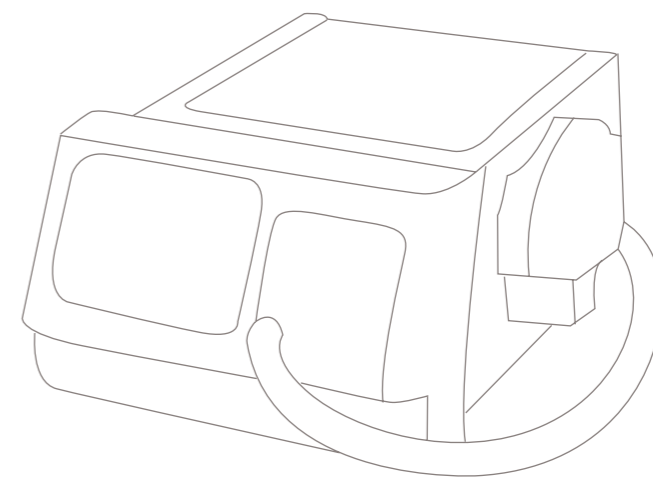
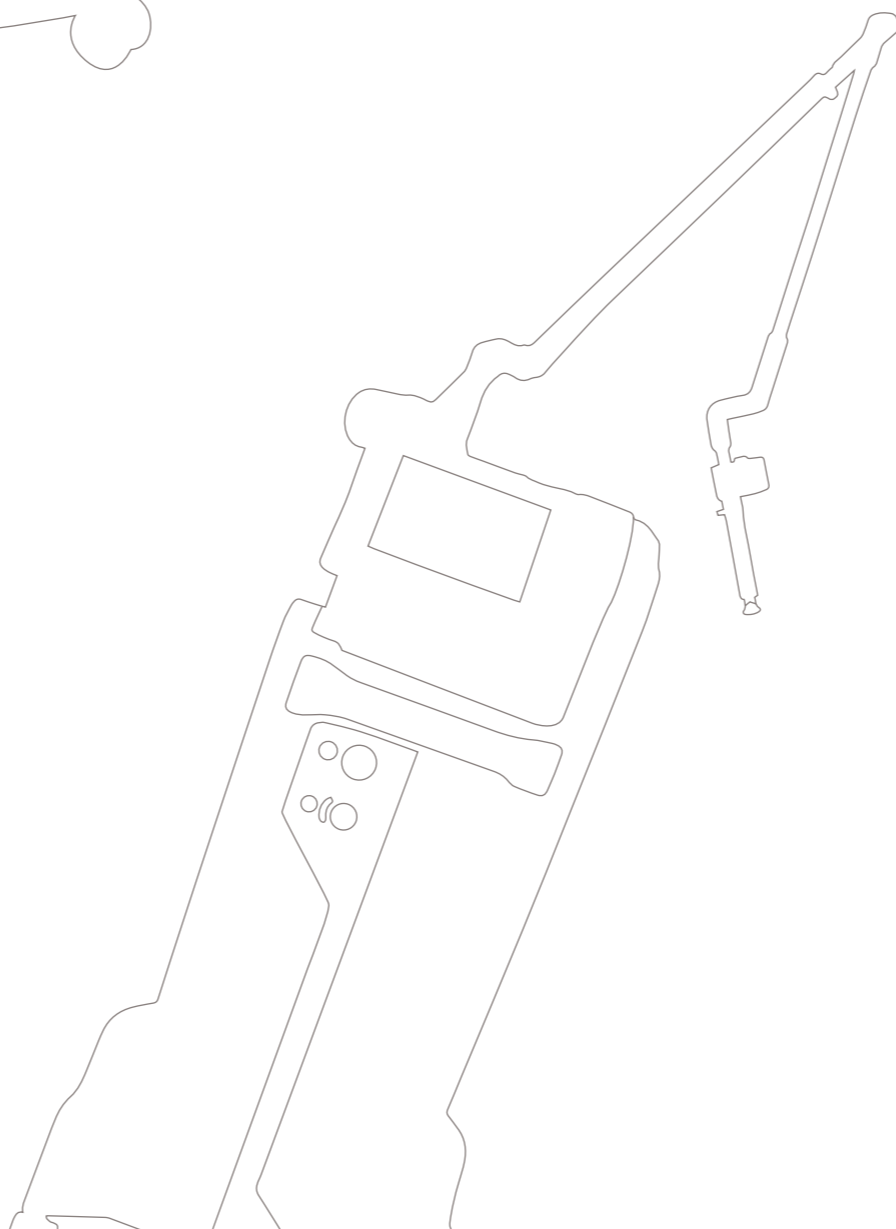
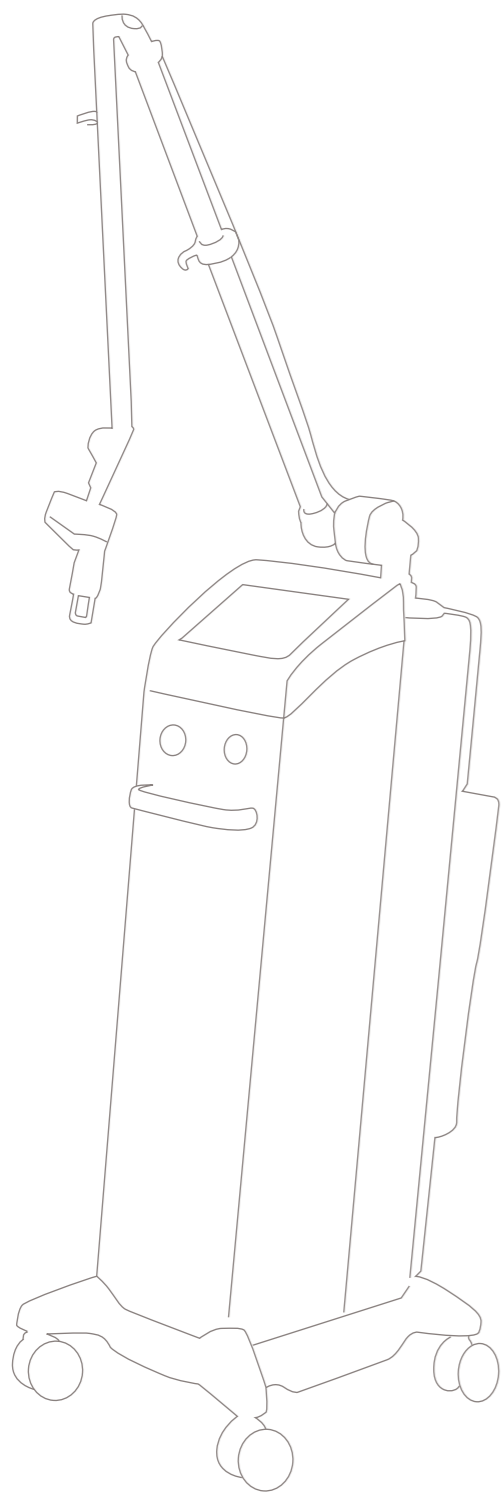
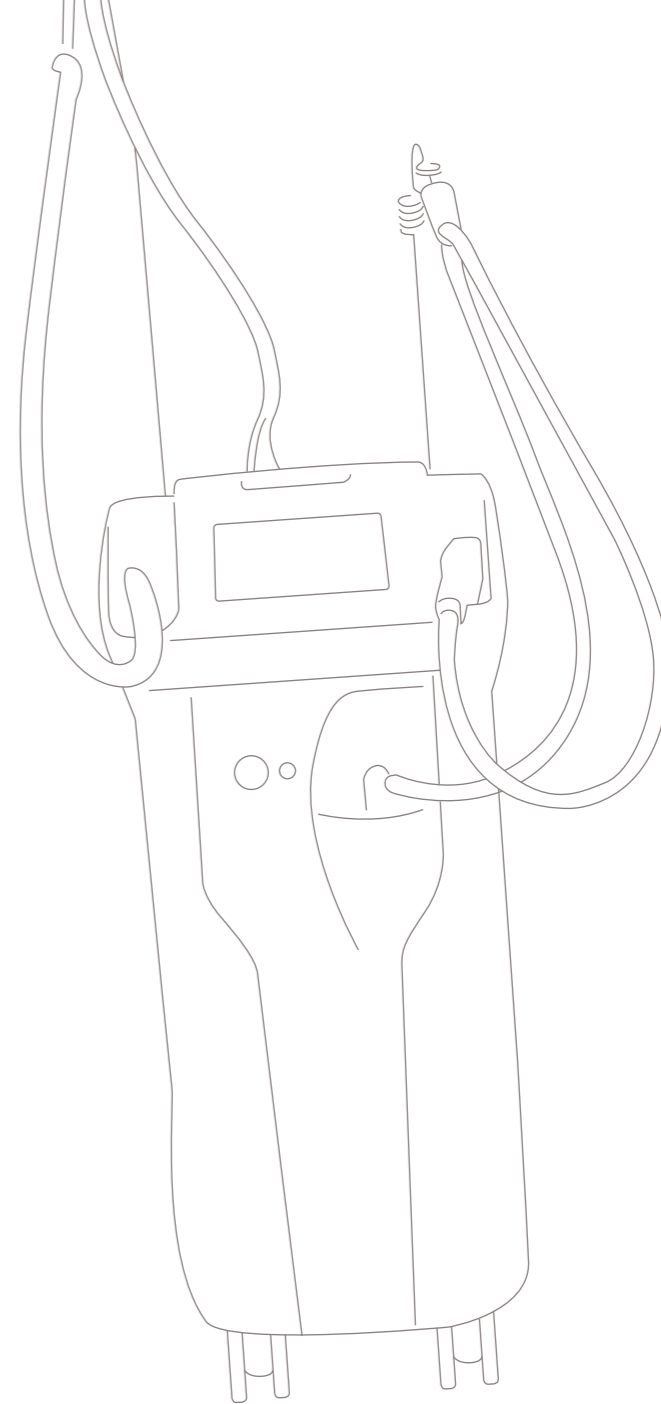
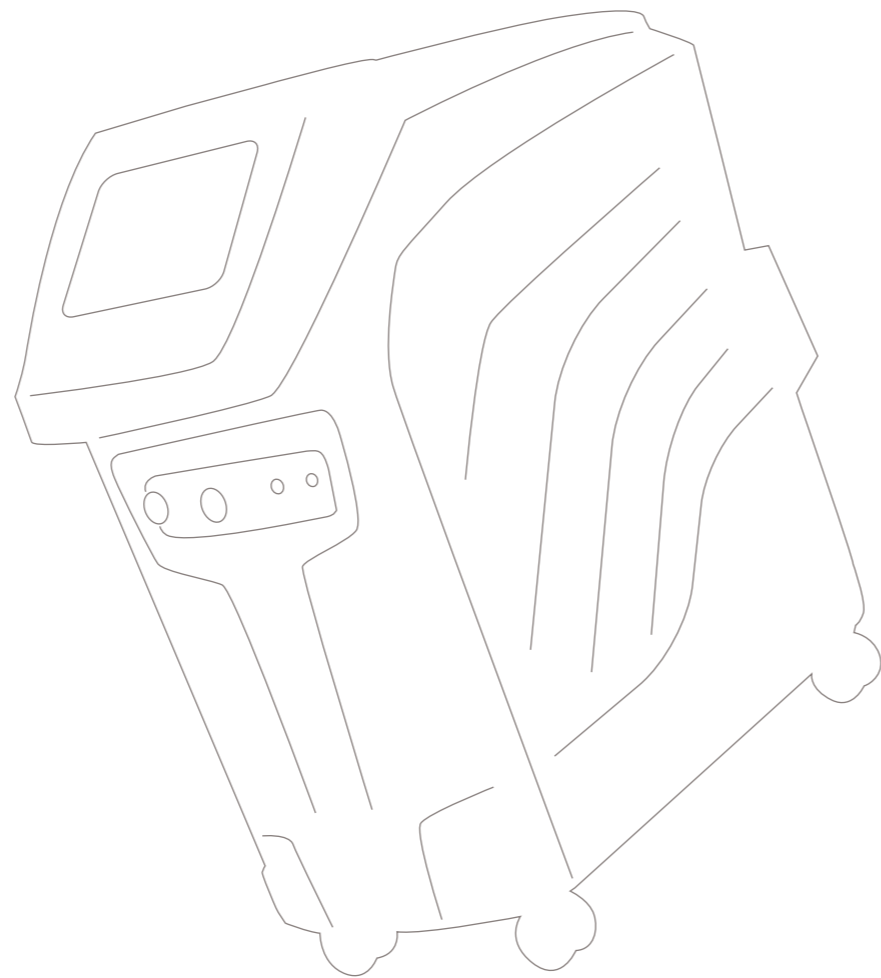
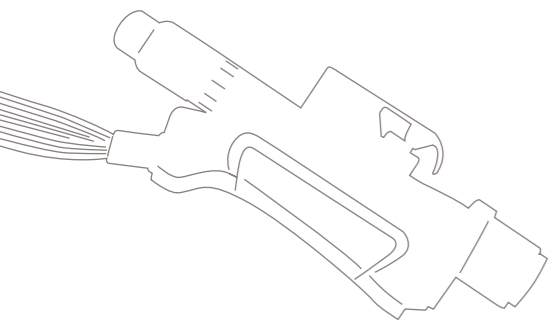


# El.En. Group

## Sustainability Report 2019

Consolidated Non-financial Statement 2019  
pursuant to Italian Legislative Decree n. 254 of 2016





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## Letter to our Stakeholder

We are proud to present the third Consolidated Non-financial Declaration (NFS) of the El.En Group. This document is intended to give you the opportunity to know more about us and to evaluate our commitment, our objectives and the results obtained in the field of social responsibility. This document, in fact, is about us, our values, the daily commitment of each person who works for this company, what in which we believe and our ambitions.

In 2019 we made important steps in this direction starting with the definition of the Sustainability Plan which had been approved in 2018. This year we started to take concrete action towards the goals which had been set by taking tangible action. Our main efforts were directed towards the spreading of the culture of sustainability, the involvement of our employee, the improvement of the welfare of the staff and the working environment, the support of the technological innovation and the quality of our products and the increase of the positive social impact generated by our business.

During this year we achieved some important results which we will summarize here briefly and which you will find in greater detail in the text which follows.

Our staff continues to represent our most important resource. Again this year El.En created employment by increasing their number of employees throughout the world by 10%. This is a significant increase not only at a numerical level but also in consideration of the enrichment represented by the arrival of new employees with different experience and know-how. During the year we promoted the spread and consolidation of the culture of sustainability by conducting training sessions in some of our subsidiary companies and describing the objectives and the activities which we must undertake in order to achieve them; we also increased the number of hours dedicated to training and, besides the usual training sessions conducted to guarantee the personal and professional growth of the personnel, we instituted courses dedicated to specific subjects like Governance, Compliance and Ethics in order to meet our commitment to spread certain ideals at every level.

Thanks to the remodeling of some of the buildings at the company Headquarters in Calenzano and the construction of new factories for some of the subsidiary companies, we were able to improve the work space by creating environments that were peaceful and productive in order to stimulate the potential and the creativity of the individual, and rest areas created for the employees; this work was conducted following criteria of high energy efficiency and reduction of environmental impact.

During the year the parent company, El.En. S.p.A. approved three important documents: the Environmental Policy, the Human Rights Policy, and the Anti-corruption Policy. These subjects had already been discussed in the Ethics Code, however, our desire to increase awareness in this regard induced us to call attention to our commitment by adopting specific policies.

Again this year the efforts of the Group in relation to innovation of the products and processes have continued with success. The research activities conducted in our laboratories and the collaboration which we have established with important research centers, hospitals and universities continue uninterrupted both on a National and International level both in the medical and industrial sector. The companies in the Group which manufacture medical devices have obtained the MDSAP (Medical Device Single Audit Program) certification, a program which allows the recognized and authorized institutions of the five member countries (U.S.A., Canada, Brazil, Japan and Australia) to conduct a single audit in the factory of the producer of medical devices; moreover, we are in the process of obtaining, by the end of 2020, certification according to the new EU regulations for medical devices (MDR) 2017/745..

The commitment of El.En as a company is also expressed through their initiatives sustaining the community. Every day we make an effort to assure that our work produces a positive impact on the lives of people and, with some specific products, we donate our expertise and our instruments to non-profit organizations, foundations and avant-garde scientific laboratories at the service of the health of patients as well as those involved in the conservation of our artistic legacy.

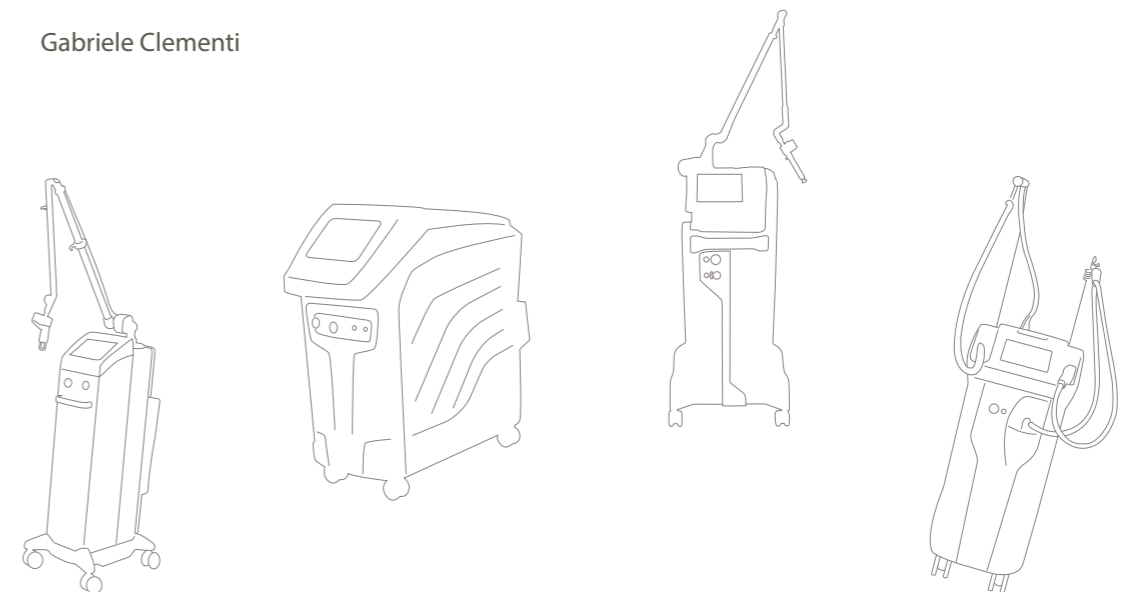
The companies that belong to the El.En. Group are strongly connected to the communities in which they operate and have always been involved in sustaining cultural, social and educational activities through sponsorship, participation in associations as well as promotion of school/work programs, and internships.

For these reasons we can affirm that this year we have re-enforced our desire to be a sustainable Group which wishes to combine economic growth and financial stability with the principles of social and environmental sustainability in order to represent a model of excellence.

The results obtained and the trust of our stakeholders encourage us to continue in this direction by innovating with passion and remaining faithful to the values and principles which have always been characteristic of our mission and giving our contribution to the building of a better future for all.

The President

Gabriele Clementi



# Highlights 2019

## Sustainability

 **1**  
Sustainability Plan 2018-2022

 **18**  
Targets approved by the Board of Directors

 **43**  
Activities to be undertaken in order to reach the targets reported

## The Group


 **8**  
Countries where the operations of the Group are located

 **12**  
Production sites

 **6**  
Research and development centers

## The Organization of the Company

 **172**  
The number of people who were trained on the Ethics Code in 2019

 **33%**  
The percentage of women in the Board of Directors

 **4**  
Number of meetings the Committee for Controls and Risks held in 2019

## The Production Process

 **127**  
Active patents and 23 pending

 **119**  
People involved in research and development activities

 **57**  
People involved in Quality control and Regulatory activities

## The Supply Chain

 **225,2**  
Million Euros Purchase value

 A checklist for evaluating suppliers which includes ESG subjects has been implemented

## The Community


 **391**  
Million Euros the economic value generated and distributed

 **97%**  
Local managers, i.e. managers that were born in the country in which the El.En. Group operates


## The People


 **10%**  
Increase in staff in 2019

 More than **21.800** hours of training conducted in 2019

 **47%**  
Reduction of injury rate, compared to 2018

## The Environment

 **- 8%**  
approximate reduction of CO<sub>2</sub> per product unit, compared to 2018

 **5%**  
Self-produced and consumed electricity



# Sustainability

Our strategy for a sustainable future





# 1. Sustainability

## 1.1 Sustainability for the El.En. Group

Sustainability means creating value over time and being ready to accept and successfully deal with the challenges for tomorrow; in the light of the development of the context to which we are referring and moved by the desire to communicate our commitment, we have undertaken a program of sustainability that is more detailed because we have always believed that the respect of the law, the protection of employment, the correct use of human resources and the defense of the environment, the research and development and the quality of our products, as well as the safeguarding of the interests and creation of value for all of our stakeholders are the only pathway that can be followed by a company that is innovative, sustainable and successful.

The principles of sustainability for the El.En. Group are not an abstract concept but have always represented the basis for the development and growth that have characterized the Group over the years and are the demonstration that value is created through responsible management which respects the economic, social and environmental equilibrium.

The Group adopted this policy in a structured form only two years ago but they rapidly acquired the necessary awareness and were able to quickly define the activities that had to be carried out. This was due to the fact that the problems that had to be dealt with and the aspects that required reporting were already part of their cultural background and the drafting of this document is the demonstration that, besides the economic results, the performance of the Group has always achieved excellent results on environmental, social and governance issues.

Last year was an important year for the company in terms of the definition of their commitment in relation to ESG issues. We drafted and approved a five-year Sustainability Plan and we defined a central coordinating unit and local

focal points for managing the flow of information from the subsidiary companies.

During the present year the objective has been that of increasing awareness of the impact and the importance of the sustainability issues which have already been defined and we have worked to spread the goals of the Sustainability Plan and the activities required in order to reach them. Our desire to integrate sustainability issues last year convinced the Board of Directors of the Parent Company El.En. S.p.A. to entrust the Committee for Controls and Risks with the task of examining the Group policies and the objectives related to sustainability issues and the supervision of the relative Plan.

In early 2020 in order to operate in a more responsible and efficient manner, we decided to entrust the Managing Director of the internal controls system with the task of defining the basic strategy of sustainability, the Sustainability Plan and the examination of the Consolidated Non-financial Declaration so as to further guarantee an adequate safe-guarding and monitoring of the processes.

In 2019 El.En. was **classified second** among corporations quoted on the stock market in the **Integrated Governance Index** presented on June 13th at the ESG Business Conference.

This index was drawn up by ETicaNews and Top Legal with the scientific support of numerous associations in the sector and measures **the adoption of ESG** (Environmental, Social, and Governance) **topics in the company strategy**.



## 1.2 Our stakeholders

Listening to our stakeholders is our top priority when it comes to understanding the degree to which we are satisfying their interests and their expectations and to identify the issues on which we should focus our efforts with the goal of continually improving the impact of the company activities on the environment and on society.

We have implemented a method for the mapping and identification of our stakeholders which has led to the identification of the following entities having interest in the Group, both internally and externally:



Again this year, in order to gather and evaluate the expectations and the issues of major interest for the stakeholders we have conducted specific activities related to stakeholder engagement: we submitted a questionnaire to a selected sample of internal stakeholders (employees of some of the subsidiary companies). This process will be continued for the

next few years by submitting questionnaires to other categories of stakeholders which have not yet been interviewed, conducting an analysis of the market and implementing other means of communication.

In the paragraphs below we will describe the methods used and our main channels of communication and dialogue with the stakeholders of the Group:





## Human Resources

### Topic

- Growth and training • Health and safety in the workplace • Identity and values
- Human rights and working conditions • Quality of work • Ethics, integrity and compliance
- Diversity, equal opportunity and non-discrimination • Industrial relations

### Main dialogue instruments

- Internet portal • Training and refresher courses • Company mailing list
- Communications from top management • Collective bargaining • Questionnaires materiality analysis



## Universities and Research Centers

### Topic

- Research, development and innovation • Trasparency

### Main dialogue instruments

- Financial reports • Scientific publications • Tenders and competition
- Experimentation and research projects • Communications from top management



## Clients (B2B)

### Topic

- Product quality and safety • Anticipation and acknowledgement of the expectations of the clients
- Trust and satisfaction of the clients

### Main dialogue instruments

- Company website • Evaluation of client satisfaction
- Management of complaints • After-sales service • Advertising



## Consumers (B2C)

### Topic

- Trust and satisfaction of the consumers • Product quality and safety

### Main dialogue instruments

- Company website • Management of complaints
- After-sales service • Advertising



## Institutions and regulatory bodies

### Topic

- Corporate Governance • Trasparency • Legality
- Economic and financial performance • Indirect social impact

### Main dialogue instruments

- Company website • Disclosures required • Financial reports • Shareholders meetings • Dissemination of regulatory information • Investor conference • Press releases



## Local Communities

### Topic

- Indirect social impact • Respect of the territory
- Support of employment • Legality • Support of social initiatives

### Main dialogue instruments

- Company website • Local meetings and events • Press releases
- Collaboration and support of the artistic and cultural heritage in sites of public interest
- National and regional research projects



## Suppliers

### Topic

- Trasparency • Ethic responsibility • Human rights and working conditions
- Continuity of business relations • Negotiating conditions • Development of partnerships
- Qualification and evaluation

### Main dialogue instruments

- Company website • Participation in initiatives and events • Negotiating relations
- Technical qualification meetings • Periodical auditing • Questionnaires materiality analysis



## Shareholders and investors

### Topic

- Corporate Governance • Trasparency • Economic and financial performance
- Ethics, integrity and compliance

### Main dialogue instruments

- Company web site • Financial reports • Shareholders' meetings
- Dissemination of regulatory information • Investor conferences • Press releases



## Agents and Distributors

### Topic

- Trasparency • Ethics, integrity and compliance • Human rights and working conditions
- Continuity of relations • Negotiating conditions • Development of partnerships

### Main dialogue instruments

- Company web site • Participation in initiatives and events
- Negotiating conditions • Training and refresher courses

Our companies interact and communicate also with the various associations of which they are members related to the sector to which they belong or the territory in which the companies of the Group operate. The chart below shows these associations.

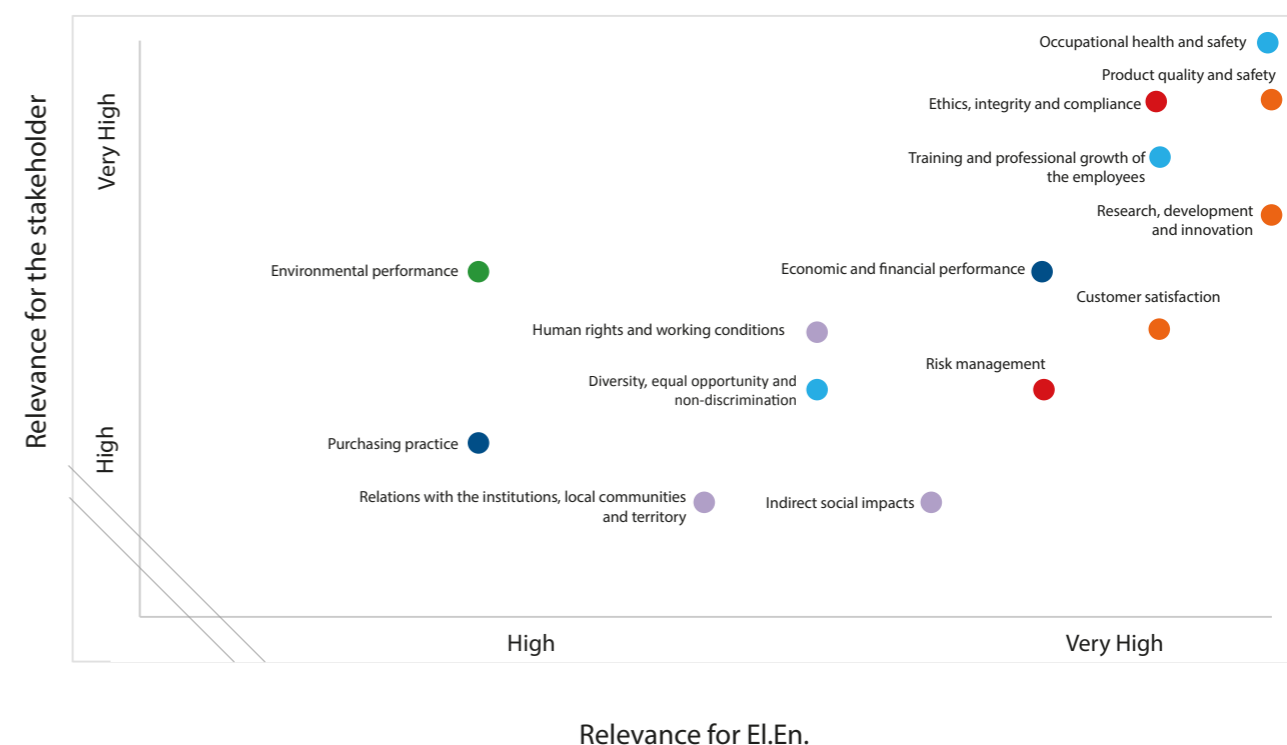
| Companies   | Associations  |
|---|---|
| EI.En.; Deka Mela, Ot-las; Esthelogue; ASA, Cutlite Penta | Confindustria   |
| EI.En.; Deka Mela   | Confcommercio   |
| Cutlite Penta   | ESU-EDA   |
| Cutlite Penta   | IADD - International Association of diecutting and diemaking  |
| EI.En.  | Comitato elettronico italiano   |
| EI.En.  | Association for preservation Technology Inrternational  |
| EI.En.  | ISTA - International Safe Trans   |
| EI.En.; Deka Mela; Esthelogue; Pharmonia                  | IBC - Associazione Beni di Consumo  |
| Ot-las  | ACIMIT  |
| EI.En.  | CEF – Consorzio Energia Firenze   |
| Esthelogue  | FAPIB – Associazione Nazionale Produttori e Fornitori di Tecnologie per la Bellezza e il Benessere                          |
| EI.En.  | Assorestauro  |
| EI.En.  | AIIA - Associazione italiana internal auditors  |
| ASA   | CUOA – Centro Universitario di Organizzazione Aziendale   |
| Asclepion   | German Chamber of Commerce and Industry   |
| Cutlite do Brasil   | CNI - National industry confederation   |
| Cutlite do Brasil   | ABIMAQ (National Association of Machine Industries)   |
| Cutlite do Brasil   | FIESC - Federation of Industries of the State of Santa Catarina   |
| Wenzhou – Wuhan   | Laser Industry Association  |
| Wenzhou   | Laser Processing Committee of the Chinese Optical Society   |
| Wenzhou   | Optical Radiation Safety and Laser Equipment Technology of Standardization Administration of the People's Republic of China |
| With Us   | Japan Esthetic Management Association   |
| With Us   | Beauty Equipment Safety Promotion Association   |
| With Us   | Economic World Club   |

### 1.3 Materiality matrix

The process of evaluation of the relevant topics was conducted for the first time in 2017 by means of an analysis of materiality made internally by the top management which made it possible to identify the most significant aspects related to economic, social and environmental issues for the EI.En. Group and for its stakeholders. These topics, in fact, reflect the main impact generated by the Group and by their activities and represent the aspects which potentially could be able to influence the evaluations made by their stakeholders.

Again in 2019, as we did last year, the materiality matrix was updated by implementing the following activities:

- interviews with top management whom we asked to review or confirm their evaluations of the priorities attributed to the topics in the preceding years;
- submission of a questionnaire to the employees of the Group<sup>1</sup> to whom we asked to assign a priority to the topics which they believed were the most significant;
- analysis of the results obtained from both enquiries integrated with a qualitative evaluation for the purpose of considering the best practice for the sector and the evolution of the relevant legislation, which brought about the updating of every topic as represented in the following matrix:



MACRO AREAS:

- Environmental responsibility
- Economic Responsibility
- Governance
- Social Responsibility
- Human Resources
- Product Responsibility

From the analysis **14 material topics** emerged: in particular, with respect to last year, the topic “Customer satisfaction” was considered material in line with the constant interest and efforts made by the organization for the aspects related to the satisfaction of the client, whereas the issue related to “industrial relations” was not considered material.

<sup>1</sup> In 2019 the employees of some of the Italian and Chinese subsidiaries were involved; in 2018 the employees of the Parent Company and some of the Italian subsidiaries and, as external stakeholders, we contacted the suppliers which were the most important in terms of purchases by the Parent Company and one of the Italian subsidiaries.

## 1.4 The Sustainability Plan

The Sustainability Plan represents the strategic vision of the Group in the area of sustainability and is the essential instrument for setting our objectives as well as the activities and plans we intend to use in order to reach them.

The five-year Sustainability Plan 2018-2022, with the implementation of the policies intended to generate and distribute resources to all the stakeholders represents the mid- to long-term vision of the Group and the means for communicating the objectives and the actions to be undertaken in order to achieve them.

By combining the corporate mission with the Sustainability Plan, the El.En. Group is able to respond to the challenges offered by the market while proposing a sustainable development which will be log lasting over time.

In relation to the 14 material topics identified and represented in the materiality matrix, the Sustainability Plan sets 18 sustainability objectives and 43 concrete actions which must be undertaken in order to achieve them.

Each objective is related to a specific macro-area (Governance, Economic responsibility, Product responsibility, Responsibility towards human resources, Social responsibility, and Environmental responsibility) and to the related issues in each sector;

- The objectives of the El.En. Group contribute to the achievement of nine of the SDGs (Sustainable

Development Goals) promoted by the United Nations and published in the 2030 agenda for Sustainable Development which the Group recognizes as relevant for its business and in line with its goals;

- The objectives of the Plan are updated every year and take into consideration the results which have been achieved and those which still need to be reached as well as the new issues which have emerged over time. The base year of reference with which the quantitative targets are defined in the Plan is 2018.

A sustainable and responsible development is expressed through a Governance dedicated to the supervision and the management of the sustainability issues, through the growth and involvement of the employees, with the improvement of the working environment the support of technological innovation, maintaining a high level of customer satisfaction, dialogue and support of the local community and the contribution to the reduction of environmental impact. The chart below shows the objectives contained in the plan, the results achieved and the goals for the next few years.



While working on the definition of the Sustainability Plan, we tried to bear in mind also the **Sustainable Development Goals (SDGs)**, promoted by the United Nations and published in the 2030 agenda for Sustainable Development and we identified **18 objectives of sustainability** for the Group which we believe through our efforts can contribute to the achievement, in particular, of nine of the seventeen SDGs.



### Governance



#### 1) Implementation of a corporate governance of sustainability

| Actions  | Results 2019  | Objectives 2020 - 2022   |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Instruct the Executive Administrator in charge of the system of internal controls and risks to define the strategic points of Sustainability, of the Plan and the examination of the Consolidated Non-financial Statement.</li> </ul> | <ul style="list-style-type: none"> <li>• The BoD which approved the NFD for 2019 instructed the executive administrator as directed.</li> <li>• In 2018 the examination of the policies, the company objectives and the supervision of the Sustainability Plan was assigned to the Commission of Controls and Risks.</li> </ul> | <ul style="list-style-type: none"> <li>• To assure that the company maintains all of the initiatives intended to guarantee the mid- to long-term sustainability of the company activities that are beneficial to the stakeholders in compliance with regulations.</li> </ul> |

#### 2) Dialogue with the stakeholders

| Actions   | Results 2019   | Objectives 2020 - 2022  |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Issuing and distribution of a questionnaire related to sustainability topics to all employees;</li> <li>• Re-enforcement of dialogue with the stakeholders.</li> </ul> | <ul style="list-style-type: none"> <li>• Distribution of the materiality questionnaire to some categories of employees of seven subsidiary companies;</li> <li>• In 2018 the questionnaire was distributed to the main suppliers of El.En. S.p.A. and Quanta System S.p.A..</li> </ul> | <ul style="list-style-type: none"> <li>• Distribute the sustainability questionnaire to all of the employees of the Group to gather opinions, suggestions and evaluations;</li> <li>• We conducted stakeholder engagement activities and involved the main categories of stakeholders.</li> </ul> |

#### 3) Promotion of a sustainability culture

| Actions   | Results 2019  | Objectives 2020 - 2022  |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Conduct training sessions on the objectives contained in the Sustainability Plan and the actions that must be taken in order to reach them;</li> <li>• Organize training meetings in class or via web in order to create awareness in the employees on sustainability issues.</li> </ul> | <ul style="list-style-type: none"> <li>• We conducted 181 hours of training on sustainability issues and on the objectives and actions described in the Sustainability Plan for some categories of employees of the Parent Company and six subsidiary companies.</li> </ul> | <ul style="list-style-type: none"> <li>• To conduct training sessions on sustainability issues for some categories of employees in all of the companies belonging to the Group;</li> <li>• Create work groups dedicated to sustainability issues;</li> <li>• Create on-line training lessons on company policies related to social and environmental issues.</li> </ul> |

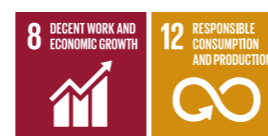


#### 4) Active and passive anti-corruption fight

| Actions  | Results 2019   | Objectives 2020 - 2022  |
|--|--|---|
| <ul style="list-style-type: none"> <li>Prevention of corruption in all spheres of influence.</li> <li>Spread and training in relation to the Group Ethics Code.</li> </ul> | <ul style="list-style-type: none"> <li>We adopted an Anti-Corruption Policy approved by the Parent Company of the Group;</li> <li>We continued with training based on Model 231 for some employees of the Italian subsidiaries where this model had been adopted;</li> <li>We distributed the Ethics Code to newly hired employees of nine of the subsidiary companies and in four of these companies we plan an initial specific training course on the Ethics Code.</li> </ul> | <ul style="list-style-type: none"> <li>Creation of specific on-line training for some categories of employees with response and certification that the test has been passed.</li> <li>Approval of the Anti-corruption Policy by the subsidiary companies;</li> <li>Continuation of the training sessions based on Model 231 for all of the employees of the Italian subsidiaries that have adopted it;</li> <li>Distribution of the Ethics Code and an initial specific training in all of the subsidiary companies.</li> </ul> |



### Economic responsibility



#### 5) Creating sustainable value

| Actions  | Results 2019  | Objectives 2020 - 2022   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Conduct the activities of the company so that they create the conditions for a sustainable and economical development.</li> </ul> | <ul style="list-style-type: none"> <li>In 2018 we created a central unit for coordinating sustainability and local focal points in each of the subsidiary companies.</li> </ul> | <ul style="list-style-type: none"> <li>To guarantee the satisfaction and meet the expectations of all the stakeholders by achieving the objectives outlined in the Sustainability Plan.</li> </ul> |

#### 6) Promotion of a culture and sustainable procurement practices

| Actions  | Results 2019  | Objectives 2020 - 2022   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Definition and promotion of social, environmental and ethical standards amongst our suppliers.</li> </ul> | <ul style="list-style-type: none"> <li>We planned the expansion of the Ethics Code for the part related to relations with our suppliers and the spread of the new version.</li> </ul> | <ul style="list-style-type: none"> <li>To increase awareness and training of our suppliers in relation to ESG issues.</li> </ul> |

#### 7) Carry out checks on suppliers during the selection phase, taking into account social and environmental criteria

| Actions  | Results 2019  | Objectives 2020 - 2022   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Promotion of good sustainability practices at our suppliers'</li> </ul> | <ul style="list-style-type: none"> <li>Addition of a check list when selecting critical suppliers which includes questions related to social and environmental issues.</li> </ul> | <ul style="list-style-type: none"> <li>To guarantee the level of uniformity in compliance to their standards and the respect of a sustainable supply chain.</li> </ul> |



### Human Resources



#### 8) Guaranteeing health and safety in the workplace

| Actions   | Results 2019   | Objectives 2020 - 2022  |
|---|--|---|
| <ul style="list-style-type: none"> <li>Promotion of a culture of health and safety in the workplace;</li> <li>Conducting the activities that every company follows in relation to health and safety and then proceed to the definition of a procedure for the collective activities.</li> </ul> | <ul style="list-style-type: none"> <li>We conducted over 2,000 hours of training related to health and safety;</li> <li>We reduced the injury-rate, if compared to last year.</li> </ul> | <ul style="list-style-type: none"> <li>To continue to promote training tools and information on health and safety for the employees.</li> </ul> |

#### 9) Increasing the well-being of the employees

| Actions   | Results 2019   | Objectives 2020 - 2022   |
|---|--|--|
| <ul style="list-style-type: none"> <li>Improvement of the well-being of the employees during the working hours;</li> <li>Spread of a culture of well-being through programs aimed at encouraging a healthy life style;</li> <li>Definition of programs to guarantee access to the best health and welfare services;</li> <li>Annual surveys of employees related to the internal climate conditions.</li> </ul> | <ul style="list-style-type: none"> <li>We inaugurated a company gym for the companies situated at our headquarters in Calenzano (Firenze).</li> <li>We started a remodeling project of the offices of the companies located at headquarters in Calenzano (Firenze).</li> <li>We inaugurated a new production site for Cutlite Penta S.r.l. and Ot-las S.r.l. companies in Prato (Prato).</li> <li>We inaugurated a new production site for A.S.A. S.r.l..</li> <li>We completed the expansion of the production site of Asclepion GmbH.</li> </ul> | <ul style="list-style-type: none"> <li>To continue with well-being initiatives;</li> <li>To start an awareness program related to the spread of a wellness culture;</li> <li>To conduct an annual survey of the employees in retain to internal climate conditions.</li> </ul> |

#### 10) Promotion of the training and enhancement of human capital

| Actions   | Results 2019   | Objectives 2020 - 2022   |
|---|--|--|
| <ul style="list-style-type: none"> <li>Definition and implementation of training and development programs;</li> <li>Attract young resources through partnerships with universities and research centers.</li> </ul> | <ul style="list-style-type: none"> <li>We adopted a policy regarding human rights which was approved by the Parent Company;</li> <li>About 21.800 hours of training were conducted at a consolidated level.</li> </ul> | <ul style="list-style-type: none"> <li>To increase awareness and re-enforce the perception of People in terms of issues of diversity and human rights;</li> <li>To obtain approval of the Human Rights Policy from all of the subsidiary companies;</li> <li>To continue to initiate partnerships with universities and research centers.</li> </ul> |



## Social responsibility



### 11) Expansion of positive social impact through our products

| Actions  | Results 2019   | Objectives 2020 - 2022  |
|--|--|---|
| <ul style="list-style-type: none"> <li>To issue instruments and solutions on the market which make it possible to improve the patient's quality of life;</li> <li>To issue on to the market technologies for industrial applications which reduce the environmental impact and consumption of resources and improve the quality and productivity of work.</li> </ul> | <ul style="list-style-type: none"> <li>In the medical sector research and development of new laser systems or the improvement of pre-existing ones so that an increased percentage of the population can benefit from the innovative technologies that can improve their well-being. In the industrial sector, research and development to improve the flexibility and decrease consumption of electrical energy of the production systems.</li> </ul> | <ul style="list-style-type: none"> <li>To continue to issue high performance products on the market.</li> </ul> |

### 12) Support of non-profit organizations, foundations and scientific laboratories

| Actions  | Results 2019  | Objectives 2020 - 2022   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Support of non-profit organizations, foundations and scientific laboratories by assisting them in the use of the new technologies which are available to patients.</li> </ul> | <ul style="list-style-type: none"> <li>Donation of a laser for rehabilitation to the Valduce hospital.</li> <li>Support of non-profit organizations and/or foundations through monetary donations.</li> </ul> | <ul style="list-style-type: none"> <li>To increase the well-being of people who make use of the services offered by non-profit organizations and foundations.</li> </ul> |

### 13) Contributing to the conservation of the world's artistic heritage

| Actions   | Results 2019   | Objectives 2020 - 2022   |
|---|--|--|
| <ul style="list-style-type: none"> <li>Support of the conservation of the world's artistic heritage.</li> </ul> | <ul style="list-style-type: none"> <li>Donation of two lasers per restorations to the Uffizi Galleries in Florence.</li> </ul> | <ul style="list-style-type: none"> <li>To continue to protect the world's artistic heritage in order to preserve its beauty for future generations.</li> </ul> |

### 14) Strengthening relations with the community

| Actions  | Results 2019   | Objectives 2020 - 2022   |
|--|--|--|
| <ul style="list-style-type: none"> <li>Promotion of initiatives which contribute to the growth of the local community also through partnerships with associations and non-profit organizations;</li> <li>Promotion of alternating school-work programs and curricular and extra-curricular apprenticeships.</li> </ul> | <ul style="list-style-type: none"> <li>During this year we have sponsored some non-profit associations in the communities in which the Group operates;</li> <li>We have developed alternating school-work projects and curricular and extra-curricular apprenticeships.</li> </ul> | <ul style="list-style-type: none"> <li>Continued support of initiatives promoting the social and economic development of the local community in which the Group operates.</li> </ul> |



## Product responsibility



### 15) Guaranteeing the highest level of quality of the product and compliance with technical standards

| Actions  | Results 2019   | Objectives 2020 - 2022  |
|--|--|---|
| <ul style="list-style-type: none"> <li>Continual improvement of the quality and respect of the technical standards in every phase of manufacturing.</li> </ul> | <ul style="list-style-type: none"> <li>El.En. S.p.A, Deka Mela S.r.l., Quanta System S.p.A. and Asclepion GmbH have obtained the MDSAP Medical Device Single Audit Program certification.</li> <li>All of the companies of the Group have maintained the pre-existing certifications.</li> </ul> | <ul style="list-style-type: none"> <li>To insure that the requirements for quality of the processes, in line with the expectations of the market, are respected in an efficient and integrated manner.</li> </ul> |

### 16) Investing in innovation, research and development to benefit the progress of scientific knowledge

| Actions   | Results 2019   | Objectives 2020 - 2022  |
|---|--|---|
| <ul style="list-style-type: none"> <li>Investing in research and development for the purpose of developing products and processes which satisfy the requirements and needs of the clients and optimize their satisfaction.</li> </ul> | <ul style="list-style-type: none"> <li>4% of the investments in research and development.</li> <li>6 active research centers.</li> <li>23 patents pending as of December 31st 2019.</li> </ul> | <ul style="list-style-type: none"> <li>Monitor the trends and act in a specific and focused way in the areas of interest of the clients.</li> </ul> |



## Environmental responsibility



### 17) Promoting policies to increase energy efficiency

| Actions   | Results 2019   | Objectives 2020 - 2022   |
|---|--|--|
| <ul style="list-style-type: none"> <li>Introduction of the sustainability requirements like the use of lighting and air-conditioning systems with low environmental impact when refitting rooms.</li> </ul> | <ul style="list-style-type: none"> <li>Adoption of an Environmental Policy approved by the Parent companies;</li> <li>Adoption of lighting and air conditioning systems with low environmental impact during re-modeling work conducted by the companies of the Group;</li> <li>Installation of solar panels at Asa S.r.l. and at Asclepion GmbH.</li> </ul> | <ul style="list-style-type: none"> <li>Approval of the Environmental Policy by all of the subsidiary companies.</li> </ul> |

### 18) Decreasing the environmental impact

| Actions   | Results 2019  | Objectives 2020 - 2022  |
|---|---|---|
| <ul style="list-style-type: none"> <li>Promotion of ecological behavior among the employees.</li> </ul> | <ul style="list-style-type: none"> <li>Distribution of a steel canteen to all of the employees of Quanta System S.p.A. and a glass bottle to the employees of Asclepion GmbH;</li> <li>Installation of a water fountain in the headquarters in Calenzano and at Asa S.r.l.</li> </ul> | <ul style="list-style-type: none"> <li>To promote among our employees a culture for the rational use of sources of energy and the consequent reduction of the related costs.</li> </ul> |



# The Group

A history of  
concrete and  
shared values







## 2. The Group

The El.En. Group is one of the most important companies in the field of lasers thanks to its diversification and innovation: technological excellence and manufacturing quality are our main characteristics. The companies belonging to the Group are active in the creation, distribution and sales of high performance technologically advanced products that are reliable and respect the environment.

### Mission of the El.En. Group

**To develop products** which, through the motivation and involvement of human resources promote a continual improvement in the systems and services we offer by supplying technologically advanced solutions in many different sectors and investing adequate resources in **research and technological innovation**, in the manufacturing processes and infrastructures sustaining them.

**To build long-lasting relations** by constantly improving the quality of work and the development of human resources, both in terms of knowledge and skills as well as personal welfare by **consolidating our competitive position** on the international markets and facing its challenges and aiming to acquire primary positions or to be a leader in its field, offering clients, a professional service of after-sales assistance as well as training and marketing support.

**To create value** by contributing to the **success of our clients** thanks to products that are fully able to satisfy the end-users' expressed and implicit requirements, by placing on the market technologies that **improve the quality of life of people** and by constantly verifying that the company products and processes are in conformity with the law and safety regulations, with constant attention to the safeguarding of the environment and to energy saving.





## The values of El.En. Group

represent our cultural identity and our principles which are adhered to everyday by all the people who work with us; together with our mission they represent our point of reference for our daily activity.



### Know-how

All of the companies which belong to our Group have contributed decisively to increasing our knowledge of laser technology; this background has been made available to the scientific community for the benefit of the cultural heritage of humanity.

### Research and development

The researchers of the El.En. Group are constantly involved in national and international research projects and collaborate with research centers and university departments.



### Innovation

In its research and development centers the Group works every day to find substantial innovations and to maximize the efficiency and effectiveness of those already in existence in order to guarantee a continuous improvement in their performance and contribute to the welfare of the community.

### People

The history of our Group is made up of great women and men who, with their commitment and their ideas, in the medical sector have brought enormous benefits to the quality of life of the patients and the work of the doctors and, in the industrial sector, have contributed to the improvement of the quality and productivity of the work while reducing the environmental impact and the waste of materials.



### Certifications



Our products and our quality control system are certified by the most important institutions at a global level; we receive periodically inspections for the renewal of the certificates that we possess and which are indispensable for exporting our products abroad.



### Training

In all of our companies the training of the personnel as well as the training of the doctors and of our business partners is the only tool to increase or disseminate our knowledge and make it available to others.

### Ethics



We are aware of our responsibility towards society and the environment in which we live and for this reason we have adopted an Ethics Code which represents our company culture and is founded on social and ethical responsibility in the management of all of our activities.



### Community

We have always been committed to a policy in which our work generates a social impact and benefits the local community, both through the continuous effort dedicated to our work as well as the support of social, cultural and educational initiatives in the areas in which our companies operate.

### Future



The continual research aimed at technological improvement, the simplicity of operation and the discovery of new medical applications, the reduction of wastefulness and of environmental impact obtained with industrial systems, the sensitivity directed to the conservation of our artistic heritage combined with the sustainability objectives we have set, direct us towards a future in which we will be committed to generate value to insure a sustainable future for the next generations.



### Multiculturalism

One of the key factors for success is multiculturalism. Our companies are present in eight different countries on three continents and our business partners and our technologies are located all over the world.

## 2.1 Our global presence

The El.En. S.p.A. company has its headquarters in Italy, in Calenzano (Florence).

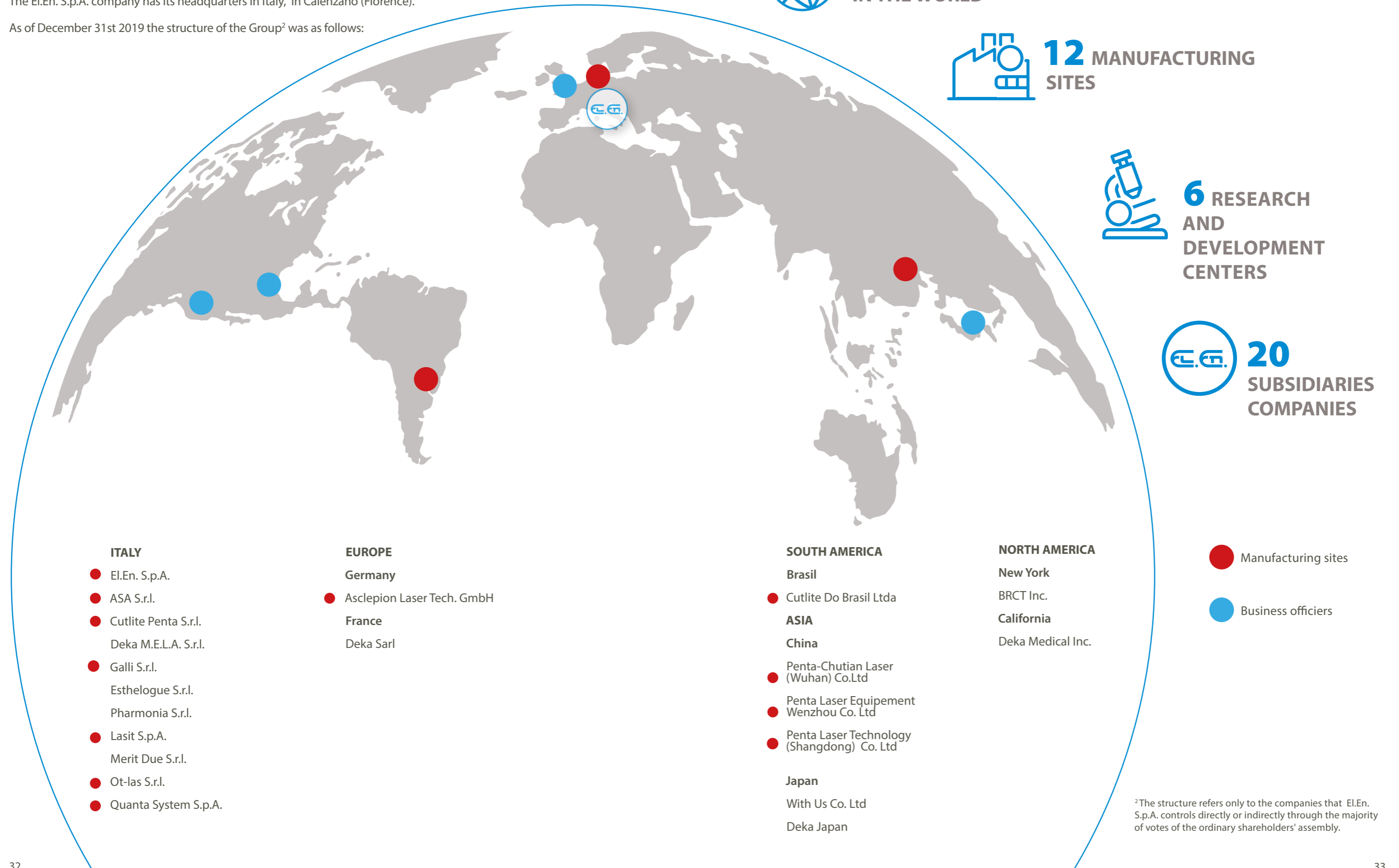
As of December 31st 2019 the structure of the Group<sup>2</sup> was as follows:

 **8 COUNTRIES IN THE WORLD**

 **12 MANUFACTURING SITES**

 **6 RESEARCH AND DEVELOPMENT CENTERS**

 **20 SUBSIDIARIES COMPANIES**



**ITALY**

- El.En. S.p.A.
- ASA S.r.l.
- Cutlite Penta S.r.l.
- Dekam M.E.L.A. S.r.l.
- Galli S.r.l.
- Esthelogue S.r.l.
- Pharmonia S.r.l.
- Lasit S.p.A.
- Merit Due S.r.l.
- Ot-las S.r.l.
- Quanta System S.p.A.

**EUROPE**

- Germany**
- Asclepion Laser Tech. GmbH
- France**
- Dekam Sarl

**SOUTH AMERICA**

- Brasil**
- Cutlite Do Brasil Ltda

**ASIA**

- China**
- Penta-Chutian Laser (Wuhan) Co.Ltd
- Penta Laser Equipement Wenzhou Co. Ltd
- Penta Laser Technology (Shangdong) Co. Ltd

**Japan**

- With Us Co. Ltd
- Dekam Japan

**NORTH AMERICA**

- New York**
- BRCT Inc.
- California**
- Dekam Medical Inc.

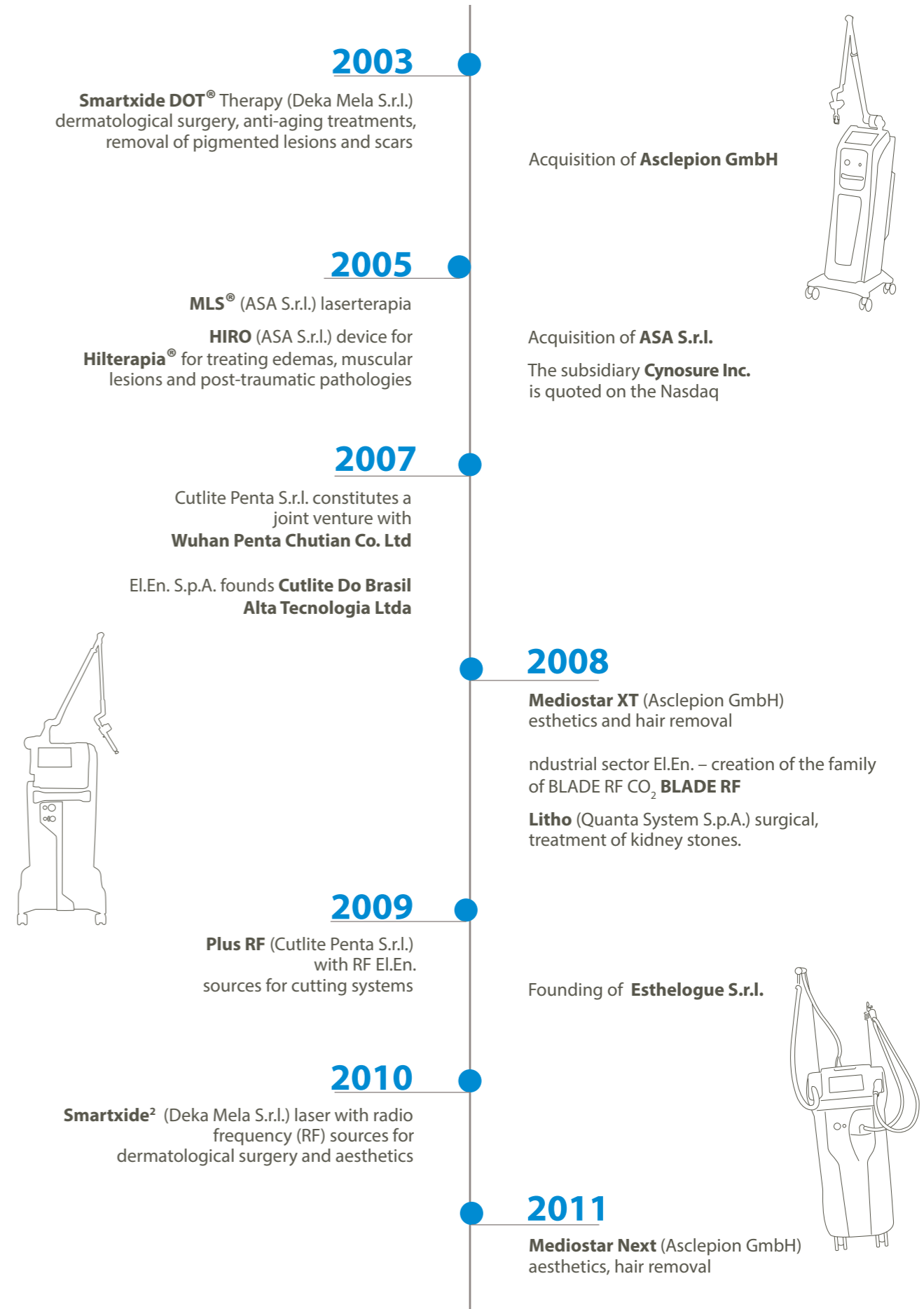
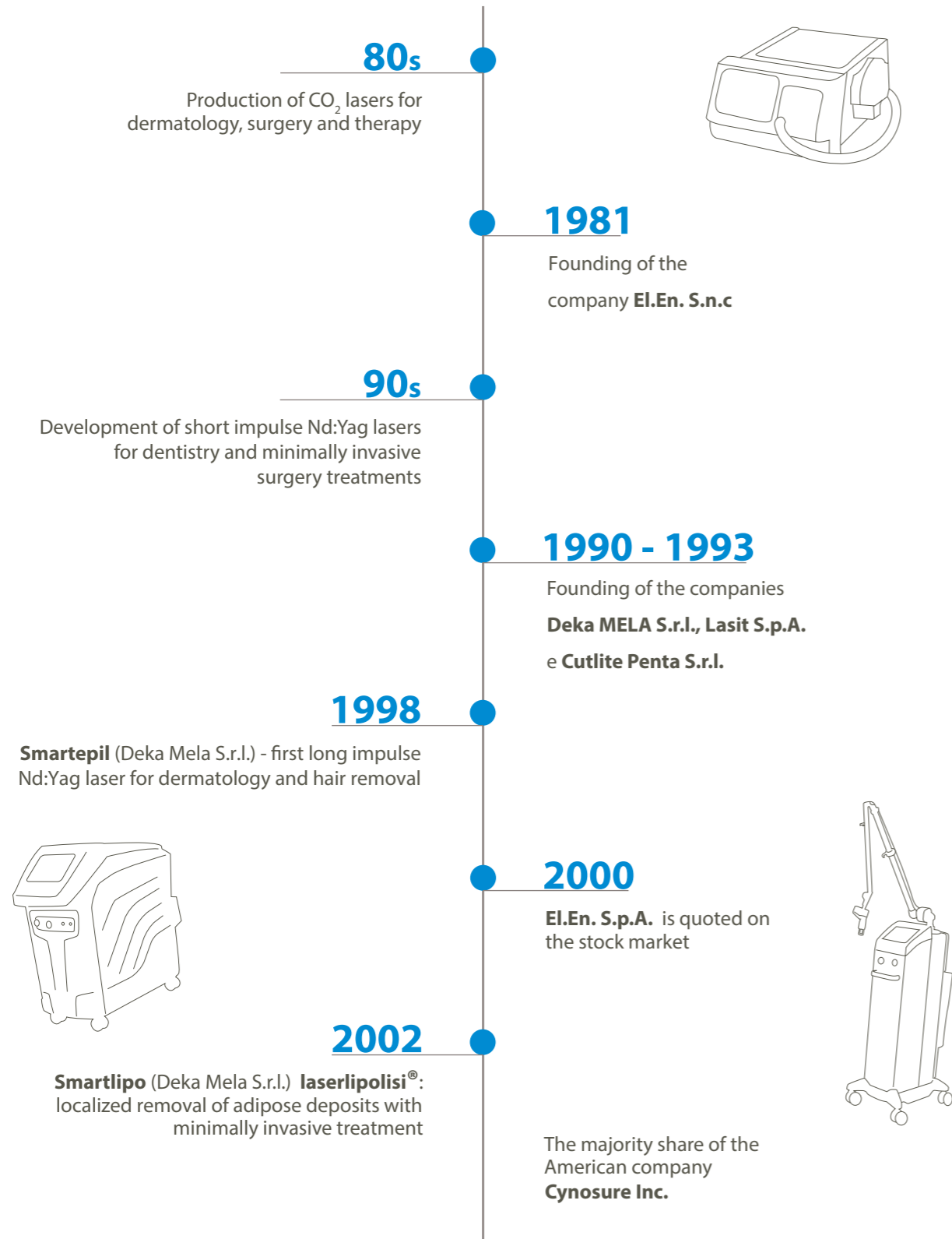
- Manufacturing sites
- Business officers

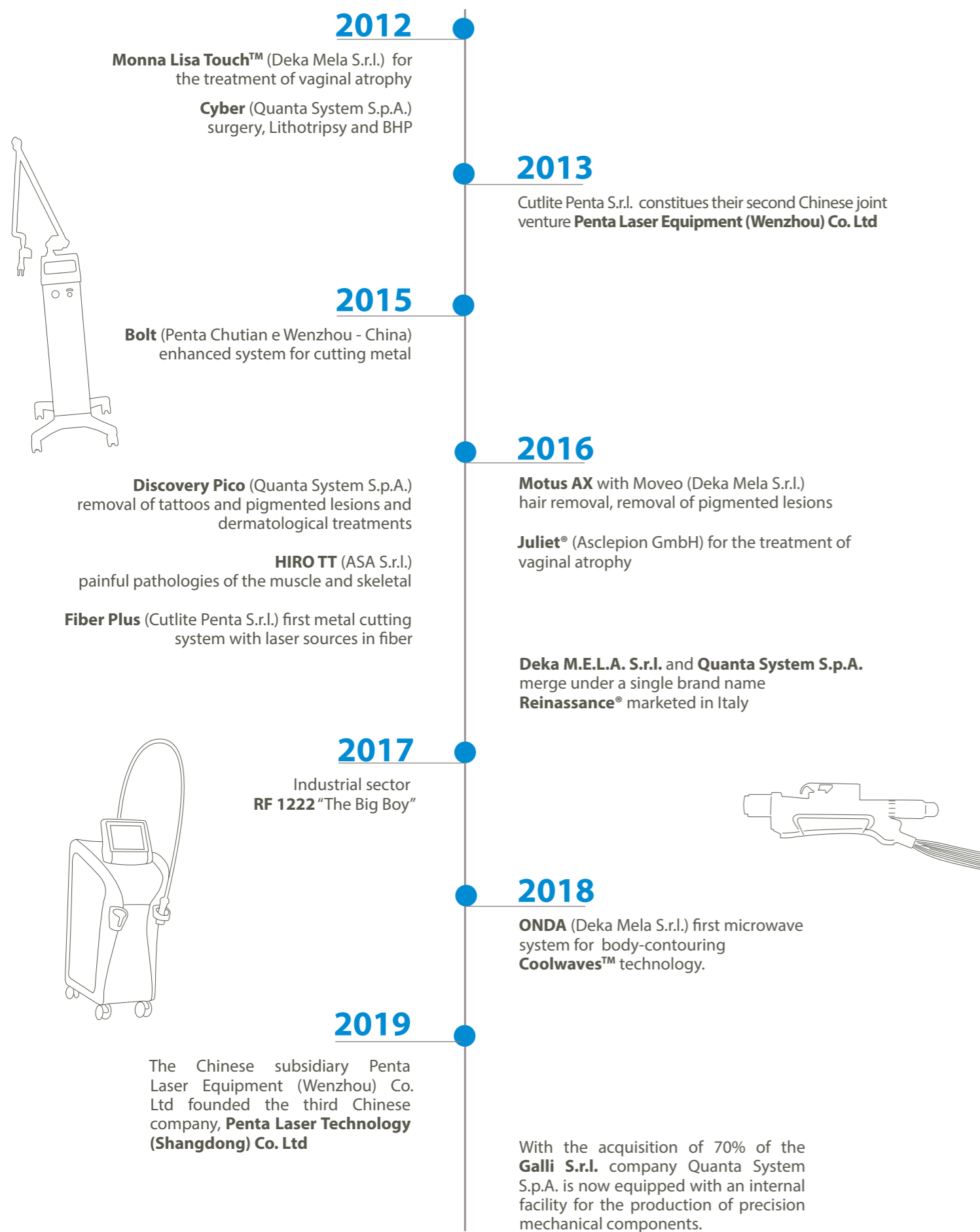
<sup>2</sup>The structure refers only to the companies that El.En. S.p.A. controls directly or indirectly through the majority of votes of the ordinary shareholders' assembly.



## 2.2 Our history

At present the Group can count on a widespread presence at a national and international level with 26 subsidiaries or associated companies which operate in various segments of our field. The development of El.En has contributed in the past and present to bringing the distinctive quality of "Made in Italy" to the rest of the world through its technologically advanced and highly innovative solutions and products.





## Emergency COVID-19

By mid-January 2020 it had become clear that the Covid-19 epidemic with its epicenter in Wuhan, where the subsidiary Penta-Chutian Laser (Wuhan) is located was spreading rapidly. The Chinese government adopted drastic measures to contain the contagion and inhouse-quarantine was imposed in all of the province of the cities Wuhan, Hubei and other provinces. Limitations in the circulation of people and the lockdown of the city of Wuhan still remain, while in some of the other provinces life is gradually returning to normal thanks to the substantial reduction of the number of new patients. The impact on the activities of the Group has been extremely significant and the three factories in China had to extend the closure and stop all production. In the cities of Lin Yi and in Wenzhou activities started again in early March but very slowly due to the difficulty of moving from one province to another. However, in Wuhan, where most of our employees live, the city is still under quarantine. While lost capacity is starting to be overtaken after losing a couple of months, the demand for the products will require more time before returning to the levels expected for 2020.

Even in Italy the measures taken by the government have blocked all sales on Italian territory but, despite all the difficulties, where it is possible and where it is allowed, with the maximum considerations for the protection of the health and safety of the workers, production has continued in order to satisfy the significant volume of orders coming from abroad. The restrictions that have been imposed have caused the cancellation of all trade fair and congress events involving the markets of the Group and have prohibited to travel abroad, that is part of the usual marketing activities of the Group.

In consideration of the Covid-19 emergency which is catalyzing most of the resources of the public health institutions, **the Board of Directors** which met on March 13th 2020, **voted to increase to 500 thousand Euros the funds that the Group allocates to Social Responsibility, as part of the implementation of their sustainability policy.** These resources consist of technologies and contributions which will be used for **specific activities in support of Public Health.**





## 2.3 Our markets

El.En. S.p.A. directs a group of companies that operate in the field of the **manufacture, research and development, distribution and sale of laser systems**. The activity of all of the companies is coordinated with an aim to better serve the markets by taking advantage

of the dynamism and flexibility of the single business units without losing the benefit of a single coordinated management of the technical, managerial, marketing and financial resources. Our business is divided into two main sectors:

| MEDICAL DIVISION |
|------------------|
| Aesthetics       |
| Surgery          |
| Therapy          |
| Medical Service  |

| INDUSTRIAL DIVISION |
|---------------------|
| Cutting             |
| Marking             |
| Sources             |
| Restoration         |
| Industrial Service  |



The **medical sector** of laser systems for aesthetics and medicine:

The medical division of the El.En Group designs and produces lasers and light systems for all the applications in the medical field, mainly in the aesthetic sector,

therapy and surgery. The effectiveness and reliability of our systems have allowed our company to become one of the world leaders in this sector. In over thirty years of activity and research we have reached a level of excellence with these products.

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |

The **industrial sector** of laser systems for industrial manufacturing:

The El.En. Group creates for the industrial sector laser systems for cutting and marking; these systems can be adapted for multiple uses and can be used on many different kinds of materials. They also produce laser sources with performance that can be incremented in terms of the speed and quality of the processes, reliability,

safety and electrical efficiency.

The Group also operates in the **sector of restoration of works of art**: for many years they have contributed to the conservation of the artistic and historical heritage all over the world by proposing state-of-the-art solutions that are minimally invasive, developed in cooperation with the most important research centers and tested in important restoration laboratories.

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |

Along with the sale of systems, the company also offers **after-sales services** which are an indispensable support for the installation and maintenance of laser systems, for the management of spare parts, consumables and technical assistance.

Each of the two sectors is composed of various segments which differ one from another in the specific application of the laser system and, consequently, in the specific underlying technology as well as the type of clientele being served, particularly if one considers the global presence of the company and the necessity of adapting

to the particular methods that each country has in the uses of the technologies.

The two sectors, although they both make use of laser technology and share numerous strategic components and some activities at the level of production and research and development, serve markets that are profoundly different and their activities are organized so as to satisfy the radically different requirements of the various kinds of clientele that they are dealing with. To each market corresponds a specific dynamic in the demand and expectations for growth that are related to different key factors.



## 2.4 Economic value generated and distributed to our stakeholders

The economic value that is generated and distributed represents the wealth produced by El.En. which, in various ways, is distributed to their stakeholders.

The data on the creation and distribution of added value, through a reclassification of the income statement, supply an indication of the way in which the Group has created wealth for its stakeholders and highlights the economic effects produced by an entrepreneurial management on the main categories stakeholders.

In 2019 the net global added value distributed by the Group was 391,3 million Euros.

Most of this value, about 77,7% is represented by "remuneration to suppliers" and consists mainly of the costs for services and raw materials.

Following this value there is "remuneration of personnel" (16,9%) which represents the salaries, severance pay and social security, and then "remuneration of shareholders" (2,7%), composed of the profits pertaining to third parties and those distributed as dividends, the "remuneration to the Public Administration" (2,5%) composed of income taxes, and lastly "remuneration of the financial system" (0,2%).

| Chart for determining the economic value generated and distributed |                    |                    |
|--|--------------------|--------------------|
| Euros  | 2018               | 2019               |
| <b>Economic value generated by the Group</b>                       | <b>371,825,514</b> | <b>417,611,091</b> |
| Revenue  | 346,020,071        | 400,760,689        |
| Charge in inventories  | 20,047,758         | 12,173,587         |
| Other revenues and income  | 5,612,770          | 3,473,636          |
| Financial charges  | 1,456,294          | 1,225,932          |
| Share of profit of associated companies                            | (1,305,679)        | (22,752)           |
| Other non-operating income (charges)                               | (5,700)            | -                  |
| <b>Economic value distributed by the Group</b>                     | <b>357,119,230</b> | <b>391,289,890</b> |
| <b>Remuneration of personnel</b>                                   | <b>58,989,326</b>  | <b>66,084,686</b>  |
| Staff cost   | 58,989,326         | 66,084,686         |
| <b>Remuneration of suppliers</b>                                   | <b>277,072,835</b> | <b>304,011,461</b> |
| Total purchase   | 207,387,048        | 225,233,497        |
| Other direct services  | 26,815,540         | 35,153,507         |
| Costs operating services and charges                               | 42,870,247         | 43,624,457         |
| <b>Remuneration of the Public administration</b>                   | <b>7,706,626</b>   | <b>9,868,415</b>   |
| Income taxes   | 7,706,626          | 9,868,415          |
| <b>Remuneration of shareholders</b>                                | <b>12,763,579</b>  | <b>10,567,668</b>  |
| Net profit of minority interest                                    | 5,044,590          | 2,758,544          |
| Distribution of net Income   | 7,718,989          | 7,809,124*         |
| <b>Remuneration of financial system</b>                            | <b>586,864</b>     | <b>757,660</b>     |
| Financial charges  | 586,864            | 757,660            |
| <b>Economic value retained by the Group</b>                        | <b>14,706,284</b>  | <b>26,321,201</b>  |
| Net income retained to reserves                                    | 9,075,088          | 18,207,624         |
| Depreciation, Amortization and other accrual                       | 5,631,196          | 8,113,578          |

\*The share of distribution of profits for 2019 corresponds to the allocation of the profit as a dividend, as the Board of Directors of El.En. S.p.A.'s decided to propose to the Shareholders' Meeting on 13 March 2020.



# Organizational profile of the Group

Responsible business management

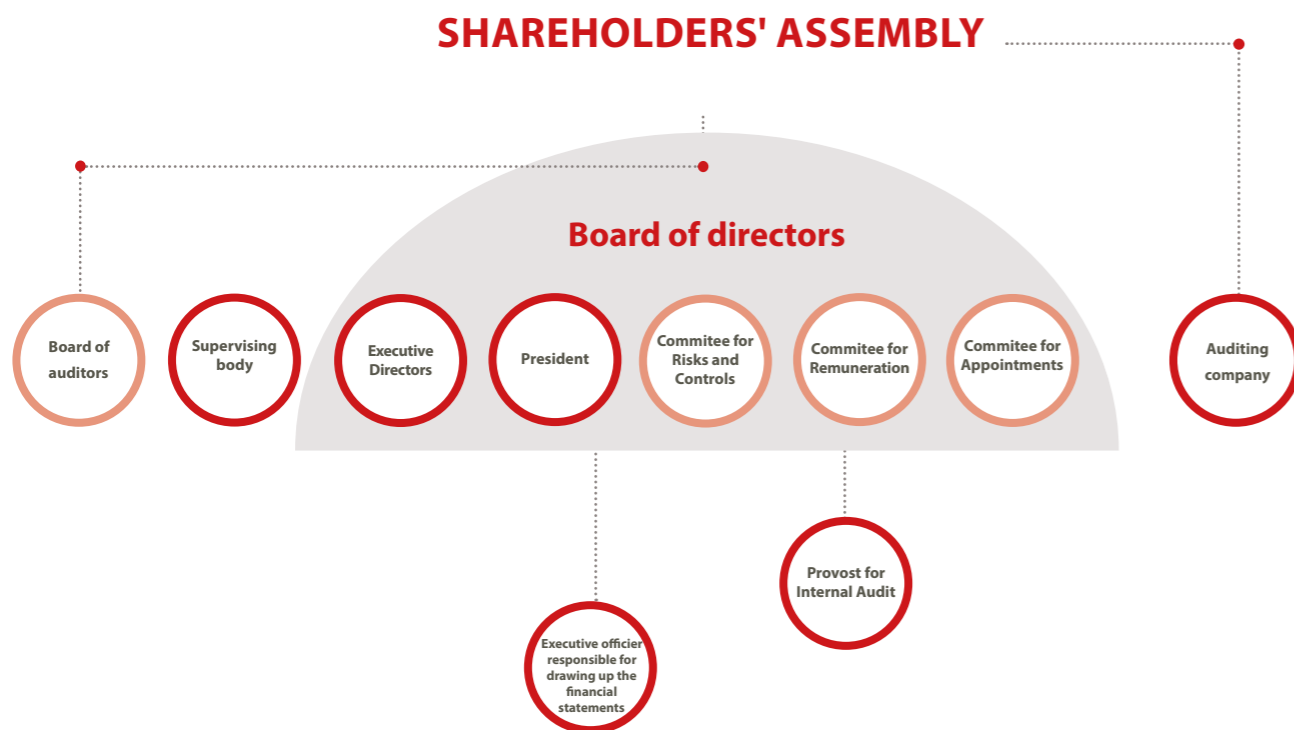


### 3. Organizational profile of the Group

El.En. has created a solid model of Corporate Governance which has a central role in the conduction of the activities of the Group. This model is in line with the self-disciplining Code issued by the Italian stock market and contributes significantly to the creation of sustainable value over a mid to long-term period.

#### 3.1 The Corporate Governance model

The Corporate governance model selected by El.En. S.p.A. and a Board of Auditors which has controlling functions; is the traditional system based on a Board of Directors the system of Corporate Governance that has been chosen is composed of the following figures:



**Shareholders' Assembly:** the Assembly is the company body where the shareholders participate in the decisions of the Company on the issues that the law and the company statutes state are of their competence; the shareholders' assembly nominates the members of the Board of Directors and the Board of Auditors and approves the financials for the year.

**Board of Directors<sup>3</sup>:** The board is the main body of the system of Corporate Governance and it has the function of analysis, sharing and approval of the annual budgets

and the strategic, industrial and financial planning of the Group and the relative monitoring. The board is appointed by the Shareholders' assembly and has a role of strategic direction and evaluation of the adequacy of the control systems that have been implemented. The composition, the role and the functioning of the El.En. Board of Directors are in conformity with the law and with the Self-disciplining Code for quoted companies. The Board of Directors that is now in office is composed of six members, three of which are non-

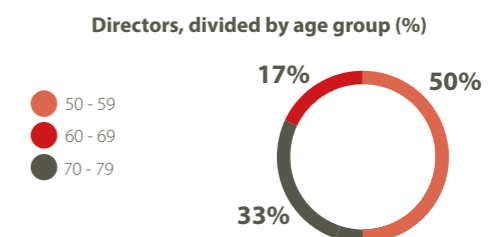
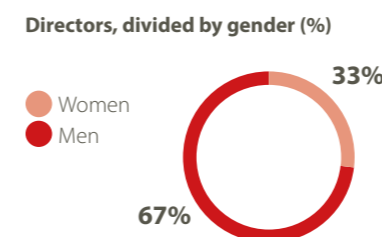
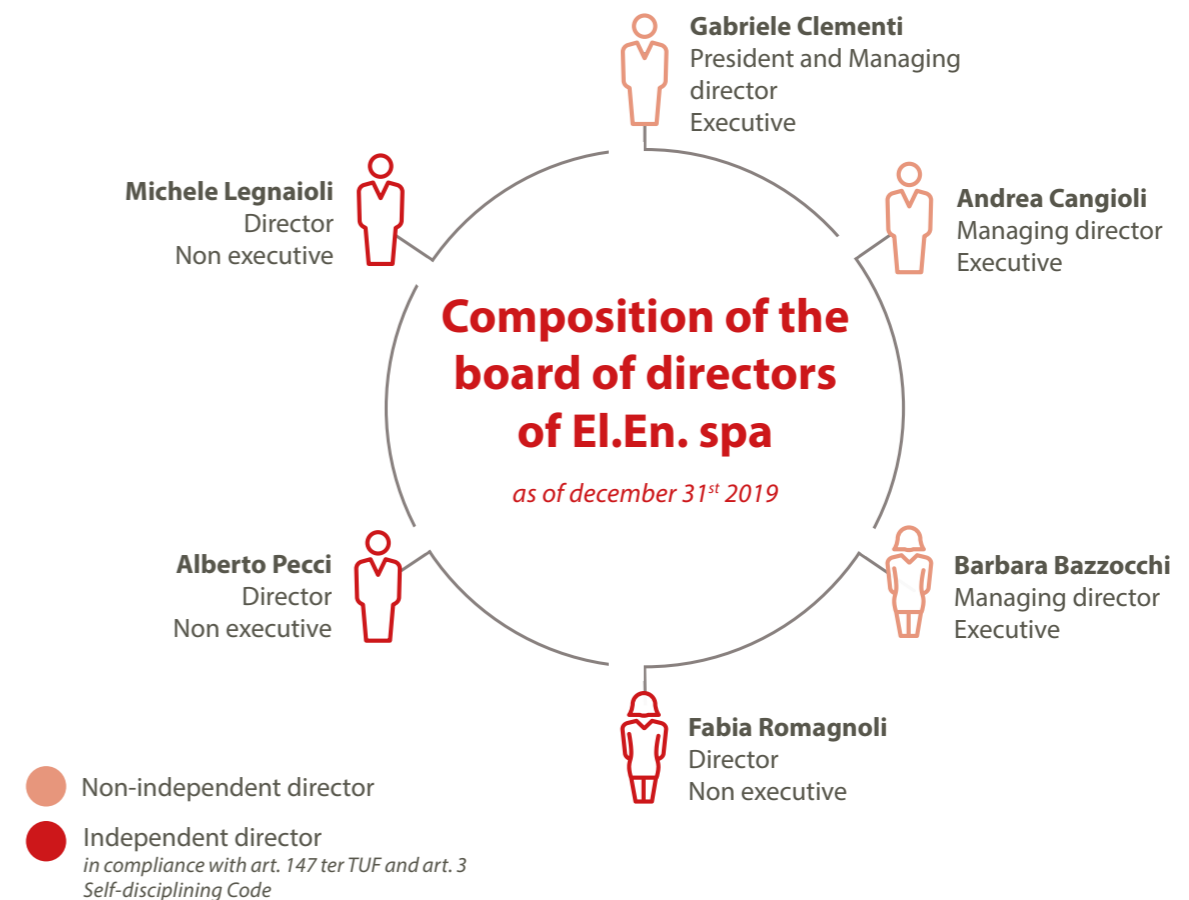
<sup>3</sup>The members of the Board of Directors were appointed by the shareholders' assembly on April 27th, 2018 and will remain in office for the three year period 2018-2020.

executive; the non-executive members, two of which are independent, have been organized, to have a role of consultation and proposal in support of the board in three commissions: **the Committee for risks and controls, the Committee for remuneration and the Committee for appointments.**

The committees are composed of three non-executive members, two of which are independent. The work of each committee is coordinated by a president. The composition, tasks and powers attributed to the committees are disciplined by special regulations approved by the Board of Directors.

With reference to sustainability issues and to the communication of information of a non-financial nature in compliance with D.Lgs. 254/2016, they attributed to

the Committee for controls and risks the task of assisting the Board of Directors by informing them in the form of proposals and consulting about the evaluation and decisions related to sustainability issues connected with the activities of the company and its dynamics of interaction with all of the stakeholders, to the social responsibility of the company, to the examination of the possible scenarios for the creation of a strategic plan and the corporate governance of the companies of the Group. In order to re-enforce the sustainability governance, during the meeting which approved this consolidated non-financial document, the Board of Directors entrusted the executive manager of the internal controls system with the task of defining the main strategic directions for sustainability, the Sustainability Plan and the examination of the Non-financial Reporting.



<sup>4</sup>The division of the Board of Directors into age groups was reported in categories of age 50-59 years, age 60-69 years and age 70-79 years, unlike that established by the GRI since it was more representative of the composition of the board.



El.En. S.p.A. is one of the few quoted companies that has had, since its founding a woman, Barbara Bazzocchi, on its board of directors, first as sole administrator and later as executive administrator.

The Board of Directors has, among its various responsibilities, that for internal controls and the management of risks, in relation to which it determines the guide lines and periodically verifies the adequacy and the effective functioning and making sure that the main risks related to the activities of the Group have been correctly identified, measured, monitored and managed.

**Board of Auditors::** the board is appointed by the shareholders' assembly and has the task of guaranteeing, in compliance with the law and the company statutes, the respect of the main principles of correct administration,

the adequacy of the type of organization of El.En. S.p.A. for the aspects that pertain to its area of competence, the internal controls system, the administrative and accounting system adopted by El.En. S.p.A., and their correct functioning. Moreover, the Board also acts in the role of Commission for internal controls and auditing in compliance with art. 19 D. Lgs. 39/2010. The Board of auditors that is now in office is composed of three standing auditors and two alternate auditors who possess the requirements for honesty, professionalism and independence.

| Board of auditors   |                |                   |                                 |
|---|----------------|-------------------|---------------------------------|
|   | Members        | Position          | End of term                     |
|    | Vincenzo Pilla | President         | Approval of financials for 2021 |
|    | Paolo Caselli  | Standing auditor  | Approval of financials for 2021 |
|  | Rita Pelagotti | Standing auditor  | Approval of financials for 2021 |
|  | Daniela Moroni | Alternate auditor | Approval of financials for 2021 |
|  | Gino Manfredi  | Alternate auditor | Approval of financials for 2021 |

**Auditing company:** the auditing company is an external entity which has the task of auditing the accounts and which is selected by the Shareholders' Assembly. The auditing company that is presently in office is Deloitte & Touche S.p.A..

The other Italian companies of the Group follow the traditional model and consequently are administrated by a Board of Directors or a sole Administrator and, where necessary, they have a controlling organ and are subject to auditing.



## 3.2 Ethics, integrity and compliance

The El.En. Group is aware of its responsibility towards society and the environment in which it operates and believes that it is indispensable that ethical and transparent behavior be followed in every aspect of the management of company activities, both in relation to the respect of the law and the regulations as well as the considerations of the expectations of all of the stakeholders.

For this reason starting in 2008 the Parent Company started using its own Ethics Code as an instrument for reinforcing and disseminating a company culture founded on the importance of ethic and social responsibility in the conducting of business and company activities.

The Ethics Code defines the principles and values that must be followed in every moment of the manufacturing process and must be constantly observed in collegiate, collaborative and business relations: legality, impartiality, honesty, correctness, equity, and putting to best advantage collaborators and the integrity of people. The Code is applied to the Group and to all the subjects that conduct activity in its favor.

The companies of the Group have all accepted the Ethics Code and, where necessary it has been translated into the local language. They have accepted the commitment to disseminate it to their employees and collaborators using the proper channels of communication. The Code is always available in its up-dated version on the internet site [www.elengroup.com](http://www.elengroup.com), in the section titled "Investor Relations/ Governance/ Documenti Societari".

The rules set forth in the Ethics Code are intended to protect the integrity of the Group and to assure their conformity to the laws and to the regulations in each country in which it operates. The Group is committed to establishing the opportune channels of communication through which they can received reports of violations or suspected violations of the Code, or requests for explanations. The violation of the principles defined in the Code constitutes a breach of contract derived from the failure to observe the contract for work and/or collaboration and is a source for compensation of damages.

In the contracts that have been underwritten by the Parent Company with consultants, distributors, agents and suppliers of critical components explicit reference is made to the Ethics Code of the Group and the other party must declare that they have received a copy and that they accept it. Moreover, the Parent Company and the Italian subsidiaries, Deka M.E.L.A. S.r.l., Quanta System S.p.A.

and ASA S.r.l. have adopted the **Organizational Model in compliance with D.lgs 231/2001 (from now on, "Organizational Model")**, which is intended to prevent employees and/or collaborators from committing crimes in the interest of the company. This model for the organization, management and control of the company activities is made up of a series of general principles of behavior in the areas which have been identified as sensitive, for the purposes of preventing the so-called assumption crimes and by a system equipped with control activities and procedures for the prevention of these crimes.

The areas that are protected because they have been identified as sensitive are crimes related to safety and health on the workplace (ASA S.r.l. identified only this area as being sensitive for the planning of a special section of its Organizational Model); crimes against the Public Administration, corporate crimes, receiving stolen goods, money laundering, use of money, goods or utilities of illegal origin; moreover, El.En. S.p.A. and Deka M.E.L.A. S.r.l. have identified as sensitive areas also those related to the following crimes: market abuse, transnational crimes, environmental crimes. With particular reference to the risks related to ethical behavior, the El.En Group has directed their attention to the **prevention of risks related corruption**.

In this context, the Parent Company El.En. S.p.A. and its subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. have analyzed and considered relevant this risk and they have inserted it in their Organizational Model D.lgs. 231/2001. In order to further reinforce their system for the prevention of corruption and bribery, on November 14th 2019 the Parent Company, El.En. S.p.A approved an **Anti-corruption Policy** which will be extended to all of the subsidiary companies.

These companies have conducted an analysis of the risks for the committing of crimes against the public administration (including those involving corruption) from which. however, no particularly high level of risk emerged, in consideration of the existence of procedures designed to prevent it and the type of business conducted.



Nevertheless, they have identified the most sensitive areas and have inserted a special section dedicated to the prevention of crimes of this type in the Organizational Model. The analysis therefore started with the mapping of the activities and the identification of the risk related to each of them by attributing a certain number of points. The parameters used for the point system were: the number of times it had happened in the past, the existence of company procedures, the impact of the penalties for this type of crime and the frequency of the event. We decided that the frequency of the event and the impact of the penalties made it opportune to dedicate a part of the Organizational Model to all the preventive activities related to this kind of crime, even if the occurrence in the past (no event of this type has taken place) and the existence of company procedures lowered the risk. The Ethics Code also contains precise directives related to correct behavior which are intended to avoid the occurrence of corruption. In 2019, no cases or reports of corruption were registered.

In order to guarantee the principles contained in the Ethics Code and the effective implementation of the systems for the flow of information and controls described in Model 231 the companies of the Group that initiated it

make use of a **Supervising Body** which is appointed by the Board of Directors; The main duty of the Supervisory Body is that of monitoring and, when necessary, reporting to the Board of Directors any irregularity or violation, and to supervise the respect of the procedures set up by the Company, as part of the prevention plan of the so-called assumption crimes, identified after an in-depth analysis which includes corporate crimes and crimes related to health and safety in the workplace.

The El.En. Group believes that knowledge and adhesion to the principles of the Ethics Code and Model 231 must be promoted through specific **training projects** for the people who work within the organization: again this year, for some of the Italian companies we have conducted specific training in relation to Model 231 which were held by members of the Supervisory Body which reached 277 employees during the year.

At Quanta System S.p.A., Asclepion GmbH, and the Chinese subsidiaries all newly hired employees must attend a specific training course on the Ethics Code of the El.En. Group which in 2019 reached 172 employees, while in the other subsidiary companies the Ethics Code is distributed in paper copy when they are hired. These activities will be continued in order to spread these principles more broadly within the organization.

## FOCUS: The respect of human rights

The Group sustains and respects the rights of the individual in conformity with the Declaration of Human Rights of the United Nations and, consequently, requires the greatest respect for people and for the regulations that are applicable in relation to work; they do not tolerate any behavior that is discriminatory or threatens the safety of people. The Group considers impartial treatment to be a fundamental value in every relationship both within and outside of the company and believes that the individual, his/her ideologies and his/her rights are values which must be protected. The behavior of every employee and collaborator must be in conformity with the principles and regulations expressed in the Ethics Code and the legal and contractual rules that regulate labor relations regulations. By disseminating their own Ethics Code even to collaborators and suppliers the El.En. Group has established a safeguard aimed at guaranteeing the respect of human rights (prohibition of discrimination, prohibition of forced or child labor, free association) even in those areas that are held to be of the greatest potential risk in relation to these issues (for example, the supply chain).

To increase awareness of these issues which are considered top priority, on November 14th, 2019 the Board of Directors of El.En. S.p.A. approved the **Human Rights Policy** which will be extended to all the subsidiary companies.





The relations with national and international institutions must be conducted respecting the legislative and administrative regulations and in the spirit of the greatest collaboration.

For this purpose, as defined in the Ethics Code, we are committed to:

- Establishing stable channels of communication, without any type of discrimination, with all the relative institutions at an international, national and local level;
- Representing the interests and the positions of the companies of the Group in a way that is transparent, rigorous and consistent and avoiding collusive attitudes;

In order to guarantee the greatest clarity in relations, contacts with the institutional representatives must take place exclusively through representatives who have explicit mandate from the persons who are authorized to do so by the companies of the Group.

Interaction with the Public Administrations, with EU institutions, with organisms and with international agencies must always be inspired by the principles of legality, loyalty, correctness and transparency.

With all of the authorities who conduct inspections, supervision, regulatory and guaranteeing activities, the Group maintains relations of complete collaboration and rapidly places at their disposal any information that is requested and acts in conformity with the provisions issued.

For further details concerning the Ethics Code of the Group, please refer to the Code itself which is available on the company website: [www.elengroup.com](http://www.elengroup.com).



### 3.3 Internal controls system and risk management

In a context of continuous evolution, where sustainability issues of the company activities, the fight against climate change, the protection of the environment and the adoption of suitable policies for development have become of fundamental importance, the efficient management of risks is a key factor which every company must now evaluate with greater attention. For this purpose, the El.En Group has defined a System of Internal Controls and Management of Risks which is composed of specific rules and procedures in order to be able to evaluate the present trends and the new challenges of the market and succeed in taking advantage of the opportunities that arise by a careful management of all the related risks.

For El.En. S.p.A. and the Group, whose objective is the sustainability of the company activities over a mid to long-term period and the creation of value in the respect of external stakeholders, the **system of internal controls and risk management** is understood to be a series of methods of analysis of the procedures, the functions and organizational structure and the relative activities conducted in order to identify the main risks for the company, the methods used for managing them and the organization of the system for safeguarding against them. The organization of an adequate system of controls is meant to implement an efficient management of the company, the safeguarding of the corporate assets, the efficient management of the company processes, the reliability of the information disseminated by the Company both of a financial and non-financial nature, as well as the respect of the laws, the regulations, the company statutes and internal procedures. For the purposes of building and developing an adequate system for the management of risk management, the Parent Company has defined their own system of internal controls and risk management, first of all, in relation to the process of disseminating financial information, based on the CoSO Framework model, consistent with international best practice. The main characteristics of the system of internal controls and risk management are represented, on one hand by the regulations and procedures and, on the other, by the bodies for governance and control. The regulations are mainly constituted by a series of general principles codified by the Ethics Code; and, in the second place, by a series of secondary procedures (like those in ex D. Lgs. 231/01, L. 262/05, L. 81/09, internal regulations concerning the treatment of confidential information, operations with related parties, internal dealing, etc. which make it possible to act within the reality of the company and to implement the above mentioned principles of a general nature. On the other hand, they conduct the control of the observance of the rules and procedures on the basis of the competencies and functions defined and assigned

by the Board of Directors to the different bodies at various levels. The organization of the System of Internal Controls and Risk Management is set up as follows:

- **The Board of Directors and the Board of Auditors**, as stated in the preceding paragraphs, have, respectfully, the task of evaluating the adequacy of the system of internal controls which is being used and conducting the function of the Committee for internal controls;
- **The Committee for Controls and Risks** which has the task of supporting the Board of Directors in its evaluations and decisions relative to System of internal controls and risk management and, as mentioned above, starting this year, also regarding sustainability issues;
- **Executive administrator responsible for the System of Internal Controls and Risk Management** has the task of instituting and maintaining an efficient system of internal controls and risk management;
- **Internal Auditor**, appointed by the Board of Directors, has the task of verifying both continually and in relation to single necessities, the operation and suitability of the System of Internal Controls and Risk Management;
- **Executive Officer responsible for drawing up the financial statements of the Company and other Company documents** is appointed by the Board of Directors and has, besides the responsibilities assigned to him jointly by the Executive Administrator in charge of the System of Internal Controls and Risk Management, the responsibility of evaluating and monitoring the level of adequacy and efficiency of the administrative and accounting internal controls system by conducting a preliminary investigation;
- **Supervising body** in compliance with Organizational Model ex D. Lgs. 231/2001 has the task of supervising the respect of the procedures set up by the Company, also in the area of the prevention of corporate crimes.



The System of Internal Controls guarantees the safeguarding against risks related to the pursuance of strategic and operative objectives, reporting and compliance, both in the Parent Company and the subsidiaries which have adopted this approach.

Below is a list of the main risks that have been identified that are inherent to sustainability issues:

- **Risks related to ethical behavior:** the risks that are related to a lack of integrity in the management or the employees of the Group, which might give rise to unethical behavior or acts that are not authorized, illegal or fraudulent, with particular reference to issues of active or passive corruption, corruption of private individuals and human rights issues. To reduce these risks for the Group we have adopted an Ethics Code to re-enforce the dissemination of a corporate culture that is founded on the importance of an ethical and social responsibility in the conducting of business and company activities; the Parent Company and some of the Italian subsidiaries have also adopted an Organizational Model in compliance with D.lgs 231/2001. Lastly, in 2019 the Parent Company adopted an Anti-corruption Policy.
- **Risks of reputation:** because of the nature of the sectors in which the Group operates, one of the major risks that they face at a corporate level is related to the quality and safety of our products and the chain of supply; any manufacturer's defects that might occur could compromise the reliability and safety of the final product. If we underestimate the attention of the clients and of the community in general, we could risk a loss of image and in our reputation, with a consequent drop in financial performance. The Group has always directed particular focus on the quality and safety of the processes and the products. The main manufacturing companies of the Group, in fact, adopted a system for quality control and have obtained an ISO 9001 certification, while all of the companies that produce medical devices have obtained the ISO 13485 certification and operate rigorously in conformity with the regulations, as is demonstrated by the numerous periodical, programmed and surprise inspections that they have passed every year. In order to guarantee maximum safety, moreover, as stated in the Ethics Code, the Group establishes long-lasting relationships with its suppliers that are based on principles of correctness and transparency and they

monitored carefully the process for the selection of suppliers and the maintenance of their performance, by making specific visits to their offices in order to verify their capacity to satisfy and maintain the qualitative requirements needed. We are committed to the creation of a Ethics Code for Suppliers to define and share the principles, good corporate and environmental practices and ethical behavior and promote a supply chain that is increasingly responsible and sustainable.

- **Risks related to personnel:** these risks are related to the fact that the Group does not implement processes for the purpose of attracting, selecting, motivating or exploiting human resources or that there are not adequate processes intended to guarantee the respect of diversity and equal opportunity. In relation to the quality management system (ISO 9001) used by the main manufacturing companies, the issues related to the management of the employees is protected; the Parent Company, moreover, has codified the procedures for the management of human resources and has profiled the company functions with the identification of the responsibilities and skills that are required. In all of the companies, the training activities are defined annually and, besides the obligatory training that must be conducted, they register the curriculum requirements of the company staff. The Group, moreover, has included in the Ethics Code their own commitment to respect and protect the dignity, diversity and equal rights of its employees and collaborators.
- **Risks related to compliance with the environmental and health and safety regulations:** these rules are connected, on one hand, to the possibility of new regulations for the protection of the environment and the possibility of non-conformity with the environmental requirements stated in the regulations and, on the other hand, the fact that the Group does not implement processes that insure the safety and health of the workers and the possibility of non-conformity with respect to the laws in this field. In the Ethics Code, the Group has codified its commitment to the protection of the environment and the health and safety of the workers. The Italian companies belong to the Group have monitored the issues related to the environment and health and safety also in relation to Organizational Model D.lgs 231/2001. In all of the companies, the issue of health and safety is managed and monitored



through a series of processes which, although they are not centralized and coordinated at the Group level, guarantee that in all the subsidiaries there are procedures related to the protection of health and safety of the workers, at the time of their training.

- **Risks related to the respect of human rights:** the risks are related to the respect of human rights which might undermine a correct and responsible management of the activities of the company. The risk is related in particular to the activities and to the suppliers of the Group who operate in countries (for example, those in Asia) where the legislation in this field is not so rigorous as it is in Italy. The protection of human rights is explicitly mentioned in the Ethics Code of the Group, respect of which is required from all the companies. The Group extends the application of its Ethics Code also to the suppliers and explicit reference is made to the Universal Declaration of Human Rights issued by the United

Nations. Moreover, in 2019 the Parent Company adopted a Human Rights Policy and is committed to the formation of specific training courses, in particular in those countries where the legislation is less stringent than in Italy.

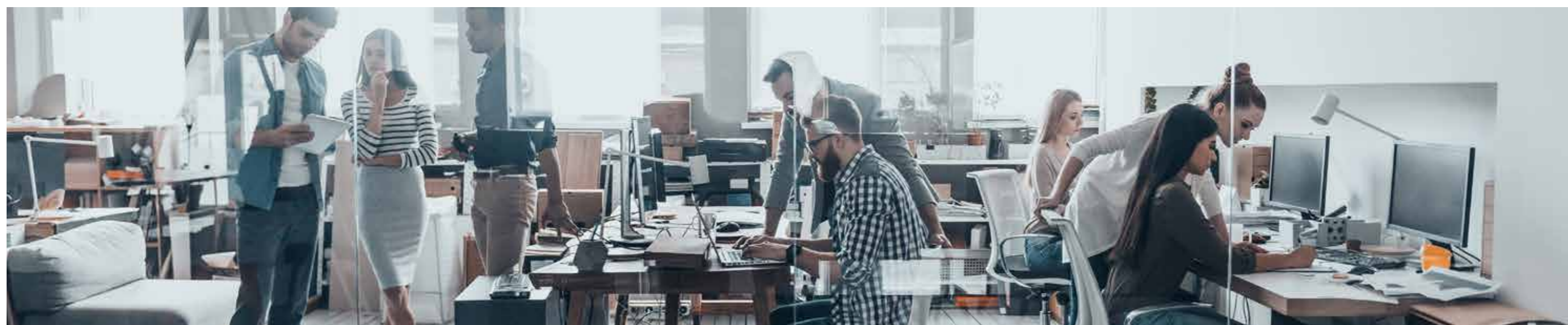
- **Environmental risks:** these risks are related to the possibility of causing an environmental impact which has negative repercussions on the local territory in which the Group operates, or else that inadequate measures have been taken to prevent or reduce this impact. El.En. has always respected environmental requirements in compliance with the present legislation in force and in the Ethics Code of the Group, it has repeated its commitment to protect the environment. The Italian companies that have adopted the Organizational Model in compliance with D. Lgs. 231/2001 have monitored these issues also within the Model. The Parent Company adopted an Environmental Policy in 2019 to monitor and reduce the environmental impact of their activities.



**THE MAIN RISKS INHERENT TO SUSTAINABILITY TOPICS**

| Risk Category                            | Description of risk  | Management   | Macro area             |
|--|--|--|------------------------|
| Risks related to ethical behavior        | <ul style="list-style-type: none"> <li>Lack of integrity on the part of the management or of the personnel</li> <li>Risk of corruption</li> </ul>  | <ul style="list-style-type: none"> <li>Chapter 1: sustainability</li> <li>Chapter 3: Organizational profile of the Group</li> <li>Ethics Code of the Group</li> <li>Organizational Model according to D.Lgs. 231/2001 for the companies that are using it</li> <li>El.En. S.p.A. adopted an Anti Corruption Policy</li> </ul>  | Governance             |
| Risks related to respect of human rights | <ul style="list-style-type: none"> <li>Lack of respect of human rights</li> </ul>  | <ul style="list-style-type: none"> <li>Chapter 3: Organizational profile of the Group</li> <li>Ethics Code of the Group</li> <li>El.En. S.p.A. adopted a Human Rights Policy</li> <li>Commitment to adopt a specific training to human rights</li> </ul>   | Social responsibility  |
| Reputation risks                         | <ul style="list-style-type: none"> <li>Underestimating the interest of the community for issues related to quality and safety as well as sustainability</li> <li>Lack of quality and safety in the products</li> <li>Lack of quality in the chain of supply</li> </ul> | <ul style="list-style-type: none"> <li>Chapter 4: the manufacturing process</li> <li>Chapter 5: Our business</li> <li>Ethics Code of the Group</li> <li>Organizational Model D.Lgs. 231/2001 for the companies that have adopted it</li> <li>Commitment to adopt an Ethics Code for Suppliers</li> <li>Insertion in the checklist of suppliers the evaluation of some sustainability issues</li> </ul> | Product responsibility |

| Risk Category   | Description of risk  | Management  | Macro area                   |
|---|--|---|------------------------------|
| Risks related to personnel  | <ul style="list-style-type: none"> <li>Inadequate use of human resources</li> <li>Lack of training</li> <li>Lack of respect for diversity and equal opportunities</li> </ul>   | <ul style="list-style-type: none"> <li>Chapter 6: the People</li> <li>Group Ethics Code</li> <li>Organizational model Modello D.Lgs. 231/2001 for the companies that have adopted it</li> <li>System for the management of quality for the companies with the ISO 9001 certificate</li> </ul> | Human Resources              |
| Risks related to compliance with environmental and health and safety laws | <ul style="list-style-type: none"> <li>Lack of procedures to protect the health and safety of the workers</li> <li>Risk of non-compliance with the new environmental obligations and regulations or of non-conformity to the environmental requisites</li> </ul> | <ul style="list-style-type: none"> <li>Chapter 6: the People</li> <li>Chapter 7: the environment</li> <li>Group Ethics Code</li> <li>Organizational model D.Lgs. 231/2001 for the companies that have adopted it</li> <li>El.En. S.p.A. adopted an Environmental Policy</li> </ul>            | Environmental responsibility |
| Environmental risks   | <ul style="list-style-type: none"> <li>Risk of causing environmental impact which has negative repercussions</li> <li>Risk of using inadequate measures to reduce the environmental impact</li> </ul>  | <ul style="list-style-type: none"> <li>Chapter 7: the Environment</li> <li>Group Ethics Code</li> <li>Organizational model D.Lgs. 231/2001 for the companies that have adopted it</li> </ul>  | Environmental responsibility |





# The manufacturing Process

From the original idea to the finished product





## 4. The manufacturing process

### 4.1 Research & Development as an instrument for innovation

The critical factors in the success of the El.En. Group are the adequacy of the range of products which we offer and the capacity to innovate it continually in order to meet the requirements of the market and create new ones.



The position of the Group for hi-tech products and the global competitive context in which it operates compports a continuous and significant effort in terms of research and development of new products and new technologies; our strong point is the capacity to be single minded, to innovate considering the requirements of the doctor and the patient in the medical sector rather than the client in the industrial sector, starting with every intuition which may arise from the close and constant observation of problems that have not yet been solved.

The skills that have been developed and the enthusiasm of our staff are the real difference. The El.En Group and the people who work there in fact, have a knowledge of physical, biomedical and technological phenomena that has matured in over thirty years of experience, which has brought them to have an extraordinary capacity to improve their own know-how, to innovate the production technologies, processes products and related services.

The Group organizes its activity of research and

development according to mid- to long-term programs in order to prepare quickly and continuously products that are innovative in their performance and applications.

In our research activities conducted in **our laboratories**, as well as that made in **collaboration with important research centers, hospitals and universities**, both at a national and international level, we set no limits since we are driven by the desire and the passion for everything that is new or can become new. The kind of research that is conducted is of the applied type for most of the activities while it is theoretical for some specific subjects, usually related to activities regarding mid- to long-term innovative objectives.

The innovating capacity of the El.En. Group is demonstrated by the number of patents that the Group has obtained: in less than forty years of activity since its foundation 127 patents have been obtained and 23 are pending.

The chart below shows the expenses sustained by the Group during 2019 for research and development:

| Thousands of Euros               | 31/12/2018    | 31/12/2019    |
|----------------------------------|---------------|---------------|
| Staff costs and general expenses | 9,995         | 11,145        |
| Equipment                        | 197           | 310           |
| Costs for testing and prototypes | 5,404         | 2,783         |
| Consultancy fees                 | 522           | 574           |
| Other services                   | 99            | 201           |
| <b>Total costs R&amp;D</b>       | <b>16,218</b> | <b>15,014</b> |

The amount of the costs sustained corresponds to about 4% of the sales volume of the Group. The expenses sustained by El.En. S.p.A. are about 6% of its revenues.

The following list shows the main directives of medical research and development conducted by the Group:

- Development of new laser systems and improvement of pre-existing ones with emission of impulses with a duration in picoseconds, for dermatological applications;
- Preliminary study, development and planning of systems that integrate and improve existing laser applications for hair removal, as well as the improvement of the related accessories and their performance;
- Research activity and clinical experimentation of the effects of laser application to biological tissues including laboratory studies of biological samples and cellular cultures; experiments on laser emissions with wave lengths for which the theoretical models promise particular effectiveness in the treatment of some skin pathologies or in general, of the human body;
- Consolidation of the development of a new system based on microwaves as a highly effective form of energy for the reduction of the layer of subcutaneous

fat in various parts of the body by means of a non-invasive treatment (the ONDA system which was released for sale in 2018; the technology was patented and during 2019 received FDA clearance).

- Preliminary study, development and planning of a multifunctional platform for dermatological and aesthetic applications, amplifying the range of accessories available (this is the LUXEA platform which received FDA clearance in 2019);
- Continuation of the studies undertaken in order to confirm the anti-inflammatory action, the accelerated healing of surgical wounds, the analgesic effect as well as the improvement of the limbs thanks to the use of lasers in physical therapy;
- Study, development and planning of systems based on high-powered holmium technology as well as the technological renovation of the mid-powered system for the treatment of urinary tract stones and benign hyperplasia of the prostate, as well as a new, precise and innovative laser with combined wave length for surgical applications.
- Continuation of the development and innovation activities in dermatology for the segment dedicated to the removal of tattoos and the treatment of cutaneous and dermatological lesions in general;
- Development of systems with combined LED technologies with electro-stimulation for the reduction of adipose layers.

For further information on Research and Development of the Group, please consult the Annual Financial Report for December 31st 2019 which is available on the web site [www.elengroup.com](http://www.elengroup.com).

In the industrial sector, the Group has conducted the following activities:

- Development of innovative processes for pre-cutting and micro-perforation of labels by machine;
- Development of software and algorithms for high-speed advanced coding in the digital converting sector;
- Increase in the maximum power of laser sources in the radio-frequency range, maintaining a high level of beam quality and modulation; development of innovative applications (for example, micro-perforation of panels or special applications in the field of digital converting) which are possible with this technology.
- Continued improvement of the applicative processes for sheet metal cutting intended to improve the effectiveness, the speed, and the versatility of increasing thicknesses by means of an opportune management of the high power available;
- Multi-disciplinary experimentation and research (electronics, optics and fluid dynamics) for the purpose of optimizing the potential of the laser systems for flat cutting of sheet metal;
- Improvement of the performance of the galvanometric components of scanning systems;
- Development of scanning systems for CO<sub>2</sub> lasers and fibers for the deglazing of copper conductors for the preparation of electric motors in the automotive sector.

## BEST PRACTICE

### The El.En. S.p.A. approach in the medical sector

El.En. S.p.A. has reinforced the strategic functions of research and development for the purpose of maintaining their position of leadership in innovation in the field of medical lasers. The company has implemented a short term process to maximize the efficiency and effectiveness in the development of new products by reducing to the greatest extent possible the "time to market" without compromising the level of quality and reliability.

We have concentrated our resources on projects in the areas in which we have the greatest experience and focused on our core technologies.

Specific skills have also been developed in other technologies like, for example, the sector of body contouring where we have for the first time applied microwave technology. For this application and for the rapidly growing aesthetics market in general, new products and new applicative approaches are constantly required.

The mid- to long-term goal is to achieve substantial innovations which will allow El.En. to increase their competitive edge on the market by presenting break-through products, consolidate their market percentage and open new niches both in the aesthetic and surgical sectors. By focusing attention on the new needs of the market we are improving and developing applicative technologies and techniques for the so-called "Cool Peel", a minimally invasive dermatological treatment which is increasingly requested for rejuvenation applications.

There are three main lines of technological innovation: first of all, the implementation of technological innovations in the field of photonics like the diode sources, laser sources in fiber, and ultrafast laser sources (picoseconds and femtoseconds), to optimize the radiation-tissue interaction effectively and safely.

Secondly, new, specific tissue cooling systems to reduce collateral effects to the minimum, including pain and inflammation after treatment, and which will, at the same time reduce the duration of the procedure.

Thirdly, the implementation and use of the most sophisticated diagnostic systems which will make it possible to determine the end point of the treatments in the most reliable way and guarantee improved effectiveness in conditions of maximum safety for the patient.

## Project FOMEMI

### Sensors and instruments using Photonic technology for minimally invasive medicine

El. En. is always at the forefront in the search for cutting-edge solutions to meet the needs of the market and the company is the leader in of a project that is co-financed by the Region of Tuscany. The project is called FOMEMI, an acronym for FOtonica per MEDicina a Minima Invasività), and was concluded in 2019. In collaboration with industrial partners with highly specialized technology (Fabbrica Machinale Srl, B.B. SpA) and qualified research institutions (University of Pisa, Scuola Superiore Sant'Anna), El.En. studied new solutions which combine photonics, optics and ICT (acquisition and elaboration of images for diagnosis and minimally invasive therapies) in order to contribute to the improvement of clinical practices in sectors having a strong social and economic impact.

During this project, they studied and developed laser technologies and devices for different clinical applications like the cornic pathologies of diabetic feet; removal of neoformations of the breast and brain, and treatment of benign hypertrophy of the prostate. We developed a high resolution vision system with multi-spectral lighting of images, even three-dimensional ones; with this instrument we intend to gather data during the evolution of the wound after the treatments, on the size of the area of the lesion and the segmentation, even in interaction with the operator, in order to define the regions occupied by the various components present and typical of the pathology, and record the evolution over time during the various therapy sessions.

## ASACampus



The subsidiary company of the Group, ASA S.r.l. has always been involved in research and development of their systems. Their laboratory which is called ASA Campus, was created in 2007 from the cooperation between ASA Laser and the Department of Experimental and Clinical Biomedical Sciences of the University of Florence. This laboratory makes it possible to test the validity of the work of the company and to improve their performance over time. The results of the research are used for advancement in the development of technical instruments and therapeutic procedures and spread by means of symposiums thanks to the important partnerships, and published in numerous scientific journals; many of these studies have already been published in international magazines and others are now in press.

The medical devices for laser therapy and magnetotherapy are built according to technological content and essential functional requirements: advanced technology and software, effectiveness and safety, ergonomics and design. They make it possible to apply healing methods that are increasingly targeted and personalized. The effectiveness of the therapies is continually tested thanks to the research conducted by ASA Campus on the technological innovations in laser therapy and magnetotherapy and on the mechanisms of the action at the level of cells and tissue, the results of which are continually transmitted to the clinical applications.



## 4.2 Quality and safety of our products

The Group is aware that the complexity of its business requires high qualitative standards and for this reason the commitment that we have and we promote for the quality and safety of our products is essential in order to guarantee continued growth and success. We have always focused on the phases of design and development of our systems; in fact, our value is created through the study and application of methods that are increasingly selective, effective and safe.

Every day we are committed to supplying products of value to our clients in such a way as to create loyalty that is based on quality, reliability and safety and to guarantee these requirements for the product are recognized and appreciated and that every measure be adopted to make sure that they are in conformity with the law.

To this purpose, some companies of the Group have equipped themselves with an **Integrated Management System Manual** which is in compliance with TUSSL n. 81 of 2008, to describe the objectives and the policies of the Management System for Quality and the ways in which it should be applied. The manual defines the general criteria needed to satisfy the requirements for safety and performance of products during their entire life cycle, as well as the services supplied.

El.En. S.p.A., Deka M.E.L.A. S.r.l., Quanta System S.p.A., ASA S.r.l. and Asclepion GmbH also use a **Quality Policy** which guarantees the conformity of the activities to the regulations of the institutions in the country in which they operate.

Depending on the geographic area in which they are located and the type of business they run, the different companies of the Group comply with the standards and regulations shown below.

- ISO 9001;



### US Food and Drug Administration, Center for Devices and Radiological Health (CDRH)

FDA will accept the MDSAP audit reports as a substitute for FDA routine inspections. Inspections conducted "for cause" or "compliance follow-up" by FDA will not be affected by this program. Moreover, MDSAP will not apply to any necessary pre-approval or post-approval inspections for the Pre Market Approval or PMA applications.



### Japan Ministry of Health, Labor and Welfare

The Japanese Medical Health Labor Welfare (MHLW) and the Pharmaceutical Medical Device Agency (PMDA) are active and observant official participants in the board of regulators of the pilot project and as subject matter experts in different expert groups.

- ISO 13485 relative to quality control systems for medical devices
- European directive MDD93/42/EEC (Medical Devices Directive);
- National laws of the countries that are members of EU and the non-European countries like the United States of America(21CFR820/803/806), Japan, China (CCC- Certification for electronic components and Enterprise standard "CNC laser cutting machine") and Brazil.

El.En. S.p.A., Deka Mela S.r.l., Quanta System S.p.A., Asclepion GmbH and ASA S.r.l. in February 2020) obtained **the MDSAP (Medical Device Single Audit Program) certification**. This certification allows institutions that are recognized and accredited by the Regulatory Authorities of the five member countries (U.S.A., Canada, Brazil, Japan and Australia) to conduct a single audit at the manufacturers of medical devices in order to verify that these latter meet the requirements of the quality system of the particular country. The objective of MDSAP is to develop, manage and supervise a single audit program which will make it possible to carry out a single regulatory verification at the factories manufacturing medical devices, conducted by a recognized institution MDSAP, which will satisfy the requirements of many different jurisdictions.



### Australian Therapeutic Goods Administration (TGA)

TGA will use an MDSAP audit report as part of the evidence that is assessed in compliance with Medical Device market authorisation requirements, unless the Medical Device is otherwise excluded or exempted from these requirements, or if current policy restricts the use of MDSAP audit reports.



### The Brazilian National Health Surveillance Agency ANVISA (Agência Nacional de Vigilância Sanitária)

ANVISA will utilise the outcomes of the program, including the reports, to constitute an important input on ANVISA's pre-market and post-market assessment procedures, providing, when applicable, key information that are expected to support the regulatory technical evaluation on these issues.



### Health Canada (HC)

Health Canada will use the MDSAP audit as part of its Canadian Medical Device Conformity Assessment System program. After the successful conclusion of the pilot phase of the program, the goal of Health Canada is to implement the MDSAP as a basic tool for achieving regulatory compliance of the Quality Management System in Canada.

In a highly competitive environment like that of the medical industry, the competence of the experts working in the sector of **Regulatory Affairs** is of significant economic importance for the companies, especially when these latter are pursuing goals of internationalization in their marketing strategy. At the companies of the El.En. Group that operate in the medical sector the Regulatory function registers the compliance to the requirements of the government institutions which protect the public health and monitor the safety and effectiveness of the products produced in this sector. The companies that manufacture medical devices guarantee that their products are in compliance with all of the regulations relating to safety.

For this reason it is strategic for the company to equip itself with an office specialized in Regulatory Affairs so

that they can keep the products updated with respect to the legislation, obtain and manage the certifications of the product, and guarantee the continual maintenance of conformity by acting as an intermediary between the requirements of the authorities and the needs expressed by all of the functional areas of the company, following the bureaucratic procedure and making themselves available in case that further documents or clarifications are requested by the institutions.

The Regulatory Activity requires the presence of people with different skills, possibly with different technical, scientific and administrative experience as well as a knowledge of different languages because it is necessary to know not only the national regulations but those of other European and extra-European countries.



**43**  
EMPLOYEES WORKING IN  
QUALITY CONTROL



**14**  
EMPLOYEES WORKING IN  
REGULATORY ACTIVITY

Our products and our quality systems are certified by the most important institutions at a world level that are responsible for supervising the safety and effectiveness, above all, of medical devices. Our companies periodically receive inspections for the renewal of the certificates they possess, and which are indispensable for exporting our products abroad.

| Company   | Certification   |
|---|---|
| ASA S.r.l.  | <ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive MDD93/42/EEC medical devices;</li> <li>• MDSAP 13485:2016 (february 2020).</li> </ul>  |
| El.En S.p.A. e Deka M.E.L.A. S.r.l.   | <ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive MDD93/42/EEC medical devices;</li> <li>• MDSAP 13485:2016.</li> </ul>  |
| Penta Chutian Laser (Wuhan) Co. Ltd e Penta Laser Equipment Wenzhou Co. Ltd | <ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 14001 (solo per Penta Laser Equipment Wenzhou Co. Ltd);</li> <li>• CCC certification for electronic components (only for Penta Laser Equipment Wenzhou Co. Ltd)</li> </ul>   |
| Quanta System S.p.A.  | <ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive MDD93/42/EEC medical devices;</li> <li>• MDSAP 13485:2016.</li> </ul>  |
| Asclepion Laser Technologies GmbH   | <ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive MDD93/42/EEC medical devices;</li> <li>• MDSAP 13485:2016.</li> </ul>  |
| Cutlite do Brasil   | <ul style="list-style-type: none"> <li>• ACIB - Centro Empresarial de Blumenau;</li> <li>• ABIMAQ (National Association of Machine Industries);</li> <li>• INDAC (Instituto Nacional para Desenvolvimento de Acrilico - National Institution for Development of Acrylic);</li> <li>• Conselho Regional de Engenharia. e Agronomia de sc</li> </ul>  |
| Deka Japan Co. Ltd e With US Co. Ltd  | <p>The companies comply with the regulations of the Japanese Ministry of health, labor and welfare. In order to import and sell machinery in Japan, companies must have a selling permit and the type of product imported must be approved in advance. The selling permit must be renewed every five years and the permit for marketing of the machine is renewed for from one to five years depending on the type of risk it represents.</p> |

The Group is committed to achieving a continuous **improvement in the quality of its products and services through the motivation and involvement of its staff**; these objective is pursued through the optimization of the corporate processes, according to criteria of efficiency and univocal, homogeneous,

effective and efficient working methods. Moreover, we are tending more towards a Quality Policy that is oriented to a risk management system as an instrument for evaluation and decision making, with an aim to pursuing a continual improvement through opportune corrective and preventive measures.

### 4.3 The supply chain

In the Group there are manufacturing companies that serve the medical and industrial sectors and marketing companies that serve the medical market. The medical companies distribute their products to qualified distributors, directly to the end-user (medical clinics, doctors, etc) and also through OEM partners, while the industrial companies operate on the market mainly by selling directly to the end-users.

The specifications of the components of our systems are established by our technical offices and, on the basis of our rigorous requirements, the components may be produced internally, manufactures according to our specifications by qualified suppliers or bought from catalogs. The simplest phases of assembly and work on the components may be conducted either in our factory

or it may be outsourced. Purchases of supplies are mainly related to components and accessories for manufacturing (technical accessories, critical components, industrial accessories, etc). The other categories of purchases may include office supplies, software, and computer supplies and packaging for shipments. As far as services are concerned, the companies of the Group use outside suppliers for computer assistance, technical maintenance, scientific laboratory services and certifying institutions, companies for the disposal of special waste, for publicity and marketing, financial services and shipping agents. We frequently also use services that are inherent to research and development by hiring highly qualified professionals.

During 2019 at a consolidated level the amount of spent for purchases was **225,2 million euros** while the amount spent for outsourcing was **13,3 millions euros**.

he supply chain is essential in order to maintain a high standard of quality in the finished product and, in general, in the entire production process. The final objective is that of establishing a long-lasting relationship that is characterized by transparency and cooperation. The suppliers must meet the minimum requirements for safety, quality and financial stability in order to minimize the risk of potential interruptions in the supply and unexpected costs. We continually conduct **preventive analysis and evaluations** in order to understand the market trends and monitor the evolution of the present suppliers and the potential ones, their technical updating and the regulations for the sector even in relation to the marketing of the products they sell to us.

The Group operates according to standards of fair competition and honesty, legality and correctness while respecting the legitimate interest of all of the stakeholders. the Ethics Code of the Group contains all of the principles and rules that all of those who are in contact with the Company are required to follow. In the contracts for the sale of critical components that are underwritten by El.En. S.p.A., the other party must declare that they have received a copy of the Ethics Code and that they accept it.

In relation to this, the suppliers are asked to meet certain requirements:





- Financial soundness;
- Experience in the sector;
- Reliability;
- Technical and planning resources and capacity;
- Manufacturing capacity;
- Use of systems for the control of the quality and safety of the products, consistent with the requests of the Group.

In the selection process and in their relations with the suppliers, the Group evaluates, consistent with the internal procedures and the company program, the economic benefits in reference to the objectives of solvency and long term profitability, as well as the presence on the market, the technical capacity and the reliability of the persons involved.

In particular, for the manufacturing companies of the Group the selection of the suppliers follows a precise **procedure of qualification and approval** to guarantee the quality of the product and the respect of the delivery times. According to this procedure, using a "Supplier Qualification Request Form" we evaluate the general level of the Quality Control System of the supplier, with an aim to constantly improve the aspects which influence the quality of the product or the service which we are buying; for purchases of merchandise we also make trial orders which allow us to conduct inspections directly on the product.

For products and services of a certain kind, like the services offered by testing laboratories, the qualifying procedure and approval is based mainly on the analysis of the certifications that the supplier possesses, because the authority of the certifications and of the institutions that have issued them are a guarantee of reliability. Occasionally we also conduct audits at the supplier's; at the end of the analysis, on the basis of the results of all the tests that have been run, the supplier will either be included or excluded if his quality level is found to be insufficient.

Once the supplier has been judged to be suitable from a qualitative point of view, periodic inspections are programmed to make sure that the standards of quality required have been maintained: these evaluations take into consideration aspects such as flexibility of the supplier, i.e. his capacity to adapt to the requirements of the organization, the speed of response to and the management of contingencies, the organizational structure and punctuality of deliveries as well as the evaluation of the merchandise delivered. Annual inspections are also conducted at some supplier's by specially trained internal auditors, both routinely or on account of an anomalous

situation of non-conformity, like a decline in the quality of the product or services.

As indicated in the Sustainability Plan, during the process for the qualification and approval of a supplier, we have included the evaluation of some aspects related to sustainability issues so that they can be used as evaluation parameters and contribute to the overall evaluation of the potential supplier. The new qualification criteria were elaborated and inserted in 2019 and will be in force starting in 2020.



## The EI.En. Group and its international awards

Passion, ability and tenacity have allowed the EI.En. Group to achieve outstanding results at an international level. This year a system developed by Deka, the **Luxea**, received the **Aesthetic Industry Award 2019** as **the best new technology**.

Luxea is a multi-functional technology with fourteen different handpieces: pulsating light, laser and radio frequency for a wide range of aesthetic and dermatological applications like vascular and pigmented lesions, acne, anti-aging, skin spots and blemishes and also tattoos and hair removal. The Luxea platform was also awarded as **Best Laser, Lights & Energy-based Device 2019** at the **Aesthetic & Anti-Aging Medicine World** symposium in Montecarlo.

In 2018 another system developed by Deka, **Onda**, a, received the

**Aesthetic Industry Award 2018** as **the best new technology** and at the **Aesthetic & Anti-Aging Medicine World** symposium at Montecarlo, the award for **the best non-invasive technology for body shaping 2018**. ONDA is the first microwave system (Coolwaves™) which acts simultaneously and non-invasively on imperfections like cellulitis, localized fat deposits, and skin laxity.

Also in 2018, the **Thunder MT** laser, developed by Quanta System, received an award as the **best device for hair removal and vascular treatments**; its innovative technology makes it possible to combine two laser sources (Alex e Nd:YAG) for hair removal in all seasons and all skin types, as well as for vascular treatments and photo-rejuvenation.

In 2017 another system developed by Quanta System, the **Discovery Pico**, had received the **Aesthetic Industry Award 2017** as **best "multi-use" technology**, since it was considered the most powerful picosecond laser for the treatment of tattoos, pigmented lesions and skin rejuvenation.



# **Our Business**

**The laser as a  
sustainable  
instrument**





## 5. Our business

### 5.1 Uses and benefits of lasers in the medical sector

The use of our medical and aesthetic lasers and the continued commitment we dedicate to research and development of new or improved applications generates a series of indirect social impacts which are transformed into benefits both for the patient and for the local community.

With our laser systems for the medical and aesthetic field we have placed at the disposal of the market instruments and solutions which improve the welfare of people and the quality of life of patients by reducing health issues of both a physical and aesthetic nature, and the those of a psychological nature associated with them. The laser is, in fact, a device which, thanks to its inherent selectivity treats the pathologies by maximizing the effectiveness of the interaction and minimizing the collateral effects of the treatments.

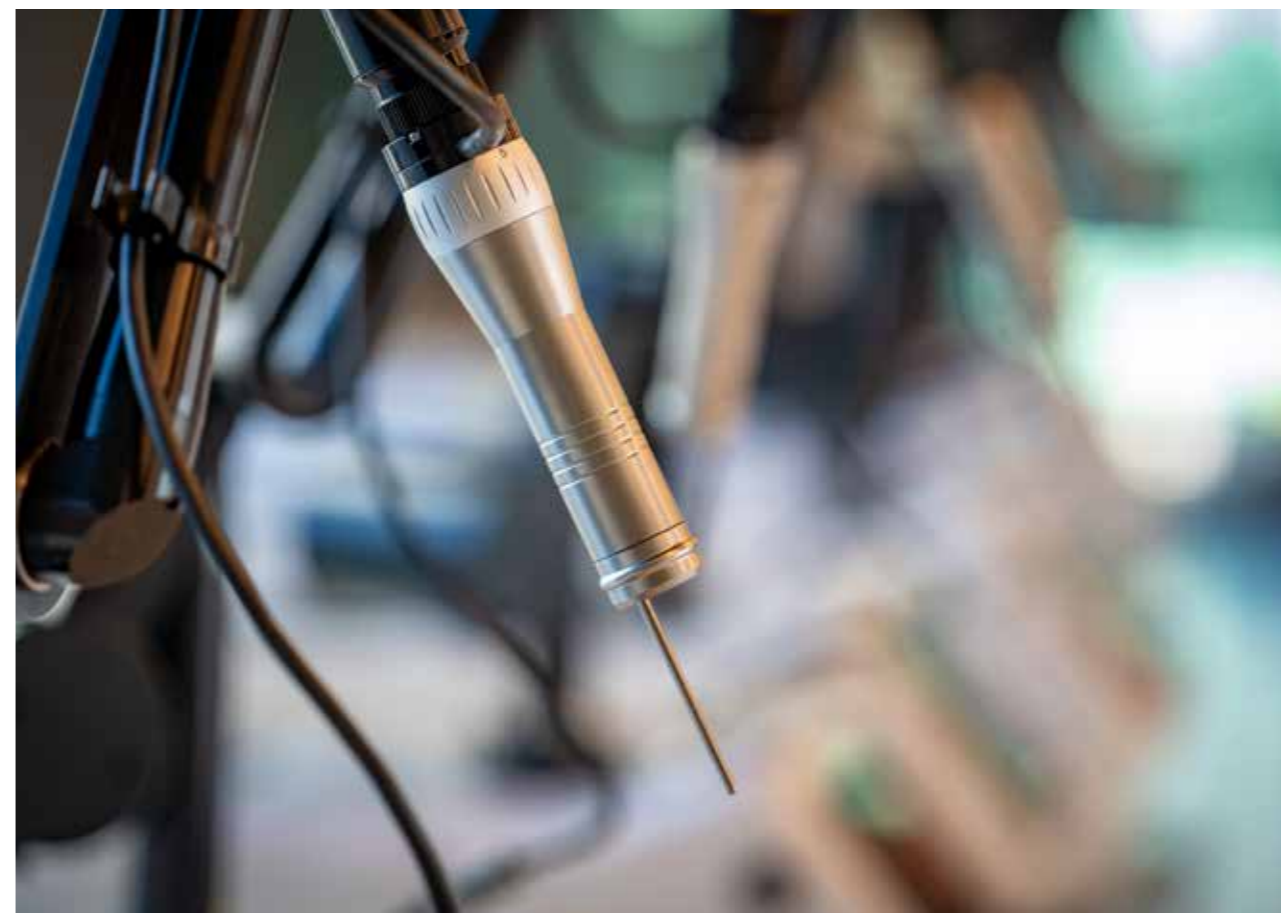
If we consider, for example, the **surgical sector**, the equipment that has been conceived and developed by the Group for **minimally invasive surgery** has brought about an improvement in the quality of life for the patients in terms of a greater recovery of healthy tissue , less risk because of the reduction or elimination of local anesthetics and a reduction in post-operative recovery time, since the sutures are reduced. The types of operations which can be performed with lasers, in fact, do not require incisions or the use of scalpels, and the laser beam can be directed remotely using sub-millimetric optical fibers which offer greater facility of use to the medical personnel.

Our systems offer enormous advantages and improvements for the welfare of the patients also in the **dermatological surgery** sector where, if we consider, for example, skin surgery applied to mucous, the laser has revolutionized the traditional approach by vaporizing rather than cutting the tissues and in this way eliminating only the existing cutaneous lesion and saving the tissue surrounding the lesion, all of which takes place without bleeding due to the cauterizing effect of the laser. The laser treatments make it possible to avoid deep cuts in the skin and the advantage of this is represented by the fact that no scarring or loss of elasticity in the skin occurs; this is an important advantage, especially in the more delicate parts of the body. In the last few years, it has been demonstrated that laser treatments are the

most effective non-surgical and non-pharmacological solution to prevent and to treat vaginal atrophy and its consequences: lack of nourishment and hydration of the cells of the vaginal mucous in fact comport dryness, burning and discomfort and negatively influence the relations and the self-esteem of the patients, both when the symptoms are due to genital and urological issues typical of natural menopause or induced after oncological therapies as well as those due to post-partum ipoestrogenization.

The elimination of major imperfections like hirsutism, angiomas, acne, rosacea, psoriasis, large scars , etc.) using our laser devices has made it possible for many people, both on a family surrounding and in society, in childhood as well as adulthood, to find a harmonious balance of acceptance and dignity from other members of the community. Besides being pathologies that are often uncomfortable or painful, for many people living with a part of their body, especially a highly visible one, that is affected by apparent imperfections can also have important psychological repercussions. Some lesions create strong emotional reactions in the people that are affected and create difficulty for them in personal relations because they do not feel at ease with their own body or suffer from depression because they are not able to accept the imperfections and consider them an insurmountable problem. Thanks to laser technology, these pathologies or imperfections can be treated in a manner that is effective, painless, non-invasive and increasingly economical.

The improvements in the welfare of the patients are evident also for vascular anomalies like **infantile or congenital angiomas**: besides being highly visible, these imperfections can disturb the normal functioning of a person or cause discomfort; the laser represents a valid alternative to the pharmacological therapies with respect to which it also has the advantage of preserving the integrity of the tissues; in fact the laser treatment



selectively dries up the blood component which then slowly deflates until it has completely disappeared. Also in the case of **skin discolorations**, besides having an important preventive action, the use of the laser makes it possible to save the skin from the aggressiveness of the acids that are traditionally used and to solve one problem without creating another. In the case of superficial discolorations the laser strikes selectively without destroying the surrounding tissue while, with traditional techniques the discoloration was eliminated by controlled abrasion of the skin used along with acid substances. The situation is different for deep spots where the laser is the only technique available.

The quality of life is influenced also by the aesthetic image that people have of themselves even when no pathological imperfections are present. This fact is the reason that there are so many request for aesthetic and medical treatments from a population that increasingly wishes to improve their appearance; in today's society the aesthetic image plays and increasingly important role and if you are not able to come close to the common standards your dissatisfaction with yourself increases.

Over the years the Group has dedicated growing financial

and managerial resources to the development of devices to be used for aesthetic medicine, for skin rejuvenation of the face through anti-wrinkle treatments and removal of skin discolorations (age spots, etc) to improve the skin appearance or obtain facial firming, rather than the modeling of the body or hair removal.

In order to meet the different requirements of patients, the El.En. Group has created numerous types of lasers in order to treat effectively is wide variety of issues related to the **rejuvenation of the skin** with emissions characterized by wave length, duration of impulse and different levels of power. With laser treatments the most immediate benefit is the reduction of the recovery time for the patient respect to traditional aesthetic surgery; as far as the general mid-term effectiveness is concerned, the laser creates controlled micro-lesions which stimulate the organism to produce new tissue and, in this way, the intrinsic potential of the body, and triggering a natural and gradual rejuvenation. The impact of these treatments from a psychological point of view is very positive because people do not perceive the change immediately but day after day and they gradually get use to their new appearance.

In the sector of **body contouring** 2019 was an important year; we consolidated the presence on the market of Onda which had been launched last year, Onda is the first system in the world which, through the emission of special micro-waves, acts on **cellulitis, fat deposits and drooping skin**. It reduces the layer of subcutaneous fat in various parts of the body with a non-invasive treatment which can be repeated after a short time and which creates immediate, visible and long-lasting benefits. Besides this new technology, for many years the Group has introduced on the market systems for the localized removal of fat deposits using laser-lipolysis, a minimally invasive treatment which makes it possible to treat specific and even very delicate areas of the body where traditional lipolysis is normally not advised.

In the sector of **hair removal** by laser, the Group developed and designed a system since 1990s and then continually improved its performance; in fact, our lasers are able to treat even very fine hairs on every type of skin, even ones that are very dark and tan and the treatment

is very fast in order to meet the requirements of a clientele that has increasingly less time available and the operators who can maximize their performance thanks to the productivity of the device.

**Tattoo removal** is a segment in which the Group has recently launched innovative systems and is part of the area of the aesthetic image that one has of oneself: in today's society tattoos represent a language of aggregation, i.e., belonging to a group. They contain a message, a memory, but for many people they are part of a past that they wish to cancel: thanks to laser technology, the particles that contain the ink used for the tattoo are shattered and removed through the lymphatic system during the weeks following the treatment leaving the tissues unaltered. It should be noted that in the eastern hemisphere the technology that is used in the West to remove tattoos is considered an anti-aging treatment because it is effectively used to remove the pigmented lesions that characterize the skin of the elderly in oriental countries.



## 5.2 Uses and benefits of lasers in the industrial sector

The laser systems that we produce for the industrial sector can be adapted for multiple uses and can be applied to many different types of materials. The final result that is obtained makes lasers preferable to alternative solutions because they avoid the need for further processing and perform cutting, incisions and marking with extreme precision.

Processing executed by a laser is particularly desirable from a point of view of sustainability because of several factors which make it possible to **reduce the amount of waste** by instantly vaporizing the material on which they are working and by making clean cuts without producing chips or other processing waste. Our marking systems also make it possible to make perforations, grey tones and selective removal of the thickness of the material, thus reducing waste. The use of the laser does not comport contact between the parts and therefore avoids the risk of deformation or accidental breaking as well as tool wear which, consequently would produce more waste material. Moreover, since the laser is managed digitally by software, the movements that are made are precise and the cuts are matched perfectly, thus reducing the scrap that is left using traditional cutting technologies.

The reconfiguration of the processes simply using a reprogramming of the software makes it possible to **save on accessory equipment** because new dies for each process are no longer required, nor are parts of material that sustain the dies or the cutting instrument. Laser processing, moreover, do not add any pollutants and the **fumes produced during the processing do not contain chemical additives**; for marking laser systems make it possible to **avoid the use of inks and solvents** on fabrics and leathers, with all of the problems inherent in the disposal of these substances.

Our laser systems are also used for marking bar codes, serial numbers, logos on plastic materials even a microscopic scale, to cut objects in metacrylate and other acrylates, but also for the processing of some labels to improve the insertion of RFID devices which are activated by radio frequency and are able to read information, which are used, for example, in the field of high fashion to recognize a garment where the label is attached which in this way becomes a unique and "speaking" object: the use of a laser with respect to traditional technologies in this type of processing makes it possible to **avoid the use of glues** and to avoid the use of different dies for every different label. The savings on the dies is economical

especially for the processing of small lots, or for flexible production systems, as is increasingly requested by the changeability of the demand and the need to personalize the products.

Lasers are used successfully also for **prevention of counterfeiting** because they can mark paper in a way that is always original, univocal and easily up-dated: the personalization can be changed continually to create new holograms which make the paper three-dimensional and make reproduction even more difficult.

In the **textile sector** our lasers are widely used by companies manufacturing **jeans**, where the impact of our technology has been significant. In fact, laser have completely replaced the traditional technologies that were used to age the denim material which were achieved by a kind of sanding using silicon powders (which are potentially also harmful for human health) or else using the "stone wash" technique with chemical additives or "sandpapering", which is very hard work for the person who has to do it because of the use of abrasive materials which also have a serious environmental impact since they are harmful and difficult to dispose of.

We are proud of the fact that we have contributed to the development and perfection of the advantages of these processes which are much more respectful of the environment and of social values because we are aware of the fact that the entire industry must become more sustainable.

Through research and development we are committed to the continuous improvement of the performance of our systems by increasing their effectiveness and efficiency: we produce CO<sub>2</sub> laser source which we have found save energy with respect to the CO<sub>2</sub> sources now available on the market and therefore have a **reduced environmental impact**; we have developed and patented **regenerating cartridges** which regenerate gas in the cavity and consequently, allow a reduction of the environmental impact in terms of waste.



## 5.3 The conservation of the World's Artistic Heritage

The beauty of works of art is our legacy for future generations and it is our duty to preserve it for them. We are proud to be the first company in the world to produce laser created specifically for the restoration of works of art using the same technology used for medicine and surgery. Whether we are dealing with works of art or with medicine, the principle is the same: taking care of people, our works of art.

One of the flagship products made by the El.En. Group is represented by the small segment of restoration; over the years the sensitivity of the Group towards the conservation of works of art has continued to grow and has inspired research aimed at making the most advanced conservation technologies available for the restoration of artistic masterpieces all over the world. The Group has continued to experiment with new technologies that can offer conservation processes that are increasingly effective and respectful of the works of art.

In fact, lasers offer a solution which is effective, reliable and safe for the **conservation of the world's cultural heritage** and give new life to the masterpieces that have left an indelible mark on the history of humanity. Restoration with lasers respects the original surface and the texture of the art work because, by using a non-invasive procedure respecting the original structure of the work this method makes it possible to remove the patina that has formed over the centuries so that the public can admire the works of art restored to their original state.

Laser solutions offer restorers a highly technological instrument which allows them to operate with complete safety with significant advantages with respect to mechanical and chemical methods commonly used. First of all, the method is minimally invasive because there is no physical contact with the surface on which they are working and this allows them to operate on surfaces that are extremely fragile or altered. The high level of control allows the restorer to define the degree of cleaning that he wishes to achieve (a high selectivity because the layers to be removed are very dark and therefore absorb a high percentage of laser light) and the operation is very precise because it is possible to define the exact area in which one wishes to work without affecting the surrounding area.

Lasers have been used successfully on numerous monuments and works of art both in Italy and the rest

of Europe; in particular we wish to mention the most important ones where El.En. lasers were used: the Milan Cathedral, the Florence Cathedral, Ghiberti's north door and Door of Paradise on the Baptistery of St. John in Florence, the sculptural group with the Rape of the Sabine Women by Giambologna in Piazza della Signoria in Florence, the bas-reliefs of the Holy Sepulcher in Jerusalem, the cloister of the Cathedral of Oviedo, the Leaning Tower and the Cathedral of Pisa.

Some of the most important examples of restoration work conducted with our lasers **in 2019** are listed below:

- The removal of writing and graffiti on **Ponte Vecchio in Florence** with a laser donated by the El.En. Group last year to the "Gli angeli del Bello" (Angels of Beauty), an association of volunteers whose mission is to keep the city of Florence clean and bring the monuments back to their original splendor.
- The removal of grime on the walls of the **Sala delle Asse in the Castello Sforzesco in Milan** which brought to light Leonardo da Vinci's monochrome fresco by using a laser technology to remove the layers of lime paint;
- On the occasion of the exhibition "Verrocchio, il maestro di Leonardo" held in Palazzo Strozzi in Florence, they displayed **Verrocchio's David** which had been cleaned with a laser to reveal the thin layer of gold which Verrocchio had applied to the sandals, the trim of the tunic, the hair and even the pupils of the eyes of the David;
- During restoration of the north façade of the **Cathedral of Santa Maria del Fiore in Florence**, lasers were used to clean some of the detailing;
- The **South door of the Baptistery in Florence** by Andrea Pisano was completely cleaned and can now be admired in all of its renewed splendor in the Sala del Paradiso in the Museo dell'Opera del Duomo.





## 5.4 Our support to the community

"The Group wishes to confirm its position not only as a valid point of reference for its own shareholders and stakeholders, but also as a pillar of the community. At El.En. every day we are committed to making our work have a positive impact on the health of people. Our social strategy is that of making available our skills, knowledge and instruments with an aim to improving the access to treatment and health care for fragile and disadvantaged people all over the world. At the same time we are working to improve scientific knowledge. In other words, we are working for science and for healthier world." (Ing. Salvadeo - General Director of El.En.)

One of the ways in which we fulfill our social responsibilities is by donations to specific non-profit organizations, institutions and cutting-edge scientific laboratories all over the world by assisting them in the use of new technologies that have been placed at the service of the health of patients as well as for the conservation and restoration of works of art. Over the years we have donated our systems to numerous hospitals like Careggi

Hospital and the Meyer Pediatric Hospital in Florence, the Moshi Medical Center in Tanzania, the Pediatric Hospital of Bambin Gesù and the Gemelli Hospital in Rome and also hospitals in Latin America.

Donations of our lasers have also been made to the Vatican for the restoration of marble sculptures, busts, statues and fountains as well as paintings, and to some foreign museums like the Metropolitan in New York and the Getty Museum in Los Angeles.

### New laser technology for rehabilitation medicine

In 2019 our subsidiary **Quanta System S.p.A.** donated an "Opera EVO" laser to the Valduce hospital; this laser represents a state-of-the-art system with thulium radiation for the treatment of patients with serious disabilities like severe spasticity and deforming contractures of the lower limbs due to cerebral lesions caused by strokes or head injury, traumatic spinal cord injury and other neurodegenerative diseases which can be treated thanks to minimally invasive laser procedures. For the first time in the world it has been possible to intervene with a minimally invasive approach using a local anesthetic and surgical procedures which, in the past required complex open surgical operations with total anesthesia. This new technology contributes to restoring dignity and quality of life to patients with highly debilitating diseases.

Filippo Fagnani, Scientific Director of the surgical division of Quanta System stated: "The results obtained are the outcome of the intuitions of the professionals at the Villa Beretta – Valduce Hospital combined with the support that we have had the honor of offering on the technological front. Together, working in complete synergy, we have opened frontiers that previously could not even be imagined and achieved goals which represent new standards at a global level".

**"Collaboration with great scientific organizations, research and health institutions is part of our DNA and for us it represents a concrete and daily commitment. We work together with our partners in the medical sector both in Italy and abroad, on research projects in order to bring the hope of a cure and to boost medical progress".**

## A laser for the 5G

For the first time in Italy, a surgical operation using El.En. lasers was performed remotely using the 5G network. This experiment was conducted on the stage of the Vodafone Village in Milan, where Professor Matteo Trimarchi, otorhinolaryngoiatrist of the IRCCS San Raffaele, operated on a synthetic larynx which was in an operating room 15 kilometers away. The operation was a success and represented a real revolution for the possibility of operating from one continent to another in the future.

This operation was part of the 5G Healthcare - Vodafone Conference & Experience Day, which had been organized by Vodafone to summarize the progress made in 5G experiments. This event demonstrated the potential of 5G for the community and highlighted the precision and reliability of the El.En. lasers.



### "The best is yet to come"

In early 2019 Professor Gérard Mourou, Nobel Prize for physics in 2018, visited Quanta System S.p.A.. Professor Mourou received the Nobel for his pioneering research in the field of laser physics which paved the way for many scientific and medical applications. His intuitions have been an inspiration for the employees, physicists and engineers working in research and development in the El.En. Group. During his visit at Quanta System, Prof. Mourou reminded us that all of his studies were inspired by the desire to improve society and the lives of people; this approach totally reflects the philosophy of the El.En. Group, which is involved every day in supplying professionals with solutions that are aimed at improving the quality of life of people.

The motto of the professor is: "The best is yet to come". "Scientific research and applied industrial research will find more innovative applications for laser technology from which we can all benefit either directly or indirectly".

Professor Mourou's visit represents a significant sign of recognition for the El.En. Group for the contribution made to science and to medicine and confirms the position of leadership of the company in research and production of laser technology.



## Two lasers for the Uffizi Galleries in Florence

El.En. donated two lasers to the **Uffizi Galleries in Florence**. The lasers will be used to restore works of art, in particular the statues in the Boboli Gardens and the paintings in the Galleries. The lasers that will be at the Uffizi are the "Thunder Compact" by Quanta System S.p.A. (subsidiary of the El.En. Group), which is used to clean stone materials (marble, stucco, bas-reliefs) and the "Light Brush" by El.En./Deka, with erbium technology, which is used to restore paintings and frescoes.

**"Resurrect beauty wherever it is and give it to the future generations** - - Paolo Salvadeo, General Director of El.En. has said. – That is what we are here for. We are particularly honored that (the director of the Uffizi Galleries) Eike Schmidt has accepted our donation. This is a further confirmation of his sensitivity towards art which is a **universal heritage which we have the duty of protecting, passing on to posterity the great message of beauty and love that the great artists of the past have left for us"**.

"One of our greatest concerns has always been the protection of our artistic heritage Schmidt said, and we are glad to accept this donation because with the El.En. lasers we have instruments for the conservation of works of art which will allow us to intervene without affecting their integrity while enhancing their beauty. Moreover, this collaboration makes us particularly proud because it is based on **Italian technology, actually Florentine technology, which is recognized and exported all over the world"**.



## A laser for UNESCO

A laser manufactured by the El.En. Group was selected for the restoration of the Temple of Mut, a UNESCO heritage site in Sudan which was built in the first half of the 7th century B.C. Thanks to the use of this laser they are uncovering and returning to their original beauty the wall paintings which had been severely damaged.

## Lasers for MotoGP and SBK



The **Mobile Clinic** in the world is the travelling hospital which follows the **MotoGP** and **SBK** and is placed at the disposal of pilots and their staff. This special "house" is the

place where pilots are assisted before, during and after the races and rehabilitate him; the therapeutic solutions offered are a concrete help in solving the various health problems which often afflict pilots. The long-standing partnership between ASA and the Mobile Clinic in the World makes it possible for pilots to effectively treat sports injuries thanks to the Hilterapia®.

The physical therapists at the Mobile Clinic have been using this specific therapy for many years with two lasers supplied by **ASA S.r.l.**, which help, in particular, in the repair of tissues, in the improvement in circulation which has been compromised by traumas, and in obtaining a beneficial effect for muscle and tendon injuries.





The Group, moreover, is committed to **sustaining cultural, social and educational initiatives** in favor of the local community with the objective of strengthening the relations with the surrounding area in which it operates and with the people involved directly or indirectly in the activities of the Group. The basic idea is the promotion of a mutual, positive exchange between the Group and the local community, which is beneficial to both parties involved in the projects and activities they develop.

The subsidiary **DEKA Mela S.r.l.** sponsors the football team and the training activity (civic education) in the schools of **"Onlus Amici di Duccio"**. This association has the purpose of creating awareness in people for donations which benefit disadvantaged categories especially those that are victims of violence or social injustice. Moreover, they create awareness in the institutions in order to see that due punishment is meted out to road killers, violence against minors and women. In particular, the association wishes to honor the memory of Duccio Dini, by creating and carrying out social projects.

The subsidiary **DEKA Mela S.r.l.** sponsors the championship of **Lupi Toscani**, wheelchair hockey team from Scandicci (Florence) who plays in the A2 series.

The volunteers who spend their lunch break cleaning up the woods have also "infected" their company: a group of employees of **Quanta System S.p.A.** in fact has been working alongside the volunteer association **"Parte tutto Da noi"**.

The company was pleased to support the activity of its workers by purchasing telescopic grippers and gloves to facilitate the collection of rubbish. This initiative soon went beyond the confines of the company and involves the public administration, retailers, representatives of local associations and other citizens of the community.

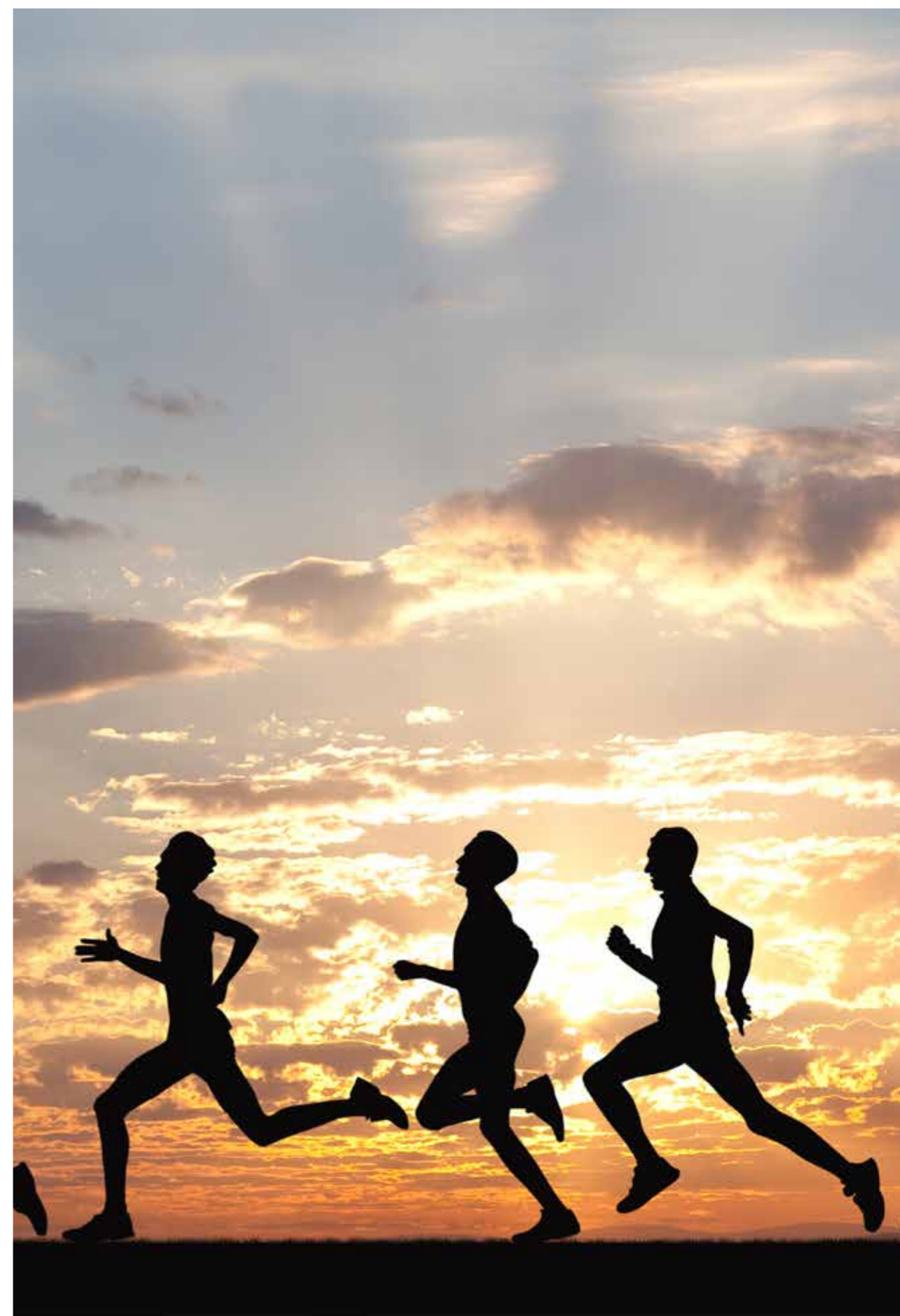


In particular the Group has been active in promoting the following activities:

- **University internships**, both curricular and extra-curricular;
- **Alternate school-work projects** that involve students from local schools and allow them to attend school inside of a working situation by combining theoretical aspects with practical ones; in begin to participate in the workplace already starting in secondary school in order for them to gain orientation in relation to future employment;

- **Participation in career day events** which are open-door initiatives for a reciprocal exchange between the companies and recent graduates looking for their first job.

Moreover, the Parent Company El.En. S.p.A. is a **"Partners Palazzo Strozzi"**, and a member of **"Assorestauro"**, the Italian association for architectural, artistic and urban restoration and has sponsored the twelve editions of the International Conference of LACONA (Lasers in the Conservation of Artworks) and the six editions of the International Conference APLAR ( Laser Applications in Restoration).





# The People

Passion and talent to grow together





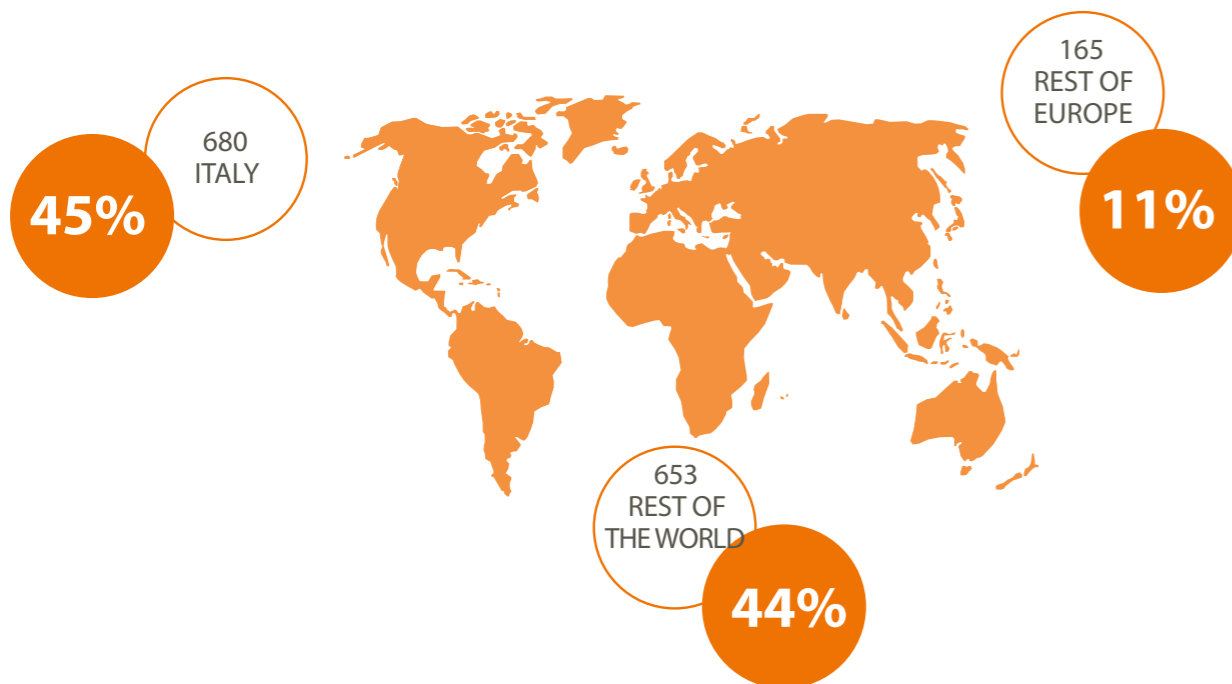
## 6. The people

El.En. firmly believes that human resources constitute the most important asset of the Company. The ability to innovate and to pursue excellence depends on the people and the collaborators involved in all of the activities and the result of the specialization, the competence and the passion that distinguish all the people who work for the Group.



For El.En. people come first because it is only through the growth of the individual that ideas and skills become a common factor and, through exchange and collaboration contribute to the collective growth of the Group and the creation of a shared value. In the Ethics Code of the Group, El.En. has codified their commitment to the respect and protection of the dignity, the health, safety and privacy of

its employees and collaborators. In particular, the Group aims at the protection of the physical and moral integrity of its workers by informing them of their rights and of the risks that they might face in the performance of their work, and guaranteeing working conditions that respect the dignity of the individual in conformity with the laws and the regulations that are now in force.

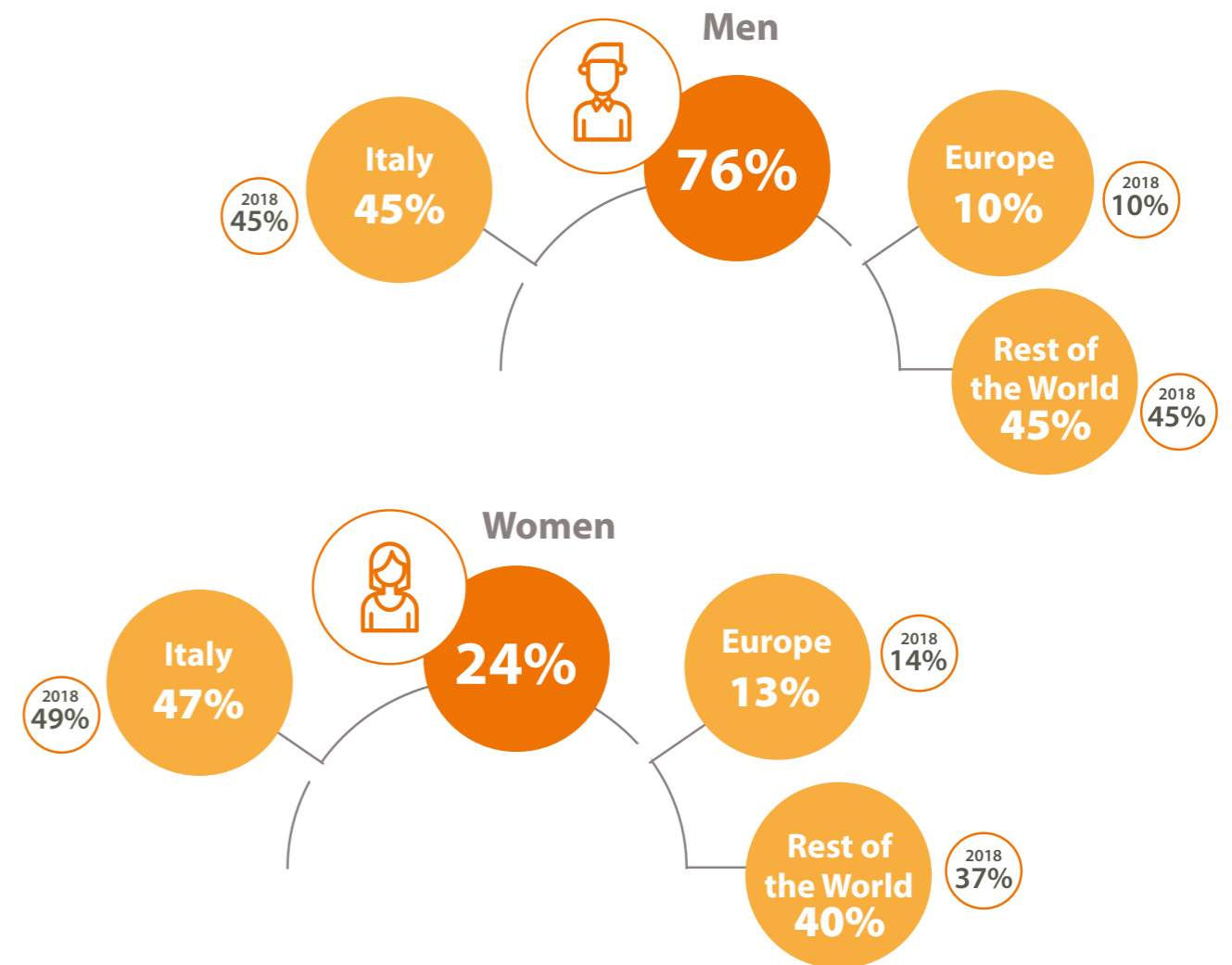


The concern for human resources is an issue of great relevance also in the field of quality management which most of the manufacturing companies of the Group have adopted in conformity to regulation ISO 9001. On the basis of this regulation, in fact, the certified companies have been supervising certain issues like the selection, training, and development of skilled personnel and the definition of the responsibilities for the various functions. The Parent Company, in particular, has conducted an analysis for the codification of management procedures for human resources (hiring, remuneration, etc.) as well as the profiling of the corporate functions with the identification of the responsibilities and skills that are necessary. On the basis of this, we have planned ad hoc training courses to respond to the training needs of each one. In the Group there are 1.498 employees and together we form an international Group that is growing and that is

called to operate in contexts that are very different on a global level; ours is, in fact a **multicultural team**: of 100 people in the El.En. Group, 45 work in Italy, 39 in China, 10 in Germany and the remaining are distributed among Japan, Brazil and France.

- The diversity of our people is evident in the statistics:
- The El.En. staff is, for the most part, young, in the age range from 30 to 50 years of age (61%), with 26% of the employees being under 30 years of age, and 13% over 50.
  - The work force is represented by 24% women, a percentage which reaches 31% if one considers just the white-collar employees; the manufacturing nature of the activities of the Group, in fact, determines the prevalence of men in the category of laborers.

Distribution of employees by geographic area and by gender as of December 31st 2019





We are committed to creating a working environment that is constructive and dynamic and supports the heterogeneity of people and talents, is stimulating and offers opportunities for professional growth. The management of the human resources of the Group aims at the integration and respect of all the diversities, and rejects any form of discrimination based on nationality, sexual orientation, age, political or religious opinions. The Group sustains and respects the rights of the individual in conformity with the Universal Declaration of Human Rights issued by the United Nations, and is committed to avoiding any form of discrimination. This commitment also applies to all aspects of work relations including hiring, training, job assignment, promotions, transfers and severance.

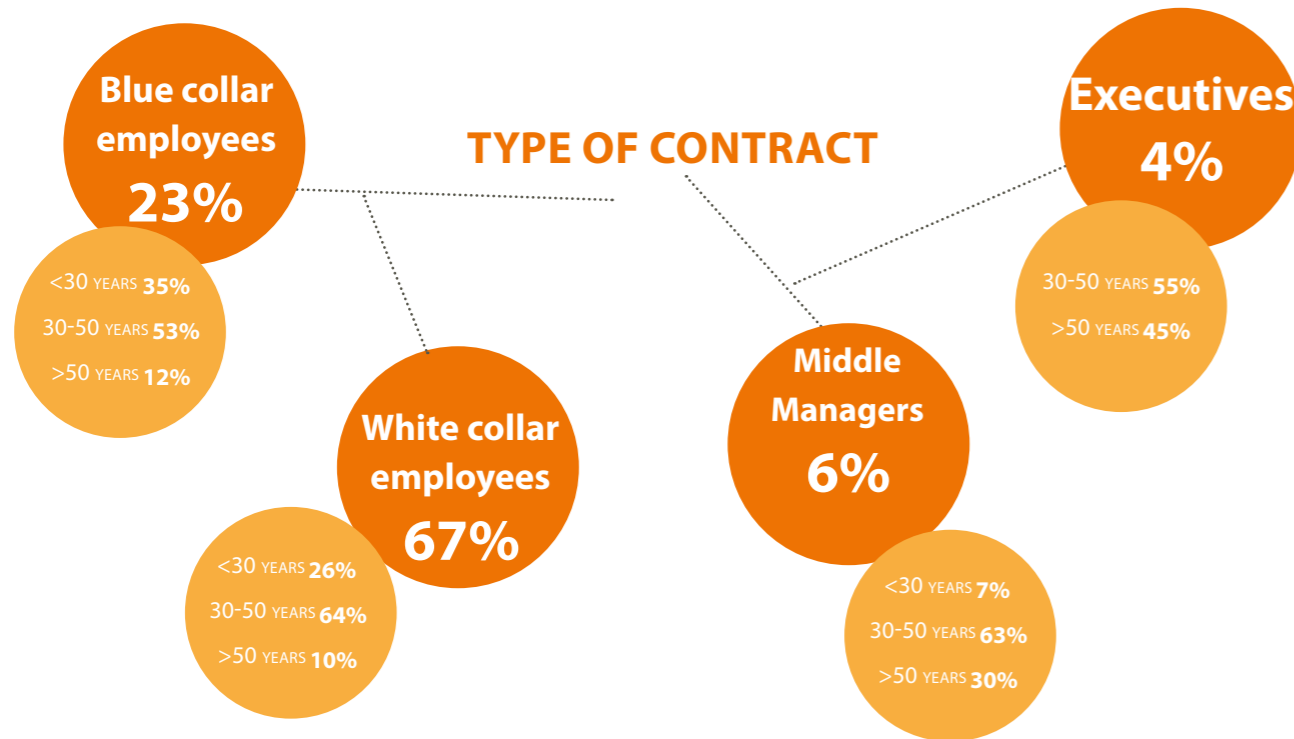
Equally important for the creation of an inclusive work environment are the initiatives promoted to facilitate the balance between family life and the workplace, starting with the possibility of working part-time.

The Group is committed to the need to create a dialog

with its employees for the purposes of reconciling the requirements of the individual with those of the company. This commitment is demonstrated in the management of different categories of contracts: from national and/or sector contracts to collective/corporate contracts and even contracts stipulated individually.

In particular, in Italy they apply a National Collective Work Contract (the personnel is 100% covered by collective contract), in Germany, the workers' committee signs a collective agreement on an annual basis (86% of the employees are covered by collective contracts; the rest are selling personnel who underwrite a different type of contract); in France they apply to all of the employees the Collective Convention IDCC n°1982; in Brazil the annually conduct a collective negotiation, while in China and in Japan they follow the local legislation. Moreover, in Japan the management conducts a monthly meeting with its employees to discuss any relevant issues. At the Group level, it should be noted that 57% of the employees are covered by agreements stipulated on the basis of collective bargaining.

Distribution of employees by category and age as of December 31st 2019



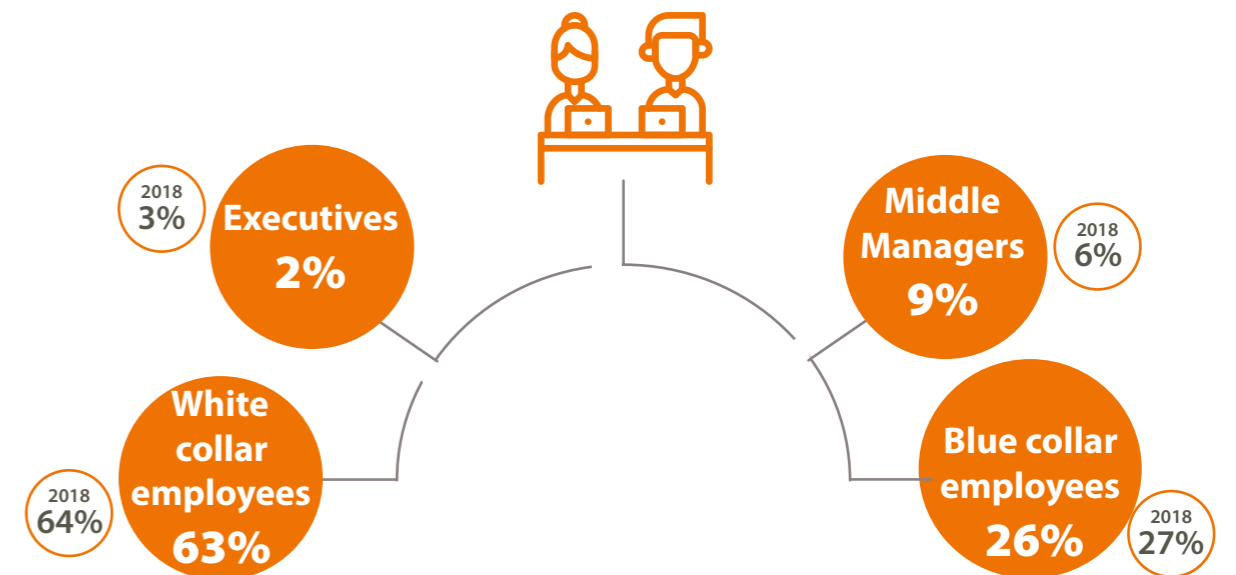
## 6.1 Training and skills development

Training has always been considered fundamental for the growth of the personnel and for the development of the basic skills required for the success of the company. We promote continuous training with refresher courses dedicated to specific issues, with an aim to improving the knowledge and specialization of every resource in the organization.



The training activity aims to stimulate and expand the professional skills of its employees and it is structured to ensure a differentiated offer aimed at involving all professional categories at all levels. In 2019 more than 21,800 hours of training were provided, with an average of approximately 14,6 hours for each collaborators.

Professional training provided to each employment category (2019)



The main types of training courses promoted by the Group in 2019 were the following:

- Training on **health and safety issues**, related to learning and up-dating of the regulations required by the law and/or the company in relation to health and safety in the workplace.
- Training related to specific issues of the **quality control system** in order to learn the operative procedures necessary in every phase of the production process;
- **Technical and specialist training** to increase the skills necessary to carry out the task that has been assigned;
- **Linguistic training** in order to increase the linguistic skills of the resources involved;
- **Computer training** in order to acquire the skills necessary to be competent in the use of computers (for example, knowledge of some types of software);
- Training for **newly hired** employees;
- **On the job training** usually conducted for a specific period in the company by other qualified employees.

Although the training courses are not centrally coordinated they are defined annually by each company and besides the obligatory training that must be offered,

they make a note of the specific issues which need to be dealt with and, in some of the companies, the employees may request to participate in specific training courses to enrich and personalize their curriculum.

In order to promote a greater sense of responsibility in all of the employees, this year the Parent Company and some of the subsidiaries have organized training and information activities on the Organizational Model and on the administrative responsibilities of legal persons in conformity with ex D.Lgs. 231, as well as on the issues related to sustainability and the relative Sustainability Plan of the El.En. Group.

Despite the fact that at this time in the Group there is no training activity related to Human Rights, in 2019 the Group adopted a Human Rights Policy and is committed to the spread and application of the Ethics Code which contains the principles of legality, loyalty, correctness, transparency and professionalism to which every person in the Group must adhere; in the main Italian companies the Ethics Code is given to all new employees as soon as they are hired as part of the required documentation whereas at the subsidiaries Asclepion GmbH, Quanta System S.p.A. and the Chinese subsidiaries a special focus on the Ethics Code is part of the training session for new employees.

## ASA: a case study for the Strategy Innovation Master at Ca' Foscari University in Venice

"ASA as the expression of an innovative business model based on the issues of Data Driven and Servitization in the Healthcare Context": with this focus the subsidiary, ASA of the El.En. Group was selected in 2019 as a case study as part of the "Strategy Innovation Master" at the University Ca' Foscari of Venice which is intended to train managers and entrepreneurs to formulate innovative new business models. This is an important recognition for one of the companies of our Group which has always been sensitive to the implementation of its performance through research and studies.

ASA was selected by the director of the Master, for the session dedicated to Strategy Innovation Sources, which will present the study conducted for the creation of new business models for the future of the company. The ASA case history will therefore become one of the subjects for the discussion of the Master which will be divided into four key issues: "Strategy Innovation Competencies", "Strategy Innovation Sources", "Strategy Innovation Tools" and "Strategy Innovation Project Work".

"We are very grateful for this invitation; it is a tangible recognition that the investments which we have always made in strategic development are well placed", commented Roberto Marchesini, Managing Director of ASA.

## 6.2 Health and safety in the workplace

We are committed to guaranteeing a workplace that is healthy and safe in conformity with the laws and regulations regarding the safety of workers and of the environment. Our objective is that of disseminating and developing among people the awareness of the risks related to the work they are doing and to promote responsible behavior on the part of all the workers with programs that are intended to prevent damage to people.



MORE THAN **2.000** HOURS OF SPECIFIC TRAINING ON HEALTH AND SAFETY ISSUES



**47%** THE DECREASE OF THE INJURY RATE COMPARED TO 2018

As stated in the Ethics Code, the El.En. Group is committed to the dissemination and consolidation of a culture of safety by promoting responsible behavior on the part of all of its collaborators. For this purpose the Group is committed to:

- Always acting in conformity with national and international standards;
- Managing dangers and risks related to every task and every activity; every variation in the organizational layout at every level, comports an up-date of the relative documentation;
- Supplying competence and awareness of the risks related to the environment and to the tasks through continuous information and training;
- Periodic revision of the procedures and the work safety instructions in order to modify and improve them;
- Adoption of good practices in the management of contracts and sub-contracts in order to reduce the risk of interference;
- Search for the best technology available for the protection of the individual and the collectivity.

In all of the manufacturing companies of the Group the issue of health and safety is monitored by processes

which, although they are not centralized and coordinated at a Group level, guarantee in each subsidiary that there are procedures related to the protection of the health and safety of the workers and the implementation of actions for their correction or improvement.

In the Italian companies this issue is regulated by D.Lgl. 81/2008; also, the manufacturing companies monitor health and safety on the basis of the local laws. The Italian companies of the Group have also analyzed the issue of health and safety in relation to the Organizational level in compliance with D.lgs 231/2001. The principle that is followed is that the policy of safety should be raised to a corporate level like all the other values that characterize the strategy of the Company. Just as we make use of organizational systems for the management of economic resources, in the same manner, safety must represent an essential value which must be protected and implemented constantly, with the help of an organizational system which is able to identify the instruments, the responsibilities and the direct motivation and to express the commitment of the top management in relation to this subject.

From this, the commitment to the respect of the regulations related to health and safety in the Organizational Model are derived,



with an aim to promote a significant reduction in workplace accidents; the recognition that the responsibility for the management of safety regards the entire company from the employer to the each individual worker, on the basis of his tasks and skills; the commitment to assign adequate human and financial resources towards the objective of reducing accidents and that of constantly improving working conditions, and the promise that workers will be adequately informed and trained in relation to the risk connected with the processes.

On the basis of the Organizational model the following measures are planned the identifying and locating, among the various company functions, the responsibilities connected with the issues of health and safety, the mapping and self-evaluation of risks, the implementation of training programs.

For the companies located in the area of Calenzano, the central role of the HSE office in the management of safety has, over time, given us a more consistent and uniform vision of the company policies in relation to this issue.

In all of the manufacturing companies there is a plan for a procedure for identifying risks related to safety and health of the workers: in Italy this activity is codified in the Risk Evaluation Document (DVR); in the Chinese companies the risks related to the workplace

are formalized and communicated to the workers by means of the "Worker's Manual"; also in the German and Brazilian subsidiaries, the analysis of the risks is formalized in specific documents which are periodically up-dated. The identification of the risks precedes the identification and implementation of the corrective and/or preventive actions. Most of the subsidiaries have adopted a procedure for reporting of risks by workers and they have elected safety representatives among the workers.

During this year the Italian companies of the Group held periodic meetings in conformity with art.35 of D.Lgs. 81/08, in which the employer, the company doctor, the RSPP (Manager of Prevention and Protection Services) and the RSL (Workers' Safety Representative) attend and represent all of the workers. In line with a policy of the greatest transparency, in the periodic meeting of the Parent Company a member of the Supervising body is invited to participate as well as all of the persons who are members of the company safety staff.

During the meeting the following subjects are discussed:

- up-dating of any modifications to be made to the risk evaluation document;
- evaluation of the trend in the number of accidents, professional diseases and health supervision;



- selection criteria, technical characteristics, and effectiveness of the individual protective devices which have been added or modified;
- safety information and training programs for executives, managers and workers.

During each meeting a new, improved safety program is explained, in which they describe all of the objectives that the Prevention and Protection Services have set to achieve the next year.

The German and Brazilian companies also have specific commissions dealing with health and safety which meet periodically to evaluate the management of these issues. For the Brazilian company, the health and safety representatives of the workers meet once a month to monitor the situation.

In all of the production companies there are representatives that are responsible for safety and health issues (for example, the employer, the RSPP and managers for the Italian companies, the general manager or department manager for the Chinese companies, the employer and the safety manager for the German companies).

In all of the production companies there are training and information programs regarding health and safety both at the start of employment and later, at regular intervals. The structure and type of training courses is defined by the individual companies but, in general, all of them have programs with training for generic risks as well as those with risks connected to specific types of work, first-aid courses and periodic up-dating courses.

In 2019 health and safety training courses at a Group level were conducted for a total of 2.043 hours, a decrease compared to last year due to the periodicity of compulsory training by law.

Considering the type of production activity that is conducted, all of the companies have set safety procedures and individual and collective protection devices for the risks that are connected to artificial optical radiation.

In particular, all those involved in production have individual protections and, in a different manner, there are devices for individual or collective prevention like barriers, container boxes and turn-styles to delimit the production areas. The issue of safety is also monitored in the non-manufacturing companies by means of the collection and monitoring of data related to accidents.

At a Group level in 2019 they registered 16 accidents in the workplace, a sharp decrease compared to the 29 registered in the previous year; in any case, considering the number of new employees that was registered the accident rate<sup>5</sup> showed a drop and decreased from 11,4 to 6,3. The main types of accidents were lesions and contusions, mostly to the arms and legs. During this year so far no serious accidents or deaths have occurred. When an accident occurs the companies conduct an investigation to determine the cause and take new or improved preventive measures.

<sup>5</sup> The injury rate was calculated as the ratio between the total number of injuries and the total number of working hours, using the multiplying factor of 1.000.000.



### 6.3 The welfare of the people

The welfare of our people is a key factor in the success of the Company. In fact, technical skills are not enough to guarantee a good result; it is necessary for the company to offer its employees an environment that can stimulate their potential and their ability.

To support, promote and implement the welfare of our people the El.En. Group considers welfare an innovative instrument with respect to the traditional types of remuneration and incentive and it is destined to become an integral part of a modern and efficient management of resources.

**Welfare programs** are now planned by the Japanese subsidiary and two of the Chinese subsidiaries. In compliance with the CCNL for the sector which we apply, the Italian companies of the Group issue a part of the salary for flexible benefits. In particular, for the companies located in and around the Headquarters in Calenzano and Prato, by using a specific platform, every worker can choose the benefit or welfare service most suited to his/her needs like, for example, the costs of home care or health services reimbursement of school expenses, additional pension, training courses, recreational benefits, goods in kind, or collective transportation services.

Moreover, on the basis of a company agreement which was stipulated a few months ago, it will be possible to convert up to 50% of the amount due to the workers as a result bonus into welfare benefits and/or services.

With this agreement, the companies have also granted an improvement in the treatment with respect to the present ones offered by the CCNL by guaranteeing an extra day of paid leave for the birth of a child with respect to the present regulations and also the first three days of a sick leave which lasts less than five days will be paid 100% even after the third time. In the second level agreement, the subsidiary Quanta System S.p.A. introduced the possibility for every employee to convert the entire production premium into welfare.

As determined by collective bargaining the Italian companies adhere to health care funds for all of their employees.

For the employees of the companies in Calenzano and in Prato, the Group has always offered **free canteen service** while the subsidiary Quanta System S.p.A. has its own **gym** which is available to all of the workers.

Environments dedicated to employee well-being have been installed at the companies with headquarters in Calenzano and for the subsidiaries Asclepion and Asa. Details are described below.





## “El.En. Wellness Academy”

In early 2019 the company has opened new premises dedicated to the well-being of the employees at the companies located in Calenzano. This new space covers an area of 500 mq, and has state-of-the-art machines and equipment for exercising and an indoor playground for games between two to four basketball and/or football players. The gym is decorated with murals painted by a famous Florentine street artist which represent the connection between Florence, technology and the future where the human component is always the element of continuity and union.

In fact, this multi-purpose area has been created at El.En. with an aim to promoting and valuing human relations, participation and sharing. This initiative is part of a program for the development of the well-being of the over 300 employees of the company who work in Calenzano. All of these activities improve the quality of the working environment in the company and are part of a broader plan which the Company started a few years ago for their employees which has as its ultimate goal taking care of their people in every aspect of their lives. It is increasingly important to combine each professional figure’s training and career path with investments that lead to the creation of an energetic and fulfilling work environment which stimulates teamwork.



## Asclepion GmbH

In the second half of 2019 the German subsidiary Asclepion GmbH inaugurated a new building which had been constructed on a lot which was next to the pre-existing building and connected to it; the new three-storey building offers increased space for the offices of over fifty employees, new manufacturing and storage areas as well as a cleanroom, a zone dedicated to technical assistance and a modern center for training clients; the meeting hall can hold about one hundred people or can be divided into three smaller areas. There are also three rooms which can be used for demonstrations of the treatments, each one with its own dressing room.

The expansion project was developed and carried out in order to create a more welcoming work environment for all of the employees including a cafeteria for about one-hundred people, a fitness area with two rooms where four sports training course are offered each week and a panoramic terrace with a garden on the roof.





## Asa S.r.l.

The subsidiary ASA S.r.l. inaugurated their new company headquarters at the end of 2019. Technology and sustainability were the recurrent themes in the construction of the new building which was created with the precise intent of focusing on the well-being and health of their people.

In the spirit of well-being and belonging, the new structure which contains production and office areas, was planned applying new solutions in the arrangement of the spaces and the choice of furnishings. The building which is already set up for a future enlargement, was born from the necessity of adapting the company to its new needs and includes spaces specifically designed for the training of clients and sales personnel as well as the technical staff and the intelligent redistribution of functional areas in order to improve the quality of work and the use of open space working areas which, thanks to the specific design of the furnishings and the installation of sound-proof panels, guarantee both the privacy and acoustics which promote teamwork. The shared area is also outfitted with several meeting rooms, a job island, a snack bar, and a coffee break island with distributors of micro-filtered water in order to reduce the use of plastic. Moreover, the entire building is climatized summer/winter by a high Energy efficient heat pump with a distribution system with micro-perforated conduits which make it possible to distribute the air and the temperature without using ventilation.

The structure was designed to facilitate the entire production line; the flow is planned so as to optimize the management of the operations developed according to the standards of "lean manufacturing" which, when correctly integrated into the layout, offer benefits in terms of organization, crossing time, movement of merchandise and safety in the workplace.

Moreover, during the selection of the building site for the construction of the new factory we also took into consideration the fact that we had found a construction site that was right next to the preceding one and this fact would avoid creating inconvenience for the staff by not interrupting their routine or creating difficulty in coming to and from work.. Maintaining the well-being of the personnel was the top priority of the management and from the earliest phases of this project they took into consideration the needs of the staff.

On the occasion of the inauguration of the new ASA factory, the parent company, El.En. donated a DAE semi-automatic external defibrillator (there are already two of them in the factory at Calenzano), thus making the company cardio-protected and ready for the use of this valuable instrument which is of vital importance for the health of those who suddenly are facing critical situations.

**We are convinced that working in a "custom built environment" promotes greater spirit of belonging in the company and it is an indispensable premise for the future.**





# Environmental Responsibility

Commitment  
and respect  
for our planet





## 7. Environmental responsibility

For the Group, the environment represents a primary asset which must be protected. To this purpose the activities that have been planned are aimed at finding a balance between the economic objectives and the requirements of the environment in order to respect and protect the rights of future generations in line with the principles of sustainable development. The Group is committed to the monitoring of the environmental impact generated by

its activities as well as the prevention of potential risks which may rise in this regard by implementing corrective measures which respect the present regulations and best practice on this issue.

In 2019 the Parent Company adopted an **Environmental Policy** with which they became committed to controlling and reducing the environmental impact of their activities.

### 7.1 Energy consumption

The Group undertakes to reduce its energy consumption through, where possible, improvements to processes and infrastructures and the promotion of energy saving behaviors and habits, promoting the development of an environmental awareness among people.

The energy consumption of the Group consists of electrical energy used for the heating or air conditioning of the rooms and for the manufacturing processes; natural gas and LPG used as fuel for the heating of the buildings, gas and bioethanol used for the motor vehicles.

In particular, in 2019, 298.799 m<sup>3</sup> of natural gas were used and 5.770 liters of LPG. The total consumption of electrical energy purchased was 4.675.659 kWh and a total of 461.219 liters of gas and diesel fuel were consumed. The quantity of bioethanol consumed was 23.745 liters. The overall consumption of Energy was therefore 44.559 GJ.

In percentage terms, about 38% of the consumption was for electricity and another 38% about was for the use of company cars while about 24% was for natural gas and LPG for the heating of buildings. During 2019, moreover, the Group did not make use of energy from renewable sources certified by guarantees of origin.

The overall Energy consumption showed an increase with respect to those registered for 2018 (+10%). This is mainly due to the expansion or transfer of some of the subsidiary companies (Cutlite Penta S.r.l., Ot-las S.r.l., ASA S.r.l. and Asclepion Laser Technology GmbH) to new larger premises which allowed them to increase production and hire new employees which gave rise to an increase in energy consumption. Moreover, there was also an increase of 14% in the consumption for the use of company vehicles.



During 2019 the companies belonging to the El.En Group implemented many improvements while completely respecting the identity and the philosophy of the Group and directing all of their decisions towards the safe-guarding of the environment and the creation of sustainable value for the planet and for people.

For the new company Headquarters of the subsidiary ASA S.r.l. it has been determined that the quality of the design and construction of the building will enable them to avoid the emission into the atmosphere of about 14,7 tons of CO<sub>2</sub> every year. Moreover they have installed a plant for the treatment of the air which expels exhaust and inhales clean air from the outside. This plant will make it possible to achieve the maximum efficiency of energy which is guaranteed also by an exchanger which uses the heat of the exhaust to compensate for the temperature of the air that is entering.

The design of the lighting system was based on high-efficiency LED technology and a 33 kW photovoltaic plant has been installed in order to integrate the energy needs of the company plants and the availability of a recharging area for the electric vehicles. Moreover, the Summer/Winter air conditioning in all of the building is guaranteed by a high-performance heat pump with micro-perforated conduits which distribute the air and the temperature without ventilation.

During the expansion of the company headquarters of Asclepion GmbH they also installed a photovoltaic plant which is estimated to produce 44 kW of power and which is estimated will produce the energy requirements of the company for about a month and a half.

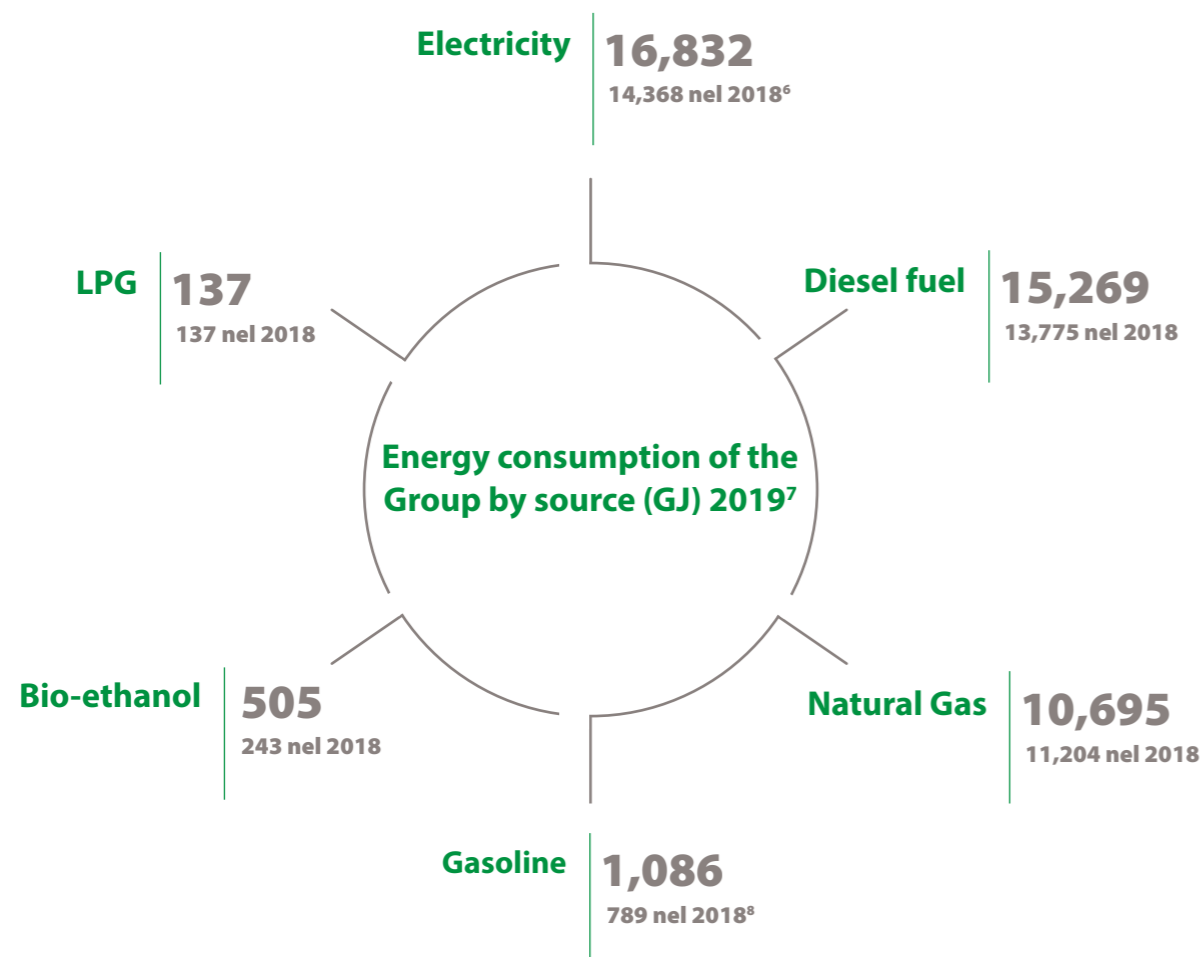
In Quanta System S.p.A. the cogeneration plant which now exists in 2019 produced an amount of energy equivalent to 32% of that which is used overall by the company; in order to further reduce the consumption this year they installed timer systems and motion sensors for the lighting of the rooms.

### 2019: Beginning of the PLASTIC FREE era

At the headquarters of **El.En. S.p.A. e ASA S.r.l.** they have installed **stations with filtered water** in order to reduce the use of plastic bottles, which also means less CO<sub>2</sub> released into the atmosphere. During the inauguration of the new **Asclepion GmbH** factory all of the employees were given a **glass bottle** with the company logo and all of the employees of **Quanta System S.p.A.** received, in their Christmas package, an **aluminum canteen** with this symbol on it in order to promote the use of these containers and reduce the consumption of plastic.







## 7.2 Emissions

The direct and indirect CO<sub>2</sub> emissions associated with the main consumption of the Group can be divided into two categories:

- **Direct emissions (Scope 1):** emissions of greenhouse gases due to direct consumption of fuel by the Group (for example, natural gas and diesel fuel);
- **Indirect emissions (Scope 2):** emissions of greenhouse gases derived from the consumption of electrical energy purchased and used by the Group.

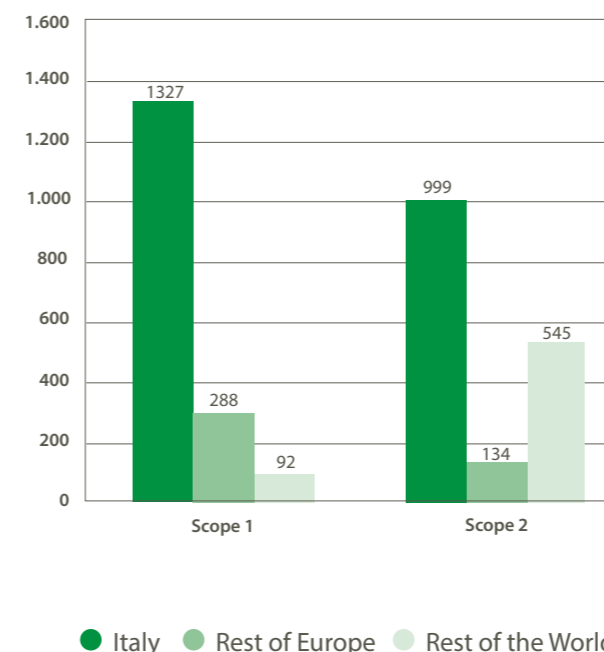
In particular, for the calculation of CO<sub>2</sub> emissions, as stated in the GRI Sustainability Reporting Standards, one must use the calculation of Scope 2 according to two distinct calculation methods: the "Location-based method" and the "Market-based method". The Location-based method is based on the factors of relative emissions related to the generation of regional, sub-national and national energy.

<sup>6</sup>After the refinement of the monitoring system of the consumption of electrical Energy by the Chinese companies of the Group, the relevant data for 2018 were revised with respect to those published in the last non financial document. For this data, please consult the 2018 DNF which was published on the site of [www.elengroup.com](http://www.elengroup.com). In the sector Investor Relations / Sustainability/ Reports.

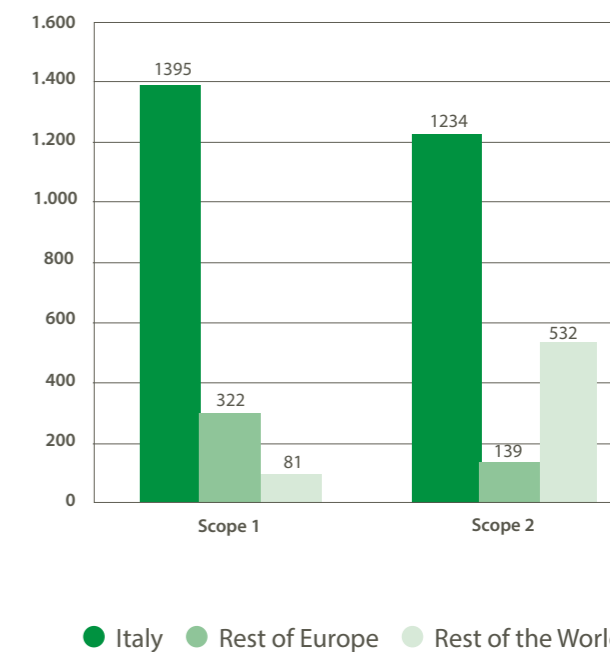
<sup>7</sup>The data related to the consumption of electrical energy in the month of December 2019, unless otherwise specified, were acquired from the invoices issued by the suppliers of energy services. The data related to energy consumption by the companies located in Calenzano were in part estimated on the basis of the consumption in the month of December 2018. The consumption of fuel for vehicles for the automobiles belonging to the Italian companies located in Calenzano and part of those related to Lasit S.p.A., were estimated on the basis of the costs by means of the average annual price of gas and diesel fuel (Euros per liter) shown on the site of the Ministry for Economic Development. For automobiles with mixed use, we considered 70% of the total consumption. For the calculation of Energy consumption in GJ, we used the conversion factors of the Department for Environmental Food & Rural Affairs (DEFRA), UK, for 2019 and for 2018".

<sup>8</sup>After the refinement of the monitoring system of the gas consumption of the company automobiles owned by the Chinese companies of the Group, the data related to 2018 were revised with respect to those published in the preceding non-financial document. For the preceding data, please consult NFD 2018 which was published on the site [www.elengroup.com](http://www.elengroup.com). in the section Investor Relations / Sustainability/ Reports.

Emissions Scope 1 and Scope 2 (location-based) by region (ton CO<sub>2eq</sub>) 2018<sup>9</sup>



Emissions Scope 1 and Scope 2 (location-based) by region (ton CO<sub>2eq</sub>) 2019



The Market-based energy, on the other hand, is based on the CO<sub>2</sub> emissions by the energy supplier from whom the organization, by means of a contract, buys their energy or on factors related to the specific market<sup>10</sup>.

To calculate the Scope2 emissions we used different factors based on the method of calculation and the country. In particular:

- For the location-based method we used average emission factors that are related to the generation of national energy for the different countries in which we operate as shown in the publication titled *Confronti Internazionali, Terna 2016 and 2017*, respectively for 2018 and 2019<sup>11</sup>;
- For the market-based method we have used average emission factors derived from the electricity production

of the European market for Italy, France and Germany, which were published in the document *Residual Mix Results, Association of issuing bodies (AIB), 2017 and 2018*, respectively for 2018 and 2019. For the other countries, we have used the same factors used for the location-based method.

For 2019, considering the calculation method location based for Scope 2, the total emissions were 3.703 tCO<sub>2eq</sub>; 49% can be attributed to the consumption of electricity while 51% is due to other factors.

For the calculation of indirect emissions using the market-based method, CO<sub>2eq</sub> emissions were in line with those shown above, i.e. for a total of 4.222 tons of direct and indirect emissions of CO<sub>2eq</sub>.

<sup>9</sup>Further details concerning the method used for the calculation of the emissions and the emission factors used, please see the relative section in the chapter on Performance Indicators.

<sup>10</sup>As a result of the refinement of the monitoring system of electrical energy and gas for the company cars of the Chinese subsidiaries of the Group, the data for 2018 for the geographic area called "Rest of the World" have been revised with respect to those published in the preceding NFD. For these data, please consult the NFD, published on the site [www.elengroup.com](http://www.elengroup.com). in the section Investor Relations / Sustainability/Reports.

<sup>11</sup>It should be noted that the Scope 2 emissions calculated with the emission factors published by Terna in the International Comparisons document are expressed in tons of CO<sub>2</sub>; in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gas (CO<sub>2eq</sub>), as can be seen from the specific technical literature.



## 7.3 Water consumption

The efforts of the Group to respect and optimize the environmental resources are evident also in their **efficient use of water**, with the objective of keeping consumption to a minimum and reduce waste, in a moment in which water represents a precious resource that is at risk for future generations.

The Group is committed to promoting correct habits regarding the saving of water and they have given practical advice to their employees and implemented improvements in this sense (for example, closing the tap when the water is not being used so as to avoid the phenomenon of "running water", etc).

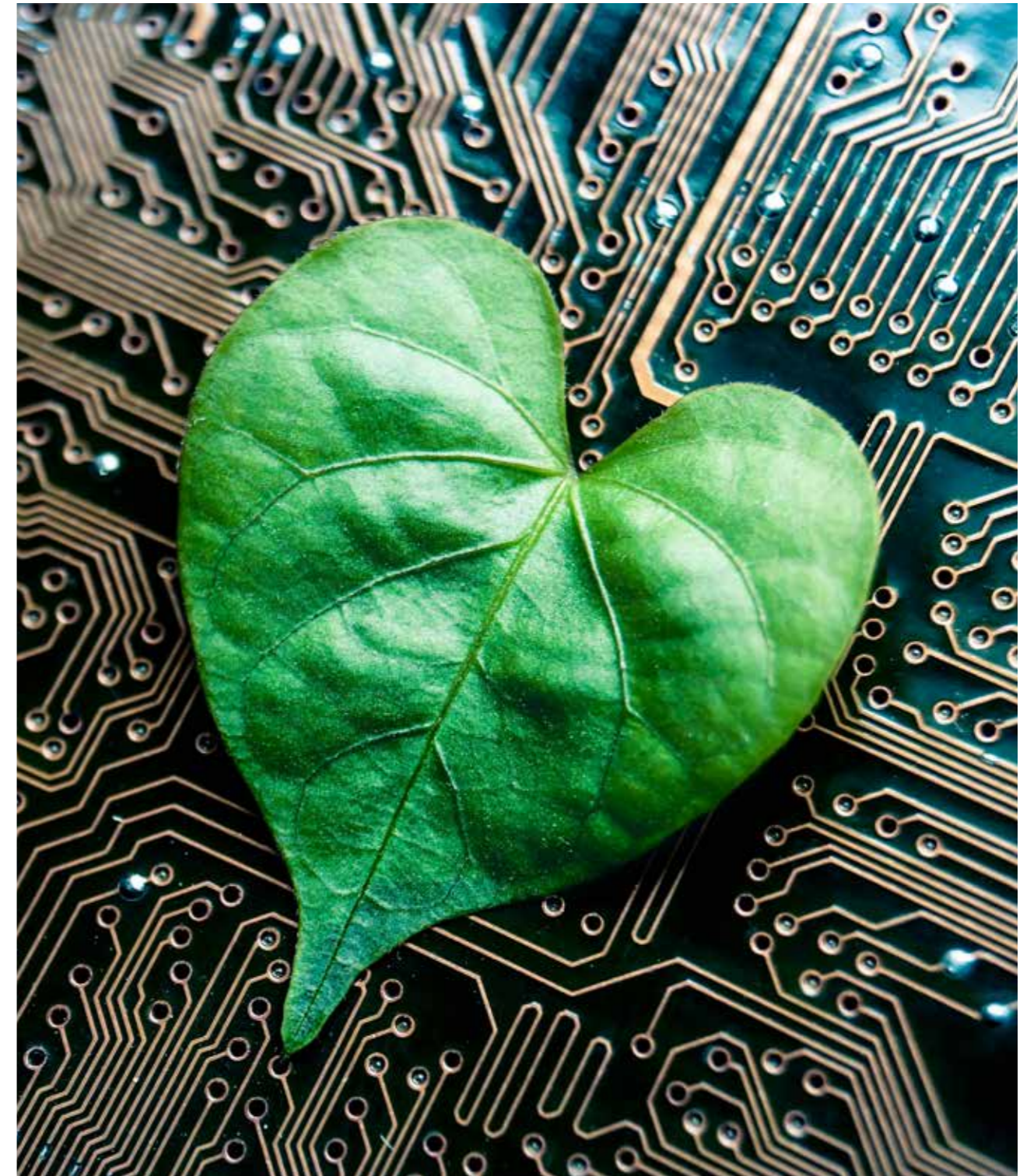
Water is mainly used for washing and other sanitation

needs, for the company canteen and for production processes. In this latter case, water is usually used in closed circuits which means that it can be recycled and not dispersed into the environment.

In 2019, the amount of water consumed was 38.161 m<sup>3</sup> and it came exclusively from the municipal aqueduct. The increase in water consumption, like the increase in Energy consumption, was due mainly to the expansion and transfer of some of the subsidiary companies (Cutlite Penta S.r.l., Ot-las S.r.l., ASA S.r.l. and Asclepion Laser Technology GmbH) to new, larger factories which made it possible for them to increase production and hire new personnel, with a consequent increase in consumption.



**We create light, energy and waves. Lasers are the cleanest form of energy that one can imagine for the environment.**





# Appendix

About our reporting

Performance indicators

GRI Content Index



## 8. About our reporting

This document represents the second edition of the Consolidated Non-financial Statement (hereinafter "NFS") of the companies belonging to the industrial group formed by El.En. S.p.A. (hereinafter the Parent Company) and its subsidiaries (hereinafter the "El.En Group" or "the Group"). The NFS reports, to the extent that is necessary to ensure an understanding of the Group's operations, performance, results and the impact regarding the topics considered material and set out in Articles 3 and 4 of the Legislative Decree 254/16, with reference to the financial year 2019 (from the 1st of January to the 31st of December).

As established by Art. 5 of D.Lgs. 254/16 this document constitutes a separate report and is marked with specific wording in order to connect it to the NFS required by law.

The NFS represents a first step towards an even more transparent and comprehensive sustainability communication, as well as being an opportunity for communicating the annual results of the sustainability performance that have been achieved during the financial year 2019 by the Group.

This NFS has been prepared in accordance with the new standard «Global Reporting Initiative Sustainability Reporting Standards» established in 2016 by the GRI - Global Reporting Initiative (hereinafter "GRI Standards"), according to the «Core» option. With regard to the specific standard GRI 403 (Occupational Health and Safety), the most recent version of 2018 has been adopted. Furthermore, for the preparation of the document the Guidelines CE 2017/C215/01, have been taken into account.

The selection of the topics and the indicators reported in the document was based on the information assessed as relevant for the Group and its stakeholders during the materiality Analysis described in the chapter "Sustainability" of this document. Concerning the information required by Art. 3, sub-section 2 of D.Lgs. 254/16 it should be noted that in consideration of the business activity of the Group, the polluting air emissions other than greenhouse gases did not turn out to be relevant. The reporting and editing activities of this document involved several Functions across all the geographical areas in which the Group operates, centrally coordinated by the working group dedicated to the project. The scope of the economic and financial data

and information is the same as that of the Annual Financial Report. The scope of the social and environmental data and information presented is the same as that of the companies consolidated on a line-by-line basis in the Group Annual Financial Report (for the list of the companies of the Group that are consolidated using the integral method, please consult the section titled "Area of Consolidation" in the Annual Financial Report of El.En S.p.A. as of December 31st 2019). With reference to the significant variations which have occurred in the period being reported, it should be noted that on April 1st 2019 has been founded the company Penta Laser Technology (Shangdong) Co., Ltd., which is held 100% by the subsidiary Penta Laser Technology (Wenzhou) Co., Ltd.; on June 19th 2019 the subsidiary Quanta System S.p.A. acquired the 70% of the capital stock of Galli Giovanni & C. Srl.

The information and the data reported refer to the financial year 2019 (from January 1st 2019 to December 31st 2019). The data related to the previous financial year, when available, are reported only for comparative purposes and to facilitate an evaluation of the trend in the activity. The restatements of the data previously published have been clearly stated. In addition, to fairly present the Group's performance and ensure the reliability of data, the use of estimates has been limited as much as possible. Any estimate in this document is made using the best available methods and is expressly noted. The periodicity of the reporting of the non-financial information and the publication of the NFD is organized according to an annual schedule. This 2019 version was approved by the Board of Directors of El.En S.p.A. on March 13th 2020.

The NFS was subject of a limited assurance engagement (according to the criteria set out by the ISAE 3000 Revised principle) by Deloitte & Touche S.p.A. which, at the end of the work performed, released a specific report with regard to the compliance of the information contained in the Consolidated Non-financial Statement prepared by El.En S.p.A. as required by the Legislative Decree 254/2016.

The El.En. Group is aware of the company's responsibility to society and to the environment and has initiated a program of continuous development regarding sustainability which already took concrete form in 2018 with the creation of the Group Sustainability Plan approved by the Board of Directors of El.En. S.p.A.; the

actions that have been undertaken and the results achieved are reported in the chapter "Sustainability". Moreover we reported that:

### Environmental matters

The Group pays attention to the responsible management of its activities, seeking a balance between economic objectives and indispensable environmental requirements. On November 14th 2019 the Board of Directors of El.En. S.p.A. approved their first "Environmental Policy" respecting the Sustainability Plan. In 2020 the subsidiary companies will also approve this policy.

### Respect for human rights

The Group protects human rights through the adoption and dissemination of the Ethics Code which requires conformity with the Universal Declaration of Human Rights issued by the United Nations and requires that it be respected also by its main suppliers. In particular, the Parent Company requires compliance with the Ethics Code by their consultants, distributors, agents and suppliers of critical components. On November 14th 2019, the Board of Directors of El.En. S.p.A. approved their first "Human Rights Policy" respecting the commitment they had made as part of the Sustainability Plan. In 2020 the subsidiary companies will also approve the Policy. Specific training courses regarding this topic are planned, especially in those countries where legislation on this subject is not as rigorous as it is in Italy.

### The fight against active and passive corruption

This subject is regulated by the Ethics Code of the Group to which all subsidiaries, associated companies and the main suppliers must comply. Moreover, the subject is overseen by the Parent Company and its subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. through the Organizational Model pursuant to Italian Legislative Decree 231/2001. On November 14th 2019, the Board of Directors of El.En. S.p.A. approved their first "Anti-corruption Policy" respecting the commitment they had made in the Sustainability Plan. In 2020 the subsidiary companies will also approve this Policy.

### Social matters

The Group has always paid particular attention to the quality and safety of its products and, to this aim,

the main manufacturing companies of the Group have adopted a quality control system and obtained certification ISO 9001<sup>12</sup> and ISO 13485<sup>13</sup> related to the quality control systems or medical devices. Moreover, the Group bases its critical success factors also on its capacity for innovation, as demonstrated by the investments in research and development which have the objective of creating innovative systems and applications to meet the needs of customers and create new ones.

### Employee-related matters

In the Ethics Code the Group has codified their commitment to respect and protect the dignity, the health, the safety and the privacy of their employees and collaborators. Moreover, as part of the quality control system (ISO 9001) adopted by the main manufacturing companies of the Group, the certified companies safeguard the aspects related to the management of the employees. In particular, the Parent Company has conducted a codification of the procedures for the management of human resources as well as a profiling of the company functions with a detailed description of the necessary responsibilities and skills.

### Supply chain matters

As stated in the Ethics Code, the Group sets as one of its objectives that of creating relationships with their suppliers that are based on standards of transparency and correctness. In consideration of the renewed and growing interest of the organization in issues related to the supply chain, as mentioned in the materiality analysis, the Group is committed to taking action with their suppliers in order to define and share the principles of social and environmental good practice and ethical behaviour intended to promote a responsible and sustainable supply chain: the commitment is that of extending these aspects of the Ethics Code by the end of 2020, instead of in a specific Behaviour Code as was earlier planned. The Group has started to add to the process of qualification, selection and evaluation of the suppliers in Italy and abroad, a checklist of environmental and social criteria to evaluate all potential new suppliers. Moreover, the company is committed to formalize the reporting process for non-financial information as part of a procedure which defines roles, responsibilities and deadlines.

<sup>12</sup>Companies certified as per ISO 9001: ASA S.r.l., El.En S.p.A., Deka M.E.L.A. S.r.l., Penta Chutian Laser (Wuhan) Co. Ltd and Penta Laser Equipment Wenzhou Co. Ltd, Quanta System S.p.A. and Asclepion Laser Technologies GmbH.

<sup>13</sup>Companies certified as per ISO 13485: ASA S.r.l., El.En S.p.A., Deka M.E.L.A. S.r.l., Quanta System S.p.A. and Asclepion Laser Technologies GmbH.



## 9. Performance indicators

### Data related to human resources

| Total number of employees by country, gender and type of contract |                    |            |              |                    |            |              |
|---|--------------------|------------|--------------|--------------------|------------|--------------|
|   | December 31st 2018 |            |              | December 31st 2019 |            |              |
|   | Men                | Women      | Total        | Men                | Women      | Total        |
| <b>ITALY</b>  | <b>470</b>         | <b>158</b> | <b>628</b>   | <b>512</b>         | <b>168</b> | <b>680</b>   |
| Permanent contract  | 431                | 145        | 576          | 483                | 161        | 644          |
| Fixed term contract   | 39                 | 13         | 52           | 29                 | 7          | 36           |
| <b>REST OF EUROPE</b>   | <b>108</b>         | <b>47</b>  | <b>155</b>   | <b>116</b>         | <b>49</b>  | <b>165</b>   |
| Permanent contract  | 107                | 45         | 152          | 111                | 49         | 160          |
| Fixed term contract   | 1                  | 2          | 3            | 5                  | -          | 5            |
| <b>REST OF THE WORLD</b>  | <b>464</b>         | <b>121</b> | <b>585</b>   | <b>510</b>         | <b>143</b> | <b>653</b>   |
| Permanent contract  | 54                 | 33         | 87           | 46                 | 31         | 77           |
| Fixed term contract   | 410                | 88         | 498          | 464                | 112        | 576          |
| <b>TOTAL FOR THE GROUP</b>  | <b>1,042</b>       | <b>326</b> | <b>1,368</b> | <b>1,138</b>       | <b>360</b> | <b>1,498</b> |
| Permanent contract  | 592                | 223        | 815          | 640                | 241        | 881          |
| Fixed term contract   | 450                | 103        | 553          | 498                | 119        | 617          |

| Total number of employees by country, full time/part time by gender |                    |            |              |                    |            |              |
|---|--------------------|------------|--------------|--------------------|------------|--------------|
|   | December 31st 2018 |            |              | December 31st 2019 |            |              |
|   | Men                | Women      | Total        | Men                | Women      | Total        |
| <b>ITALY</b>  | <b>470</b>         | <b>158</b> | <b>628</b>   | <b>512</b>         | <b>168</b> | <b>680</b>   |
| Full time   | 462                | 136        | 598          | 503                | 146        | 649          |
| Part time   | 8                  | 22         | 30           | 9                  | 22         | 31           |
| <b>REST OF EUROPE</b>   | <b>108</b>         | <b>47</b>  | <b>155</b>   | <b>116</b>         | <b>49</b>  | <b>165</b>   |
| Full time   | 106                | 38         | 144          | 113                | 41         | 154          |
| Part time   | 2                  | 9          | 11           | 3                  | 8          | 11           |
| <b>REST OF THE WORLD</b>  | <b>464</b>         | <b>121</b> | <b>585</b>   | <b>510</b>         | <b>143</b> | <b>653</b>   |
| Full time   | 464                | 114        | 578          | 510                | 135        | 645          |
| Part time   | -                  | 7          | 7            | -                  | 8          | 8            |
| <b>TOTAL FOR THE GROUP</b>  | <b>1,042</b>       | <b>326</b> | <b>1,368</b> | <b>1,138</b>       | <b>360</b> | <b>1,498</b> |
| Full time   | 1,032              | 288        | 1,320        | 1,126              | 322        | 1,448        |
| Part time   | 10                 | 38         | 48           | 12                 | 38         | 50           |

| Total number of employees divided by employee category and gender |                    |            |              |                    |            |              |
|---|--------------------|------------|--------------|--------------------|------------|--------------|
|   | December 31st 2018 |            |              | December 31st 2019 |            |              |
|   | Men                | Women      | Total        | Men                | Women      | Total        |
| <b>ITALY</b>  | <b>470</b>         | <b>158</b> | <b>628</b>   | <b>512</b>         | <b>168</b> | <b>680</b>   |
| Executives  | 32                 | -          | 32           | 37                 | 3          | 40           |
| Middle managers   | 32                 | 7          | 39           | 29                 | 5          | 34           |
| White collar employees  | 212                | 148        | 360          | 224                | 157        | 381          |
| Blue collar employees   | 194                | 3          | 197          | 222                | 3          | 225          |
| <b>REST OF EUROPE</b>   | <b>108</b>         | <b>47</b>  | <b>155</b>   | <b>116</b>         | <b>49</b>  | <b>165</b>   |
| Executives  | -                  | -          | -            | -                  | -          | -            |
| Middle managers   | 12                 | 3          | 15           | 14                 | 5          | 19           |
| White collar employees  | 96                 | 44         | 140          | 102                | 44         | 146          |
| Blue collar employees   | -                  | -          | -            | -                  | -          | -            |
| <b>REST OF THE WORLD</b>  | <b>464</b>         | <b>121</b> | <b>585</b>   | <b>510</b>         | <b>143</b> | <b>653</b>   |
| Executives  | 10                 | 4          | 14           | 12                 | 6          | 18           |
| Middle managers   | 25                 | 8          | 33           | 28                 | 11         | 39           |
| White collar employees  | 338                | 101        | 439          | 362                | 113        | 475          |
| Blue collar employees   | 91                 | 8          | 99           | 108                | 13         | 121          |
| <b>TOTAL FOR THE GROUP</b>  | <b>1,042</b>       | <b>326</b> | <b>1,368</b> | <b>1,138</b>       | <b>360</b> | <b>1,498</b> |
| Executives  | 42                 | 4          | 46           | 49                 | 9          | 58           |
| Middle managers   | 69                 | 18         | 87           | 71                 | 21         | 92           |
| White collar employees  | 646                | 293        | 939          | 688                | 314        | 1,002        |
| Blue collar employees   | 285                | 11         | 296          | 330                | 16         | 346          |

| Total number of employees divided by employee category and gender |                    |     |     |     |            |                    |     |     |     |              |
|---|--------------------|-----|-----|-----|------------|--------------------|-----|-----|-----|--------------|
|   | December 31st 2018 |     |     |     |            | December 31st 2019 |     |     |     |              |
|   | M                  | M   | W   | W   | Tot        | M                  | M   | W   | W   | Tot          |
| Executives  | 42                 | 91% | 4   | 9%  | <b>46</b>  | 49                 | 84% | 9   | 16% | <b>58</b>    |
| Middle Managers   | 69                 | 79% | 18  | 21% | <b>87</b>  | 71                 | 77% | 21  | 23% | <b>92</b>    |
| White collar employees  | 646                | 69% | 293 | 31% | <b>939</b> | 688                | 69% | 314 | 31% | <b>1.002</b> |
| Blue collar employees   | 285                | 96% | 11  | 4%  | <b>296</b> | 330                | 95% | 16  | 5%  | <b>346</b>   |

| Percentage of employees by employee category and age group |                    |       |       |         |     |       |            |
|--|--------------------|-------|-------|---------|-----|-------|------------|
|  | December 31st 2018 |       |       |         |     |       |            |
|  | <30                | % <30 | 30-50 | % 30-50 | >50 | % >50 | Tot        |
| Executives   | -                  | -     | 24    | 52%     | 22  | 48%   | <b>46</b>  |
| Middle Managers  | 1                  | 1%    | 61    | 70%     | 25  | 29%   | <b>87</b>  |
| White collar employees                                     | 246                | 26%   | 595   | 63%     | 98  | 10%   | <b>939</b> |
| Blue collar employees                                      | 87                 | 29%   | 179   | 60%     | 30  | 10%   | <b>296</b> |

| Percentage of employees by employee category and age group |                    |       |       |         |     |       |              |
|--|--------------------|-------|-------|---------|-----|-------|--------------|
|  | December 31st 2019 |       |       |         |     |       |              |
|  | <30                | % <30 | 30-50 | % 30-50 | >50 | % >50 | Tot          |
| Executives   | -                  | -     | 32    | 55%     | 26  | 45%   | <b>58</b>    |
| Middle Managers  | 6                  | 7%    | 58    | 63%     | 28  | 30%   | <b>92</b>    |
| White collar employees                                     | 258                | 26%   | 644   | 64%     | 100 | 10%   | <b>1.002</b> |
| Blue collar employees                                      | 120                | 35%   | 185   | 53%     | 41  | 12%   | <b>346</b>   |

| Average hours of training per employee category and gender |                    |                        |                |                          |               |                          |
|--|--------------------|------------------------|----------------|--------------------------|---------------|--------------------------|
|  | December 31st 2018 |                        |                |                          |               |                          |
|  | Men n. hours       | Average per capita men | Women n. hours | Average per capita women | Total hours   | Average total per capita |
| <b>TOTAL</b>   | <b>11.648</b>      | <b>11</b>              | <b>4,676</b>   | <b>14</b>                | <b>16,324</b> | <b>12</b>                |
| Executives   | 496                | 12                     | 12             | 3                        | 508           | 11                       |
| Middle Managers  | 664                | 10                     | 221            | 12                       | 885           | 10                       |
| White collar employees                                     | 6,158              | 10                     | 4,354          | 15                       | 10,512        | 11                       |
| Blue collar employees                                      | 4,330              | 15                     | 90             | 8                        | 4,420         | 15                       |

| Average hours of training per employee category and gender |                    |                        |                |                          |               |                          |
|--|--------------------|------------------------|----------------|--------------------------|---------------|--------------------------|
|  | December 31st 2019 |                        |                |                          |               |                          |
|  | Men n. hours       | Average per capita men | Women n. hours | Average per capita women | Total hours   | Average total per capita |
| <b>TOTAL</b>   | <b>15,042</b>      | <b>13</b>              | <b>6,782</b>   | <b>19</b>                | <b>21,823</b> | <b>15</b>                |
| Executives   | 340                | 7                      | 73             | 8                        | 413           | 7                        |
| Middle Managers  | 1,417              | 20                     | 507            | 24                       | 1,923         | 21                       |
| White collar employees                                     | 7,774              | 11                     | 6,094          | 19                       | 13,867        | 14                       |
| Blue collar employees                                      | 5,512              | 17                     | 109            | 7                        | 5,621         | 16                       |

| Occupational health and safety data 2019                              |           |           |
|---|-----------|-----------|
| Injuries  | 2018      | 2019      |
| Total recordable work-related injuries                                | 29        | 16        |
| Total high-consequence work-related injuries (excluding fatalities)   | -         | -         |
| Total number of fatalities as a result of work-related injuries       | -         | -         |
| number of hours / days  | 2018      | 2019      |
| Multiplier  | 1,000,000 | 1,000,000 |
| Hours worked  | 2,536,999 | 2,654,285 |
| Health and safety indicators  | 2018      | 2019      |
| Rate of work related injuries   | 11.43     | 6.03      |
| Rate of high-consequence work-related injuries (excluding fatalities) | -         | -         |
| Rate of number of fatalities as a result of work-related injuries     | -         | -         |



## Environmental data

### Energy consumption<sup>14</sup>

| ITALY   |                   |           |               |                   |           |               |
|---|-------------------|-----------|---------------|-------------------|-----------|---------------|
| Type of fuel                                      | 2018              |           |               | 2019              |           |               |
|   | Consumption [UoM] | GJ        |               | Consumption [UoM] | GJ        |               |
| Natural Gas                                       | m <sup>3</sup>    | 284,595   | 10,258        | m <sup>3</sup>    | 269,461   | 9,645         |
| Diesel  | l                 | 277,388   | 9,956         | l                 | 315,781   | 11,332        |
| Gasoline  | l                 | 3,091     | 101           | l                 | 9,138     | 227           |
| LPG   | l                 | 5,750     | 137           | l                 | 5,770     | 137           |
| Renewable fuel (bio-ethanol)                      | l                 | -         | -             | l                 | -         | -             |
| Electricity purchased                             | kWh               | 2,774,071 | 9,987         | kWh               | 3,438,074 | 12,377        |
| Electricity self-produced by photovoltaic plants  | kWh               | -         | -             | kWh               | 24,130    | 87            |
| Electricity self-produced and sold to the network | kWh               | 41,220    | 148           | kWh               | 14,792    | 53            |
| from renewable sources                            | kWh               | -         | -             | kWh               | 2,156     | 8             |
| <b>TOTAL</b>                                      | <b>GJ</b>         |           | <b>30,290</b> | <b>GJ</b>         |           | <b>33,752</b> |

| REST OF EUROPE                                    |                   |         |              |                   |         |              |
|---|-------------------|---------|--------------|-------------------|---------|--------------|
| Type of fuel                                      | 2018              |         |              | 2019              |         |              |
|   | Consumption [UoM] | GJ      |              | Consumption [UoM] | GJ      |              |
| Natural Gas                                       | m <sup>3</sup>    | 26,237  | 946          | m <sup>3</sup>    | 29,339  | 1,050        |
| Diesel  | l                 | 88,246  | 3,167        | l                 | 95,986  | 3,444        |
| Gasoline  | l                 | 1,089   | 36           | l                 | 6,086   | 197          |
| LPG   | l                 | -       | -            | l                 | -       | -            |
| Renewable fuel (bio-ethanol)                      | l                 | -       | -            | l                 | -       | -            |
| Electricity purchased                             | kWh               | 278,402 | 1,002        | kWh               | 306,198 | 1,102        |
| Electricity self-produced by photovoltaic plants  | kWh               | -       | -            | kWh               | -       | -            |
| Electricity self-produced and sold to the network | kWh               | -       | -            | kWh               | -       | -            |
| from renewable sources                            | kWh               | -       | -            | kWh               | -       | -            |
| <b>TOTAL</b>                                      | <b>GJ</b>         |         | <b>5,151</b> | <b>GJ</b>         |         | <b>5,794</b> |

<sup>14</sup> The data related to energy consumption for the month of December 2019, unless otherwise specified, have been taken from the invoices issued by the suppliers of energy services. The data related to energy consumption of the companies located in Calenzano have been in part estimated on the basis of their consumption in December of 2018. The consumption of vehicle fuel for the cars belonging to the Italian company located in Calenzano and some of those belonging to Lasit S.p.A., have been estimated on the basis of the cost, by means of the average price of gas and diesel fuel (Euros per liter) as reported on the site of the Ministry of Economic Development.

| REST OF THE WORLD                                 |                   |         |              |                   |         |              |
|---|-------------------|---------|--------------|-------------------|---------|--------------|
| Type of fuel                                      | 2018              |         |              | 2019              |         |              |
|   | Consumption [UoM] | GJ      |              | Consumption [UoM] | GJ      |              |
| Natural Gas                                       | m <sup>3</sup>    | -       | -            | m <sup>3</sup>    | -       | -            |
| Diesel  | l                 | 18,155  | 652          | l                 | 13,722  | 492          |
| Gasoline  | l                 | 19,883  | 652          | l                 | 20,506  | 663          |
| LPG   | l                 | -       | -            | l                 | -       | -            |
| Renewable fuel (bio-ethanol)                      | l                 | 11,412  | 243          | l                 | 23,745  | 505          |
| Electricity purchased                             | kWh               | 938,548 | 3,379        | kWh               | 931,387 | 3,353        |
| Electricity self-produced by photovoltaic plants  | kWh               | -       | -            | kWh               | -       | -            |
| Electricity self-produced and sold to the network | kWh               | -       | -            | kWh               | -       | -            |
| from renewable sources                            | kWh               | -       | -            | kWh               | -       | -            |
| <b>TOTAL</b>                                      | <b>GJ</b>         |         | <b>4,925</b> | <b>GJ</b>         |         | <b>5,014</b> |

| ENERGY CONSUMPTION OF THE GROUP                   |                   |           |               |                   |           |               |
|---|-------------------|-----------|---------------|-------------------|-----------|---------------|
| Type of fuel                                      | 2018              |           |               | 2019              |           |               |
|   | Consumption [UoM] | GJ        |               | Consumption [UoM] | GJ        |               |
| Natural Gas                                       | m <sup>3</sup>    | 310,832   | 11,204        | m <sup>3</sup>    | 298,799   | 10,695        |
| Diesel  | l                 | 383,789   | 13,775        | l                 | 425,489   | 15,269        |
| Gasoline  | l                 | 24,063    | 789           | l                 | 35,730    | 1,086         |
| LPG   | l                 | 5,750     | 137           | l                 | 5,770     | 137           |
| Renewable fuel (bio-ethanol)                      | l                 | 11,412    | 243           | l                 | 23,745    | 505           |
| Electricity purchased                             | kWh               | 3,991,021 | 14,368        | kWh               | 4,675,659 | 16,832        |
| Electricity self-produced by photovoltaic plants  | kWh               | -         | -             | kWh               | 24,130    | 87            |
| Electricity self-produced and sold to the network | kWh               | 41,220    | 148           | kWh               | 14,792    | 53            |
| from renewable sources                            | kWh               | -         | -             | kWh               | 2,156     | 8             |
| <b>TOTAL</b>                                      | <b>GJ</b>         |           | <b>40,366</b> | <b>GJ</b>         |           | <b>44,559</b> |
| from renewable sources                            | GJ                |           | 243           | GJ                |           | 585           |

<sup>14</sup> (cont.) For the automobiles with mixed use, we considered as 70% of the total consumed. Moreover, as a consequence of the refinement of the monitoring system for electrical energy and gas at the Chinese subsidiaries of the Group, the data for 2018 for the geographic area called "The Rest of the World" have been revised with respect to those published in the previous NFD. For these latter, please consult the preceding NFD which is published on the site [www.elengroup.com](http://www.elengroup.com). In the section of Investor Relations/Sostenibilità/Bilanci. In order to calculate the energy consumption in GJ we used the conversion factors of the Department for Environmental Food & Rural Affairs (DEFRA), UK, for 2019 and 2018 respectively.

**Emissions<sup>15</sup>****Scope 1 and Scope 2 Emissions (location-based method)**

|                   | 2018                               |              |              | 2019         |              |              |
|-------------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                   | EMISSIONS (ton CO <sub>2eq</sub> ) |              |              |              |              |              |
|                   | Scope 1                            | Scope 2      | Total        | Scope 1      | Scope 2      | Total        |
| Italy             | 1,327                              | 999          | 2,325        | 1,395        | 1,234        | 2,630        |
| Rest of Europe    | 288                                | 134          | 422          | 322          | 139          | 461          |
| Rest of the World | 92                                 | 545          | 637          | 81           | 532          | 613          |
| <b>Total</b>      | <b>1,706</b>                       | <b>1,678</b> | <b>3,384</b> | <b>1,798</b> | <b>1,905</b> | <b>3,703</b> |

**Scope 1 and Scope 2 Emissions (market-based method)**

|                   | 2018                               |              |              | 2019         |              |              |
|-------------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                   | EMISSIONS (ton CO <sub>2eq</sub> ) |              |              |              |              |              |
|                   | Scope 1                            | Scope 2      | Total        | Scope 1      | Scope 2      | Total        |
| Italy             | 1,327                              | 1,322        | 2,649        | 1,395        | 1,674        | 3,070        |
| Rest of Europe    | 288                                | 199          | 487          | 322          | 217          | 540          |
| Rest of the World | 92                                 | 545          | 637          | 81           | 532          | 613          |
| <b>Total</b>      | <b>1,706</b>                       | <b>2,066</b> | <b>3,772</b> | <b>1,798</b> | <b>2,424</b> | <b>4,222</b> |

For the calculation of the Scope 1 2018 and 2019 emissions we have considered respectively the emission factors of Department for Environmental Food & Rural Affairs (DEFRA) 2018 and 2019.

For the calculation of Scope 2 emissions we have used different factors based on the calculation methods of the different countries. In particular:

- For the location-based method we have used average emission factors related to the generation of national energy for the different countries in which we operate as reported in the publication *Confronti Internazionali*, Terna 2016 e 2017, respectively for 2018 and 2019;<sup>16</sup>
- For the market-based method we used average emission factors derived from the production of electricity in the EU for Italy, France and Germany, published in the document *Residual Mix Results*, Association of issuing bodies (AIB), 2017 and 2018, respectively for 2018 and 2019. For the other countries we have used the same factors used for the location-based method.

<sup>15</sup> As a result of the refinement of the monitoring system of electrical energy and gas for the company cars of the Chinese subsidiaries of the Group, the data for 2018 for the geographic area called "Rest of the World" have been revised with respect to those published in the preceding NFS. For these data, please consult the NFS, published on the site [www.elengroup.com](http://www.elengroup.com), in the section Investor Relations / Sustainability / Reports.

<sup>16</sup> It should be noted that the Scope 2 emissions calculated with the emission factors published by Terna in the International Comparisons document are expressed in tons of CO<sub>2</sub>; in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gas (CO<sub>2eq</sub>), as can be seen from the specific technical literature.

**Water consumption<sup>17</sup>**

| Source of water | GROUP TOTAL                   |                               |
|-----------------|-------------------------------|-------------------------------|
|                 | 2018                          | 2019                          |
|                 | Consumption [m <sup>3</sup> ] | Consumption [m <sup>3</sup> ] |
| Aqueduct        | 34,043                        | 38,161                        |
| Rain water      | -                             | -                             |
| Other           | -                             | -                             |
| <b>Total</b>    | <b>34,043</b>                 | <b>38,161</b>                 |

<sup>17</sup> To calculate the water consumption we used estimates when precise data were not available; in particular, for Quanta System S.p.A., El.En S.p.A. and Otlas S.r.l. part of the consumption was estimated on the basis of the daily consumption reported by the supplier of the water service.



**Chart illustrating the material topics and their boundaries**

For each issue that has been identified we have given a brief of its relevance for the Group and its boundaries (where the impact occurs and the involvement of the Group).

| Material topic   | Description  | Scope of impact                          | Type of impact            |
|--|--|--|---------------------------|
| <b>Research, development and innovation</b>                | Research and development activity aimed at a continual improvement of the quality and innovation of the product, while guaranteeing, when possible, the safeguarding of the Intellectual property                                    | Group, Universities and Research centers | Caused and contributes to |
| <b>Product quality and safety</b>                          | Identification and reduction of potential risks for health and safety related to the products along the entire chain of value  | Group                                    | Caused                    |
| <b>Economic and financial performance</b>                  | Achievement of brief and mid- to long term positive economic and financial objectives, consistent with the creation of value for the different categories of stakeholders.   | Group                                    | Caused                    |
| <b>Training and professional growth of the employees</b>   | Offering of programs of development and training intended to increase the skills of the employees and consolidate their professionalism.   | Employees of the Group                   | Caused                    |
| <b>Occupational health and safety</b>                      | Respect of the regulations and agreements underwritten and promotion of practices aimed at minimizing the risk for the health and safety of the employees.   | Employees of the Group <sup>17</sup>     | Caused                    |
| <b>Risk management</b>                                     | Implementation of a broad system intended to identify, evaluate and manage risks and uncertainties, including environmental and social risk and/or new types of risks that may emerge that are related to the activity of the Group. | Group                                    | Caused                    |
| <b>Ethics, integrity and compliance</b>                    | Promotion of a good Corporate Governance and respect of the standards related to ethics, integrity and conformity with the law, regulations and Codes for self-disciplining in this category.  | Group                                    | Caused                    |
| <b>Diversity, equal opportunity and non-discrimination</b> | Creation of working practices and conditions that are adequate to insure equal opportunity, by removing every form of discrimination and moral or psychological violence based on gender, age, race, religion or sexual orientation. | Group                                    | Caused                    |

| Material topic  | Description   | Scope of impact                          | Type of impact   |
|---|---|--|--|
| <b>Human rights and working conditions</b>                            | Respect, promotion and protection of human rights and working conditions in the conduction of their activities (for example, prohibition of forced or child labor, and respect of ethics and behavior codes)  | Group                                    | Caused   |
| <b>Indirect social impact</b>   | Indirect social impact related to the use of products of the Group, also through donations that benefit the collectivity  | Group, Clients (B2B) and Consumers (B2C) | Caused and contributes to                                |
| <b>Environmental Performance</b>                                      | Commitment of the Group to the development of policies and procedures to reduce their environmental impact (for example, making electrical consumption more efficient, reducing water consumption and green-house emissions).   | Gruppo; Suppliers of electricity         | Caused and directly linked through business relationship |
| <b>Customer satisfaction</b>  | The Group is committed to placing high quality innovative products on the market to fully satisfy their clients. Customer satisfaction in fact is one of the Group's primary goals.   | Group                                    | Caused   |
| <b>Relations with the institutions, local community and territory</b> | Relations with public institutions, collaboration and contributions to the creation of research and development activities  | Group                                    | Caused   |
| <b>Purchasing practices</b>   | Responsible management of the procurement practices along all the chain of supply of the organization; activities for evaluating and screening of suppliers on the basis of social and environmental performance and promotion of responsible social behavior ad practices that stimulate the supplier to adopt sustainable practices | Group                                    | Caused   |

<sup>17</sup>The company will conduct further analysis related to the significance of the other workers who are not employees for the purpose of evaluating the need to collect data at the employers of the external collaborators and the suppliers who operate at the headquarters of the Group and/or under the control of the Group, in order to evaluate the quality and accuracy of the data over which they do not have direct control.

## 10. GRI content index

The chart below shows the information of the Group based on GRI Standards with reference to the materiality of EL.En.. For all of the information supplied we have given the relative page number in this document.

| GENERAL INFORMATION                        |  |   |
|--|--|---|
| GRI Standard                               | Information  | Page  |
| <b>GRI 101: Foundation (2016)</b>          |  |   |
| <b>GRI 102: General Disclosures (2016)</b> |  |   |
| <b>Organizational profile</b>              |  |   |
| 102-1                                      | Name of the organization.                                    | 32  |
| 102-2                                      | Activities, brands, products and services                    | 34 - 36; 38 - 40  |
| 102-3                                      | Location of headquarters                                     | 32  |
| 102-4                                      | Location of activities                                       | 32-33   |
| 102-5                                      | Ownership and legal form                                     | 44-45; Report on Corporate Governance and ownership for 2019, Chart 1 - information on the company organization |
| 102-6                                      | Markets served   | 38-40; The main markets are Italy, Europe, USA, China and Japan   |
| 102-7                                      | Scale of the organization                                    | 32-33; 41; 84; The market value at 31st of December 2019 is 645,03 millions of euro.                            |
| 102-8                                      | Information on employees and other workers                   | 110   |
| 102-9                                      | Supply chain   | 65 - 66   |
| 102-10                                     | Significant changes to the organization and its supply chain | 108   |
| 102-11                                     | Precautionary principle or approach                          | 52-53   |
| 102-12                                     | External initiatives   | 21 - 25; 49; 64   |
| 102-13                                     | Membership of associations                                   | 18  |

| GENERAL INFORMATION                        |   |                           |
|--|---|---------------------------|
| GRI Standard                               | Information   | Page                      |
| <b>GRI 102: General Disclosures (2016)</b> |   |                           |
| <b>Strategy</b>                            |   |                           |
| 102-14                                     | Statement from senior decision maker                      | 8 - 9                     |
| <b>Ethics and integrity</b>                |   |                           |
| 102-16                                     | Values, principles, standards and norms of behaviour      | 29 - 31; 47               |
| <b>Governance</b>                          |   |                           |
| 102-18                                     | Governance structure                                      | 44 - 46                   |
| <b>Stakeholder Engagement</b>              |   |                           |
| 102-40                                     | List of stakeholder groups                                | 15                        |
| 102-41                                     | Collective bargaining agreements                          | 86                        |
| 102-42                                     | Identifying and selecting stakeholders                    | 15; 19                    |
| 102-43                                     | Approach to stakeholder engagement                        | 16 - 17; 19               |
| 102-44                                     | Key topics and concerns raised                            | 16 - 17; 19; 118 - 119    |
| 102-45                                     | Entities included in the consolidated financial statement | 108; 32 - 33              |
| 102-46                                     | Defining report content and topic boundaries              | 108; 19                   |
| 102-47                                     | List of material topics                                   | 19 - 20; 118 - 119        |
| 102-48                                     | Restatements of informations                              | 102 - 103; 108; 115 - 116 |
| 102-49                                     | Changes in reporting                                      | 19; 118 - 119             |



| GENERAL INFORMATION                        |  |                        |
|--|--|------------------------|
| GRI Standard                               | Information  | Page                   |
| <b>GRI 102: General Disclosures (2016)</b> |  |                        |
| 102-50                                     | Reporting period   | 108                    |
| 102-51                                     | Date of most recent report                               | March 2019             |
| 102-52                                     | Reporting period   | 108                    |
| 102-53                                     | Contact point for questions regarding the report         | sustainability@elen.it |
| 102-54                                     | Claims of reporting in accordance with the GRI Standards | 108                    |
| 102-55                                     | GRI content index  | 120 - 130              |
| 102-56                                     | External assurance                                       | 131 - 133              |

| SPECIFIC INFORMATION                        |  |                           |           |
|---|--|---------------------------|-----------|
| GRI Standard                                | Description  | Page                      | Omissions |
| <b>Material aspects</b>                     |  |                           |           |
| <b>GRI 200: ECONOMIC SERIES</b>             |  |                           |           |
| <b>Economic performance</b>                 |  |                           |           |
| <b>GRI 103: Management approach (2016)</b>  |  |                           |           |
| 103-1                                       | Explanation of the material topic and its boundary | 19 - 20; 118              |           |
| 103-2                                       | The management approach and its components         | 22; 38 - 41               |           |
| 103-3                                       | Evaluation of the management approach              | 41                        |           |
| <b>GRI 201: Economic performance (2016)</b> |  |                           |           |
| 201-1                                       | Direct economic value generated and distributed    | 41                        |           |
| <b>Anti-corruption</b>                      |  |                           |           |
| <b>GRI 103: Management approach (2016)</b>  |  |                           |           |
| 103-1                                       | Explanation of the material topic and its boundary | 19-20; 118                |           |
| 103-2                                       | The management approach and its components         | 22; 47 - 48; 51 - 55; 109 |           |

| INFORMATIVA SPECIFICA                      |  |  |           |
|--|--|--|-----------|
| GRI Standard                               | Description  | Page   | Omissions |
| 103-3                                      | Evaluation of the management approach              | 47 - 48  |           |
| <b>GRI 205: anti-corruption (2016)</b>     |  |  |           |
| 205-3                                      | Confirmed incident of corruption and action taken  | During 2019 no cases of corruption were reported |           |
| <b>GRI 300: ENVIRONMENTAL SERIES</b>       |  |  |           |
| <b>Energy</b>                              |  |  |           |
| <b>GRI 103: Management approach (2016)</b> |  |  |           |
| 103-1                                      | Explanation of the material topic and its boundary | 19 - 20; 119                                     |           |
| 103-2                                      | The management approach and its components         | 25; 100 - 101; 109                               |           |
| 103-3                                      | Evaluation of the management approach              | 100 - 101  |           |
| <b>GRI 302: energy (2016)</b>              |  |  |           |
| 302-1                                      | Energy consumption within the organization         | 100 - 103; 114 - 115                             |           |
| <b>Water</b>                               |  |  |           |
| <b>GRI 103: Management approach (2016)</b> |  |  |           |
| 103-1                                      | Explanation of the material topic and its boundary | 19 - 20; 119                                     |           |
| 103-2                                      | The management approach and its components         | 25; 104; 109                                     |           |
| 103-3                                      | Evaluation of the management approach              | 104  |           |
| <b>GRI 303: Water (2016)</b>               |  |  |           |
| 303-1                                      | Water withdrawal, by source                        | 104; 117   |           |
| <b>Emissions</b>                           |  |  |           |
| <b>GRI 103: Management approach (2016)</b> |  |  |           |
| 103-1                                      | Explanation of the material topic and its boundary | 19 - 20; 119                                     |           |

| SPECIFIC INFORMATION                                    |   |   |           |
|---|---|---|-----------|
| GRI Standard  | Description   | Page  | Omissions |
| 103-2   | The management approach and its components                    | 25; 102 - 103; 109;   |           |
| 103-3   | Evaluation of the management approach                         | 102 - 103   |           |
| <b>GRI 305: Emissions (2016)</b>                        |   |   |           |
| 305-1   | Direct (Scope 1) GHG emissions                                | 116   |           |
| 305-2   | Energy indirect (Scope 2) GHG emissions                       | 116   |           |
| <b>Environmental Compliance</b>                         |   |   |           |
| <b>GRI 103: Management approach (2016)</b>              |   |   |           |
| 103-1   | Explanation of the material topic and its boundary            | 19 - 20; 118  |           |
| 103-2   | The management approach and its components                    | 52 - 53; 55; 100; 109   |           |
| 103-3   | Evaluation of the management approach                         | 52 - 53; 55; 100  |           |
| <b>GRI 307 Environmental compliance (2016)</b>          |   |   |           |
| 307-1   | Non-compliance with environmental laws and regulations        | In 2019 no cases of non-conformity with environmental laws and regulations took place |           |
| <b>Supplier environmental assessment</b>                |   |   |           |
| <b>GRI 103: Management approach (2016)</b>              |   |   |           |
| 103-1   | Explanation of the material topic and its boundary            | 19 - 20; 118  |           |
| 103-2   | The management approach and its components                    | 22; 65 - 66; 109  |           |
| 103-3   | Evaluation of the management approach                         | 65 - 66   |           |
| <b>GRI 308 Supplier environmental assessment (2016)</b> |   |   |           |
| 308-1   | New suppliers that were screened using environmental criteria | 66  |           |
| <b>GRI 400: SOCIAL SERIES</b>                           |   |   |           |
| <b>Occupational Health and safety</b>                   |   |   |           |
| <b>GRI 103: Management approach (2016)</b>              |   |   |           |
| 103-1   | Explanation of the material topic and its boundary            | 19 - 20; 119  |           |

| SPECIFIC INFORMATION                                  |  |              |           |
|---|--|--------------|-----------|
| GRI Standard  | Description  | Page         | Omissions |
| 103-2   | The management approach and its components   | 23; 89 - 91  |           |
| 103-3   | Evaluation of the management approach  | 89 - 91      |           |
| <b>GRI 403: Occupational health and safety (2018)</b> |  |              |           |
| 403-1   | Occupational health and safety management system   | 89 - 91      |           |
| 403-2   | Hazard identification, risk assessment and incident investigation  | 89 - 91      |           |
| 403-3   | Occupational health services   | 89 - 91      |           |
| 403-4   | Workers participation, consultation and communication on occupational health and safety                      | 89 - 91      |           |
| 403-5   | Workers training on occupational health and safety   | 91           |           |
| 403-6   | Promotion of workers health  | 92           |           |
| 403-7   | Prevention and mitigation of occupational health and safety impacts directly linked by business relationship | 89 - 91      |           |
| 403-9   | Work-related injuries  | 91; 113      |           |
| <b>Training and education</b>                         |  |              |           |
| <b>GRI 103: Management approach (2016)</b>            |  |              |           |
| 103-1   | Explanation of the material topic and its boundary   | 19 - 20; 118 |           |
| 103-2   | The management approach and its components   | 23; 87 - 88  |           |
| 103-3   | Evaluation of the management approach  | 87 - 88      |           |
| <b>GRI 404: Training and education (2016)</b>         |  |              |           |
| 404-1   | Average hours of training per year per employee  | 87; 113      |           |



| SPECIFIC INFORMATION                                    |   |   |           |
|---|---|---|-----------|
| GRI Standard  | Description   | Page  | Omissions |
| <b>Diversity and equal opportunity</b>                  |   |   |           |
| <b>GRI 103: Management approach (2016)</b>              |   |   |           |
| 103-1   | Explanation of the material topic and its boundary      | 19 - 20; 118  |           |
| 103-2   | The management approach and its components              | 47; 55; 84 - 86   |           |
| 103-3   | Evaluation of the management approach                   | 47; 55; 84 - 86   |           |
| <b>GRI 405: Diversity and equal opportunity (2016)</b>  |   |   |           |
| 405-1   | Diversity of governance bodies and employees            | 45; 84-86; 111 - 112  |           |
| <b>Non Discrimination</b>                               |   |   |           |
| <b>GRI 103: Management approach (2016)</b>              |   |   |           |
| 103-1   | Explanation of the material topic and its boundary      | 19 - 20; 118  |           |
| 103-2   | The management approach and its components              | 47; 55; 84 - 85   |           |
| 103-3   | Evaluation of the management approach                   | 47; 55; 84 - 85   |           |
| <b>GRI 406: Non Discrimination (2016)</b>               |   |   |           |
| 406-1   | Incidents of discrimination and corrective action taken | In 2019 no cases related to discriminatory practices occurred |           |
| <b>Freedom of association and collective bargaining</b> |   |   |           |
| <b>GRI 103: Management approach (2016)</b>              |   |   |           |
| 103-1   | Explanation of the material topic and its boundary      | 19 - 20; 119  |           |

| SPECIFIC INFORMATION  |  |                      |           |
|---|--|----------------------|-----------|
| GRI Standard  | Description  | Page                 | Omissions |
| 103-2   | The management approach and its components   | 22 - 23; 49; 53; 109 |           |
| 103-3   | Evaluation of the management approach  | 53                   |           |
| <b>GRI 407: Freedom of association and collective bargaining (2016)</b> |  |                      |           |
| 407-1   | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 53                   |           |
| <b>Child labor</b>  |  |                      |           |
| <b>GRI 103: Management approach (2016)</b>                              |  |                      |           |
| 103-1   | Explanation of the material topic and its boundary   | 19 - 20; 119         |           |
| 103-2   | The management approach and its components   | 22 - 23; 49; 53; 109 |           |
| 103-3   | Evaluation of the management approach  | 53                   |           |
| <b>GRI 408: Child labor (2016)</b>                                      |  |                      |           |
| 408-1   | Operations and suppliers at significant risk for incidents of child labor                                      | 53                   |           |
| <b>Forced or compulsory labor</b>                                       |  |                      |           |
| <b>GRI 103: Management approach (2016)</b>                              |  |                      |           |
| 103-1   | Explanation of the material topic and its boundary   | 19 - 20; 119         |           |
| 103-2   | The management approach and its components   | 22 - 23; 49; 53; 109 |           |
| 103-3   | Evaluation of the management approach  | 53                   |           |

| SPECIFIC INFORMATION   |  |                      |           |
|--|--|----------------------|-----------|
| GRI Standard   | Description  | Page                 | Omissions |
| <b>GRI 409: Forced or compulsory labor (2016)</b>                |  |                      |           |
| 409-1  | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 53                   |           |
| <b>Human rights assessment</b>                                   |  |                      |           |
| <b>GRI 103: Management approach (2016)</b>                       |  |                      |           |
| 103-1  | Explanation of the material topic and its boundary                                       | 19 - 20; 119         |           |
| 103-2  | The management approach and its components   | 22 - 23; 49; 53; 109 |           |
| 103-3  | Evaluation of the management approach  | 53                   |           |
| <b>GRI 412: Evaluation of the respect of human rights (2016)</b> |  |                      |           |
| 412-2  | Employees training on human rights policies or procedures                                | 53; 88; 109          |           |
| <b>Supplier social assessment</b>                                |  |                      |           |
| <b>GRI 103: Management approach (2016)</b>                       |  |                      |           |
| 103-1  | Explanation of the material topic and its boundary                                       | 19 - 20; 118         |           |
| 103-2  | The management approach and its components   | 22; 65 - 66; 109     |           |
| 103-3  | Evaluation of the management approach  | 65 - 66              |           |
| <b>GRI 414: Supplier social assessment (2016)</b>                |  |                      |           |
| 414-1  | New suppliers that were screened using social criteria                                   | 106                  |           |
| <b>Customer health and safety</b>                                |  |                      |           |
| <b>GRI 103: Management approach (2016)</b>                       |  |                      |           |
| 103-1  | Explanation of the material topic and its boundary                                       | 19 - 20; 118         |           |

| SPECIFIC INFORMATION                              |   |   |           |
|---|---|---|-----------|
| GRI Standard                                      | Description   | Page  | Omissions |
| 103-2   | The management approach and its components  | 25; 62 - 64   |           |
| 103-3   | Evaluation of the management approach   | 62 - 64   |           |
| <b>GRI 416: Customer health and safety (2016)</b> |   |   |           |
| 416-2   | Incidents of non-compliance concerning the health and safety impacts of products and services | In 2019 no cases of non-compliance took place in relation to health and safety issues of products                 |           |
| <b>Socioeconomic compliance</b>                   |   |   |           |
| <b>GRI 103: Management approach (2016)</b>        |   |   |           |
| 103-1   | Explanation of the material topic and its boundary  | 19 - 20; 118  |           |
| 103-2   | The management approach and its components  | 47 - 48; 52   |           |
| 103-3   | Evaluation of the management approach   | 47 - 48; 52   |           |
| <b>GRI 419: Socioeconomic compliance (2016)</b>   |   |   |           |
| 419-1   | Non compliance with laws and regulations in the social and economic area                      | In 2019 there were no cases of non-compliance with the laws and regulations related to social and economic issues |           |
| <b>Research, development and innovation</b>       |   |   |           |
| <b>GRI 103: Management approach (2016)</b>        |   |   |           |
| 103-1   | Explanation of the material topic and its boundary  | 19 - 20; 118  |           |
| 103-2   | The management approach and its components  | 25; 58 - 61; 70 - 75  |           |
| 103-3   | Evaluation of the management approach   | 58 - 61; 70 - 75  |           |
| <b>Risk management</b>                            |   |   |           |
| <b>GRI 103: Management approach (2016)</b>        |   |   |           |
| 103-1   | Explanation of the material topic and its boundary  | 19 - 20; 118  |           |



| SPECIFIC INFORMATION                       |  |                      |           |
|--|--|----------------------|-----------|
| GRI Standard                               | Description  | Page                 | Omissions |
| 103-2                                      | The management approach and its components         | 21 - 25; 51 - 55     |           |
| 103-3                                      | Evaluation of the management approach              | 51 - 55              |           |
| <b>Indirect social impact</b>              |  |                      |           |
| <b>GRI 103: Management approach (2016)</b> |  |                      |           |
| 103-1                                      | Explanation of the material topic and its boundary | 19 - 20; 119         |           |
| 103-2                                      | The management approach and its components         | 24; 58 - 61; 70 - 81 |           |
| 103-3                                      | Evaluation of the management approach              | 58 - 61; 70 - 81     |           |
| <b>Relations with public institutions</b>  |  |                      |           |
| <b>GRI 103: Management approach (2016)</b> |  |                      |           |
| 103-1                                      | Explanation of the material topic and its boundary | 19 - 20; 119         |           |
| 103-2                                      | The management approach and its components         | 50                   |           |
| 103-3                                      | Evaluation of the management approach              | 50                   |           |
| <b>Customer satisfaction</b>               |  |                      |           |
| <b>GRI 103: Management approach (2016)</b> |  |                      |           |
| 103-1                                      | Explanation of the material topic and its boundary | 19 - 20; 119         |           |
| 103-2                                      | The management approach and its components         | 40; 70-72; 95-96;    |           |
| 103-3                                      | Evaluation of the management approach              | 40; 70-72; 95-96;    |           |



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**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND  
ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018**

**To the Board of Directors of  
El.En. S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of El.En. S.p.A. and its subsidiaries (hereinafter "Group" or "El.En. Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2020 (hereinafter "NFS").

**Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

**Auditor's Independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the El.En. Group.
4. Understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of El.En. S.p.A. and with the employees of Cutlite Penta S.r.l., Penta-Chutian Laser (Wuhuan) Co. Ltd and Penta-Laser Equipment Wenzhou Co. Ltd and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and



transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies and sites, Calenzano headquarters for El.En. S.p.A., Prato headquarters and production site for Cutlite Penta S.r.l. and Wenzhou headquarters and production site for Penta-Laser Equipment Wenzhou Co. Ltd, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out visits on site, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

#### Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the El.En. Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Neri Bandini**  
Partner

Florence, Italy  
May 14, 2020

*This report has been translated into the English language solely for the convenience of international readers.*





Industrial and Medical Laser Solutions

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