

prodware<sup>TD</sup>

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MANAGEMENT REPORT  
**PRODWARE**

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*For fiscal year ended December 31st, 2020*

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THE PRODWARE GROUP  
IN 2020

## HIGHLIGHTS IN 2020



In a year strongly disrupted by the Covid-19 crisis, Prodware's business model was put to the test but proved resilient even choosing to accelerate its own digital transformation to meet the new market challenges.

The wide range of its offerings, its large customer base and its presence in many geographies helped the company mitigate the negative impacts on revenues due to the crisis.

The Group thus recorded a slight decline of 5.6% in consolidated revenues, comparable to 2019, mainly due to the slow-down in the French-speaking regions.

International sales held up quite well overall with only a slight 3% drop as the vast majority of customers maintained full operational capacity throughout the crisis despite the mandatory safety and health measures.

Due to shrewd management of the business, the group saw its profitability metrics improve since the beginning of the crisis. Exceptional measures were taken to reduce personnel related charges and non-strategic costs in order to balance expenses with the decline in business activity, especially during the second quarter, while also reassigning resources to support the ongoing customer projects.

The measures implemented were:

- › a hiring freeze issued for all non-essential positions and unbudgeted resources between March and the end of Q3.
- › applying the partial unemployment scheme in certain countries;
- › suspending dividends;
- › bringing together a motivated workforce (excluding those on partial unemployment) through a robust remote work infrastructure and collaboration tools.

Prodware did not choose to opt for the French Government's State Guaranteed Loan and renegotiated the installments on two of its loans over the following fiscal periods for a total amount of 550k€ in capital.

The Group closed its fiscal year with a 3% increase in Ebitda reaching close to 50m€ and a net income group share up 7% reaching 11.3m€.

Furthermore, in line with its strategy of concentrating its core business in geographies deemed to have the most business-development potential, Prodware decided to sell its subsidiary in Tunisia as well as its Integration business unit in Israel in 2020. It is to be noted though that Prodware's Research & Development division and the Scale up 365x program in Israel were not sold and remain part of the Prodware Group.

There were many lessons learned during the sanitary crisis notably that going digital for a large number of companies became an imperative.

This digital imperative should bring on significant opportunities for the group in the coming years with offerings across the entire value chain, in line with its new customer and employee-centric 2021-2025 strategy.

GROUP  
OVERVIEW

2



2.1. KEY FIGURES

• 172 M€  
ANNUAL TURNOVER

• 1 060  
EMPLOYEES

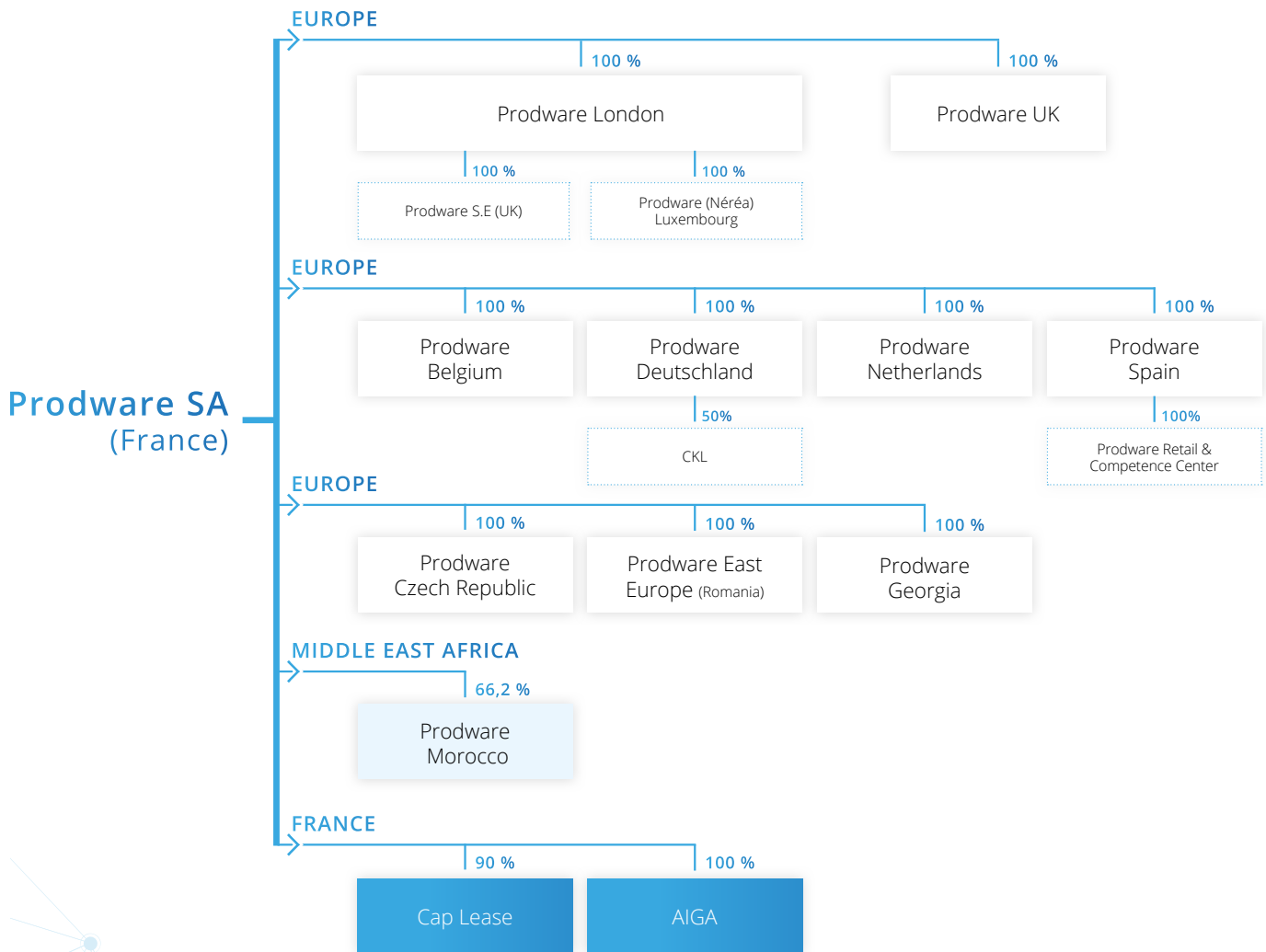
• 12  
COUNTRIES

• 15 000  
CLIENTS

• LISTED ON  
EURONEXT GROWTH  
PARIS

## 2.2. THE PRODWARE GROUP AS OF DECEMBER 31<sup>ST</sup> 2020

### 2.2.1. Organigram



## 2.2.2. Changes in Scope

Changes to be noted compared to the previous fiscal year:

- › a sales agreement signed in September 2020 for the sale of the Prodware Israel subsidiary;
- › an additional 25% stake in Prodware Spain's Retail & Competence Center (going from 75% to 100% ownership).

## 2.3. RESULTS OF SUBSIDIARIES

Detailed financial results – turnover and net results below.

Euros	Ownership structure	Proportionate Share	Shares – Gross value	Shares – Net value	Share Capital	Equity	Revenue (excl. tax)	Fiscal year earnings
<b>Holding more than 50% ownership of subsidiaries (direct and indirect ownership)</b>								
Prodware Belgium	direct	100,00%	5 955 013	5 955 013	3 000 000	2 517 161	5 446 873	-715 416
Prodware Deutschland	direct	100,00%	16 911 113	16 911 113	51 150	4 187 159	18 867 445	1 072 210
CKL Software (Deutschland)	indirect	50,00%			100 000	1 877 447	3548225	1 315 630
ALGA (France)	direct	100,00%	314 000	314 000	30 000	-230 659	1 728 750	-248 211
Cap Lease (France)	direct	90,00%	332 778	332 778	40 000	310 888	2 631 636	34 481
Prodware Georgia	direct	100,00%	n/s	n/s	n/s	477 243	1 243 617	309 057
Prodware Luxembourg	indirect	100,00%			232 500	-415 579	849 900	-366 958
Prodware Morocco	direct	66,20%	44 337	44 337	50 516	-49 233	1 155 132	8 319
Prodware Netherlands BV	direct	100,00%	19 348 140	19 348 140	878 000	1 992 121	15 658 882	-364 766
Prodware East Europe (Romania)	direct	100,00%	1 000	1 000	807	-37 810	95 609	-23 151
Prodware Spain	direct	100,00%	4 500 000	4 500 000	152 010	7 323 779	33 126 993	1 169 124
Retail Competence Center (Spain)	indirect	75,00%			250 000	402 056	453 647	64 508
Prodware Czech Rep.	direct	100,00%			7 299	216 939	1 583 740	8 577
Prodware London limited (UK)	direct	100,00%	5 569 479	5 569 479	5 569 479	9 909 761	12 858 838	1 578 464
Prodware SE (UK)	indirect	100,00%			n/s	4 478 256	18 105 877	3 716 972
Prodware UK Limited	direct	100,00%	3 846 890	282 694	1 891 676	-748 100	1 701 902	-307 609
<b>Subsidiaries with less than 50% ownership</b>								
None								
			56 822 750	53 258 554				

# CONSOLIDATED FINANCIAL STATEMENTS



## 3.1. REVENUE

### 3.1.1. Revenue Streams

Revenues for this fiscal year suffered an 8.1% drop due to the impacts of the sanitary crisis with an annual turnover of 172 397 k€ compared to last year – 187 661 k€ in December 2019.

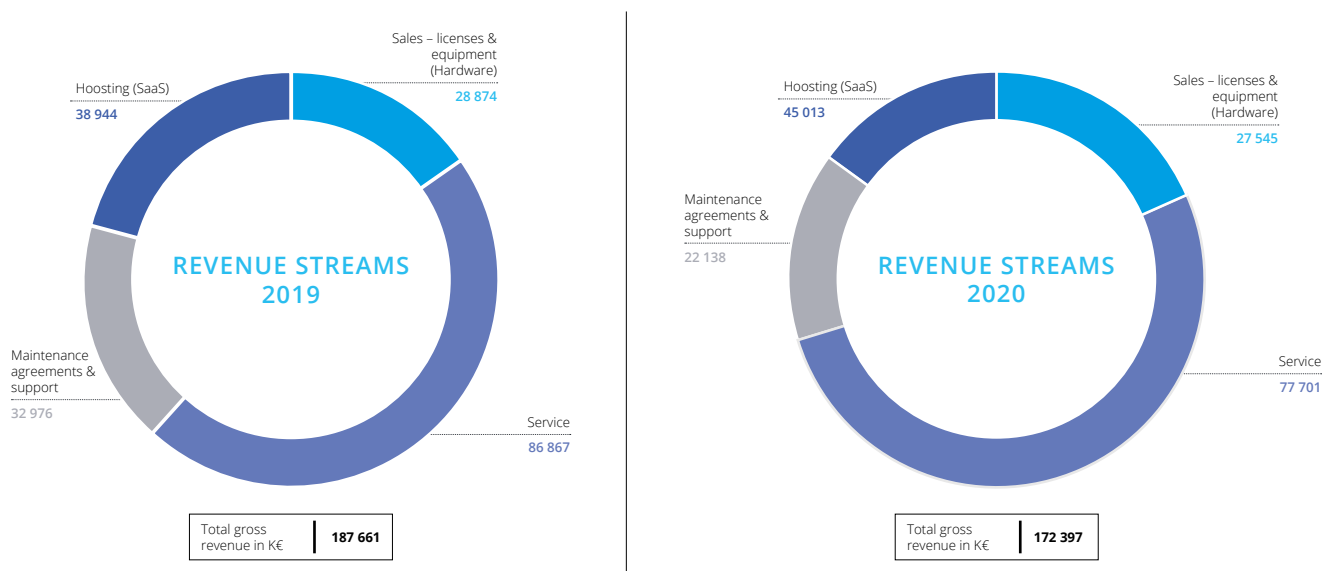
When factoring in the restated figures related to the sale of the Prodware Israel subsidiary, we see a consolidated 5.6% decline in revenue.

The breakdown of revenue streams shows that:

- › SaaS sales continue to grow reaching 45 013 k€, a 15,6% increase compared to the previous fiscal period;
- › Maintenance agreement sales have waned, down 32,9% (22 138 k€ compared to 32 976 k€ in December 2019).

These two factors have driven a slight growth in recurring revenue reaching 39% compared to 38,3% in 2019.

Service revenue dropped significantly during the fiscal period due to many customers postponing their service agreements in H1.



### 3.1.2. Breakdown by Region

International business held up quite well during this crisis with a generated revenue of 109 421 k€, a slight drop of 2,9% compared to 2019 (112 661 k€). Germany stood out with an increase of +3,2%, followed by the Benelux (+0,6%).

The French speaking zone however recorded a 16,0% decline generating 62 975 k€ compared to 74 999 k€ in 2019.

## 3.2. INCOME STATEMENT

### 3.2.1. Simplified Table

Despite the drop in revenues, the Group has improved on all its profitability indicators, demonstrating the effectiveness of the remedial action plans undertaken during the year to drive and ensure business profitability i.e. significantly reducing external costs (-22.4% down to 16,503 k€) and personnel costs (-14.2% down to 49,842 k€).

EBITDA thus reaching 49 813 k€, 28.9% margin of revenues.

The operating income increased by 9,7%. It factors in a slight hike in depreciation allowance and provisions (29 993 k€ compared to 29 216 k€) and significant decrease in taxes (934 k€ compared to 1 829 K€).

The financial income amounts to -6 415 k€ in 2020, hardly budging from what it was in 2019 (6 448 k€) whereas tax on earnings increased by 1 428 k€.

The net income group share increased by 7.4% compared to the previous fiscal period coming to 11 305 K€ in 2020.

(in K€)	12/31/2019	12/31/2020	Variation
<b>Revenue</b>	<b>12/31/2020</b>	<b>172 396</b>	<b>-8,1%</b>
EBITDA	48 323	49 813	+3,1%
<i>in % of revenue</i>	25,8%	28,9%	
Operating Income	17 278	18 946	+9,7%
<i>in % of revenue</i>	9,2%	11,0%	
Operating profit	17 291	19 220	+11,2%
<i>in % of revenue</i>	9,2%	11,1%	
Net income group share	10 527	11 305	+7,4%
<i>in % of revenue</i>	5,6%	6,6%	

## 3.3. BALANCE SHEET & FINANCIAL STRUCTURE

Below the group's simplified balance sheet.

Assets (in K€)	12/31/2019	12/31/2020	Liabilities (in K€)	12/31/19	12/31/2020
Goodwill	34 586	32 638	Equity	144 359	155 394
Fixed assets & equity investment	208 657	212 267	Non-controlling interests	466	5
Deferred tax assets	11 152	9 611	Deferred tax liability	0	
Other noncurrent and current assets	75 946	89 574	Noncurrent liabilities	110 637	115 844
Cash flow	29 427	36 098	Current liabilities	104 306	108 945
<b>Total</b>	<b>359 768</b>	<b>380 188</b>	<b>Total</b>	<b>359 768</b>	<b>380 188</b>

### 3.3.1. Investment Capital

The group's investment capital amounted to 155 394 k€ compared to 144 359 k€ as of December 31st 2019, showing a 7.6% increase. Must be deducted from this investment capital the amount of 3 333k€ which corresponds to the shares held under the share buyback program.

### 3.3.2. Cash Flow

Cash and cash equivalents at fiscal year-end amounted to €36 098 k€ compared with 29 427 k€ at the end of 2019, representing a positive change of 22.7%.

### 3.3.3. Net Financial Debt

The debt amounts to 121 263 k€ compared to 112 620 k€ in 2019.

The net debt amount, including cash and cash equivalents but excluding IFRS 16 valuation, comes to 85165k€ compared with 83 193k€ as of December 31st, 2019.

The net debt/equity ratio (gearing) was 54.8% compared with 57.4% as of December of the previous year. The leverage ratio (net debt/EBITDA for the year) remains stable at 1.71.

## 3.4. SIMPLIFIED CASH FLOW

IFRS – Audited data in M€	12/31/2019	12/31/2020
Self-financing capacity before cost of debt and taxes	46,7	44,6
Change in WCR	3,3	-8,9
<b>Net cash flows generated by operating activities</b>	<b>49,9</b>	<b>35,7</b>
Asset acquisitions	-37,1	-26,6
Sales of assets and other goods	0,2	4
<b>Net cash flows from investment activities</b>	<b>-36,9</b>	<b>-22,6</b>
Net variation in loans including bank loans(1)	-17,8	-9,6
Dividends received/paid by parent company	-0,3	-
Increase/Decrease in capital	-0,2	-
Transactions including treasury shares	-2,8	-0,2
<b>Net cash flows from investment financing</b>	<b>-21,1</b>	<b>-9,8</b>
Net variation in cash flow	-	-
<b>Cash Flow Variation</b>	<b>-8,1</b>	<b>3,3</b>

## 3.5. INVESTMENT POLICY & R&D

In 2020, the Group pursued its Research & Development activities supporting its software solution offering. The expenditure of some of this research is eligible for the research tax credit scheme (CIR).

For fiscal year 2020, Prodware recorded a net operating income from CIR fees of 4 676k€, down 20.0% compared to the previous year (5 851 k€).

# ANNUAL FINANCIAL STATEMENTS

# PRODWARE SA

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## 4.1. SIMPLIFIED TABLE – INCOME STATEMENT

in K€	12/31/2019	12/31/2020
Revenue	103 347	86 687
Operating profit	5 825	5 855
Profit before tax	2 390	-432
Exceptional items	-885	-661
Tax on profits	-6 583	-4937
Net profit	8 087	3 844

## 4.2. SIMPLIFIED BALANCE SHEET

Assets (net value in K€)	12/31/2019	12/31/2020	Liabilities (in K€)	12/31/2019	12/31/2020
Tangible & Intangible assets	89 658	86 515	Capital and other equity	164 893	168 738
Financial assets	189 435	217 608	Reserves for possible losses	711	685
Inventories	0		Financial debt	116 981	121 334
Receivables & sundry assets	20 317	20 335	Sundry debts	22 387	22 949
Cash	13 585	6 674	Other liabilities	11 415	19 809
Accrual accounts	5 628	5 143	Accrual accounts	2 236	2 760
<b>Total</b>	<b>318 623</b>	<b>336 275</b>	<b>Total</b>	<b>318 623</b>	<b>336 275</b>

## 4.3. APPROPRIATION OF PROFIT

At the next annual General Meeting, it will be suggested that the total 3 844 k€ of profit be allocated to the retained earnings account.

Given this crisis-ridden context, the Board of Directors is counting on Prodware's shareholders to contribute to the global effort made by the employees during the year.

In compliance with article 243 bis of the French General Tax Code, the allocations issued over the past three fiscal years are as follows:

- › 2020 (fiscal 2019): 0 K€.
- › 2019 (fiscal 2018): 297 K€ (qualifying for tax relief).
- › 2018 (fiscal 2017): 464 K€ (qualifying for tax relief).

#### 4.4. MISCELLANEOUS INFORMATION: CUSTOMER & SUPPLIER PAYMENT TERMS

Payment Terms - Suppliers	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days & more	Total
Aging buckets						
Number of invoices	1 775	174	28	8	44	2 029
Total number of invoices	8 734 768	554 996	-13 112	5 838	346 680	9 629 170
Percentage of the total amount of purchases including VAT for the year*	18,37%	1,17%	-0,03%	0,01%	0,73%	20,25%

\*based on net credit position on the '401000 Suppliers' account.

Payment Terms - Suppliers	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days & more	Total
Aging buckets						
Number of invoices	1 953	774	344	161	604	3 836
Total number of invoices	7 369 880	1 787 265	970 216	334 478	3 179 283	13 641 122
Percentage of revenue including VAT for the year	7,46%	1,81%	0,98%	0,34%	3,22%	13,80%

#### 4.5. LAVISH SPENDINGS

None.

## 4.6. RESULTS OF THE LAST FIVE FISCAL YEARS

Items	2016	2017	2018	2019	2020
Share Capital	5 330 364	5 036 227	5 036 227	5 036 227	5 036 227
Number of common A shares	8 200 560	7 741 000	7 741 000	7 741 000	7 741 000
Number of B shares (with no voting rights or dividend priority)		7 042	7 042	7 042	7 042
<b>Maximum number of future shares to be created</b>					
Convertible bonds	0	0	0	0	0
Subscription warrants	1 168 900	1 897 000	2 234 000	2 234 000	1 969 300
Free share allocation plans	801 500		753 100	744 500	0
<b>Fiscal year transactions and income (3)</b>					
Revenue excluding taxes	106 251 006	97 766 394	96 682 540	103 347 392	86 687 416
Net income (7) before taxes, employee profit sharing and transfers to depreciation (6) & provisions (5)	13 525 900	13 789 818	13 844 109	13 794 968	16 043 763
Tax on profits (4)	-11 943 987	-11 500 302	-10 270 427	-6 583 029	-4 937 405
Employee profit sharing plan due for the fiscal year					
Net income (7) after taxes, employee profit sharing and transfers to depreciation (6) & provisions (5)	9 362 006	12 393 453	9 196 151	8 087 801	3 843 947
Distributed earnings (8)	242 763	312 048	463 950	296 708	0
<b>Earnings per share (9)</b>					
Net income (7) after taxes, employee profit sharing, but before transfers to depreciation & provisions (7)	3,11	3,26	3,11	2,63	2,71
Net income (7) after taxes, employee profit sharing and transfers to depreciation (6) & provisions (5)	1,14	1,60	1,19	1,04	0,50
Gross dividend per share (a)	0,03	0,04	0,06	0,04	0
<b>Personnel</b>					
Average number of employees during fiscal year (10)	531	491	478	492	438
Payroll for the fiscal year (11)	25 418 774	26 103 922	24 546 854	24 976 323	21 476 237
Amounts paid for social benefits	5	12 031 568	11 338 229	11 003 085	5 983 974

## SUBSEQUENT EVENTS



While the vaccination campaigns initiated throughout Europe should help to contain the pandemic, uncertainties persist as to whether the health crisis will actually end.

This uncertainty blurs the road ahead in driving the Group's business moving forward and may have consequences on the 2021 results that cannot be appreciated at this time.

That said, and as previously outlined, the Group remains confident in its solid overall business fundamentals as shown in 2020, going through that unprecedented year with great resilience.

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## RISK FACTORS

# 6

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The Group makes it a rule to pay close attention to its business and operations conducting risk reviews to identify those risks that could negatively impact the group's results and growth.

### 6.1. NATIONAL & INTERNATIONAL RELATED RISKS

#### 6.1.1. Sanitary Crisis

The sanitary crisis that took the world by surprise in March 2020 has had major disruptive impacts on businesses that had to completely rethink their working habits and demonstrate their ability to adapt to the situation.

While we do know that the transformations caused by the crisis are here to stay, no one can really know for sure what the nature or span of these transformations will be looking towards a crisis that is apparently far from over.

Indeed, change brings risk.

The Group cannot therefore rule out the possibility that its activities or results may be impacted in the countries where it operates, due to misappreciation of these changes or severe economic contraction. But change also brings opportunity.

The Group is confident that it can meet the challenges brought on by the crisis because this crisis clearly demonstrated that there was a digital transformation imperative for companies if they wanted to survive. Prodware is a key player in supporting the digital transformation journey of companies.

The Group should therefore be able to cater to this anticipated market demand reinforced by the massive European stimulus package for businesses that should reboot the economy.

#### 6.1.2. Social and Political Context

In a world economy strongly disrupted by the crisis it is likely that social and/or political movements may take to the streets to protest, as we saw it happen in Europe in 2019. These uprisings may affect the results and growth of the group in case of mass mobilization.

The group has always shown great resilience in the face of adversity or crises relying on the engagement and drive of its workforce.

### 6.2. MARKET RELATED RISKS

#### 6.2.1. Software Vendor Policy

The group has developed close relationships with leading software vendors such as Microsoft, Sage or Autodesk for many years.

A change in strategy of these software vendors may also affect the group.

The group has always entertained a very close and strategic relationship with these vendors especially with Microsoft to this day.

Prodware is part of Microsoft's Inner Circle, which guarantees Prodware's expertise and know-how in delivering excellence and the latest state-of-the-art technologies from Microsoft; an incredible competitive edge.

Potential risk related to a change in strategy of this software vendor for Prodware remains somewhat unlikely although it can't be totally ruled out.

### **6.2.2. Competition**

The group addresses a fast-paced market with fast-evolving technologies and competitors in many countries providing a wide range of service offerings.

The competitive landscape is made up of either longstanding competitors or new players that are much more recent and extremely agile. Moreover the current crisis may reshuffle the market with unexpected acquisitions and the emergence of more important players (in size or financial wherewithal) making them potentially highly competitive.

An aggressive or unexpected competition could potentially put pressure on prices or losing market share affecting the results of the group.

The group has addressed this situation by showing as much agility as possible catering to the different customer needs and by adopting a comprehensive end-to-end value proposition supporting customers throughout the entire value chain.

And because of this, Prodware market positioning in Europe is unique.

## **6.3. RISKS RELATED TO ITS BUSINESS AND ORGANIZATION**

### **6.3.1. Innovation**

The success of the group and its market positioning in Europe depend on its expertise in supporting businesses through their digital transformation journey, a digital imperative heightened by the sanitary crisis.

The Group must be able to offer innovative solutions and services, anticipating the needs of the market and its competitors.

The group has always made it a rule to invest in innovation. A total amount of 18 m€ was invested in 2020.

However, embracing an innovative approach means that there is always a risk of failure and/or of missing the mark or of bad timing.

Business risks associated with R&D could hurt investment, which in turn can lead to losing market share to competitors while having a negative impact on the group's financial results.

The Group however has a long-standing R&D/Innovation culture that is actually part of the organization's DNA.

The IBS (Innovation & Business Solutions) division has the expertise to leverage new technologies and engage in strategic alliances with new innovative market players driving a strong GTM and sales dynamic.

The group has a diversified offering of 80 innovative solutions which in itself mitigates any kind of potential risk, as well as skilled and qualified industry-specific experts that can cater to industry-specific pain points.

Therefore, despite the risk inherent in all innovation, the Group is confident in its approach to managing that risk.

### **6.3.2. Human Resources**

In a technological environment that is constantly on the move, rapidly changing and evolving, the Group always stands ready to serve its customers with state-of-the-art expertise and added-value thanks, in large part, to its highly skilled human resources.

To that end, Prodware has initiated an ambitious Human Resource strategy aiming to foster employee engagement, attract new talent while sustaining employee loyalty in a market where it is very hard to find certain skill sets.

This strategy revolves around developing efficient hiring campaigns, career management and skill building paths via a comprehensive training program. A true "Employee-Centric" approach reflecting the values and culture of the company.

More information on this approach can be found in the Extra-Financial Performance Statement.

It is to be noted though that in a highly competitive labour market there may be times when hiring or finding available resources can be challenging. The group therefore cannot rule out that at times this may affect the timely delivery of projects or project profitability.

### **6.3.3. Quality – Customer Satisfaction**

The Group is increasingly involved in complex and/or international IT projects that have an impact on its customers.

To ensure excellence in the execution of projects, the Group has developed and honed its own expertise and processes.

Excellence in delivery and Customer Satisfaction as well as Quality are the driving metrics in each Prodware country in order to align processes based on « best practice ».

That said, it does not preclude the possibility that some customers may feel that they are not satisfied with the service rendered, or that it does not meet their expectations or may even lead to customers filing complaints. In addition to the risk of going over budget, there is also a risk of customers deciding to seek damages.

However, it must be said that apart from the usual day-to-day business disagreements that could arise or potential disputes when acquiring companies, the Group has so far kept these risks under control.

### **6.3.4. Customer Attrition – for SaaS or Maintenance contracts**

The Group has been selling more and more software licenses in SaaS mode with monthly billing plans and multi-year contracts usually covering a period of 3 years.

As a reminder, the 39% recurring revenue generated from maintenance contracts is an important revenue stability metric.

However, there is always a risk that customers may decide not to renew their maintenance agreements with the emergence of very competitive offerings on the market.

The non-renewal of a significant number of these agreements would necessarily have a negative impact on the Group's revenues. Moreover, SaaS agreements allow for subscription flexibility so customers can periodically modify and/or adjust the number of users and licenses, under certain conditions, and that can also have a negative impact on the Group's revenues.

## 6.4. OTHER RISKS

### 6.4.1. Cyber Security Risks

Prodware is just as vulnerable to cyber attacks and hacking attempts as any other company.

These attacks can compromise the security of the company's own data as well as the data it hosts for its customers. Cyber security pervades multiple strategic domains such as operations, information or brand reputation. In case of an attack, the financial consequences could be very serious.

The year 2020 has seen a massive four-fold surge in cyber crime and this is due mainly to the widespread use of remote work and social media. The evolution of technologies with everything shifting to the Cloud, the IoT or the release of 5G will only heighten the risk factor.

The Group's IT department has set up a cyber security action plan to fend off cyber security threats. The Group now has set up:

- › policies and anti-malware tools;
- › an action plan that includes running security audits and penetration testing conducted by external security auditors;
- › a proven disaster recovery plan that gets tested each year;
- › a coordinated communication plan headed by the IT department to align all countries on all cyber security related matters;
- › an analytical solution that tracks and anticipates any potential risk-related issues;
- › solutions that automatically update office data sets to protect systems against file-encrypting ransomware;
- › MFAs (multi-factor authentication);
- › backup schemes.

In order to ensure business continuity, the Group has implemented backup procedures of its operations and communication networks in the event of a cyber-attack or a system breakdown.

The group also runs backup schemes on the main IT systems in various data centres.

Moreover, if one of our customers falls victim to a serious cyber security threat, Prodware can deploy a crisis response team made up of experts to counter the attack as quickly as possible and initiate the appropriate data recovery procedures. The Group has a professional liability insurance policy that protects against claims from customers.

Because human negligence is usually to blame for most security breaches, the IT Department has set up an ongoing training program on cyber security best practices. Moreover, a vast awareness campaign on cyber security kicked off beginning of 2021 addressing all group employees and in their own language.

Despite all these measures, given the increasing sophistication of cyber criminals and IT environments, the Group cannot rule out possible failures and breaches of its systems with potentially significant consequences.

The Group however has always managed, to this day, to mitigate cybersecurity risks efficiently.

### 6.4.2. Financial Risks

#### 6.4.2.1. Liquidity Risks

As part of its running processes, Prodware regularly checks its liquidity risks and believes it is in a position to meet its future obligations.

The group's loans comply with the customary covenants set forth in this area, i.e. value of EBITDA and shareholders' equity. Compliance with these ratios is certified by the Statutory Auditors during the December 31st year-end audit of the financial statements.

These covenants run through to December 31st 2020.

#### 6.4.2.2. Exchange Risks

The Group bills customers based mainly in the euro area for its services.

Exposure to exchange rate variations of the pound sterling for services or intercompany advances with companies in the United Kingdom is covered.

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## OUTLOOK



Prodware will continue to develop and grow its Business Consulting practice and its innovative industry-specific solutions in 2021.

It will focus on expanding its geographical footprint in Western Europe while remaining abreast of potential opportunities in Northern Europe, a region with a significant Microsoft installed base.

Furthermore, in this global economy, reinforcing its existing entities in Eastern Europe, a market that is extremely competitive financially speaking, will give the group extra production capability.

And finally, the group's 2021-2025 strategy includes:

- an ambitious talent retention and talent acquisition policy,
- an ambitious Customer Relationship policy,

two essential pillars to drive a strong, sustainable and profitable growth path.



PRODWARE SHARES  
**SHAREHOLDING**

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## PRODWARE'S SHARE CLASSES

# 8

There exists two share classes:

**Class A shares:** these are known as common stocks.

They are freely negotiable in compliance with the laws and regulations in force.

The shareholder may choose to have directly registered shares with the Company, or hold administered registered shares or bearer shares with a financial intermediary.

They entitle the holder to dividends and voting rights at General Meetings.

A shares held in registered form for more than two years carry double voting rights.

There were 7 741 000 A shares outstanding as of December 31st, 2020.

The number of shares with double voting rights at that date amounts to 1,501,760.

**Class B shares:** These are the preference type shares, permanently allocated on December 20, 2017. These B shares may be converted into ordinary shares as from June 20, 2021 unless the Board of Directors decides to anticipate the Conversions of Shares clause (as from the date of approval of the 2019 financial statements by the Company's General Meeting).

Until the shares can be converted, they do not entitle the holder to dividends or to vote at the meetings.

They are also non-transferable except under certain conditions.

A total of 7 042 B shares were issued in 2017 and are still outstanding at year-end.

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## CAPITAL & VOTING RIGHTS

# 9

As of December 31, 2020, the capital stock amounted to €5 036 227.30, unchanged from the previous year - divided into 7 741 000 A shares and 7 042 preference B shares, each valued at €0.65.

The exercisable voting rights, factoring in the non-voting shares, total 8 838 135 as of December 31, 2020.

Theoretical voting rights, determined on the basis of all voting shares including non-voting shares came to a total of 9 249 978 at the end of the year.

## LISTING & STOCK MARKET PRICE

Prodware shares have been listed on the Euronext Growth market of Euronext Paris since 2006: ISIN code FR0010313486 or ALPRO.

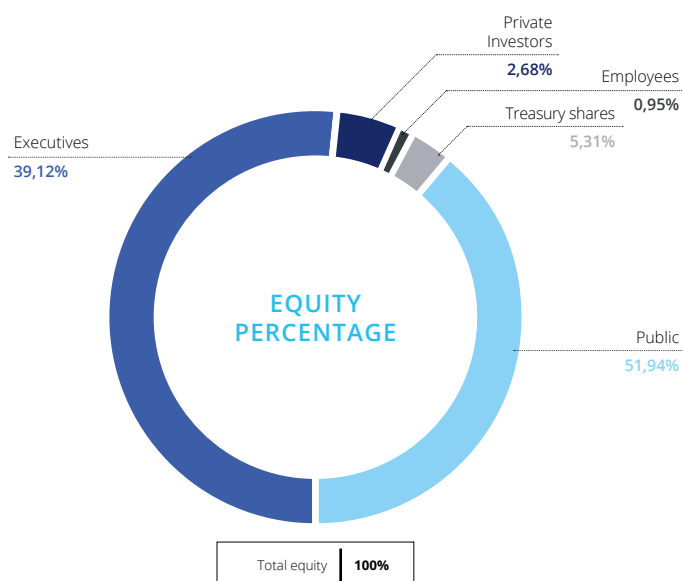
At the close of fiscal year 2020, Prodware shares were trading at €5.90 compared to €7.59 as of December 31, 2019, down 22.27%.

The average daily trading volume in 2020 was 7 351 shares.

The Legal Entity Identifier of the company is 9695005LHRU1IBDMSE79.

## SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2020

To the best of the company's knowledge, the shareholder structure as of December 31st, 2020 is as follows:



## 12 THRESHOLD CROSSING NOTIFICATIONS

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In addition to the legal and regulatory provisions concerning the declaration of thresholds, the Company's bylaws provide that any shareholder who directly or indirectly exceeds 2.5% of the capital and/or voting rights is required to disclose that information to the Company by registered mail with return receipt. Every plus or minus 2.5% additional fraction of capital or voting rights must be notified to the company and failing to do so may lead to losing voting rights (article 12).

During fiscal year 2020, Mr. François Richard notified the Company that he had fallen 7.5% below the threshold of voting rights.

## 13 SHARE BUYBACK PROGRAM

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### 13.1. DESCRIPTION OF THE SHARE BUYBACK PROGRAM

The Ordinary General Meeting of Shareholders held on July 29th, 2020, granted the Board of Directors permission as per Resolution No. 8, to acquire shares of the Company's stock as set forth in the buyback program to secure:

- › Market activity or liquidity of stock as set forth in a liquidity contract;
- › Stock swap or payment of shares in the event of a growth curve (not the company's or the group's);
- › The allocation and/or sale of shares to employees and executive officers of the Company, with manager and employee stock ownership plans
- › their possible cancellation.

Authorization was granted for a maximum amount of 10% of the share capital, adjusted if necessary to factor in any positive or negative capital variations.

The total amount of acquisitions was capped at €5 000 000.

The delegated amount runs for a period of 18 months. A new authorization request will have to be submitted at the next General Meeting to be held in 2021.

## 13.2. REVIEW OF SHARE BUYBACK PROGRAM IN 2020

	Securities of January 1st, 2020	Purchases 2020	# of transactions	Average cost of purchases	Sales 2020	# of transactions	Average cost of sales	Transfers/Cancellations	Total securities 12/31/2020	Total cash 12/31/2020
Set forth in liquidity contract	7 438	192 284	1 623	5,765 €	191 737	1 613	5,75 €	-	7 985	72 057,76 €
Buyback program - other objectives	373 540	23 096		7,38 €	0				396 636	45 617,72 €
<b>Total</b>	<b>380 978</b>	<b>215 380</b>			<b>191 737</b>			<b>-</b>	<b>404 621</b>	
Stock exchange price 12/31/2020									5,90 €	
Market value of treasury shares as of 12/31/2020									2 387 264 €	117 675 €

Total negotiation fees in 2020: 2 605€ (excluding liquidity contract fees).

## 14 EMPLOYEE SHARE OWNERSHIP

Employee ownership of the company's shares amounts in value to 0.95% of the capital as of December 31, 2020.

As part of the 'Incentive Plan 2021' some employees of the group own free float preference shares (Class B) as well as ordinary shares during performance/vesting period (see below).

## 15 POTENTIAL CAPITAL

### 15.1. EQUITY WARRANTS

The new or existing equity warrants outstanding (BSAANE) as of December 31st, 2020 are listed below. They were issued to members of the General Management, employees or corporate officers of the Company or its subsidiaries.

Date of issue	Type of securities	Maximum number of potential new shares	Strike price (including warrant subscription price)	Maximum maturity
March 2016	BSAANE	536 000	8,10 €	March 2026
April 2017	BSAANE	510 000	8,10 €	April 2027
June 2017	BSAANE	560 000	8,32 €	June 2027
October 2018	BSAANE	363 300	13,19 €	October 2028
<b>Total</b>		<b>1 969 300</b>		

## 15.2. THE 'INCENTIVE 2021' FREE SHARE ALLOCATION PLAN

The Administrative Council held on December 20th, 2016, with its approval delegation conferred on by the General Meeting in June 2016, granted corporate officers and employees of the Prodware Group, preference (PS) as well as ordinary shares free of charge according to the following terms:

### 15.2.1. Free Preference Shares (PS)

The allocation of the preference shares in December 2016 was subject to a one-year vesting period that ended on December 20, 2017.

As of that date, 7 042 preference shares were created and allocated to 114 members of the Group.

Mr. Alain Conrard and Mr. Stéphane Conrard were each allocated 2 312 PS.

The preference shares can be converted into common stock at the end of the performance period ending June 2021, unless the Board decides to undertake accelerated vesting.

Conversion parity is performance ratio-dependent and is determined at the end of this performance period; the maximum conversion parity is set at 100 units of common stock for 1 preference share. Only those beneficiaries present at that date are entitled to preference shares.

A conversion period will open at the end of the performance period running until June 2027 during which the holders could convert their preference shares into common stock.

As of December 31st, 2020, and based on the number of beneficiaries present on that date, a total of 6 776 convertible preference shares were made available.

Moreover, when looking at stock performance we can anticipate a potential conversion parity of around 45% (versus 100%).

We can therefore suggest potential conversion of the 6 776 preference shares into 310 000 common stock as set forth in the Penelop Agreement [AGAP (Association de Gouvernance de l'Accord Penelop)] as of December 31st, 2020.

## 15.2.2. Free Ordinary Shares (OS)

In December 2016 a total of 88 500 free ordinary shares were granted to different group employees. The corporate officers of Prodware SA were not granted any of these ordinary shares.

The final vesting of these shares includes a vesting period ending June 2021, and is subject to the conditions that (i) employee presence is uninterrupted and that (ii) the country in which the employee is based achieves its performance goals.

When referring to the employee presence condition, there were a maximum of 47 000 ordinary share units available for issuance as of December 31st, 2020 (issuance is contingent on achieving 100% of performance goals).

Overall, when looking at all the countries, the achievement percentage of performance sits at around 35% (versus 100%) resulting in the potential issuance of around 16 000 ordinary shares.

In summary an estimated 325 000 shares (of which 310 000 resulting from the AGAP agreement over a period that can stretch to June 2027) could be potentially issued pending compliance with the uninterrupted presence condition throughout the performance period (ending June 2021 latest).

It should be noted that the Company has a sufficient number of shares available for employees as part of its Incentive scheme under its share buyback program.



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CORPORATE  
**GOVERNANCE**

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# 16

## BOARD OF DIRECTORS - SCOPE OF RESPONSIBILITIES

The Board of Directors is made up of 6 board members, 4 men and 2 women. According to the Middlednext Governance Code, board members are independent. Four representatives of the Works Council may attend the board meetings. We renewed two members' terms at the last General Meeting held in 2020.

Members	Role within Prodware SA	End of term	Responsibilities within the group in 2020	Responsibilities outside the group in 2020
Philippe Bouaziz	Chairman of the Board	GM 2023	<ul style="list-style-type: none"> <li>Member of Supervisory Board of Prodware Deutschland</li> </ul>	<ul style="list-style-type: none"> <li>Manager of B&amp;B (non-trading real estate company)</li> <li>Chairman of Bouaziz Partners PLC</li> <li>Chairman of Bouaziz Partners Ltd</li> </ul>
Alain Conrard	Director Managing Director	GM 2022	<p><b>Director of:</b></p> <ul style="list-style-type: none"> <li>Prodware Belgium</li> <li>Prodware Spain</li> <li>Prodware UK Limited</li> <li>Prodware Israel</li> <li>Prodware Retail &amp; Competence Center (Spain)</li> </ul> <p><b>Representative of Prodware SA on the board of:</b></p> <ul style="list-style-type: none"> <li>Prodware Netherlands</li> <li>Prodware UK</li> <li>AI GA</li> </ul> <p><b>Manager of:</b></p> <ul style="list-style-type: none"> <li>Prodware Morocco</li> </ul> <p><b>Member of Supervisory Board of:</b></p> <ul style="list-style-type: none"> <li>Prodware Deutschland AG</li> </ul>	
Stéphane Conrard	Director Deputy Managing Director	GM 2022	<p><b>Director of:</b></p> <ul style="list-style-type: none"> <li>Prodware Belgium</li> <li>Prodware London</li> <li>Prodware SE</li> <li>Prodware Spain</li> </ul> <p><b>Manager of:</b></p> <ul style="list-style-type: none"> <li>Prodware Eastern Europe (Romania)</li> <li>Cap Lease</li> </ul> <p><b>Member of Supervisory Board of:</b></p> <ul style="list-style-type: none"> <li>Prodware Deutschland AG</li> </ul> <p>Representative of Prodware London on the Board of Prodware Luxembourg</p>	<ul style="list-style-type: none"> <li>Manager of S&amp;AUDIT</li> <li>Manager of S&amp;Audit Certified Accountant</li> <li>Chairman of PHAST INVEST</li> </ul>
Viviane Neiter	Director (independent)	GM 2022		<ul style="list-style-type: none"> <li>Director of: <ul style="list-style-type: none"> <li>PAT (Plant Advanced Technologies (since 06/15))</li> <li>SPIR Communication</li> <li>I.CERAM</li> </ul> </li> <li>President of the Champagne Ardenne Place Financière Association</li> <li>President of Glanbia Performance Nutrition France</li> <li>Member of Governance Professionals of Canada &amp; of NEOMIA Alumni</li> </ul>
Klara Fouchet	Director	GM 2022		
Jean-Gérard Bouaziz	Director	GM 2023		Self-employed

## 17 RENEWAL OF TERMS OF OFFICE

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No term of office will be up for renewal at the next General Meeting.

## 18 WORK OF THE BOARD

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The Board shall meet as often as it deems necessary.

During fiscal year 2020, the Board met five times, four of which were videoconference meetings, in compliance with the Covid-19 safety precautions.

There was a 97% attendance rate.

## 19 ATTENDANCE FEES

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The General Meeting of June 28, 2013 set the payment of an amount of €30,000 for the fiscal year of 2013 and following years until further notice.

For fiscal year 2019, Prodware's Board of Directors apportioned the amount of 30 K€ equally between the board members in 2020.

This apportionment will be renewed for fiscal 2020 (paid in 2021).

## SALARY & COMPENSATION OF KEY EXECUTIVE MEMBERS

Salary	Fixed	Variable	Avantages en nature	Attendance fees
Philippe Bouaziz	189 556	0	-	5 000
Alain Conrard	182 442	0	-	5 000
Stéphane Conrard (HT)	300 000	0	-	5 000
<b>Total</b>	<b>671 998</b>	<b>0</b>	<b>-</b>	<b>15 000</b>

A decision of the Board in 2003 entitles one of the directors to a severance pay equivalent to 2 years' gross salary upon termination of employment.

## NEW REGULATED AGREEMENT


None.

## PREVIOUSLY APPROVED AGREEMENTS

The agreement with SCI B&B continued, the terms of which are set forth in a special statutory auditors' report.

# DELEGATION OF AUTHORITY

Authorizations & utilizations during fiscal 2020	Date of GM	Delegation period	Delegation end date	Authorized share capital	Amount used in 2020	Comments
Authorizing buy back of shares of the company	06/17/2019 (11th resolution)	18 months	12/16/2020	10% of capital	0,30%	Buy back of 23 096 shares (excluding liquidity contract).
Authorizing buy back of shares of the company	07/29/2020 (8th resolution)	18 months	01/28/2022	10% of capital	0	Renewal of June 17th 2019 authorization.
Reducing capital by cancelling redeemed shares	06/17/2019 (12th resolution)	24 months	06/17/2021	10% of capital	0	
Capital increase by issuance of ordinary shares/ transferable securities convertible into ordinary shares with or without preferential subscription rights including private placement	06/17/2019 (13th to 17th resolutions)	26 months	08/16/2021	4m€ / (40 m€ securities giving access to capital)	0	
Capital increase limited to qualified investors	07/29/2020 (9th resolution)	18 months	01/28/2022	4m€ / (40 m€ securities giving access to capital)	0	Renewal of June 17th, 2019 authorization.
Capital increase by way of strategic operations only	07/29/2020 (10th resolution)	18 months	01/28/2022	4m€ / (40 m€ securities giving access to capital)	0	Renewal of June 17th, 2019 authorization.
Capital increase by issuance of shares limited to employees	07/29/2020 (11th resolution)	26 months	09/28/2022	150 000 €	0	Renewal of June 17th, 2019 authorization.
Authorizing allocation of free shares to personnel and/or corporate officers	06/18/2018 (9th resolution)	38 months	08/17/2021	5% of shares making up the share capital	0	Renewal of June 17th, 2019 authorization.



EXTRA-FINANCIAL  
**PERFORMANCE STATEMENT**

### GENERAL APPROACH

# 24

The Extra-Financial Performance Statement of the Prodware Group (hereinafter the «Group» or «Prodware») is set forth in accordance with Article R. 225- 105 of the French Commercial Code and its Decree No. 2017- 1265 of August 9, 2017.

The CSR strategy is headed by the company's Finance department.

Prodware chose to join the United Nations Global Compact in 2009. It is committed to respecting all the principles of the Global Compact, addressing societal concerns and operating in ways that enhance society and ensure environmental sustainability while engaging with social issues.

Prodware has also decided to refer to the United Nations' 17 Sustainable Development Goals («SDGs») to itemize its main CSR challenges and monitor the performance of its policies, as detailed below.

### PRODWARE'S BUSINESS MODEL

# 25

In an economic context disrupted by the global health crisis, taking the digital leap has become an imperative and an absolute necessity for businesses that want to cope with the changes brought on by the pandemic and the new technological advancements.

In this all out transformation momentum that comes with both challenges and opportunities, Prodware supports businesses throughout their digital transformation journey with a comprehensive «end-to-end» value proposition catering to mid-market organizations (Midcaps).

This customized offering meets the specific demands of customers and is supported by a managed services suite and industry-specific business solutions that address the below market segments:

- › Manufacturing,
- › Retail,
- › Distribution,
- › Professional Services,
- › Finance – Public sector.

Outlined below is Prodware's business model:

## Digital Transformation Trends (1)

The Digital Transformation imperative is a development opportunity in terms of growth, profitability and sustainability.

It triggers rethinking & modernizing one's business:

- > employee/customer experiences and journeys,
- > business processes (faster decision and production cycles),
- > products & services (embedding innovative technologies),
- > business models.

State-of-the-art expertise & embracing new disruptive technologies:

- > Cloud infrastructure
- > the Internet of Things, Big Data,
- > Artificial Intelligence
- > Software As A Service (SaaS)
- > interoperability on tech platforms...

The sanitary crisis has heightened the digital imperative.

### OUR RESOURCES

#### Our employees

- > 1 060 talents across 12 countries

#### A solid group

- > + 30 years' experience
- > Listed on the stock exchange since 2006
- > An experienced management team

#### Innovation – our DNA

- > 80 innovative IP industry-specific solutions
- > Majority of our staff are engineers

#### Ours clients and partners

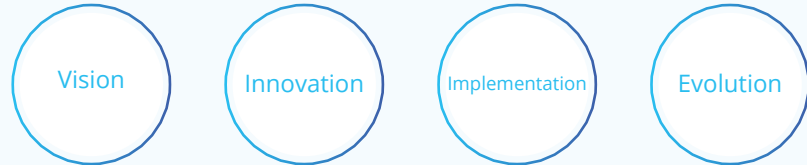
- > Our 15 000 Clients
- > Leading market partners and suppliers

#### Our values

- > Global Compact member
- > Ethical values & Business ethics
- > Socially Responsible Business

### OUR OFFERING

Supporting companies throughout their entire digital transformation journey



Business Consulting

IP & Start-up ecosystem

Professional Services

Managed Services

- > Assess digital transformation (opportunities / vision)
- > Digital transformation roadmap
- > Supporting digital transformation throughout

- > In charge of R&D
- > 'Software Factory'
- > Startup incubator
- > Strategic Alliances

- > Project governance of digital transformation projects
- > Industry-specific expertise
- > System integration
- > Leveraging our know-how and methodology

- > Maintenance & support of installed projects
- > Security management
- > Optimizing customers' infrastructures

## Digital Transformation Trends (2)

- > In the short term, 80% of Mid-sized and Large companies will launch digital transformation projects & 83% of mid-caps are considering investing in an ERP solution within the next 12 months.<sup>(1)</sup>

> The European stimulus package is a growth accelerator for businesses.

> It should strongly contribute to accelerating the digital transformation of companies.

### OUR VALUE CREATION

#### A Value Proposition that caters to midcaps

- > A comprehensive offering supporting the entire digital transformation journey of midcaps
- > An industry-specific value proposition addressing the Manufacturing, Retail, Distribution, Professional Services markets.
- > An international organization with more than 40 offices driving regional, national and international deployments.

#### Human Capital

- > New and flexible working environment (remote work...)
- > Go-between with Prodware's startup ecosystem

#### Our Clients

- > Strong recurring revenue: roughly 40% of revenue
- > Various customer segments – Midcaps – Large groups across Europe
- > Our revenue streams balance out evenly across industries and business sectors

#### Our partners

- > Member of Microsoft's Inner Circle (Prodware is among the 11 elite Inner Circle partners worldwide)
- > Licensed partner of the Sage Competence Center
- > Autodesk Platinum partner
- > ESRI partner

#### Our shareholders and financial partners

- > Stable shareholders: +39% of capital held by the founders and company managers
- > But also a small group of historical shareholders
- > Financial partners

#### We are committed to

- > Preserving the environment
- > Social development

(1): source EY & APAX Partner 2020 French Market Survey

### OUR GROWTH PATHS

With its comprehensive value proposition and its significant footprint in Europe Prodware will likely:

- > Secure its competitive advantage in innovation and gain significant market share with regard to new technologies (AI, the IoT, Big Data, BI...)
- > Hone its competitiveness
- > Increase its notoriety and develop the « best place to be employer brand
- > Continue to build on its CSR commitments

## CHALLENGES FACING PRODWARE

# 26

These are the potential challenges facing Prodware:

- › Staying ahead of the game, keeping that competitive advantage in terms of innovation and gaining new market share through new technologies (AI, the IoT, Big Data, BI...)
- › Honing the group's competitiveness
- › Valuing Human Capital with ambitious people strategies & developing an employer brand strategy
- › Continuing to build on its CSR commitments

And honoring our company's values and ethics in doing so.

Reflecting the United Nations' Sustainable Development Goals below:

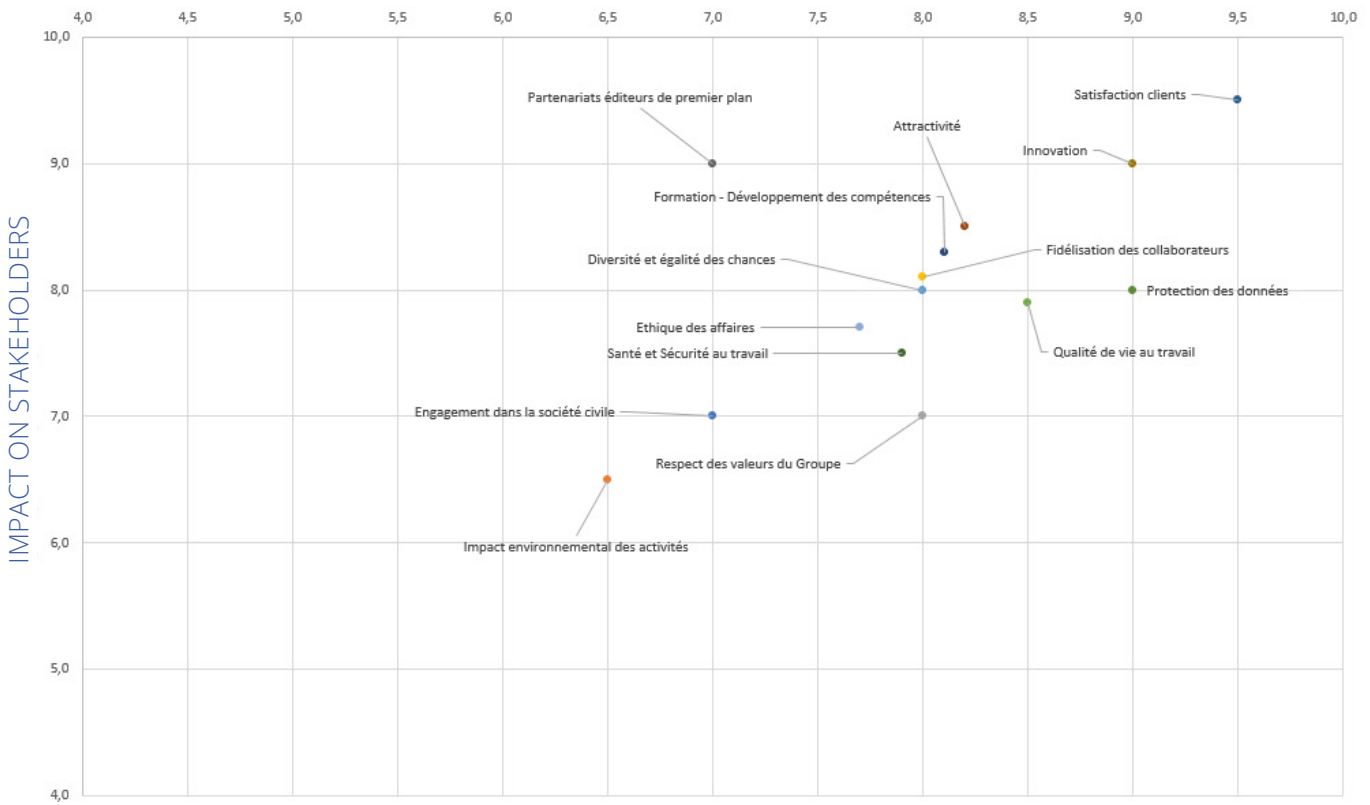


## RISKS

# 27

The risks related to the above mentioned are explained in the diagram below:

IMPACT ON THE COMPANY



# 28 INNOVATION - PART OF THE GROUP'S DNA

Prodware is one of the leading innovation players on the market, with innovation being part of its DNA driven and supported by the top management of the Group.

## 28.1. AN INNOVATION-DRIVEN STRATEGY

The IBS division (Innovation & Business Solutions) of Prodware is tasked with driving and implementing the innovation strategy of the group developing innovative IP solutions and practices that cater to the needs of its customers, leveraging its expertise in disruptive technologies such as the IoT, artificial intelligence, BIG DATA and so on...

The IBS division spearheads new initiatives to build and enrich the Group's solution portfolio. To this day Prodware boasts more than 80 innovative IP solutions.

The 365x Scaler program nurtures this innovation dynamic. The 365x Scaler is an incubator for startups that develop business-applied solutions using disruptive technologies.

This program helps mature startups come together around a more structured business approach with a full-fledged development strategy. It also provides access to the distribution and sales channels of the sponsors of the program. And in exchange these solutions could get incorporated into the solution catalogue and benefit from the Go-to-market strategy of the sponsors which include Prodware.

As of December 31st, several startups have made it to Prodware's solution catalogue.

### 28.2. A STRATEGY VALUED ACROSS THE GROUP

SPARK is an initiative centered around innovation that was initiated by the IBS division. Prodware launched the second edition of SPARK in 2020 for all employees of the French speaking geographies following the first edition in Israel in 2019.

Because the best ideas and innovations often come from the talents of a company, this program is an amazing opportunity for talents to step up and express their creativity through a competition where they get together in teams and think up and develop a prototype of an innovative digital solution based on Microsoft technology.

Five teams made it to the finals of the 2020 edition of the SPARK competition, the finals being the Hackathon where a jury made up of 6 members (customers, prospects, Microsoft representatives) deliberated to choose the winning solution.

The winning team in 2020 developed a solution for the RETAIL industry that helps retailers provide the most advanced customer experience at every touchpoint of the customer journey.

This solution will be added to Prodware's solution catalogue, which was the actual goal at the end of the day.

### 28.3. A STRATEGY FULLY EMBRACED BY TOP MANAGEMENT

In his book, "Taking the Plunge! A Different Take on Innovation" Alain Conrard, the Managing Director of the Group, shows that innovation is not just a matter of technology or economics.

The book puts forward an inclusive and humanistic approach to innovation taking into account the related social, societal and environmental concerns. It promotes innovation that brings value and purpose to humanity, society, economic growth and overall wellbeing in line with the values of the group.

The book was published in the fall of 2020 and was followed by a series of communication initiatives:

- › Well known public figures shared their views and appreciation of the book in television interviews with Alain Conrard such as: Maurice Lévy (Chairman of the Supervisory Board of the Publicis Group), Carlo Purassanta (President of Microsoft France), Laurent Bigorgne (Director of the Montaigne Institute) and Jacques Attali (Writer and President of the Positive Planet foundation).
- › Many other interviews were taped and broadcast on networks with high viewership and ratings such as BFM Business, B Smart and Radio classique.

All these communication initiatives were shared on social media and posted on a website dedicated to the promotion of the book, <https://www.newtakeoninnovation.com/>.

Many more initiatives are planned in 2021.

### 28.4. RECOGNITION & AWARDS IN 2020

Prodware's innovation dynamic achieved the following milestones in 2020:

- › Prodware is among the 500 midcaps part of the « Plan Nation ETI » program launched by the French President in 2020 recognizing those participants that are innovative and innovation-ready,
- › The Israel-France Chamber of Commerce awarded Prodware for developing joint innovation projects between the two countries with the award being handed by Gérald Darmanin, then French Minister for Public Expenditure.
- › Prodware made it to the finals of the BFM Grand Prix competition dedicated to innovative companies.

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## HUMAN CAPITAL AT THE HEART OF PRODWARE'S STRATEGY

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Prodware is in the business of supporting its customers, helping them create value within a transformation market.

The most important asset of the group, its people, is what can make this work. It is therefore only logical that Human Capital is at the heart of the group's 2021-2025 strategy.

This strategy is set up with specific action plans and measurable objectives that can be summed up as follows:

**Working on the attractiveness of the brand** with notably:

- › An HR employee-centric policy and developing an ambitious employer brand strategy
- › A talent acquisition and retention policy

**Talent skill-building** with notably:

- › Ensuring employee wellbeing at the workplace
- › A career building program throughout their career path in line with the group's strategy
- › Career advancement perspectives and career mobility

**Increasing employee loyalty and retention** with notably:

- › Competitive compensation and benefits
- › Compensation schemes based on performance

## 29.1. GROUP HUMAN CAPITAL – KEY FIGURES

### 29.1.1. Expanding CSR Scope of the group

The scope of Prodware’s CSR as of December 31st, 2020 continues to grow and now covers 97% of the employees of the group.

The CSR scope now encompasses all the countries of the group except for Morocco (very small number of employees). Prodware Israel, sold in 2020, is no longer part of the CSR scope.

*Given these modifications a comparable scope analysis update will be presented for certain metrics; the methodology consisting in comparing only the countries present in 2020 & 2019.*

### 29.1.2. Number of group employees included in CSR scope at year-end

The number of employees included in the CSR scope at year-end is of 1 026 compared to 1 177 last year.

On a comparable scope basis, the number of employees at fiscal-end 2020 recorded a variation of – 9.8% compared to 2019.

### 29.1.3. Average number of employees – CSR applied

Prodware’s average number of employees is the benchmark reference of the Extra-Financial Performance Statement.

It is calculated by taking into account the time spent and the percentage of time worked by employees during the year.

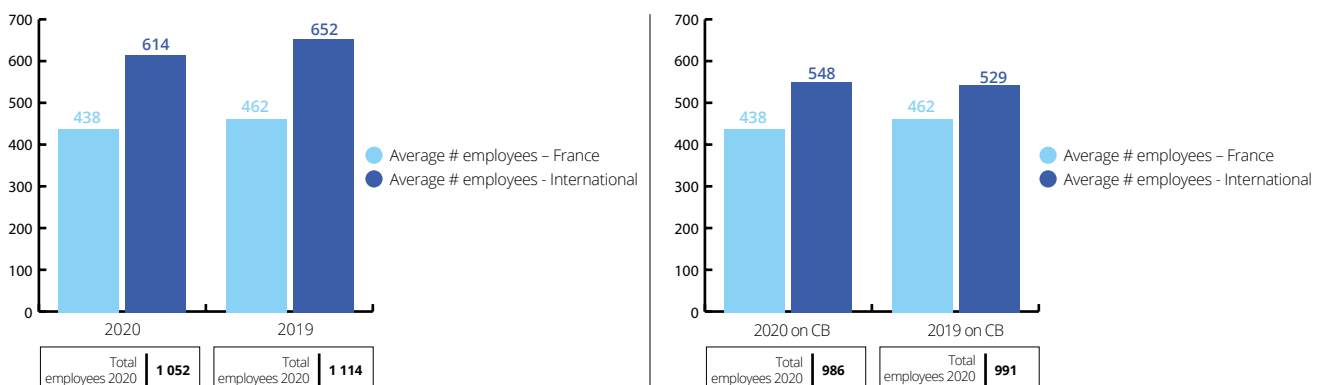
It is therefore an FTE, full time equivalent average in order to better appreciate each employee’s contribution to the performance of the group in a given year.

**The average number of employees included in the CSR scope is of 1 052 as of December 31st, 2020 compared to 1 114 people last year.**

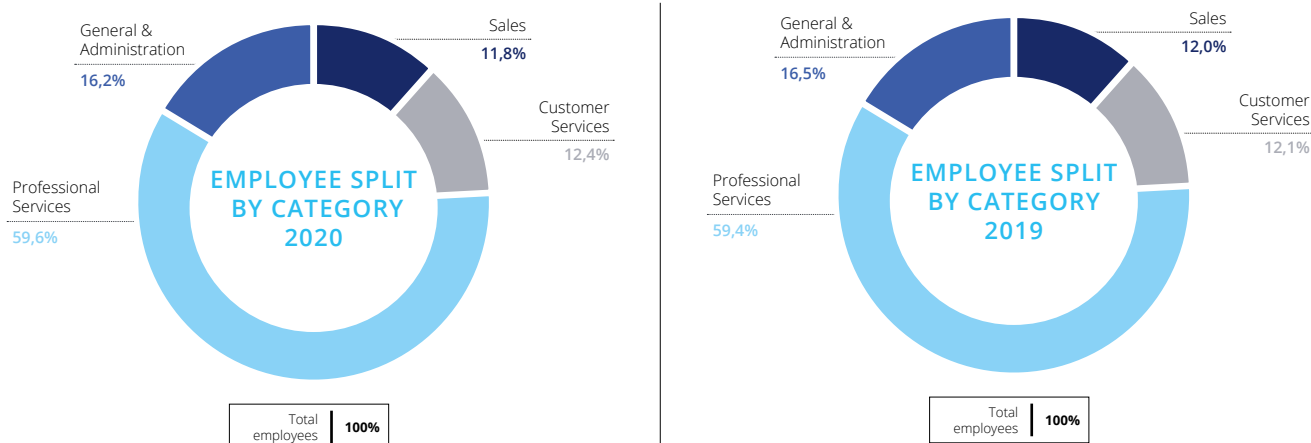
On a comparable scope basis, a slight -0.5% variation was recorded for the average number of employees (986 in 2020 compared to 991 in 2019).

### 29.1.4. Other key indicators

#### 6.1.4.1. Geographical split



### 29.1.4.2. Split by Category



On a comparable basis the split is virtually equivalent.

### 29.1.4.3. Split by age group

2020	< 25 years old	25-34 years old	35-44 years old	45-54 years old	55-64 years old	Total
Employees	35	259	350	270	137	1 052
%	3,3%	24,7%	24,7%	26%	13,0%	100,0%

2019 published	< 25 years old	25-34 years old	35-44 years old	45-54 years old	55-64 years old	Total
%	1,7%	23,4%	35,1%	28%	12,0%	99,9%

On a like-for-like basis the split is virtually the same.

## 29.2. GROUP ATTRACTIVENESS

### 29.2.1. The Employer Brand

One of Prodware’s challenges is to build and develop a stellar employer brand on its market.

This is an explicit and clear objective outlined in its 2021-2025 strategy labeled, “The Place to Be and the best company to work with.”

Achieving a « best place to be » status requires an ambitious and structured HR strategy identifiable by all employees.

Moreover, the Group makes it a rule to communicate on its HR strategy « pillars » to the market and to its employees in order to foster a solid base of common values and strong buy-in.

Because the best Prodware advocates are the employees themselves, a communication strategy addressing the employees is devised year after year.

- › Training sessions on the best way to use social media, tips & tricks for more impact etc. are set up. An intensive session was held during the first lockdown to help employees come together and keep in touch while sharing and communicating on Prodware during the crisis.
- › An Employee Advocacy platform (Employee Brand Ambassador Program) was deployed, initially in France and then gradually in the other countries of the group; the goal being to encourage the employees to share and communicate on Prodware with their respective contacts.

It is envisioned that any employee wanting to benefit from a user license may be able to do so eventually.

- › Employee recognition program where employees are lauded either on the intranet or on social media on a monthly basis.

This initiative has led to opening up and sharing about different skills and professions of the group, career paths and personal experiences of employees.

In 2020 Prodware France published 260 communication pieces across all the social media channels (Facebook, Twitter, LinkedIn) generating 2 400 000 clicks (impressions) on LinkedIn all countries included.

## 29.2.2. Attracting the Best Talents

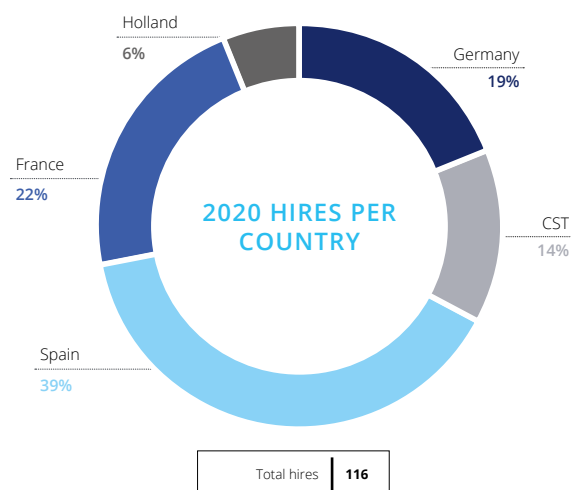
### 29.2.2.1. Hiring

During an unprecedented year with many projects being delayed or postponed, and the lockdowns in many countries, hiring slowed down compared to previous years.

The Group however hired 116 new talents mainly in Spain and in Germany compared to 208 in 2019.

Most of the hiring, 77.6%, was done at the international level compared to 60.5% last year.

France, traditionally the largest contributor, has recorded a significant decline due to the hiring freeze from March until Q4 2020. It accounts for 22.4% of all new hires, compared with 39.5% last year.

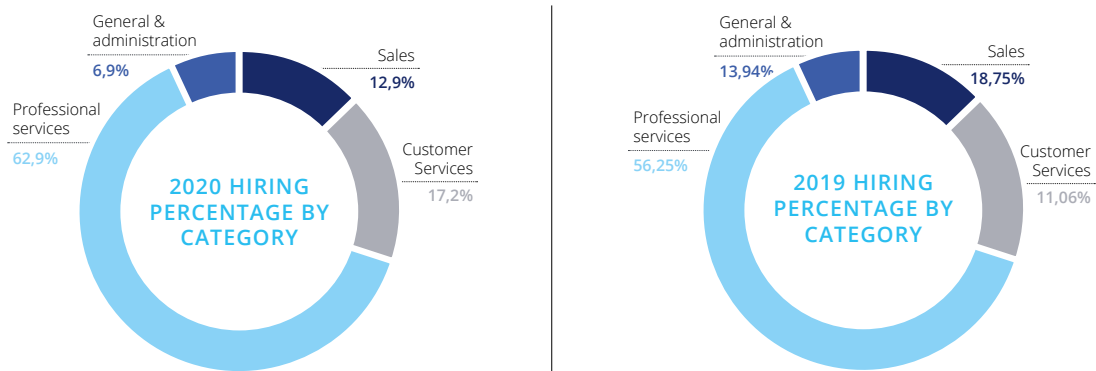


### 29.2.2.2. New Hires Split by Category

In even higher proportions than the previous years, most of the new talents hired were for the Professional Services category representing 63% of all new recruits.

The Customer Service category comes in second place with 17.2% of the recruits.

These percentages relate to these categories within the total number of employees.

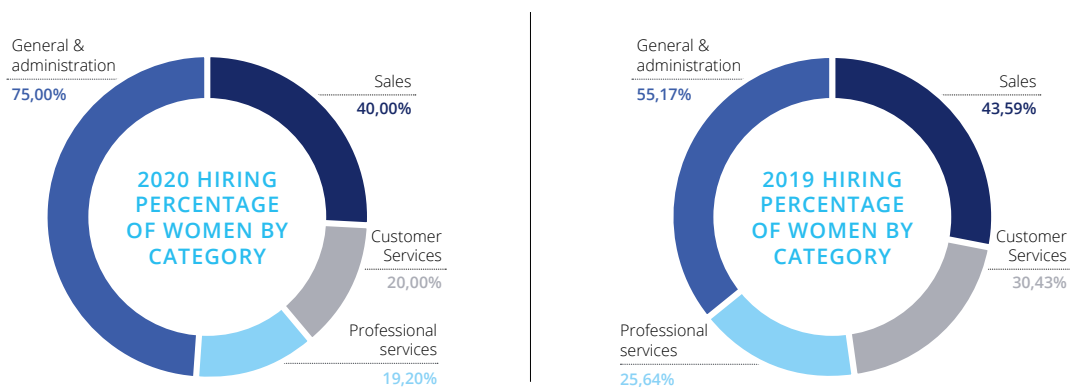


### 29.2.2.3. Gender Split of New Hires

Women were hired at a slower rate than men in 2020 reaching 25.9%, a decline compared to previous years (33.7% in 2019; 27.0% in 2018).

Most of the new hires, in higher proportions than the previous years, were for the Sales and Administration categories.

It seems the crisis has crystallized the trends usually observed in the previous years. These indicators need to be monitored beyond this unprecedented year.



However, it is interesting to note that among the 2 youngest categories (< 25 and 25-34 year olds), women represent respectively 31.0% and 22.9% of the hirings indicating the profession is becoming more and more open to women.

### 29.2.2.4. Hiring young talents

People under 25 accounted for 13.8% of total hires this year, and that was mostly in Germany, compared to 4.3% in 2019.

The first two age groups represent 49.1% of this year's new hires, which is noteworthy at a time when the lockdown and remote work made it even more challenging for the younger job seekers.

Overall, 10% of all new recruits started off with apprenticeship contracts (or similar programs) before being hired compared to 7.35% in 2019.

### 29.2.2.5. Hiring process

Despite hiring slowing down due to the impact of the pandemic, job positions in the digital industry are still among the top 10 jobs most in demand in France and in several other European countries.

Prodware is struggling to find the right talents for hard-to-fill positions.

To help find the professionals it is looking for the Group has set up:

- › A centralized group HR system with the listing of all job applicants and job openings.  
The idea is to foster and encourage career mobility within the Group;
- › Hiring campaigns (ads, employment agencies...);
- › An employee referral program which is turning out to be very efficient.  
This program is highly valued and promoted internally with a bonus in most countries for those referring new talents. In France for instance, the employee referral program made up 43% of all new hires in 2020;
- › Partnerships with business schools: there were no partnerships to speak of this last year;
- › New Hires following training program (cf. see above).

## 29.2.3. Developing Talent

### 29.2.3.1. Wellbeing at Work

#### *a. Safety First*

The exceptional situation induced by the Covid-19 pandemic has led the Group to take the necessary precautionary measures to keep its employees safe in all geographies.

During the first lockdown, in effect in most European countries, all the employees worked remotely from home except for those employees working part-time.

Since then, remote working has become the new normal in most countries and is still in effect today, given the evolution of the sanitary crisis.

An internal planning tool has been put in place within the Group so that each employee can sign in and book his or her office or desk space before coming to work. Moreover, employees are notified in case a confirmed case of Covid-19 is flagged at the office.

Concern for safety however also brought on an additional “feeling of loneliness” or “isolation” aspect caused by remote working.

Several initiatives therefore were set forth notably to address this aspect:

- › Monthly & bi-monthly follow-up calls to keep employees informed and updated on the company's activities;
- › « FAQ » helpdesk to answer all questions related to the crisis;
- › A dedicated email address;
- › Recreational workshops called Prodware@Home were set up to engage employees in all countries offering a range of online activities;
- › A dedicated helpline to support employees suffering from emotional distress.

A majority of employees praised the handling of the crisis in the internal “Speak Your Mind” satisfaction survey held every year.

### *b. Collaboration Tools for the World of Today*

As remote work continues to gain traction, we see an acceleration in the use of collaboration tools and intranet portal of the Group.

As an example, a 60% increase was recorded in the number of video conferences held between March and December 2020 using the group's Microsoft tool (not including the use of other tools such as Zoom or Webex) as well as a 116% increase in conference calls using the same tool.

We also noticed that more emails were exchanged due to remote working (cf. section on the Environment).

Training on these new collaboration tools, which started in 2019, continued to support the growing remote working needs.

### *c. The Group Employee Satisfaction Survey*

For the second year in a row, an employee satisfaction survey was conducted within the group addressing all employees to get their feedback on overall management performance, their expectations, areas of improvement including their appreciation of the handling of the crisis.

This second survey showed more positive feedback compared to the previous year's survey and on the areas of improvement. The handling of the crisis also got a high score.

### *d. Work-Life Balance*

Part-time workers, who greatly appreciate this alternative, make up a well-balanced portion of the Group's workforce; they represented 8.56% of the workforce in 2020.

Part-Time	2020	2019	2019 (on a comparable basis)
<b>Total men</b>	<b>27</b>	<b>28</b>	<b>25</b>
<b>Total women</b>	<b>63</b>	<b>81</b>	<b>66</b>
<b>Total</b>	<b>90</b>	<b>109</b>	<b>91</b>
% women working part-time	70,00%	74,3%	72,5%
<b>% of part-time average</b>	<b>8,56%</b>	<b>9,78%</b>	<b>7,68%</b>

### 29.2.3.2. Training

In 2020, the Group dedicated a total of 17 606 hours to training representing an average of 16.74 hours of training per employee, compared with 22.76 hours in 2019.

This decrease factors in the exceptional circumstances of this year that made it impossible to provide certain training programs.

The Group has also set up a training platform end of 2020 that helps employees in their skill building in line with the company's strategy and business needs.

This platform provides a training catalogue that automatically suggests different training programs that cater to the different needs of each employee (online programs or in person, podcasts, and so on...) and allows for self-monitoring, follow up and measuring one's progress.

This platform has been deployed in 2 countries so far and should be deployed in the rest of the countries in the near future.

### 29.2.3.3. Talent Assessment

Career building and planning falls into a structured process managed at the group level. Two performance appraisal reviews are conducted annually for each employee.

These reviews help identify those employees that have the potential to take on a new position within the organization or get promoted to a managerial role.

## 29.3. EMPLOYEE LOYALTY

### 29.3.1. Average Employee Tenure:

Median employee tenure remains high at 7.94 years for men and 8.16 years for women. On a comparable basis, seniority is almost as high with 8.15 years for men and 8.66 years for women.

The trends within the Group remain unchanged with average seniority in France slightly higher with 10.9 years for men and 12.1 years for women compared to 9.2 years and 10.5 years respectively in 2019. Prodware Germany comes in second.

All the countries in the group have seen their average seniority increase probably due to the impact of the crisis but also due to the different employee retention schemes in place.

### 29.3.2. Absenteeism

Based on the raw data we have, the number of “absence days” fell by more than 18%. On a like-for-like basis, the absenteeism rate was 4.1%.

This relatively low rate of absenteeism is mostly due to the impact of the lockdowns, social distancing and remote working measures set up within the Group.

These measures to protect employees against Covid-19 also protected them against other more common illnesses such as the flu, gastroenteritis, bronchiolitis, etc. which also declined in 2020.

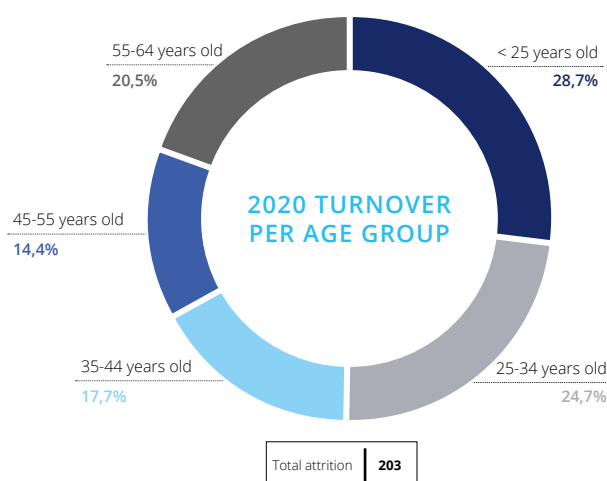
Here too, we will be monitoring this rate in 2021.

Absenteeism	2020	2019 (published)
<b>Total « absence days » (workdays)</b>	<b>9 213</b>	<b>10 897,00</b>
<b>Absenteeism rate</b>	<b>4,3%</b>	<b>5,10%</b>
Sick leave days	2,9%	3,7%
Workplace injuries	0,1%	2,9%
Parental leave	0,3%	0,30%

### 29.3.3. Employee Turnover

Employee turnover for the year was 19.03% compared with 23.9% in 2019. On a like-for-like basis, the percentages are almost equivalent.

All age groups have seen their turnover decrease with the exception of the under 25 year old age group, which is not representative of the number of people.



The attrition rate of women is lower than that of men (17.5% compared to 20.0%), probably showing women's more cautious behaviour during this crisis.

We will be monitoring this trend in 2021.

When comparing geographies, France shows the highest turnover:

2020	2020 Employee Turnover by area	2019 Employee Turnover (published)
France	20,3%	26.3%
International	18,6%	22.9%
<b>Total</b>	<b>19,30%</b>	<b>24.0%</b>

### 29.3.4. Gender Pay Equity

Gender pay ratios are analyzed by comparing the average salary of women to the average salary of their male colleagues.

The percentages are almost identical in all countries compared to those in 2019.

	2020	2019 publié
France	0.82	0,83
Spain	0.85	0,86
UK	0.64	0,63
Belgium	0.81	1,07
Holland	0.90	0,64
Luxembourg	0.74	0,84
Germany	0.72	0,81
Like-for-like	0.76	0.78
Czech Rep. – Georgia	0.63	
2020 CSR Scope	0.74	0,82



Proware's business activity centered around services has a relatively low impact on the environment. Nevertheless, the Group still seeks to minimize its impact on the environment by taking steps to tie in environmental issues into its daily management.

The CSR scope of the group includes renting and not owning offices in urban areas and therefore does not need to address any "sustainable land management" issues nor worry about effects on biodiversity. Water is used for sanitary purposes only and its consumption, which is included in the rental charges, is not significant, although it cannot be measured.

Moreover, the CSR scope does not include fighting food waste as we do not have a company cafeteria and there is no noise pollution to speak of.

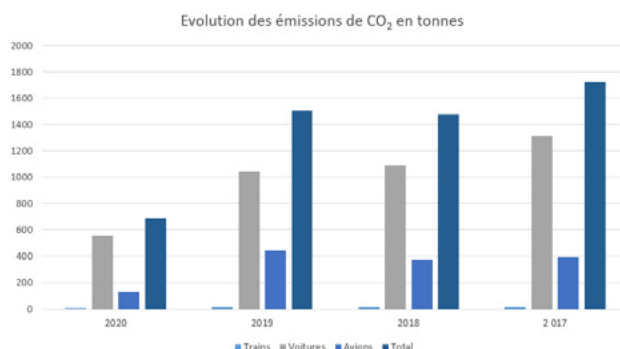
### 30.1. TRAVEL

The Group pursues its efforts to contribute in reducing emissions, initiated many years ago, by focusing in large part on trying to cut down on employee travel.

## EXTRA-FINANCIAL PERFORMANCE STATEMENT

The Group applies a Travel Restriction policy in each of its countries in order to minimize CO<sub>2</sub> consumption. Air travel is authorized only if the journey by train to a destination is longer than 3 hours. We also recommend carpooling as an alternative to car rentals when possible.

CO<sub>2</sub> emissions in 2020 were monitored for France, but do not reflect or compare with previous years due to the restrictions caused by the health crisis.



### 30.2. COLLABORATION TOOLS

As indicated above, the Group has widely expanded its use of collaboration tools and training with remarkable progress in adoption of these tools since the beginning of the health crisis. The Microsoft Teams solution (calls, video conferences, etc.) in particular has seen an increase of more than 60% in just one year.

### 30.3. CIRCULAR ECONOMY

Prodware is subject to the requirements of the Waste Electrical and Electronic Equipment (WEEE) directive.

The companies of the Group have implemented an IT Equipment Disposal policy. All old and obsolete IT equipment still in working order is donated or sold to employees for a symbolic amount. Likewise, when replacing cell phones, employees are entitled to purchase the old ones for a very small fee.

### 30.4. OFFICE WASTE

Like all service companies, office waste (paper) is the other types of waste generated by the Group.

In order to control and reduce paper consumption, Prodware SA installed modern copiers/printers in 2019 designed to limit the amount of paper waste. Employees need to go to the copier and scan their personal ID badge to print their documents. This to avoid and eliminate uncontrolled access to the printer and to curb bad printing habits i.e. printing large print jobs repeatedly from one's desk.

The other countries of the Group will be equipped with these copiers in the near future.

Waste recycling bins have been placed in most Prodware France branches and employees have been provided with cups and personal water bottles to reduce the consumption of plastic eating utensils.

Furthermore, in a broader perspective than that of strict professional use, we have provided all employees of Prodware France with access to an online digital safe to get employees to print less.

## 30.5. ECO-FRIENDLY BUSINESS OBJECTIVES

Below a list of the Group's objectives it intends to focus on in the coming years.

Reducing CO2 emissions	Areas of improvement	Objectives
<b>TRAVEL POLICY TO REDUCE CO2 EMISSIONS</b>		
Transportation	<ul style="list-style-type: none"> <li>› Establishing a group travel policy that promotes reasonable and manageable travel costs opting more for travel by train than by plane</li> <li>› Looking at local initiatives favoring public transportation, electric bicycles and so on...</li> <li>› Deciding to purchase or rent hybrid vehicles only</li> </ul>	<ul style="list-style-type: none"> <li>› Post-crisis monitoring of CO2 emissions with reliable indicators</li> <li>› Post Covid-19 crisis</li> <li>› 2024 latest</li> </ul>
Remote work – from experiment to sustainable work model	<ul style="list-style-type: none"> <li>› Agreeing with the different countries to pursue a Remote Work policy</li> </ul>	<ul style="list-style-type: none"> <li>› 2022 (post Covid-19 crisis)</li> </ul>
Miscellaneous meetings (Executive Board, Investors, etc...)	<ul style="list-style-type: none"> <li>› Finding right balance between in-person and online meetings</li> </ul>	<ul style="list-style-type: none"> <li>› 2022 (post Covid-19 crisis)</li> </ul>
<b>COLLABORATION TOOLS</b>		
More collaboration tools & optimizing data management	<ul style="list-style-type: none"> <li>› Less travel thanks to collaboration tools but significant increase in emails requiring more storage space with impact on the environment (CO2)</li> </ul>	<ul style="list-style-type: none"> <li>› Awareness campaign started in 2021 to get employees to prefer the intranet or instant messaging to emails/data archiving best practices.</li> </ul>
Using digital signatures with applications such as Docusign more and more	<ul style="list-style-type: none"> <li>› In 2020, turning to Docusign helped us reduce CO2 emissions by 51%</li> </ul>	<ul style="list-style-type: none"> <li>› Monitoring of changes on the basis of reliable indicators, post health crisis.</li> </ul>
<b>REASONABLE PURCHASES</b>		
Reasonable purchases	<ul style="list-style-type: none"> <li>› Looking to purchase computers that are much more energy-efficient</li> <li>› Buying refurbished IT equipment</li> <li>› Selling computers to employees after 4 years</li> </ul>	<ul style="list-style-type: none"> <li>› In 2021, on a like-for-like basis, we purchased more energy-efficient computers helping us reduce CO2 emissions by 5% kg/CO2 and aiming for 10% by 2023.</li> <li>› (targeting certain user groups first)</li> </ul>
<b>ECO-FRIENDLY BEHAVIOUR</b>		
Waste Sorting	<ul style="list-style-type: none"> <li>› In all Prodware France branches and throughout the Group</li> </ul>	<ul style="list-style-type: none"> <li>› 2023 latest</li> </ul>
Less plastic	<ul style="list-style-type: none"> <li>› Getting rid of disposable plastic utensils throughout the Group</li> </ul>	<ul style="list-style-type: none"> <li>› 2023 latest</li> </ul>

## PRODWARE – A SOCIALLY RESPONSIBLE COMPANY



### 31.1. THE ESCALATOR FOR YOUNG ENTREPRENEURS

Convinced that a company has a role and responsibility in developing social integration and helping young talents, Prodware is committed to supporting social programs that inspire change and innovation.

Prodware has therefore logically partnered with the incubator program initiated by Maurice Lévy, Chairman of the Supervisory Board of the Publicis Group.

The Escalator is designed to help those young entrepreneurs who want a fair shot at starting their own business. It targets those young talents in the digital economy who do not have the means or the connections to get their business off the ground.

Prodware is one of the three premium partners of this initiative working toward social inclusion with big names such as Microsoft, LVMH, Orange, L'Oréal, Total, Google...

At the end of a 3-month preparation phase, a jury made up of entrepreneurs and partners, decides whether the applicants can join the 12-month incubation program. The selected applicants will then get to carry out their projects, supported and coached by experts, in a development-friendly environment. Approximately 15 to 20 start-ups get enrolled in the program completely free of charge.

This initiative is fully in line with the Group's DNA promoting entrepreneurship and innovation.

### 31.2. OTHER SOCIETAL CONSIDERATIONS

#### 31.2.1. Developing and Promoting Ethical Behaviour in Business

In reference to the Sapin II law, Prodware has adopted the Middlednext Anti-Bribery Code of Conduct, which makes reference to the United Nations Convention against corruption.

This anti-corruption code of conduct sets forth the fundamental principles and rules regarding corruption and influence peddling in the following areas:

- › Specific rules for public officials,
- › Gifts and invitations,
- › Donations to charities & political organizations,
- › Patronage, sponsoring,
- › Facilitation payments,
- › Third party monitoring,
- › Conflicts of interest,
- › Accounting records and internal audits.

The Group is committed to fighting against all forms of corruption.

### 31.2.2. General Data Protection Regulation (GDPR)

Prodware is committed to protecting the privacy of its employees and partners and is fully compliant with the General Data Protection Regulation.

### 31.2.3. Other challenges

- › Respect for Human Rights: the Group is a member of the UN Global Compact - membership renewed every year reflecting its commitment to Human Rights and the conventions of the International Labor Organization;
- › Fighting tax evasion: the Group's tax policy is in line with its CSR strategy.
- › Fostering sustainable development through social engagement:

Category	% of each category/total employees
Fighting Food Waste	Not applicable
Fighting Food Insecurity	Not applicable
Respect for Animal Welfare	Not applicable
Food – responsible, fair and sustainable trade	Not applicable
Disability Policy	The Group applies a disability friendly policy as per the disabilities laws in effect

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