directors
- Chairman of the Nomination and Governance Committee

Date of birth: 09/23/1966
Irish and US
Shares held at December 31, 2021:
12,024 shares*

Alex Davern, observer since October 21, 2020, was appointed as Chairman of the Board following his co-optation as Director on February 8, 2021.

Alex Davern served National Instruments (NATI: NASDAQ, global leader in automated test and automated measurement systems for 26 years in different top management positions from Chief Financial Officer, Chief Operating Officer to Chief Executive Officer. Alex Davern contributed to the Company's development until it reached approximately $1.4 billion in sales with 7,400 people spread in 50 countries today. Alex Davern assisted the founder of National Instruments for 20 years. In Feb 2020, Alex stepped down from his role as CEO to focus on serving as a Board member of National Instruments and other Nasdaq-listed companies (Cirrus Logic, and previously Helen of Troy, Sigmatel Inc.). He is a former President of the American Electronics Association's Small Business Advisory Committee and a former member of the SEC's Small Business Advisory Committee. Alex started his career as Auditor in PricewaterhouseCoopers. He Graduated from the University College Dublin with a degree in Commerce and a post graduate Diploma in Professional Accounting and has both Irish and American citizenships.

Current offices held outside the Group:

- Member of the Board of National Instruments (NATI:NASDAQ)
- Member of the Board and Audit Committee Chairman of Cirrus Logic (CRUS:NASDAQ)
- Member of the Board of FARO Technologies (FARO:NASDAQ)

Expired offices held over the past five years:

- Member of the Board and Audit Committee Chairman of Helen of Troy (HELE:NASDAQ)

* *See chapter 8.2.5 for all registered shares and bearer shares held at the date of publication of the Universal Registration Document.*

Cristel de Rouvray

- Board member
- Chief Executive Officer
- Chairwoman of the Strategic Committee

Date of birth: 10/15/1976
French, American
Shares held at December 31, 2021:
253,054 shares

Cristel de Rouvray is Chief Executive Officer since February 1, 2019. Cristel de Rouvray joined the ESI Group Board in 1999. She was Chairman of the Compensation, Nomination and Governance Committee from 2007 to 2019 and Board Leader from 2015 she is graduated from Stanford University and the London School of Economics, where she obtained a Ph.D. in economics. She has 14 years of experience as a Director at College Track, a US non-profit organization.

Current offices held outside the Group:

- Director of Open Foam Foundation

Expired offices held over the past five years:

- *None*

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Patrice Soudan

- Independent Board member
- Chairman of the Audit Committee since January 1, 2022

Date of birth: 09/29/1958
French
Shares held at December 31, 2021:
2,100 shares

Patrice Soudan, a French citizen, was born on September 29, 1958. He held various positions in finance in an international audit firm and in the food industry before joining Legrand in 1991.

He began his career as Management Controller, then Director of Management Control, and finally Group Chief Financial Officer in 2001.

He was appointed Deputy Chief Executive Officer and member of Legrand's Executive Committee in 2008, taking over the management of the group's main industrial division, and then of all the group's industrial divisions and operations as of 2014 until the end of 2018.

Current offices held outside the Group:

- President of P3C Management

Expired offices held over the past five years:

- Chairman of the Board and CEO of Legrand France
- Member of the Board of Netatmo

Éric d'Hotelans

- Independent Board member
- Chairman of the Compensation Committee

Date of birth: 03/07/1950
French
Shares held at December 31, 2021:
261 shares

Éric d'Hotelans held positions in the information technology sector, first at Tandem (US computer manufacturer, taken over by HP), where he headed the Europe/Finance Business Unit. In 1997, he joined CMG, one of the oldest European IT services companies, as a member of the Executive Committee. In this capacity, he created CMG France (1,200 employees), the Group's French subsidiary, of which he became Chairman and CEO. He left CMG group in 2003, following its acquisition by UK group Logica. He then participated in the development of an investment fund based in Riyadh, Saudi Arabia, specializing in research and analysis of IT-related activities. In 2003, he joined the Board of Directors of M6 Group as Deputy Chairman in charge of management activities. President of the Group's online sales since 2009, he retired in July 2017.

Current offices held outside the Group:

- Chair of the M6 Group Corporate Foundation

Expired offices held over the past five years:

- President of the company Home Shopping Services SA
- President of the company T-Commerce SAS
- Member of the Board of the company *Société Nouvelle de Distribution SA*
- Member of the Board of the company *Métropole Production SA*
- Managing Director of the company Home Shopping Services SA
- Member of the Board of the M6 Group Corporate Foundation
- Member of the Board of the company M6 Films
- Member of the Board of the company M6 Diffusion SA

Rajani Ramanathan

- Independent Board member
- Chairwoman of the Technology and Marketing Committee

Date of birth: 03/25/1967
American, Indian
Shares held at December 31, 2021:
1 share

Rajani Ramanathan has held a variety of positions, from running her own companies to scaling a multi-billion company from a startup to a fully operational business. Currently she serves as an Independent Board member of Guidewire which is the platform P&C insurers trust to engage, innovate, and grow efficiently. She also sits on the Board of Hayden.ai and Vayu technologies corp. She serves as a Board advisor and/or investor in several technology startups including Cere.ai, Invicara, Feathercap and has previously advised companies such as Pipefy, CloudCherry (acquired by Cisco), Medium, Realine Technology, Lifograph, Traction Labs, Relatas, Growbot to name a few.

She joined Salesforce.com in 2000, when it was a small startup, and she helped build it into a high growth Fortune 500 company during her tenure of 14 years. In her most recent role as COO (EVP) of Technology & Products, her responsibilities spanned from delivering highly innovative products, while ensuring every employee can do the best work in their careers. In 2014, she was awarded the YWCA TWIN (Tribute to Women and Industry) Award, which has long been considered one of Silicon Valley's most prestigious awards honoring women who exemplify leadership excellence in executive-level positions.

Current offices held outside the Group:

- Member of the Board of the company Vayu
- Member of the Board of the company Guidewire
- Member of the Board of the company Hayden.ai

Expired offices held over the past five years:

- Member of the Board of the company CloudCherry

Véronique Jacq

- Independent Board member
- Chairwoman of the Audit Committee until December 31, 2021

Date of birth: 01/02/1968
French
Shares held at December 31, 2021:
157 shares

A Civil Engineer and graduate of the École des Mines de Paris (French engineering school), Véronique Jacq began her career in the Nuclear Safety Authority (1994-2000). In 1997, she was appointed Deputy Director in charge of monitoring the safety of EDF nuclear power plants. In 2000, she joined Anvar (now BPI France) as Director of Business Development. In 2003, she joined the 2nd Chamber of the French Court of Auditors, where she was responsible for auditing financial statements and management reports of companies and government agencies as well as international organizations. In 2007, she joined CDC Entreprises, a CDC subsidiary company specializing in private equity, and in 2010 became Deputy General Manager in charge of Business Development. In 2012, she took responsibility for the investment activity in digital startups first at CDC Entreprises and then at Bpifrance as of 2013. The Digital Venture activity she is piloting in Bpifrance covers seed and venture capital operations in enterprise software, consumer, marketplaces, hardware, IoT (€700 millions under management).

Current offices held outside the Group:

- Member of the Board of the company Evaneos
- Member of the Board of the company OpenClassrooms
- Member of the Board of the company Scality
- Board observer of the company Acinq
- Board observer of the company Uavia

Expired offices held over the past five years:

- Member of the Board of the company Netatmo
- Member of the Board of the company Klaxoon
- Member of the Board of the company Famoco
- Member of the Board of the company Cardiologs

Yves de Balmann

- Independent Board member

Date of birth: 05/28/1946
French, American
Shares held at December 31, 2021:
1 share

A graduate of Stanford University in the United States and *École Polytechnique* in France, Yves de Balmann began his career at Citibank where he served as North American Executive Director for the Rates and Currency Derivatives Division, as well as its Proprietary Trading Department. He joined Bankers Trust in 1988, where he eventually rose to become Head of its Global Investment Bank and Vice-Chairman of the Corporation. After the 1999 merger of this company with Deutsche Bank, de Balmann became Co-Head of the Global Investment Bank (GIB) of Deutsche Bank and Co-Chairman and Co-CEO of Deutsche Bank Alex. Brown, the US division of the German bank, which brings together investment banking and intermediation activities. He held these positions until 2001. He also served on the Board of the Global Corporates and Institutions Division (GCI). In 2002, he created the company Bregal Investments, a top international player in the field of private equity, which he co-managed until 2012.

Current offices held outside the Group:

- Member of the Board of the company Constellation
- Member of the Board of the non-profit organization Sonoma Valley Hospital Foundation

Expired offices held over the past five years:

- Member of the Board and non-executive Chairman of the company IP Management
- Member of the Board of the company Laureate Education
- Member of the Board of the non-profit organization Sweetwater Spectrum
- Member of the Board of the company Finalsite
- Member of the Board of the company Exelon Corporation

Alain de Rouvray

- Founder
- Board member until December 16, 2021

Date of birth: 10/08/1943
French
Shares held at December 31, 2021:
459,758 shares

Alain de Rouvray was Founder and CEO of ESI France (1973), then Chairman and CEO of ESI Group from its creation in 1991 until January 31, 2019, then Chairman of the Board of Directors from February 1, 2019 to February 8, 2021.

A graduate of the *École Centrale de Paris* (1967) and the Sorbonne (Economics), Alain de Rouvray was awarded a Fulbright scholarship and a Study and Research grant from the University of California (Berkeley), where he earned a doctorate (Ph.D.) in Civil Engineering (1971). Back in France, Alain de Rouvray was initially a Research Engineer at the *École polytechnique* (Paris, *Laboratoire de Mécanique des Solides,* 1972), then a partner and Director of the Advanced Mechanics Department of the *Société Informatique Internationale* ('2I'), which became a scientific computing subsidiary (1976) of the CISI Group and the *Commissariat à l'Énergie Atomique* (CEA) from 1972 to 1976. In parallel, he founded ESI SA in 1973, with a minority shareholding from 2I, and was its General Manager and Sales Director from 1973 to 1990, at which time he founded and took over the management of ESI Group. Alain de Rouvray was awarded the French title of "*Chevalier de la légion d'honneur*" for Foreign Trade in 2012.

Current offices held outside the Group:

- *None*

Expired offices held over the past five years:

- *None*

Charles-Helen des Isnards

- Independent Board member until February 8, 2021
- Observer since February 8, 2021

Date of birth: 01/01/1945
French
Shares held at December 31, 2021:
3,551 shares

Charles-Helen des Isnards, Board member until February 8, 2021, date of his appointment as observer.

He is a graduate of the Paris Institute of Political Studies and holds a degree in law. After an international career within BUE, UBAF and CIC Group in France and in Italy, Charles-Helen des Isnards contributed to the creation of CIC Finance as member of the Board. He served as Deputy Chief Executive Officer of CM-CIC Corporate Advisory until September 2012.

Current offices held outside the Group:

- Member of the Board of the Day-Solvay Foundation

Expired offices held over the past five years:

- Member of the Board of the association *Les Arts Florissants*
- Member of the Supervisory Board of the company *Nature et Découvertes*

Others offices held:

- Senior Advisor of CAP M – New York, independent consulting firm on strategy and M&A

Vincent Chaillou

- Board member until August 26, 2021
- Chief Operating Officer until June 22, 2021

Date of birth: 03/24/1950
French
Shares held at December 31, 2021:
22,207 shares

Vincent Chaillou was Director and Chief Operating Officer until June 22, 2021 and Group Strategy and EMEA Regional Director until December 31, 2021, date of his retirement.

Vincent Chaillou holds an engineering degree from *École polytechnique* (1971) and a PhD in civil engineering from the *École des Ponts et Chaussées* (1973). Before joining ESI Group in 1994, he served as General Manager of the AEC Business Unit, a department of ComputerVision (which has now merged with PTC). During his 16 years at ComputerVision, he held several management positions in sales, marketing and general management, specifically in the Asia-Pacific region. From 1994 to 1998, he was Regional Vice President for the American territory within ESI Group and CEO of ESI Software.

Current offices held outside the Group:

- Chairman of the association ID4CAR

Expired offices held over the past five years:

- Member of the Board of the association TECH'IN France
- Member of the Board of the company CADEMCE SAS
- Member of the Board of Directors of the association "Alliance Industrie du Futur" (Tech'In representative)*
- Member of the Board of the association ASTech and Vice President International Relations*
- Member of the Board of the Railenium Technological Research Institute*
- Member of the Board of Nuclear Valley*
- Member of the Board of the French Mechanics association*
- Member of the Excelcar collaborative innovation platform*

* *Mandates expired on 31/12/2021.*

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2.3.3. Operations of the Board of Directors

2.3.3.1. Internal rules of the Board of Directors

The Board of Directors adopted internal rules which set out the operational procedures of the Board and its committees, as well as the rules of professional ethics applicable to all Directors and Observers. These internal rules were reviewed by the Board of Directors:

- On October 21, 2020 in order to update it with the PACTE law No. 2019-486 of May 22, 2019, to establish the function of Observer, and as well as to limit the role of the Chairman of the Board of Directors to legal provisions;
- On February 8, 2021 to take into account the change of governance;
- On February 28, 2022, to be in compliance with the last recommendations of the Middlenext Code as revised in September 2021 regarding the training of Board members, the independance of the chairmanship of the committees, and the communication of potential conflicts of interests by any Board member involved with respect to each session agenda. The digitalisation of the Board Meetings and documentation has also been strengthened and the new remuneration policy for the Board members has been updated.

The Internal Rules of the Board of Directors can be consulted on the Company's website (www.esi-group.com). Considering the new recommendation of Middlenext, each Board of Directors signed a copy of the last version of the internal rules.

In accordance with recommendations of the Middlenext Code (R.9), these Internal Rules specify in particular the following points:

- The role of the Board and, as the case may be, operations subject to the prior authorization of the Board;
- Composition of the Board/independence criteria of the members;
- Definition of the missions of any specialized committees set up;
- Duties of the members (deontology: loyalty, non-competition, disclosure of conflicts of interest and duty of abstention, ethics, confidentiality, etc.);
- Operation of the Board (frequency, convening, information of the members, self-assessment, use of videoconferencing and telecommunication facilities, etc.);
- Protection of corporate officers: liability insurance for corporate officers;
- Rules for determining the remuneration of Directors;
- The succession of the officers and key people.

2.3.3.2. Professional ethics of Board members and prevention of conflicts of interest

Regarding professional ethics, the Board members refer to the Director Charter set forth by the French Institute of Corporate Directors (IFA) and appended to the Internal Rules of the Board of Directors.

Concerning prevention and management of conflicts of interest, the Internal Rules recommend that each Director strive to avoid any potential conflict between his moral and material interests and those of the Company. Each Director is bound to inform the Board of any potential conflict of interest. During each Board of Directors Meeting, each Board Member is requested to communicate any potential conflict of interest with respect to the agenda, and in compliance with the Middlenext recommendations (R.2). Should the Director be unable to avoid a conflict of interest, he must abstain from taking part in the debates as well as any decision on the subjects concerned.

In addition to comply with the procedure of regulated agreements which are subject to prior authorization by the Board of Directors in accordance with Article L. 225-38 of the French Commercial Code, the Board examines each year in accordance with Article L. 225-40-1 of the French Commercial Code, the regulated agreements concluded and authorized during previous financial years. During this annual review, the management informs the Board, if necessary, of any significant new agreements between the Company and a subsidiary relating to current operations concluded under normal conditions, thus allowing the Board to assess if these conditions are actually met. It is specified that the persons directly or indirectly interested in one of these agreements do not participate in this assessment.

To the Company's knowledge and as at the date of this Universal Registration Document, there is no conflict of interest between the duties of the individual Board members with respect to the Company and their private interest and other duties.

2.3.3.3. Duties and powers of the Board of Directors

The Board of Directors is and must remain a collegial body that collectively represents all shareholders. It must act in the Company's corporate interests under any and all circumstances. The Board of Directors determines the guidelines for the Company's operations and oversees their implementation. Subject to the powers expressly given, under the law, to General Meetings, the Chairman and Chief Executive Officer and the Chief Operating Officers and within the limit of the corporate object, the Board of Directors may handle any matter relevant to the Company's operations and decides on all matters within its responsibility.

The Board of Directors is entrusted with the following responsibilities in accordance with the law:

- Preparing for and convening Annual General Meetings;
- Preparing the resolutions to be voted on by the shareholders;
- Deciding on the executive management structure of the Company by opting to appoint as Chief Executive Officer either the Chairman of the Board of Directors or another individual;
- Determining the powers that may be delegated to a subsidiary's legal representative and setting monetary limits on these powers;
- Preparing parent company and consolidated annual financial statements and interim financial statements, the annual management report and the interim financial report, as well as approval of these documents;
- Approving the report of the Board of Directors on corporate governance;
- Approving the agreements referred to in Article L. 225-38 of the French Commercial Code;
- Authorizing guarantees and similar undertakings;
- Appointing or dismissing the Chairman, the Chief Executive Officer and the Chief Operating Officers, and supervising their management of the Company;
- Allocating Directors' compensation;
- Creating committees within the Board of Directors, defining their responsibilities and operational procedures, appointing and determining the compensation of the members of these committees;
- Establishing and updating the internal rules of the Board of Directors.

Certain transactions considered to be outside the scope of day-to-day management of business are subject to the prior authorization of the Board of Directors, as defined by the internal rules (section 2.2.3.1 of this Universal Registration Document).

2.3.3.4. Organization of the Board of Directors' work

In accordance with the internal rules, the Directors shall each receive, within a reasonable time before each Meeting of the Board, a file containing the agenda of the Meeting, the draft minutes of the previous Meeting and any relevant documentation relating to each of the items on the agenda. The Chairman answers to requests from Directors for additional information. The Directors consider as at this date, that they receive a complete and sufficient information to fulfil their mission.

In addition, each issue raised during the session is thoroughly discussed and debated among members before being put to the vote at the end of the discussion. Lastly, the Directors are regularly informed between meetings whenever the Company's situation requires, in accordance with Recommendation R.6 of the Middlenext Code.

The Board meets as often as required for the interests of the Company. The frequency and length of the Board of Directors' Meetings must be such as to allow members to conduct an in-depth review and discussion of the topics falling under its responsibility. The same principle applies to Meetings of Board committees.

In accordance with Middlenext Code Recommendation R.6, the internal rules state that the Board of Directors meets at least four times per year.

The Board systematically meets to:

- Draw up the annual financial statements and prepare for the Annual General Meeting called to approve said financial statements;
- Report on half-year results;
- Discuss the financial position, the cash position, the Company's obligations and the share buyback program.

The Board of Directors must also meet, when convened by the Chairman, in the event of major operations such as the following:

- Business acquisitions or sale;
- Significant operations outside the Group's established strategy;
- Organic growth or restructuring operations.

The draft minutes of each Board of Directors Meeting are formally approved and signed by the Board members during the subsequent Meeting. The minutes set out the discussions, specify the decisions made and mention the questions and reservations raised.

Furthermore, during each Board Meeting any major facts or events pertaining to the Company's operations or its general situation arising since the previous Meeting are brought to the Board members' attention.

Board of Directors' Meetings are not valid unless at least half of its members are in attendance. The Board's decisions are made by majority vote among the members present or represented. In the event of a tie, the Chairman of the Meeting has a casting vote. In accordance with the provisions of the articles of association, Board members who attend the Board Meeting via videoconference or teleconference are considered present as for the quorum. This provision does not apply to decisions for which the French Commercial Code expressly excludes the use of this process unless specific derogations related to sanitary measures.

An attendance sheet is drawn up and signed by the Board members attending the Board of Directors' Meeting.

2.3.3.5. Training

The internal rules of the Board of Directors approved by the Board on February 28, 2022 state that "Each Director may receive additional training on the specific characteristics of the Group, its businesses and sectors of activity as well as on accounting and financial aspects in order to improve his or her knowledge."

This may involve external or internal training courses either on governance or on the activity of the Company, as it has been the case recently with a two-days internal seminar focusing on the Company's business. Such training is organized by the Company and is its sole responsibility.

Following the review of the Middlenext Governance Code and in particular the new recommendation No. 5, Directors have been made aware of the need to prepare and implement a three-year training plan in the coming months.

2.3.3.6. Works of the Board of Directors in 2021

In 2021, the Board of Directors held nine Meetings. The attendance rate was 90.28%.

Attendance of Directors at Board Meetings in 2021

Dates of Board of Directors' Meetings	08/02/2021	15/03/2021	07/05/2021	10/06/2021	22/06/2021	03/09/2021	10/09/2021	04/10/2021	19/11/2021	% of attendance
Alex Davern	✓	✓	✓	✓	✓	✓	x	✓	✓	89
Cristel de Rouvray	✓	✓	✓	✓	✓	✓	✓	✓	✓	100
Yves de Balmann	✓	✓	✓	✓	✓	✓	✓	✓	✓	100
Éric d'Hotelans	✓	✓	✓	✓	✓	✓	✓	✓	✓	100
Véronique Jacq	✓	✓	✓	x	✓	✓	x		✓	83
Rajani Ramanathan	✓	✓	✓	x	✓	✓	✓	✓	✓	89
Patrice Soudan	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	100
Charles-Helen des Isnards	✓	✓	✓	✓	✓	✓	✓	✓	✓	100
Alain de Rouvray	✓	x	✓	✓	✓	✓	x	✓	x	67
Vincent Chaillou	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	100
OVERALL ATTENDANCE										**90.28**

Director/Observer	Strategic Committee		Audit Committee		Nomination and Governance Committee		Compensation Committee		Technology and Marketing Committee	
	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings
Alex Davern	100%	4/4	100 %	5/5	100%	4/4			75%	3/4
Cristel de Rouvray	100%	4/4	—	—	100%	5/5	100%	3/3	100%	4/4
Yves de Balmann	100%	4/4	—	—	—	—	100%	4/4	—	—
Éric d'Hotelans	100%	4/4	100%	6/6	100%	5/5	100%	4/4	—	—
Véronique Jacq	100%	4/4	100%	6/6	—	—			100%	4/4
Rajani Ramanathan	100%	4/4	—	—	100%	5/5	100%	4/4	100%	4/4
Patrice Soudan	100%	2/2	100%	1/1	—	—			100%	2/2
Charles-Helen des Isnards	100%	4/4	100%	6/6	100%	5/5	100%	4/4	—	—
Alain de Rouvray	100%	1/1	—	—	100%	1/1	—	—	—	—
Vincent Chaillou	100%	2/2	—	—	—	—	—	—	100%	2/2
OVERALL ATTENDANCE RATE	**100%**	**—**	**100%**	**—**	**100%**	**—**	**100%**	**—**	**95%**	**—**

In addition to approving the minutes of previous Boards of Directors, and beyond the usual decisions in the framework of the Company's activity and results, the main items discussed, and decisions taken by the Board of Directors at its Meetings in 2021 are as follows:

/ Corporate Governance

On February 8, 2021, the Board of Directors discussed the reshuffle of its composition as well as the ones of its committees in alignment with the evolution of the governance. The Board notably appointed a new Chairman in the context of the evolution of the Board. The Board Secretary has been reappointed, as well as for the position of Secretary to the Audit Committee, the Strategic Committee, the Compensation Committee, the Nomination and Governance Committee, and the Technology and Marketing Committee. In addition, the Board of Directors discussed topics related to its functioning and the preparation of its works, the internal rules, the policy related to internal control, and the implementation of the program of shares buy back. Among the governance topics, the Board of Directors also discussed the need to harmonize the governance within each subsidiary of the Company. The Board of Directors also approved the dissolution of several subsidiaries during the fiscal year for legal simplification purposes. The Board reviewed new regulated agreements and current regulated agreements.

At the Meeting of March 15, 2021, the Board decided on the independence criteria for Directors based on the proposal of the Nomination and Governance Committee.

At its Meeting of May 7, 2021, the Board of Directors convened the Ordinary and Extraordinary General Meeting of June 22, 2021.

At its Meeting of September 3, 2021, the Board appointed Patrice Soudan as new independent Board member in replacement of Vincent Chaillou. The results of the annual self-assessment were presented at this session.

/ Activity and results

The systematic and in-depth review of the Company's activity is carried out at each meeting.

In accordance with the recommendation of the Audit Committee, the Board of Directors held on February 8, 2021 approved the revenue for fiscal year 2020 and the capital increase following the exercise of options during the 2020 financial year.

At its Meeting of March 15, 2021, the Board of Directors approved the 2021 results based on the recommendation of the Audit Committee and defined the strategic orientations.

Based on the recommendation of the Audit Committee, the Board of Directors held on June 22, 2021 authorized the renewal and extension for five years of bank loans guaranteed by the State, whose signature was authorized by a decision dated June 25, 2020.

On September 3, 2021, the Board reviewed and approved the three-year business plan which was communicated externally in October 2021.

The budget for the financial year 2022 was also approved during the Board Meeting held on November 19, 2021.

/ Compensation policy and human resources

At the Meeting of March 15, 2021, the Board based on the recommendation of the Compensation Committee, approved the new policy for the remuneration of the Board members for the financial year 2020, including the remuneration of the Chairman. The Board also deliberated and approved the rules relating to the compensation of executive corporate officers.

On September 10, 2021, the Board granted a Long-term incentive plan based on stock option plan for the Chief Executive Officer.

On October 4, 2021, the Board granted long term incentive plans of free shares to executives and selected beneficiaries.

As every year, the Board, deliberated on the Company's policy in terms of professional equality between women and men.

2.3.3.7. Board assessment

In accordance with Middlenext Code Recommendation R.13 and with the provisions of Article 2.9 of the Board of Directors Internal Rules, the Board of Directors carried out during 2021 financial year, a yearly internal self-assessment of its composition, organization and mode of operation. This assessment was performed using a questionnaire addressed to each Director. The results of the self-assessment were shared during the annual Retreat and during the Board Meeting held on September 3, 2021. During the ensuing debate, reflections were raised on the achieved Company's transformation work, which should allow the improvement of the performance, as well as the need to bring new expertise to support the development strategy.

2.3.4. Specialized committees

The Board of Directors may decide on the creation within its Board of committees of which it determines the composition [(1)] (see section 2.3.3.1 above) and defines the missions in the internal rules. The committees carry out their activities under the Board's sole responsibility. The Board of Directors remains the decision-making body. The purpose of the committees is to optimize the discussions of the Board of Directors and to ensure it is prepared to make its decisions. The committees thus draw up proposals, recommendations and opinions relative to their respective areas at each of their meetings. In accordance with current legislation and Middlenext Code Recommendation R.7, the following committees have been established within the Company:

- The Strategic Committee;
- The Audit Committee;
- The Compensation Committee;
- The Nomination and Governance Committee;
- The Technology and Marketing Committee.

The attendance of the Directors at the Committees' Meetings during financial year ended on December 31, 2021 is presented under section 2.3.3.5 above.

2.3.4.1. Strategic Committee

Composition in 2021 since February 8, 2021 until the date of the present document [(a)]			
Cristel de Rouvray (Chairwoman)			
Alex Davern*			
Yves de Balmann*			
Éric d'Hotelans*	7 members [(c)]	100% attendance rate [(c)]	4 meetings [(c)]
Véronique Jacq*			
Rajani Ramanathan*			
Patrice Soudan* [(b)]			

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (see above section 2.3.1.3).*

(a) *Refer to the Universal Registration Document 2020 to see the composition of the Committee from January 1st, 2021 until February 8, 2021. https://investors.esi-group.com/governance/governance.*

(b) *As of September 2, 2021.*

(c) *At December 31, 2021.*

The Strategic Committee is namely in charge of, upon proposal from the Chief Executive Officer:

a. Considering the position occupied by ESI Group on the market where the Group operates as well as its expected evolution, taking into account the development of major competitors;

b. Making proposals to the Board on the main lines of development of the Group in the medium / long term as well as the necessary resources to conduct this development;

c. Analyzing M&A opportunities.

2.3.4.2. Audit Committee

Composition in 2021 since February 8, 2021 until the date of the present document [(a)]			
Patrice Soudan (Chairman) [(b)]			
Véronique Jacq* [(c)]	3 members [(d)]	100% attendance rate [(d)]	6 meetings [(d)]
Éric d'Hotelans*			

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*

(a) *Refer to the Universal Registration Document 2020 to see the composition of the Committee from January 1st, 2021 until February 8, 2021. https://investors.esi-group.com/governance/governance.*

(b) *As of January 1, 2022.*

(c) *Chairman until December 31, 2021.*

(d) *At December 31, 2021.*

In accordance with regulations in force, Board members having executive roles within the Company are not allowed to serve as members of the Audit Committee, and all members are independent. In addition, the majority of its members have expertise in the area of finance or accounting.

The CEO and the Chief Financial Officer of the Company attend the Meetings of the Audit Committee as guests in accordance with Middlenext recommendations and best market practices.

[(1)] *The composition of all the committees was reviewed during the Board Meetings held on February 8, 2021 and September 3, 2021.*

Similarly, the Chairman of the Board of Directors no longer attends the Audit Committee as a member but as a guest if applicable.

According to the regulation in force, the Audit Committee monitors issues relating to the preparation and control of accounting and financial information.

Without prejudice to the powers of the bodies responsible for administration, management and supervision, the Audit Committee is responsible, in particular, for the following tasks:

- Monitoring the process of drawing up financial documents and, if necessary, making recommendations to ensure their integrity;
- Monitoring the effectiveness of internal control and risk management systems as well as internal audit systems, if necessary, in terms of the preparation and processing of financial and accounting information, when such initiatives are compatible with the Committee's independence;
- It controls the foreign exchange and interest rate risk management policy and reviews the mapping of the main risks;
- Issuing a recommendation regarding appointment of Auditors by the General Meeting, as well as regarding the potential reappointment of Auditors;
- Monitoring Auditors as they fulfil their duties;
- Ensuring Auditors' independence;
- Regularly reporting to the Board of Directors regarding on its activities and the results of certification of financial statements, how said certification has contributed to the integrity of financial information, and the role that the Committee played in the process. The Committee immediately reports any problems that may arise;
- It makes a global review on the services other than account certification (SACC) which can be ordered by the Company.

The Statutory Auditors are invited to participate in the Board Meetings that validate the sales figures and the financial statements.

2.3.4.3. Compensation Committee

Composition in 2021 since February 8, 2021 until the date of the present document [(a)]

Éric d'Hotelans* (Chairman) Yves de Balmann* Rajani Ramanathan* Patrice Soudan* [(b)]	**4** **members**	**100%** **attendance rate [(c)]**	**4** **meetings [(c)]**

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*

(a) *Refer to the Universal Registration Document 2020 to see the composition of the Committee from January 1st, 2021 until February 8, 2021. https://investors.esi-group.com/governance/governance.*

(b) *Since September 3, 2021.*

(c) *At December 31, 2021.*

The Chairman of the Board of Directors no longer attends the Compensation Committee as a member but as a guest if applicable.

The mission of the Compensation Committee is to prepare the decisions of the Board of Directors concerning:

- The compensation policy of the Group, in particular for key Directors and corporate officers, based on information provided by the Finance and Human Resources Departments;
- The general policy to grant options to subscribe or purchase shares or free shares, reported in the annual report and the special report dedicated to the shareholders at the General Meeting, and the frequency of allocations;
- The allocation of stock options or purchase of shares in favor of employees and/or corporate officers, as well as any pattern of ownership of Employees (profit sharing, etc.), to issue an opinion on the legal and financial conditions of these plans, and the list of beneficiaries related to strategic goals;
- The Company's policy on equal pay and equal wages for all employees and between women and men (Article L. 225-37-1 of the French Commercial Code).

2.3.4.4. Nomination and Governance Committee (including CSR)

Composition in 2021 since February 8, 2021 until the date of the present document [a]			
Alex Davern* (Chairman) Cristel de Rouvray Éric d'Hotelans* Rajani Ramanathan*	4 members [b]	100% attendance rate [b]	5 meetings [b]

* Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).
(a) Refer to the Universal Registration Document 2020 to see the composition of the Committee from January 1st, 2021 until February 8, 2021. https://investors.esi-group.com/governance/governance.
(b) At December 31, 2021.

The mission of the Nomination and Governance Committee is to prepare the decisions of the Board of Directors concerning:

- The composition of the Board in view of the composition and evolution of the shareholding of the Company, research and evaluation of potential candidates, the opportunity of reappointments;
- The procedure for selecting future Directors and observers;
- The succession plan for corporate officers in case of unexpected vacancy, hiring, nomination or dismissal of officers;
- The criteria of independence of Directors and assessment of independence;
- The assessment procedures of the functioning of the Board and its committees;
- In deliberation with the CEO, appointment and dismissal of senior management positions, primarily in the ELT;
- The monitoring of the Corporate Social Responsibility (CSR) policy in line with the Group's strategy.

2.3.4.5. Technology and Marketing Committee

Composition in 2021 since February 8, 2021 until the date of the present document [a]			
Rajani Ramanathan* (Chairwoman) Cristel de Rouvray Alex Davern* Patrice Soudan* [b]	4 members [c]	95% attendance rate [c]	4 meetings [c]

* Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).
(a) Refer to the Universal Registration Document 2020 to see the composition of the Committee from January 1st, 2021 until February 8, 2021. https://investors.esi-group.com/governance/governance.
(b) As of September 3, 2021.
(c) At December 31, 2021.

The Technology and Marketing Committee advises the Board of Directors on the strategy, development and marketing of the Group's solutions. Within the framework of this mission, the scope of action of the Technology and Marketing Committee mainly concerns, upon proposal of the Chief Executive Officer, deliberations on:

- The Company's competitive position;
- Industry strategy (multi-horizon), including ecosystem levers (partnerships) and acquisitions;
- The internal organization to define, develop, market and price solutions, including differentiating by market;
- Revenue generation strategy and execution;
- Return on Investment (ROI).

2.3.5. Function of Observer

2.3.5.1. Role

The Extraordinary General Meeting of October 21, 2020 approved the amendment to the articles of association which incorporates the function of observer. An Article 16 has thus been inserted in the ESI Group's articles of association [(1)]. The number of observers may not exceed four. They are appointed for a maximum period of one year.

The observers have a general and permanent advisory and supervisory role for the Company. They are responsible for ensuring the strict application of the articles of association and their main mission is to participate, as necessary, in Meetings of the Board of Directors and committees, to provide the necessary information, their expertise and their knowledge of the various businesses of the Company. When they attend Board Meetings or committees, they have an advisory capacity. They should not interfere in the management of the Company under any circumstances.

The Board of Directors' internal regulations [(2)] have also been updated in order to align the obligations and responsibilities of the observers with those of the Directors.

The Board of Directors may devote a part of the compensation that the General Assembly granted to the Board members to the observers and/or allocate to them exceptional compensations.

2.3.5.2. Appointment of observers

On October 21, 2020, the Board of Directors appointed Alex Davern as observer, in accordance with the recommendations of its Nomination and Governance Committee.

On February 8, 2021, following the resignation of Charles-Helen des Isnards from the Board of Directors, Alex Davern was co-opted as Director, for the remaining term of office, thereby ceasing his function as observer. Charles-Helen des Isnards was appointed, on the same date, observer until June 22, 2021, the date of the last General Meeting [(3)]. His renewal as observer has been decided by the Shareholders' Meeting held on June 22, 2021 for a duration of one year, *i.e.* until the General Meeting to be held in 2022 to approve the accounts for the year 2021 (resolution No. 8). It will be proposed during this General Meeting to renew Charles-Helen des Isnards as Observer for a new period of one year (resolution No. 9).

2.3.6. Relationships with shareholders

The Board of Directors ensures that dialogue with the Company's shareholders can always take place under the best possible conditions. In particular, the Directors and the Observers are invited to attend the General Meeting and analyze the results of the vote on each resolution. They pay special attention to negative votes so as to draw the appropriate conclusions before the following General Meeting.

Moreover, in addition to the General Meeting, the Chief Executive Officer and Chief Financial Officer regularly meet with shareholders and investors at Individual Meetings and during roadshows and conferences, provided that such events do not take place during blackout periods.

(1) *https://investors.esi-group.com/regulated-information*
(2) *https://investors.esi-group.com/governance/governance and section 2.3.3.1 above.*
(3) *https://www.esi-group.com/company/news/esi-group-announces-governance-evolution*

2.4. COMPENSATION PAID TO THE DIRECTORS AND THE MANAGEMENT

2.4.1. Compensation policy for corporate officers for 2022 financial year

In accordance with Article L. 22-10-8 of the French Commercial Code, the principles and criteria of definition and allocation of the fixed, variable, exceptional components of the total remuneration as well as benefits in kind payable to the corporate officers for 2021 financial year are presented below and will be subject to the approval of the Shareholders' Meeting to be held on June 28, 2022.

2.4.1.1. Compensation policy applicable to Directors and Chairman of the Board of Directors for 2022 financial year

/ Directors' compensation

For their mandate, the independent Directors receive compensation, the total amount of which is set by the General Meeting. Their allocation is made, on proposal of the Compensation Committee to the Board of Directors, according to the following criteria:

1. Frequency of Meetings and participation (effective presence);
2. Chairmanship of specialized committees;
3. Chairmanship of the Board of Directors.

Non-independent Directors receive fixed compensation without being subject to presence condition depending on existing of former corporate officer's role.

/ Chairman of the Board of Directors' compensation

The compensation of the Chairman is only linked to the attribution of Board fees.

The compensation policy of Directors and Chairman of the Board of Directors for the 2021 financial year was approved by 99.71% of the votes of the General Meeting of June 22, 2021.

The draft resolutions (Nos. 15 and 17) related to the remuneration policy attributable to the members and to the Chairman of the Board of Directors for 2022 and submitted to the General Meeting of June 28, 2022, are presented in chapter 7 of this Universal Registration Document.

Below is a summary of the compensation policy attributable to the Directors and the Chairman of the Board of Directors for the 2022 financial year as decided by the Board of Director on November 19, 2021.

Allocation of compensation for Directors [(a)]

(Per year, in €)

	Board Chairmanship	Board of Directors	Committee membership	Audit Committee Chairmanship	Other Committee Chairmanship
Independent Director [(b)]	120,000	30,000	4,000 [(c)]	24,000 [(c)]	14,000
Non independent Director [(d)]	n/a	10,000	n/a	n/a	n/a
TOTAL COMPENSATION APPROVED BY THE SHAREHOLDERS' MEETING OF JUNE 22, 2021: €450,000					

(a) *It should be noted that the table above presents exclusively the compensation attributable to the mandates as Directors. It does not include any compensation that may be awarded for other mandates exercised within the Group.*
(b) *Payment subject to an annual presence at 100%, failing which the amount is calculated in proportion to the annual presence.*
(c) *For each Committee membership, annually.*
(d) *Fixed payment not subject to presence condition.*

2.4.1.2. Chief Executive Officer' remuneration policy applicable in 2022 financial year

/ Principles of remuneration policy

In accordance with Article L. 22-10-8 of the French Commercial Code, the compensation policy for corporate officers must be in line with the Company's corporate interests, contribute to its sustainability and be part of its business strategy. To this end, the Company's compensation policy establishes a competitive compensation framework, adapted to the strategy and the context of the Company and notably aims at promoting its performance and competitiveness over the medium and long term.

The principles and criteria governing the remuneration policy of the executive corporate officers and amounts were determined by the Board of Directors upon the recommendation of the Compensation Committee during its Meeting dated February 28th, 2022 in order to be aligned with the corporate interest.

This compensation policy also contributes to the sustainability of the Company and is part of its business strategy insofar as it takes into account the performance of the Company in the calculation of the variable compensation. Indeed, this remuneration policy must remain consistent with the Company's performance, while ensuring that the objectives of the executives are aligned with the Company's medium-term strategy and take into account the interests of shareholders.

This remuneration policy has been established in accordance with the principles of completeness, balance between the elements of remuneration, benchmark, consistency, readability of the rules, measurement and transparency (R.13) such as defined in the Middlenext Code.

For the 2021 financial year, the General Assembly approved by 75.8% of the votes the compensation policy applicable to the Chief Executive Officer.

/ Remuneration structure

The Chief Executive Officer's remuneration is structured as follows:

- A fixed annual part determined based on the level and complexity of responsibilities, experience in the position and length of service in the Group, as well as practices observed in groups or companies of similar size;
- A variable annual part representing a target ratio of 62.5% of the fixed remuneration: it is subject to an assessment based exclusively on quantitative criteria related to the performance of the Group (growth and profitability). These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation Committee and aligned with the strategic plan. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation Committee at the end of the year. In accordance with Article L. 225-100 of the French Commercial Code, the payment of variable or exceptional remuneration is subject to the prior approval of this remuneration by the Shareholders' Meeting;
- A long term incentive compensation linked to financial performance over the long term. This can take the form of one or more of the following financial instruments: Stock option or free shares. Please refer to the tables in section 2.4.2.1.4 onward.

Cash compensation for 2022

- A fixed part established at $400 thousand; This amount was determined by the Board of Directors in its February 28th, 2022 Meeting, on the recommendation of the Compensation Committee and based compensation paid to executive officers for similar companies. The Chief Executive Officer's annual fixed compensation under 2022 compensation policy was increased relative to the $378 thousand awarded under the 2021 policy;
- A variable part established at $250 thousand on 100% quantitative criteria related to growth (50%) and profitability (50%). The framework includes an overachievement criteria for the growth component.

Exceptional compensation

Very specific circumstances (for example because of their importance for the Company, the involvement they require and the difficulties they represent) could give rise to exceptional remuneration granted to executive corporate officers. The award of such remuneration would be exceptional, motivated and justified by the Board. Its payment would be subject to the approval of the Shareholders' Meeting.

Benefits in kind

Benefits in kind include a Company car or equivalent allowance.

Other components of the executive corporate officers' compensation

Severance pay

No executive corporate officer of the Company receives severance pay.

Non-compete clause

No executive corporate officer has a non-compete clause in his corporate office.

Supplementary pension plan

No executive corporate officer has a supplementary pension plan other than mandatory pension plans.

Health benefits and reimbursement scheme

The executive corporate officers of the Company benefit from the pension plan and reimbursement of health expenses applicable to all employees.

Non-combination of employment contract and corporate office

At the time of appointment to the position of executive corporate officer, it is decided to suspend any existing employment contract with the Company for the duration of the office.

As of the date of this Universal Registration Document, there is no employment contract between the Chief Executive Officer and the Company.

2.4.2. Compensation due to Directors for financial year ended on December 31, 2021

Summary table of compensation and other components of compensation due to non-executive corporate officers (Table 3 of AMF nomenclature)

Compensation Non-executive corporate officers	Amounts allocated for 2021 financial year	Amounts paid for 2021 financial year [(a)]	Amounts allocated for 2020 fiscal year	Amounts paid for 2020 fiscal year [(a)]
Alain de Rouvray [(b)]				
Compensation as Director	25,000	18,334	85,000	100,000
Other compensation [(c)]	114,305	139,654	490,568	465,144
Alex Davern [(d)]				
Compensation as Director	171,722		19,125	19,125
Other compensation	n/a	n/a	n/a	n/a
Charles-Helen des Isnards [(e)]				
Compensation as Director	24,427		35,700	35,700
Other compensation	n/a	n/a	n/a	n/a
Éric d'Hotelans				
Compensation as Director	36,000		27,200	27,200
Other compensation	n/a	n/a	n/a	n/a
Véronique Jacq				
Compensation as Director	37,944		11,036	11,036
Other compensation	n/a	n/a	n/a	n/a
Rajani Ramanathan				
Compensation as Director	35,722		27,200	27,200
Other compensation	n/a	n/a	n/a	n/a
Yves de Balmann				
Compensation as Director	33,000		24,650	24,650
Other compensation	n/a	n/a	n/a	n/a
Patrice Soudan				
Compensation as Director	6,167		—	—
Other compensation	n/a	n/a	n/a	n/a
TOTAL				
Compensation as Director	369,982	18,334	229,911	244,911
Other compensation	114,305	139,654	490,568	465,144

(a) Before taking into account the withholding tax.
(b) Alain de Rouvray, Chairman of the Board until February 8, 2021.
(c) Other compensation due to Alain de Rouvray for other mandates exercised within the Group are presented in detail under section 2.4.3 of this document.
(d) Alex Davern, Chairman of the Board from February 8, 2021.
(e) Charles-Helen des Isnards was Board member until February 8, 2021, when he resigned from his mandate and now Board Observer.

For 2021 financial year, the compensation of non-executive corporate officers amounts to €369,982.

In addition, the compensation allocated to executive corporate officers due to their mandate as Director, respectively €10,000 for Cristel de Rouvray and €4,000 for Vincent Chaillou (see 2.4.3.1.2); have to be included. Consequently, out of the total compensation package of €450,000 approved by the General Meeting of June 22, 2021, a total amount of €383,982 was allocated.

2.4.3. Compensation to the corporate officers

2.4.3.1. Compensations paid to the Chairman of the Board, the Chief Executive Officer and Chief Operating Officers for financial year ended on December 31, 2021

The following tables are prepared in accordance with the recommendation No. 2021-02 of the French Stock Market Authority (*Autorité des Marchés Financiers – AMF*). They detail the amounts of remuneration and benefits paid, as well as the amounts due for the financial year ended December 31, 2021.

It should be noted that the remuneration of Alex Davern, Chairman of the Board of Directors since 8 February 2021, is solely in respect of this mandate and that he does not receive any other remuneration (see section 2.4.1.1).

/ 2.4.3.1.1. Summary table of compensation and stock options granted to each corporate officer (Table 1 of AMF nomenclature)

(In €)	2021	2020
Alex Davern Chairman of the Board of Directors since February 8, 2021		
Compensation due for the year (detailed in 2.4.1.1 and 2.4.2)	171,722	19,125
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	None	None
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	None	None
Cristel de Rouvray CEO		
Compensation due for the year (detailed in 2.4.3.1.2 below)	509,022	365,652
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	357,476	None
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	None	None
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021 [(a)]		
Compensation due for the year (detailed in 2.4.3.1.2 below)	139,305	576,436
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	None	None
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	None	None
Vincent Chaillou Chief Operating Officer until June 22, 2021 [(a) (b)]		
Compensation due for the year (detailed in 2.4.3.1.2 below)	426,626	240,818
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	None	None
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	—	74,456

(a) See Press release of February 8, 2021.
(b) Including compensation under employment contract till December 31, 2021.

/ 2.4.3.1.2. Summary table of compensation to each corporate officer (Table 2 of AMF nomenclature)

It should be noted that the remuneration of Alex Davern, Chairman of the Board of Directors since 8 February 2021, is solely in respect of this mandate and that he does not receive any other remuneration (see section 2.4.1.1).

Cristel de Rouvray CEO since February 1, 2019 *(In €)*	2021		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	319,679	319,679	311,635	311,635
Annual variable compensation	123,519	—	—	—
Multi-annual variable compensation	—	—	—	—
Exceptional compensation	45,685		35,000	34,980
Compensation as Director	10,000	—	8,500	8,500
Benefits in kind	10,139	10,139	10,517	10,517
TOTAL	**509,022**	**329,818**	**365,652**	**365,632**

Alain de Rouvray Chairman of the Board of Directors until February 8, 2021* *(In €)*	2021		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	114,305	114,305	465,144	465,144
Annual variable compensation	None	None	None	None
Multi-annual variable compensation	None	None	None	None
Exceptional compensation	None	None	26,293	26293
Compensation as Director	25,000	18,334	85,000	100,000
Benefits in kind	None	None	None	None
TOTAL	**139,305**	**132,639**	**576,436**	**591,437**

* *See press release of February 8, 2021.*

Vincent Chaillou* Chief Operating Officer until June 22, 2021 *(In €)*	2021		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	198,550	198,550	198,550	198,550
Annual variable compensation	—	—	—	—
Multi-annual variable compensation	—	—	—	—
Severance pay (including retirement)	160,924	160,924		
Exceptional compensation		—	30,000	30,000
Other Compensation	60,000	60,000		
Compensation as Director	4,000		5,100	5,100
Benefits in kind	3,153	3,153	7,168	7,168
TOTAL	**426,626**	**422,626**	**240,818**	**240,818**

* *Including compensation under employment contract till December 31, 2021. Payment done in January 2022 for the severance pay.*

/ 2.4.3.1.3. Summary table of compensation and other components of compensation due to Directors (Table 3 of AMF nomenclature)

Please refer to section 2.4.2 above of the Universal Registration Document

/ 2.4.3.1.4. Share subscription or purchase options granted to each corporate officer by the Company and any Group company during 2021 financial year (Table 4 of AMF nomenclature)

Share subscription or purchase options granted during the year to each executive corporate officer by the Company and any Group company						
Name of the executive corporate officer	Plan No. and date	Type of options (purchase or subscription)	Value of options on the method used for the consolidated financial statements	Number of options granted during the year	Exercise price (in €)	Exercise period
Cristel de Rouvray CEO	No. 21	Purchase	357,476	24,000	60.47	3 years
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021 [(a)]	None					
Vincent Chaillou Chief Operating Officer until June 22, 2021	None					
TOTAL				**24,000**		

(a) *See press release of February 8, 2021.*

/ 2.4.3.1.5. Share subscription or purchase options exercised to each corporate officer by the Company and any Group company during financial year ended on December 31, 2021 (Table 5 of AMF nomenclature)

Share subscription or purchase options exercised during the year to each executive corporate officer by the Company and any Group company			
Name of the executive corporate officer	Plan No. and date	Number of options exercised during the year	Exercise price
Cristel de Rouvray CEO	None		
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021 [(a)]	None		
Vincent Chaillou Chief Operating Officer until June 22, 2021	No. 10	1,000	27.82
TOTAL		**1,000**	

(a) *See press release of February 8, 2021.*

/ 2.4.3.1.6. Free shares allocated to each corporate officer during financial year ended on December 31, 2021 (Table 6 of AMF nomenclature)

Free shares allocated to each executive corporate officer						
Free shares allocated by the Shareholders' Meeting during the year to each executive corporate officer by the Company and any Group company	Plan No. and date	Number of shares allocated during the year	Value of shares on the method used for the consolidated financial statements	Acquisition date	Availability date	Performance conditions
Cristel de Rouvray CEO	None					
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021 [(a)]	None					
Vincent Chaillou Chief Operating Officer until June 22, 2021	None					
TOTAL						

(a) *See press release of February 8, 2021.*

/ 2.4.3.1.7. Free shares vested to each executive corporate officer during financial year ended on December 31, 2021 (Table 7 of AMF nomenclature)

Free shares allocated vested to each executive corporate officers	Plan No. and date	Number of shares vested available during the year	Acquisition conditions
Cristel de Rouvray CEO **Alain de Rouvray** Chairman of the Board of Directors until February 8, 2021 [(a)]	None		
Vincent Chaillou Chief Operating Officer until June 22, 2021	No. 9 *quinquies* No. 9 *sexies*	500 10	Presence Presence
TOTAL		**510**	

(a) *See press release of February 8, 2021.*

/ 2.4.3.1.8 History of share subscription or purchase option allocations (Table 8 of AMF nomenclature)

Date of Shareholders' Meeting	Plan No. 10: 06/26/2012	Plan No. 17: 07/24/2014	Plan No. 19: 06/29/2017 [(b)]	Plan No. 20: 25/06/2020	Plan No. 21: 25/06/2020
Date of the Board of Directors' Meeting(s)	12/19/2012 02/07/2014 03/26/2015 07/22/2015	07/22/2015 03/11/2016 05/05/2017	07/18/2018 02/01/2019 12/18/2019		09/10/2021
Number of options allocated	180,000	37,400	88,485	0	24,000
Of which:					
■ Cristel de Rouvray, CEO	n/a	n/a	20,000	0	24,000
■ Alain de Rouvray, Chairman of the Board of Directors until February 8, 2021 [(a)]	n/a	n/a	n/a		
■ Vincent Chaillou, Chief Operating Officer until June 22, 2021	3,500	—	—		
Start date of exercise period	2016 to 2019	2017 to 2021	2021 to 2022		2023 to 2025
Expiration date	2020 to 2025	2023 to 2026	2026 to 2027		
Exercise price *(in €)*	27.82; 24.42; 21.66; 27.17	27.17; 23.35; 50.92	42.97; 27.04; 29.12		60.47
Type of option	Subscription	Subscription	Subscription	Subscription	Purchase
Option exercised	69,200	7,900	49		
Subscription or purchase options cancelled or exercised	110,425	15,800	18,900		
Subscription or purchase options as at end of financial year	375	13,700	70,786		24,000

(a) *See press release of February 8, 2021.*
(b) *All plans, with the exception of Plan 19 ter, are subject to performance conditions.*

Allocation of share subscription and purchase options

The only allocation of options during 2021 is linked to Cristel de Rouvray, as shown above in the table.

Exercise of share subscription options

The Board of Directors has noted during its Meeting of February 28, 2022, that the number of new shares issued as a result of the exercise of options during 2021 financial year amounted to 27 549 shares with a nominal value of €3 representing an increase in the share capital of the Company of an amount of €82 647, which increased from €18,109,776 to €18,192,423.

/ 2.4.3.1.9. Share subscription or purchase options granted to the top 10 non-corporate officers beneficiary employees and options exercised by them during financial year ended on December 31, 2021 (Table 9 of AMF nomenclature)

Share subscription or purchase options granted to the top 10 non-corporate officers beneficiary employees and options exercised by them	Total number of options granted/ shares subscribed or purchased	Weighted average price *(in €)*	Plan No.
Options granted during the year to the ten employees of the Company and its Group which represent the largest number of options allocated	24,000	60.47	21
Options held and exercised during the year by the ten employees of the Company and its Group which represent the largest number of options purchased or subscribed	11,523	27.52	10 & 17

/ 2.4.3.1.10. History of free shares allocations (Table 10 of AMF nomenclature)

Date of Shareholders' Meeting	Plan No. 6: 07/21/2016	Plan No. 7: 07/21/2016	Plan No. 8: 07/21/2016	Plans No. 9, 9 *bis*, 9 *ter*, 9 *quater*, 9 *quinquies*, 9 *sexies*, 9 *septies*: 07/18/2018	Plans No. 10 , 10 *bis*, 10 *ter*, 10 *quater*, 10 *quinquies*, 10 *sexies*, 10 *septies*, 10 *novies*: 25/06/2020
Date of the Board of Directors' Meeting	07/21/2016	12/23/2016	08/01/2017	07/18/2018 07/18/2019 12/18/2019 19/03/2020	25/06/2020 10/06/2021 04/10/2021 19/11/2021
Number of shares allocated	25,000	2,275	9,000	58,666	59,674
Of which					
■ Cristel de Rouvray, CEO	n/a	n/a	n/a	n/a	n/a
■ Alain de Rouvray, CEO till Jan. 31, 2019 Chairman of the Board of Directors from February 1, 2019 to February 8, 2021 [(a)]	n/a	n/a	n/a	n/a	n/a
■ Vincent Chaillou, Chief Operating Officer until June 22, 2021	5,000	–	–	2,520	n/a
Date of delivery	From 07/21/2018	12/23/2018	From 08/01/2019	From 07/18/2020	from 25/06/2022
Term of vesting period	From 07/21/2020	12/23/2020	From 08/01/2021	From 07/19/2022	From 25/06/2024
Number of shares delivered	25,000	1,962	9,000	39,016	0
Number of shares cancelled or expired	0	313	0	5,078	3,000
Remaining shares as at December 31, 2021	0	0	0	14,572	56,574

(a) *See press release of February 8, 2021.*

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/ 2.4.3.1.11. Summary table of benefits or advantages to corporate officers (Table 11 of AMF nomenclature)

	Employment contract		Supplemental pension plan		Compensation or benefits due or likely to be due following termination or position change		Compensation relating to a non-competition clause	
Executive corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Cristel de Rouvray CEO		×		×		×		×
Alain de Rouvray Chairman of the Board of Directors from February 1, 2019 to February 8, 2021 [(a)]		×		×		×		×
Vincent Chaillou Chief Operating Officer until June 22, 2021 [(b)]	Suspended			×		×		×

(a) See press release of February 8, 2021.

(b) Vincent Chaillou's employment contract had been suspended for the duration of his term of Chief Operating Officer. His employment contract took effect from June 23, 2021 to December 31, 2021, date of his retirement.

/ 2.4.3.1.12. Equity Ratio between the level of compensation of corporate officers and the average and median compensation of employees of the Company (Article L. 22-10-9-(6) and (7) of the French Commercial Code)

	2021 (b)	2020 (b)	2019 (a)(b)
Performance of the Company			
Net results of the Company *(in € million)*	(18.5)	1,4	(20.9)
Compensation of employees			
Average compensation of employees	66,679	65,776	59,726
(Evolution compared to the previous year)	1,4%	10.1%	(1.3%)
Median compensation of employees	53,562	54,603	51,605
(Evolution compared to the previous year)	(1,9%)	5.8%	0.3%
Cristel de Rouvray, CEO since February 1, 2019			
Compensation	509,022	365,652	392,256
(Evolution compared to the previous year)	39,2%	(6.8%)	
Compensation ratio compared to average compensation of employees	7.63	5.56	6.57
(Evolution compared to the previous year)	37.3%	(15.4%)	
Compensation ratio compared to the median compensation of employees	9.50	6.70	7.60
(Evolution compared to the previous year)	41.9%	(11.9%)	
Compensation ratio compared to SMIC (c)	27.13		
Alain de Rouvray, Chairman from February 1st, 2021 to February 8th, 2021			
Compensation	114,305	550,144	582,109
(Evolution compared to the previous year)	n/a	(5.5%)	6.1%
Compensation ratio compared to average compensation of employees	n/a	8.36	9.75
(Evolution compared to the previous year)	n/a	(14.2%)	7.5%
Compensation ratio compared to the median compensation of employees	n/a	10.08	11.28
(Evolution compared to the previous year)	n/a	(10.7%)	5.8%
Vincent Chaillou, Chief Operating Officer until June 22, 2021			
Compensation	366,626	240,818	297,268
(Evolution compared to the previous year)	52.2%	(19.0%)	29.6%
Compensation ratio compared to average compensation of employees	5.50	3.66	4.98
(Evolution compared to the previous year)	50.2%	(26.4%)	31.3%
Compensation ratio compared to the median compensation of employees	6.84	4.41	5.76
(Evolution compared to the previous year)	55.2%	(23.4%)	29.2%
Compensation ratio compared to SMIC (c)	19.54		

* *2019 revenue 12-month comparable (January to December) to ensure comparability of data.*
(a) *For 2019, calculation based on total fixed compensation and benefits in kind – due to the 11-month fiscal year, reconstitution of a prorata temporis over 12 months to maintain the comparability of the ratios presented.*
(b) *Executive compensation includes base salary, variable compensation, exceptional bonuses, benefits in kind and Directors fees as part of the compensation paid.*
(c) *SMIC: minimum salary in France at 18655€ as of January 2021 and 19074 as of October 2021.*

/ 2.4.3.1.13. Summary table of compensation to corporate officers

The General Meeting to be held on June 28, 2022 will be called upon to approve the fixed, variable and exceptional components constituting the total compensation and benefits of all kinds paid or granted with respect to the financial year ended on December 31, 2021 to the corporate officers of ESI Group pursuant to Article L. 225-100 of the French Commercial Code.

Compensation payable or granted for 2021 financial year to Cristel de Rouvray, Chief Executive Officer

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation	319,679	The fixed compensation payable to Cristel de Rouvray as Chief Executive Officer and for her other mandates exercised within the Group in respect of 2021 financial year amounts to €319,679.
Variable annual compensation	123,519	The amount of the variable annual compensation payable to Cristel de Rouvray is limited to 50% of his fixed compensation. It is subject to an assessment based exclusively on quantitative criteria related to the profitability of the Group. These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation Committee. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation Committee at the end of the year.
Long term or deferred compensation	n/a	No long term of differed compensation was granted by the Board of Directors.
Exceptional compensation	45,685	The Board of Directors granted an exceptional compensation on February 28, 2022. The Board emphasized Cristel de Rouvray's exceptional leadership during the year 2021 and her ability to continue to motivate all the teams to pursue the intense transformation underway and ensure a positive net result in a particularly adverse context linked to the pandemic.
Compensation for Director's mandate	10,000	Aligned with Board member compensation policy for Executive Directors.
Stock-options and performance shares	357,476	At the Meeting of September 10th, 2021, the Board of Directors decided to allocate a maximum of 24,000 share purchase options subject to presence and performance conditions.
Benefits in kind	10,139	The benefits in kind include an allowance for vehicle of €10,139.
Severance pay	n/a	Cristel de Rouvray is not a beneficiary of any severance pay.
Retirement compensation	n/a	Cristel de Rouvray is not a beneficiary of any retirement compensation.
Non-compete compensation	n/a	Cristel de Rouvray is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Cristel de Rouvray is not a beneficiary of any supplementary retirement plan.

Compensation payable or granted for 2021 financial year to Alain de Rouvray, Chairman of the Board of Directors until February 8, 2021

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation as for the mandate as Director and Chairman of the Board of Directors	25,000	Alain de Rouvray was paid €25,000 for his mandate as Director and Chairman of the Board of Directors till Feb. 8, 2021.
Other fixed compensation	114,305	Alain de Rouvray's fixed compensation due for his other mandates within the Group from January to March 2021 financial year was €114,305.
Variable annual compensation	n/a	No variable annual compensation payable to Alain de Rouvray for his mandate as Chairman of the Board of Directors and his other mandates exercised within the Group.
Long term or deferred compensation	n/a	No long term of deferred compensation was granted by the Board of Directors.
Exceptional compensation	n/a	No exceptional compensation was granted by the Board of Directors for 2021.
Stock-options and performance shares	n/a	No stock-options nor performance shares were granted by the Board of Directors.
Benefits in kind	n/a	Alain de Rouvray does not receive an allowance for a company vehicle or accommodation.
Severance pay	n/a	Alain de Rouvray is not a beneficiary of any severance pay.
Retirement compensation	n/a	Alain de Rouvray is not a beneficiary of any retirement compensation.
Non-compete compensation	n/a	Alain de Rouvray is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Alain de Rouvray is not a beneficiary of any supplementary retirement plan.

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Compensation payable or granted for 2021 financial year to Vincent Chaillou, Chief Operating Officer until June 22, 2021

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation	198,550	The fixed compensation payable to Vincent Chaillou as Chief Operating Officer and employee in respect of 2021 financial year amounts to €198,550.
Variable annual compensation	—	No variable compensation – See severance pay in the context of retirement.
Long term or deferred compensation	n/a	No long term of differed compensation was granted by the Board of Directors.
Exceptional compensation		No Exceptional compensation for 2021.
Compensation for Director’s mandate	4,000	The compensation for his Director’s mandate amounts to €4000 for the period till his resignation.
Stock-options and performance shares	—	Not grant of stock options or performance shares.
Benefits in kind	3,153	The benefits in kind include an allowance for vehicle of €3,153.
Severance pay	139,185	Allowance linked to departure and left vacation days in the context of his departure.
Retirement compensation	21,739	Vincent Chaillou is a beneficiary of a retirement compensation.
Other compensation	60,000	Vincent Chaillou is a beneficiary of other compensation.
Non-compete compensation	n/a	Vincent Chaillou is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Vincent Chaillou is not a beneficiary of any supplementary retirement plan.

2.5. ADDITIONAL INFORMATION IN RESPECT OF CORPORATE GOVERNANCE

2.5.1. Regulated agreements and commitments and related party transactions

2.5.1.1. Regulated agreements and commitments

The law, the Company's Articles of Association and the Board of Directors' internal rules organise the control of regulated agreements. Proposed new agreements are examined prior to their conclusion. In addition, the Board of Directors examines each year, at the beginning of the financial year, the purpose and application of the agreements that are to continue in effect. It verifies whether they still meet the criteria that led it to give its initial approval.

The Statutory Auditors' special report on the regulated agreements and commitments referred to in Articles L. 225-38 *et seq*. of the French Commercial Code for 2020 financial year is set out under section 2.6 below.

During the 2021 fiscal year, the amendment to Vincent Chaillou's employment agreement has been qualified as related party transaction, Vincent Chaillou's employment agreement was suspended for the duration of his mandate as Board member and Chief Operating Officer. This related party transaction came into effect on June 23, 2021, i.e the day after the end of his mandate as Chief Operating Officer, and this until August 26, 2021, date of his resignation with immediate effect as Board member. Vincent Chaillou pursued his missions as Company's employee until December 31, 2021, date of his retirement.

To the best of the Company's knowledge, there are since no other agreements and regulated commitments.

2.5.1.2. Transactions with related parties

Details of transactions with related parties can be found in note 11 to the consolidated financial statements in chapter 6 of this Universal Registration Document.

2.5.2. Control of current agreements concluded under normal conditions

The Board of Directors assesses whether the agreements relating to current operations and concluded under normal conditions meet these conditions. The Board has adopted the principle of an annual assessment.

2.5.3. Delegations of authority

At the date of this Universal Registration Document, the Company's share capital amounted to €18,192,423. It was divided into 6,064,141 shares with a nominal value of €3 each, all of the same class, fully paid up.

Apart from the share subscription or purchase option plans and the allocation of bonus shares described in section 2.4.2.1.8, there is no financial instrument to access the Company's share capital.

Table summarizing currently valid delegations granted to the Board of Directors and use of such delegations during 2021 financial year

Resolution number	Purpose	Term	Expiration date	Maximum	Used in 2021 and available as at December 31, 2021
Combined General Meeting of July 18, 2019					
Resolution 15	Increase of the share capital via the issue of shares of common stock or any securities convertible into equity with maintenance of the shareholders' preferential subscription rights	26 months	September 2021	Global amount of capital increases: less than €20,000,000 Nominal amount of the debt securities: less than €300,000,000	None
Resolution 16	Increase of the share capital via the issue of shares of common stock or of any securities convertible into equity through public offerings with cancellation of the shareholders' preferential subscription rights	26 months	September 2021	Global amount of capital increases: less than €20,000,000 Nominal amount of the debt securities: less than €300,000,000	None
Resolution 17	Increase of the issue amount in the event of over-demand	26 months	September 2021	Not to exceed 15% of the value of the original issue (referred to in resolutions 15 and 16), and the total ceiling of €20,000,000	None
Resolution 18	Increase of the share capital by the capitalization of premiums, reserves, profits and other amounts	26 months	September 2021	Not to exceed the total amount of reserves, premiums and profits existing at the time of the capital increase or a ceiling of €100,000 (that might be reduced to the amount of capital increases undertaken pursuant to resolutions 15 to 20)	None
Resolution 19	Issue of shares without preferential subscription rights as compensation for contributions of shares equivalents granted to the Company as part of a contribution in kind	26 months	September 2021	Not to exceed 10% of the Company's share capital, and the total ceiling of €20,000,000	None
Resolution 20	Increase of the share capital without preferential subscription rights through private placement	26 months	September 2021	Not to exceed 20% of the Company's share capital, and the total ceiling of €20,000,000	None

Resolution number	Purpose	Term	Expiration date	Maximum	Used in 2021 and available as at December 31, 2021
Combined General Meeting of June 25, 2020					
Resolution 17	Grant of stock subscription options	38 months	August 2023	Not to exceed 3% of the Company's share capital at the date of the Combined General Meeting, *i.e.* 180,000 shares	Options granted at the date of this Universal Registration Document: 0 Options remaining: 180,000
Resolution 18	Grant of stock purchase options	38 months	August 2023	Not to exceed 5% of the Company's share capital at the date of the Combined General Meeting, *i.e.* 300,000 shares	Options granted at the date of this Universal Registration Document: 24,000 Options remaining: 276,000
Resolution 19	Share capital reduction by canceling shares purchased by the Company under Article L. 225-209 of the French Commercial Code	26 months	August 2022	Not to exceed 10% of the Company's share capital	None
Resolution 20	Grant of free shares to eligible employees and executive corporate officers of the Company and affiliated companies [(a)]	38 months	August 2023	Not to exceed 60,000 shares representing 1% of the share capital as of the date of the Combined General Meeting	Free shares granted during the year 2021: 59,698 Free shares to be allocated: 302
Combined General Meeting of June 22, 2021					
Resolution 21	Company's purchase of its own shares [(a)]	18 months	December 2022	Not to exceed 10% of the Company's share capital	None
Resolution 23	Increase of the share capital by issuing shares reserved for employees enrolled in the employee savings plan	26 months	August 2023	Not to exceed 2% of the Company's share capital	None

(a) Renewal of the delegation submitted to the vote of the Shareholders' Meeting on June 28, 2022.

2.5.4. Provisions of the articles of association concerning the participation of shareholders in General Meetings

General Meetings (Article 19 of the articles of association)

In accordance with Article 19 of the articles of association and legislation in force, decisions are made collectively by shareholders in General Meetings classified as either Ordinary or Extraordinary General Meetings.

The procedures for convening and holding General Meetings are governed by French law. Meetings are held at the head office or at any other location indicated in the Meeting notice.

Ordinary General Meetings are convened to make all decisions that do not require amendments to the articles of association.

They occur at least once a year, within six months from the end of the previous financial year.

Only Extraordinary General Meetings have the power to amend any provision set forth in the articles of association. However, such Meetings may not increase the obligations of shareholders, except in the event of transactions stemming from any valid consolidation of shares.

If there are multiple categories of shares, the rights attached to the shares of a certain category may not be changed without the approval of an Extraordinary General Meeting open to all shareholders and, in addition, without further approval from a Special Meeting open only to those shareholders holding shares belonging to the category in question.

All shareholders are entitled, upon presentation of proof of their identity, to take part in Meetings by attending them in person, by video conference or by other means of electronic telecommunication or transmission, or by returning the mail-in ballot or designating a proxy.

The right to attend or be represented at the General Meeting is subject to shares being recorded for accounting purposes in the name of the shareholder or the intermediary registered on behalf of the latter, by 12:00 am Paris time, two working days prior to the General Meeting:

- Either in the registered share account kept by the Company;
- Or in bearer share accounts kept by the authorized intermediary.

A participation certificate must be established by the authorized intermediary on the basis of this registration and attached to the mail-in ballot/proxy form or the access card application submitted in the name of the shareholder.

In accordance with the conditions set forth above, the legal representatives of shareholders deemed legally incompetent and individuals representing legal persons that hold shares in the Company may take part in General Meetings, regardless of whether or not they are shareholders themselves.

Proxy forms and mail-in ballots must be prepared and sent out in accordance with legislation in force.

An attendance sheet is filled out for each Meeting. This attendance sheet must be duly signed by the shareholders present and by the proxies and must be certified as accurate by the officers of the Meeting.

General Meetings are chaired by the Chairman of the Board of Directors and, in the absence thereof, by the Board member appointed to replace him or her.

The two shareholders present at the Meeting who represent the largest number of shares, either on their own behalf or as proxies, are appointed to serve as scrutineers, provided that they accept the responsibility.

The officers of the Meeting, thus designated, are responsible for appointing a secretary who need not be a shareholder.

Quorum and majority (Article 20 of the articles of association)

The Ordinary General Meeting cannot validly conduct business when first convened unless the shareholders present or represented account for at least one-fifth of shares with voting rights.

When convened a second time, no quorum is required.

The Meeting issues decisions by a majority vote of the shareholders present or represented.

The Extraordinary General Meeting cannot validly conduct business unless the shareholders present or represented account for at least one-fourth of shares with voting rights when first convened, and one-fifth when convened a second time. If this quorum is not attained, the second General Meeting may be postponed for a maximum of two months from the date at which it was initially convened.

The Extraordinary General Meeting issues decisions by a two-thirds majority vote of the shareholders present or represented.

Special General Meetings cannot validly conduct business unless the shareholders present or represented account for at least half of shares with voting rights when first convened, and one-fourth when convened a second time. If this quorum is not attained, the second General Meeting may be postponed for a maximum of two months from the date at which it was initially convened, the one-fourth quorum remaining necessary.

Special General Meetings issue decisions by a two-thirds majority vote of the shareholders present or represented.

2.5.5. Factors that may have an impact in the event of a public offering

Pursuant to Article L. 225-37-5 of the French Commercial Code, the following points are likely to have an impact on the public offering:

- The structure of the share capital as well as direct or indirect investments of which the Company is aware and all such information is included in section 8.2.5 of this Universal Registration Document under the heading "Change in the breakdown of the Company's share capital over the past three financial years";
- There are no statutory restrictions on the exercise of voting rights and share transfers;
- To the Company's knowledge, there are no agreements or other commitments signed by the shareholders other than those mentioned in section 8.2.5 of this Universal Registration Document under the heading "shareholders' agreements";
- There are no securities giving special control rights other than double voting rights stipulated in Article 9 of the articles of association and mentioned in section 8.1.2 of this Universal Registration Document under the heading "Double voting rights (Article 9 of the articles of association)";
- There are no restrictions in the by-laws on the exercise of voting rights and the transfer of shares;
- Voting rights attached to ESI shares with regard to the employee savings plan are exercised by the ESI FCPE;
- The rules for appointing and removing members of the Board of Directors are those of common law;
- Concerning the powers of the Board of Directors, current authorizations are described in the table summarizing powers delegated with regard to share redemption and capital increases in section 2.5.2 of this Universal Registration Document;
- Any amendments to ESI Group's articles of association are made in accordance with legal requirements and regulations;
- There are no agreements entered into by the Company that are modified or terminated in the event of a change of control of the Company other than the syndicated loan agreement presented in chapter 6, notes 7.1.2 and 7.4 of this Universal Registration Document;
- There are no agreements providing for compensation in the event of the departure of members of the Board of Directors.

2.6. STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Annual General Meeting held to approve the financial statements for the year ended 31 December 2021

To the Annual General Meeting of ESI Group,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce), to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce) of the continuation of the implementation, during the year ended 31 December 2021, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval to the Annual General Meeting

In accordance with Article L. 225-40 of the French Commercial Code (Code de commerce), we have been notified of the following related party agreement, entered into during the year ended 31 December 2021, which received prior authorization from your Board of Directors.

- **With Mr Vincent Chaillou, Deputy CEO until 22 June 2021, director until 26 August 2021**

Amendment to Mr Vincent Chaillou's employment contract

/ Nature and purpose

Mr Vincent Chaillou's employment contract was suspended for the duration of his term of office as Deputy CEO of the Company. The term of office ended on 22 June 2021. Mr Vincent Chaillou continued to perform his duties as director of the Company until 26 August 2021, date of his resignation.

With respect to the reactivation of Mr Vincent Chaillou's employment contract, the Board of Directors, at its meeting on 10 June 2021, authorized the signing of an amendment to the contract, whereby Mr Vincent Chaillou would act as strategic advisor to the Company's CEO as from 23 June 2021.

/ Conditions

The terms for the fixed compensation, variable compensation and benefits in kind resulting from this amendment to the employment contract, as approved by the Board of Directors on the recommendation of the Compensation Committee, were as follows:

- A fixed gross annual salary of €198,550;
- Variable compensation of up to €120,000 subject to the achievement of targets set by the Company unilaterally and assigned to the employee at the beginning of the financial year;
- A benefit in kind: a company car for which the monthly lease payment was not to exceed €1,527 including taxes.

Mr Vincent Chaillou performed his role as strategic advisor to the CEO until the date of his retirement on 31 December 2021.

The amounts of fixed compensation, variable compensation and benefits in kind for the period from 23 June 2021 to 31 December 2021 were thus as follows:

- Fixed compensation paid: €103,787.50;
- Variable compensation paid or awarded in respect of the employment contract which was performed until 31 December 2021: €0;
- Amount of the benefit in kind: €1,864.25.

/ Reasons justifying why the Company benefits from this agreement

Your Board of Directors gave the following reasons: "it is necessary to amend his reactivated employment contract in order to take into account the changes in his duties within the Group".

Agreements previously approved by the Annual General Meeting

We hereby inform you that we have not been notified of any agreements previously approved by the Annual General Meeting, whose implementation continued during the year ended 31 December 2021.

Paris-La Défense, 8 April 2022

The Statutory Auditors

French original signed by:

KPMG Audit
Département de KPMG S.A.
Stéphanie Ortega

ERNST & YOUNG Audit
Pierre-Henri Pagnon

3 RISKS AND RISK MANAGEMENT

3.1. RISK FACTORS

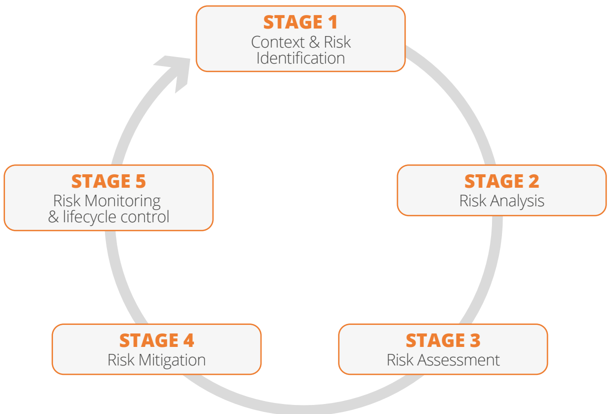
The Group has reviewed the major risks that could have a significant effect on its business, financial position or results. The data presented below constitute the main risks for the Group. Non-specific risks are not detailed in this document.

3.1.1. Risk analysis and evaluation method

ESI's risk management system is organized in five stages, according to the methodology described below:

The risks listed on the following pages have been assessed (Stages 2 and 3) in relation to their occurrence and their impact on ESI's activity. The combination of these two criteria makes it possible to identify what is known as the "exposure level" (high, important, medium, low), which then implies the implementation of measures to control these risks (Stage 4).

In each category (table below), risk factors are listed in descending order of importance, considering the probability of their materialization and the estimated magnitude of their impact and after taking into account the mitigation measures already implemented by ESI.



Strategic and operational risks	■ Concentration among top customers and industry sector ■ Competition and differentiation ■ Intellectual Property ■ Alignment of Human resources
Digital risk	■ Information security
Risks related to the environment in which the Group operates	■ International environment, geopolitical, and regulatory risks ■ Environment: Global Pandemic situation

3.1.2. Strategic and operational risks

3.1.2.1. Concentration among top customers and industry sector

The Group works with customers willing to improve the performance and manufacturing process of their products. Historically some industries have been more mature in their approach, as have larger industrial players. This results in business concentration and particularly among the top 20 customers and Ground transportation.

ESI seeks to manage a profitable path to scale and continued growth via focus and simplification. It has structured its approach in four main industries & three lines of business, allowing focused R&D & Innovation investments. The Group is transforming to globalize customer facing activities, to deepen footprint in existing customers and increase new business.

3.1.2.2. Competition (competitive edge), differentiation

Simulation & Analysis is a vibrant, high stakes market with consolidation and concentration of competition. These larger actors have considerably higher growth and profitability performance than ESI Group. This results in a heightened need for ESI to clearly position itself and focus to grow profitably.

ESI clearly outlines the differentiators in its offering and positioning, focusing on the core business. It creates more clarity and simplification of the offer around three lines of business, to increase the value by chaining our predictive physics capabilities, and to invest to win by aligning on the core business.

3.1.2.3. Intellectual property

ESI's earnings are based on the ownership of the software or for which it owns a commercial license. Due to the nature of its activity, the Company may be exposed to risks such as counterfeiting/piracy of the products marketed by the Group.

ESI controls the intellectual property of codes developed in house for which ESI retain the ownership through the clauses on the employment contracts, ad-hoc development agreements inside the Group and through the protection of codes via bailiff deposits. The Group implements a password protection method on most of its products, and a counterfeit detection software associated with a legal assistance service to prosecute counterfeiters. ESI is managing a protection through contracting based on the generalization of our EULA (End User License Agreement) and negotiation with customers on general terms and conditions.

3.1.2.4. Alignment of human resources

The Group's success depends in large part on its ability to attract, retain, and motivate talented employees, with a constant focus on aligning their skills with the Group's needs and challenges, which is of utmost importance in a context of transformation.

ESI constantly manages the evolution in headcount to align with the core activities. ESI implements retention and loyalty policies, by setting up talent development plans and attractive compensation policy for key people.

3.1.3. Digital risk

3.1.3.1. Information security

ESI's value chain relies heavily on an IT infrastructure that is of a paramount importance in the processing, transmission and storage of data related to internal and external operations. The Company may be exposed to computer attacks of all kinds (viruses, fraudulent e-mails, phishing, financial fraud, industrial espionage, etc.). The General Data Protection Regulation (GDPR) is also integrated in the legal requirements environment. ESI also seeks to comply with client requirements concerning the confidentiality, integrity and availability of information entrusted to the Group.

ESI relies on the reliability of its Information Management System based on the requirements of the ISO 27001. The Group benefits from a TISAX (Trusted Information Security Assessment Exchange) certification for several sites. The setting up of a global cyber insurance policy allows the Group to protect its activities, while reviewing and validating its internal systems and control points.

3.1.4. Risk related to the environment

3.1.4.1. International, geopolitical, and regulatory environment

The economic context and limited visibility may have an impact on customer investments and could lead to lengthened sales cycles. The increased tensions, in or between certain regions or countries, could lead to the implementation of protective laws and regulations in certain areas that would slow down the deployment of our solutions. In the event of non-compliance ESI would face the penalties and sanctions laid down on those legal text.

The Group's presence in many countries protects it from the adverse effects of unfavourable local economic conditions. The Group ensures compliance with Export Trade laws and regulations as they evolve, when necessary.

3.1.4.2. Environment: Global pandemic situation

In the current context and environment and specifically the Covid-19 crisis, it has been necessary to keep adapting and transforming the operational activities, in order to limit its influence on the development of the Group. The Group put in place a crisis management system (see section 3.2.3 related to Crisis management) enabling identification of action plans and deployment of the necessary measures to ensure the continuity of the activity while protecting the employees.

The health crisis created opportunities for increased engagement with the customers in a different manner but also for bringing new working methods to ensure the continuity of the operations.

3.2. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

3.2.1. Control environment

General organization

ESI is a multinational corporation that includes 23 subsidiaries (the "subsidiaries"), 22 of which are based outside of France, as of the date of publication of this document.

To ensure that business operations and management activities run efficiently, that objectives are met and that the Group's control system is effective, executives are determined to harmonize the operational rules of the subsidiaries. This also applies to internal control activities and is reflected in the gradual standardization of information systems and processes throughout the organization.

Given the current constraints, in particular regarding the size of the subsidiaries, the availability human resources and regulations that may differ from country to country, the Group's structure has been based on the following key factors:

- A global organisation around business activities with proper delegation structure;
- A centralized organization to manage the Group's business activities;
- A limited number hierarchical levels to streamline decision-making processes;
- A relatively small size for efficient communication among the various departments.

The Company considers that internal control processes are intended to provide reasonable assurance that the following objectives are met (the principles implemented cannot provide an absolute control of all risks):

- Ensuring that management activities and operations, as well as employee conduct, are aligned with the guidelines set out by the Company's management and the operational departments overseeing the various business activities and countries, as well as with regards to any applicable laws and regulations and the Company's core values and internal rules;
- Anticipating and managing risks that stem from the Group's business activities and risks of error or fraud, especially in the areas of accounting and finance;
- Verifying that the accounting, financial and management information reported to corporate bodies, shareholders and third parties accurately reflects the Company's position and the business situation.

Internal control bodies

/ Within the Company

The Board of Directors

The Board of Directors is responsible for the Company's risk assessment policies, implementation of an internal control system suitable for managing these risks and initiatives to monitor the effectiveness of this system. This policy features a system of checks and procedures regarding financial management, as well as operational and compliance monitoring. The Board of Directors is supported by five Board committees to prepare the reviews and decisions.

Leadership Team

The Leadership team oversees effective implementation of the internal policies. The Leadership team gives strategic orientation and makes the arbitration decisions concerning the allocation of resources in order to ensure the Company's worldwide development. The Team generally meets once a month.

Operational and corporate departments

The operational departments primarily oversee business processes and manage projects. Their role is to ensure the implementation of procedures to guarantee:

- Effective business processes: identification of business opportunities, distribution network, partnerships, responsiveness, assessment of potential economic benefits, negotiation and signing of contracts, profitability monitoring;
- Effective project management: evaluation of technical feasibility, team management and leadership, compliance with specifications, customer satisfaction tracking and customer service.

The Support functions departments are responsible for formalizing internal control procedures in their respective areas and coordinating and applying these procedures. These departments are the following:

Administration and Finance Department

The Administration and Finance Department handles the implementation of the internal control policy at its level by:

- Establishing the operations procedures for the internal financial control system;
- Organizing financial control operations on different Group activities, as well as the accurate transcription in the Group's accounts, ensuring regulatory compliance.

Legal Affairs Department

The Legal Affairs Department is the guarantor of the respect of laws and regulations while being a business partner, and covers two main areas:

- The Corporate Legal Affairs activity, which manages all stock exchange and company laws aspects for ESI Group and its subsidiaries, in order to ensure compliance and a good harmonisation among the Group's subsidiaries;
- The Contract and Intellectual Property activity, which covers reviews, drafts, and negotiation of the various contracts with clients and partners in the industry, government bodies and academic institutions, and ensures that the Group's intellectual property rights are protected.

Quality Management Department (QMD)

The Quality Management Department has three main missions: first, to support the Leadership Team to define and then implement the Corporate Quality Policy. Second, to support the Process Owners and Process Pilots to design and deploy robust processes which will deliver the expected outcomes. And third, act as a catalyst to spark the continuous improvement of activities.

To achieve the above-mentioned missions, the QMD will use the following tools:

- Internal Audits;
- External Audits;
- Process Analysis;
- Process Review.

Information and Technology (IT)

In an increasingly digital and connected world, data security is of a paramount importance for ESI, its customers, and its partners, who are posing stricter conditions with regards to the way the Company is handling its information.

In this context, ESI is committed to improve its capabilities on this aspect by implementing the requirements of the international standard ISO 27001:2013, and TISAX obligations to comply with the particular constraints from the Automotive's sector customers.

The IT Department ensures the application of the security policy and the internal controls necessary to the proper application and execution of actions to secure our assets, from a point of view physical, logical and Human.

Internal and external audits contribute to the continuous improvement process to help us keep our infrastructure and procedures up to date.

Human Resources Department (HRD)

Working closely with management, ESI's Human Resources Department assists the Company's strategy by factoring in the employer-employee considerations.

ESI's HR policy is based on four main components:

- Personal management;
- Performance management;
- Compensation management;
- An advisory function for operational staff.

Advising operational staff seeks to fostering independence among Managers on employment issues by offering them assistance in the field on a day-today basis, and by providing them with services tailored to their specific needs.

The Group HRD sets the guidelines for the Group's Human Resources Policy which is cascaded into operational objectives for Regional Directors of Human Resources. They coordinate the implementation of these objectives in collaboration with a team of HR operating managers located in each country, and with the support from the central HR functions.

ESI's Human Resources mission is to create a great work environment, acting as a partner between the organization for the best employee engagement and experience. ESI's HR Policy is based on four main components:

- Culture;
- Career Growth & Employee Engagement;
- Learning Programs;
- Compensation & Benefits.

By respecting our organization's ethics, values, and strategy, we will constantly ensure to foster the positive attitude of teamwork, career growth, employee engagement, empowerment, and motivation leading us to great achievements individually and as a whole organization.

The Global HR Coordinators sets the guidelines for the Group's Human Resources Policy which is cascaded into operational objectives for the Performance Units. They coordinate the implementation of these objectives in collaboration with a team of HR Business Partners working with global teams and supported by Culture Representative member ensuring the local regulation requirements.

/ Third-parties to the Company

The Company may call on renowned law firms for specific expertise, dispute management, as well as a tax advisory firm. The Company may also call on specialists from time to time to review the legal aspects of complex mergers and acquisitions, or to verify local legal constraints within the Group's subsidiaries outside of France.

3.2.2. Internal control organization

The increasingly international nature of the Group's business and the cross-organizational character of its projects, involving international interactions of ever-greater complexity and speed, have highlighted the need for more rapid and efficient methods and operational management tools, both centrally and in the subsidiaries.

In order to achieve this objective, the organization of the Administration and Finance Department has been structured to ensure a high-level quality of operations and of controlling, Meeting the level of requirements to support operational staff in the development of the activity, and to allow a reactivity adequate to the changes in the market in which the Group operates. The organization of the Administration and Finance Department is based on the following three pillars:

- A network of financial controllers having both central and local approach, enabling to gather all required information;
- Centralized tools;
- Processes to organize reporting and control of financial information.

A network of financial controllers

This network covers the monitoring and control of all financial operations within the Group, according to a dual organization: central financial controllers are dedicated to the functional monitoring of worldwide activities (*e.g.* monitoring of research and development activities, revenue generation activities, support activities etc.), while local financial controllers are dedicated to monitoring the scope of their subsidiaries and geographic coverage, by providing detailed local financial information to central team.

All financial controllers report hierarchically and functionally to the Group Administration and Financial Department and to the Group Chief Financial Officer. Each local financial controller having access to information as close as possible to the operations, interactions between the teams of local and central controllers enable gathering of information to ensure a good understanding of operations, and analyses carried out at several levels for better anticipation and more efficient piloting.

The size of local financial teams depends on the size of related entities. In large countries, controlling and accounting functions are performed by separate teams, in charge of all subsidiaries in the country. In the case of smaller entities, local external accounting firms ensure the bookkeeping of transactions under the supervision of a financial controller dedicated to the geographic area.

The management IT system

Financial control is based on a management IT system consisting of the following centralized tools, deployed on a worldwide scope:

- Salesforce, the customer relationship management tool, is the backbone of the organization and internal control system for sales. Salesforce gathers data about customer contracts for Licensing and Services activities, and also more detailed operational information for each licensing contract. This information is automatically integrated to the accounting tool, to allow customer invoices generation as well as revenue recognition;
- HR-IS (HR-Information System), the HR data management tool, enables consolidation at Group level of data related to salaries and headcount. This tool also allows monitoring of the different steps of the hiring process and provide managers with any information necessary to optimize management of their teams. HR-IS data are one of the sources used for financial reporting regarding employees;
- Anaplan, the financial planning and analysis tool, is the cornerstone of the budget process and ensures complete reporting of all activities through centralizing data for the entire Group from Salesforce, from HR-IS, and from management systems for research and development activity as well as for consulting activity;
- Netsuite, the accounting tool, deployed in all countries where accounting is performed internally, enables booking of operations for each entity according to both local accounting standards of the country and to Group standards. Deployment of Netsuite in countries where accounting is externalized has followed on 2021, to achieve the target of having a worldwide single accounting tool in 2022. Netsuite is integrated with the customer relationship management tool, with the travel expenses management tool and with the procurement tool (in France);
- Talentia CPM, the financial consolidation tool, enables to centralize data for all Group entities, necessary to produce consolidated financial statements compliant with IFRS standards.

Main accounting and financial information monitoring processes

/ Accounting and consolidation process

Consolidated financial statements are prepared on a quarterly basis. Revenue is published on a quarterly basis, whereas full financial statements are published twice a year.

Consolidated financial statements result from the centralizing of accounting and financial data for all Group entities, applying a process organized around the following key points:

- A calendar of tasks to be carried out and deadlines to meet for all people involved, be it in accounting, consolidation or FP&A team;
- The phased deployment of a single Group accounting tool, ensuring a homogeneous closing process and enabling to optimize closing deadlines, and use of a specialized consolidation software;
- The separation between preparation of consolidated financial information and control activities;
- A review of the half-year and yearly financial statements by legal auditors, the Audit Committee and the Board of Directors.

The deployment of Netsuite in 2020 in countries where accounting is performed internally enabled to change from a quarterly to a monthly accounting closing.

/ Budget monitoring and reporting process

The Group budget is established at the end of each previous financial year. It is built on assumptions related to business development of each entity, based on Group strategy per industry, per outcome and per customer type. These assumptions are discussed with all internal stakeholders, then consolidated to verify alignment with Group targets. Budget is finally validated by the Board of Directors.

Budgeted results are compared each month with actuals and monthly forecasts of yearly results. This reporting is sent to Group top management each month before Group Executive Committee Meetings.

FP&A team also prepares key performance indicators (KPIs) enabling performance monitoring and necessary for Group piloting. These KPIs mostly refer to:

- Licensing and Services revenue, be it actuals or forecasted year-end revenue, and correlation with current backlog;
- Headcount and staff costs evolution;
- Other costs evolution and their possible optimization;
- Cash position and cash forecast until the end of the current year and at year-end for next year.

Group internal matrix organization is based on crossing activities and geographies (Business Units) with teams in charge (Performance Units). Strengthening of tools and processes during last years (tools with worldwide scope of deployment, homogeneity of related processes, enhanced use of analytical dimensions) aims at preparing a reporting and performance indicators for each unit manager, to optimize piloting.

/ Revenue recognition process

Revenue recognition process is the joint responsibility of the Finance, the Sales and the Technical Departments.

Revenue recognition calculation for Licensing is based on the different types of existing customers contracts. For Services it is based on the percentage of completion rate of the projects.

Reliability of data filled in business tools (customer relationship and projects monitoring management tools) ensures accuracy of recognized revenue.

In countries where Netsuite is deployed, revenue is calculated in the tool on the basis of information retrieved from Salesforce. All recognition rules, those compliant with local accounting standards of each country, and also those compliant with Group standards (IFRS), are configured in the system. As customer invoicing is also performed with Netsuite, the tool enables automation of related period-end book entries in the balance sheet.

/ Client risk management process

Client risk management process is the joint responsibility of the Sales and the Finance Departments.

Regular monitoring of cash collection by accounting team enables efficient incident resolution, with the help of sales team if necessary.

/ Cash management process

Finance Department is responsible for cash flows and financing facilities management. It is in charge of:

- Controlling cash positions for all Group entities and their adequacy to current needs, through tracking of cash inflows and outflows. If authorized by local regulations, subsidiaries' cash positions are centralized;
- Establishing monthly cash forecasts for each Group entity and at Group level, and reviewing their consistency with results forecasts;
- Negotiating and setting necessary financing facilities (signed by Group parent company) to ensure sufficient cash level to meet short and medium terms engagements and enable Group development;
- Assessing foreign exchange risks, to take any necessary preventive action.

/ Payroll management process

The payroll process falls under the responsibility of the Human Resources Direction and involves:

- Processing the various items involved in calculating salaries;
- Entering payroll information in the accounting system;
- Provisioning for paid vacation to distribute the expense over the full year;
- Ensuring compliance with labor-related reporting obligations.

3.2.3. Risk management

Process management and certification

ESI Group has been ISO 9001-certified since the 2000's and has oriented its Quality approach to develop a worldwide certification for the entire Group, thereby aiming to align its business activities under the same operational criteria for all its subsidiaries. This approach has been supplemented by the transition to the 2015 version, which is an additional asset to strengthen process management and facilitate the implementation of risk management, thereby ensuring long term and effective prevention.

The Global Quality Management System (ISO 9001) has reached a global coverage in 2021 with the incorporation of the last affiliates.

This global approach to Process alignment and continuous improvement continues with a commitment by Group management to continue integrating additional key requirements (TISAX, ISO 27001: see section 3.1.3.1 "Information Security" for details) and thus strengthen operations in terms of Performance, Confidentiality, Integrity, and Availability of information (employees, customers, Company).

Insurance and risk coverage – general information

In the framework of its strategy regarding risk management, the Group subscribes to several insurance policies with internationally known insurance companies.

Thanks to these policies, the Group manages a transfer of major risks that it might face and creates a prevention mechanism to reduce the hazards as much as possible. The Group follows up on a daily basis the level of risks in order to adjust at best its insurance coverage.

The Group (ESI Group and its subsidiaries) benefits from the following insurance policies worldwide:

- Cybersecurity and professional civil liability: covering the interruption of activity due to a failure or break down of the system, as well as the security attacks on the network, and all their consequences (damages to third parties, loss of revenues, cyber extortion, loss of documents, and attempt to the Group's reputation);
- IT risks: covering damages on our IT material and loss of revenues;
- Liability of our managers (Directors and Officers Liability Insurance – D&O);
- Specific coverage for business trips of employees.

Depending on local risks, ESI Group subsidiaries may also subscribe to local insurance to cover mainly the offices and vehicles, but also some employees insurance (civil liability, accidents).

Crisis management

/ General crisis management system

The Group has developed a business continuity plan that is intended to ensure that necessary systems, plans and actions are in place to protect the teams and ensure the business continuity. Each action plan is adapted to local constraints and context in order to consider adequately specificities for each site. A crisis cell is activated whenever particular and identified typologies of events appear requiring a coordinated and collaborative response.

/ Specific approach related to the management of the Covid-19 crisis

In the current context of health crisis that can affect both employees and customers, the crisis management system has been activated involving the creation of two specific cells:

- One rapid response cell to be in contact on the day to day with the employees and answer all their questions. This cell, including members from each region, was very active at the beginning of the crisis. Nowadays, the head of each entities are the active local relays;
- One crisis cell to ensure continuity of activities including HR, Facilities, IT, Quality, Communication, Finance and Governance.

The crisis cell focused on:

- Coordinating all actions and information from the government and other sources (*e.g.* Legal, Insurance, HR/Social, etc.) and assessing the situation globally and locally;
- Defining and implementing the necessary measures or guidelines (*e.g.* work from home, adequate infrastructures, guidance and instructions for travellers or in case of site visits or others aspects);
- Transforming the way of working to open new opportunities and support business functions with new ways to interact with customers (*e.g.* digital trainings, digital forums, etc.).

The measures and initiatives of the crisis cell are supported by regular communication initiatives ("Business Continuity Plan Talk") held at worldwide level.

Creative Social events also have enabled employees to maintain a strong link. The importance of maintaining team spirit, the conviviality and looking after the well-being of our employees, led to the setting up of activities such as "Virtual Contest", "Virtual Coffee break" events as well as other local or global initiatives.

Concerning the financing, ESI Group was granted State-guaranteed loans (PGE). This helped strengthening the Group's financial position to face the foreseeable consequences of the pandemic situation.

4 STATEMENT ON EXTRA-FINANCIAL PERFORMANCE

4.1. ESI – THE PRODUCT PERFORMANCE LIFECYCLE COMPANY

4.1.1. 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 visual 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.

4.1.2. 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 as follows:

4.2. ESI – A COMMITTED GROUP

4.2.1. Setting priorities: CSR framework

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

ESI core strategic vision is to be a To be a leading software partner in selected virtual test markets, by leveraging our predictive physics IP and platform for chaining.

The Group thus intends to be its customers' preferred software partner, capable of understanding and supporting them in their efforts to bring innovative, quality, sustainable, ethical and highly resource-efficient products to market. The Group has carried out a review of major risks and opportunities, including the main CSR and sustainability challenges that could have a significant impact on its business, financial position or results.

In 2021, ESI supported by its CSR Steering Committee has updated its commitments and aligned them with its strategy and offer, through the implementation and monitoring of social, societal and environmental initiatives with and for the Group's stakeholders.

Moreover in 2021 ESI has updated its materiality matrix to better visualize its priorities, challenges , their impact on the Company and on its main stakeholders. For more details, please refer to chapter 3 "Risks and risk management" and the following section of this chapter. ESI's CSR strategy, which is divided into four axes and cascaded into thirteen (13) commitments, aims to continue ensuring harmonious working conditions for its employees, to provide its customers with innovative solutions enabling them to become long-term partners, and to limit the environmental footprint of the Group and its customers while acting ethically and responsibly within civil society. Through its activities, ESI has a very limited impact on the fight against food waste, food insecurity, respect for animal welfare, and the promotion of responsible, fair and sustainable food.

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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

// SUSTAINABILITY CHALLENGES		// COMMITMENTS
PEOPLE FIRST	**The Group's success is highly related to its commitment, talents and the ingenuity of its employees who design, develop and market solutions that aim to constantly meet customers' needs.**	**BEING A COMMITTED EMPLOYER** › Developing talents & Encouraging Leadership and collaborative management › Promoting diversity, inclusion and multicultural exchanges › Fostering employee well-being and job satisfaction › Setting up initiatives to interact with civil society (give-back)
VIRTUAL PROTOTYPE FOR GOOD	**Customers need to manage many parameters, efficiently and more quickly, in order to optimize the performance of their operations and products. Facing this growing complexity, ESI provides them with solutions enhancing their competitive advantage.**	**BEING AN OUTSTANDING PARTNER** › Supporting customers in their digital transformation from physical to virtual by unleashing and securing innovation while sustaining productivity (Performance) › Committing to continued customer satisfaction while meeting quality and safety requirements › Being a long-term trusted advisor and partner to support the delivery of customers' outcomes and business values, involving the entire ecosystem
TRANSPARENCY/ COMPLIANCE	**The social acceptability of ESI's operations is essential. Therefore, the Group ensures the integrity of its ethics and the robustness of its corporate governance. This enables ESI to ensure the sustainability of its business model.**	**BEING AN ETHICAL AND COMMITTED COMPANY** › Guaranteeing solid and diversified governance › Acting ethically and responsibly
ENVIRONMENTALLY FRIENDLY	**While the Group's business sector has an impact on the environment, its services help to reduce the environmental footprint of its customers' business. Therefore, to increase the positive impact of its business, ESI is committed to limiting the impact of its operations as much as possible.**	**BEING AN ENVIRONMENTALLY FRIENDLY PLAYER** › Developing solutions aiming to have a positive impact on planet › Moving toward the carbon-neutrality of the Group › Engaging employees in the creation of a green world

// PERFORMANCE 2021

+ 1,144 EMPLOYEES SERVING CUSTOMERS WORLDWIDE, 80~100% WORKING FROM HOME OFFICE

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

6,912 HOURS DEVOTED TO TRAINING

0 ALERT LINKED TO DISCRIMINATORY PRACTICES

€99.2M STABLE REPEAT BUSINESS

29.8% OF LICENSES REVENUE HAS BEEN DEDICATED TO R&D EFFORTS

16 JOINT-EVENTS ORGANIZED WITH CUSTOMERS AND **10** PUBLISHED SUCCESS STORIES IN 2021

0 CUSTOMER-RELATED DATA INCIDENT (GDPR)

85.7% OF THE BOARD OF DIRECTORS ARE INDEPENDENT MEMBERS

37.5% OF THE ESI LEADERSHIP TEAM (ELT) MEMBERS ARE WOMEN

100% OF EMPLOYEES HAVE TAKEN A TRAINING/QUIZ ON THE ETHICS CHARTER

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

ESI IS INSTALLING ECO-RESPONSIBLE EQUIPMENT TO LIMIT ITS ENERGY CONSUMPTION [(a)]

67% LESS CO_2 EMISSIONS [(b)] RELATED TO EMPLOYEE TRAVEL BY TRAIN AND PLANE

- 20% LESS PAPER [(c)] WAS CONSUMED COMPARED TO 2020

20% REDUCTION IN DELIVERY DISTANCES THANKS TO LOCAL PRINTING OF MARKETING MATERIALS *VIA* GELATO [(c)]

(a) Average calculated based on 2020 data provided by ESI sites representing 98.4% of the total workforce.
(b) Average calculated for countries with data available for the last 3 consecutive years.
(c) Estimation for the year 2021, given by Gelato, a global print-on-demand platform used by ESI group.

4.2.2. 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.

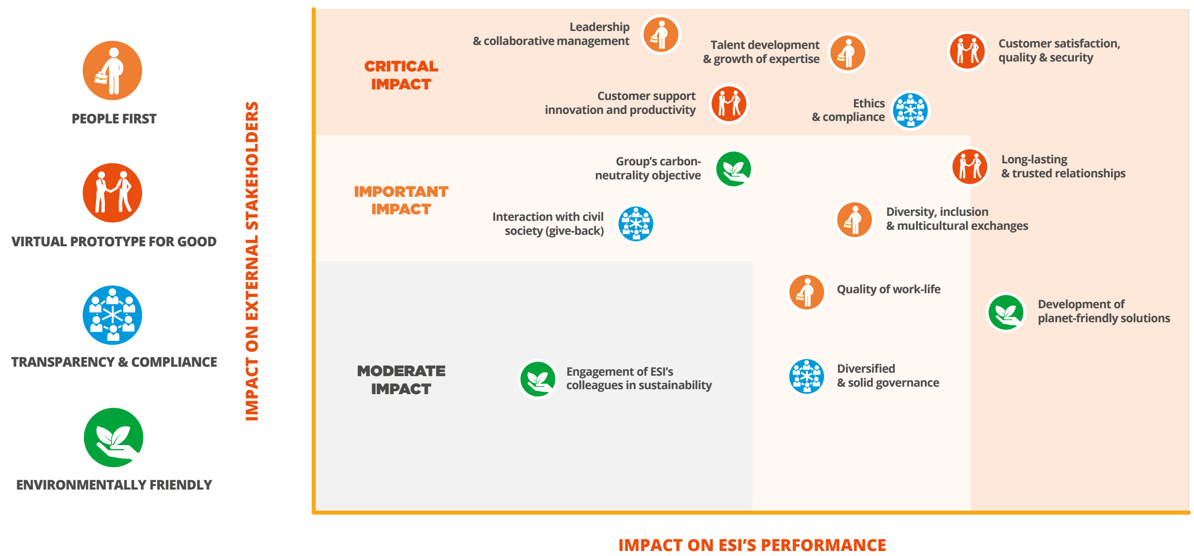
These commitments were then positioned in a matrix – the axes of which are represented by the two evaluated internal and external dimensions above, evaluated via the both surveys presented above.

/ 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.

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:

4.2.3. CSR distinctions and commitments

Gaïa 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 Gaïa campaign for mid-caps with annual revenues under €150 million for its 5th time.

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

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.

4.3. 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.

4.3.1. 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, Rashtreeya Vidyalaya 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.

4.3.2. 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%

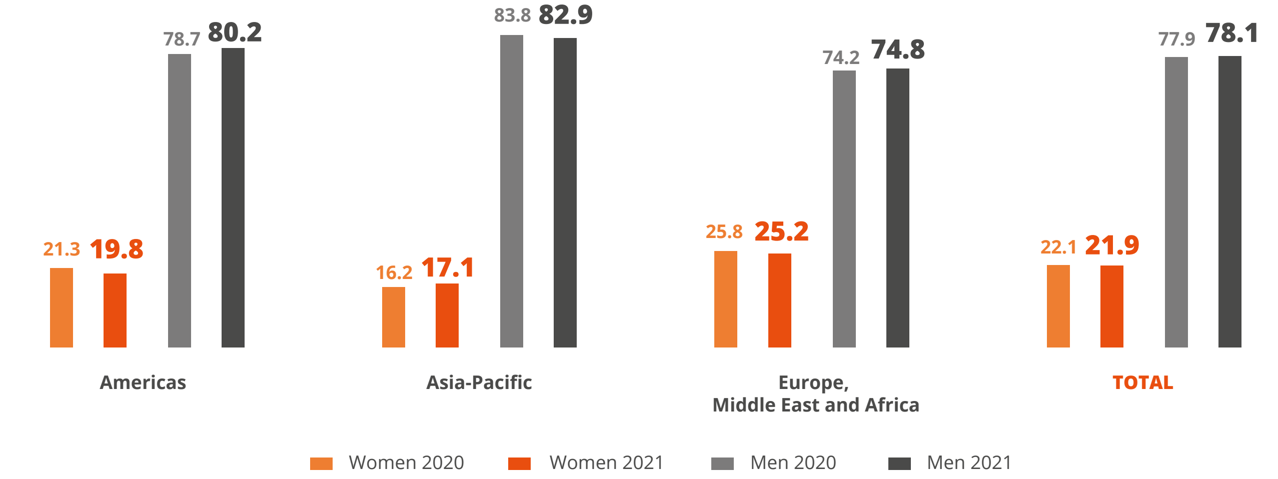
Distribution of staff in the main countries

	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%

1 2 3 4 5 6 7 8 9

Gender distribution and equity

(In %)

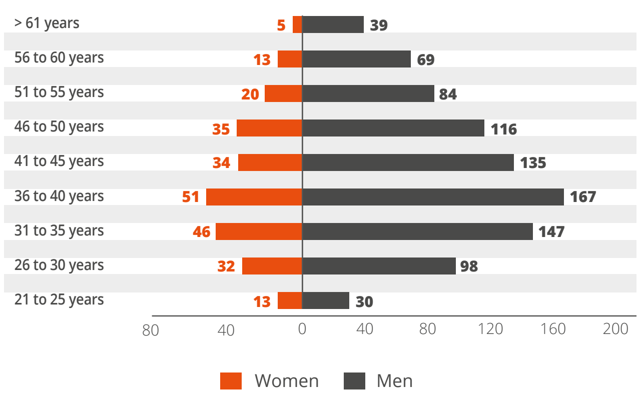


The proportion of female employees with open-ended contracts, at 22%, is relatively low and stable compared to previous years. This low representativeness can be explained in particular by the low number of women in engineering schools that are the main source of recruitment for the Group, as well as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



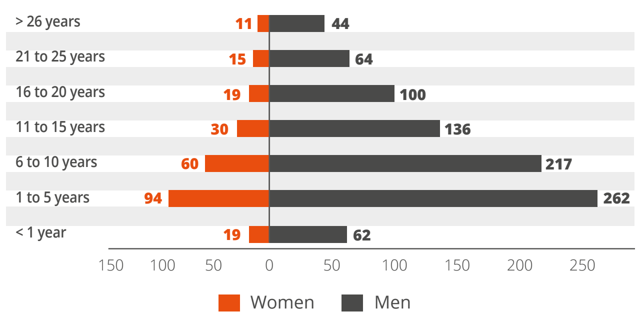
The average age of the Group's employees is 41.4 years (women: 39.8 years and men: 41.8 years).

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.

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.

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.

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.

4.3.3. Fostering Employee well-being and job satisfaction

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

Every company is responsible for providing decent working conditions for all its employees. Promoting decent work with a decent wage and ensuring the well-being of employees are major global challenges, for which ESI is focused on.

This challenge contributes to the following Sustainable Development Goal: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

/ Policies

As an employer ESI strives to:

- Control its workforce in connection with the growth of the activity;
- "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 year1.

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

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

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 it's 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.

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

By developing partnerships with the various digital players, ESI Group is once again contributing to the following Sustainable Development Goals (4, 5 and 17, respectively): "Ensure inclusive and equitable access to quality education and promote lifelong learning opportunities for all", "Achieve gender balance and empower all women and girls" as well as "Strengthening the means of implementation and revitalize the global partnership for sustainable development".

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

Academic Partnerships and R&D

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

ESI's Scientific Committee, led by Professor Francisco Chinesta and made up of in-house specialists and leading international professors, acts in support of the Group's research policy and strategy. This Committee has relays in some 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_2 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.

4.4. 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.

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

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

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.

4.4.2. 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.

4.4.3. 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 tor 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.

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4.5. 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.

4.5.1. Guaranteeing solid and diversified governance

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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.

4.5.2. Act ethically and responsibly – Ethics Charter

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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.

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.

4.6. 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.

4.6.1. 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.

4.6.2. 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_2 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_2 emissions are indirect ones, mainly part of Scope 3 of the greenhouse gas (GHG) emissions balance sheet, particularly those related to employee transportation.

/ Outcomes

Employees' business travel

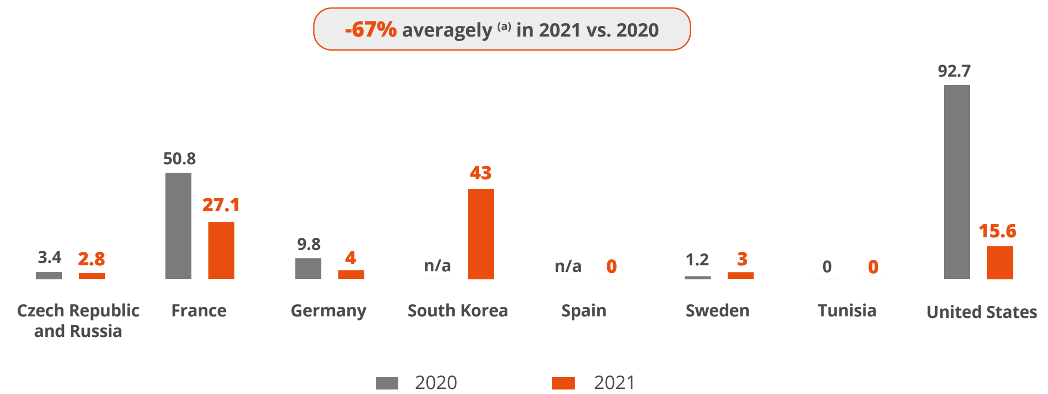
In order to limit its environmental footprint, the Group continues to promote a proactive policy aimed at restricting travel to what is strictly necessary. The use of the plane is reserved for journeys above three hours and the use of the railway must be the preferred option. The use of a single centralized 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.

CO_2 emissions due to employee travel by train and plane (for countries for which ESI has data):

CO_2 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.

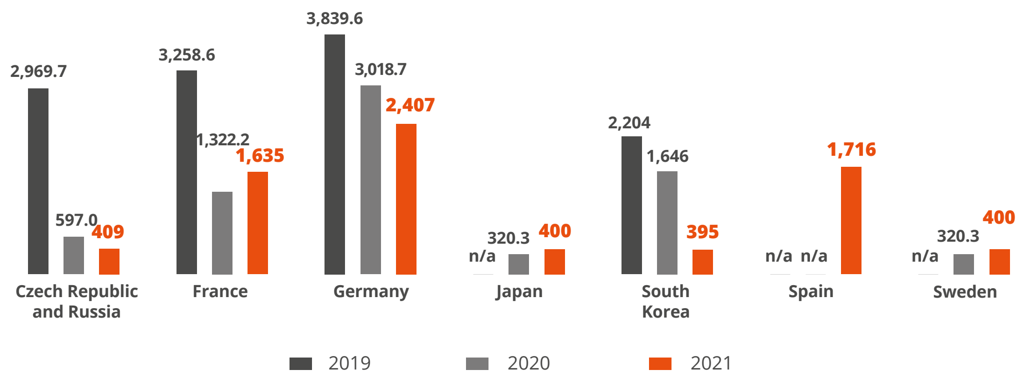
For Czech Republic, France, Germany, Russia, Tunisia and the United States, these emissions amounted to 49,5 tons, down 67% compares to 2020. For all countries mentioned above, the data is supplied by the travel agencies responsible for booking the travel requests. Any reservations taken directly by employees are not counted because the information is not available.

CO_2 emissions due to employee travel by company car (for countries for which ESI has data):

CO_2 emissions due to employee travel in company cars

(In Kg:car)

-10% avegerely [(a)] in 2021 vs. 2020
-54% averagely [(a)] in 2021 vs. 2019



(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;
- 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.

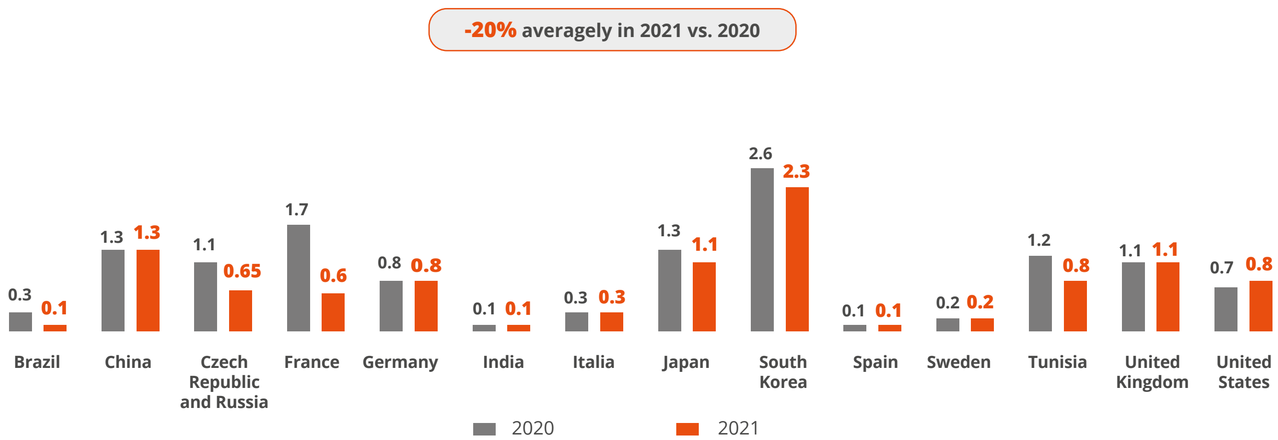
This rationalization exercise will continue in 2022 and the appearance of the "Coworking spaces" concept will offer us an additional tool to host our employees (in certain countries and regions) in a more flexible, secure, economical and ecological manner.

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 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 or paper helped saving 455 kg of CO_2 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.

4.6.3. Engaging employees in the creation of a green world

ESI believes that a company's responsibility is not limited to acting on its clients' environmental footprint or its own, but also to raise awareness and engage its employees in implementing a proactive approach and in carrying out concrete actions.

This commitment contributes to the same objective mentioned above (13): "Measures to combat climate change".

/ Policies

The main environmental topics to which ESI is committed are:

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

/ Results

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

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_2 stored;
b. 6 000 animal shelters created;
c. 8 000 months of oxygen generated;
d. 2 000 hours of works created.

4.7. 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 [(1)] 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 [(2)]), 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 [(3)] 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 [(4)];
- 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.

(1) https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_fr
(2) https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32020R0852&from=F
(3) https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)2800&from=EN
(4) https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32021R2178&from=EN

4.7.1. 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 [(a)]	**6.5.** Transport by motorbikes, passenger cars and light commercial vehicles
	7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
	7.6. Installation, maintenance and repair of renewable energy technologies
	7.7. Acquisition and ownership of buildings
	8.1. 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.*

4.7.2. 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.

4.8. REPORTING

4.8.1. 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.

4.8.2. Report of the inspecting organization

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To shareholders,

Following the request received from ESI Group (referred to hereinafter as "the entity") and in our capacity as an independent third-party body with an accreditation granted by the COFRAC Inspection under registration No. 3-1081 (available on www.cofrac.fr), we hereby present our report on the consolidated statement on non-financial performance for the year ending December, 31 2021 (referred to hereinafter as the "Statement"), presented in the Group's management report in accordance with the statutory and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Code of Commerce.

Entity's duty

The Board of Directors has a duty to draw up a Statement that complies with statutory and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in view of these risks together with the results of those policies, including key performance indicators.

The Statement has been drawn up according to the authoritative accounting pronouncements used, (referred to hereinafter as the "Pronouncements") by the entity whose significant elements available upon request from the Company's head office.

Independence and quality control

Our independence is defined in the provisions of L. 822-11-3 of the French Code of Commerce and the profession's Code of Conduct. Moreover, we have set up a quality control system that includes documented policies and procedures aiming to ensure that rules of conduct, professional ethics and the applicable statutory and regulatory provisions are complied with.

Duty of the independent third-party body

We have a duty, on the basis of our work, to formulate a reasoned opinion expressing a conclusion of a moderate level of assurance as to:

- The Statement's compliance with the provisions set out in article R. 225-105 of the French Code of Commerce;
- The sincerity of the information furnished in application of 3° of I and of II of article R. 225 105 of the French Code of Commerce, namely the results of the policies, including key performance indicators and actions relating to the main risks, referred to hereinafter as the "Information".

However, we have no duty to give an opinion on:

- Whether the entity has complied with other applicable statutory and regulatory provisions, including, matters relating to the vigilance plan and the fight against corruption and tax evasion;
- Compliance of products and services with applicable regulations.

Nature and scope of the work

We carried out the work in accordance with standards that apply in France and that determine the ways in which the independent third-party body carries out its mission, and with international standard ISAE 3000.

We carried out our work between March 1st, 2022 and April 5, 2022 for a period of approximately eight days/person.

We held two interviews with people in charge of the Statement.

We carried out the work enabling us to evaluate the extent to which the Statement complies with the regulatory provisions and the sincerity of the Information:

- We informed ourselves of the activity of all of the companies falling within the scope of the consolidation, of the exposure to the main corporate and environmental risks linked to this activity, and of its effects on human rights and the fight against corruption and tax evasion together with the policies that ensue and their results;
- We looked into the appropriateness of the Pronouncements with a view to their relevance, exhaustiveness, reliability, neutrality and comprehensive nature, taking into account, where necessary, the sector's good practices;
- We checked that the Statement covered each category of information provided under III of article L. 225 102 1 on corporate and environmental matters and whether human rights were being complied with and the fight against corruption and tax evasion;

- We checked that the Statement presents the business model and the main risks linked to the activity of all of the companies falling within the scope of the consolidation, including, where relevant and proportionate, the risks created by business relations, products or services as well as policies, actions and results along with key performance indicators;
- We checked, where relevant in view of the main risks or policies presented, that the Statement presents information set out in II of article R. 225-105;
- We looked into the selection and validation process of the main risks;
- We enquired about the existence of internal verification and risk management procedures set up by the entity;
- We looked into the coherence of results and of key performance indicators used in view of the main risks and policies presented;
- We checked that the Statement covers the consolidated scope, namely all of the companies falling within the scope of consolidation in accordance with article L. 233-16 with the limits set out in the paragraph;
- We studied the information-gathering process set up by the entity aiming to obtain information that is exhaustive and sincere;
- With regard to key performance indicators and other quantitative results that we consider to be the most important, we implemented:
  - Analytical procedures consisting of checks to ensure that the data collected was consolidated correctly and that its evolution was coherent,
  - Detailed tests on the basis of surveys, consisting of checks to ensure definition and procedures were applied correctly and of checks linking data to supporting documentation. This work was carried out with a selection of contributing entities [(1)] and covered between 15% and 100% of the consolidated data of the key performance indicators selected for these tests [(2)];
- We consulted documentary sources and held interviews to corroborate what we considered to be the most important qualitative information (actions and results);
- We looked into the overall coherence of the Statement with reference to our knowledge of the companies as a whole falling within in the scope of the consolidation.

We consider that the work carried out and, exercising our professional judgment, enables us to formulate a conclusion of a moderate level of assurance; a higher level of assurance would have required more extensive verification work.

In view of the fact that sampling techniques were used and that there are other limits inherent to the functioning of any system of information and internal control, we cannot rule out totally the risk that a significative anomaly in the Statement has not been detected.

Conclusion

On the basis of our work, we did not note any significant anomaly of such a nature as to cast any doubt on the fact that the statement of non-financial performance complies with the applicable regulatory provisions and that that Information, as a whole, has been presented with sincerity, in accordance with the Pronouncements.

Lyon, on April 8, 2022

FINEXFI

Isabelle Lhoste

Partner

(1) *Social indicators: ESI Group SA.*

(2) *Environmental indicators: France (Rungis and Lyon sites), Germany.*
Structuring its priorities: CSR approach (Total headcount, Number of training hours), Supporting talent/encouraging the development of expertise, leadership and collaborative management (Number of training hours on Metacompliance), Promoting diversity, inclusion and multicultural exchanges (Total headcount, Breakdown of staff by geographical area, Breakdown of staff in main countries, Breakdown and equality of women and men by geographic zone, Percentage of women on permanent contracts, Number of women recruited, Age pyramid, Average age, Average age for men, Average age for women, Average seniority, Population over 50 in EMEA, Population over 50 in Asia, Population over 50 in the Americas, Percentage of employees recruited under 35 years of age, Percentage of women with a managerial role within the Group), Promote well-being and job satisfaction (Total workforce, Hirings and departures, Percentage of part-time employees), Progress towards the Group's carbon neutrality (Waste collected in kg for recycling, Paper collected in kg for recycling, Total electricity consumption for France, Average number of reams per Group employee, CO_2 emissions due to employee travel by train and plane for Germany, the United States, France, the Czech Republic, Russia and Tunisia, Average CO_2 emissions due to employee travel in company cars for Germany, South Korea, France, the Czech Republic and Russia).

5 MANAGEMENT REPORT

Financial year ended December 31, 2021

In accordance with the resolution of the General Meeting of July 18, 2019, the Group now closes its financial statements at 31 December of each fiscal year.

In accordance with Article L. 451-1-2 of the French Monetary and Financial Code, this chapter includes the management report to the General Meeting validated by the Board of Directors on February 28, 2022. This report accounts for the Company's activities during the 2021 financial year, including the result of these activities and the Company's outlook, and presents the Company's accounts for the financial year.Information on various risk factors is included in chapter 3 "Risks and risks management."

The Extra-Financial Performance Statement is reproduced in full in chapter 4 of this document.

Information on the Company's share capital, stock options and free shares grant plans, and the transactions on the Company's shares are included in chapter 8 of this document.

5.1. BUSINESS ACTIVITIES DURING THE 2020 FINANCIAL YEAR

5.1.1. Highlights of 2021 financial year

Evolution of Group Governance

- As part of the evolution of its governance, ESI Board has co-opted Alex Davern as a Board member and appointed him as Chairman of the Board of Directors, effective February 8, 2021, along other changes in the organization of the Board, including the composition of the committees.
- In May, the shareholder pact uniting the founders' family since 2000, was terminated. Since this date, the Group no longer has a majority shareholding.
- In September 2021, the Board appointed Patrice Soudan as independent Board member in replacement of Vincent Chaillou who resigned.
- In December 2021, Alain de Rouvray resigned from his Board mandate.

Communication of a new three-year business plan: OneESI 2024 – Focus to Grow

In October, ESI Group unveiled for the first time publicly a tree-year strategic plan "OneESI 2024 – Focus to Grow" including mid-term forward-looking statement both for its revenue and its profitability. To find more details about the plan, see part 1.1 of the document.

Financing

Based on the recommendation of the Audit Committee, the Board of Directors held on June 22, 2021 authorized the renewal and extension for five years of bank loans guaranteed by the State, whose signature was authorized by a decision dated June 25, 2020.

5.1.2. Consolidated financial statements

5.1.2.1. Review of financial performance

The consolidated financial information presented below is compliant with IFRS standards.

(In € millions)	2021	2020	Variation at actual currency rate	Variation at constant currency rate
Total sales	**136.6**	**132.6**	**3.1%**	**4.7%**
Licenses	*111.4*	*109.2*		
Services	*25.2*	*23.4*		
Gross margin	**102.9**	**98.7**	**4.2%**	**6.0%**
% of sales	*75.3%*	*74.5%*		
EBIT (Adjusted [(a)])	**12.7**	**5.8**	**120.0%**	**134.2%**
% of sales	*9.3%*	*4.4%*		
EBIT	**-16.4**	**4.0**	**(555.4%)**	**(533.3%)**
Net result	**-18.5**	**1.4**		
% of sales	*(13.5%)*	*1 %*		
Cash	**30.3**	**22.5**		

(a) Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment charges and amortization of intangibles charges related to acquisition, the application of IFRS 16 standard on leases and other non-recurring items.

Changes in revenue and adjusted EBIT are presented in section 1.4 of this document.

The change in operating profit is explained by the change in adjusted EBIT and by the recognition in other operating expenses of the costs of departures and write-off of assets due to the new strategic plan initiated in 2021 for 27.4 millions of euros. After taking into account an income tax expense of €1.3 million (compared to €1.0 million in 2020), net income amounted to -€18.5 million .

5.1.2.2. Financial situation

In 2021, ESI Group demonstrated its capacity to improve its financial situation.

The Group has significantly increased its cash position end of year from €22.5 million to €30.3 million thanks to a substantial free cash flow of €10.9 million.

The net financial debt decreased to €12.5 million vs. €24.9 million at end 2020, with a gearing at 17.2% (Net debt/Equity) vs. 28.4% end 2020.

Gross financial debt amounts to €42.8 million (compared to €47.4 million at end 2020) and includes €13.75 million of State guaranteed loans. ESI Group did not use its short term RCF (Revolving Credit Facility) this year.

Cash position at December 31, 2021 amounted to €30.3 million compared to €22.5 million at end 2020. The €7.8 million increase results from:

- A net cash-margin of +€9.9 million: compared with +€5.9 million in 2020, increasing significantly by +€4.0 million thanks to better results;
- A change in working capital requirements (WCR) of €2.7 million versus -€2,8 million in 2020;
- Current capital expenditures paid of -€1.7 million (compared to -€2.0 million in 2020);
- Others representing a net outflow of €3.1 million, out of which + €0.8 million of capital increase further to the exercise of stock-options by Group employees, and syndicated loan yearly instalment of -€4.5 million.

At December 31, 2021, ESI Group held 5.7% of its share capital in treasury shares.

5.1.3. Research and development

5.1.3.1. Research and development costs

Details of costs are given in note 6.1.2 of the consolidated financial statements.

The Group's R&D workforce is spread over three continents around specific high-level skill centers in Europe (mainly France, Germany and the Czech Republic), Asia (India), America (United States). This distribution reflect the long-standing ESI culture of relying on talents wherever they are and enabling easy interactions that are becoming the norm after COVID pandamy and the acceleration of working from home.

5.1.3.2. Intellectual property

Most of the Company's intellectual property consists of software products that are protected by copyright, and of databases protected by specific laws concerning database producers within the European Union and by competition law outside the EU.

The ownership of all development work ordered and performed by ESI Group's subsidiaries is transferred to the Company. ESI Group products are either owned directly by the Company or published by the Company under publishing contracts (notably with affiliates which first developed some products and still own them).

Most of the software products and databases published by the Company belong to ESI Group.

The Company is the beneficiary of publishing contracts for the few products that belong to third parties different from affiliates. These products represent either software integrated within the Company's offering (for which replacement solutions could be obtained if the third-party software is discontinued) or complementary solutions. These latter solutions are not, however, critical to the operation of the Company's software.

Furthermore, the Company owns few patents directly or through its subsidiaries.

ESI also owns a portfolio of brands, including Product Performance Lifecycle (PPL) and Hybrid Twin brands.

Hybrid Twin™

5.1.4. ESI Group annual financial statements

5.1.4.1 Presentation of annual financial statements

ESI Group is the parent company of the Group; therefore, it owns and/or controls all of its subsidiaries. It oversees all of its subsidiaries and centralizes most of software publishing activities.

We remind that information presented here below is prepared in accordance with French accounting standards.

ESI Group revenue stands at €85.8 million in 2021, compared with €82.9 million in 2020.

It is composed of revenue realized with other Group entities for €70.9 million, mainly royalties received from ESI distribution subsidiaries as compensation for the right to grant licenses to end customers, of Licensing revenue realized directly with end customers for €12.4 million and of consulting revenue for €2.1 million.

Increase vs. 2020 results from the higher global level of Licensing activity in the Group, which impacted the level of royalties received from distribution subsidiaries.

Operating result for 2021 is a profit of €2.4 million, compared with a loss of -€1.6 million in 2020. Increase of €4 million mainly results from revenue growth.

Financial result of ESI Group is a net loss of -€3.1 million, compared with -€15.8 million in 2020. It is mostly composed of -€3.0 million of reversal of investments impairments, and of forex result of -€6.0 million (probable losses on reevaluation of receivables and payables booked in French accounting standards, whereas probable gains are not booked).

Consequently, current result before tax amounts to -€0.8 million. Income tax is an income of +€3.0 million (R&D tax credit for 2021).

ESI Group also recorded exceptional losses of -€30.2 million, corresponding mainly to restructuring cost (-27.6 million).

Net result is a loss of -€28.0 million.

The Company's equity stands at €31.3 million due to 2021 net result, compared to €58.2 million end 2020.

Financial debt decreases at €41.3 million (compared with €46.6 million end 2020), mainly due to payment of syndicated loan yearly instalment of -€4.5 million.

ESI Group had recourse to a promissory bill at the end of the year for an amount of €2.5 million with a variable interest rate.

Breakdown of invoices issued and received at December 31, 2020 (Article D. 441-4 of the French Commercial Code)

Reference terms of payment used are contractual terms.

Terms greater than 91 days are mostly debts to Group subsidiaries.

Invoices issued (Customers) *(In € thousands)* Instalment payment	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
Number of related invoices	250	54	26	53	1,970	2,103
Total amount of the invoices (all taxes included)	7,792	2,205	646	1,301	29,685	33,837
Percentage based on total of revenue of the year (all taxes included)	10.60%	3.00%	0.90%	1.80%	40.30%	46.00%
Total amount of invoices excluded related to doubtful receivables or not yet issued					3,654	3,654

Invoices received (Suppliers) *(In € thousands)* Instalment payment	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
Number of related invoices	47	9	5	21	68	103
Total amount of the invoices (all taxes includes)	2,468	319	1,095	3,683	7,518	12,615
Percentage based on total of expenses of the year (all taxes included)	4.20%	0.50%	1.90%	6.30%	12.90%	21.70%
Total amount of invoices excluded that are related to bad debts or debts not invoiced or recorded						

Two branches are integrated within ESI Group's financial statements; details are shown in note F.3 to the financial statements.

5.1.4.2. Allocation of net result

Situation at December 31, 2021:

- Net loss for the year: -€27,993,026.85;
- Loss carried forward: €1,745,615.10;
- Total to be allocated: -€27,993,026.85.

Allocation:

- -€27,993,026.85 to loss carried forward.

Following this allocation, the legal reserve stands at €1,805,367.60. Loss carried forward stands at -€29,738,641.95.

5.2. OUTLOOK

In 2021 we successfully steered our Company through a governance change, announced our redefining three-year strategic plan and demonstrated considerable performance improvements. We reignited growth and more than doubled our Adjusted EBIT margin. On this excellent foundation we now enter the 1st year of our "OneESI 2024 – Focus to Grow" plan. Across the globe, all our stakeholders are now experiencing the early benefits of this significant change in our ability to focus and drive results. The Group is confident in its ability to deliver the communicated multi-year objectives and long-term value to shareholders by repositioning the Group.

5.3. TABLE SUMMARIZING THE RESULTS OF PAST FINANCIAL YEARS

Closing date	31/12/2021	31/12/2020	31/12/2019	31/01/2019	31/01/2018
Duration of financial year *(number of months)*	12	12	11	12	12
Capital at balance sheet date					
Share capital *(in €)*	18,192,423	18,109,776	18,055,476	18,053,676	18,049,326
Number of shares					
■ ordinary shares	6,064,141	6,036,592	6,018,492	6,017,892	6,016,442
■ preference shares					
Maximum number of shares to be created					
■ via convertible bonds					
■ via subscription rights	180,861	120,210	205,334	151,448	108,843
Operations and results *(in €)*					
Revenue (excl. tax)	85,820,626	82,935,829	55,295,671	86,022,988	83,883,977
Earnings before tax, employee profit-sharing, allowances for amortization and provisions	6,806,831	28,948,002	(2,973,365)	27,025,120	31,555,313
Income tax	3,026,196	3,122,046	(3,024,257)	(2,698,695)	(2,228,379)
Employee profit-sharing					
Allowances for amortization and provisions	37,826,054	47,244,034	33,849,027	26,903,999	28,762,466
Net income	(27,993,027)	(15,173,986)	(27,851,406)	2,819,816	5,546,976
Distributed earnings					
Earnings per share *(in €)*					
Earnings after tax and employee profit-sharing, before allowances for amortization and provisions	1.44	5.31	(0.21)	4.94	5.70
Earnings after tax, employee profit-sharing, allowances for amortization and provisions	(4.62)	(2.51)	(4.63)	0.47	0.92
Dividend					
Personnel					
Average headcount [a]	234	259	258	264	243
Payroll *(in €)*	17,877,629	16,903,205	15,027,428	15,880,764	14,766,952
Amounts paid in benefits (social security, social welfare, etc.) *(in €)*	8,500,368	7,689,415	6,969,914	7,466,508	6,971,314

(a) Average headcount in France and in branches outside France, presented starting financial year ending January 2019.

6 FINANCIAL STATEMENTS

In accordance with the resolution of the General Meeting of July 18, 2019, the Group now closes its financial statements at 31 December of each fiscal year.

6.1. CONSOLIDATED FINANCIAL STATEMENTS

6.1.1. Consolidated income statement

(In € thousands)	Note	December 31, 2021	December 31, 2020
Licenses and maintenance		111,356	109,201
Consulting		20,773	18,845
Co-financed projects [(a)]		4,017	4,020
Other		449	508
Revenue	**4.1**	**136,595**	**132,573**
Cost of sales	4.8	(33,717)	(33,838)
Research and development costs	6.1.2	(31,302)	(30,867)
Selling and marketing expenses		(38,990)	(40,242)
General and administrative expenses		(21,586)	(23,589)
Current operating result		**11,000**	**4,037**
Other operating income and expenses	4.9	(27,401)	9
EBIT		**(16,401)**	**4,046**
Financial result	**7.2**	**(883)**	**(1,355)**
Share of profit of associates		80	(258)
Income before income tax expense and minority interests		**(17,204)**	**2,433**
Provision for income tax	8.1	1,280	1,008
Net income before minority interests		**(18,484)**	**1,425**
Non-Controlling interests		(10)	11
NET INCOME (GROUP SHARE)		**(18,474)**	**1,414**
Earnings per share *(in €)*	9.3	(3.24)	0,25
Diluted earnings per share *(in €)*	9.3	(3.24)	0,25

(a) The Group has separated the co-financed projects from the consulting revenue in 2021, so the comparative information has been restated.

Consolidated statement of comprehensive income

(In € thousands)	December 31, 2021	December 31, 2020
Net income before minority interests	**(18,484)**	**1,425**
Other comprehensive income recycled to income		
Change in the fair value of hedging instruments	7	11
Translation differences	1,170	(1,698)
Other comprehensive income (loss) not recycled to income		
Actuarial gains and losses	876	(133)
Income and expenses recorded directly in equity	**2,053**	**(1,820)**
COMPREHENSIVE INCOME	**(16,431)**	**(395)**
Attributable to Group equity holders	(16,423)	(403)
Attributable to non-controlling interests	(8)	8

The notes are an integral part of the consolidated financial statements.

6.1.2. Consolidated balance sheet

(In € thousands)	Note	December 31, 2021	December 31, 2020
Assets			
Non-current assets		**125,828**	**145,297**
Goodwill	3.2	41,381	41,002
Intangible assets	6.1	41,042	63,424
Property, plant and equipment	6.2	4,094	4,696
Rights-of-use assets	4.7	16,706	17,742
Investment in associates		883	728
Deferred tax assets	8.2	18,391	14,685
Other non-current assets	10.1.1	3,102	3,014
Cash-flow hedging instruments	7.1.4	229	6
Current assets		**75,186**	**71,062**
Trade receivables	4.2	35,548	33,486
Other current receivables	10.1.2	6,371	11,912
Prepaid expenses	10.1.3	2,948	3,198
Cash and cash equivalents	7.1.3	30,319	22,466
TOTAL ASSETS		**201,014**	**216,359**
Liabilities			
Equity		**72,623**	**87,861**
Equity (Group share)	**9.1**	**72,537**	**87,779**
Capital		18,192	18,110
Additional paid-in capital		26,986	26,280
Reserves and retained earnings [(a)]		45,256	42,477
Net income (loss)		(18,474)	1,414
Translation differences		577	(502)
Non-controlling interests		**86**	**82**
Non-current liabilities		**55,586**	**63,737**
Non-current share of financial debt	7.1.2	33,832	39,264
Non-current lease obligation	4.7	11,818	12,324
Provision for employee benefits	5.3	9,124	11,474
Deferred tax liabilities	8.2	—	—
Cash-flow hedging instruments	7.1.4	4	14
Other long term debt and provisions	10.2.2	808	661
Current liabilities		**72,805**	**64,761**
Current share of financial debt	7.1.2	8,954	8,148
Current lease obligation	4.7	4,552	5,184
Trade payables		5,288	6,655
Accrued compensation; taxes and others current liabilities	10.2.1	26,609	22,754
Current provisions	10.2.2	7,129	1,624
Contract liabilities	4.3	20,273	20,396
TOTAL LIABILITIES		**201,014**	**216,359**

(a) Other comprehensive income (excluding translation reserves) is classified as "Reserves".

The notes are an integral part of the consolidated financial statements.

6.1.3. Consolidated statement of changes in equity

(In € thousands except number of shares)	Number of shares	Capital	Additional paid-in capital	Net income, reserves and retained earnings	Translation differences	Equity attributable to parent company owners	Minority interests	Total Equity
At December 31, 2019	**6,018,492**	**18,055**	**25,833**	**41,039**	**987**	**85,912**	**71**	**85,983**
Change in fair value of hedging instruments				11		11		11
Translation differences					(1,695)	(1,695)	(3)	(1,698)
Actuarial gains and losses				(133)		(133)	0	(133)
Income and expenses recognized directly in equity				**(122)**	**(1,695)**	**(1,817)**	**(3)**	**(1,820)**
Net income				1,414		1,414	11	1,425
Comprehensive income				**1,292**	**(1,695)**	**(403)**	**8**	**(395)**
Proceeds from issue of shares	18,100	54	447	25		526		526
Treasury shares				33		33		33
Share-based payments				783		783		783
Transactions with non-controlling interests						—		—
Other movements				722	206	928	3	931
At December 31, 2020	**6,036,592**	**18,110**	**26,280**	**43,894**	**(502)**	**87,779**	**82**	**87,861**
Change in fair value of hedging Instruments				7		7		7
Translation differences					1,167	1,167	3	1,170
Actuarial gains and losses				877		877	(1)	876
Income and expenses recognized directly in equity				**884**	**1,167**	**2,051**	**2**	**2,053**
Net income				(18,474)		(18,474)	(10)	(18,484)
Comprehensive income				**(17,590)**	**1,167**	**(16,423)**	**(8)**	**(16,431)**
Proceeds from issue of shares	27,549	83	705			788		788
Treasury shares				(84)		(84)		(84)
Share-based payments				681		681		681
Transactions with non-controlling interests [(a)]				(150)	(51)	(201)	12	(189)
Other movements				34	(37)	(3)		(3)
AT DECEMBER 31, 2021	**6,064,141**	**18,192**	**26,986**	**26,785**	**577**	**72,537**	**86**	**72,623**

(a) Transactions with non-controlling interests: these are buyouts of minority shares (ESI Services Tunisie 5%, Straco 2%, ESI Japan 3%, ESI South America 5% and Hankook ESI 1.2%).

The notes are an integral part of the consolidated financial statements.

6.1.4. Consolidated statement of cash flows

(In € thousands)	**December 31, 2021**	December 31, 2020
Net income before minority interests	**(18,484)**	**1,425**
Share of profit of associates	(80)	258
Amortization and provisions [(a)]	14,222	11,575
Net impact of capitalization of research & development costs	223	(1,841)
Income taxes (current and deferred)	1,280	1,008
Income taxes paid	(2,624)	(1,620)
Unrealized financial gains and losses	(559)	114
Share-based payment transactions	681	783
Gains (losses) on sales of assets	20,983	20
Operating cash flow [(a)]	**15,642**	**11,722**
Trade receivables	(1,010)	9,544
Trade payables	(1,477)	(1,866)
Other receivables and other liabilities	5,222	(10,444)
Change in working capital requirement	**2,735**	**(2,766)**
Net cash from operating activities	**18,377**	**8,956**
Purchase of intangible assets	(432)	(918)
Purchase of property, plant and equipment	(1,285)	(1,105)
Proceeds from the sale of assets	0	0
Acquisition of subsidiaries, net of cash acquired	0	173
Other investment operations	(33)	133
Net cash used for investing activities	**(1,750)**	**(1,717)**
Proceeds from loans	716	13,723
Repayment of borrowings and lease debt [(a)]	(11,176)	(19,351)
Proceeds from issue of shares	788	526
Purchase and proceeds from disposal of treasury shares	(84)	33
Purchase of non-controlling interests	(380)	
Net cash used for financing activities	**(10,136)**	**(5,069)**
Effect of exchange rate changes on cash and cash equivalents	1,362	55
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,853**	**2,225**
Opening cash position	22,466	20,241
Closing cash position	30,319	22,466
NET CHANGE IN CASH AND CASH EQUIVALENTS	**7,853**	**2,225**

(a) IFRS 16 application results in an increase of amortization cost and reimbursement of lease debt, it thus implies an improvement of Operating cash flow by +5.7 million in 2021 (vs. +€5.7 million in previous year), and increase of repayments in the financing part of the Cash Flow Statement for -€5.7 million (vs. -€5.7 million in 2020).

Additional information: Interested paid amounted to -€714 thousand in 2021 (compared to -€979 thousand in 2020).

The notes are an integral part of the consolidated financial statements.

6.1.5. Notes to the consolidated financial statements

Table of contents of notes to the consolidated financial statements

NOTE 1. Accounting principles

NOTE 1.1. GENERAL INFORMATION

ESI Group is a listed French limited company (*société anonyme*), registered in France and governed by French law. ESI Group has its head office at 3 *bis* rue Saarinen, Rungis (94150), France. ESI Group SA is the parent company of 26 subsidiaries operating throughout the world (see note 3 of ESI Group' Scope of Consolidation).

Founded in 1973, ESI Group envisions 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. ESI provides 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. ESI is acting principally in automotive & land transportation, aerospace, defense & naval and heavy industry.

The Group's financial year runs from January 1 to December 31, 2021.

Financial statements are presented in thousands of euros. The 2021 financial statements were approved by the Board of Directors on February 28, 2022 and will be submitted for approval to the General Meeting of June 28, 2022.

NOTE 1.2. ACCOUNTING STANDARDS APPLIED

The consolidated financial statements at December 31, 2021 were prepared in accordance with the IFRS standards, as approved by the European Union at this date. These standards are available on the European Union website.

Moreover, consolidated financial statements have been prepared in accordance with the historical cost method, with some exceptions such as financial assets and liabilities booked at fair value.

NOTE 1.3. NEW IFRS STANDARDS AND INTERPRETATIONS

/ New standards, amendments and interpretations effective in the European Union and mandatory for financial years beginning on or after January 1, 2021

New standard mandatory for fiscal years beginning on January 1, 2021 had no significant impact on the Group's consolidated financial statements.

The Group undertakes no early application of any standard or interpretation or associated amendments which were already published in the Official Journal of the European Union at December 31, 2021.

Standards, amendments and interpretations published by the IASB and not yet approved by the European Union is under evaluation by the Group. Finally, in April 2021, the IASB Board has approved the final decision rendered in March 2021 by the IFRS Interpretations Committee (IFRS IC) concerning the recognition of software configuration and customization costs within the framework regarding a Saas contract. Given the work to be carried out and the required time to analyse and assess the possible impacts of a change in method, the methodology used by the Group to recognize these costs at the closing date of December 31, 2021 remains unchanged. Analytical work is ongoing and will continue in 2022.

NOTE 1.4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the consideration of estimates and assumptions established by Group management that have an impact on the valuation of assets and liabilities, as well as on the amounts recorded as income and expenses during the year.

The estimates relate in particular, but not exclusively, to the assumptions used in determining the impact of stock options and free shares allocated to certain employees, business combinations, revenue recognition, depreciation of fixed assets, valuation of deferred tax assets, valuation of derivative instruments, capitalized development costs, provisions for depreciation of trades receivables, income tax expense, provisions for risks and litigation and provisions for post-employment commitments.

NOTE 2. Significant events of the year

/ Financial consequences of new three-years strategic plan – Restructuring costs

In 2021, the Group initiated its new growth and profitability plan "OneESI 2024 – Focus to Grow".

This transformation has resulted in headcount reductions as well as the impairment of intangible assets relating to software development projects now considered non-core or not corresponding to the Group's product offerings.

The impacts of this restructuring and transforming plan are estimated to €27.4 million, in which €6.7 million related to severance costs already notified and €20.7 million to asset impairments (development costs and assets with indefinite life).

/ Change in scope of consolidation

During the year ended December 31, 2021:

- In March, ESI Group acquired 5% of minority share of the Tunisian subsidiary ESI Tunisie for €61 thousand;
- In April, the French subsidiary Civitec. was absorbed by ESI Group;
- In June, ESI Group acquired 2% minority share of the French subsidiary Straco for €95 thousand and, French entity Straco was absorbed by ESI Group;
- In September, the Group obtained 3% shares of ESI Japan for €96 thousand;
- In December, ESI Group purchased minority interests (5% shares) of ESI South America for €50 thousand and 1.2% shares of Hankook ESI for €27 thousand.

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NOTE 3. Scope of consolidation

NOTE 3.1. ACCOUNTING POLICIES RELATED TO THE SCOPE OF CONSOLIDATION

/ Business combinations

Business combinations are recognized by the acquisition method:

- The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date;
- Any non-controlling interest in the acquiree (*i.e.* minority interest) is measured either at fair value ("full goodwill method") or at the non-controlling interest's proportion of the acquiree's identifiable net asset ("partial goodwill method"). This option applies on an individual transaction basis.

Any contingent consideration related to business combinations is recognized at its fair value on the acquisition date. After the acquisition date, contingent consideration is measured at fair value at the end of each subsequent reporting period. Any changes in the fair value of contingent consideration arising more than one year after the acquisition date are recognized in income. Changes in fair value within one year of the acquisition date are recognized in income if they clearly result from events after the acquisition date. Other changes are offset against goodwill.

Where put options have been granted to minority shareholders of subsidiaries, the amount recognized in liabilities is measured at the present value of the option exercise price and recorded in "Other non-current debt" or "Other current liabilities" according to its maturity date. The balance is allocated either to Goodwill ("full goodwill method") or to Equity ("partial goodwill method"). Discounting adjustments are recorded in the Financial Result. Subsequent gains and losses (or changes) in fair value of the liability are recognized directly in equity.

At the acquisition date, goodwill represents the difference between:

- The fair value of the consideration transferred, plus the total minority interests in the acquiree and, for step acquisitions, the fair value of the stake previously held at the corresponding acquisition date, revaluated in the income statement; and
- The net fair value of the identifiable assets and liabilities acquired.

The Group has 12 months from the acquisition date to determine the fair value of the assets and liabilities and declare the amount of goodwill acquired. If the acquisition price is lower than the fair value of identified assets, liabilities and contingent liabilities, the difference is immediately recorded in the income statement.

In accordance with IFRS standards, goodwill is not amortized but is instead subject to an impairment test. This test is performed at least once a year and when an impairment indicator is identified. Goodwill is allocated to cash-generating units ("CGU") for the purposes of impairment test.

Costs directly related to acquisitions are recorded as expenses when incurred, and presented on a separate line of the income statement, in "other operating income and expenses".

For intangible assets acquired in the context of a business combination, amortization is recorded in Current Operating Income, split between "research and development costs" and "selling and marketing expenses", depending on the type of asset. Customer relationships are amortized, the depreciation charge is recorded in "selling and marketing expenses" in the income statement over a period which vary according to each newly acquired activity.

/ Impairment test of goodwill and other intangible assets with an indefinite useful life

ESI Group uses a single CGU for the entire Group. The Group's strategy is to focus on growth through innovation stemming from its centrally managed R&D efforts and the integration of acquired technologies (source codes, algorithms, etc.) and the support of distribution subsidiaries managed by the Group.

As the Group has pursued its development, it has become clear that certain technologies acquired to resolve a specific issue could be used to resolve other issues as well. Incorporating this technology portfolio in the Group's software packages makes it possible to use all of these technologies in all of the Group's projects depending on the solutions required. The consequence of this ever-increasing integration is that it is more and more difficult to allocate revenue to a specific technology and to thus create a CGU for each technology or software program.

In addition, the revenue earned by a distribution subsidiary is dependent not only on its own commercial performance but also, even more so, on the software offering.

The impairment test is based on discounted value of forecast future cash flows according to business projections, technology penetration and the competitive situation. Future cash flows are estimated as follows:

- The last financial year for the reference year (Y);
- Annual budget for the following year, Y+1;
- For the years Y+2 to Y+5 multi-annual business plan.

The cash flows derive from the business plan drawn up by the Group's Management.

The discount rate applied as of December 31, 2021 is the Group's weighted average cost of capital (WACC) adjusted with a risk premium. It stands at 10.46% compared to 8.56% at December 31, 2020.

The present value of the CGU is determined by adding:

- The present value of forecasted future cash flows over the explicit period of five years, as described above;
- The terminal value calculated by capitalizing to perpetuity the last cash-flow of the explicit period. The long-term growth rate applied is 3%.

This present value of the CGU either confirms the fair value of the assets of the CGU, or serves as a basis for calculating potential impairment.

The impairment test performed on the CGU at December 31, 2021 did not identify any loss in value for these assets. The test was analyzed for sensitivity to reasonably plausible changes in key assumptions, based on a 1% increase in the discount rate or a 1% decrease in the long-term growth rate. No impairment has been identified. The Group's Management believe no reasonable change in key assumptions mentioned above that would have caused the CGU's recoverable to be significantly below its carrying amount.

NOTE 3.2. CHANGE IN GOODWILL

/ For the year ended December 31, 2021

(In € thousands)	December 31, 2020	Increase	Decrease	Foreign exchange gain/loss	December 31, 2021
Gross values	41,002			379	41,381
TOTAL NET VALUES	**41,002**			**379**	**41,381**

/ For the year ended December 31, 2019

(In € thousands)	December 31, 2019	Increase	Decrease	Foreign exchange gain/loss	December 31, 2020
Gross values	41,449			(447)	41,002
TOTAL NET VALUES	**41,449**		**0**	**(447)**	**41,002**

No acquisition took place during financial years 2020 and 2021.

NOTE 3.3. AMORTIZATION OF INTANGIBLES ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Starting from January 31, 2019, the amortization of intangibles assets acquired in business combinations is presented in the Current operating result, allocated between research and development costs and selling and marketing expenses depending on their type (respectively for codes and customer relationships).

At December 31, 2021, the amortization of codes amounts to €1,129 thousand (€819 thousand as of December 31, 2020), and the amortization of the customer relationships stands at €398 thousand (€406 thousand as of December 31, 2020).

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NOTE 3.4. LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION

The table below presents the dates of creation of head offices of Group subsidiaries and the percentage of capital directly or indirectly held:

Subsidiaries	Date of creation or acquisition	Subsidiary head office	% of capital held	
			December 31, 2021	December 31, 2020
Fully consolidated entities				
Engineering System International	April 1973	Paris, France	100%	100%
Engineering System International GmbH	July 1979	Eschborn, Germany	100%	100%
ESI Japan, Ltd.	July 1991	Tokyo, Japan	100%	97%
ESI North America, Inc.	March 1992	Troy, Michigan, USA	100%	100%
Hankook ESI Co., Ltd.	September 1995	Seoul, South Korea	100%	99%
ESI Group Hispania s.l.	February 2001	Madrid, Spain	100%	100%
STRACO SA	April 2001	Compiègne, France	—%	98%
Mecas ESI s.r.o.	May 2001	Plzen, Czech Republic	95%	95%
ESI UK Ltd.	January 2002	London, England	100%	100%
ESI US Holding, Inc.	August 2002	Dover, Delaware, United States	100%	100%
ESI US R&D, Inc.	August 2002	San Diego, California, United States	100%	100%
Calcom ESI SA	December 2002	Lausanne, Switzerland	99%	99%
ESI Software (India) Private Ltd.	February 2004	Bangalore, India	100%	100%
Hong Kong ESI Co., Ltd.	February 2004	Hong Kong, China	100%	100%
ESI-ATE Holdings Ltd.	July 2006	Hong Kong, China	100%	100%
ESI South America Comércio e Serviços de Informatica, Ltda	June 2008	São Paulo, Brazil	100%	95%
ESI Italia s.r.l.	September 2008	Bologna, Italy	100%	100%
ESI Services Tunisia	April 2009	Tunis, Tunisia	100%	95%
ESI Group Beijing Co., Ltd.	October 2010	Beijing, China	100%	100%
ESI Software Germany GmbH	August 2011	Stuttgart, Germany	100%	100%
ESI Nordics AB	December 2011	Sollentuna, Sweden	100%	100%
OpenCFD Ltd.	September 2012	Berkshire, England	100%	100%
ESI Services Vietnam Co., Ltd.	December 2013	Ho Chi Minh City, Vietnam	100%	100%
CIVITEC SARL	March 2015	Versailles, France	—%	100%
ITI GmbH	January 2016	Dresden, Germany	100%	100%
ITI Southern Europe SARL	January 2016	Rungis, France	100%	100%
Entities accounted for using the equity method				
JV AECC-ESI (Beijing) Technology Co., Ltd.	February 2014	Beijing, China	35%	35%

NOTE 4. Operating data

NOTE 4.1. REVENUE

ESI Group revenue derives from two activities: software licensing and related maintenance, and services.

The Company accounts for a contract with a client when there is a written agreement that creates legally enforceable rights and obligations, including payment terms, when the contract has commercial substance and when collection consideration is probable.

A performance obligation is a promise in a contract with a client to transfer products or services that are distinct from the other promises of the contract.

Revenue is recognized when, or as, control of a promised product or service is transferred to a client, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services.

/ Software licensing and maintenance

Licensing revenue is generated from royalties paid under licensing agreements granted to end customers and related maintenance services. Maintenance services include updates and technical support.

Revenue is split between three types of contracts:

- Lease of annual renewable licenses that include the right to use the software plus maintenance services for one year;
- Lease of "paid up licenses" conferring to end clients the right to use the software for unlimited duration, with one year of maintenance services – with the possibility of renewal through a maintenance contract;
- Maintenance services alone – this contract completes "paid up licenses" contracts.

In compliance with IFRS 15, ESI' customer contracts have been analyzed in five stages in order to identify the component of the performance obligations and the price of each. Two performance obligations have been identified: access to the software (the licensing itself) and the maintenance service – please note that this distinction has been applied by the Group prior the entry into force of the standard. For the annual licensing contracts and the "paid up licenses", the allocation of the price has been realized according to the residual approach.

As a result, 15% of the price of annual licensing contracts and 5% of the price of "paid up licenses" contracts have been allocated to maintenance service. Revenue for the access to the license is recognized at a point in time at the moment when control is transferred to the client, and the revenue from maintenance service is recognized on a straight-line basis over the one-year term of the support agreement.

/ Services

Service revenue consists mainly of consulting and training fees.

The consulting revenue is recognized according to the percentage of completion method. Corresponding costs are recorded as soon as they are incurred. Contracts with a probable final loss are covered by a provision for loss on completion, recorded as a liability on the balance sheet. The loss is fully provisioned as soon as it is known and reliably estimated, regardless the stage of completion.

Revenue for training is recognized upon completion.

/ Backlog (IFRS 15)

The Group's backlog for licensing activity is composed of all signed orders received from customers at the closing date, with execution starting from the first day of next fiscal year.

Despite most of licensing contracts are renewable from a fiscal year to the next one, only signed orders for next year are included in the backlog. As purchase order are often signed by customers just before start of the execution period, this explain the level of backlog vs. high recurring part of licensing contracts.

For services activity, backlog is composed of work to be done on contracts being executed, and of contracts signed at closing date which execution has not started yet.

(In € thousands)	December 31, 2021	December 31, 2020
Total licenses and maintenance	**111,356**	**109,201**
Consulting	20,773	18,845
Co-financed projects	4,017	4,020
Other revenue	449	508
Total services	**25,239**	**23,372**
CONSOLIDATED REVENUE	**136,595**	**132,573**

Backlog as of December 31, 2021 amounts to €42 million (compared with €37 million in 2020), out of which €40 million for Licensing (compared with €35 million in 2020) and €2 million for Services (compared with €2 million in 2020).

Revenue realized with Group 10 top customers amounts to €56.5 million (compared with €52,2 million in 2020), representing 41% of total revenue, out of which €44 million for Licensing activity (compared to €40,9 million in 2020) and €12.5 million for Services activity (versus €11.3 million in 2020). These are mainly customers from the automotive sector.

NOTE 4.2. TRADE RECEIVABLES

Trade receivables are initially recorded at their nominal value, as the potential impact of discounting is immaterial. They are then recorded at amortized cost, reduced when applicable by impairment resulting from non recoverable amounts and estimate of future losses.
Receivables are depreciated when their net realizable value, estimated by reference to the risk of non-recovery as determined by type of receivable, is less than their carrying amount. Depending on the nature of receivables, the risk associated with bad debts is appreciated individually or based on statistical methods. Impairment of trade receivables represents best estimate of the risk related to the asset.

/ Contract assets and liabilities

After having delivered its services, the Group records the customers counterparty either as trade receivables or as contract assets. A trade receivable is an unconditionnal right to be paid, while a contract asset is a right to be paid which is conditionned to factors other than time.

Contract assets are related to amounts to be invoiced on contracts with milestones or subject to customer's acceptance.

When invoiced amounts exceed recognised revenue, difference is recorded as contract liabilities.

Details of trade receivables

(In € thousands)	December 31, 2021	December 31, 2020
Trade receivables	40,204	38,569
Depreciation of trade receivables	(4,656)	(4,227)
TOTAL TRADE RECEIVABLES, NET OF IMPAIRMENT	**35,548**	**34,342**

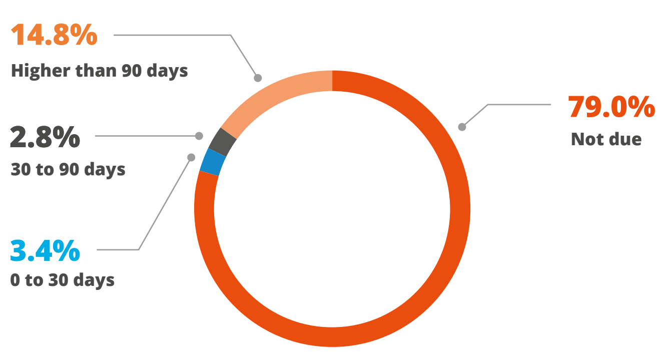
(In € thousands)	December 31, 2020	Consolidation scope change	Provisions	Reversals	Foreign exchange gain/ loss	Other movements	December 31, 2021
Depreciation	(4,226)		(866)	433	(32)	35	(4,656)
TOTAL	**(4,226)**	**—**	**(866)**	**433**	**(32)**	**35**	**(4,656)**

The amount presented in the column "Consolidation scope change" refers to the dissolution of ESI-ATE Technology China Ltd. (fully impaired very old receivables).

The Group's clientele mainly comprises:

- Major industrial corporations, especially companies in the automotive, aerospace and steel industries;
- Government agencies for governmental and defense projects;
- Academic bodies.

Age of trade receivables as of December 31, 2021



	December 31, 2021	December 31, 2020
Not due	28,096	21,138
0 to 30 days	1,199	862
30 to 90 days	1,000	2,762
Higher than 90 days	5,253	9,580
TOTAL	**35,548**	**34,342**

The amount of trade receivables due for more than 90 days includes receivables from Chinese public sector customers, for which collection time is more important.

/ Contract assets

Contracts relating to the Licensing activity are generally invoiced at the beginning of the software access period, so this activity does not generate invoices to be issued or assets on contracts.

The Services activity, corresponding mainly to consulting services, is subject to various invoicing schedules, defined in the customer contracts. In the case of invoicing schedules that are misaligned with completion rate of services, invoices to be issued (in the vast majority of cases) or contract assets (in rare cases, when completion milestones require client acceptance) are booked.

NOTE 4.3. CONTRACT LIABILITIES

Contracts relating to the Licensing activity are invoiced at the beginning of the software access period, and all revenues remaining and regarding to maintenance, to be recognized in the following year are therefore contract liabilities.

This principle is also generally applicable to the Services activity, where invoicing may be subject to a schedule, but where the due dates generally precede the completion of the services.

For most contracts the usual term of contract liabilities is maximum one year.

NOTE 4.4. OPERATING EXPENSES

(In € thousands)	**December 31, 2021**	December 31, 2020
Other purchases and external expenses	(10,805)	(10,705)
Short-term and low-value assets leases	(1,344)	(1,971)
Fees	(3,333)	(4,362)
Taxes and duties	(309)	(604)
Amortization and provisions	(10,415)	(11,064)
Personnel costs [(a)]	(91,343)	(93,441)
Other external expenses and income	(8,047)	(6,390)
Total current operating expenses	**(125,596)**	**(128,536)**
Other operating income and expenses	(27,401)	9
TOTAL OPERATING EXPENSES	**(152,998)**	**(128,527)**

(a) Details on personnel costs are presented in note 5.2.

NOTE 4.5. INFORMATION BY GEOGRAPHIC AREA

Operating segments are the Group's components which have isolated financial information available and whose operating results are regularly reviewed by the Company's management in order to evaluate their performance and to decide how resources are allocated. The Group works in a unique segment, with close ties between its two-identified business, Licenses and Services.

In accordance with paragraphs 31-34 of IFRS 8, ESI Group presents revenue from ordinary activities and non-current assets by region (the three main regions being EMEA (Europe, Middle East, Africa), Asia-Pacific and the Americas).

The Group develops sells and provides technical support for its software which allow engineers to predict and improve, by virtual tests, the performance and the expected quality of a product.

Revenue is split between regions where it is actually produced.

(In € thousands)	Europe, Middle East and Africa	Asia-Pacific	Americas	Eliminations	Consolidated
Year ended December 31, 2021					
External clients	65,767	49,716	21,112		136,595
Affiliate companies	69,871	1,957	2,524	(74,352)	—
Net sales	**135,638**	**51,673**	**23,637**	**(74,352)**	**136,595**
ASSETS ALLOCATED	**237,271**	**52,268**	**22,173**	**(110,697)**	**201,014**
Year ended December 31, 2020					
External clients	62,597	50,109	19,867		132,573
Affiliate companies	77,114	9,267	6,242	(92,623)	
Net sales	**139,711**	**59,376**	**26,109**	**(92,623)**	**132,573**
ASSETS ALLOCATED	**326,225**	**53,362**	**33,419**	**(196,648)**	**216,359**

Intra-Group transactions consist mainly of royalties paid by the Group's subsidiaries. These royalties are proportional to Licensing revenue and based on a common practice observed between software publishers and distributors within the industry covered by ESI Group.

NOTE 4.6. OFF-BALANCE SHEET COMMITMENTS RELATED TO OPERATIONAL ACTIVITIES

At December 31, 2021, ESI Group had a rent security deposit with Crédit du Nord in an amount of €82 thousand, established in November 2012 and expiring November 28, 2021 plus six months.

NOTE 4.7. LEASES

IFRS 16 is a major revision in the accounting of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. Based on this model, the amortization of assets is accounted for in operating expense, and the cost of the debt towards the lessor is accounted for in financial expense. Under the standard applied on the financial year ended on January 31, 2019, the rent expense was recorded within the operating expense.

In accordance with IFRS 16, leases are recognized as property, plant and equipment under a right-of-use. These contracts are recognized at the commencement date of the contract for the discounted value of the minimum lease payments for a liability corresponding to the lease liabilities due to the lessor. The assets are amortized on a straight-line basis over the lease term, which corresponds to the non-cancellable period of each contract,unless the Group is reasonably certain to exercise the contractual renewal options.

The Group has chosen to use the two exemptions allowed by IFRS 16 and to keep recognition as operating expense for leases with a lease term no more than 12 months (except for contracts renewable by tacit agreement) or leases with underlying asset of low value.

The Group has applied, with retroactive effect from January 1, 2019, the interpretation of IFRS IC relating to assessment of lease terms for contracts renewable by tacit agreement or without a contractual expiry date. IFRS IC confirms the need to determine the enforceable period, taking an economic view, beyond the legal characteristics. The contracts concerned are essentially real estate leases and vehicule rentals.

To determine the lease liabilities, the Group has discounted future lease payments using weighted average marginal borrowing rate of 2.5%.

In the assets of the balance sheet, the rights of use of leased assets represent a net value of €16.707 million, of which a gross value of €29.403 million and the amortization of €12.696 million.

(In € thousands)	December 31, 2020	Increase	Decrease	Others	December 31, 2021
Right-of-use – Gross value	**28,263**	**5,224**	**(4,093)**	**8**	**29,402**
For offices	25,486	4,890	(3,443)	8	26,941
For cars	2,777	334	(650)	—	2,461
Right-of-use – Amortization	**(10,522)**	**(5,736)**	**3,566**	**(4)**	**(12,696)**
For offices	(9,189)	(4,943)	2,915	(4)	(11,221)
For cars	(1,333)	(793)	651	—	(1,475)
Right-of-use – Net value	**17,741**	**(512)**	**(527)**	**4**	**16,706**
For offices	16,297	(53)	(528)	4	15,720
For cars	1,444	(459)	1	—	986

(In € thousands)	December 31, 2019	Increase	Decrease	Others	December 31, 2020
Right-of-use – Gross value	**27,155**	**1,395**	**(574)**	**289**	**28,265**
For offices	25,174	642	(333)	4	25,487
For cars	1,981	753	(241)	285	2,778
Right-of-use – Amortization	**(5,372)**	**(5,766)**	**532**	**83**	**(10,523)**
For offices	(4,633)	(4,887)	333	(2)	(9,189)
For cars	(739)	(879)	199	85	(1,334)
Right-of-use – Net value	**21,783**	**(4,371)**	**(42)**	**372**	**17,742**
For offices	20,541	(4,245)		2	16,298
For cars	1,242	(126)	(42)	370	1,444

In the liabilities of the balance sheet, the lease debts are split between €11,818 million of non-current debts (compared with €12,318 million in 2020) and €4,551 million of current debts (compared with €5.184 million in 2020).

Maturity of lease debts as at December 31, 2021:

(In € thousands)	< 1 year	Between 1 and 2 years	Between 2 and 4 years	More than 5 years	December 31, 2021
Debts – leased offices	4,011	3,778	3,978	3,609	15,376
Debts – leased cars	540	282	170	—	992
LEASE DEBTS	**4,552**	**4,060**	**4,148**	**3,609**	**16,369**

In the income statement, the restatement of rental expenses amounted to €6.214 million (compared with €5.210 million in 2020), almost entirely offset by the right-of-use amortization: the impact on the operational result is +€477 thousand (compared with €377 thousand in 2020). The impact of IFRS 16 restatement on financial result is an additional expense of -€374 thousand (compared with -€301 thousand in 2020). The impact on the result net is +€103 thousand (compared with +€74 thousand in 2020).

In the cash flow statement, IFRS 16's impact is an increase of amortization and an improvement of cash flow amounted to + €5.639 million (compared with +€5.775 million in 2020), against a reimbursement of lease debts in the financial part of the cash flow statement for -€5.743 million (compared with -€5.775 million in 2020).

NOTE 4.8. COST OF SALES

The cost of sales correspond to costs included in gross margin, relating to the Licensing and Services activities. It consists mainly of costs related to teams providing first-level support for Licensing activity and performing consulting services for Services activity (direct and indirect costs – salary costs and environmental costs).

Cost of sales also includes external royalties and operational subcontracting costs.

Cost of sales evolution is not directly proportional to revenue evolution.

NOTE 4.9. OTHER OPERATIONAL INCOME AND EXPENSES

/ Other income and expenses

The Other income and expenses item includes capital gains and losses on disposals of tangible and intangible assets, impairment of assets, restructuring costs, and clearly identified non-recurring income and expense items that are material to the consolidated financial statements.

/ Current operational profit

Current operating income is calculated from operating income less other operating income and expenses.

(In € thousands)	December 31, 2021
Restructuring costs related to "OneESI 2024 – Focus to Grow"	(6,667)
Impairment, disposal of intangibles assets and other	(20,737)
TOTAL	**(27,404)**

The "OneESI 2024 – Focus to Grow" transformation plan initiated in 2021 will result in headcount reductions as well as the impairment of intangible assets relating to software development projects now considered non-core or not corresponding to the group's product offerings. The impact of this restructuring is estimated at €27.4 million, including €6.7 million in severance costs related to the "OneESI 2024 – Focus to Grow" plan and €20.7 million in asset write-offs induced by the new strategic plan.

NOTE 5. Personnel costs and employee benefits

NOTE 5.1. HEADCOUNT

Headcount is calculated on a "Full-Time Equivalent" (FTE) basis and distributed as follows:

	December 31, 2021	December 31, 2020
France	302	317
Rest of the world	843	900
TOTAL	**1,145**	**1,217**

NOTE 5.2. PERSONNEL COSTS

Personnel costs are presented by destination in the income statement. Their break down by nature is as follows:

(In € thousands)	31 décembre 2021	31 décembre 2020
Salaries	(71,528)	(74,137)
Payroll taxes	(18,623)	(17,850)
Share-based payments	(681)	(783)
Post-employment benefits	(510)	(670)
TOTAL PERSONNEL COSTS	**(91,343)**	**(93,441)**

NOTE 5.3. PROVISION FOR EMPLOYEE BENEFITS

In certain countries, the Group's employees benefit from different pension plans, retirement compensation, length-of-service awards linked to seniority requirements and additional post-employment benefits. To cover these benefits, the Group has defined-contribution plans and defined-benefit plans in place.

A defined-contribution plan is a pension plan into which the Group pays fixed contributions to a third-party entity. The Group does not have any obligation other than to pay the premiums, and the corresponding expense is recorded in the income statement for the financial year.

A defined-benefit plan is a plan that guarantees a certain level of benefits in the future depending on salary, age and seniority of the employee. Such is the case for benefits that may be paid when the employee retires.

An IFRS IC decision was validated by the IASB in May 2021 concerning IAS 19 "Employee Benefits" relating to the allocation of employee benefits to periods of service. Thus, the vesting period is determined from the date of retirement and no longer from the date of hire for collective agreements for which rights are defined by seniority. Where rights are capped, the vesting period is limited to the length of service required at the time of capping. The methodology used by the Group to measure its obligations at December 31, 2021 remains unchanged.

For defined-benefit plans, in accordance with IAS 19 R "Employee Benefits", obligations are determined using the projected unit credit method. This actuarial method stipulates that each period of service entitles the employee to one unit of benefit rights and evaluates each of these units separately to arrive at a final commitment. These calculations use assumptions in terms of mortality, staff turnover and future salary increases.

Defined-benefit pension schemes and long-term benefits recognized in accordance with IAS 19 R are as follows:

- For France: retirement benefits, supplementary pension plan provided by an insurance company;
- For South Korea, India and Japan: severance pay owed to employees upon departure from the Company regardless of reason for departure, calculated on the basis of length of service within the Company;
- For Germany: defined-contribution benefits owed to selected managers.

/ 5.3.1. Actuarial assumptions

Discount rates	December 31, 2021	December 31, 2020
France	0.90%	0.35%
Germany	1.05%	0.88%
Japan	0.48%	0.41%
South Korea	2.40%	1.84%
India	7.09%	6.67%

Discount rates correspond to:

- For France: AA-rate corporate bond rates in the Eurozone, adjusted according to the duration of the Group's commitments;
- For other counties: rates reported by the central banks.

Rate of salary increase	December 31, 2021	December 31, 2020
France	2.50%	2.50%
Germany	2.00%	2.00%
Japan	3.00%	3.00%
South Korea	4.00%	4.00%
India	7.00%	10.00%

Turnover rates are calculated per subsidiary and per age group according to the past experience of each subsidiary.

/ 5.3.2. Change in commitment and provisions

Analysis of the variation in the provision recorded in the balance sheet

(In € thousands)	December 31, 2021	December 31, 2020
Change in commitments		
Commitments at opening	**(13,802)**	**(13,521)**
Acquired companies		
Costs of services rendered in the period	(984)	(1,046)
Interest expenses	(187)	(209)
Benefits paid	679	592
Actuarial gains and losses	1,154	(22)
Staff reduction	1,539	48
Foreign exchange gain/loss	15	357
COMMITMENTS AT CLOSING	**(11,585)**	**(13,801)**
Change in fair value of assets		
Fair value of assets at opening	**2,414**	**2,536**
Acquired companies		
Yield on assets	91	76
Employer contributions	208	350
Benefits paid	(297)	(322)
Actuarial gains and losses booked in equity	(11)	(146)
Foreign exchange gains and other	**56**	**(136)**
FAIR VALUE OF ASSETS AT CLOSING	**2,461**	**2,359**
Net expense for the year		
Costs of services rendered	(984)	(1,046)
Finance charges	(96)	(132)
Interest expenses	(187)	(209)
Yield on assets	91	76
Others	1,625	48
NET EXPENSE FOR THE YEAR	**545**	**(1,130)**
Provision recorded in the balance sheet		
Commitments financed	(3,874)	(4,934)
Fair value of assets	2,461	2,414
Net commitments financed	**(1,412)**	**(2,520)**
Commitments not financed	(7,711)	(8,953)
PROVISION AT CLOSING	**(9,124)**	**(11,473)**
Change in provision		
Provision at opening	**(11,474)**	**(11,017)**
Net expense for the year	545	(1,131)
Actuarial gains and losses	1,143	(167)
Employer contributions	208	350
Benefits paid	382	270
Acquired companies		
Foreign exchange gain/loss	71	221
Others		
PROVISION AT CLOSING	**(9,125)**	**(11,474)**

The commitments financed break down as follow by country: 19% in France, 38% in South Korea, 34% in India and 9% in Germany. Employer contributions correspond to payments made to pension funds.

/ 5.3.3. Sensitivity of commitments to fluctuations in the discount rate

(In € thousands)	December 31, 2021
Commitment -0.5%	(12,025)
Commitment	(11,585)
Commitment +0.5%	(10,693)

(In € thousands)	December 31, 2021
Experience adjustment	(95)
Change in financial assumptions	1,213
Yield on assets	(11)
TOTAL ACTUARIAL GAINS/LOSSES	**1,107**

NOTE 5.4. SHARE-BASED PAYMENTS

Stock options may be granted to selected Group employees. They entitle employees to subscribe to new shares or to existing shares of ESI Group four or five years after stock options are awarded at a fixed exercise price set on the award date. Criteria for the granting of stock options may include performance requirements, additionally to continued employment requirement.

In accordance with IFRS 2, options are measured at the fair value of the benefit granted to the employee, estimated at grant date. They are recorded as personnel costs in the income statement on a straight-line basis over the vesting period of the option, offset against equity. The expense is recorded in the income statement per destination according to the allocation of each concerned person.

The fair value of the option is determined using the “Black-Scholes” model, the main parameters of which include: the exercise price of the options, their expected life period, share price at grant date, the inherent volatility of the share price and the risk-free interest rate.

Free shares may also be awarded to Group employees. The fair value of the benefit granted is determined based on the share price on the day of the award multiplied by the number of shares awarded. This cost is recorded on a straight-line basis over the vesting period.

/ Terms and conditions of stock options and free shares plans

Stock options and free share plans have been authorized by various General Meetings and could potentially dilute ESI Group’s capital. The tables below describe ongoing plans.

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Stock options

Plan number (date of General Meeting)	Date of Board of Directors	Number of attributable options granted	Number of options granted	O/w performance shares	Exercise price	Number of options exercisable at December 31, 2021	Limit year for exercising options
Plan 10 (GM 2012)	12/19/2012		150,850	62,300	27.82		2021
Plan 10 *bis* (GM 2012)	02/07/2014		11,000		24.42	375	2022
Plan 10 *ter* (GM 2012)	03/26/2015		15,000		21.66		2025
Plan 10 *quater* (GM 2012)	07/22/2015		3,150		27.17	—	2025
	Total GM 2012	**180,000**	**180,000**	**62,300**		**375**	
Plan 17 (GM 2014)	07/22/2015		7,350		27.17		2023
Plan 17 *bis* (GM 2014)	03/11/2016		10,000		23.35		2026
Plan 17 *ter* (GM 2014)	05/05/2017		18,175		50.92	13,700	2025
Plan 17 *quater* (GM 2014)	05/05/2017		1,875	1,875	50.92		2025
	Total GM 2014	**180,000**	**37,400**	**1,875**		**13,700**	
Plan 19 (GM 2017)	07/18/2018		43,950	32,963	42.97	8,089	2026
Plan 19 *bis* (GM 2017)	02/01/2019		20,000	15,000	27.04	—	2027
Plan 19 *ter* (GM 2017)	12/18/2019		25,785		29.12	—	2027
	Total GM 2017	**180,000**	**89,735**	**47,963**		**8,089**	
Plan 21 (GM 2021)	09/10/2021		24,000	24,000	60.47	—	2029
	Total GM 2020	**300,000**	**24,000**	**24,000**		**—**	
TOTAL STOCK-OPTIONS		**840,000**	**331,135**	**136,138**		**22,164**	

Free shares

Plan number (date of General Meeting)	Date of Board of Directors	Authorized number of shares	Number of shares granted	O/w performance shares	Number of shares in progress at December 31, 2021	End of vesting period
Plan No. 6 (GM 2016)	07/21/2016		25,000			2020
Plan No. 7 (GM 2016)	12/23/2016	60,000	2,275		—	2020
Plan No. 8 (GM 2016)	08/01/2017		9,000			2021
Plan No. 9 (GM 2018)	07/18/2018		10,617	7,964	—	2021
Plan No. 9 *bis* (GM 2018)	07/18/2018		2,441			2020
Plan No. 9 *ter* (GM 2018)	07/18/2018		15,500		3,002	2022
Plan No. 9 *quater* (GM 2018)	07/18/2018	60,000	16,250		2,333	2023
Plan No. 9 *quinquies* (GM 2018)	12/18/2019		6,337		4,237	2022
Plan No. 9 *sexies* (GM 2018)	12/18/2019		2,521		—	2021
Plan No. 9 *septies* (GM 2018)	03/19/2020		5,000		5,000	2023
Plan No. 10 (GM 2020)	25/06/2020		3,000			2023
Plan No. 10 *bis* (GM 2020)	06/10/2021		7,000		7,000	2023
Plan No. 10 *ter* (GM 2020)	10/04/2021		8,122	4,061	8,122	2025
Plan No. 10 *quater* (GM 2020)	10/04/2021		3,255		3,255	2024
Plan No. 10 *quinquies* (GM 2020)	10/04/2021	60,000	15,250		15,250	2025
Plan No. 10 *sexies* (GM 2020)	10/04/2021		716		716	2025
Plan No. 10 *septies* (GM 2020)	10/04/2021		8,331		8,331	2024
Plan No. 10 *octies* (GM 2020)	11/19/21		4,000	2,000	4,000	2025
Plan No. 10 *novies* (GM 2020)	11/19/21		10,000		10,000	2025
TOTAL FREE SHARES		**180,000**	**154,615**	**14,025**	**71,246**	

The total expense related to stock-options plans for the financial year ended December 31, 2021 stands at €115 thousand, *vs.* €138 thousand for the previous year. That related to free shares plans stands at €566 thousand, *vs.* €645 thousand in 2020.

All stock options and free shares plans include a continued employment requirement.

/ Movements in stock options

	2021		2020	
	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price
Stock options existing at the opening	**120,810**	**34.36**	**145,135**	**33.71**
Stock options granted	24,000	60.47	—	—
Stock options expired or canceled	(8,400)	30.80	(7,350)	36.19
Stock options exercised	(27,549)	27.52	(18,100)	22.44
Stock options existing at the closing	**108,861**	**42.01**	**120,810**	**34.36**
OPTIONS THAT MAY BE EXERCISED AT THE CLOSING	**22,164**	**38.54**	**27,975**	**27.08**

/ Fair-value of stock options and free shares

The main data and assumptions underlying the valuation of stock options at fair value were as follows:

	Stock options price at grant date	Expected term of stock options *(in years)*	Volatility	Dividend rate	Interest rate
Plan No. 10 (02/01/2013)	26.99	5	24.80%	0%	1.30%
Plan No. 10 *bis* (02/07/2014)	24.50	5	23.73%	0%	0.30%
Plan No. 10 *ter* (02/01/2015)	24.94	6	22.13%	0%	0.36%
Plan No. 10 *quater* (07/22/2015)	28.31	6	23.36%	0%	0.65%
Plan No. 15 (02/01/2015)	24.94	6	23.36%	0%	0.65%
Plan No. 17 (07/22/2015)	28.31	6	22.13%	0%	0.36%
Plan No. 17 *bis* (03/11/2016)	24.39	7,5	22.79%	0%	0.65%
Plan No. 17 *ter* (05/05/2017)	55.56	5,5	28.16%	0%	0.86%
Plan No. 17 *quater* (05/05/2017)	55.56	5,5	28.16%	0%	0.86%
Plan No. 19 (07/18/2018)	42.97	5,5	37.33%	0%	0.66%
Plan No. 19 *bis* (02/01/2019)	27.04	5,5	34.56%	0%	0.61%
Plan No. 19 *ter* (12/12/2019)	29.12	5,5	26.76%	0%	0.65%
Plan No. 21 (10/09/2020)	60.47	5.2	22.71%	0%	(0.02%)

The main data and assumptions underlying the valuation of free shares at fair value were as follows:

	Stock options price at grant date	Period of non-transferability after acquisition *(in years)*	Interest rate
Plan 6 (Board of 07/21/2016)	30.30	1 à 2	1.20%
Plan 7 (Board of 12/23/2016)	45.73	0 à 2	1.10%
Plan 8 (Board of 08/01/2017)	46.19	1 à 2	1.10%
Plan 9/9 *bis*/9 *ter* (Board of 07/18/2018)	42.97	1 à 3	0.95%
Plan 9 *quater*	31.40	1 à 2	0.70%
Plan 9 *quinquies*/9 *sexies*	31.00	2	0.65%
Plan 9 *septies*	33.50	0	0.65%
Plan 10	35.40	0 à 2	0.80%
Plan 10 *bis*	59.00	0	0.65%
Plan 10 *ter*/10 *quater*/10 *quinquies*/10 *sexies*/10 *septies*	68.40	0 à 4	1.00%
Plan 10 *octies*/10 *novies*	71.00	0	0.60%

NOTE 6. Intangible and tangible assets

NOTE 6.1. INTANGIBLE ASSETS

/ 6.1.1. Change in the gross value, amortization and net value of intangible assets

(In € thousands)	December 31, 2020	Increase	Decrease	Foreign exchange gain/ loss	Other movements	December 31, 2021
Gross values						
Development costs	75,783	28,134	(41,608)			62,310
Acquired codes	12,044		(5,129)		7,167	14,082
Other intangible assets	22,899	432	(1,633)	(137)	(7,163)	14,397
TOTAL	**110,726**	**28,567**	**(48,370)**	**(137)**	**4**	**90,789**
Amortization	—					—
Development costs	(28,492)	(28,357)	26,617			(30,232)
Acquired codes	(73)	(641)	73		(5,633)	(6,274)
Other intangible assets	(18,739)	(1,289)	1,019	138	5,629	(13,243)
TOTAL	**(47,304)**	**(30,287)**	**27,708**	**138**	**(4)**	**(49,750)**
Net carrying amounts						
Development costs [(a)]	47,293	(223)	(14,991)			32,080
Acquired codes [(b)]	11,971	(641)	(5,056)	—	1,535	7,808
Other intangible assets	4,158	(857)	(615)	1	(1,535)	1,153
TOTAL	**63,424**	**(1,721)**	**(20,662)**	**1**	**—**	**41,042**

(a) Development costs – see note 6.1.2
(b) Acquired codes (formerly called "Intangible assets with an indefinite useful life") – see note 6.1.3.

As part of the "OneESI 2024 – Focus to Grow" plan, the Group has announced the redeployment of a significant portion of its R&D investments to growth opportunities. This has resulted in the following identified intangible assets being disposed:

- Development costs: developments in progress, not in service yet, for a net amount of €14,991 thousand;
- Acquired codes: source codes belonging to activities that are no longer aligned with ESI's core business for a net amount of €5,056 thousand. The Group has also maintained source codes that enable the continued development of products in these strategic areas, which are amortized over a period of eight years;
- Other intangible assets: codes and patents that are no longer in line with the strategic plan for a net amount of -€615 thousand.

(In € thousands)	December 31, 2019	Increase	Decrease	Foreign exchange gain/ loss	Other movements	December 31, 2020
Gross values						
Development costs	69,525	31,211	(24,953)			75,783
Intangible assets with an indefinite useful life	12,044					12,044
Other intangible assets	22,143	918	(320)	115	42	22,898
TOTAL	**103,712**	**32,129**	**(25,273)**	**115**	**42**	**110,725**
Amortization	—					—
Development costs	(24,075)	(29,370)	24,953			(28,492)
Intangible assets with an indefinite useful life	(73)					(73)
Other intangible assets	(17,427)	(1,464)	304	(117)	(35)	(18,739)
TOTAL	**(41,575)**	**(30,834)**	**25,257**	**(117)**	**(35)**	**(47,304)**
Net carrying amounts						
Development costs	45,452	1,841				47,293
Intangible assets with an indefinite useful life	11,971					11,971
Other intangible assets	4,715	(546)	(16)	(2)	7	4,158
TOTAL	**62,139**	**1,295**	**(16)**	**(2)**	**7**	**63,423**

/ 6.1.2. Capitalized development costs

Research costs borne to gain new scientific or technical knowledge are recorded as expenses when incurred.

Development costs are capitalized in situations where the six requirements set forth under IAS 38, "Intangible Assets", are met:

- Technical feasibility of completing the development project has been established;
- The Group intends to complete the project;
- The Group will be able to use or sell the product arising from the research and development project;
- The product is likely to generate future economic benefits, and a market exists for this product;
- There are appropriate technical, financial and other resources available to complete the research and development project and to sell the resulting product;
- Ability to reliably estimate expenditures attributable to the development project.

The expenses thus converted into assets include the cost of direct labor as well as sub-contracting related to the creation of new offerings or major improvements to existing solutions..

Capitalized expenses are amortized on a straight-line basis over a period of 12 months for development work that leads to the yearly release of new annual versions of software packages sold by the Group, and on a straight-line basis over 24 or 36 months for development work that leads to major improvements to existing products, depending on the degree of innovation. The amortization period is estimated on a project-by-project basis according to the period during which ESI Group expects to generate revenue from the corresponding solution. An impairment of the net book value of capitalized development costs is recognized when, at the balance sheet date, the probable future economic benefits are no longer sufficient to cover the assets residual value. This analysis is performed on a project-by-project basis.

Research and development costs that do not meet IAS 38 criteria are recorded as expenses when incurred.

In certain cases, research and development costs entitle the Group to a tax credit, recorded during the financial year when expenses were incurred. These tax credits are deducted from research and development costs.

Net impact of the capitalization of development costs

(In € thousands)	December 31, 2021	December 31, 2020
Development costs capitalized during the period	28,134	31,211
Development costs amortized during the period	(28,357)	(29,370)
NET IMPACT OF THE CAPITALIZATION OF DEVELOPMENT COSTS	**(223)**	**1,841**

Releases, which correspond to the commercial launch of new versions or upgrades to our software, are the result of commercial and strategic decisions. In some cases, management may decide to wait until several upgrades have been made before marketing a new version rather than to release several different versions with minor upgrades during the year; in other cases, a new version featuring a major innovation may be marketed even if other improvements are planned in the near future.

While project releases are generally planned on a yearly basis, the actual release timeline may vary from one year to the next. These changes have an impact on amortization start dates and, consequently, on amortization amounts recorded.

Net value of capitalized developments costs represents 11.7 months of research and development costs (€32.1 million) incurred at December 31, 2021, compared to 16.54 months (€47.3 million) at December 31, 2020.

As a result of the OneESI transformation plan, development projects were abandoned, representing a net asset value of €14.9 million.

Reconciliation of R&D costs incurred and accounted for in the income statement

(In € thousands)	December 31, 2021	December 31, 2020
R&D costs incurred during the period [(a)]	**(32,976)**	**(35,060)**
Development costs capitalized during the period	28,134	31,211
Development costs amortized during the period	(28,357)	(29,370)
French R&D tax credit	3,026	3,172
Amortization of codes acquired in business combinations	(1,129)	(819)
TOTAL R&D COSTS RECOGNIZED AS EXPENSES DURING THE FINANCIAL YEAR	**(31,302)**	**(30,867)**

(a) Including €4,842 million in expenses accounted for as direct costs in 2021, compared to €3,098 million in 2020.

/ 6.1.3. Acquired codes and other intangible assets

Intangible assets with a finite useful life consist mainly of software. In accordance with IAS 38, they are valued at cost.

Amortization is recorded in the income statement based on the estimated useful life of the asset, according to the following criteria:

	Method	Useful life
Office and similar software applications	Straight-line	1 to 3 years
Other operational software	Straight-line	3 to 5 years
Codes – third-party software integrated into products	Straight-line	5 to 8 years

The period and method of amortization for an intangible asset with a finite useful life are re-measured at the end of each period or more frequently. Any change in the estimated useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are recorded by modifying the period or method of amortization. The impact of such change is accounted for prospectively as a change in estimate.

Amortization costs of intangible assets with finite useful lives are recorded in the income statement under the category of expense related to the function of the intangible asset.

The asset line corresponding to acquired codes previously named “Indefinite life intangible assets” has been renamed “Acquired codes” in order to enhance the readability of the intangible assets shown on the balance sheet. ESI Group has identified, on one half, source codes that belong to unprofitable activities and these codes have been disposed for a net value of €5.056 million.

On the other half, codes that allow the development of softwares linked to the growth of the Group’s activity; ESI Group has also identified source codes that enable the development of sofwtares for growth activities, which are depreciated for a period of eight years. In order to have visibility of all acquired codes, the Group has reclassified codes in gross value of €7.167 million and the impairment of these codes for €5.633 million from other intangible assets to acquired codes.

NOTE 6.2. PROPERTY, PLANT AND EQUIPMENT

/ 6.2.1. Accounting principles

In accordance with IAS 16 “Property, Plant and Equipment”, these assets are valued at cost. They are not subject to any type of revaluation. Amortization is recorded in the income statement based on the estimated useful life of the asset, according to the following criteria:

	Method	Useful life
Fixtures and fittings	Straight-line	5 to 10 years
Computer hardware	Straight-line	3 to 5 years
Office furnishings	Straight-line	5 to 10 years

/ 6.2.2. Change in the gross value, amortization and net value of property, plant and equipment

(In € thousands)	December 31, 2020	Increase	Decrease	Other movements	Foreign exchange gain/loss	December 31, 2021
Gross values						
Fixtures and fittings	4,589	212	(1,163)	25	13	3,676
Computer hardware	15,443	947	(1,739)	(7)	253	14,896
Office furnishings and other tangible assets	3,811	43	(427)	(221)	62	3,268
TOTAL	**23,843**	**1,202**	**(3,329)**	**(202)**	**328**	**21,840**
Amortization						
Fixtures and fittings	(2,687)	(302)	931	(23)	(16)	(2,098)
Computer hardware	(13,334)	(1,140)	1,743	(7)	(207)	(12,946)
Office furnishings and other tangible assets	(3,125)	(205)	461	220	(54)	(2,704)
TOTAL	**(19,147)**	**(1,647)**	**3,135**	**190**	**(277)**	**(17,748)**
Net carrying amounts						
Fixtures and fittings	1,902	(90)	(232)	2	(3)	1,578
Computer hardware	2,108	(194)	3	(14)	46	1,950
Office furnishings and other tangible assets	686	(162)	34	(1)	8	565
TOTAL	**4,696**	**(446)**	**(195)**	**(13)**	**51**	**4,093**

(In € thousands)	December 31, 2019	Increase	Decrease	Other movements	Foreign exchange gain/loss	December 31, 2020
Gross values						
Fixtures and fittings	4,735	46	(177)	49	(63)	4,589
Computer hardware	15,777	942	(29)	(844)	(403)	15,443
Office furnishings and other tangible assets	3,412	78	(269)	704	(114)	3,811
TOTAL	**23,924**	**1,066**	**(475)**	**(92)**	**(580)**	**23,843**
Amortization						
Fixtures and fittings	(2,555)	(276)	147	(45)	42	(2,687)
Computer hardware	(13,070)	(1,272)	35	660	312	(13,334)
Office furnishings and other tangible assets	(2,666)	(208)	295	(625)	79	(3,125)
TOTAL	**(18,291)**	**(1,756)**	**477**	**(10)**	**433**	**(19,147)**
Net carrying amounts						
Fixtures and fittings	2,180	(230)	(30)	3	(21)	1,902
Computer hardware	2,707	(331)	6	(184)	(91)	2,108
Office furnishings and other tangible assets	746	(130)	26	78	(35)	686
TOTAL	**5,633**	**(691)**	**2**	**(103)**	**(147)**	**4,696**

NOTE 7. Financing and financial instruments

NOTE 7.1. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities mainly comprise:

- Non-current financial debts, short-term borrowings and overdrafts, together comprising gross debt – see details in note 7.1.2;
- Loans and other current financial assets, and cash and cash equivalents – see details in note 7.1.3 – which added to gross debt represent net financial debt;
- Derivative financial instruments – see details in note 7.1.4;
- Short-term trade receivables – see details in note 4.2, and short-term trade payables.

/ 7.1.1. Fair value of financial assets and liabilities

	Carrying amount			December 31, 2021
(In € thousands)	Fair value of financial instruments measured at amortized cost	Fair value through equity	Fair value through profit and loss	Total
Assets				
Deposits and guarantees	2,793			2,793
Derivative assets			229	229
Trade receivables	35,548			35,548
Cash and cash equivalents			30,319	30,319
Liabilities				
Bank borrowings	42,785			42,785
Derivative liabilities		4		4
Other financial liabilities				—
Payables	5,288			5,288

	Carrying amount			December 31, 2020
(In € thousands)	Fair value of financial instruments measured at amortized cost	Fair value through equity	Fair value through profit and loss	Total
Assets				
Non-current financial assets				
■ Non-consolidated investments			14	14
■ Deposits and guarantees	2,661			2,661
Trade receivables	34,646			34,646
Cash and cash equivalents			22,465	22,465
Liabilities				
Bank borrowings	47,410			47,410
Derivative liabilities		14		14
Other financial liabilities		75		75
Payables	6,655			6,655

In accordance with IFRS 13, the various valuation techniques for each financial instrument must be ranked. The different categories are as follows:

- Level 1: direct reference to quoted (unadjusted) prices accessible on active markets for identical assets or liabilities;
- Level 2: valuation method based on directly or indirectly observable data associated with the asset or liability other than the quoted prices included in level 1 data;
- Level 3: valuation method based on unobservable data.

The fair value of cash and cash equivalents is calculated using level 1.

Derivative instruments (see notes 7.1.4 and 7.3) are valued using level 2.

/ 7.1.2. Gross financial debt

ESI Group's main source of financing is the syndicated loan, which consists of a part reimbursable over several years of €20 million at end 2021, and of a €10 million revolving credit, not used at end 2021. Yearly instalments of the long-term part are paid on April 30 each year, until April 30, 2025. Exceptionally in 2020 the yearly instalment has been paid in October as ESI benefited from governmental Covid-19 measure authorizing later payment. The syndicated loan remuneration is based on the Euribor rate and a margin of 2%, 2.25% or 2.5% depending on the level of the Net financial debt/EBITDA ratio related to previous year financial statements. The margin applied in 2021 was 2.25%.

ESI Board Meeting held on June 22, 2021 validated the extension of reimbursement of both State-guaranteed loan pursuant to options proposed by the contracts signed respectively with BPI France in August 2020 for €1.75 million and with ESI French banking pool in October 2020 for €12 million. The interest paid on these loans during the first year corresponds to the sole remuneration of the State guarantee for ETIs, *i.e.* 0.5%. Both State-guaranteed loans will be reimbursed over a five years period, with start of repayment differed by one year. The fixed interest rates of between 0.75% and 1.95% are specific to each bank and applied to their respective financing shares.

ESI Group has also taken out other loans, mainly a loan with BPI France for an initial amount of €4 million, the outstanding capital of which as at December 31, 2021 amounts to €3.2 million, with quarterly repayments for a period of five years.

ESI Group also had recourse to a promissory bill at the end of the year for an amount of €2.5 million with a variable interest rate.

Costs related to the set up of syndicated loan and State guaranteed loans are presented in the tables here below as a deduction of related financial debt.

All financial debts are denominated in euros.

Detail and maturity of financial debt

As of December 31, 2021

	Maturity at December 31					
(In € thousands)	2022	2023	2024	2025	2026 and beyond	Total
Syndicated loan	5,000	4,823	4,911	4,973	—	19,707
Short-term revolving loan						
State-guaranteed loans	109	3,413	3,425	3,425	3,319	13,691
Other bank borrowings	3,600	2,375	800	800	—	7,575
Repayable advances	205	283	340	281	664	1,773
Other financial debts	39					39
TOTAL	**8,954**	**10,893**	**9,476**	**9,479**	**3,983**	**42,785**
	CURRENT: 8,954					**NON-CURRENT: 33,832**

As of December 31, 2020

	Maturity at December 31					
(In € thousands)	2021	2022	2023	2024	2025 and beyond	Total
Syndicated loan	4,500	4,904	4,904	4,904	4,904	24,116
Short-term revolving loan						—
Other bank borrowings					13,680	13,680
Factoring of French R&D 2016 tax credit	3,590	800	2,375	800	800	8,365
Repayable advances		241	210		740	1,191
Other financial debts	58					58
TOTAL	**8,148**	**5,945**	**7,489**	**5,704**	**20,124**	**47,410**
	CURRENT: 8,148					**NON-CURRENT: 39,263**

Financial debt by type of interest rate and maturity

As of December 31, 2021

(In € thousands)	Maturity at December 31					
	2021	2022	2023	2024	2025 and beyond	Total
Fixed-rate debt	3,409	5,788	4,225	4,225	3,319	20,968
Variable-rate debt	5,000	4,823	4,911	4,973		19,707
No-interest debt	544	283	340	281	663	2,111
TOTAL	**8,954**	**10,894**	**9,476**	**9,479**	**3,982**	**42,785**
	CURRENT: 8,954					**NON-CURRENT: 33,832**

The following table shows the changes in financial debt in 2021, with a split between flows with cash impact and flows without cash impact.

(In € thousands)	At December 31, 2020	Flows with cash impact			Flows without cash impact			At December 31, 2021
		New borrowings	Repayment	Other cash flows from financing activities	Change in consolidation scope	Foreign exchange gain/loss	Other movement	
Syndicated loan	24,116	—	(4,500)			—	89	19,705
Short-term revolving loan	—	—	—			—	—	—
State-guaranteed loans	13,680	—	—			—	13	13,680
Other bank borrowings	8,365	—	(800)	—	—	—	—	7,565
Profit-sharing funds	1,191	761		—	—	—	(180)	1,772
Other financial debts	58	—		—	—	2	(10)	50
TOTAL	**47,410**	**761**	**(5,300)**	**—**	**—**	**2**	**(88)**	**42,785**

/ 7.1.3. Cash and cash equivalents

"Cash and cash equivalents" correspond to cash, bank deposits, interest-bearing accounts, mutual funds, money market funds and other liquid and easily convertible investments, subject to an insignificant risk of changes in value, in accordance with IAS 7.

Group cash position is spread over all entities, nevertheless internal cash management rules require centralizing cash surpluses at headquarters when possible. Cash position in countries with local regulatory constraints on cash transfer are carefully monitored.

In accordance with IFRS 9, marketable securities are recognized at market value at the closing date. Changes in market value are recognized in Financial Result.

The Group classifies as cash equivalents no-risk investments in interest-bearing accounts, commercial paper and certificates of deposit originally maturing in three months or less and not bearing any significant interest rate risk.

(In € thousands)	December 31, 2021	December 31, 2020
Cash	30,319	22,465
Marketable securities	—	—
TOTAL CASH AND CASH EQUIVALENTS	**30,319**	**22,465**

Cash and cash equivalents consist mainly of the euro, Japanese yen, US dollar, Czech crown and Chinese yuan. Cash items whose availability for the parent company is not immediate mainly concern cash in China (€8.4 million).

/ 7.1.4. Financial derivative instruments

The Group uses derivative instruments to manage its exposure to fluctuations in exchange rates and interest rates. In accordance with IFRS 9, derivative instruments are recorded at fair value on the balance sheet.

Changes in fair value of derivative financial instruments are accounted for as follows:

- hedges accounting: changes in value are recognized in equity and reclassified in profit or loss until the effective completion of the forecast transaction;
- instruments not qualifying for hedge accounting: changes in fair value measurement of these derivative instruments are recognized in Financial Result.

Interest rate instruments

Interest rate swaps signed by ESI Group have always been set up to hedge the variable interest rate of the syndicated loan.

The syndicated loan signed in December 2018 requires set up of interest rates hedging instruments for 50% of the outstanding loan.

Two swaps have been setup in the 2019 first semester, with a nominal value of €7 million each, ESI Group receiving variable rate 3-month Euribor (with a 0% floor) and paying a fixed rate of 0.085% and 0.092%. At the end of 2020, the underlying assets covered by each of these contracts amounted to €5 million. These financial instruments are accounted for as cash flow hedges.

Foreign exchange instruments

In order to manage foreign currency risk on cash flows between the Group's parent company and its subsidiaries, ESI Group may purchase foreign currency options at any time and enter into any other type of foreign exchange contract. Foreign exchange instruments in place during 2021 concerned Japanese yen (non delivery FX forward) , Korean won (non delivery FX forward) and Indian rupee (non delivery FX forward). These financial instruments are accounted for at fair value through profit or loss.

NOTE 7.2. FINANCIAL INCOME AND EXPENSES

(In € thousands)	December 31, 2021	December 31, 2020
Interest and related expenses on borrowings	(714)	(979)
Interest income	13	12
Foreign exchange gain/(loss)	1,041	314
Interest for provisions for employee benefits	(96)	(136)
Interest for rights-of-use assets	(374)	(301)
Other financial expenses	(753)	(265)
FINANCIAL RESULT	**(883)**	**(1,355)**

Details on foreign exchange gains and losses are as follows:

(In € thousands)	December 31, 2021	December 31, 2020
USD	1,750	(426)
JPY	(396)	111
KRW	166	(128)
Other currencies	(478)	757
TOTAL	**1,041**	**314**

The positive foreign exchange result is mainly due to the revaluation at closing rate of the accounts payables and receivables.

NOTE 7.3. RISK MANAGEMENT POLICY

/ Country risk and foreign currency risk

During the financial year ended December 31, 2021, 48.2% of the Group's revenue was generated in Europe, 36.4% in Asia (mainly Japan, South Korea, China and India) and 15.5% in the Americas (mainly the United States). The Group is thus exposed to economic and political uncertainties in these areas.

The Group is also highly exposed to risks stemming from changes in foreign exchange rates: for the financial year ended December 31, 2021, 43% of revenue was generated in EUR, 18.4% in USD (US dollar), 20.2% in JPY (Japanese yen), 3.7% in KRW (Korean won) and 5.3% in CZK (Czech koruna).

Furthermore, 59.5% of costs are spent in EUR, 13% in USD, 8% in JPY, 6.5% in INR (Indian rupee), 2.5% in KRW, 3.5% in CZK and 2.5% in GBP (Great Britain Pound).

The following table shows the results of sensitivity analysis of EBIT to exchange rate fluctuations. The assumption is a 10% decline in the average exchange rate applied to all transactions (purchases and sales), with respect to the principal currencies to which the Group is exposed.

Currency	Average consolidation exchange rate	Exchange rate used for analysis	Effect on Current Operating Result *(in € millions)*
JPY	129.86	142.84	(1.6)
KRW	1,353.95	1,489.34	(0.2)
CZK	25.65	28.21	(0.3)
USD	1.18	1.30	(0.5)
INR	87.47	96.22	0.5
CHF	1.08	1.19	0.1

Forex hedging instruments are described in note 7.1.4.

/ Interest rate risk

Most of the Group's financial debts feature variable interest rates. To limit the negative impacts of rate fluctuation, the Group applies a non-speculative management policy, using derivatives described in note 7.1.4.

Sensitivity analysis to interest rate risk

The only debts included in the calculation of interest rate sensitivity are those with variable interest rates. These are mostly bank loans for which drawdown and repayment are left to the borrower's discretion. The calculations of foreign-exchange sensitivity presented below assume that financial debts remain stable at December 31, 2021 levels, meaning a fixed level of drawdown on bank loans as of that date.

The table below simulates the effects in terms of outflows of interest rates rising and falling by 1%:

(In € thousands)	<1 year	≥1 year, <5 years	≥5 years	Total
Variable rate financial liabilities*	(5,000)	(14,707)		(19,707)
Variable rate financial assets				
Off-balance sheet commitments		8,232		
NET POSITION	**(5,000)**	**(6,475)**	**—**	**(11,475)**
Sensitivity to a 1-point decrease				—
Sensitivity to a 1-point increase				(88)

* *Excluding currency hedges.*

/ Equity risk

In accordance with IAS 32, treasury shares are accounted for as part of consolidated shareholder equity and variations in value are not recorded. When treasury shares are acquired or sold, shareholder equity is adjusted to reflect the value of the shares acquired or sold. note 9.1 contains a detailed description of changes in treasury stock, whether in the context of a liquidity agreement or intended to cover stock options and free share grants.

As part of its cash flow management strategy, the Group does not directly hold any other listed stock and does not invest in equity-dominated or equity-benchmark UCITS. Thus, the Group's net financial income is not directly or significantly affected by variation in any given stock or market index.

/ Liquidity risk

The Company has specifically reviewed its liquidity risk and it considers itself to be in a position to satisfy future payment obligations. The ratio to be maintained with regard to the syndicated loan contract entered into in December 2018 is detailed in note 7.4.

NOTE 7.4. OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

As part of the credit agreement dated December 20, 2018, ESI Group granted a pledge of 99.98% of the shares of the French subsidiary Engineering System International and 100% of the shares of the German subsidiaries ESI Software Germany GmbH and ESI ITI GmbH.

As long as it owes an obligation under the agreement or the security documents, the borrower undertakes, under prepayment constraint, to comply with the ratio of consolidated net financial debt divided by consolidated EBITDA as defined in the agreement, the thresholds to be respected over the term of the syndicated loan agreement are gradually decreasing. As at December 31, 2021, the threshold to be respected is 3%. At December 31, 2020, on the basis of the annual consolidated financial statements, the Group was in compliance with this ratio.

Off-balance sheet financial commitments also include factoring of French R&D tax credit receivables of 2018, 2019 and 2020 which have been respectively factored in 2019 for €2.659 million, in 2020 for €2.742 million and in 2021 for €2.831 million. The terms and conditions of those factorings justify the non-recognition of those commitments as financial liabilities on the balance sheet (deconsolidating contracts).

NOTE 8. Income tax

NOTE 8.1. INCOME TAX EXPENSE

Deferred tax assets and liabilities reflect future decreases or increases in income tax expense to be paid that result, for certain asset and liability items, from temporary valuation differences between their carrying amounts and their tax base, as well as from tax loss and tax credit carryforwards. Deferred tax assets and liabilities are assessed by tax entity or group based on the tax rates applicable to the years during which these temporary differences are likely to be reversed or paid. Deferred tax assets and liabilities are adjusted for each entity to present either a net asset position or a net liability position.

Deferred tax assets are only recorded in cases where it is likely that the future tax savings they represent will be realized. The Group reviews the probability of future recovery of deferred tax assets on a periodic basis for each tax entity. In some cases, this review can lead the Group to derecognize deferred tax assets that it had recognized in prior years.

The Group has three tax groups:

- In France, with the parent company, ESI Group, as head company;
- In Germany, with ESI Software Germany GmbH as head company;
- In the United Kingdom, with ESI ESI UK as head company.

/ 8.1.1. Income tax expense

(In € thousands)	**December 31, 2021**	December 31, 2020
Current taxes	(5,540)	(2,192)
Deferred taxes	4,261	1,184
TOTAL	**(1,280)**	**(1,008)**

/ 8.1.2. Tax proof

(In € thousands)	**December 31, 2021**	December 31, 2020
Net income before taxes	**(17,204)**	**2,433**
Including share of profit of associates	80	(258)
Theoretical tax rate	**26.5%**	**28.0%**
Theoretical tax (expense)/benefit	**4,580**	**(754)**
Permanent differences between net result and taxable income	(3,527)	65
Impact of liability method	(591)	(15)
Impact of standard tax rate differentials between parent company and subsidiaries	(67)	104
Unrecognized deferred tax assets and unused tax losses	(283)	(419)
Other items	(1,392)	
Recognition of previously unrecognized deferred tax assets		11
GROUP INCOME TAX EXPENSE	**(1,280)**	**(1,008)**
Effective tax rate	(7.4%)	37.5%

NOTE 8.2. DEFERRED TAXES

/ Breakdown of deferred taxes by tax base

(In € thousands)	**December 31, 2021**	December 31, 2020
Deferred tax assets		
Tax loss carryforwards	12,650	9,741
Temporary differences related to tax treatment of maintenance	1,035	966
Provisions for employee benefit commitments	2,085	3,248
Temporary differences related to personnel		(145)
Provisions and other adjustments	3,622	4,636
Offset of deferred tax assets/liabilities*	(1,001)	(3,760)
Total deferred tax assets	**18,391**	**14,686**
Deferred tax liabilities		
Amortization of acquired intangible assets	(150)	(436)
Excess depreciation	(394)	0
Other adjustments	(457)	(3,324)
Offset of deferred tax assets/liabilities	1,001	3,760
Total deferred tax liabilities	**0**	**0**
NET DEFERRED TAX	**18,391**	**14,686**

* *For a better understanding of the offsetting of deferred tax assets / liabilities, the Group has added a line and therefore restated the comparative information.*

Please note that as of December 31, 2021 deferred tax assets and liabilities are offset at the boundaries of the tax consolidation groups.

In 2021, the tax loss carryforwards amounted to €37.7 million against €39.8 million in 2020. Unrecognized deferred tax assets on tax loss carryforwards came to €4.2 million. The timeframe used for estimating the recoverability of these deferred tax assets is generally five years. These tax loss carryforwards mainly concern companies in the tax consolidation group in France.

/ Reconciliation of deferred income tax expense on the balance sheet and income statement

(In € thousands)	**2021**	2020
Net deferred tax assets at opening (January 1)	**14,685**	**13,443**
Acquired companies	(1)	—
Deferred tax expenses recorded in the income statement	4,261	1,184
Deferred tax expenses recognized directly in equity (IAS 19 revised)	(270)	48
Foreign exchange gain/loss on deferred tax expenses	(284)	70
Other movements		(59)
NET DEFERRED TAX ASSETS AT CLOSING (DECEMBER 31)	**18,391**	**14,685**

NOTE 9. Equity and earnings per share

NOTE 9.1. SHARE CAPITAL RESERVES AND TREASURY STOCK

ESI Group's share capital is made up of ordinary shares.

The "Currency translation difference" line item is used to record losses or gains generated by converting the financial statements of foreign subsidiaries into euros as well as foreign exchange losses or gains on transactions characterized as long term investments with foreign subsidiaries.

When the Group buys back its own shares, these shares are recorded at their net purchase price as treasury stock and deducted from equity. The proceeds from the sale of treasury stock are accounted for directly in equity.

/ Share capital

At December 31, 2021, ESI Group's share capital was €18.19 million, comprising 6,064,141 common shares with a par value of €3 each.

/ Dividend payout

ESI Group did not pay out any dividend during the period.

/ Treasury shares

The number of treasury shared declined by 20,164 shares over the financial year.

The percentage of capital held as treasury shares following these transactions stood at 5.7% at December 31, 2021, compared to 6% at December 31, 2020. The Group owns a total of 344,014 treasury shares, purchased at a historical cost of €3.894 million and with a market value of €25.6 million at the same date.

/ Transactions with non-controlling interests

Transactions with non-controlling interests are recognized directly in equity. See details in notes 3.1 and 3.2.

NOTE 9.2. MINORITY INTERESTS

If, in the event of losses, the part of equity corresponding to minority interests becomes negative, it will be retreated so as to be at least equal to zero.

NOTE 9.3. EARNINGS PER SHARE

The table below details the net income (Group share) per share:

(In € thousands)	December 31, 2021	December 31, 2020
NET INCOME (GROUP SHARE)	**(18,484)**	**1,425**
Net earnings per share *(in €)*	(3.24)	0.25
Average number of shares	5,704,319	5,649,786
Diluted earnings per share *(in €)*	(3.24)	0.25
Average number of diluted shares	5,704,319	5,706,998

Only stock options and free shares may have a dilutive effect.

NOTE 10. Other balance sheet items

NOTE 10.1. OTHER ASSETS

/ 10.1.1. Other non-current assets

(In € thousands)	December 31, 2021	December 31, 2020
Security deposits	2,793	2,661
Other long term assets	210	236
Investments in non-consolidated companies	99	117
TOTAL OTHER NON-CURRENT ASSETS	**3,102**	**3,015**

Security deposits mainly concern real estate rentals and the factored French R&D tax credit receivables.

/ 10.1.2. Other current receivables

(In € thousands)	December 31, 2021	December 31, 2020
French R&D tax credit	3,579	3,172
Other tax credits	163	1,880
VAT and other receivables	2,628	6,860
TOTAL OTHER CURRENT ASSETS	**6,370**	**11,912**

French R&D tax credit receivable as of December 31, 2021 relates to costs incurred in 2021.

ESI Group does not use its French R&D tax credit to pay income tax, thus there is a factoring done on receivables each year. At end 2021 three years of R&D tax credit receivables are factored with a deconsolidating contract. Consequently, related amounts are booked in Off-balance sheet financial commitments and not in financial debt in balance sheet. Amounts involved are French R&D tax credit receivables of 2017, 2018 and 2019 which have been respectively factored in 2019 for €2.659 million in 2020 for €2.742 million and in 2021 for €2.831 million.

/ 10.1.3. Prepaid expenses

Prepaid expenses consist primarily of yearly subscription of software in Saas mode and insurance contract, which premiums are paid at the beginning of the year.

NOTE 10.2. OTHER LIABILITIES

/ 10.2.1. Tax payables, employee-related liabilities and other short-term liabilities

(In € thousands)	December 31, 2021	December 31, 2020
Employee-related liabilities	18,250	15,095
Tax payables	5,979	5,381
Other current liabilities	2,381	2,279
TAX PAYABLES, EMPLOYEE-RELATED LIABILITIES AND OTHER SHORT-TERM LIABILITIES	**26,609**	**22,754**

As of December 31, 2021 Tax payables consist primarily of VAT payables for €3.907 million (compared with €4.426 million at end 2020).

/ 10.2.2. Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded when the following three conditions are met: the Group has an obligation towards a third party resulting from past events, it is probable that future outflows of resources embodying economic benefits will be necessary to settle the obligation, the amount of the obligation can be estimated in a reliable way.

(In € thousands)	December 31, 2020	Allowance	Reversals	Other comprehensive Income impact	Reclassifications ST/LT	Foreign exchange gain/loss	December 31, 2021
Other long term liabilities	—						—
Refurbishment of rented premises	148	115				4	268
Liabilities and earn out acquired companies	75		(14)	(62)		—	—
Others risks	439	324	(276)		30	24	542
PROVISIONS AND OTHER NON CURRENT LIABILITIES	**662**	**439**	**(289)**	**(62)**	**30**	**29**	**809**
Provisions for risks [a]	1,623	6,667	(1,148)		(30)	17	7,129
CURRENT PROVISIONS	**1,623**	**6,667**	**(1,148)**	**—**	**(30)**	**17**	**7,129**

(a) The provision corresponds to severance costs related to "OneESI 2024 – Focus to Grow" plan.

NOTE 11. Related party transactions

Executive corporate officers' compensation

Compensation and benefits paid to the Group's four executive corporate officers during the financial years ended December 31, 2021 and December 31, 2020 breaks down as follows:

(In € thousands)	December 31, 2021	December 31, 2020
Fixed compensation	793	1,204
Variable compensation	—	0
Travel bonus	—	0
Benefits in kind	13	21
Directors' fees	18	100
TOTAL	**825**	**1,325**

Related party transactions

Nothing to report.

NOTE 12. Fees paid to Statutory Auditors

	2021						2020					
	KPMG		Ernst & Young		Total		Pricewaterhouse Coopers		Ernst & Young		Total	
(In € thousands, excluding tax)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certification, review of annual and consolidated financial statements												
■ Parent company	226	86%	198	62%	424	73%	164	57%	195	53%	359	55%
■ Fully consolidated subsidiaries	29	11%	110	34%	139	25%	80	28%	153	42%	233	35%
Sub-total	**255**	**97%**	**308**	**96%**	**563**	**98%**	**244**	**85%**	**348**	**98%**	**592**	**90%**
Services other than certification of accounts												
■ Parent company	7	3%	12	4%	19	2%	17	6%	7	2%	24	4%
■ Fully consolidated subsidiaries	—	—%			—	—%	26	9%	13	3%	39	6%
Sub-total	**7**	**3%**	**12**	**4%**	**19**	**2%**	**43**	**15%**	**20**	**5%**	**63**	**10%**
TOTAL	**262**	**100%**	**320**	**100%**	**582**	**100%**	**287**	**100%**	**368**	**100%**	**655**	**100%**

The total budget for certification fees for the parent company and consolidated financial statements for the financial year ended December 31, 2021 came to €582 thousand. Services other than certification of accounts provided to parent company correspond primarily to certification of costs statements issued for co-financed projects and of bank covenant calculation.

NOTE 13. Subsequent events

In February 2022, the conflict between Russia and Ukraine worsened. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Given the recent and rapid escalation of events and the imposition of additional sanctions, the Group is constantly assessing the potential impact on the Group's operating results. The Group does not have any assets nor operations in Ukraine. The Group's Russian operations represented around 1.49% of the 2021 consolidated revenues. There are no outstanding receivables from Russian customers.

6.1.6. Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2021

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of ESI Group,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of ESI Group for the year ended 31 December 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

/ Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

/ Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from 1 January 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

It is in this complex, evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

/ Valuation of development costs and software codes acquired

Risk identified	Our response
In the consolidated balance sheet, intangible assets include capitalized development costs and software codes acquired, for net carrying amounts as at 31 December 2021 of €32,080k and €7,808k respectively. The development costs correspond mainly to direct labour and subcontracting costs relating to the development of new offers or major improvements to existing software solutions. As indicated in Note 6.1.2. to the consolidated financial statements, the capitalization of these development costs is subject to compliance with the criteria set out in IAS 38 "Intangible Assets". The amortization times, which are between 12 and 36 months, are estimated for each project depending on the period during which ESI Group expects the software concerned to generate revenue. Impairment for the net carrying amount of the capitalized development costs is recognized when, at year-end, the probable future economic benefits are no longer sufficient to cover the residual value of the asset. This analysis is performed project by project. As indicated in Note 6.1.1 to the consolidated financial statements, within the context of the "OneESI 2024 – Focus to Grow" plan, the Group announced the redeployment of a significant share of its R&D investments towards growth and core business opportunities. This results in the scrapping of development costs for a net amount of €14,991k in FY 2021. In addition, as indicated in Note 6.1.3 to the consolidated financial statements, within the context of this transformation plan, ESI Group has identified, firstly, source codes that belong to discontinued activities and that were scrapped in 2021 in the amount of €5,056k, and, secondly, codes used to develop software related to the Group's growth activities and that are now amortized over a period of eight years. The assessment of compliance with the criteria for capitalization of development costs, the determination of the amortization period, and the impairment of capitalized projects no longer generating future economic benefits, are based on Management's judgment and the reliability of the procedures applied for the identification and allocation of the costs between the different projects. On this basis, we considered the capitalization of development costs and software codes acquired to be a key audit matter.	We assessed the compliance of the accounting treatment of the development costs and software codes acquired with the accounting standards in force; ■ We reconciled the accounting data to the management data giving detailed information on the capitalized projects, in order to assess the reliability of the information reported; ■ For a selection of projects, we referred to the relevant time sheets and the documentary evidence of the placed-in-service date; ■ We verified the correct calculation of the amortization expense on the basis of the period established for each project by the Management of ESI Group; ■ We reconciled the individual net carrying amounts of the main projects to the future volume of business for the related software solutions included in the last business plan provided to the Board of Directors at the end of 2021; ■ We verified the justification of the amortization recognized as at 31 December 2021 concerning, in particular, projects that are not intended to generate revenue and software codes that are not going to be included in the Group's new strategy.

/ Recognition of revenue from software licences

Risk identified	Our response
A substantial amount of the Group's revenue results from software licencing and related maintenance services. In accordance with IFRS 15, the Group's contracts are analyzed in five stages to determine, in particular, the transaction price, the various service obligations, and the allocation of the transaction price to each of them. Revenue from software licences derives from two service obligations: access to the software (royalties for rights of use granted to end customers), and the related maintenance service. The share of revenue allocated to maintenance is determined according to the nature of the licence sold, as described in Note 4.1 to the consolidated financial statements. The determination of service obligations, the allocation of the transaction price between the various components of a contract, and the methods of revenue recognition require in-depth analysis and a considerable degree of judgment on the part of Management. For all these reasons, we considered the recognition of revenue from software licencing to be a key audit matter.	As part of our audit, we conducted tests on the contracts that we deemed most significant, as well as on a sample of contracts selected at random, in order to assess i) the allocation (according to the accounting principles described in Note 4.1 to the consolidated financial statements) of the revenue between each component of the contract, and ii) the amount and accounting period of the revenue for each of these components. These tests involved analyzing the contractual terms, recalculating the amount allocated to each component and examining the revenue recognition in accordance with the principles set out in Note 4.1 to the consolidated financial statements, whose compliance with IFRS we assessed previously.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

/ Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

/ Appointment of the Statutory Auditors

We were appointed as statutory auditors of ESI Group by your Annual General Meeting held on 22 June 2021 for KPMG S.A. and on 16 December 1997 for ERNST & YOUNG Audit.

As at 31 December 2021, KPMG S.A. was in its first year of total uninterrupted engagement and ERNST & YOUNG Audit in its twenty-fifth year (including twenty-two years since the securities of the Company were admitted to trading on a regulated market).

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

/ Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

/ Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 8 April 2022

The Statutory Auditors

French original signed by:

KPMG Audit
Département de KPMG S.A.
Stéphanie Ortega

ERNST & YOUNG Audit
Pierre-Henri Pagnon

6.2. ESI GROUP ANNUAL FINANCIAL STATEMENTS

6.2.1. Income statement

(In € thousands)	Notes	December 31, 2021	December 31, 2020
Revenue	**E.1**	**85,821**	**82,936**
Production held as inventory		—	—
Capitalized production	E.2	30,151	33,188
Operating subsidies		—	—
Reversals of provisions and amortization, expense transfers	E.2	5,477	2,032
Other income	E.2	1,409	2,178
Operating income		**122,858**	**120,334**
Purchase and change in stock of goods		11	269
Other purchases and external expenses	E.3	56,888	59,341
Taxes and duties	E.4	1,287	1,147
Wages and salaries		17,878	16,904
Payroll taxes		8,500	7,689
Depreciation and amortization of non-current assets	E.5	31,686	31,202
Provisions	E.5	1,983	2,655
Other expenses	E.6	2,262	2,715
Operating expenses		**120,495**	**121,922**
OPERATING RESULT		**2,363**	**(1,588)**
FINANCIAL RESULT	**E.7**	**(3,184)**	**(15,803)**
CURRENT RESULT BEFORE TAX		**(821)**	**(17,391)**
EXCEPTIONAL RESULT	**E.8**	**(30,197)**	**(905)**
Employee profit-sharing		0	0
Income tax	F.5	3,026	3,122
NET PROFIT (LOSS)		**(27,992)**	**(15,174)**

6.2.2. Balance sheet

Assets

(In € thousands)	Notes	December 31, 2021 Gross value	December 31, 2021 Amortization/ Provisions	December 31, 2021 Net value	December 31, 2020 Net value
Intangible assets	C.1	84,896	(38,023)	46,873	68,260
Property, plant and equipment	C.2	9,657	(7,769)	1,888	2,419
Financial assets	C.3	63,962	(20,065)	43,897	49,531
Non-current assets		**158,515**	**(65,857)**	**92,658**	**120,210**
Inventories		—		—	—
Down payments to suppliers	C.4	414		414	225
Trade receivables	C.4	55,676	(3,828)	51,848	66,998
Other receivables	C.4	6,461		6,461	27,947
Marketable securities (treasury shares)	C.5	3,663		3,663	3,889
Cash		8,539		8,539	6,358
Current assets		**74,753**	**(3,828)**	**70,925**	**105,417**
Prepaid expenses	C.6	2,094		2,094	2,207
Expenses capitalized, to be amortized	C.6	350		350	452
Foreign exchange gains and losses	C.7	6,033		6,033	5,644
TOTAL ASSETS		**241,745**	**(69,685)**	**172,060**	**233,930**

Liabilities

(In € thousands)	Notes	December 31, 2021	December 31, 2020
Share capital	D.2	18,193	18,110
Additional paid-in capital		39,516	38,811
Legal reserve		1,809	1,805
Retained earnings		(1,746)	13,056
Net profit (loss)		(27,992)	(15,174)
Regulated provisions		1,513	1,568
Equity	**D.10**	**31,293**	**58,176**
Other equity	**D.4**	**1,772**	**1,184**
Provisions for contingencies and charges	**D.5**	**16,433**	**12,829**
Bank borrowings	D.7	38,825	44,077
Miscellaneous financial debt	D.8	2,500	2,500
Financial liabilities		**41,325**	**46,577**
Down payments from clients	D.10	72	236
Trade payables	D.6	48,775	71,954
Tax payables and employee-related liabilities	D.9	8,502	7,459
Other liabilities	D.10	12,924	29,429
Operating liabilities and miscellaneous debts		**70,273**	**109,078**
Deferred income		3,612	1,529
Foreign exchange gains and losses	D.11	7,352	4,557
TOTAL LIABILITIES		**172,060**	**233,930**

6.2.3. Notes to ESI Group annual financial statements

TABLE OF CONTENTS OF NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Total balance sheet at December 31, 2021 amounts to €171.99 million and the income statement for the financial year shows net loss of -€27.662 million.

The financial statements were prepared in accordance with the French General Accounting Plan and generally accepted accounting principles (French GAAP Art. 831-1/1).

All amounts listed in these notes are in thousands of euros unless otherwise indicated.

The notes below are an integral part of the annual financial statements.

NOTE A. Significant events of the year

/ Impact of strategic plan on figures: Restructuring costs

In 2021, the Group initiated its new growth and profitability plan "OneESI 2024 – Focus to Grow".

This transformation has resulted in a reduction in headcount and the withdrawal from non-core software development projects or non-strategic research projects.

The impacts of this restructuring and transforming plan are estimated to €26.7 million, in which €6.0 million related to severance costs already notified and €20.7 million to asset impairments (development costs and assets with indefinite life).

/ Changes in scope occurred during the year

During the year ended December 31, 2021:

- The French entity CIVITEC has been absorbed into ESI Group on February 10th, 2021, through a simplified merger;
- In March, ESI Group has acquired 5% minority share of ESI Services Tunisie and holds now 100% of the entity's shares;
- In April, ESI Group has acquired minority share of the French subsidiary STRACO to hold 100% of the entity's shares, This subsidiary has been absorbed into ESI Group on June 2021, through a simplified merger;
- In September and October, ESI Group has acquired minority share of ESI Nihon and holds now 100% of the entity's shares;
- In December, ESI Group acquired minority share of ESI South America, and holds now 100% of the entity's shares;
- In December, ESI Group acquired minority share of ESI Hankook, and holds now 100% of the entity's shares.

Refer to note C.3.

NOTE B. Accounting principles and methods

The rules and methods remain unchanged compared to last year.

The general accounting conventions have been applied prudently, in accordance with the following assumptions:

- Basic assumptions:
  - going concern,
  - consistency in accounting methods from one financial year to the next,
  - independence of financial years;
- General rules for preparing and presenting annual financial statements: the basic method used to measure accounting items is the historical cost method.

NOTE B.1. USE OF ESTIMATES

Preparation of the financial statements requires the use of estimates and assumptions that may have an impact on the carrying amount of certain items in the balance sheet or income statement, as well as the information provided in selected notes. ESI Group carries out comprehensive reviews of these estimates and assessments to take account of past experience and other factors judged relevant with regard to economic conditions.

These estimates, assumptions and assessments are established on the basis of existing information or situations at the time the financial statements are drawn up, and which may not reflect future realities.

These estimates mainly concern provisions for contingencies and charges and assumptions used for the valuation of equity investments and accumulated amortization of selected intangible assets.

NOTE B.2. INTANGIBLE ASSETS

/ Research and development costs

Internal research and development costs are recorded in the appropriate expense category; expenses corresponding to research and development performed by service providers within the Group or third parties are recorded as subcontracting expenses.

Internal expenses related to development work incurred during the financial year (wages, payroll taxes and environment-related costs) are capitalized and recognized as capitalized production.

Capitalization is performed on a per-project basis. Only projects meeting the criteria for capitalization defined in the regulation on assets are capitalized as assets. Research projects or the portion of expenses not meeting all of the criteria continue to be recognized as expenses in the income statement. Projects that are unfinished at the closing date are capitalized as work in progress.

Projects involving development of new versions of ESI software delivered on a yearly basis are amortized over 12 months.

Projects involving the development of new, significant features are amortized over 24 or 36 months depending on the degree of innovation.

Amortization starts at release of the version.

If there is a risk that a project will not be marketed, a provision for depreciation is recorded on developments that will not generate future economic gains.

At the end of the amortization period, development costs are removed from the asset line.

/ Other intangible assets

Other intangible assets (patents, software) are amortized according to the straight-line method according to their estimated useful life.

Office and similar software applications	1 year on a straight-line basis
Other operational software	3 years on a straight-line basis
Codes – third-party software integrated into products	5 to 8 years on a straight-line basis

These assets are subject to impairment tests if there are signs of impairment.

NOTE B.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at cost (purchase price plus related expenses), and amortized according to expected useful life:

General facilities	6 years on a straight-line basis
Fixtures and fittings, miscellaneous building work	10 years on a straight-line basis
Transportation equipment	5 years on a straight-line basis
Office equipment	3 years on a straight-line basis
New computer equipment	3 years on a tapering basis
Used computer equipment	1 year on a straight-line basis
Furnishings	5 to 10 years on a straight-line basis

NOTE B.4. FINANCIAL ASSETS

/ Equity investments and related receivables, acquisition costs

Equity investments are recorded on the balance sheet at the historical cost of acquisition of shares.

At the closing date, if the value in use of the shares is less than their purchase price, a provision is established for the difference. The value in use is calculated using one of the methods presented here below according to the situation of the subsidiary:

- Equity investments in active subsidiaries are valued on the basis of a multiple of revenue adjusted for net cash position of the subsidiary, or alternatively on the basis of discounted forecasted cash flows for recently acquired entities;
- Equity investments in dormant subsidiaries or those with reduced activity are valued on the basis of the share of the net equity attributable to ESI Group.

Acquisition costs are recorded as part of the cost of the equity investments and deducted, for tax purposes, through accelerated capital allowances, over a period of five years.

Receivables related to equity investments are provisioned if there is a risk of non-recovery.

/ Other investments

Other investments mainly comprise deposits and factoring guarantee funds (factoring of receivables from the French R&D tax credit).

NOTE B.5. INVENTORIES

/ Supply inventories

Other supply inventories are valued at cost according to the first in, first out method.

/ Work in progress

Work in progress corresponds to consulting studies in progress and valued at production cost with a margin assessed according to the percentage of completion method.

NOTE B.6. RECEIVABLES AND DEBTS

Receivables and debts are measured at par value.

A provision for impairment is recognized where the inventory value of a receivable (excluding advances to subsidiaries), based on the likelihood of recovery, is lower than its net book value.

All impairment is determined on a case-by-case basis or following statistical analysis. Regarding advances granted to subsidiaries, the net book value of these receivables follows the same rules as equity investments in terms of impairment.

NOTE B.7. MARKETABLE SECURITIES

Marketable securities are recorded at their net purchase price. If, at the closing date, the net asset value is lower than the acquisition value, impairment is recorded for the difference.

At December 31, 2021, marketable securities were made up exclusively of the Company's treasury shares, valued according to the first in, first out method.

NOTE B.8. TREASURY SHARES

In the context of the authorizations, limits and objectives set by the Shareholders' General Meeting, ESI Group may purchase, exchange or transfer its own shares.

The recognition and impairment method for treasury shares depends on the objective underlying the acquisition.

Treasury shares related to the liquidity contract signed by the Company are recognized as financial assets. Treasury shares acquired in the context of other objectives set by the General Meeting (primarily external growth and grants to employees) are recognized as marketable securities.

Impairment is recorded when the share acquisition cost related to liquidity contract exceeds the actual value as determined by the share market price at the closing date.

NOTE B.9. FOREIGN CURRENCY TRANSACTIONS

Income and expenses in foreign currency are recorded at their converted value using the exchange rate of the transaction date. Liabilities, receivables and cash in foreign currency are recorded on the balance sheet converted at the exchange rate of the closing date.

The difference resulting from the conversion of the debts and receivables at the exchange rate of the closing date is recorded on the balance sheet as a "currency translation adjustment".

A provision for contingencies for foreign exchange losses is recorded only for the part of related flows that does not have hedging.

Foreign exchange realized gains and losses, as well as provision for unrealized losses, are booked in operating result if related to operating flows/receivables/payables, and in financial result if related to financial flows/receivables/payables.

NOTE B.10. FOREIGN EXCHANGE INSTRUMENTS

ESI Group uses financial instruments to manage its exposure to exchange rate fluctuations. The Group's policy is to trade in the financial markets only to hedge its business-related obligations and not for speculative purposes.

Gains or losses stemming from the financial instruments used as part of hedging operations are assessed and recorded in line with the income and expenses recorded on underlined transactions. At maturity date, gains and losses from financial instruments are booked in operating result when they are related to operating receivables or debts and in financial result when they are related to financial receivables or debts. Signed financial instruments are presented as Off-balance-sheet commitments in the notes to the financial statements in the period between subscription and maturity.

NOTE B.11. REGULATED PROVISIONS

Regulated provisions consist of accelerated capital allowances of two types:

- Differences between tax-related amortization and amortization for depreciation;
- Amortization of equity investments acquisition costs.

These regulated provisions are recorded in the income statement as exceptional allowances and reversals.

NOTE B.12. PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions for contingency and charges are calculated on the basis of the assessment of related risks at the closing date.

/ Provision for retirement and post-employment benefits

Retirement commitments are valued and recognized using the projected unit credit method. This actuarial method stipulates that each period of service entitles the employee to one unit of benefit rights and evaluates each of these units separately to arrive at a final commitment.

These calculations use assumptions in terms of mortality, staff turnover, discount rate, inflation rate and future salary increases.

Differences observed between the valuation of obligations and forecasts of such obligations (on the basis of new projections or assumptions) are known as actuarial gains and losses.

The expense for the period is fully recognized:

- In operating result for the amount pertaining to cost of services and changes in actuarial gains and losses;
- In financial result for the amount pertaining to interest on discounting to present value.

The provision at year-end represents the actuarial commitment. The Company has no hedging asset.

NOTE B.13. REVENUE RECOGNITION

Licensing revenue is generated from royalties paid under licensing agreements granted to end customers and related maintenance services. Maintenance services include updates and technical support.

Revenue is split between three types of contracts:

- Lease of annual renewable licenses that include the right to use the software plus maintenance services for one year;
- Lease of "paid up licenses" conferring to end clients the right to use the software for unlimited duration, with one year of maintenance services – with the possibility of renewal through a maintenance contract;
- Maintenance services alone – this contract completes "paid up licenses" contracts.

Licensing revenue is generated from royalties paid under licensing agreements granted to end customers and related maintenance services.

This revenue is recognized when the following four criteria are met:

- The Group can demonstrate the existence of an agreement with the client;
- The software has been delivered;
- The amount of the user license for the software is determined or determinable;
- The recovery is likely.

Since the contracts do not distinguish between the license and maintenance portions, the entire contractual amount is recognized as soon as the software is delivered, whereas the maintenance services, which are considered incidental, will be performed over a period of one year.

Revenues from services consist mainly of consulting and training fees. They are recognized according to the percentage of completion method with regard to projects, such as the margin. Costs are recorded as soon as they are incurred. A provision for losses on completion is recorded if necessary.

Intragroup revenue mainly comprises royalty income received from the Group's distribution subsidiaries and income from subcontracted consulting services, re-invoicing of personnel expenses and invoicing of management fees.

/ Co-financed projects

During production of a co-financed project, recognized revenue is determined on the basis of the percentage of completion of the project, on a prorata basis with regard to the proportion financed.

NOTE B.14. TAX CONSOLIDATION

On February 1, 2008, ESI Group has formed a tax consolidation group with its French subsidiary, Engineering System International.

As part of the tax consolidation agreement, it was agreed that the tax cost of Engineering System International integrated for tax purposes would be equal to that which would have applied to it if the subsidiary was not a member of the tax Group.

Tax integration has no impact on income tax cost recorded in the Company income statement.

NOTE C. Asset details

NOTE C.1. INTANGIBLE ASSETS

(In € thousands)	December 31, 2020	Increase	Decrease	December 31, 2021
Development costs	49,421	25,455	(30,359)	44,517
Patents, licenses, brands	30,287	861	(6,702)	24,446
Goodwill	1,028		(371)	657
Intangible assets in progress, development costs	20,383	26,751	(31,949)	15,185
Other intangible assets in progress	7	357	(274)	90
Total gross value	**101,126**	**53,424**	**(69,655)**	**84,895**
Development costs	(20,928)	(30,866)	26,866	(24,928)
Patents, licenses, brands	(11,938)	(2,177)	1,019	(13,096)
Goodwill	(73)		73	—
Total amortization, provisions	**(32,939)**	**(33,043)**	**27,958**	**(38,024)**
Development costs	28,493	(5,411)	(3,493)	19,589
Patents, licenses, brands	18,349	(1,316)	(5,683)	11,350
Goodwill	955	—	(298)	657
Intangible assets in progress, development costs	20,383	26,751	(31,949)	15,185
Other intangible assets in progress	7	357	(274)	90
TOTAL NET VALUE	**68,187**	**20,381**	**(41,697)**	**46,871**

As part of the "OneESI 2024 – Focus to Grow" plan, the Group has announced the redeployment of a significant portion of its R&D investments to growth opportunities. This has resulted in the following identified intangible assets being disposed:

- Development costs: development costs and co-financed projects in progress for an amount of -€31.949 million and developments cost into service in the process of being depreciated for an amount of 26.866 million;
- Acquired codes: source codes belonging to activities no longer aligned with ESI's core business for a net amount of -€5.683 million. The Group has also retained source codes that allow the continuity developments of products in its strategic areas, which are amortized over a period of eight years;
- Other intangible assets: codes and patents that are no longer in line with the strategic plan for a net amount of -€572 thousand. These other intangible assets also include goodwill acquired on July 26, 1991, representing the digital simulation software and package publishing business (Product in Applied Mechanics) which still exists today. It has not been subject to depreciation or amortization since its inception.

NOTE C.2. PROPERTY PLANT AND EQUIPMENT

(In € thousands)	December 31, 2020	Increase	Decrease	December 31, 2021
Fixtures and fittings	3,053	64	(1,068)	2,049
Office furnishings and equipment	8,956	339	(1,713)	7,582
Other tangible non-current assets	27		—	27
Total gross value	**12,036**	**403**	**(2,781)**	**9,658**
Fixtures and fittings	(1,728)	(213)	847	(1,094)
Office furnishings and equipment	(7,862)	(521)	1,736	(6,647)
Other tangible non-current assets	(27)			(27)
Total amortization, provisions	**(9,617)**	**(734)**	**2,583**	**(7,768)**
Fixtures and fittings	1,325	(149)	(221)	955
Office furnishings and equipment	1,094	(182)	23	935
Other tangible non-current assets	—	—	—	—
TOTAL NET VALUE	**2,419**	**(331)**	**(198)**	**1,890**

NOTE C.3. FINANCIAL ASSETS

(In € thousands)	December 31, 2020	Increase	Decrease	December 31, 2021
Equity investments	54,864	332	(2,845)	52,351
Receivables related to equity investments	11,691	500	(2,107)	10,084
Other financial assets [(a)]	1,259	1,735	(1,468)	1,526
Total gross value	**67,814**	**2,567**	**(6,420)**	**63,961**
Provisions for impairment of equity investments	(15,444)	(5,405)	784	(20,065)
Provisions for receivables related to equity investments	(2,767)	(90)	2,857	—
Provisions for depreciation of other financial assets	(72)		72	—
Total amortization, provisions	**(18,283)**	**(5,495)**	**3,713**	**(20,065)**
Equity investments	39,420	(5,073)	(2,061)	32,286
Receivables related to equity investments	8,924	410	750	10,084
Other investments	1,187	1,735	(1,396)	1,526
TOTAL NET VALUE	**49,531**	**(2,928)**	**(2,707)**	**43,896**

(a) This line primarily includes deposits and guarantees on rental properties and factoring guarantee.

1 2 3 4 5 6 7 8 9

/ Movements in equity investments (gross value)

(In € thousands)	December 31, 2020	Increase	Decrease	December 31, 2021
Engineering System International	458			458
ESI Japan, Ltd.	75	96		171
ESI North America, Inc.	3,726			3,726
ESI UK Ltd.	164			164
Calcom ESI SA	2,678			2,678
Hankook ESI Co., Ltd.	941	29		970
ESI Group Hispania s.l.	100			100
Mecas ESI s.r.o.	912			912
STRACO SA	1,789	95	(1,884)	0
ESI US Holdings, Inc.	834			834
Frais Zhong Guo ESI Co., Ltd.	2			2
ESI Software (India) Private Ltd.	2			2
ESI US R&D, Inc.	4,128			4,128
Hong Kong ESI Co., Ltd.	119			119
Frais Hong Kong ESI Co., Ltd.	2			2
ESI-ATE Holdings Ltd.	1,737			1,737
Frais ESI-ATE Holdings Ltd.	56			56
ESI Italia s.r.l.	1,050			1,050
ESI South America Comércio e Serviços de Informática Ltda	6	50		56
ESI Services Tunisie	242	62		304
Frais ESI Services Tunisie	8			8
ESI Group Beijing Co., Ltd.	543			543
ESI Software Germany gmbh	10,708			10,708
Frais ESI Software Germany gmbh	322			322
ESI Nordics AB	446			446
Frais ESI Nordics AB	129			129
Open CFD Ltd.	2,351			2,351
Frais Open CFD Ltd.	162			162
ESI Services Vietnam Co., Ltd.	124			124
Frais ESI Services Vietnam Co., Ltd.	14			14
AECC-ESI (Beijing) Technology Co., Ltd.	448			448
Frais AECC-ESI (Beijing) Technology Co., Ltd.	87			87
Participation Mineset Inc.	0			0
Frais Mineset Inc. fusionnée dans ESI US R&D Inc.	293			293
CIVITEC	900		(900)	0
Frais CIVITEC	62		(62)	0
ESI ITI Gmbh	18,710			18,710
Frais ESI ITI Gmbh	436			436
Scilab Enterprises	0			0
Frais Scilab Enterprises	0			0
Cademce SAS	100			100
TOTAL	**54,864**	**332**	**(2,846)**	**52,350**

Movements of the year are related to:

- The purchase of remaining minority share of ESI Nihon for €96 thousand;
- The purchase of remaining minority share of ESI Hankook for €29 thousand;
- The purchase of remaining 2.3% minority share of STRACO for €95 thousand allowing absorption into ESI Group. Result of this operation is a confusion loss of -€1,755 thousand recorded in financial result;
- The purchase of remaining 5% minority share of ESI Service Tunisie for €62 thousand;
- The purchase of remaining minority share of ESI South America for €50 thousand;
- The simplified merger of CIVITEC into ESI Group, resulting in a confusion loss of -€1,994 thousand recorded in financial result.

/ Movements in the provision for equity investments

(In € thousands)	December 31, 2020	Increase	Decrease	December 31, 2021
ESI-ATE Holdings Limited	1,737			1,737
Hong Kong ESI CO., Limited	119			119
Open CFD Limited	1,589	645		2,234
Mineset	—			—
ESI US R&D	3,479			3,479
Cademce	100			100
Calcom	1,646	376		2,022
ESI ITI GmbH	5,990	4,384		10,374
Civitec	784		(784)	—
TOTAL	**15,444**	**5,405**	**(784)**	**20,065**

As of December 31, 2021, the net book value of investments in Calcom has been aligned with it's net equity. Net book value of investments in ESI ITI GmbH and Open CFD Limited has been aligned with the re-estimated value of each subsidiary (Note B.4). In the context of the merger of CIVITEC, Equity investment been removed, leading a reversal of the provision booked previously.

/ Receivables related to equity investments

(In € thousands)	Gross value		
	December 31, 2021	December 31, 2020	Remuneration rate
Loan ESI North America, Inc. ($9.7 million)	8,564	7,904	6-month Libor $ +1% margin
Loan Hong Kong ESI ($1.124 million) [(a)]	—	916	6-month Libor $ +1% margin
Loan ESI Group Hispania SL	1,520	1,020	Profit-sharing loan capped at 5%
Loan ESI ATE Holdings ($2.271 million) [(a)]	—	1,851	6-month Libor $ +1% margin
TOTAL	**10,084**	**11,691**	

(a) These two loans are fully impaired.

Receivables related to equity investments for Hong Kong ESI and ESI ATE Holdings have been considered as financial loss in 2021.

ESI Group has granted to ESI Group Hispania an additional loan of €500 thousand.

Movement of ESI North America loan are related to foreign exchange reevaluation.

Financial interests are recorded in account 7617*.

NOTE C.4. RECEIVABLES – PROVISIONS FOR DEPRECIATION OF RECEIVABLES

	At December 31, 2021			At December 31, 2020
(In € thousands)	Gross value	Due in 1 year or less	Due in between 1 and 5 years	Gross value
Loans granted to subsidiaries (C.3)	10,084		10,084	11,691
Treasury shares (C.3)	232		232	69
Deposits and guarantees (C.3)	1,295		1,295	1,189
Doubtful or disputed receivables	3,654	3,654		3,043
Trade receivables	13,063	13,063		9,232
Trade receivables with affiliate companies	38,919	38,919		57,794
Income tax receivables – advance payment	—	—		—
R&D tax credit receivable [(a)]	3,579	3,579		3,122
Competitiveness and employment tax credit receivable	332	332		378
Other tax credits		—		292
Value added tax (VAT)	923	923		2,549
Co-financed projects		—		2,708
Trade payables debtors	414	414		225
Group and associates	687	687		18,267
Other receivables	913	913		627
Prepaid expenses (C.6)	2,094	2,094		2,208
TOTAL	**76,189**	**64,578**	**11,611**	**113,394**

(a) The research tax credit receivable has been factored, the counterpart is recognized in research tax credit

/ Details of provisions for depreciation of receivables

(In € thousands)	December 31, 2020	Increase	CIVITEC Provision	Reversal used	December 31, 2021
Provisions for doubtful receivables	3,071	977	10	230	3,828
Provisions for other receivables		—	—		—
TOTAL	**3,071**	**977**	**10**	**230**	**3,828**

NOTE C.5. TREASURY SHARES

Treasury shares in the balance sheet are classified in Financial assets for €232 thousand (liquidity contract) and in Marketable securities for €3,663 million.

/ Change in the number of treasury shares

	December 31, 2020	Increase	Decrease	December 31, 2021
TREASURY SHARES	**362,693**		**21,786**	**340,907**

The total value on the balance sheet is thus €3.895 million, compared to a market fair value of €25.407 million at December 31, 2021.

NOTE C.6. PREPAID EXPENSES AND EXPENSES CAPITALIZED, TO BE AMORTIZED

(In € thousands)	December 31, 2021	December 31, 2020
Prepaid rent	368	673
Maintenance prepaid expenses	1,355	1,464
Other prepaid expenses	371	71
Expenses related to syndicated loan and State guaranteed loans set up [(a)]	350	452
TOTAL	**2,444**	**2,660**

(a) Amortization over the duration of the loans.

NOTE C.7. FOREIGN EXCHANGE GAINS AND LOSSES

These gains and losses pertain to the following balance sheet items:

(In € thousands)	December 31, 2021	December 31, 2020
Trade receivables	4,707	4,691
Trade payables	1,308	867
Others	18	86
TOTAL	**6,033**	**5,644**

NOTE C.8. ACCRUED INCOME

(In € thousands)	December 31, 2021	December 31, 2020
Receivables to be invoiced	7,553	3,500
Receivables to be invoiced from affiliate companies	6,455	7,384
Vendor credit notes to be issued	18	4
Group vendors credit notes to be issued	396	396
Miscellaneous income	—	—
TOTAL	**14,422**	**11,284**

NOTE D. Liability details

NOTE D.1. EQUITY

The main movements during the financial year are summarized in the table below:

(In € thousands)	December 31, 2020	Allocation of 2020 profit	2021 net result	Other	December 31, 2021
Capital	18,110			83	18,193
Share premium	26,280			705	26,985
ESI Software merger premium	9,677				9,677
Systus merger premium	2,854				2,854
Legal reserve	1,809				1,809
Retained earnings	13,056	(15,174)		372	(1,746)
Net result for the year	(15,174)	15,174	(27,992)		(27,992)
Regulated provisions	1,568			(55)	1,513
TOTAL	**58,180**	**—**	**(27,992)**	**1,105**	**31,293**

Movements presented in the “Other” column refer to the capital increase resulting from the exercise of 27,549 stock options (issuance of new shares with a nominal value of €3), to regulated amortization of investments acquisition costs and retained earnings have increased of €372 thousand due to R&D capitalized in CIVITEC.

NOTE D.2. LEGAL CAPITAL

	Number of shares		
	At the end of the financial year	Created during the financial year	Repaid during the financial year
Common shares (par value of €3)	6,064,141	27,549	—
O/w preferred shares (double voting rights)	2,052,211		—

The capital increase is attributable to the exercise of 27,549 stock-options.

NOTE D.3. STOCK OPTIONS AND FREE SHARES PLANS

Stock options and free share grants have been authorized by various General Meetings and could potentially dilute ESI Group's capital. The tables below describe ongoing plans.

/ Stock options

Plan number (date of General Meeting)	Date of Board of Directors	Number of attributable options granted	Number of options granted	O/w performance shares	Exercise price	Number of options exercisable at December 31, 2021	Limit year for exercising options
Plan 10 (GM 2012)	12/19/2012		150,850	62,300	27.82		2021
Plan 10 *bis* (GM 2012)	02/07/2014		11,000		24.42	375	2022
Plan 10 *ter* (GM 2012)	03/26/2015		15,000		21.66		2025
Plan 10 *quater* (GM 2012)	07/22/2015		3,150		27.17	—	2025
	Total GM 2012	**180,000**	**180,000**	**62,300**		**375**	
Plan 17 (GM 2014)	07/22/2015		7,350		27.17		2023
Plan 17 *bis* (GM 2014)	03/11/2016		10,000		23.35		2026
Plan 17 *ter* (GM 2014)	05/05/2017		18,175		50.92	13,700	2025
Plan 17 *quater* (GM 2014)	05/05/2017		1,875	1,875	50.92		2025
	Total GM 2014	**180,000**	**37,400**	**1,875**		**13,700**	
Plan 19 (GM 2017)	07/18/2018		43,950	32,963	42.97	8,089	2026
Plan 19 *bis* (GM 2017)	02/01/2019		20,000	15,000	27.04	—	2027
Plan 19 *ter* (GM 2017)	12/18/2019		25,785		29.12	—	2027
	Total GM 2017	**180,000**	**89,735**	**47,963**		**8,089**	
Plan 21 (GM 2021)	9/10/2021		24,000	24,000	60.47	—	2029
	Total GM 2020	**300,000**	**24,000**	**24,000**		**—**	
TOTAL STOCK-OPTIONS		**840,000**	**331,135**	**136,138**		**22,164**	

/ Free shares

Plan number (date of General Meeting)	Date of Board of Directors	Authorized number of shares	Number of shares granted	O/w performance shares	Number of shares in progress at December 31, 2021	End of vesting period
Plan 6 (GM 2016)	07/21/2016	60,000	25,000			2020
Plan 7 (GM 2016)	12/23/2016		2,275		—	2020
Plan 8 (GM 2016)	08/01/2017		9,000			2021
Plan 9 (GM 2018)	07/18/2018	60,000	10,617	7,964	—	2021
Plan 9 *bis* (GM 2018)	07/18/2018		2,441			2020
Plan 9 *ter* (GM 2018)	07/18/2018		15,500		3,002	2022
Plan 9 *quater* (GM 2018)	07/18/2018		16,250		2,333	2023
Plan 9 *quinquies* (GM 2018)	12/18/2019		6,337		4,237	2022
Plan 9 *sexies* (GM 2018)	12/18/2019		2,521		—	2021
Plan 9 *septies* (GM 2018)	03/19/2020		5,000		5,000	2023
Plan 10 (GM 2020)	25/06/2020	60,000	3,000			2023
Plan 10 *bis* (GM 2020)	06/10/2021		7,000		7,000	2023
Plan 10 *ter* (GM 2020)	10/04/2021		8,122	4,061	8,122	2025
Plan 10 *quater* (GM 2020)	10/04/2021		3,255		3,255	2024
Plan 10 *quinquies* (GM 2020)	10/04/2021		15,250		15,250	2025
Plan 10 *sexies* (GM 2020)	10/04/2021		716		716	2025
Plan 10 *septies* (GM 2020)	10/04/2021		8,331		8,331	2024
Plan 10 *octies* (GM 2020)	11/19/21		4,000	2,000	4,000	2025
Plan 10 *novies* (GM 2020)	11/19/21		10,000		10,000	2025
TOTAL FREE SHARES		**180,000**	**154,615**	**14,025**	**71,246**	

All stock options and free shares plans include a continued employment requirement.

NOTE D.4. CONDITIONAL ADVANCES

(In € thousands)	December 31, 2021	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2020
Ademe advance	768	18	70	680	803
Bpifrance advance	1,004	187	817		382
TOTAL	**1,772**	**205**	**887**	**680**	**1,185**

NOTE D.5. PROVISIONS FOR CONTINGENCIES AND CHARGES

(In € thousands)	December 31, 2020	Increase	Reversal	December 31, 2021
Foreign exchange unrealized losses (note C.7)	5,644	6,033	(5,644)	6,033
Provisions for contingencies and charges (operating result)	1,594	5,641	(1,148)	6,087
Provision for retirement obligations	5,591	448	(1,725)	4,314
TOTAL	**12,829**	**12,122**	**(8,517)**	**16,434**

Movements of the year refer to foreign exchange rates fluctuations.

Provisions for contingencies and charges (operating result) correspond to social risks and social charges. €5,130 thousand are related to the redundancy plan.

Provision allowance for retirement obligations breaks down as follows:

- €393 thousand of operating allowance, €1,364 thousand due to downsizing, €288 thousand in actuarial profits and 73 thousand for indemnities paid by the employer;
- €15 thousand of financial allowance corresponding to interest expenses.

/ Actuarial assumptions for retirement obligations

	December 31, 2021	December 31, 2020
Discount rates	0.90%	0.35%
Rate of salary increase	2.50%	2.50%

The discount rate corresponds to AA-rate corporate bond rates in the Eurozone, adjusted according to the duration of the Group's commitments. Turnover rates are calculated per age group according to the past experience of the Company.

NOTE D.6. STATEMENT OF LIABILITIES

(In € thousands)	December 31, 2021	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2020
Banks borrowings (D.7)	38,825	6,210	32,615		44,077
Miscellaneous financial debt (D.8)	2,500	2,500			2,500
Trade payables	3,769	3,769			4,541
Group trade payables	45,006	45,006			67,355
Personnel and related receivables (D.9)	3,871	3,871			2,959
Payroll taxes (D.9)	3,559	3,559			2,945
Value-added tax (D.9)	373	373			1,245
Other tax expense (D.9)	700	700			310
Liabilities to fixed asset suppliers		—			57
Other operating payables – Group and associates (D.10)	11,481	11,481			26,967
Other operating payables – out of Group (D.10)	1,444	1,444			2,308
Deferred income	3,612	3,612			1,529
TOTAL	**115,140**	**82,525**	**32,615**	**—**	**156,793**

NOTE D.7. BANK BORROWINGS

At December 31, 2021, bank borrowings stand at €38.825 million and break down as follows:

- €20,000 thousand related to the part reimbursable over several years, of which €5 million to be repaid in 2022;
- €13,750 thousand related to two State guaranteed loans signed in 2020;
- €3,200 thousand related to a loan with BPI France, including €800 thousand to be repaid in 2022;
- €1,575 thousand corresponding to a loan to finance the cost of moving Rungis office – fully due October 2023;
- €300 thousand mostly on accrued interests on borrowings.

ESI Group's main source of financing is the syndicated loan, which consists of a part reimbursable over several years of €20.0 million at end 2021, and of a €10 million revolving credit, not used at end 2021. Yearly instalments of the long-term part are paid on April 30 each year, until April 30, 2025. The syndicated loan remuneration is based on the Euribor rate and a margin of 2%, 2.25% or 2.5% depending on the level of the Net financial debt/EBITDA ratio related to previous year financial statements. The margin applied in 2021 was 2.25%.

ESI Group signed in 2020 two State guaranteed loans: in August a loan of €1.75 million with BPI France, and in October a loan of € 12 million with the bank pool of the syndicated loan. ESI Group has decided to reimburse the loans in five years per quarter. Different interests rates will be applied by each bank on their respective financing share.

Off-balance-sheet commitments associated with this syndicated loan are presented in note F.4.

NOTE D.8. MISCELLANEOUS FINANCIAL DEBT

(In € thousands)	December 31, 2021	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2020
Promissory note	2,500	2,500			2,500
TOTAL	**2,500**	**2,500**			**2,500**

NOTE D.9. TAX PAYABLES AND EMPLOYEE-RELATED LIABILITIES

(In € thousands)	December 31, 2021	December 31, 2020
Provision for paid leave, including payroll taxes	2,330	2,313
Provision for bonuses to be paid to employees, including payroll taxes	2,922	2,101
Other payroll taxes	2,177	1,509
VAT collected	373	1,245
Other taxes	700	310
TOTAL	**8,502**	**7,478**

NOTE D.10. OTHER OPERATING PAYABLES

(In € thousands)	December 31, 2020	Increase	Decrease	December 31, 2021
Creditor trade receivables	388		(317)	71
Subsidiaries current account	26,967		(15,486)	11,481
Advances on co-financed projects	440		(440)	—
Other liabilities	1,869		(425)	1,444
TOTAL	**29,664**	**—**	**(16,668)**	**12,996**

NOTE D.11. FOREIGN EXCHANGE GAINS AND LOSSES

These gains and losses pertain to the following balance sheet items:

(In € thousands)	December 31, 2021	December 31, 2020
Trade receivables	6,066	2,938
Trade payables	371	1,511
Intercompany receivables	660	71
Other receivables and debts	254	37
TOTAL	**7,351**	**4,557**

NOTE D.12. ACCRUED EXPENSES

(In € thousands)	December 31, 2021	December 31, 2020
Borrowings and financial debts	300	252
Trade payables	3,262	4,829
Provision for paid leave, including payroll taxes	2,330	2,313
Provision for bonuses to be paid to employees, including payroll taxes	2,921	2,101
Other tax expenses	366	150
Other liabilities (advances on co-financed projects)	205	440
TOTAL	**9,384**	**10,085**

NOTE E. Details on income statement

NOTE E.1. REVENUE

/ Breakdown by type

(In € thousands)	December 31, 2021	December 31, 2020
Software licenses	12,029	11,184
Sub-contracting, consulting and other income	941	1,013
Royalties received from Group distribution subsidiaries	64,223	63,255
Sub-contracting, consulting and other income – Group	1,123	1,270
Income from related activities – Group	2,497	2,127
Management fees Group	5,008	4,087
TOTAL	**85,821**	**82,936**

/ Breakdown by geographic area

(In € thousands)	December 31, 2021	December 31, 2020
France	9,479	9,390
Europe (except France)	29,385	27,377
Americas	13,717	12,988
Asia	33,240	33,181
TOTAL	**85,821**	**82,936**

NOTE E.2. OTHER INCOME FROM OPERATIONS

(In € thousands)	December 31, 2021	December 31, 2020
Production held as inventory		–
Capitalized production	30,151	33,188
Reversal on depreciation and amortization	3,176	—
Reversal on foreign exchange provision on trade receivables and payables	—	—
Foreign exchange gains on trade receivables and payables	2,301	2,032
Other income	1,409	2,178
TOTAL OTHER INCOME	**37,036**	**37,398**

NOTE E.3. OTHER PURCHASES AND EXTERNAL EXPENSES

(In € thousands)	December 31, 2021	December 31, 2020
Engineering studies and other services	7,289	6,594
Engineering studies and other services – Group	17,088	18,067
Research and development costs – Group	19,861	20,692
Materials and supplies	288	—
Leases and rental expenses	5,083	5,009
Maintenance and repairs	1,384	2,046
Insurance	226	201
Payments to intermediaries and fees	2,308	3,276
Royalties on third-party products and sales commissions	1,715	1,563
Advertising, external relations	234	493
Travel expenses	135	416
Postage, telecommunications expenses	273	325
Miscellaneous	1,004	659
TOTAL	**56,888**	**59,341**

NOTE E.4. INCOME TAX EXPENSE

(In € thousands)	December 31, 2021	December 31, 2020
Corporate Value-Added Contribution (CVAE)	929	503
Corporate Real Estate Contribution (CFE)	141	158
Apprenticeship, continuing education and construction-related taxes	457	367
Other taxes	(240)	119
TOTAL	**1,287**	**1,147**

NOTE E.5. OPERATING ALLOWANCES

(In € thousands)	December 31, 2021	December 31, 2020
Amortization allowance for development costs	29,308	29,659
Amortization allowance for other intangible assets	1,635	782
Amortization allowance for tangible assets	743	761
Amortization allowance for capitalized expenses to be amortized	102	91
Provision for impairment of trade receivables	977	546
Provision for retirement obligations	393	516
Provision for contingencies and charges	511	1,501
TOTAL	**33,669**	**33,856**

NOTE E.6. OTHER OPERATING EXPENSES

(In € thousands)	December 31, 2021	December 31, 2020
Royalties	6	14
Directors' fees	343	329
Foreign exchange losses on trade receivables and payables	1,897	2,319
Loss on trades receivables	—	—
Miscellaneous expenses	16	53
TOTAL	**2,262**	**2,715**

NOTE E.7. FINANCIAL RESULT

(In € thousands)	December 31, 2021	December 31, 2020
Foreign exchange gain/(loss) realized	399	(52)
Interest on borrowings	(917)	(904)
Interest on subsidiaries current account	(42)	(247)
Provision for retirement obligations	(15)	(40)
Provision for impairment equity investments and related receivables	(5,405)	(9,254)
Reversal provision for investments and related receivables	784	272
Loss on simplified merger	(239)	(1,356)
Provision for foreign exchange loss	2,378	(4,206)
Other financial income/(expenses)	(127)	(16)
TOTAL	**(3,184)**	**(15,803)**

NOTE E.8. EXCEPTIONAL RESULT

(In € thousands)	December 31, 2021	December 31, 2020
Profit or loss on movements of treasury shares	(149)	(174)
Accelerated capital allowances	(7)	(159)
Loss of expired foreign tax credits	(879)	(616)
Staff cots related to restructuring	(874)	0
Fixed asset restructuring – write-off	(21,370)	0
Loss on tangible fixed assets	(184)	0
Loss on Financial fixed assets	(2,387)	0
Provision for departures Restructuring	(5,130)	0
IP litigation compensation	883	0
Miscellaneous	(101)	43
TOTAL	**(30,198)**	**(906)**

NOTE F. Other information

NOTE F.1. AVERAGE HEADCOUNT

(In full-time equivalent)	December 31, 2021	December 31, 2020
Executives	222	245
Office personnel	12	14
TOTAL	**234**	**259**

Average headcount in France and in branches outside France.

NOTE F.2. COMPENSATION PAID TO EXECUTIVE CORPORATE OFFICERS

Total compensation paid to ESI Group's four executive corporate officers are as follows:

(In € thousands)	December 31, 2021	December 31, 2020
Wages	359	427
Benefits in kind	13	10
Directors' fees	18	100
Compensation paid by controlled companies	435	777
Fringe benefits paid by controlled companies	0	11
TOTAL	**825**	**1,325**

NOTE F.3. BRANCHES

There are two branches integrated within ESI Group's financial statements.

Chinese branch office has been closed in 2021, remain at December 2021 Netherlands branch office:

Name	Address	Country
ESI Group Netherlands – Branch Office	Vlieland 11, 2716AA Zoetermeer Zuid-Holland	Netherlands
ESI Group Shanghai Representative Office	Cross Region Plaza, Unit 20D, 899 Lingling Road 200235 Shanghai	China

NOTE F.4. OFF-BALANCE SHEET COMMITMENTS

/ Future lease obligations

(In € thousands)	Less than 1 year	Between 1 and 5 years
Real estate rentals	1,423	6,154
Movable property rentals	152	126
TOTAL	**1,575**	**6,280**

Future lease commitments correspond to the outstanding amounts due on the Group's main lease and rental contracts until the contractual next maturity date.

/ Financial commitments

As part of the credit agreement dated December 20, 2018, ESI Group granted a pledge of 99.98% of the shares of the French subsidiary Engineering System International and 100% of the shares of the German subsidiaries ESI Software Germany GmbH and ESI ITI GmbH.

As long as it owes an obligation under the agreement or the security documents, the borrower undertakes, under prepayment constraint, to comply with the ratio of consolidated net financial debt divided by consolidated EBITDA, the thresholds to be respected over the term of the syndicated loan agreement are gradually decreasing. As at January 31, 2020, the threshold to be respected is 3%. At December 31, 2020, on the basis of the annual consolidated financial statements, the Group was in compliance with this ratio.

In terms of managing its exposure to changes in foreign exchange and interest rates, ESI Group has subscribed to the following financial instruments. Results at maturity are recognized in financial income for interest rate instruments and in operating income for foreign exchange instruments:

- Interest rate instruments:
  - The syndicated credit agreement signed in December 2018 requires the set-up of variable rate hedging up to 50% of the outstanding loan amount. Two swaps were signed during 2019 first half to meet this requirement, with a nominal value of €7 million each, where ESI Group receives a three months Euribor (with a 0% floor) and pays a fixed rate of 0.085% and 0.092% respectively. At the end of 2021, the underlying assets covered by each of these contracts amounted to €5.000 million;
- Foreign exchange instruments:
  - In order to hedge foreign currency cash flows between the Group's parent company and its subsidiaries, ESI Group has used currency hedging in 2021 on the following currencies JPY, KRW and INR.

/ Pledges

At December 31, 2020, ESI Group had a rent security deposit with Crédit du Nord in an amount of €82 thousand, established in November 2012 and expiring November 28, 2021 plus six months.

NOTE F.5. RECONCILIATION OF PROFIT/(LOSS) AND TAX INCOME/(CHARGE)

(In € thousands)	Profit (loss) before tax	Reconciliation of income/loss	Taxable income	Tax (expense)/ income	Profit (loss) after tax
Current income (loss)	(821)	6,954	6,133		6,133
Exceptional income	(30,197)	7,020	(23,177)		(23,177)
Competitiveness and employment tax credit		(1)	(1)		(1)
French R&D tax credit	3,026	(3,026)	—		—
TAX INCOME (LOSS)	**(27,992)**	**10,947**	**(17,045)**	**—**	**(17,045)**

NOTE F.6. INCREASES AND DECREASES IN FUTURE TAX LIABILITIES

(In € thousands)	December 31, 2021
Special social security contribution *(contribution sociale de solidarité)*	—
Retirement allowance	4,313
Translation differences	7,352
Interest	200
TOTAL TEMPORARY DIFFERENCES	**11,865**
NET DECREASE IN FUTURE INCOME TAX LIABILITIES (TAX RATE OF 26.5%)	**3,144**

Increases and decreases in future income tax liabilities were measured based on the statutory tax rate for the French income tax. They result from time difference between tax and accounting treatment of income and expenses.

At end 2020, the Company tax losses carried-forward amounts to €29 million, mostly created in 2019 further to the change of closing date and related 11-month fiscal year.

NOTE F.7. ESI GROUP, CONSOLIDATING COMPANY

ESI Group is the consolidating holding company of the Group of the same name.

NOTE F.8. TABLE OF CONTROLLED ENTITIES AND AFFILIATES (AT DECEMBER 31, 2020)

(In € thousands)	Head-quarters	Capital *(converted at the closing rate*	Shareholders' equity other than capital and net profit for the year *(converted at the closing rate)*	% of capital owned *(in %)*	Carrying number of shares held Gross	Net	Outstanding loans and advances granted by the Company or by the subsidiary	Total guarantees granted by the Company	Revenues, after tax, for the last financial year *(converted at the average exchange rate)*	Profit or loss for the last financial year *(covered at the average exchange rate)*	Dividends received by the Company during the financial year
A. Detailed information on each security with gross value exceeding 10% of the Company's capital											
1. Over 50%-owned subsidiaries											
Engineering System International SAS	France	1,020	1,892	100.0	458	458	(2,016)		16,928	291	
ESI Japan, Ltd.	Japan	99	(545)	100.0	171	171	(2,206)		27,562	211	
Hankook ESI Co., Ltd.	South Korea	998	(2,603)	100.0	970	970			5,059	(859)	
ESI North America, Inc.	USA	0	(6,351)	100.0	3,726	3 726	8,564		19,997	573	
ESI Group Hispania s.l.	Spain	100	(1,392)	100.0	100	100	1,520		5,185	170	
Mecas ESI s.r.o.	Czech Republic	16	1,655	95.0	912	912	(1,143)		7,279	135	0
ESI UK Ltd.	United Kingdom	120	1,787	100.0	164	164	(821)		3,933	295	
ESI US R&D, Inc.	USA	194	3,626	74.0	4,128	649	40		0	83	
Calcom ESI SA	Switzerland	83	666	98.5	2,678	656	588		225	66	
ESI Software (India) Private Ltd.	India	2	7,840	100.0	2	2			2,091	66	
Hong Kong ESI Co., Ltd.	China	1	2	100.0	119	0	0		0	793	
ESI-ATE Holdings Ltd.	China	10	398	100.0	1,737	0	0		0	1,369	
ESI Italia s.r.l.	Italy	500	52	100.0	1,050	1 050			4,636	(22)	
ESI South America Comércio e Serviços de Informática, Ltda	Brazil	9	208	100.0	56	56	(1)		26	89	
ESI Services Tunisie	Tunisia	107	1,275	100.0	304	304				47	
ESI Group Beijing Co., Ltd.	China	602	3,339	100.0	543	543			6,046	198	
ESI Software Germany Gmbh	Germany	517	8,592	100.0	10,708	10,708	(200)		429	411	
ESI Nordics AB	Sweden	11	531	100.0	446	446	7		193	(69)	
Open CFD Ltd.	United Kingdom	1	(905)	100.0	2,351	117	(76)		311	(65)	
ESI Services Vietnam Co., Ltd.	Vietnam	73	161	100.0	124	124				30	
ESI ITI Gmbh	Germany	26	3,279	100.0	18,710	8,336			349	448	
ESI US Holdings, Inc.	USA	588	111	100.0	834	834			0	0	
2. 10-50% owned subsidiaries											
JV AECC-ESI	Chine	1 275	1,713	35.0	576	576			0		

Data as of December 31, 2021 presented in this table are non-audited data.

NOTE F.9. SUBSEQUENT EVENTS

In February 2022, the conflict between Russia and Ukraine worsened. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Given the recent and rapid escalation of events and the imposition of additional sanctions, the Group is constantly assessing the potential impact on the Group's operating results. The Group does not have any assets nor operations in Ukraine. The Group's Russian operations represented around 1.49% of the 2021 consolidated revenues. There are no outstanding receivables from Russian customers.

6.2.4. Statutory Auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2021

To the Annual General Meeting of ESI Group,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of ESI Group for the year ended 31 December 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

/ Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

/ Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from 1 January 2021 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

It is in this complex, evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

/ Valuation of development costs and software codes acquired

Risk identified	Our response
In the balance sheet, intangible assets include capitalized development costs and software codes acquired, for net carrying amounts as at 31 December 2021 of €19,589k and €9,484k respectively. The development costs correspond mainly to direct labour and subcontracting costs relating to the development of new offers or major improvements to existing software solutions. As indicated in Note B.2. to the financial statements, the capitalization of these development costs is subject to compliance with the criteria set out in the rules on fixed assets according to French accounting standards. The amortization times, which are between 12 and 36 months, are estimated for each project depending on the period during which ESI Group expects the software concerned to generate revenue. Impairment for the net carrying amount of the capitalized development costs is recognized when, at year-end, the probable future economic benefits are no longer sufficient to cover the residual value of the asset. This analysis is performed project by project. As indicated in Note C.1 to the financial statements, within the context of the "OneESI 2024 – Focus to Grow" plan, the Group announced the redeployment of a significant share of its R&D investments towards growth and core business opportunities. This results in the scrapping of development costs for a net amount of €15,378k. In addition, as indicated in Note C.1 to the financial statements, within the context of this transformation plan, ESI Group has identified, firstly, source codes that belong to discontinued activities and that were scrapped in 2021 in the amount of €5,056k, and, secondly, codes used to develop software related to the Group's growth activities and that are now amortized over a period of eight years. The assessment of compliance with the criteria for capitalization of development costs, the determination of the amortization period, and the impairment of capitalized projects no longer generating future economic benefits, are based on Management's judgment and the reliability of the procedures applied for the identification and allocation of the costs between the different projects. On this basis, we considered the capitalization of development costs and software codes acquired to be a key audit matter.	We therefore performed the following work: ■ We assessed the compliance of the accounting treatment of the development costs and software codes acquired with the accounting standards in force; ■ We reconciled the accounting data to the management data giving detailed information on the capitalized projects, in order to assess the reliability of the information reported; ■ For a selection of projects, we referred to the relevant time sheets and the documentary evidence of the placed-in-service date; ■ We verified the correct calculation of the amortization expense on the basis of the period established for each project by the Management of ESI Group; ■ We reconciled the individual net carrying amounts of the main projects to the future volume of business for the related software solutions included in the last business plan provided to the Board of Directors at the end of 2021; ■ We verified the amount of the mark-up applied to R&D expenses at ESI Group when the R&D is performed by subsidiaries, according to contractual rates defined in intragroup agreements; ■ We verified the justification of the amortization recognized as at 31 December 2021 concerning, in particular, projects that are not intended to generate revenue and software codes that are not going to be included in the group's new strategy.

/ Valuation of equity investments

Risk identified	Our response
Equity investments are recorded in the balance sheet for the year ended 31 December 2021 for the net carrying amount of €32,286k. At acquisition date, these equity investments are valued at acquisition cost, which includes the purchase price and the costs directly attributable thereto. At each year-end, the carrying amount of an equity investment is compared to its value in use, and if the latter is lower than the carrying amount, impairment is recognized to reduce the carrying amount to the value in use. The different methods used to determine the value in use are described in Note B.4 to the financial statements and are as follows: ▪ Equity investments in active subsidiaries are valued on the basis of a multiple of revenue adjusted for the net cash position of the subsidiary, or alternatively on the basis of discounted forecast cash flows; ▪ Equity investments in subsidiaries that are dormant or with reduced activity are valued on the basis of the share of net equity attributable to ESI Group. Estimating the value in use of these equity investments, which represent a material amount in the balance sheet assets, requires the exercise of Management's judgment in identifying the criteria determining the valuation method to be used and the factors to be considered according to the investments concerned, particularly historical items (shareholders' equity) or forecasts (profitability prospects). We therefore considered the valuation of equity investments to be a key audit matter.	We reviewed the compliance of the method used by the Company for the valuation of equity investments with the accounting rules and principles in force. Our work consisted in reviewing the justification provided by Management for the valuation method and the data used. Our review of the method applied, according to the equity investments concerned, is detailed as follows: For the main equity investments in active subsidiaries: ▪ We obtained the multiple of revenue adjusted for the net cash position of the subsidiary and assessed the consistency of the data used with the accounts of the corresponding entities; ▪ We obtained the forecasts for the operating cash flows of the entities concerned and assessed their consistency with the forecast data from the latest strategic plan, drawn up under the responsibility of senior management and approved by the Board of Directors; ▪ We assessed the consistency of the assumptions used with the economic environment at the closing date; ▪ We compared the forecasts adopted for previous periods with the corresponding actual figures in order to assess the achievement of past targets; ▪ We verified that the value resulting from cash flow forecasts was adjusted for the net cash position of the entity in question. For the main equity investments in subsidiaries that are dormant or with reduced activity: ▪ We reconciled the shareholders' equity retained to the accounts of the corresponding entities; If applicable, we reviewed the documentary evidence for the adjustments made to shareholders' equity.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

/ Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

/ Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de commerce*) relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

/ Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

/ Format of preparation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

/ Appointment of the Statutory Auditors

We were appointed as statutory auditors of ESI Group by your Annual General Meeting held on 22 June 2021 for KPMG S.A. and on 16 December 1997 for ERNST & YOUNG Audit.

As at 31 December 2021, KPMG S.A. was in its first year of total uninterrupted engagement and ERNST & YOUNG Audit in its twenty-fifth year (including twenty-two years since the securities of the Company were admitted to trading on a regulated market).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

/ Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

/ Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 8 April 2022

The Statutory Auditors

French original signed by:

KPMG Audit	ERNST & YOUNG Audit
Département de KPMG S.A.	
Stéphanie Ortega	Pierre-Henri Pagnon

7 RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

This section outlines the issues and key points arising from the proposed resolutions to be submitted by the Board of Directors for approval at the Shareholders' Meeting on June 28, 2022. It is not intended to be exhaustive, and you should therefore read the proposed resolutions carefully before voting at the Meeting.

Decisions falling within the competence of the Ordinary General Meeting

1. Approval of the parent company financial statements for the financial year ended December 31, 2021
2. Approval of the total expenses and charges not deductible from profits subject to income tax
3. Approval of the consolidated financial statements for the financial year ended December 31, 2021
4. Allocation of net result for the year
5. Special report of the Statutory Auditors on the regulated agreements and commitments referred to in Article L. 225-38 of the French Commercial Code
6. Renewal of Véronique Jacq's mandate as Director
7. Renewal of Rajani Ramanathan's mandate as Director
8. Ratification of co-optation of Patrice Soudan as Director
9. Renewal of Charles-Helen des Isnards's mandate as Board observer
10. Approval of the total compensation paid or allocated to the members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer for the financial year ended on December 31, 2021, in accordance with Article L. 22-10-34 I of the French Commercial Code
11. Approval of the components of the total compensation paid or allocated to Alain de Rouvray, Chairman of the Board of Directors until February 8, 2021, for the financial year ended on December 31, 2021
12. Approval of the components of the total compensation paid or allocated to Alex Davern, Chairman of the Board of Directors since February 8, 2021, for the financial year ended on December 31, 2021
13. Approval of the components of the total compensation paid or allocated to Cristel de Rouvray, Chief Executive Officer, for the financial year ended on December 31, 2021
14. Approval of the components of the total compensation paid or allocated to Vincent Chaillou, Chief Operating Officer until June 22, 2021, for the financial year ended on December 31, 2021
15. Approval of the remuneration policy for the Chairman of the Board of Directors for 2022 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code
16. Approval of the remuneration policy for the Chief Executive Officer for 2022 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code
17. Approval of the remuneration policy for the members of the Board of Directors for 2022 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code
18. Authorization for the Board of Directors to buy back the Company's own shares in accordance with article L. 22-10-62 of the French Commercial Code

Decisions falling within the competence of the Extraordinary General Meeting

19. Delegation of authority to the Board of Directors to award free shares to eligible employees and corporate officers of the Company and its affiliates
20. Amendment of Article 11 of the Company's articles of association: Board of Directors organization (age limit of the Chairman of the Board of Directors)
21. Amendment of Article 14 II of the Company's articles of association: Executive management (age limit of the Chief Executive Officer)
22. Amendment of Article 15 of the Company's articles of association: Compensation of Directors (new compensation policy)

Joint decisions

23 Powers to carry out formalities

7.1. DECISIONS FALLING WITHIN THE COMPETENCE OF THE ORDINARY GENERAL MEETING

First, second, third and fourth resolutions

Statement of reasons

To increase its competitiveness, ESI implemented a transformation of its management and a reduction in headcount in the various regions of the Group in accordance with the legal rules applicable to each of them. ESI also decided to disengage from non-core software development projects or non-strategic research projects outside the Group's three offerings. This restructuring and transformation plan impacted the parent company financial statements with provisions for reduction in headcount and impairment of intangibles.

Having reviewed the management report of the Board of Directors, the reports of the Statutory Auditors on financial statements, you are asked to vote on the parent company and consolidated financial statements for the financial year ended December 31, 2021, and on the transactions reflected therein or summarized in these reports.

At December 31, 2021:

- The Company financial statements showed a negative result of -€27,993,026.85;
- The total expenses and charges not deductible from profits subject to income tax, equal to €257,088;
- The Company's consolidated financial statements showed a negative net result of -€18,474,017.

The General Meeting is requested to allocate the deficit of -€27,993,026.85 as follows:

- €0 to the legal reserve;
- -€27,993,026.85 to retained earnings.

Following this allocation, the balance of the legal reserve will stand at €1,805,367.60.

Following this allocation, retained earnings will stand at -€29,738,641.95.

The Board of Directors reminds the General Meeting that no dividends have been paid out for the past three financial years.

First resolution

Approval of the parent company financial statements for the financial year ended December 31, 2021

The General Meeting, having reviewed the management report of the Board of Directors, and the reports of the Statutory Auditors on the parent company financial statements and the parent company financial statements for the financial year ended December 31, 2021, approves the financial statements and balance sheet, as presented, showing a deficit of -€27,993,026.85.

It approves the transactions reflected in said financial statements or summarized in said reports.

Second resolution

Approval of the total expenses and charges not deductible from profits subject to income tax

The General Meeting, having reviewed the management report of the Board of Directors, and the reports of the Statutory Auditors on the parent company financial statements and the parent company financial statements for the financial year ended December 31, 2021, approves the total expenses and charges not deductible from profits subject to income tax, equal to €257,088.

Third resolution

Approval of the consolidated financial statements for the financial year ended December 31, 2021

The General Meeting, having reviewed the management report of the Board of Directors, and the reports of the Statutory Auditors on the consolidated financial statements and the consolidated financial statements as at December 31, 2021, approves these financial statements as presented, resulting in -€18,474,017.

Fourth resolution

Allocation of net profit for the year

The General Meeting, noting that the net deficit for the year ended December 31, 2021 amounted to -€27,993,026.85, decides, on a proposal from the Board of Directors, to allocate the result as follows:

Current position:

- Net result for the year: -€27,993,026.85;
- Retained earnings: -€1,745,615.10;
- Total to be allocated: -€27,993,026.85.

Allocated as follows:

- €0 to the legal reserve;
- -€27,993,026.85 to retained earnings.

Following this allocation, the balance of the legal reserve will stand at €1,805,367.60.

Following this allocation, retained earnings will stand at -€29,738,641.95.

The Board of Directors reminds the General Meeting that no dividends have been paid out for the past three financial years.

Fifth resolution

Special report of the Statutory Auditors on the regulated agreements and commitments referred to in Article L. 225-38 of the French Commercial Code

Statement of reasons

Based on the special report by the Statutory Auditors on regulated agreements presented in section 2.6 of the 2021 Universal Registration Document, the General Meeting is requested to acknowledge that during the financial year ended on December 31, 2021, one new agreement gave rise to the procedure provided for in Articles L. 225-38 *et seq*. of the French Commercial Code mentioning the presence of one new regulated agreement for the period of June 23, 2021 until August 26, 2021 concerning Vincent Chaillou as employee and Board member of the Company.

The General Meeting, having reviewed the special report by the Statutory Auditors on the agreements and commitments referred to in Articles L. 225-38 *et seq*. of the French Commercial Code, takes note of the conclusions of the said report and approves the agreement referred to therein.

Sixth and seventh resolutions

Statement of reasons

As the directorships of Véronique Jacq and Rajani Ramanathan expire at the end of this General Meeting, the shareholders are requested to renew their respective directorship for a term of four years, until the General Meeting to be convened in 2026 to approve the financial statements for 2025 financial year. The Board of Directors reminds the General Meeting that Véronique Jacq and Rajani Ramanathan have been Director of the Company since 2014. Each respective biography is presented in the report of the Board of Directors on corporate governance in section 2.3.2 of the 2021 Universal Registration Document.

Sixth resolution

Renewal of Véronique Jacq's mandate as Director

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and noting that the term of office of Véronique Jacq expires at the end of the General Meeting, resolves to renew her directorship for a term of four years, expiring at the end of the General Meeting to be convened in 2026 to approve the financial statements for 2025 financial year.

Seventh resolution

Renewal of Rajani Ramanathan's mandate as Director

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and noting that the term of office of Rajani Ramanathan expires at the end of the General Meeting, resolves to renew her directorship for a term of four years, expiring at the end of the General Meeting to be convened in 2026 to approve the financial statements for 2025 financial year.

Eighth resolution

Ratification of co-optation of Patrice Soudan as Director

Statement of reasons

In accordance with Article L. 225-24 of the French Commercial Code, the Board of Directors Meeting of September 3, 2021 co-opted Patrice Soudan as a Director for the remaining term of Vincent Chaillou, resigning from his mandate of Director, until the General Meeting to be convened in 2024 to approve the financial statements for 2023 financial year. The General Meeting is asked to ratify this co-optation. Following the recommendation of the Nomination and Governance Committee, the Board of Directors proposes to the General Meeting the appointment of Patrice Soudan as an independent Director for a term of four years. Patrice Soudan's biography is presented in the report of the Board of Directors on corporate governance in section 2.3.2 of the 2021 Universal Registration Document.

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, decides, to ratify the cooptation of Patrice Soudan for the remaining term of office of Vincent Chaillou, resigning from his mandate of Director.

This term of office will expire at the end of the General Meeting to be convened in 2024 to approve the financial statements for 2023 financial year.

Ninth resolution

Renewal of Charles-Helen des Isnards's mandate as Board observer

Statement of reasons

As the term of office of Charles-Helen des Isnards expires at the end of this General Meeting, the shareholders are requested to renew his mandate as Board observer for a term of one year expiring at the end of the General Meeting to be convened in 2023 to approve the financial statements for 2022 financial year. Charles-Helen des Isnards will continue to provide his expertise in finance and advice in banking relations. His biography is presented in the report of the Board of Directors on corporate governance in section 2.3.2 of the 2021 Universal Registration Document.

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and noting that the term of office of Charles-Helen des Isnards expires at the end of the General Meeting, resolves to renew his mandate as Board observer for a term of one year, expiring at the end of the General Meeting to be convened in 2023 to approve the financial statements for 2022 financial year.

Tenth, eleventh, twelfth, thirteenth and fourteenth resolutions

Statement of reasons

In accordance with Article L. 22-10-34 of the French Commercial Code, the General Meeting is requested every year to approve the fixed, variable and exceptional components of the total remuneration and benefits of all kinds paid or allocated to the Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officer in respect to their mandate.

The compensation was paid or awarded in accordance with the compensation policy approved by the Shareholders' Meeting on June 22, 2020. It is reminded that payment of the variable and exceptional compensation is contingent upon shareholder's approval at the 2022 Shareholders' Meeting.

These components of the remuneration, approved by the Board of Directors under the recommendation of the Compensation Committee, are presented in the report of the Board of Directors on corporate governance in section 2.4 of the 2021 Universal Registration Document.

Tenth resolution

Approval of the total compensation paid or allocated to the members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer for the financial year ended on December 31, 2021, in accordance with Article L. 22-10-34 I of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, approves, in accordance with the provisions of Article L. 22-10-34 I of the French Commercial Code, the information referred to in Article L. 22-10-9 I of the French Commercial Code relating to the compensation paid or allocated to corporate officers during the financial year ended 31 December 2021, as described in paragraph 2.4 and in particular 2.4.3.1.13 of the Company's 2021 Universal Registration Document.

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Eleventh resolution

Approval of the components of the total compensation paid or allocated to Alain de Rouvray, Chairman of the Board of Directors until February 8, 2021, for the financial year ended on December 31, 2021

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Article L. 22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated for the financial year ended on December 31, 2021 to Alain de Rouvray, Chairman of the Board of Directors until February 8, 2021, as described in paragraph 2.4.3.1.13 of the Company's 2021 Universal Registration Document.

Twelth resolution

Approval of the components of the total compensation paid or allocated to Alex Davern, Chairman of the Board of Directors since February 8, 2021, for the financial year ended on December 31, 2021

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Article L. 22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated for the financial year ended on December 31, 2021 to Alex Davern, Chairman of the Board of Directors since February 8, 2021, as described in paragraph 2.4.3.1.1 of the Company's 2021 Universal Registration Document.

Thirteenth resolution

Approval of the components of the total compensation paid or allocated to Cristel de Rouvray, Chief Executive Officer, for the financial year ended on December 31, 2021

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Article L. 22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated for the financial year ended on December 31, 2021 to Cristel de Rouvray, Chief Executive Officer, as described in paragraph 2.4.3.1.13 of the Company's 2021 Universal Registration Document.

Fourteenth resolution

Approval of the components of the total compensation paid or allocated to Vincent Chaillou, Chief Operating Officer until June 22, 2021, for the financial year ended on December 31, 2021

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Article L. 22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated for the financial year ended on December 31, 2021 to Vincent Chaillou, Chief Operating Officer until June 22, 2021, as described in paragraph 2.4.3.1.13 of the Company's 2021 Universal Registration Document.

Fifteenth, sixteenth and seventeenth resolutions

Statement of reasons

In accordance with Article L. 22-10-8 of the French Commercial Code, the General Meeting is requested every year to approve the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total remuneration and benefits of all types attributable to the Chairman of the Board of Directors, Chief Executive Officer and the Chief Operating Officer, in respect to their mandate for 2021 financial year.

The remuneration policy applicable to corporate officers, approved by the Board of Directors under the recommendation of the Compensation committee, is presented in the report of the Board of Directors on corporate governance in section 2.4.1 of the 2021 Universal Registration Document.

Fifteenth resolution

Approval of the remuneration policy for the Chairman of the Board of Directors for 2022 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Articles L. 22-10-8 II and R. 22-10-14 of the French Commercial Code, approves the remuneration policy attributable to the Chairman of the Board of Directors for the 2022 financial year, as described in this report and set out in paragraph 2.4.1.1 of the Company's 2021 Universal Registration Document.

Sixteenth resolution

Approval of the remuneration policy for the Chief Executive Officer for 2022 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Articles L. 22-10-8 II and R. 22-10-14 of the French Commercial Code, approves the remuneration policy attributable to the Chief Executive Officer for the 2022 financial year, as described in this report and set out in paragraph 2.4.1.2 of the Company's 2021 Universal Registration Document.

Seventeenth resolution

Approval of the remuneration policy for the members of the Board of Directors for 2022 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Articles L. 22-10-8 II and R. 22-10-14 of the French Commercial Code, approves the remuneration policy attributable to members of the Board of Directors for the 2022 financial year, as described in this report and set out in the paragraph 2.4.1.1 of the Company's 2021 Universal Registration Document.

Eighteenth resolution

Authorization for the Board of Directors to buy back the Company's own shares in accordance with article L. 22-10-62 of the French Commercial Code

Statement of reasons

As the existing authorization will expire in December 2022, it is proposed to the General Meeting to terminate this authorization and grant the Board of Directors a new authorization for the Company to buy back its own shares for a new period of 18 (eighteen) months as from the General Meeting of June 28, 2022.

It is proposed to set the maximum purchase price at €110 (hundred and ten) per share. Pursuant to current legislation, the maximum number of shares that may be purchased is limited to 10% of the capital, taking into account the treasury stock already held by the Company, 5.67% as at December 31, 2021. Stated otherwise the Company will not be allowed to pay out more than €29,000,000 (twenty-nine million) under the share buyback program.

The Company can buy back its own shares to:

- Stimulate the secondary market or the liquidity of ESI Group shares through a liquidity contract signed with an investment service provider;
- Allocate them to free share awards or stock purchase options;
- Hold them and use them at a later date as payment for acquisitions;
- Cancel them by a reduction in share capital.

For information purposes, the use of the previous authority is reported in the paragraph 2.5.3 of the present Company's Universal Registration Document for the year ending December 31, 2021.

The General Meeting, having reviewed the report of the Board of Directors in accordance with Article L. 22-10-62 of the French Commercial Code:

1. Authorizes the Board of Directors to purchase the Company's shares, not to exceed 10% of its capital, for a period of 18 months beginning on June 28, 2022, in order to:
   i. Stimulate the secondary market or the liquidity of ESI Group shares through a liquidity contract signed with an investment service provider and compliant with the AMAFI's Code of Ethics dated February 15, 2019 and approved by the French Financial Markets Authority (AMF);
   ii. Fulfill its share issue obligations, in accordance with the terms and conditions set forth by law, undertaken as part of the following:
      - Plans granting stock options for the purchase of existing shares by the Group's employees or corporate officers,
      - Employee profit-sharing plans under which these shares would be granted to employees and/or corporate officers,
      - Free share grants to the Group's employees and corporate officers,
      - Shares provided upon exercise of the rights attached to securities giving access to shares by any means, whether immediately or in the future, under the conditions set forth by the AMF and at any time deemed appropriate by the Board of Directors.
   iii. Retain shares to subsequently use them in exchange or as payment for future business acquisitions;
   iv. Cancel shares by a reduction in share capital;
2. Decides that the purchase price per share may not exceed €110 (hundred and ten);
3. Decides to fix the maximum amount that the Company may spend within the framework of this buyback program at €29,000,000 (twenty nine million);
4. Acknowledges that this authorization shall render ineffective the previous authorization granted by the twenty-first resolution of the Combined General Meeting of June 22, 2021 authorizing the Board to trade on its own shares;
5. Decides that the shares may be purchased or retained at the discretion of the Board of Directors by any means by trading on or off the market, or on an over-the-counter market, on one or more occasions. All shares purchased under the authorized share buyback program may be acquired in the form of blocks of shares. Such transactions may be carried out at any time, including during public offering periods, in accordance with the regulations in force;
6. Acknowledges that the Company may not, at any time, hold, either directly or via an intermediary, more than 10% of the total shares making up its own share capital;
7. Grants full authority to the Board of Directors to:
   - Publish, on the website of the AMF, a detailed notice explaining this share buyback program authorized by the General Meeting prior to using this authorization,
   - Place any and all stock market orders and enter into any and all agreements to record share purchases and sales,
   - Make any and all disclosures to the stock market regulators, carry out any other formalities and, in general, take any necessary steps.

The Board of Directors shall inform shareholders of any purchases or sales carried out pursuant to this authorization in its management report.

7.2. DECISIONS FALLING WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

Nineteenth resolution

Delegation of authority to the Board of Directors to award free shares to eligible employees and corporate officers of the Company and its affiliates

Statement of reasons

As the Company is considering the granting of free shares to employees and corporate officers of the Company and its affiliates, it is proposed to the General Meeting to terminate the authorization granted to the Board of Directors in 2020 and to grant it a new authorization for this purpose.

Under the scope of this authorization, the number of free shares that may be granted may not exceed 120,000 shares, representing around 2% of the share capital existing on June 28, 2022.

ESI objective is to align with best practices with companies that ESI competes with for talent, to attract and retain the needed talents to achieve the three-year strategic objectives.

The Board of Directors will decide the identity of the beneficiaries of the grants, the number of shares allocated to each one, the terms, and, where applicable, the criteria for such share grants.

The Board of Directors will be able to set, in accordance with the provisions of Article L. 225-197-2 of the French Commercial Code, the duration of vesting and holding periods, provided that the time condition respects a minimum vesting period of at least one year and the total duration of both vesting and holding periods is at least two years. Pursuant to Article L. 225-197-2 of the French Commercial Code, the free grant of shares to their beneficiaries will become final and binding subject to the satisfaction of the other conditions set at the time of the grant, and specifically the employment condition and/or the performance condition, after a vesting period set out by the Board of Directors.

The General Meeting, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with Articles L. 225-197-1 *et seq.*, L. 225-197-2, L. 22-10-59 and L. 22-10-60 of the French Commercial Code:

1. Authorizes the Board of Directors to carry out, on one or several occasions, free grants of existing shares or shares to be issued by ESI Group, to employees and corporate officers of the Company or its affiliated entities, in accordance with Article L. 225-197-2 of the French Commercial Code and the conditions set out hereinafter;
2. Resolves that the Board of Directors will decide the identity of the beneficiaries of the grants, the number of shares allocated to each one, as well as the conditions, and, where applicable, the criteria for such share grants;
3. Decides that the number of free shares that may be granted under the scope of this authorization may not exceed 2% of the share-capital existing on the date of grant of the free shares by the Board of Directors and limited to 120,000 shares;
4. Decides that the Board of Directors will be able to set, in accordance with the provisions of Article L. 225-197-1 of the French Commercial Code, the duration of vesting and holding periods, provided that the time condition respects a minimum vesting period of at least one year and the total duration of both vesting and holding periods is at least two years;
5. Decides that the free grant to their beneficiaries will become final and binding after a vesting period set out by the Board of Directors;
6. Authorizes the Board of Directors to vest the shares prior to the end of the vesting period as well as to permit the free transfer of these shares in the event the beneficiary has a disability corresponding to the second or third categories defined by Article L. 341-4 of the French Social Security Code;
7. Decides that the Board of Directors shall have all powers, including powers of sub-delegation in accordance with the legal requirements, to implement this authorization, and, in particular, in order to:
   a. determine whether to grant existing shares or whether to issue shares for such purpose,
   b. determine all the terms relating to the granting of shares, in particular the conditions under which such shares will be vested (especially the presence and, if any, performance conditions), define the categories of beneficiaries, the beneficiaries and establish the number of shares granted to each of them and the grant date or dates in compliance with the law and regulations in force as of the date of transactions contemplated,
   c. carry out, if applicable, the increase of the share capital of the Company at the end of the vesting period,
   d. adjust, during the vesting period, if it deems necessary, the number of shares granted in order to protect the rights of the beneficiaries, in compliance with the laws and regulations in force as of the date of the transactions contemplated, based on potential Company equity transactions, it being specified that the shares, granted further to these adjustments, shall be deemed granted on the same date as, that of the initial share grant, and
   e. more generally, to take all necessary measures, in particular to conclude any and all agreements and contracts to effect the closing of an issuance, to carry out any and all formalities to effect the related share capital increase or increases subsequent to the vesting of Company shares, to amend the articles of association;
8. Acknowledges that this authorization automatically entails the waiver by shareholders of their preferential subscription rights to ordinary Company shares which may be issued for the purposes of the vesting of free shares, and of all rights to ordinary shares granted under the scope of this authorization;
9. Acknowledges that this authorization supersedes the unused portion of the previous authorization granted by the twentieth resolution of the Combined General Meeting held on June 25, 2020.

Each year, in accordance with the legal and regulatory requirements, in particular pursuant to Article L. 225-197-4 of the French Commercial Code, the Board of Directors shall inform the General Meeting about the operations carried out under this authorization.

This authorization is granted to the Board of Directors for a duration of 38 (thirty-eight) months from the date of this Meeting.

Twentieth and twentieth-first resolutions

Statement of reasons

On the recommendation of the Nomination and Governance Committee in order to be aligned with best market practices and in the context of improvement and evolution of his governance, the Board of Directors, which met on 28 February 2022, decided to propose to the General Meeting, that the Company's Articles of Association be amended to lower (i) the age limit for the Chairman of the Board of Directors to 75 years and (ii) the age limit for the Chief Executive Officer to 65 years.

It is reminded that the current age limit for both Chairman of the Board of Directors and Chief Executive Officer is at 80 years.

Twentieth resolution

Amendment of Article 11 of the Company's articles of association: Board of Directors organization (age limit of the Chairman of the Board of Directors)

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, decides to lower the age limit for the Chairman of the Board of Directors to 75 years and consequently to amend the second paragraph of the article 11 of the Company's articles of association as follows, and the rest of the article remaining unchanged:

"No one over the age of 75 may be appointed Chairman of the Board of Directors. If the current Chairman age, he shall be deemed to have resigned automatically."

Twenty-first resolution

Amendment of Article 14 II of the Company's articles of association: Executive management (age limit of the Chief Executive Officer)

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, decides to lower the age limit for the Chief Executive Officer to 65 years and consequently to amend the fourth paragraph of the article 14 II "General Management" of the Company's articles of association as follows, and the rest of this paragraph and the article remaining unchanged:

"In order to perform his duties, the Chief Executive Officer must be less than 65 years old."

Twenty-second resolution

Statement of reasons

Following the related new Board compensation policy of Directors approved by the Board of Directors which met on November 19, 2021 on the recommendation of the Compensation Committee, it is proposed to the General Meeting to amend the Article 15 of the Company's articles of association relative to the Compensation of Directors.

It is reminded that the of the total annual amount of compensation to be allocated to members of the Board of Directors decided by the General meeting hold on June 25, 2021, is set up at €450,000.

Amendment of Article 15 of the Company's articles of association: Compensation of Directors (new compensation policy)

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, decides to amend the article 15 of the Company's articles of association as follows:

"The Board of Directors may receive a fixed annual amount to be deducted from the general expenses. This total amount, fixed by the General Shareholders' Meeting, is maintained until a new decision is taken.

The Board of Directors shall distribute the amount of the compensation among its members as it sees fit.

The compensation of the Chairman of the Board of Directors and of the Chief Executive Officer shall be decided by the Board of Directors; it may be fixed or proportional or both fixed and proportional.

No other compensation, permanent or otherwise, than that provided for herein, may be allocated to members of the Board of Directors, unless they are bound to the Company by an employment contract under the conditions authorized by law."

7.3. JOINT DECISIONS

Twenty-third resolution

Powers to carry out formalities

Statement of reasons

This resolution is intended to grant the powers necessary to carry out formalities subsequent to the General Meeting.

The General Meeting grants full powers to the bearer of an original, excerpt or copy of the minutes of this Meeting to carry out all legal and administrative formalities, as well as all filing and publication requirements set forth by applicable law.

8 INFORMATION ON THE COMPANY AND SHARE CAPITAL

8.1. INFORMATION ON THE COMPANY

8.1.1. General information

Corporate name and head office

ESI Group
3 bis, rue Saarinen
Immeuble Le Séville
94528 Rungis Cedex France

Legal form

ESI Group is a French limited company (*société anonyme*) with a Board of Directors.

Legislation governing the issuer

French.

Date of incorporation and term of the issuer

ESI Group was incorporated on January 28, 1991. The term of the Company is 99 years from registration, unless extended or dissolved before such time.

Company registration

Créteil Trade and Companies Registry No. 381 080 225.

Legal Entity Identifier (LEI)

LEI – 969500SJCEYK6O6RXV95

Phone number

+33 (0) 1 41 73 58 00

E-mail

communication@esi-group.com

Corporate purpose (Article 2 of the articles of association)

The Company pursues the following corporate purpose in France and in all other countries:

- To research, develop, design, manufacture and distribute computer software. To provide all forms of assistance, training and, in general, all activities that may be directly or indirectly related to the corporate purpose;
- To acquire, receive, hold, manage and trade in a portfolio of securities, especially in fields related to the publishing of scientific software, including digital simulation software for prototyping and manufacturing processes and related decision-making support tools.

The Company may perform any of the above-mentioned operations on its own behalf or on behalf of third parties by creating new companies, forming partnerships, subscribing to shares in existing companies, purchasing securities or rights to equity instruments, merging companies, forming business alliances, undertaking joint investments, obtaining the use of any property under a lease or lease management agreement, forming joint ventures or otherwise.

To this end, the Company carries out any and all economic or financial studies necessary and provides recommendations in relation to investments, acquisitions and divestitures. It also helps as a management consultant to companies in which it holds a stake and to other companies. It prepares all types of reports and expert opinions; it assists with business restructuring measures and mergers.

In general, it carries out any and all financial, commercial or industrial operations and real estate and property transactions that may be directly or indirectly related to the corporate purpose of the Company or likely to promote the Company's expansion or growth.

Financial year (Article 22 of the articles of association)

The financial year begins on January 1 and ends on December 31 of each year. It covers 12 months.

Exceptional events and disputes

To the best of the Company's knowledge, there is no exceptional event or dispute that may have or has had a material impact on the financial position or profit of the Company or the Group of which it is a part.

Except for disputes arising in the ordinary course of business, the Company was not involved in any governmental, judicial or arbitration procedure during the exercise that ended at December 31, 2021.

8.1.2. Information regarding rights, privileges and restrictions attached to shares

Allocation of income and distribution of profits (Article 22 of the articles of association)

Pursuant to Article 22 of the articles of association, 5% of the net profit for the financial year, less any losses carried forward, will be set aside to form the legal reserve fund; this deduction is no longer required once the legal reserve has reached one-tenth of the share capital; the requirement applies again when, for any reason, the reserve falls below said one-tenth fraction.

The balance of said profit, plus any retained earnings, forms the profit available for distribution.

Shareholders have sole control over this profit and decide how it will be appropriated at the Annual General Meeting. To this end, the Annual General Meeting may decide to allocate this profit, in full or in part, to any general or special reserve funds, carry it forward or distribute it to the shareholders.

However, except in the case of a capital reduction, no profit may be distributed to the shareholders if net assets are or will subsequently become less than the total capital plus reserves that may not be distributed in accordance with the law or the articles of association.

Any losses are recorded in the balance sheet under a special account once the financial statements have been approved by the Annual General Meeting.

The General Meeting has the faculty to allow each shareholder, for all or part of the dividend distributed or advances on dividends, an option between the payment of the dividend or advances on dividends in cash or in shares.

Provisions of the articles of association concerning the participation of shareholders in General Meetings (Articles 18 and 19 of the articles of association)

Please refer to section 2.5.3 of this Universal Registration Document.

Shareholders' right to information (Article 21 of the articles of association)

All shareholders are entitled to receive information, and the Board of Directors is required to send or make available any documents necessary for shareholders to make informed decisions relating to the management and situation of the Company.

Shareholders' right to information, the nature of documents provided and the arrangements for such documents to be made available or transmitted shall adhere to the terms set out by applicable law.

Double voting rights (Article 9 of the articles of association)

In accordance with Article 9 of the articles of association, each share gives its holder ownership interest in the Company's assets and profits, proportionate to the percentage of the share capital the share represents.

Anyone who has held fully paid-up registered shares for at least four years as of the date of the Extraordinary General Meeting of June 14, 2000 or thereafter is entitled to double voting rights under the law.

Furthermore, if the capital is increased through the capitalization of reserves, profits or share premiums, this double voting right will apply, from the time of issue, to registered shares awarded free of charge to shareholders on the basis of shares already held that bear this entitlement.

Any shares converted to bearer shares or transferred to a different owner are stripped of double voting rights, although other rights and obligations attached to the share are transferred to any owner thereof.

However, double voting rights are not lost and the above-mentioned four-year period is not interrupted in the event that shares are transferred by way of an inheritance, following the liquidation of a marital estate, or in the form of an *inter vivos* gift to a spouse or a relative in the direct line of succession.

Shareholding thresholds (Article 9 B of the articles of association)

In accordance with the provisions of Article L. 233-7 of the French Commercial Code, any natural or legal person, acting alone or in concert, that comes to own, directly or indirectly, a number of shares accounting for more than the twentieth, the tenth, the three-twentieths, the fifth, the quarter, the three-tenths, the third, the half, the two thirds, the eighteen twentieths or the nineteen twentieths of the share capital or voting rights is required to so inform the Company as provided by law.

In case they are not declared, the shares exceeding the participation to be declared are deprived of the right to vote under the conditions provided for by Article 233-14 of the French Commercial Code, *i.e.* for a period of two years from the regularization of the notification.

In addition to the obligations provided for in paragraph 1 of Article L. 233-7 of the French Commercial Code, any crossing of a statutory threshold of 2.5% (and any multiple of this fraction) of the total number of shares or the Company's voting rights must be declared at the latest on the fourth trading day following the day the threshold is crossed.

Form and transfer of shares (Article 9 of the articles of association)

/ Form

Shareholders may opt to hold fully paid-up shares as either registered shares or bearer shares. Shares will be recorded in the Company's accounts in accordance with the terms and procedures set forth by law.

/ Transfer of shares

Shares may be freely traded unless otherwise stipulated by law or regulation. Shares may be sold or traded by the Company and by third parties via transfer between accounts in accordance with the regulations in force.

8.1.3. Information concerning administrative and management bodies

Information on administrative and management bodies, as well as their respective authority, is presented in chapter 2, "Corporate governance".

8.2. INFORMATION ON THE COMPANY'S CAPITAL

8.2.1. Statutory requirement governing modifications to the capital and rights attached to shares (Article 8 of the articles of association)

Extraordinary General Meetings have sole authority to decide to carry out or to authorize capital increases, upon recommendation by the Board of Directors.

If the share capital is increased through the capitalization of reserves, profit or share premiums, the General Meeting may make such decision in accordance with the requirements for quorum and majority set forth for Ordinary General Meetings.

The share capital must be fully paid up prior to any issue of new shares to be paid up in cash; otherwise the transaction may be declared null and void.

Shareholders are entitled, in proportion to their total shares, to preferential subscription rights to shares issued for cash as part of a capital increase.

The value of any contributions in kind must be appraised by one or more contribution appraisers appointed upon request by the presiding judge of the relevant commercial court.

Shares representing contributions in kind or stemming from the capitalization of profits or reserves must be fully paid up upon issuance.

At least one-fourth of the value of cash shares and the entire share premium, where applicable, must be paid up at the time of subscription. The remainder must be paid up in one or more instalments within a period of five years from the date on which the capital increase was finalized.

Subject to the restrictions and reserves set forth by law, Extraordinary General Meetings may also decide to carry out or authorize a reduction in the share capital for any reason or in any manner whatsoever, including due to losses or via repayment or partial buyback of shares, reduction in the number of shares, or reduction in the par value of shares; under no circumstances may the reduction in capital undermine the principle of equality between shareholders.

8.2.2. Issued share capital and authorized unissued share capital

For a summary of the delegations granted to the Board of Directors that may impact the Company's share capital, please refer to section 2.5.2 of this Universal Registration Document.

8.2.3. History of changes in share capital

		Change in share capital Issue of cash shares					
Meeting date [1]	Operation type	Par value *(in €)*	Premium *(in €)*	Number of created shares	Resulting total share capital	Number of cumulated shares	Par value *(in €)*
BoD Meeting of 02/01/2019	Share capital adjustment Exercise of share subscription options	3	40,339	1,450	18,053,676	6,017,892	3
BoD Meeting of 02/12/2020	Share capital adjustment Exercise of share subscription options	3	16,692	600	18,055,476	6,018,492	3
BoD Meeting of 02/08/2021	Share capital adjustment Exercise of share subscription options	3	501,267	18,100	18,109,776	6,036,592	3
BoD Meeting of 02/28/2022	Share capital adjustment Exercise of share subscription options	3	705,333	27,549	18,192,423	6,064,141	3

(a) BoD: Board of Directors.

8.2.4. Dividend distribution policy

The Company has not distributed any dividends over the last five financial years. Based on the results for 2021, the Board of Directors has no intention to propose a dividend distribution.

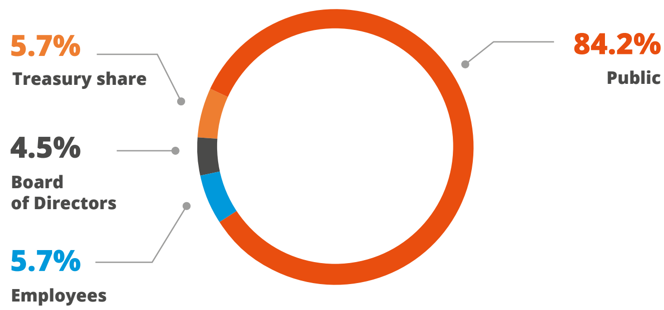
The future dividend distribution policy will depend on the Company's results and financial position.

ESI Group's dividend distribution policy is based on both prudent capital management and the attractiveness of the share for the shareholders.

8.2.5. Corporate shareholding structure

Shareholding structure

As of December 31, 2021, the shareholding structure of ESI Group is as follows:



Change in the breakdown of the Company's share capital over the past three financial years

Over the past three financial years, the breakdown of share capital and voting rights evolved as follows:

At December 31, 2021 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
Alexander Davern	11,333	0.19%	11,333	0.15%
Cristel de Rouvray	253,054	4.17%	506,108	6.51%
Charles-Helen des Isnards	3,551	0.06%	7,102	0.09%
Éric d'Hotelans	261	0.00%	522	0.01%
Véronique Jacq	157	0.00%	218	0.00%
Rajani Ramanathan	1	0.00%	2	0.00%
Yves de Balmann	1	0.00%	2	0.00%
Patrice Soudan	2,100	0.03%	2,100	0.03%
Members of the Board of Directors (registered shares)	**270,458**	**4.46%**	**527,387**	**6.79%**
Members of ESI Leadership Team (ELT)	**27,598**	**0.46%**	**41,056**	**0.53%**
Employee shareholding excl ELT (registered shares)	**315,672**	**5.21%**	**602,152**	**7.75%**
Public shareholding, registered shares	1,509,915	24.90%	3,004,298	38.66%
Public shareholding, bearer shares	3,596,802	59.31%	3,596,802	46.28%
Sub-total public shareholding	**5,106,717**	**84.21%**	**6,601,100**	**84.94%**
Treasury shares	343,647	5.67%	0	0.00%
TOTAL	**6,064,092**	**100.00%**	**7,771,695**	**100.00%**

Total number of theoretical voting rights: 8,116,303.

At the closing of the financial year 2021, the employee shareholding, as defined in Article L. 225-102 of the French Commercial Code, in the Company's share capital is 0.46%.

At December 31, 2020 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
Alain de Rouvray	1,207,391	20.00%	2,414,782	30.44%
Cristel de Rouvray	206,270	3.42%	412,540	5.20%
Amy de Rouvray	2,184	0.04%	4,368	0.06%
John Alexandre de Rouvray	204,270	3.38%	408,540	5.15%
Amy-Louise de Rouvray	204,275	3.38%	408,550	5.15%
Xiu Mei Dubois	25,200	0.42%	50,400	0.64%
Alex Peng Dubois-Sun	321,419	5.32%	642,838	8.10%
Sub-total of shareholders' agreement* (registered shares)	**2,171,009**	**35.96%**	**4,342,018**	**54.74%**
Vincent Chaillou	21,207	0.35%	37,404	0.47%
Charles-Helen des Isnards	3,551	0.06%	7,102	0.09%
Éric d'Hotelans	261	0.00%	522	0.01%
Véronique Jacq	157	0.00%	158	0.00%
Rajani Ramanathan	1	0.00%	2	0.00%
Yves de Balmann	1	0.00%	2	0.00%
Members of the Board of Directors (registered shares) (excluding founders)	**25,178**	**0.42%**	**45,190**	**0.57%**
Total employee shareholding (registered shares)	**82,155**	**1.36%**	**137,084**	**1.73%**
Public shareholding, registered shares	23,808	0.04%	37,779	0.48%
Public shareholding, bearer shares	3,371,161	55.85%	3,371,161	42.49%
Sub-total public shareholding	**3,394,969**	**56.24%**	**3,408,940**	**42.97%**
Treasury shares	363,281	6.02%	—	0.00%
TOTAL	**6,036,592**	**100.00%**	**7,933,232**	**100.00%**

Total number of theoretical voting rights: 8,298,004.
* *In May 2021, the shareholders' agreement was terminated.*

At December 31, 2019 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
De Rouvray	1,824,385	30.31%	3,648,770	46.22%
Xiu Mei Dubois	25,200	0.42%	50,400	0.64%
Alex Peng Dubois-Sun	355,419	5.91%	710,838	9.00%
Sub-total of shareholders' agreement (registered shares)	**2,205,004**	**36.64%**	**4,410,008**	**55.86%**
Vincent Chaillou	21,197	0.35%	34,794	0.44%
Charles-Helen des Isnards	3,951	0.07%	7,702	0.10%
Éric d'Hotelans	1,589	0.03%	3,178	0.04%
Véronique Jacq	157	0.00%	158	0.00%
Rajani Ramanathan	1	0.00%	2	0.00%
Yves de Balmann	1	0.00%	2	0.00%
Members of the Board of Directors (registered shares) (excluding founders)	**26,896**	**0.45%**	**45,836**	**0.58%**
Total employee shareholding (registered shares)	**81,312**	**1.35%**	**99,465**	**1.26%**
Public shareholding, registered shares	23,891	0.40%	36,181	0.46%
Public shareholding, bearer shares	3,303,698	54.89%	3,303,698	41.84%
Sub-total public shareholding	**3,327,589**	**55.29%**	**3,339,879**	**42.30%**
Treasury shares	**377,691**	**6.28%**	**0**	**0.00%**
TOTAL	**6,018,492**	**100.00%**	**7,895,188**	**100.00%**

Total number of theoretical voting rights: 8,279,879.

Shareholdings above legal thresholds

As of the filing date of this Universal Registration Document, the following shareholders each held more than 5% of the Company's capital:

- Long Path Partners holds 839,087 shares, *i.e.* 13.84% of the capital -10.07% of the voting rights;
- Briarwood Chase Management holds 632,197 shares, *i.e.* 10.43% of the capital -7.61% of the voting rights;
- Alain de Rouvray holds 459,788 shares, *i.e.* 7.58% of the capital -11.83% of the voting rights;
- Amy-Sheldon Loriot de Rouvray (Lawrence) holds 429,761 shares, *i.e.* 7.09% of the capital -11.06% of the voting rights;
- Alex Peng Dubois-Sun holds 321,419 shares, *i.e.* 5.30% of the capital -8.27% of the voting rights.

Crossing of legal and statutory thresholds declared to the Company during the financial year ended December 31, 2021 and until the filing date of this Universal Registration Document

As of the filing date of this Universal Registration Document, the following exceedances of thresholds have been declared:

Long Path Partners

- By letter dated February 12, 2021 sent by the Long Path Partners fund, declares that the latter has crossed the statutory threshold of 10% of the Company's voting rights upwards with 627,767 shares representing 10.37% of the shares and 7.55% of the voting rights;
- By letter dated March 26, 2021 sent by the Long Path Partners fund, declares that the latter has crossed the statutory threshold of 12.50% of the Company's capital upwards with 787,757 shares representing 13.00% of the shares and 9.46% of the voting rights;
- By letter dated June 30, 2021 sent by the Long Path Partners fund, declares that the latter has crossed the legal and statutory threshold of 10% of the Company's voting rights upwards with 839,087 shares representing 13.84% of the shares and 10.07% of the voting rights.

Briarwood Chase Management

- By letter dated January 22, 2021, the Briarwood Chase Management fund declared that it had crossed upward the statutory threshold of 7.5% of the Company's capital with 459,895 shares representing 7.62% of the shares and 5.54% of the voting rights;
- By letter dated August 20, 2021, the Briarwood Chase Management fund declared that it had crossed upward the legal and statutory threshold of 10% of the Company's capital with 606,511 shares representing 10.00% of the shares and 7.30% of the voting rights;
- By letter dated September 2, 2021, the Briarwood Chase Management fund declared that it had crossed upward the statutory threshold of 7.5% of the Company's voting rights with 632,197 shares representing 10.43% of the shares and 7.61% of the voting rights.

Individual shareholders

- Following the termination of the shareholder's agreement, on May 5, 2021:
  - Alain de Rouvray declared that he had crossed upward the statutory threshold of 17.5% of the Company's capital and the statutory threshold of 27.5% of the voting rights with 1,207,391 shares representing 19.93% of the shares and 29.00% of the voting rights,
  - Cristel Loriot de Rouvray declared that she had crossed upward the statutory threshold of 2.5% of the Company's capital and voting rights with 206,270 shares representing 3.40% of the shares and 4.95% of the voting rights,
  - John-Alexandre Loriot de Rouvray declared that he had crossed upward the statutory threshold of 2.5% of the Company's capital and voting rights with 204,270 shares representing 3.37% of the shares and 4.91% of the voting rights,
  - Amy-Louise Loriot de Rouvray declared that she had crossed upward the statutory threshold of 2.5% of the Company's capital and voting rights with 204,275 shares representing 3.37% of the shares and 4.91% of the voting rights,
  - Xiumei Dubois declared that she had crossed upward the legal and statutory threshold of 5% of the Company's capital and the statutory threshold of 7.5% of voting rights with 693,238 shares representing 5.72% of the shares and 8.32% of the voting rights;
- By letter dated August 7, 2021, Alain de Rouvray declared that he had crossed downward the legal and statutory threshold of 10% of the Company's capital and the legal and statutory threshold of 15% of the voting rights with 604,788 shares representing 9.97% of the shares and 14.56% of the voting rights;
- By letter dated August 7, 2021, Amy-Sheldon Loriot de Rouvray (Lawrence) declared that she had crossed upward the statutory threshold of 7.5% of the Company's capital and the statutory threshold of 12.5% of the Company's voting rights with 604,787 shares representing 9.97% of the shares and 14.56% of the voting rights;
- By letter dated November 18, 2021, Cristel Loriot de Rouvray declared that she had crossed upward the legal and statutory threshold of 5% of the Company's voting rights with 253,054 shares representing 4.17% of the shares and 6.10% of the voting rights;
- By letter dated November 18, 2021, Amy-Louise Loriot de Rouvray declared that she had crossed upward the legal and statutory threshold of 5% of the Company's voting rights with 251,118 shares representing 4.14% of the shares and 6.05% of the voting rights;
- By letter dated November 18, 2021, John-Alexandre Loriot de Rouvray declared that he had crossed upward the legal and statutory threshold of 5% of the Company's voting rights with 251,054 shares representing 4.14% of the shares and 6.05% of the voting rights.
- By letter dated December 28, 2021, Alain de Rouvray declared that he had crossed downward the statutory threshold of 12.5% of the Company's voting rights with 459,788 shares representing 7.58% of the shares and 11.33% of the voting rights.

Shareholders' agreement and other agreements

In February 2021, ESI Group was informed by Cristel de Rouvray that she had notified the parties to the shareholders' agreement entered into on October 25, 2000 between herself, certain members of her family and the Dubois estate, of her decision to no longer be bound by the rights and obligations of this agreement as from March 9, 2021. As a result, Cristel de Rouvray is no longer deemed acting in concert with the other parties to this shareholders' agreement.

In May 2021, the shareholders' agreement was terminated by its members and since then, is no longer existing. As a reminder, the agreement signed on October 25, 2000 and published in *La Tribune* on Friday October 27, 2000, after CMF decision No. 200C1608 on October 27, 2000, binded Alain de Rouvray (founder), the members of his family group composed of Amy Sheldon Lawrence de Rouvray, Cristel Anne de Rouvray, John Alexandre de Rouvray and Amy Louise de Rouvray, as well as the heirs of the Dubois estate.

For more informations about the conditions of this former shareholders' agreement, please refer to 2020 URD accessible on ESI Group's investors website.

In accordance with the "Dutreil" law in France, an agreement was signed on December 22, 2003, and renewed on December 31, 2011 for a term of five years and six months. renewable indefinitely, between Mr. Alain de Rouvray, Ms. Amy de Rouvray, Ms. Cristel Anne de Rouvray, Mr. John Alexandre de Rouvray and Ms. Amy Louise de Rouvray in their capacity as shareholders of the Company.

Transactions on shares

Transactions completed by individuals with responsibilities of Officers or Directors at the time of the operation and during 2021 financial year and until the date of this Universal Registration Document.

Name	Function	Type of security	Type of transaction	Date of transaction	Gross unit price *(in €)*	Number of securities	Total gross amount *(in €)*
Patrice Soudan	Director	Shares	Purchase	10/11/2021	70.18	2,100	147,378.00
Alex Davern	Chairman of the Board of Directors	Shares	Purchase	07/24/2021	59.86	150	8,978.97
				07/22/2021	59.86	150	8,978.97
				07/21/2021	59.89	137	8,205.72
				07/19/2021	59.86	150	8,978.97
				07/14/2021	59.86	104	6,225.42
				06/04/2021	61.06	250	15,265.25
				06/04/2021	61.06	139	8,487.48
				06/02/2021	60.32	250	15,081.57
				06/01/2021	59.84	250	14,960.45
				05/31/2021	60.06	250	15,015.00
				05/29/2021	60.26	250	15,065.05
				05/27/2021	60.26	250	15,065.05
				05/26/2021	60.25	250	15,064.65
				05/19/2021	59.95	250	14,989,97
				05/18/2021	59.85	250	14,964.95
				05/07/2021	58.02	250	14,507.00
				05/06/2021	56.85	250	14,214.20
				05/05/2021	57.05	250	14,264.25
				05/04/2021	55.26	250	13,816.60
				05/03/2021	54.96	250	13,741.52
				04/30/2021	53.56	250	13,390.17
				04/01/2021	48.85	250	12,212.20
				03/31/2021	48.95	250	12,237.23
				03/30/2021	49.16	250	12,289.88
				03/29/2021	49.45	250	12,361.35
				03/27/2021	49.75	250	12,437.43
				03/25/2021	49.95	250	12,487.48
				03/24/2021	49.95	250	12,487.48
				03/23/2021	49.95	250	12,487.48
				02/12/2021	47.34	2,437	115,373.43
				02/11/2021	46.23	134	6,194.69
				02/10/2021	45.13	340	15,344.74

8.2.6. Company share buybacks

The Shareholders' Meeting of June 22, 2021 authorized the Board of Directors. pursuant to the provisions of Article L. 22-10-62 of the French Commercial Code, of European regulation No. 596/2014 of April 16, 2014 on market abuse and of AMF's General Rule, to purchase or sell Company's shares in the context of the implementation of a buyback program. The maximum purchase price has been fixed to €75 per share. The number of shares acquired could not exceed 10% of the share capital. This authorization was granted for a duration of 18 months and supplanted the previous authorization of the Shareholders' Meeting of June 25, 2020.

The description of the share buyback program implemented by the Board of Directors' Meeting of June 22, 2021, pursuant to the authorization granted by the Shareholders' Meeting can be consulted on the website.

Shares buyback for the financial year ended December 31, 2021

In 2021, ESI Group did not buy back any shares.

Cancellation of shares for the financial year ended December 31, 2021

In 2021, ESI Group did not cancel any shares.

Assignments or transfers of shares for the financial year ended December 31, 2021

In 2021, ESI Group distributed 21 786 shares under its free share plans.

Liquidity contract

A liquidity contract was concluded with CIC in 2009 and remains in force. The monthly report on the liquidity contract is also available on the website.

Table summarizing the operations of the Company on its own shares during its financial year ended on December 31, 2021

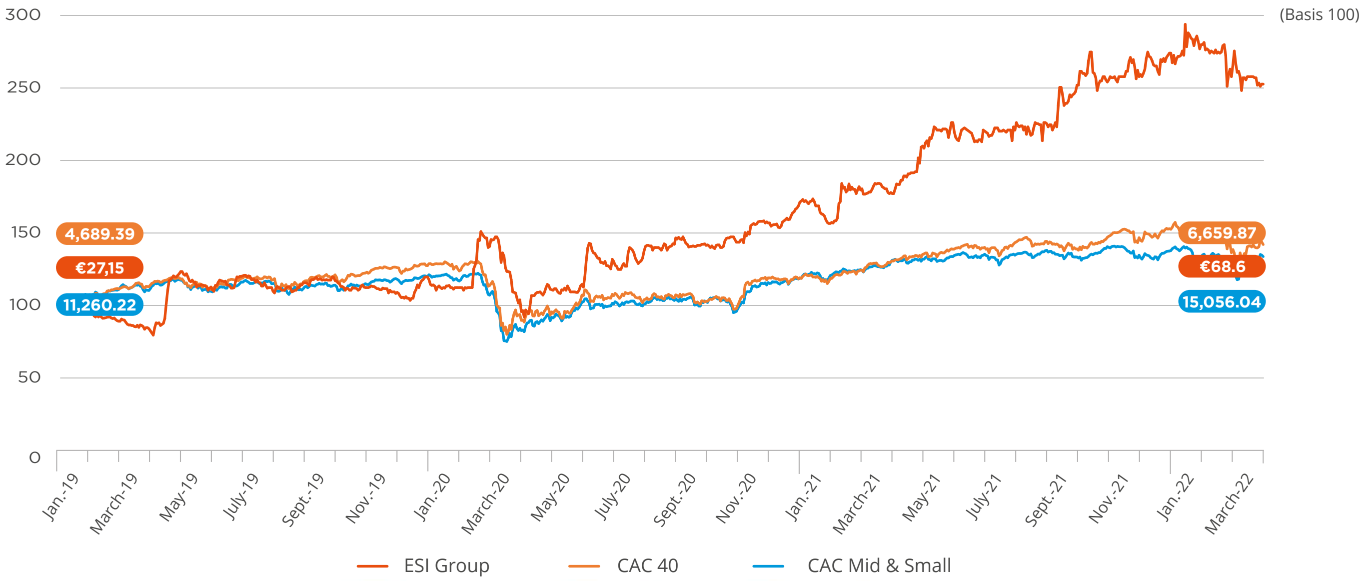
Date of authorization by the General Meeting	Resolution 21 of June 22, 2021
Date of expiration of the authorization	December 20, 2022
Ceiling on authorized buybacks	10% of share capital at the transaction date
Maximum purchase price per share	€75
Authorized purposes	Cancellation Share purchase options Free share grants Liquidity and market-making External growth
Board of Directors' Meeting at which buybacks were implemented	June 22, 2021
Number of shares purchased in 2021	0
Number of shares cancelled in 2021	0
Number of treasury shares at December 31, 2021 [(a)]	377,691
Percentage of capital held by the Company at December 31, 2021	5.7%

(a) Excluding liquidity contract.

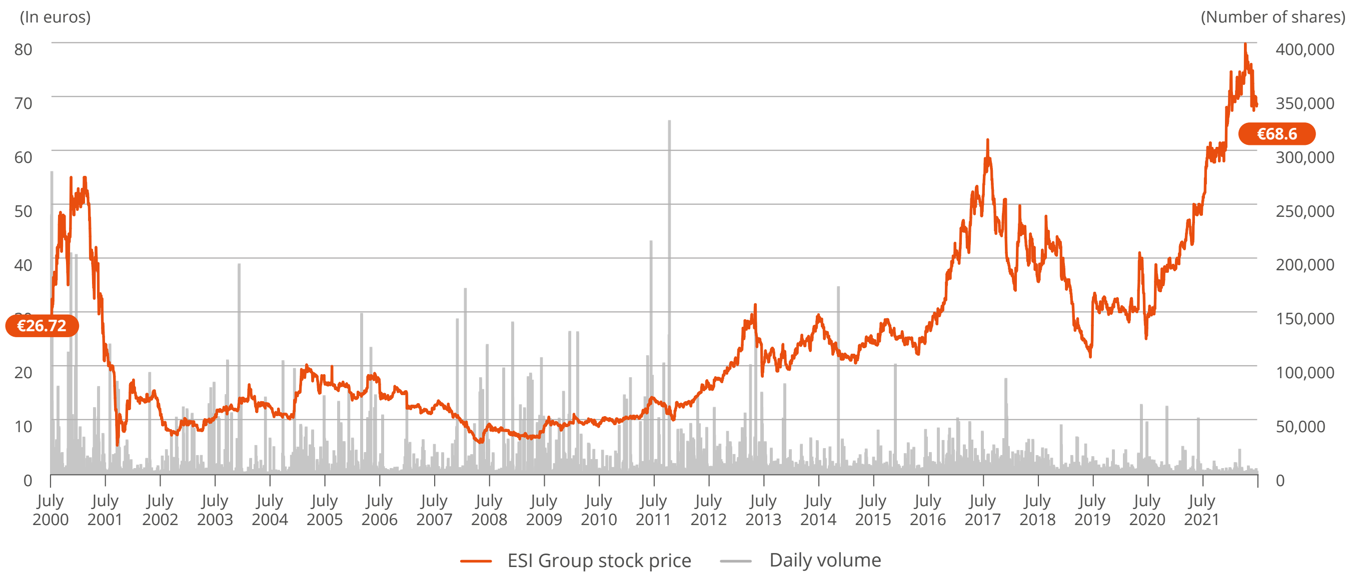
8.3. ESI SHARES – MARKET

8.3.1. Share price trends

The chart below shows how ESI Group's stock price has performed relative to the CAC Mid & Small and CAC 40 index since January 1, 2019 until the end of March 2022:



The chart below shows how ESI Group's stock price has performed since its initial public offering on July 6, 2000 until the beginning of April 2022 and the daily volume of transactions:



8.3.2. Survey of identifiable bearer share

On March 23, 2021 the Group carried out a survey of identifiable bearer shares (TPI: *titres au porteur identifiable*) on 99% of its free float (excluding treasury shares) which could be compared to the one realized on March 23, 2021.

	At March 30, 2022		At March 23, 2021	
	As % of free float	As % of share capital	As % of free float	As % of share capital
French institutional investors	18.0%	10.9%	23.2%	13.0%
Foreign investors	70.2%	42.3%	69.7%	39.1%
Individual shareholders	7.3%	4.4%	6.0%	3.4%
Companies	7.0%	4.0%	—	—

9 ADDITIONAL INFORMATION

9.1. PERSONS RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

9.1.1. Person responsible for the information contained in the Universal Registration Document

Mrs. Cristel de Rouvray, Chief Executive Officer of ESI Group.

9.1.2. Statement by the person responsible for the information contained in the Universal Registration Document

Rungis, April 8, 2022.

Mrs. Cristel de Rouvray, Chief Executive Officer of ESI Group:

"I certify, having taken all reasonable care to ensure that such is the case, that the information contained in this Universal Registration Document are, to the best of my knowledge, in accordance with the facts and does not include any omissions that might alter the contents thereof.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all consolidated companies making up the Group, and that the attached management report on pages 96 et seq. *presents a fair picture of the business trends, results and financial position of the Company and all consolidated companies making up the Group, as well as a description of the main risks and uncertainties these entities face."*

9.1.3. Person responsible for the financial information

Mrs. Cristel de Rouvray, Chief Executive Officer of ESI Group.

9.2. STATUTORY AUDITORS

Statutory Auditors

KPMG S.A.

Tour Eqho – 2, avenue Gambetta

92066 Paris-La Défense Cedex

Represented by Stéphanie Ortega.

Date of 1st appointment: Combined General Meeting of June 22, 2021 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2026.

KPMG S.A. is a member of the *Versailles & du Centre* Regional Association of Statutory Auditors.

Ernst & Young Audit

Tour First

TSA 14444

92037 Paris-La Défense cedex

Represented by Mr. Pierre-Henri Pagnon.

Date of last renewal: Combined General Meeting of June 22, 2021 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2026.

Ernst & Young Audit is a member of the *Versailles & du Centre* Regional Association of Statutory Auditors.

9.3. DOCUMENTS AVAILABLE TO THE PUBLIC

All corporate documents related to the Company can be consulted on its website: www.esi-group.com. The website provides both in French and English a detailed description of the Group and its business activities, as well as financial information for shareholders and investors, including all mandatory information required under the European Transparency Directive. It provides access to Universal Registration Documents, financial reports, annual and interim consolidated financial statements, press releases, regulated information, the articles of association, shareholders letters and guides and stock prices.

Following the Transparency Directive adopted in 2007, ESI Group has decided to use a reporting service licensed by the French Financial Markets Authority (AMF). This allows the Group to provide proof of compliance with legal reporting requirements.

Lastly, if you have any questions regarding this Universal Registration Document, please contact:

ESI Group – Communication Department

3 bis, rue Saarinen – Immeuble Le Séville

94528 Rungis Cedex

France

investors@esi-group.com

9.4. INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is included by reference in this Universal Registration Document:

- The financial information contained in the management report, the consolidated financial statements and the corresponding Statutory Auditors' report, as well as the annual accounts and the corresponding Statutory Auditors' report appearing respectively on pages 89 *et seq.*, 96 *et seq.* and 132 *et seq.* of the Universal Registration Document for fiscal year 2020 filed with the AMF on April 16, 2021 under number D.21-0315;
- The financial information contained in the management report, the consolidated accounts and the corresponding Auditors' report, as well as the annual accounts and the corresponding auditors' report appearing respectively on pages 95 *et seq.*, 104 *et seq.* and 143 *et seq.* of the 2019 registration document filed with the AMF on April 23, 2020 under number D.20-0340; The parts not included in the 2019 Registration Document and the 2020 Universal Registration Document are either irrelevant to the investor or covered in another part of the 2021 Universal Registration Document.

CROSS-REFERENCE TABLES

UNIVERSAL REGISTRATION DOCUMENT CROSS-REFERENCE TABLES

These cross-reference tables include the headings provided in Appendices I and II of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 and refer to the pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

For ease of reference, the following cross-reference table facilitates identification of information making up the annual financial report, the publication of which is required under Article L. 451-1-2 of the French Financial and Monetary Code and Article 222-3 of French Financial Markets Authority (AMF) General Regulations.

Informations	Page(s)
Person responsible for the document	188
Annual financial statements of ESI Group	142 *et seq.*
Consolidated financial statements of ESI Group	102 *et seq.*
Statutory Auditors' report on the annual financial statements	164 *et seq.*
Statutory Auditors' report on the consolidated financial statements	137 *et seq.*
Management report	See the next table
Report of the Board of Directors on the corporate governance	See the next table

MANAGEMENT REPORT CROSS-REFERENCE TABLE

For ease of reference, the following cross-reference table facilitates identification of information required in the management report pursuant to Articles L. 225-100 *et seq.*, L. 22-10-35, L. 22-10-36, L. 232-1 and R. 225-102 *et seq.* of the French Commercial Code.

Informations	Page(s)
Group position and business	
Objective and exhaustive analysis of development of the Group's business, performance and financial position	96 *et seq.*
Key events between the closing date and the date of the management report	136
Description of main risks and uncertainties and indication regarding the use of financial instruments by the Group	126 *et seq.*
Foreseeable development of the Group's situation and future outlook	100
Research and development activity	10
Shareholding and share capital	177 *et seq.*
Structure and development of the Group's share capital	180-181
Status of employee share ownership	181-183
Acquisition and disposal of own shares by the Group	185
Declarations of ownership thresholds crossed	183
Shareholder agreements corresponding to securities comprising Company's share capital	180
Environmental, social and societal information	64 *et seq.*
Environmental information	84 to 88
Social information	70 to 77
Societal information	78 to 83
Other information	
Information regarding supplier payment terms	99
Table summarizing the results of the past five financial years	100
Internal control and risk management procedures	58 *et seq.*
Control environment	58-59
Organization of internal control	60-61
Risk management	62

CORPORATE GOVERNANCE REPORT CROSS-REFERENCE TABLE

For ease of reference, the following cross-reference table facilitates identification of information required in the corporate governance report pursuant to Articles L. 225-37 *et seq.*, L. 22-10-3 *et seq.* of the French Commercial Code.

STATEMENT ON EXTRA-FINANCIAL PERFORMANCE CROSS-REFERENCE TABLE

For ease of reference, the following cross-reference table facilitates identification of environmental, social and societal information making up the Statement on extra-financial performance, provided in accordance with Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

	Page(s)
SOCIAL INFORMATION	
Employment	
■ Total workforce and breakdown by gender, age and geographic area	73 to 74
■ Recruitments and dismissals	76
■ Compensation and changes in compensation over time	77
Work organization	
■ Work schedules	76
■ Absenteeism	N/A
Labor relations	
■ Organization of employer-employee dialogue	76
■ Summary of collective agreements	76
Health and safety	
■ Workplace health and safety conditions	76-77
■ Summary of agreements signed with trade unions or employee representatives regarding workplace health and safety	76
■ Workplace accidents, in particular frequency and severity, as well as occupational illnesses	N/A
Training	
■ Training policies implemented	71
■ Total number of training hours	67, 71
Equal treatment	
■ Steps taken in support of gender equality	74-75
■ Steps taken in support of employment and inclusion of people with disabilities	75
■ Anti-discrimination policy	75
Promotion and observance of the fundamental conventions of the International Labor Organization	
■ Observance of freedom of assembly and the right to collective bargaining	N/A
■ Elimination of discrimination in employment and occupation	75
■ Elimination of forced or mandatory labor	82
■ Effective elimination of child labor	82
SOCIETAL INFORMATION	
Territorial, economic and social impact of the Company's activity	
■ In terms of employment and regional development	70 to 79
■ On neighboring or local communities	81 to 83
Relations with persons or organizations with an interest in the activity of the Company, including NGOs, educational institutions and local communities	
■ Terms of dialog with such persons or organizations	79 to 81
Subcontracting and suppliers	
■ Consideration of social issues in the purchasing policy	N/A
■ Consideration of environmental issues in the purchasing policy	N/A
■ Amount of subcontracting and consideration of the social and environmental responsibility of suppliers and subcontractors in relationships with them	80 to 82
Fair trade practices	
■ Actions taken to prevent corruption	82
■ Measures promoting the health and safety of consumers	80 to 82

	Page(s)
ENVIRONMENTAL INFORMATION	
Overall environmental policy	
■ Organization of the Company for the consideration of environmental issues and environmental evaluation or certification processes, where applicable	84 *et seq.*
■ Employee training and information on environmental protection	89
■ Resources devoted to preventing environmental risks and pollution	84 *et seq.*
■ Amount of provisions and guarantees for environmental risks	N/A
Pollution	
■ Prevention, reduction or remediation of discharges with serious environmental impact on the air, water or soil	84 *et seq.*
■ Consideration of noise and any other form of pollution specific to an activity	84 *et seq.*
Circular economy	
■ Waste prevention and management:	
• Prevention, recycling, reuse and other waste recovery and elimination measures	88
• Measures to fight food waste	N/A
■ Sustainable use of resources:	
• Water consumption and supply in relation to local constraints	88
• Consumption of raw materials and measures to enhance efficiency	N/A
• Energy consumption, measures to improve energy efficiency and use of renewable energies	86 to 88
• Land use	N/A
Climate change	
■ Significant factors of greenhouse gas emissions caused by the Company's activity, particularly through use of the goods and services produced by the Company	84 to 87
■ Adapting to the impact of climate change	N/A
Protecting biodiversity	
■ Protecting biodiversity	N/A

Investor Relations

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KEYWORDS OF THE 2021 UNIVERSAL REGISTRATION DOCUMENT

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