

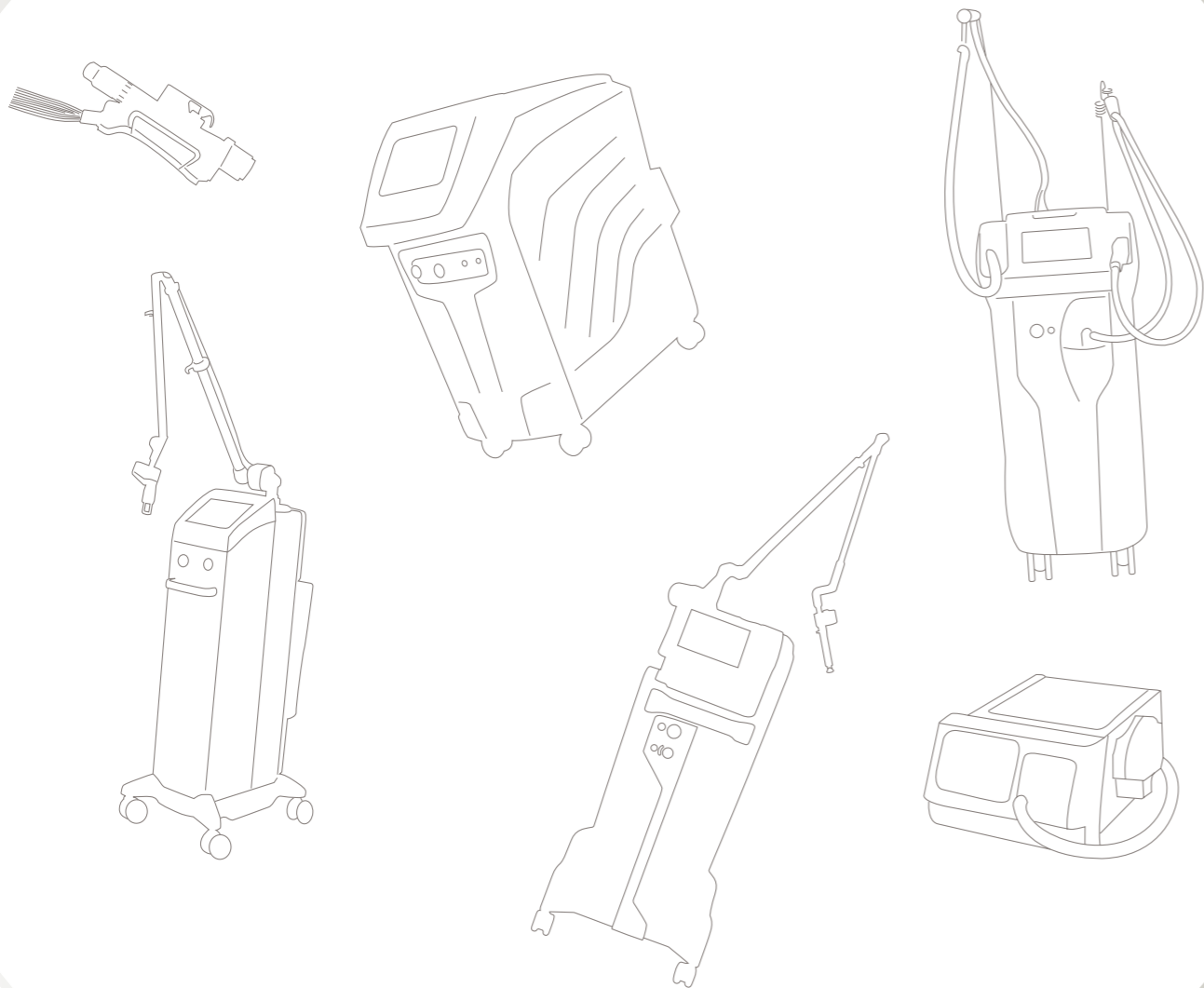


# El.En. Group

## Sustainability Report 2022

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Consolidated non financial statement 2022  
pursuant to Italian Legislative Decree n. 254 of 2016

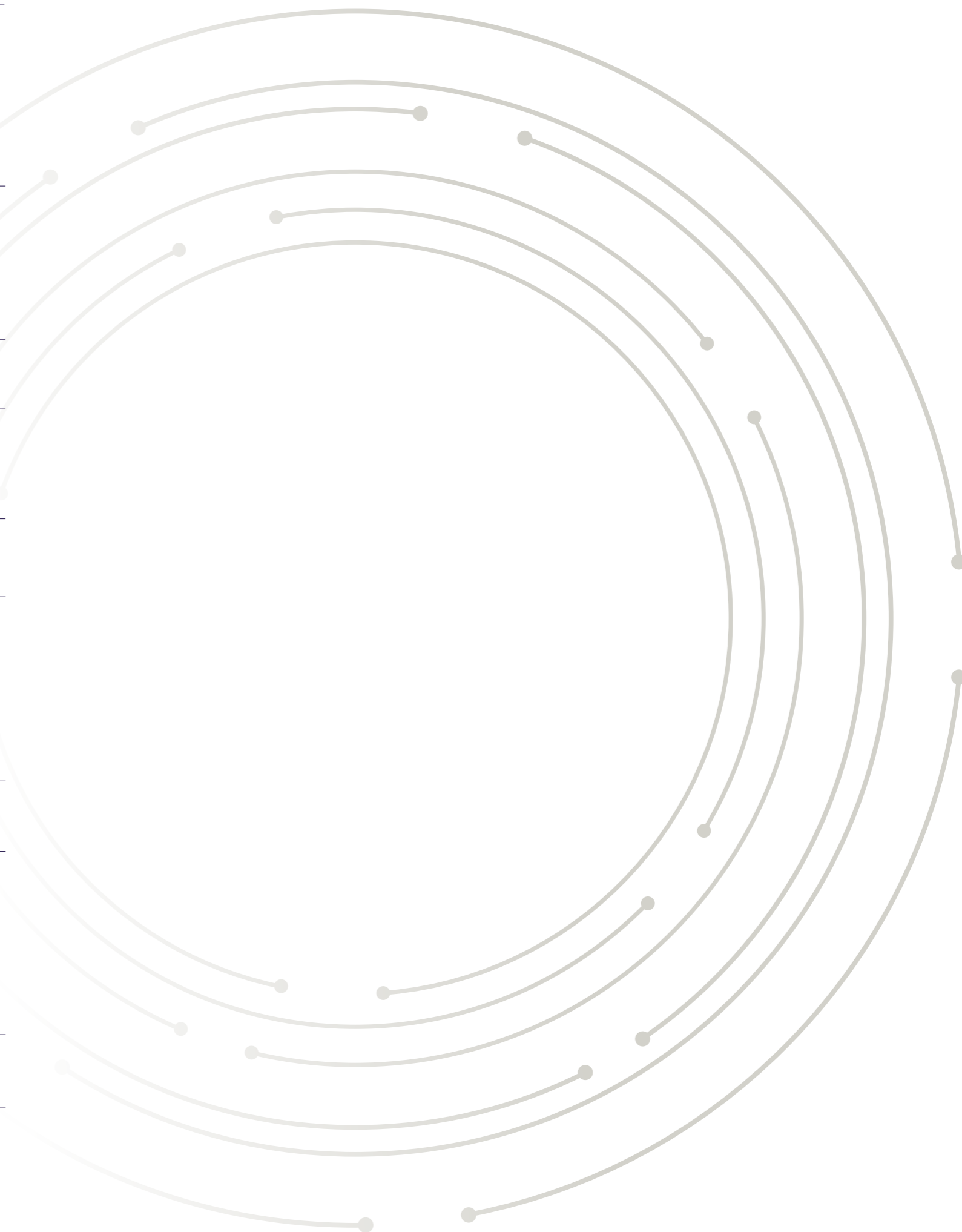


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## LETTER TO STAKEHOLDERS

Dear stakeholders,

In a historically and economically very difficult period, in which general economic conditions, inflationary pressures and rising interest rates give rise to fears of an economic slowdown, we would like to express our great satisfaction with the Group's excellent results in 2022, its best ever. We are presenting here our Sustainability Report to give everyone the opportunity to assess our commitment, goals and actions taken during the year, which testify to the solidity of our technical, financial and operational structures. These structures allow us to resolutely withstand adverse conditions without sacrificing future growth potential, and enable us to maintain our development plans thanks to the solidity of our business model, which is oriented towards sustainable medium- to long-term growth.

During the past year, demand remained solid in most markets, especially in the medical sector, with a robust order book throughout the period. In China, the hoped-for recovery of the local economy, which underpins the 2022 growth forecast for the laser cutting industry, has been hampered by continuing anti-Covid restrictions, Chinese isolation and the effects of the economic slowdown, from which our major business unit has suffered. In addition, supply chain difficulties for the procurement of numerous categories of components for all subsidiaries continued this year, subjecting us to an extraordinary commitment in terms of human resources to identify alternative solutions, with the R&D departments involved in both sourcing and redesigning. For some components, the situation has not yet normalised and our procurement functions often have to resort to emergency procedures to procure components that traditional supply chains cannot make available.

The Group once again demonstrated that it has the organisational and technical means to meet customer needs and to innovate its products. We are confident in the capacity and potential of our organisation and our people, and we are certain that we will continue to benefit in the future from the positive developments expected in the markets in which we operate: we have created the prerequisites for progressive, sustainable and far-reaching growth, and we have the right organisation and the necessary technology to meet the demands of the market and to seize the opportunities that arise.

The core of our strategy remains our constant commitment to research and development, which is the very essence of our Group: a commitment both from a technical point of view, aimed at launching new products, and from a documental and clinical point of view, in order to obtain the necessary certifications to sell our medical systems worldwide. We have been working constantly, on the one hand on clinical trials with medical centres and hospitals and on the other hand with facilities dedicated to the so-called Regulatory, a rather complex but indispensable process to launch our innovative systems on the market. The difficult context has not affected our ability to innovate and the attractiveness of our product range, which we have continued to expand, thus confirming the Group's solid competitive positioning and its great ability to differentiate itself in the markets with technical and application innovations. The launch of new products is one of the strengths of our strategy.

The record levels of production and turnover have been achieved thanks to the significant investments in infrastructure made by the Group in recent years, which we have continued in 2022 with the expansion of several operating sites: the Quanta System site in Samarate, work at the Calenzano site and the Lasit site in Torre Annunziata, while at the Chinese subsidiary in Wuhan a new plant is being built in anticipation of positive market development. The interventions were also carried out ensuring high energy efficiency and designed to raise the quality of working life. We are convinced that working in a custom-built environment fosters a greater spirit of belonging, which is why we have decided to devote ample space to people's wellbeing, to accompany the training and career path with an investment that leads to the creation of an energetic and fulfilling working environment that stimulates teamwork.

In the plant of the parent company El.En., the logistics area was reorganised to optimise space and facilitate the flow of goods, and three new vertical warehouses were installed, interconnected to the company's management system and MES: these interventions are part of the planning started in 2020 of the plant with a view to Industry 4.0, which aims to include "smart" technologies within the production processes to advance the evolution of the "Smart Factory". In addition, the fleet of radio frequency terminals within the company was replaced with new Wi-Fi terminals in 2022, pursuing the primary goal of facilitating the flow, integration and exchange of information in real time on an IT level, as well as reducing the use of paper. In the course of 2023, we have planned further Industry 4.0 investments for electrical safety test stations, with new, faster and better measuring instruments, which will bring benefits in terms of time reduction and compatibility between instruments on the production lines. Increasingly, the technological mix of robotics, sensors and network interconnections will change the management of the company and production models, and the factory will lose its concept of immobility and physicality thanks to the sharing of data even remotely, exploiting the opportunities of big data and the Internet of things. We want this transformation to be a tangible reality for the El.En. Group and to continue in the coming years within all production facilities, in which we will continue to invest for the future development of the Group.

This year we continued to create employment, increasing the number of people working with us around the world by 11 per cent: an important growth not only in terms of numbers, but also sending out a clear signal of solidity and security. During the year, we did not stop in terms of training either: we increased the number of hours of technical and educational training, to promote the personal and professional growth of all employees, and continued to promote the dissemination and consolidation of the Group's ethics and values in all subsidiaries.

As envisaged in the Sustainability Plan, during this financial year the installation of three additional photovoltaic plants was completed: one at the Calenzano production site, one

at the subsidiary Quanta System, and one at the subsidiary Giovanni Galli, and the fourth plant at the Calenzano site is nearing completion: they are all scheduled to be activated in 2023. The Group's goal in the coming years will be to install further photovoltaic systems at other locations, in order to self-produce an increasing amount of electricity from renewable sources and to contribute more and more to its own energy needs, while decreasing its CO<sub>2</sub> emissions into the atmosphere.

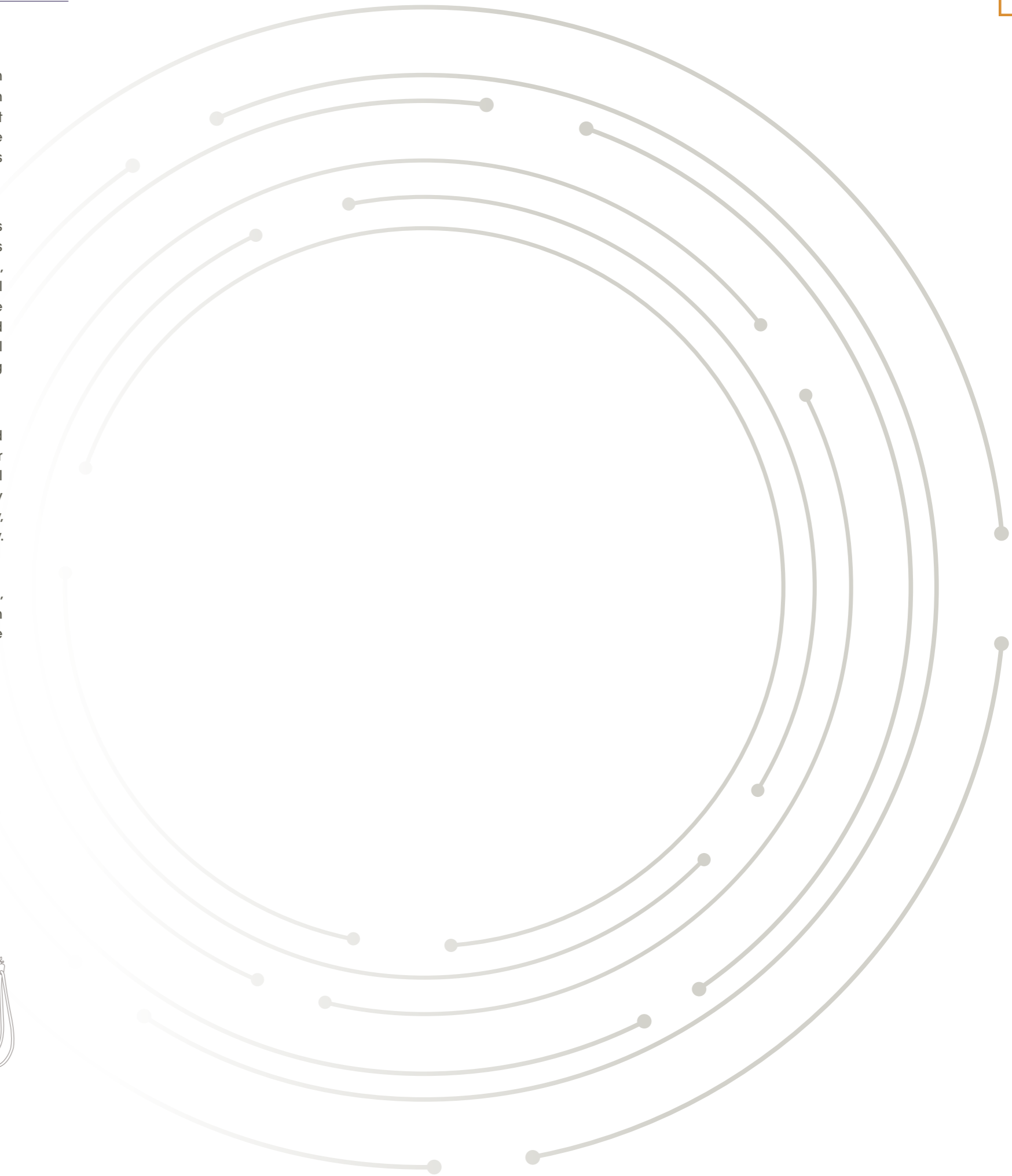
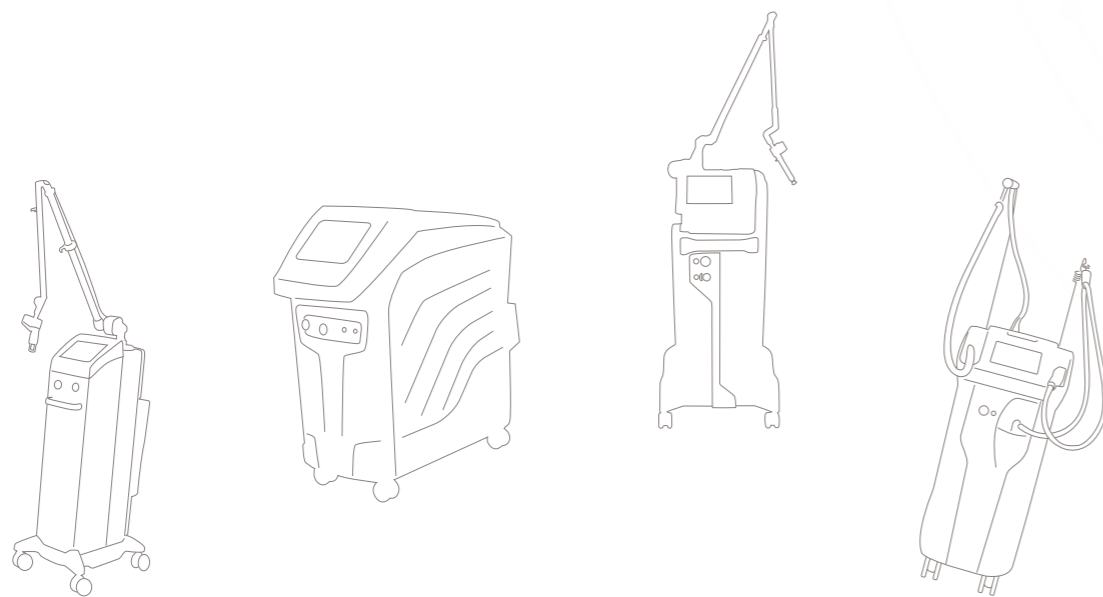
Our commitment to doing business has also continued to be expressed through initiatives in favour of the community: every day we work to make a positive impact in people's lives and, with some targeted projects, we donate our skills and tools to non-profit organisations, foundations or cutting-edge scientific laboratories, at the service of patient health as well as in the preservation and restoration of cultural heritage. The Group's companies are also very attached to the territories in which they operate and, as always, are committed to participating in solidarity initiatives and supporting cultural, social and educational initiatives with sponsorships, participation in associations and the promotion of alternating school-work projects, internships and apprenticeship.

During the year, the Group intensified its sustainability activities, which are also included in the performance indicators for Management compensation. The 2018-2022 Multi-Year Sustainability Plan has been successfully completed, and during 2023 the EI.En. Group will approve the new Five-Year Plan, which will identify specific and measurable sustainability activities and goals, in particular on: combating climate change, circular economy, promoting a responsible supply chain, valuing people and contributing to the community.

I am proud to say that despite the complex scenario in which we find ourselves operating, the results we have achieved once again confirm our ability to continue along the path of sustainable development, combining economic growth and financial solidity with the principles of social and environmental sustainability, to represent a model of excellence.

The President

Gabriele Clementi



## HIGHLIGHTS 2022

### SUSTAINABILITY



1

Sustainability Plan 2018-2022 concluded successfully



18

Targets approved by the Board of Directors



43

Activities to be undertaken in order to reach the targets reported

### THE GROUP



9

Countries where the operations of the Group are located



13

Production sites



8

Research and development centers

### THE ORGANIZATION OF THE COMPANY



547

The number of people who were trained on the Ethics Code in 2022



43%

The percentage of women in the Board of Directors



6

Number of meetings the Committee for Controls and Risks, related party-transactions and sustainability held in 2022

### THE PRODUCTION PROCESS



287

Active patents and 55 pending



182

People involved in research and development activities



69

People involved in Quality control and Regulatory activities

## HIGHLIGHTS 2022

### THE SUPPLY CHAIN



529

Million Euros Purchase value



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

### THE COMMUNITY



722

Million Euros the economic value generated and distributed from El.En. Group



98%

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



2

laser systems donated

### THE PEOPLE



11%

Increase in staff in 2022



More than 39.500

hours of training conducted in 2022



25%

Under 30

### L'AMBIENTE



6

photovoltaic plant of which 2 active, 3 installed and 1 waiting for final installation, that will work during 2023



6%

Self-produced electrical energy produced with respect to the energy needs of 2022



13%

Electrical energy purchased from renewable sources

# SUSTAINABILITY

OUR STRATEGY FOR A  
SUSTAINABLE FUTURE



# 1. SUSTAINABILITY

## 1.1 SUSTAINABILITY FOR THE EL.EN. GROUP

Being sustainable means creating value over time and being ready to accept and successfully face the challenges of tomorrow. We have always believed that ethics, valuing human resources, protecting the environment, investing in research and development and the high quality of our products, as well as safeguarding the interests and creating value for all our stakeholders, are the only way to be an innovative, sustainable and successful company.

The principles of sustainability for the El.En. Group are not an abstract concept, but have always been the pillars underpinning the development and growth that has characterised the Group over the years and are proof that value is created through responsible management that respects economic, social and environmental balances.

The Group embarked on this path in a structured manner a few years ago, but in a short time it has gained awareness and managed to define the activities to be carried out in a timely manner: this is because the issues addressed and the aspects reported on were already part of its cultural baggage and the drafting of this document is proof that in addition to economic results, the Group's performance has always been excellent on environmental, social and governance issues

This financial year confirmed the Group's commitment to ESG issues: the concrete goals we had set ourselves in the Sustainability Plan were achieved and the Five-year plan was completed<sup>1</sup>.

During this past year, we continued our initiatives to increase awareness of the impact and importance of sustainability issues, both through the dissemination to key stakeholders of the documents drawn up and through the disclosure of the Plan's goals and the actions to be taken to achieve them.

In 2018, the Board of Directors of the parent company El.En. S.p.A. entrusted the Control and Risk Committee with the review of the company's sustainability

policies and goals and the supervision of the related Plan; in 2021, this body changed its name to Control and Risk, Related Party Transactions and Sustainability Committee. Also in 2021, the desire to operate in a more responsible and integrated manner led to the decision to entrust the Executive Director in charge of the internal control system with the definition of the strategic sustainability guidelines, the Sustainability Plan and the review of the Consolidated Non-Financial Statement, in order to even more strongly guarantee an adequate oversight and monitoring of processes. From the outset, there is a Sustainability Manager who plays a coordinating role in the entire process of defining preliminary activities, preparing the Sustainability Report and carrying out related activities. The Sustainability Manager proposes the Group-wide sustainability strategy by sharing it with the Executive Director in charge of Internal Control and then with the Top Management and sets the Sustainability Plan, defining its goals and coordinating all activities to fulfil the commitments, identifying areas and projects for improvement at Group level and monitoring the progress of existing projects. The function supports the function managers identified in each subsidiary in the compilation of the data collection forms, verifies the consistency of the information and prepares the draft Sustainability Report by drawing up the outlines to be published, writing and/or updating the texts of this document and coordinating and managing relations with the external auditors.

<sup>1</sup> All goals have been completed with the exception of one point within GOAL 6 "Promoting a sustainable procurement culture and policies", which envisaged the drafting of a Group-wide "Supplier Code of Conduct"; this action will be repeated in the next Sustainability Plan. The reasons for the non-achievement were mainly due to the procurement difficulties that kept the purchase departments of all subsidiaries, the main owners involved in this action, very busy.

## 1.2 OUR STAKEHOLDERS

The process of listening to one's stakeholders is a priority in order to understand the extent to which their interests and expectations are being met and to identify issues on which to increase one's efforts, with a view to continually improving the impact of the company's activities on the environment and society.



We have implemented a process of mapping and identifying our stakeholders, which has enabled the identification of the Group's stakeholders, both internal and external, summarised in the chart above.

Also during this financial year, in order to collect and assess the expectations and issues of greatest interest to stakeholders, we carried out specific stakeholder engagement activities by submitting questionnaires to a selected sample of internal stakeholders (employees of some Group companies) and external stakeholders (main suppliers of some subsidiaries). In 2022, we started an initial ESG monitoring of the supply chain: the project, carried out by the parent company El.En. and some of its main subsidiaries, involved new suppliers and suppliers of critical components by administering a questionnaire to assess their social commitment, environmental protection and enhancement, good corporate governance and respect for human rights

(For further details, see paragraph 4.4 - The Supply chain, of this document).

The process of listening to customers and distributors took place mainly through Customer Satisfaction surveys by monitoring appropriate company indicators, administering questionnaires relating to the surveys carried out rather than through the analysis of deficiencies. The measurement of the customer experience is done through feedback obtained during dialogues with customers in which opinions, comments, expressions of interest in a product or service, or in interactions with both internal and external sales representatives are collected. As of this financial year, the Parent company and some subsidiaries have included questions on sustainability issues in the Customer Satisfaction process, the results of which will be analysed in 2023. (For further details, see paragraph 4.5 - Our Customers, of this document).



In order to intensify the process of listening to employees and to collect anonymous suggestions, opinions and evaluations on the corporate climate, some Group subsidiaries carried out surveys on part or all of the company population. During the coming year, this activity will also be offered to other subsidiaries. El.En. has also completed the development phase of a platform for the creation and administration of questionnaires, in order to further increase the process of listening to employees also with regard to sustainability issues (For further details see Chapter 6 - People, of this document).

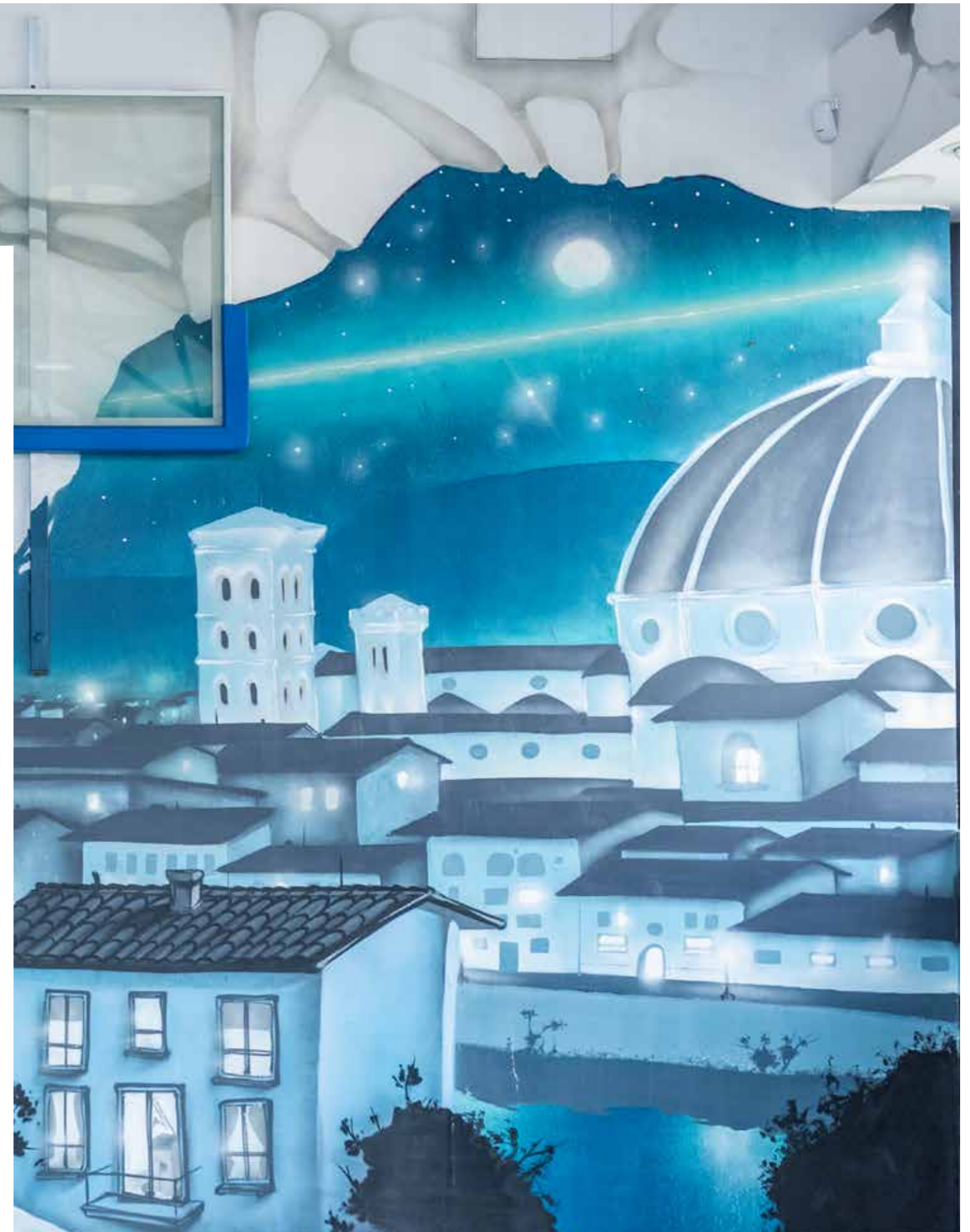
During the year, numerous initiatives were carried out to increase the process of listening to communities and local authorities, both through participation in events promoted by these institutions where we spoke about our current projects and the main sustainability initiatives carried out in the area, and by responding positively to requests for discussion and collaboration to develop concrete sustainability activities together with the territory. The dialogue with local communities is also expressed through the numerous school-to-work projects promoted and through participation in career day events (For further discussion see paragraph 5.4 - Our contribution to the community, of this document).

Again this year, we received important national sustainability awards and, at the request of shareholders and investors, obtained sustainability ratings<sup>2</sup> from leading independent agencies. The policy of dialogue with shareholders is ensured

through the publication on the company website of regulated information, with the publication of press releases and documents, through the Shareholders' Meeting, in direct contact between the Company and investors through the organisation of events, roadshows, meetings (one-to-one or collective) and conference calls with institutional investors, shareholders and financial analysts rather than through presentations of the main performance drivers and the main messages conveyed to the market and the financial community (for more details see "Policy of dialogue with shareholders of El.En.S.p.A. at <https://elengroup.com/uploads/pdfshareholder/POLITICA-DI-DIALOGO-DI-EL.EN.-.S.P.A..pdf>).

Establishing and maintaining partnerships with universities and research centres is crucial to maintaining a constant dialogue with these bodies, both nationally and internationally. All Group companies consider these exchanges to be crucial both in research and development and for their own success in the talent search and selection process. Maintaining these channels is essential to increase opportunities to get to know people and to promote the development of technical and scientific skills in the areas where companies and societies operate, including through curricular and extracurricular university internships. (For further discussion see paragraph 4.1 Research and Development as a tool for Innovation and paragraph 5.4 - Our contribution to the community, of this document).

Below are our main channels of communication and dialogue with the Group's stakeholders:



<sup>2</sup> In 2022, the El.En. Group maintained its BBB score for the MSCI ESG rating (improving performance in both the Governance and Social sections), a score of 23.8 for the Sustainalytics ESG Risk rating Report (an improvement on the 2021 score of 28.8), placing it in the medium risk range, and 58/100 for the Gaia Research 2022 campaign (Gaia revised its calculation methodology, restating the results obtained in previous years. The result for the year is a marked improvement on the previous year's score).



## 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 • Transparency

### 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* • Transparency • 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

- Transparency • 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* • Transparency • *Economic and financial performance*
- Ethics, integrity and compliance

### Main dialogue instruments

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



## Agents and Distributors

### Topic

- Transparency • 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
El.En. S.p.A.; Deka Mela S.r.l.; Ot-Has S.r.l.; Esthelogue S.r.l.; ASA S.r.l.; Cutlite Penta S.r.l..	Confindustria
El.En. S.p.A.; Deka Mela S.r.l.; Esthelogue S.r.l.; Pharmonia S.r.l..	IBC - Associazione Beni di Consumo
El.En.; Deka Mela	Confcommercio
Quanta System S.p.A.	CONFAPI
Cutlite Penta S.r.l.	ESU-EDA
Cutlite Penta S.r.l.	IADD - International Association of diecutting and diemaking
El.En. S.p.A.	Comitato elettronico italiano
El.En. S.p.A.	ISTA - International Safe Trans
El.En. S.p.A.	CEF - Consorzio Energia Firenze
El.En. S.p.A.	Assorestaurato
El.En. S.p.A.	AIIA - Associazione italiana internal auditors
El.En. S.p.A.	ACSI - associazione per la cultura e lo sviluppo industriale
Ot-Has	ACIMIT
Esthelogue	FAPIB - Associazione Nazionale Produttori e Fornitori di Tecnologie per la Bellezza e il Benessere
ASA	American Society of Laser
ASA	Consorzio Veneto Tech 4 life
ASA	CUOA - Centro Universitario di Organizzazione Aziendale
ASA	Confindustria Dispositivi Medici
Asclepion	German Chamber of Commerce and Industry
Asclepion	Optonet e V.
Cutlite do Brasil	ACIB - Industrial and Commercial Association of Blumenau
Cutlite do Brasil	ABIMAQ (National Association of Machine Industries)

Companies	Associations
Penta Laser Equipment Wenzhou Co. Ltd; Penta-Chutian Laser (Wuhan) Co. Ltd	Laser Industry Association
Penta Laser Equipment Wenzhou Co. Ltd	Laser Processing Committee of the Chinese Optical Society
Penta Laser Equipment Wenzhou Co. Ltd	Laser processing committee of Zhejiang Machinery Industry Union
Penta Laser Equipment Wenzhou Co. Ltd	Wenzhou association of high-tech enterprises
Penta Laser Equipment Wenzhou Co. Ltd	Zhejiang association of high-tech enterprises
Penta Laser Equipment Wenzhou Co. Ltd	China Machine Tool Industry Association
Penta Laser Equipment Wenzhou Co. Ltd	Wenzhou packaging union
Penta Laser Equipment Wenzhou Co. Ltd	Intelligent manufacturing Branch of China Machinery Industry Union
Penta Laser Technology (Shangdong) Co. Ltd	National association of high-tech enterprises
With Us	Japan Esthetic Management Association
With Us	Japan Esthetic Industrial Association
With Us	Beauty Equipment Safety Promotion Association
With Us	Japan Home-Health Apparatus Industrial Association



### 1.3 MATERIALITY ANALYSIS

The material issues assessment process was carried out for the first time in 2017 through an analysis performed internally by top management, which identified the relevant economic, social and environmental aspects for the El.En. Group and its stakeholders; the assessment was reviewed and approved annually. In 2022, taking into account the guidelines of the latest GRI international standards publications, the materiality process was revised through an analysis of the impacts generated by the organisation and conducted in several stages:

- Initially, we carried out an analysis of the context in which the Group operates in order to identify both the actual and potential as well as the positive and negative impacts generated by the organisation's activities and its business relations on the economy, the environment and people (including human rights), along the entire value chain;
- We then proceeded to assess the significance of impacts according to two variables: severity or magnitude of the impact generated and likelihood of the impact occurring. We assigned each variable a score from 1 to 5 (where 1 means minimum severity and low probability that the impact will occur and 5 means maximum severity and very high probability or certainty that the event will occur or has already occurred). The product of the two variables yielded

the impact generated by the company in ESG terms. For impact assessment, we decided to adopt the same methodology and criteria used by the Group for risk rating assessment as part of the risk analysis process, which is based on specific RCM (risk control matrix), in line with international best practices such as the COSO framework and Confindustria guidelines;

- We then associated each impact with its material theme and thanks to the scoring it was possible to define a relevance threshold for each theme: the result obtained shows an alignment between the priority themes defined through the impact assessment and those identified in previous years.

The analysis carried out by the El.En. Group thus confirmed the significant themes that had already been identified and divided into six macro-areas: environmental responsibility, economic responsibility, social responsibility, responsibility towards human resources, product responsibility and governance. As in previous years, the materiality analysis was brought to the attention and approval of the Audit, Risk and Sustainability Committee.

The result of the analysis, which we report below, will support the identification and definition of goals to be included in the Strategic Plan and the Sustainability Plan 2023 - 2027:



GOVERNANCE							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
Ethics, integrity and compliance	The sub-optimal handling of disputes and potential corruption events may lead to a lack of socio-economic development in the communities in which the Group operates.	Potential	Negative	10 16	4	2	8

ENVIRONMENTAL RESPONSIBILITY							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
Environmental performance	The El.En. Group's activities cause energy consumption and therefore contribute to CO2 emissions into the atmosphere. If energy-saving and emission reduction initiatives are not developed, the Group's activities could increasingly contribute to the effects of climate change on our planet.	Actual	Negative		4	5	20
	The Group's water consumption, which is solely related to the use of sanitary facilities in buildings, may contribute only a small part to the reduction of the quantity of available water resources.	Actual	Negative	7 12	1	5	5
	Failure to implement initiatives to mitigate damage due to extreme weather events could, if they occur, lead to the curtailment or interruption of some of the Group's and/or some strategic business partners' activities due to infrastructure damage. Such a reduction or interruption, if protracted, could also have a negative impact on employees, suppliers and customers.	Potential	Negative		4	4	16
	Group activities and end-of-life products generate waste that, if not properly disposed of, can generate pollution.	Actual	Negative		2	5	10

<b>HUMAN RESOURCE RESPONSIBILITY</b>							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
<b>Health and safety of workers</b>	Increased accident rate due to the lack of dissemination of health and safety culture within the Group's companies and failure to use the required PPE.	Actual	Negative		5	5	25
<b>Employee growth and training</b>	The Group's business activities involve the creation of jobs along the entire value chain, generating a positive impact for the communities in which it operates and contributing to their economic and social development.	Actual	Positive		4	5	20
	The El.En. Group guarantees its employees personal and professional growth at all levels through continuous training to respond to the technological progress of the systems produced and the evolution of the Group's business.	Actual	Positive		5	5	25
	The nature of El.En. Group's business requires the presence in the company of highly specialised professionals who are always up-to-date on the latest regulations. Failure to develop the skills of employees may have negative consequences for the business, the health and safety of workers and the quality of its products. Furthermore, a lack of training and professional development of workers could reduce retention and the ability to attract new talent.	Potential	Negative	 	5	3	15
<b>Diversity, equal opportunity and non-discrimination</b>	The geographical location of some Group companies and the skills required to perform certain types of work mean that the company strives to create an inclusive environment that values employee diversity. Staff recruitment and management procedures may disadvantage certain categories of people, generating a negative impact in terms of inclusion and equal opportunities.	Actual	Negative		4	5	20

<b>SOCIAL RESPONSIBILITY</b>							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
<b>Human rights and working conditions</b>	The Group's activities involve a large number of suppliers and operations globally. Poor supply chain supervision may lead to a lack of protection of the human rights of the workers concerned along the value chain.	Potential	Negative		4	2	8
<b>Commitment to the community and territory</b>	Contribution to the social and economic development of the community through the management of relations with public institutions, sponsorship of social and cultural events and through the donation of equipment and know-how.	Actual	Positive		4	5	20
	Contribution to the social and economic development of the community through collaboration with scientific and university research centres and with schools and technical institutes in the area where Group companies operate.	Actual	Positive	 	4	5	20
	Indirect social impacts: in the medical sector, our daily commitment to research and development of new or improved applications of our medical and aesthetic lasers provides the market with tools and solutions that improve people's state of well-being and patients' quality of life, reducing both physical and aesthetic health problems and the relevant psychological ones. In the surgery sector, our minimally invasive technology systems minimise pain, side effects, surgical procedure risks and hospitalisation days. In the aesthetics sector, our systems meet the growing desire of people to improve their appearance, while also reducing pathological or painful imperfections.	Actual	Positive		5	5	25

<b>SOCIAL RESPONSIBILITY</b>							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
<b>Commitment to the community and territory</b>	in the industrial sector, work performed with our laser systems is highly significant in terms of reducing environmental impact due to a series of features that allow minimising waste, not generating fumes containing chemical additives and eliminating the use of glues, inks or solvents within the production processes. Machining performed with our cutting systems instantly vaporise the material on which they act, making clean cuts in the material without producing swarf or other processing waste, while the marking systems allow for perforations or selective removal of thickness, reducing waste. We are proud to have contributed in this market to developing and fine-tuning more environmentally friendly processes, aware that the entire industry must become even more sustainable.	Actual	Positive	  	5	5	25
	In the field of conservation for the restoration of works of art, lasers enable effective conservation processes that respect artistic artefacts and reduce the use of chemicals.	Actual	Positive		5	5	25



<b>PRODUCT RESPONSIBILITY</b>							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
<b>Research, development and innovation</b>	Contribution to the scientific development of the community through constant research and development to place innovative, efficient and circular economy-friendly products on the market.	Actual	Positive		5	5	25
<b>Customer satisfaction</b>	Unclear and non-transparent communication on product information provided to customers, including sustainability information, may negatively affect customer satisfaction and the quality of the service provided, leading to a reduction in market share and consequently in turnover	Potential	Negative	  	3	2	6
<b>Product quality and security</b>	Decreased quality and safety of products and services provided to the market may generate negative impacts on people and the environment	Potential	Negative		5	3	15
	Lack of digitisation and process innovation may result in negative impacts on product traceability, quality and safety	Potential	Negative		4	4	20

<b>ECONOMIC RESPONSIBILITY</b>							
Material theme level I	Impact generated	Type of actual/potential impact	Type of positive (+) negative (-) impact	Reference SDG	Severity/magnitude of impact	Probability of impact occurring	Impact materiality level
<b>Procurement practices</b>	Increased environmental impacts due to the failure of the supply chain to adopt environmental management policies and increased social impacts due to the failure to monitor the supply chain.	Potential	Negative		4	3	12
	Social and economic development of the territories in which Group companies operate thanks to the support of suppliers promoting sustainable development principles, preferably local or regional.	Potential	Positive		4	2	8

## 1.4 THE SUSTAINABILITY PLAN

The Sustainability Plan represents the Group's strategic vision on ESG issues and is an indispensable tool for setting its goals and the actions and projects to be implemented to achieve them.

The Sustainability Plan for the five-year period 2018-2022, with the explication of the policies aimed at generating and distributing resources to all stakeholders, represents the Group's strategic vision in the medium to long term and the means of communicating the goals and the actions to be taken to achieve them.

By combining the Sustainability Plan with the company's mission, the El.En. Group is able to manage the response to the challenges posed by the market, proposing sustainable and long-lasting development.

The five-year Sustainability Plan, in relation to the 11 material issues identified and represented in the materiality matrix published last year, set 18 sustainability goals and 43 concrete actions to be taken to achieve them.

Each of the goals was linked to a specific macro-area (Governance, Economic Responsibility, Product Responsibility, Responsibility towards Human Resources, Social Responsibility, Product Responsibility and Environmental Responsibility) and the related material issues of the area.

As of 31 December 2022, the existing Sustainability Plan was fully completed<sup>3</sup> and a new Sustainability Plan will be proposed in 2023, which will be valid for the five-year period 2023-2027 and will include new goals concerning the fight against climate change, the circular economy, the promotion of a responsible supply chain, valuing people and contributing to the community, confirming the El.En. Group's commitment to promoting sustainable development and how environmental and social responsibility are increasingly an integral part of its business model.

Also in the process of defining the future Sustainability Plan, we will take into account the 17 Sustainable Development Goals (SDGs), goals promoted by the United Nations and published in the 2030 Agenda for Sustainable Development, and we will identify,

as we have done in the past, the SDGs that we will contribute to achieving through the Plan's goals.

The Sustainability Manager has already identified, in cooperation with the heads of the subsidiaries, the areas for improvement and related projects to be implemented; in the second half of 2023, the function will formulate a proposal for the Sustainability Plan (planning phase) containing specific goals and actions to be implemented. Thanks to the training, involvement and networking activities carried out in all Group companies over the past few years, the goals of the Plan will be evaluated and shared with all subsidiaries.

The Sustainability Manager will submit the Plan to the Control, Risk and Sustainability Committee, which will examine its contents and feasibility and check its consistency with the Group's strategy, and it will then be presented to the Board of Directors, which is responsible for its formal approval.

An update on the progress of the Sustainability Plan will take place at least every six months, in order to keep the Board up-to-date on the status of project implementation and achievements and to give it the opportunity to set new goals with a view to improvement, in the knowledge that sustainability is not an end point but a process of continuous growth.

The Group's ongoing commitment is also reflected in its improved ESG ratings from leading independent agencies. Sustainable and responsible development can only be expressed through governance dedicated to the supervision and management of sustainability issues, through the growth and involvement of employees, through improving the working environment, supporting technological innovation, maintaining high levels of customer satisfaction, dialoguing with and supporting local communities and contributing to the reduction of environmental impacts. Below are the goals contained in the plan and the results achieved in these first five years:

<sup>3</sup> All goals have been completed with the exception of one point within GOAL 6 Promoting a sustainable procurement culture and policies, which envisaged the drafting of a Group-wide Supplier Code of Conduct; this action will be repeated in the next Sustainability Plan. The reasons for the non-achievement were mainly due to the procurement difficulties that kept the purchase departments of all subsidiaries, the main owners involved in this action, very busy

## GOVERNANCE



### 1) Implementation of sustainability corporate governance

Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Entrusted the Executive Director in charge of the internal control system with the definition of the strategic sustainability guidelines, the Plan and the review of the consolidated non-financial statement.</li> <li>Entrusted the Control and Risk Committee with the review of the company's sustainability policies and goals and the supervision of the Sustainability Plan and supplemented the Committee Rules and Regulations with these functions and changed the name to "Control and Risk, Related Party Transactions and Sustainability Committee".</li> <li>Carried out numerous initiatives to ensure that the sustainability strategy is maintained in the medium to long term for the benefit of stakeholders and in compliance with regulations.</li> <li>Set up a plan to analyse the Group's activities in order to comply with the new reporting requirements introduced by EU Regulation 852/2020 - Taxonomy Regulation.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining all initiatives to ensure the medium- to long-term sustainability of the company's business for the benefit of stakeholders and in compliance with regulations.</li> <li>Development of a new analysis and reporting process to verify the applicability of the Taxonomy to Group activities.</li> </ul>	





2) Dialogue with stakeholders		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>A questionnaire on sustainability issues was distributed and administered to all employees;</li> <li>Distributed and administered a questionnaire on sustainability issues to a sample of Group suppliers;</li> <li>Strengthened dialogue with certain categories of stakeholders through participation in events, meetings, surveys and sustainability ratings;</li> <li>Training on the Group Sustainability Plan was carried out in most of the subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Attended events promoted by local institutions to discuss the main sustainability issues and initiatives in the area and meetings with local and national authorities to promote the sharing of sustainability projects;</li> <li>During the year, we worked towards obtaining sustainability ratings from leading independent agencies and increased or equalled the scores obtained in previous years. Achieved a BBB score for the MSCI ESG rating, a 23.8 score for the Sustainalytics ESG Risk rating Report and a 58/100 score for the Gaia Research 2022 campaign rating;</li> <li>Carried out stakeholder engagement for new suppliers of many subsidiaries;</li> <li>Carried out new stakeholder engagements and held meetings with other stakeholder categories.</li> </ul>	




3) Promotion of a culture of sustainability		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Conducted training sessions on the goals of the Sustainability Plan and the actions to be taken to achieve them;</li> <li>Organised classroom or web-based training meetings to raise employees' awareness of sustainability issues;</li> <li>Carried out campaigns to promote sustainability issues through the dissemination of news and documents;</li> <li>Carried out campaigns to promote sustainability issues by disseminating published documents to our employees, suppliers and customers;</li> <li>Drafted a Sustainability Report Summary to make the main topics more user-friendly and distributed mainly to employees and customers;</li> <li>Gained important national recognition and awards on sustainability issues.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate working groups dedicated to sustainability issues created;</li> <li>Carried out training on social and environmental issues and company policies;</li> <li>Developed an extensive section for sustainability issues at <a href="http://www.elengroup.com">www.elengroup.com</a> and implemented the site review, which will be completed in the second half of 2023;</li> <li>Awarded the Conscious ESG identity 2022<sup>4</sup>, label, granted to companies that have embarked on a serious path of ESG transformation and evolution of their business;</li> <li>Received the "Sustainability Leaders 2022"<sup>5</sup>, event award, an event that honoured the 150 most sustainable Italian companies, promoted by Statista in cooperation with Il Sole 24 Ore, to identify which companies in Italy stand out for truly sustainability-oriented choices;</li> <li>Received the "Sustainability Awards 2022"<sup>6</sup> recognising the 100 best sustainable companies for their ability to deliver sustainable, inclusive and stable growth, while also creating added value for the community.</li> </ul>	

<sup>4</sup> For more informations see the link [https://www.esgbusiness.it/esg-identity-company\\_2022/](https://www.esgbusiness.it/esg-identity-company_2022/)

<sup>5</sup> For more informations see the link <https://lab24.ilsole24ore.com/leader-sostenibilita-2022/>

<sup>6</sup> For more informations see the link <https://sustainabilityaward.it/forbes-pubblica-la-lista/>

#### 4) Combating active and passive corruption


Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>An Anti-Corruption Policy was approved by all Group companies;</li> <li>Used all instruments deemed appropriate to prevent corruption in all spheres of influence;</li> <li>Delivered the Code of Ethics to all new employees and training on the Group Code of Ethics in most subsidiaries.</li> <li>Carried out specific training in recent years entitled "Anti-Corruption, Code of Ethics and Human Rights".</li> <li>Carried out training on Model 231 in recent years for employees of companies that have adopted the Organisational Model.</li> </ul>	<ul style="list-style-type: none"> <li>Review of the Anti-Corruption Policy and approval in the Board of Directors.</li> <li>Continuation of training on Model 231 for employees of companies that have adopted the Organisational Model. This training reached 217 employees.</li> <li>Continuation of anti-corruption training for Group executives and managers, which reached 191 employees.</li> <li>Carried out specific initial training on the Code of Ethics in some subsidiaries.</li> </ul>	




### ECONOMIC RESPONSIBILITY



#### 5) Creating sustainable value

Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>It implements a business model geared towards medium- to long-term sustainable growth, combining economic growth and financial strength with the principles of environmental and social sustainability.</li> <li>Drafted and approved by the Audit, Risk and Sustainability Committee a DNF reporting procedure identifying all the steps, people involved and documentation required to prepare the Non-Financial Statement in accordance with GRI accounting principles.</li> <li>Conducted training on setting up a Business Impact Analysis and implementing a Business Continuity Management System</li> </ul>	<ul style="list-style-type: none"> <li>Continued co-ordination of actions and achievement of the goals contained in the Sustainability Plan.</li> <li>Completed the five-year Sustainability Plan 2018-2022 to ensure the fulfilment and expectations of all stakeholders.</li> <li>Expanded the Business Continuity analysis and evaluated the achievement of an ISO 22301 company certification.</li> </ul>	

#### 6) Promoting a sustainable procurement culture and practices

Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Defined and disseminated socio-ethical-environmental standards for suppliers;</li> <li>Prepared the acceptance of the Code of Ethics by suppliers in framework contracts and/or orders to suppliers of some Group companies.</li> <li>Continued the dissemination of socio-ethical-environmental standards for suppliers of the parent company and some subsidiaries through the administration of questionnaires and the mailing of our sustainability documents.</li> </ul>	<ul style="list-style-type: none"> <li>Included the acceptance of the Group Code of Ethics in framework contracts and/or orders for suppliers of subsidiaries.</li> <li>Increased awareness and training of Group suppliers on ESG issues.</li> </ul>	

7) Initiate checks on suppliers at the selection stage, including on environmental and social aspects		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Promotion of good sustainability practices among suppliers.</li> <li>Inclusion of questions on social and environmental issues in the subsidiaries' "new supplier checklists".</li> <li>Initial monitoring of ESG issues in its supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Increased monitoring of its supply chain in the companies that initiated it and implemented it in the remaining Group companies.</li> </ul>	

**HUMAN RESOURCE RESPONSIBILITY**

**3** SALUTE E BENESSERE

**4** ISTRUZIONE DI QUALITÀ

**8** LAVORO, SVILUPPO E CRESCITA ECONOMICA

8) Ensuring health and safety in the workplace		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Promotion of a workplace health and safety culture in all Group companies;</li> <li>Explain the activities that each company carries out in the field of health and safety.</li> </ul>	<ul style="list-style-type: none"> <li>Delivered 7,240 hours of health and safety training during 2022.</li> <li><b>Continued promotion of health and safety training and information tools for employees.</b></li> </ul>	

9) Increase people's well-being		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>In many Group companies, rooms (fitness areas, cafeterias and relaxation rooms) dedicated to people's well-being have been created to create an increasingly stimulating and fulfilling working environment;</li> <li>In all companies, programmes have been established to ensure access to the best health services covering 100% of the employees;</li> <li>In many companies, programmes have been set up to ensure access to welfare plans or conventions;</li> <li>Some Group companies have disseminated a culture of wellness, through programmes aimed at encouraging the adoption of a healthy lifestyle;</li> <li>The construction of the second production plant of the subsidiary Penta Laser Technology (Shangdong), which also houses a recreation area for employees, was completed;</li> </ul>	<ul style="list-style-type: none"> <li>The renovation of the second production plant of the subsidiary Quanta System (Samarate) has been completed, which now accommodates new and larger workspaces as well as coffee break and recreation areas for all employees;</li> <li>Continuation of improved corporate welfare initiatives;</li> <li>Delivery of awareness programmes to disseminate a culture of well-being;</li> <li>Administration of annual internal climate surveys.</li> </ul>	



10) Promote training and the enhancement of human capital		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Defined and implemented training and development programmes for Group employees.</li> <li>Implemented programmes to attract young resources through partnerships with universities and research centres.</li> <li>Implemented a specific Diversity survey in all Group companies by monitoring spontaneous applications, interviews and recruitment by gender.</li> </ul>	<ul style="list-style-type: none"> <li>Approved a Group Diversity Policy.</li> <li>About 39,500 hours of training provided at Group level.</li> <li>Raised awareness and reinforced People's perception of Diversity and Human Rights issues through specific training on El.En. Group Policies that reached 899 people.</li> <li>The activation of partnerships with universities and research centres continued.</li> </ul>	



## SOCIAL RESPONSIBILITY

8 LAVORO, ENERGIA E CRESCITA ECONOMICA

11 CITTÀ E COMUNITÀ (SOSTENIBILI)

16 PACE, GIUSTIZIA E ISTITUZIONI SOLIDE

11) Expand positive social impacts through their products		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Market introduction of tools and solutions to improve the patient's quality of life.</li> <li>Bringing to market industrial processing technologies that reduce environmental impacts and consumption while improving 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 existing systems has continued so that a growing portion of the population can benefit from innovative technologies that can improve their well-being.</li> <li>In the industrial sector, research and development continued to increase the flexibility and power of systems and to reduce waste, materials used and reduce or eliminate the use of pollutants for certain types of industrial processing.</li> <li>In the field of conservation, research and development continued to improve the performance of systems and to obtain increasingly high-performance instruments in the preservation and restoration of works of art.</li> </ul>	



12) Support for non-profit organizations, foundations and scientific laboratories		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>The El.En. Group supports non-profit organisations, foundations and scientific laboratories, accompanying them in the use of new technologies in the service of patient health.</li> <li>Community support through specific donations of medical laser systems.</li> </ul>	<ul style="list-style-type: none"> <li>Support, through cash disbursements, to non-profit organisations and/or foundations.</li> <li>Support through free use, either for extended periods of time or for ad hoc projects.</li> <li>Community support through the donation of two laser systems for gynaecology to the San Marino State Hospital.</li> </ul>	

13) Contribute to the preservation of the world's artistic heritage		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>The El.En. Group supports the preservation of the world's artistic heritage through donations of lasers or loans for free use, as well as disseminating know-how through the provision of training on the use of lasers in preservation and restoration.</li> </ul>	<ul style="list-style-type: none"> <li>Support through free use of laser systems for preservation and restoration, either for extended periods of time or for ad hoc projects.</li> <li>Continued protection of the world's artistic heritage to preserve the beauty of works of art intact for future generations</li> </ul>	

14) Strengthening the relationship with the territory		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Promotion of initiatives that foster the growth of local communities, including through partnerships with associations and non-profit organisations.</li> <li>Promotion of school-to-work projects, curricular and extra-curricular internships.</li> </ul>	<ul style="list-style-type: none"> <li>During the year, sponsorships were made to a number of non-profit associations in the area in which the Group operates.</li> <li>Development of school-to-work projects, curricular and extra-curricular internships.</li> <li><b>Continued support for initiatives to promote the social and economic development of the local communities in which the Group operates.</b></li> </ul>	



## PRODUCT RESPONSIBILITY

7  
ENERGIA PULITA  
E ACCESIBILE

8  
LAVORO/INVESTIMENTO  
E CRESCITA  
ECONOMICA

9  
INNOVARE,  
PROMUOVERE  
E MIGLIORARE  
I RISULTATI

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

Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Promoting continuous quality improvement and compliance with technical regulations at every stage of the production process.</li> <li>Achievement of ISO 14001 for the implementation of an environmental management system and ISO 45001 on Health and Safety by the Chinese subsidiary Penta Laser Shangdong.</li> <li>The Ministry of Emergency Management of the People's Republic of China granted the Safety Manufacturing Standardisation Certificate to Penta Laser (Shandong) Co., Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Ensured in an efficient and integrated manner compliance with process quality requirements, in line with market expectations.</li> <li>Promotion of sustainable production and consumption models through efficient use of resources, integrating circular models and green solutions into their processes.</li> <li>Maintenance of all certifications deemed important by Group companies.</li> </ul>	

### 16) Investing in innovation, research and development to advance scientific knowledge

Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Investments are made in research and development in order to develop products and processes that are in line with customer needs and requirements, maximising customer satisfaction to improve performance, efficiency and sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>2,6% of turnover invested in research and development.</li> <li>8 active research centres.</li> <li>55 patents pending as at 31 December 2022.</li> <li><b>Continued trend monitoring in order to act specifically and focused on customers' areas of interest.</b></li> </ul>	

## RESPONSABILITÀ AMBIENTALE

7  
ENERGIA PULITA  
E ACCESIBILE

12  
CONSUMI  
E PROCEDURE  
RESPONSABILI

### 17) Promote energy efficiency policies

Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>introduced sustainability requirements in room upgrades, with the installation of energy-efficient electrical systems with LED lighting and motion sensors, the installation of infrared sensors to regulate water use, and the installation of environmentally friendly heating and air conditioning systems.</li> <li>An Environmental Policy was approved by all Group companies.</li> <li>Two photovoltaic plants came on stream.</li> <li>Chinese subsidiary Penta Laser Shangdong completed the construction of the second existing production site following the "green building assessment standards", installing high-efficiency electrical and heating systems.</li> <li>The Chinese government of Shandong province and the government of Linyi city have awarded Penta Laser Shandong as a company committed to the "conversion from old to new energy", a conversion that aims to replace traditional technologies with innovative technologies that are safer and more respectful of the environment and people.</li> </ul>	<ul style="list-style-type: none"> <li>For all renovations and/or constructions, the Group has installed energy-efficient electrical systems and environmentally friendly heating and air conditioning systems.</li> <li>Four new photovoltaic plants installed in 2022, two at the parent company El.En. S.p.A., one at the subsidiary Quanta System and one at the subsidiary Giovanni Galli S.r.l., which will become operational in 2023.</li> </ul>	

18) Reduce environmental impact		
Actions taken in previous years	Results 2022	Progress
<ul style="list-style-type: none"> <li>Carried out awareness campaigns and promoted environmentally friendly behaviour among employees of some Group companies.</li> <li>The three Chinese subsidiaries implemented separate waste collection.</li> <li>The companies of the sites in Calenzano and Prato, Quanta System, ASA Laser and Cullite Do Brasil have initiated a project that has led them to review all purchases of stationery, cleaning and hygiene products in favour of recycled materials, and to insert in all beverage dispensers, certified paper cups and wooden stirrers, recyclable in the organic matter.</li> <li>All Italian subsidiaries have adopted supplies of recycled/certified paper folders and certified printer paper.</li> <li>A charging station for electric bicycles and scooters was installed at the Calenzano site, while the German subsidiary Asclepion installed a column for charging electric cars.</li> </ul>	<ul style="list-style-type: none"> <li>Seven charging columns for electric cars are being installed at the subsidiary Quanta System.</li> <li>Carried out an in-depth analysis of Climate Change issues to identify all possible risks and opportunities for the Group arising from climate change and the mitigation actions to be taken to reduce these risks or implement the opportunities.</li> <li>Constantly verifying that the company's products and processes comply with applicable laws and safety regulations and that environmental protection and energy saving are pursued.</li> <li>Carry out awareness-raising campaigns to spread a culture of rational use of energy sources among our people.</li> </ul>	



# THE GROUP

A STORY OF CONCRETE  
AND SHARED VALUES



## 2. THE GROUP

The El.En. Group is one of the most important companies in the laser world in terms of diversification and innovation: the search for technological excellence and production quality are its main characteristics. Group companies are active in the creation, distribution and sale of advanced, high-performance, reliable and environmentally friendly products and solutions.

### The strategy of El.En. Group

#### Investing in research and development to bring new technologically advanced products to market

Constantly investing in Research and Development for the continuous technological innovation of our products and the improvement of existing ones, broadening their scope and providing technologically advanced solutions in all fields of application.

#### Consolidating competitive positions in national and international markets on a daily basis

To consolidate and strengthen competitive positions in the markets on a daily basis, facing challenges and aiming to acquire leading positions or to be a "leader" in one's business sector, building lasting relationships, including through strong relationships with one's supply chain.

#### Creating value for people

Contributing to our customers' success through products that are able to fully satisfy the expressed and implied demands of the end customer, placing on the market technologies that improve people's quality of life, with a constant focus on environmental protection and energy saving; this is also possible thanks to continuous investment in human resources, both in terms of knowledge and skills, and in terms of improving the quality of working life.





## Our Mission

**WE CREATE LIGHT, ENERGY, WAVES...  
... WE BRING LASER TECHNOLOGY TO THE SERVICE  
OF OUR WORLD**

### **We offer innovative products through cutting-edge technology and expertise**

We strive every day through intensive R&D to pursue continuous innovation to open up new applications of lasers or other energy sources, both in the medical and industrial sectors. The critical success factors of the El.En. Group are the effectiveness of the product range we offer to meet our customers' application needs and the ability to continuously innovate to create new ones by expanding our target markets. What characterises us is our ability to think in a unique way, to innovate by considering the needs of the doctor and the patient in the medical sector rather than the user of the system in the industrial sector, starting from any intuition that may arise from the constant and profound observation of problems that have not yet had a solution.

### **We improve people's well-being and quality of life**

Our daily commitment to research and development of new or improved applications of our medical and aesthetic lasers provides the market with tools and solutions that improve people's state of well-being and patients' quality of life, reducing both physical and aesthetic health problems and the associated psychological ones. Industrial processing performed with our laser systems is appreciated for its technical and economic effectiveness and efficiency, as well as for a number of peculiarities that allow us to minimise waste by developing more environmentally friendly processes.

### **We select, develop and grow the best talent**

The ability to innovate and pursue excellence depends on the people and employees involved in all activities and is the result of the specialisation, skills and passion that characterise all the people working in the Group. Only through the development of individual skills and a stimulating environment is collective growth and the creation of shared value achieved.

## 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 generation.

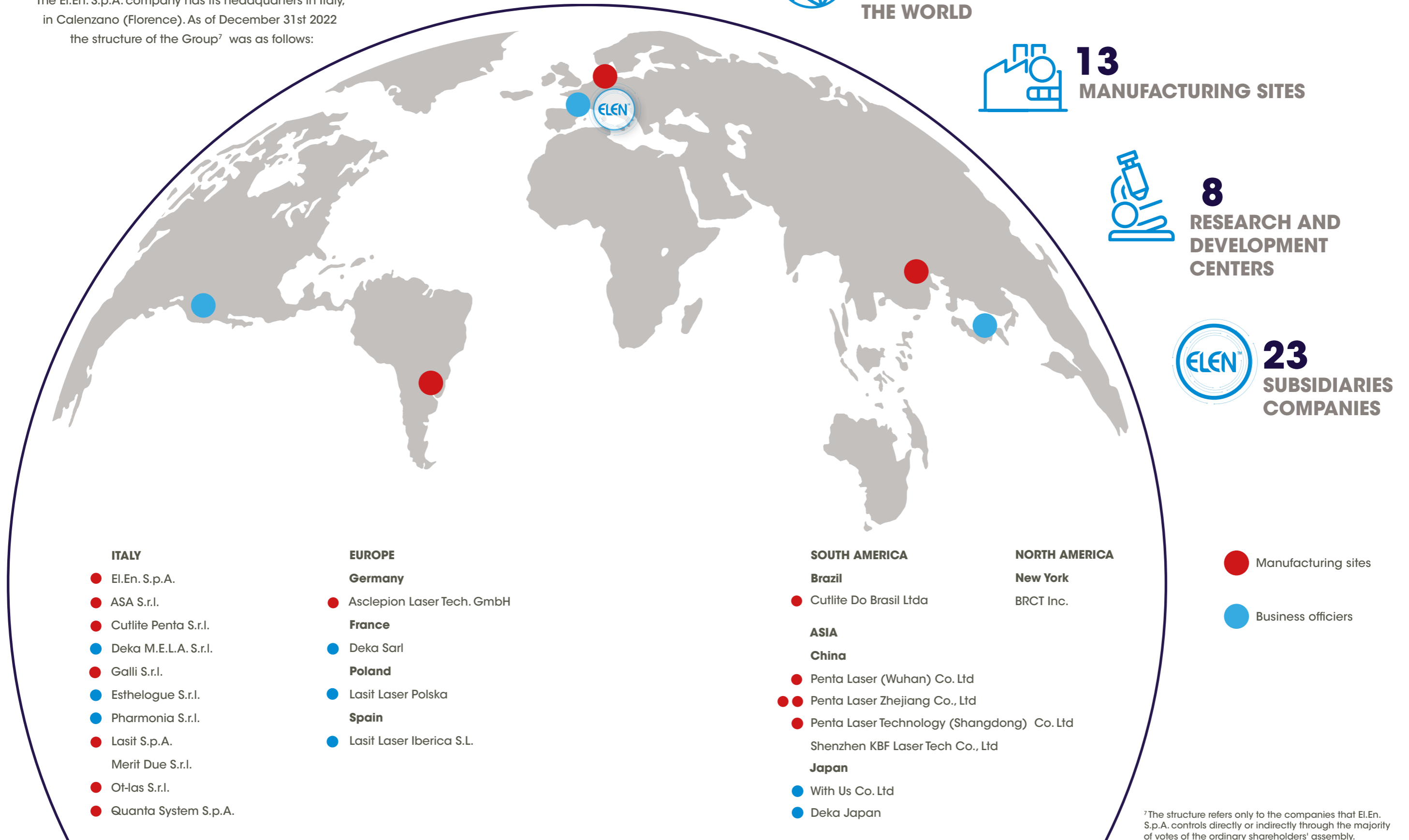


### Multiculturalism

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 2022 the structure of the Group<sup>7</sup> was as follows:



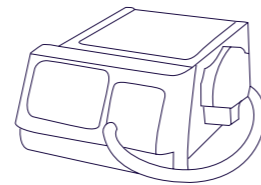
<sup>7</sup>The structure refers only to the companies that El.En. S.p.A. controls directly or indirectly through the majority of votes of the ordinary shareholders' assembly.

## 2.2 OUR HISTORY

Today, the Group can count on an extensive national and international presence created over time through the establishment of new companies and the acquisition of control of others. Each is entrusted with a specific business, sometimes targeting a single geographical market, sometimes a particular market sector, sometimes more extensive activities across technologies, applications and geographical markets. The activity of all of the companies is coordinated by the Parent company so that the available resources make it possible to better serve the target markets, taking advantage of the dynamism and flexibility of the individual business units without losing the advantages of coordinated management of certain resources. The development of the El.En. Group has contributed in the past and contributes today to bringing "Made in Italy" to the world with technologically advanced and highly innovative solutions and products.

**80s**

Production of CO<sub>2</sub> lasers for dermatology, surgery and therapy



**1981**

Incorporation of **El.En. S.n.c**

**90s**

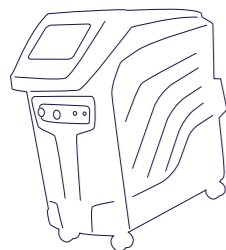
Development of short impulse Nd:Yag lasers for dentistry and minimally invasive surgery treatments

**1990 - 1993**

Incorporation of **Deka MELA S.r.l.**, **Lasit S.p.A.** e **Cutlite Penta S.r.l.**

**1998**

**Smartepil** (Deka Mela S.r.l.) - first long impulse Nd:Yag laser for dermatology and hair removal



**2000**

**El.En. S.p.A.** listed on the Italian stock market



**2002**

**Smartlipo** (Deka Mela S.r.l.) **laserlipolisi**<sup>®</sup>: localized removal of adipose deposits with minimally invasive treatment

Acquisition of **Cynosure Inc.**

**2003**

**SmartXide DOT**<sup>®</sup> Therapy (Deka Mela S.r.l.) dermatological surgery, anti-aging treatments, removal of pigmented lesions and scars

Acquisition of **Asclepion GmbH**

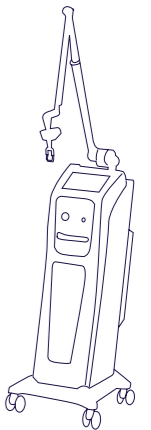
**2004**

Acquisition of **Quanta System S.p.A.**

**2005**

**MLS**<sup>®</sup> (ASA S.r.l.) laserterapia **HIRO** (ASA S.r.l.) device for **Hilterapia**<sup>®</sup> for treating edemas, muscular lesions and post-traumatic pathologies

Acquisition of **ASA S.r.l.**  
**Cynosure Inc.** listed on the Nasdaq



**2007**

Incorporation of Chinese JV **Wuhan Penta Chutian Co. Ltd**  
Incorporation of **Cutlite Do Brasil Alta Tecnologia Ltda**



**2008**

**Mediostar XT** (Asclepion GmbH) esthetics and hair removal.

Industrial sector El.En. - creation of the family of **BLADE RF CO<sub>2</sub>** **BLADE RF**

**Litho** (Quanta System S.p.A.) surgical, treatment of kidney stones.

**2009**

**Plus RF** (Cutlite Penta S.r.l.) with RF El.En. sources for cutting systems

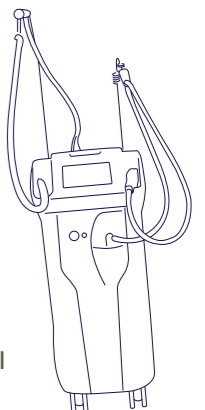
Incorporation of **Esthelogue S.r.l.**

**2010**

**SmartXide<sup>2</sup>** (Deka Mela S.r.l.) laser with radio frequency (RF) sources for dermatological surgery and aesthetics

**2011**

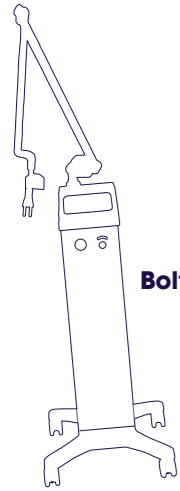
**Mediostar Next** (Asclepion GmbH) esthetics, hair removal



## 2012

**MonnaLisa Touch®** (Deka Mela S.r.l.) for the treatment of vaginal atrophy

**Cyber** (Quanta System S.p.A.) surgery, Lithotripsy and BHP



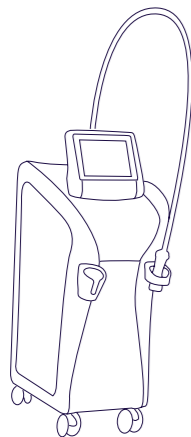
## 2015

**Bolt** (Penta Chutian e Wenzhou - China) enhanced system for cutting metal

**Discovery Pico** (Quanta System S.p.A.) removal of tattoos and pigmented lesions and dermatological treatments

**HIRO TT** (ASA S.r.l.) painful pathologies of the muscle and skeletal

**Fiber Plus** (Cutlite Penta S.r.l.) first metal cutting system with laser sources in fiber



## 2017

Industrial sector  
**RF 1222 "The Big Boy"**

## 2019

The Chinese subsidiary Penta Laser Equipment (Wenzhou) Co. Ltd founded the third Chinese company **Penta Laser Technology (Shangdong) Co. Ltd**

## 2013

Incorporation of second chinese JV **Penta Laser Equipment (Wenzhou) Co. Ltd**

## 2016

**Motus AX** con Moveo (Deka Mela S.r.l.) hair removal, removal of pigmented lesions

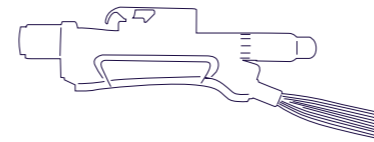
**Juliet®** (Asclepion GmbH) for the treatment of vaginal atrophy

The subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. merge their commercial brand names into **Reinassance®** for the Italian market.

## 2018

**ONDA** (Deka Mela S.r.l.) first microwave system for body-contouring **Coolwaves®** technology.

With the acquisition of 70% of the **Galli S.r.l.** company Quanta System S.p.A. is now equipped with an internal facility for the production of precision mechanical components.



## 2020

**Schwarzly** (magnetotherapy)  
**Red Touch** (dermatology)  
**Again** (hair removal)  
**Dr. Arnold** (magnetotherapy)



**Glide** (dermatology)  
**Chrome Lase Station** (dermatology)

## 2021

The subsidiary Lasit established the 65%-owned company, **Lasit Laser Polska** in Poland.

## 2022

The subsidiary Lasit established the 65% owned company, **Lasit Laser Iberica** in Spain.

The subsidiary Penta Laser Zhejiang acquires 60% of **KBF Laser Tech Co**



## 2.3 TARGET MARKETS

El.En. S.p.A. leads a complex group of companies active in the production, research and development, distribution and sales of laser systems. The activities of all the companies are coordinated with the aim of serving the target markets in the best possible

way, exploiting the dynamism and flexibility of the individual business units without losing the advantages of coordinated management of certain technical, managerial, commercial and financial resources. We distinguish two main areas for our activities:



The medical sector of laser systems for medicine and aesthetics:

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

aesthetics, surgery and therapy. The competence and reliability of our systems have enabled us to be among the leading companies globally in this field. In over forty years of activity and research, we have achieved the excellence of our products.



The laser systems industry for manufacturing:

The El.En. Group creates laser systems for cutting and marking for the industrial sector; these systems are suitable for many different processes and can be used on many different materials. Laser sources are also produced with increased performance in terms of speed and process quality, reliability, and safety.

The Group also operates in the cultural heritage preservation sector: for years it has been contributing to the preservation of the world's historical and artistic heritage by proposing cutting-edge, minimally invasive solutions, developed together with leading national research centres and used on major restoration sites.



Associated with the sale of systems are also the after-sales service activities, indispensable support for the installation and maintenance of laser systems, for the management of spare parts, consumables and for technical assistance.

Each of the two sectors includes various differentiated segments for the specific application of the laser system, and therefore for the underlying technologies as well as for the type of user it addresses. Our business presents a considerable variety of products and types of customers served, even more so when

one considers the global presence and therefore the need to also deal with the peculiarities that each region of the world has in adopting technologies.

Although both sectors use laser technology and share many strategic components and certain activities at the production and R&D level, they address profoundly different markets and the activities within them are organised in such a way as to meet radically different needs of the different types of customers they serve. Furthermore, each market features specific dynamics of the demand and growth expectation linked to different key factors.

## 2.4 TAXES

The El.En. Group's geographical location of its offices is functional to the performance and development of its activities and not aimed at obtaining tax benefits<sup>7</sup>. Although the Group does not have a formalised Policy, it attaches great importance to tax issues, to their social role and in general to transparency as a key factor favouring sustainable development, and in accordance with its Code of Ethics, it fully and scrupulously complies with the requirements of the market regulatory Authorities.

The Group does not deny, conceal, manipulate or

delay any information requested by the regulatory bodies in their inspection functions and actively cooperates in the course of investigative procedures, refusing any form of tax evasion, whether involving its customers, subsidiaries or business partners.

Compliance with applicable laws and regulations is a priority, in order to combat tax evasion and other tax offences in the markets and jurisdictions in which all Group companies operate.

The following table shows income tax data aggregated by country:

Country	Numer of employees	Revenue from third parts sales	Revenue from intercompany transactions	Profit (Loss) before taxes	Assets net of cash and cash equivalents	Income tax paid	Income taxes
Italy	947	443.602	99.670	70.982	355.503	22.612	18.742
France	11	5.799	14	563	2.099	-	-
Germany	169	61.747	5.329	6.785	45.313	1.476	2.286
Poland	7	1.944	121	-393	384	-	25
Spain	3	24	7	-49	222	-	0
USA	-	-	-	-23	3	-	0
Brasil	19	10.498	-	1.512	3.532	92	-246
Japan	55	23.055	26	-1.606	11.165	1.036	-484
China	894	126.912	63.177	1.217	154.856	235	-370
<b>Total</b>	<b>2.105</b>	<b>673.581</b>	<b>168.343</b>	<b>78.988</b>	<b>573.076</b>	<b>25.452</b>	<b>19.953</b>

<sup>7</sup>For the entity resident name in each tax jurisdiction and the related activities carried out please refers to the paragraphs 2.1 "Global Presence" and 2.3 "Reference markets" of this document.

El.En.'s business model does not involve operating in tax havens and we have no subsidiaries located in countries on the EU Common List of non-cooperative jurisdictions for tax purposes.

Both in the parent company and in each subsidiary, the local directors and the respective CFOs are responsible for tax compliance.

The various companies make use of local consultants and are equipped with tools to keep abreast of tax news, which may include training and refresher courses on tax compliance as well as an annual tax compliance risk analysis, from which the necessary measures are derived. On specific topics, external expert opinions are also sought and obtained. During the annual audit of the financial statements, the tax reporting is verified by the auditor certifying the financial statements.

Within the Anti-Corruption Policy, approved by the Parent Company and each subsidiary and forwarded for information to each employee, on which specific training was also carried out in 2022 that reached 191 employees, it is specified that any employee or collaborator who becomes aware of a violation, whether suspected or known, may make a report of

unlawful conduct, even anonymously and including tax matters, using the communication and reporting channel of the Supervisory Body that is set out within the Policy.

The El.En. Group guarantees the confidentiality of sources and information that comes into its possession, without prejudice to legal obligations. The Group does not tolerate any form of retaliation against anyone who makes a report in good faith, nor against anyone who has refused to carry out actions contrary to the anti-corruption documents, even if there have been negative consequences for the business as a result of such a refusal.

It is also specified that communication channels are already established within the Code of Ethics through which employees and collaborators can report any violations. Alternatively, all Collaborators must be able to report, in writing and also anonymously, any breach or suspected breach of the Code of Ethics to the Supervisory Body provided for by Italian Legislative Decree 231/2001, which will take the appropriate measures, guaranteeing the necessary confidentiality of the identity of the reporter, without prejudice to legal obligations.





## 2.5 ECONOMIC VALUE GENERATED AND DISTRIBUTED TO STAKEHOLDERS

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

The data on the creation and distribution of added value provide, through a reclassification of the profit and loss account, a basic indication of how the Group has created wealth for its stakeholders, highlighting the economic effects produced by business management on the main categories of stakeholders.

In 2022, the economic value generated by the Group is more than Euro 722 million while the economic

value distributed by the Group is approximately Euro 671 million.

Most of the latter value, 73.3%, is represented by "supplier remuneration"; this item consists mainly of costs for raw materials and services.

This is followed by "personnel remuneration" (13.6%) consisting of salaries, employees' termination benefits and social security contributions, "shareholders' remuneration" (3.0%) consisting of minority interests and distributed profits, "Public Administration remuneration" (2.8%) consisting of income taxes, "financial system remuneration" (0.2%) and the value distributed to the community (0.03%).

Chart for determining the economic value generated and distributed

Euros	2022	2021	2020
<b>Economic value generated by the Group</b>	<b>722.650.122</b>	<b>620.520.351</b>	<b>428.181.136</b>
Revenue	673.580.821	571.402.153	408.083.292
Charge in inventories	43.384.268	40.680.101	15.907.872
Other revenues and income	6.225.467	5.986.774	5.734.334
Financial charges	(461.751)	2.636.505	(1.119.626)
Share of profit of associated companies	(78.684)	(195.348)	(424.735)
Other non operating income (charges)	0	10.166	-
<b>Economic value distributed by the Group</b>	<b>670.865.817</b>	<b>575.812.257</b>	<b>405.068.206</b>
<b>Remuneration of personnel</b>	<b>98.193.547</b>	<b>84.170.079</b>	<b>66.692.366</b>
Staff cost	98.193.547	84.170.079	66.692.366
<b>Remuneration of suppliers</b>	<b>529.540.521</b>	<b>453.526.396</b>	<b>322.044.935</b>
Total purchase	412.369.744	358.601.494	255.210.640
Other direct services	61.126.178	47.394.512	32.877.479
Costs operating services and charges	56.044.599	47.530.391	33.956.816*
<b>Value distributed to the community</b>	<b>205.454</b>	<b>281.127</b>	<b>174.188</b>
<b>Donations</b>	<b>205.454</b>	<b>281.127</b>	<b>174.188</b>
<b>Remuneration of the Public administration</b>	<b>19.952.896</b>	<b>17.299.635</b>	<b>5.382.041</b>
Income taxes	19.952.896	17.299.635	5.382.041
<b>Remuneration of shareholders</b>	<b>21.501.112</b>	<b>19.650.016</b>	<b>10.132.098</b>
Net profit of minority interest	3.924.588	3.687.998	2.287.209
Distribution of net Income	17.576.524**	15.962.018	7.844.889
<b>Remuneration of financial system</b>	<b>1.472.287</b>	<b>885.005</b>	<b>642.577</b>
Financial charges	1.472.287	885.005	642.577
<b>Economic value retained by the Group</b>	<b>51.784.305</b>	<b>44.708.094</b>	<b>23.112.931</b>
Net income retained to reserves	37.534.471	29.474.369	12.410.257
Depreciation, Amortization and other accrual	14.249.834	15.233.725	10.702.675



\*It should be noted that "costs for services and operating expenses" for 2020 have been shown net of "donations and gifts", which are presented separately under "Value distributed to the community";

\*\* The distribution share of the year's earnings corresponds to the allocation of the year's earnings to dividends that the Board of Directors of El.En. S.p.A. resolved to propose to the Shareholders' Meeting on 15 March 2023.

# **THE ORGANIZZATIONAL SET-UP**

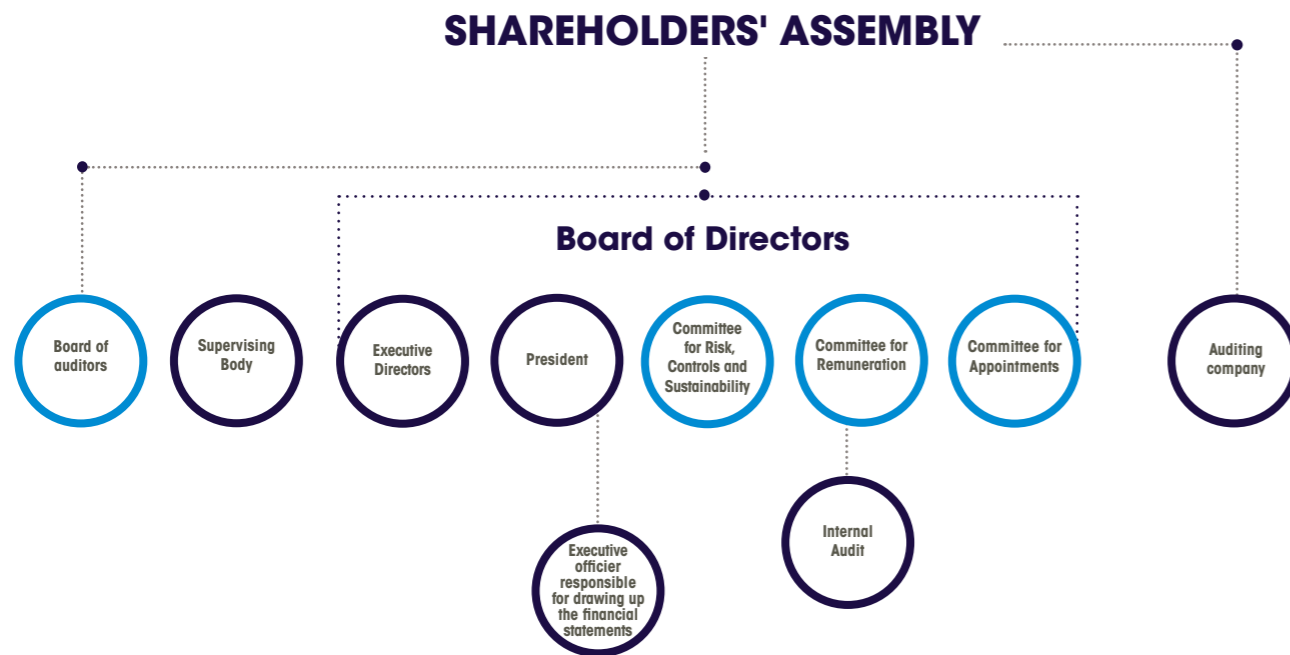
**RESPONSIBLE BUSINESS  
MANAGEMENT**

### 3. THE ORGANISATIONAL SET-UP

El.En. has structured a solid Corporate Governance Model that plays a central role in the performance of the Group's activities. The Model is in line with the recommendations of the Corporate Governance Code issued by Borsa Italiana and contributes significantly to the creation of sustainable value in the medium to long term.

#### 3.1 THE CORPORATE GOVERNANCE MODEL

The Governance model chosen by El.En. S.p.A. is the traditional system, based on a Board of Directors that has the function of policy-making and strategic supervision and a Board of Statutory Auditors to which the control function is attributed; the chosen Governance system envisages the contribution of the following players:



**Shareholders' Meeting: The Shareholders' Meeting is the corporate body where the shareholders take part in the Company decisions with respect to matters that the law and the Articles of Association have designated as their responsibility; the Shareholders' Meeting appoints the members of the Board of Directors and the Board of Statutory Auditors and approves the Financial Statements.**

**Board of Directors<sup>8</sup>:** is the central body of the Corporate Governance system and performs the functions of analysing, sharing and approving the Group's annual budgets and strategic, industrial and financial plans and their monitoring. Appointed

by the Shareholders' Meeting, it plays a strategic guiding role and evaluates the adequacy of the implemented Control System. The composition, role and functioning of the Board of Directors of El.En. S.p.A. comply with the law and the Corporate Governance Code for Listed Companies. The Board of Directors defines the strategies of the Company and the Group by approving and monitoring the implementation of a three-year strategic plan, drawn up taking into account the issues relevant to the generation of long-term value and supplemented with goals, also of a non-economic nature, relating to sustainable success.

<sup>8</sup>The members of the Board of Directors were appointed by the Shareholders' Assembly on April 27 th 2021 and remain for the three-year period 2021-2023.

The frequency of meetings is at least quarterly and is intended to ensure that the Board of Directors operates in an informed and knowledgeable manner. In the course of its meetings, the Board receives information from the Delegated Bodies, the General Manager and any other executives who are heard; it compares the results achieved with those planned at each board meeting devoted to the approval of financial reports for the period and therefore at least every three months. The current Board of Directors consists of seven members, four of whom are non-executive.

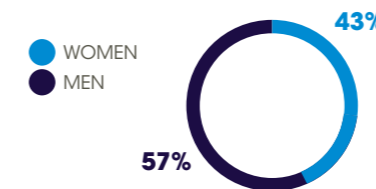
The directors are all endowed with professionalism and skills appropriate to the tasks entrusted to them. The number and competencies of the non-executive directors are such as to ensure that they

have a significant weight in the adoption of board resolutions and guarantee effective monitoring of management; a significant component (three) of the non-executive directors (four) is independent. The Chairman of the Board of Directors plays a liaison role between the executive and non-executive directors and ensures the effective functioning of board proceedings. The Chairman is Chief Executive Officer together with the current executive members of the Board and is one of the two founding partners who have been involved in the operational management of El.En. and the Group since 1981. The structure of delegated powers attributed for the purpose of its operation does not entail the exclusive concentration of offices and powers of management of the company in the hands of the Chairman, but

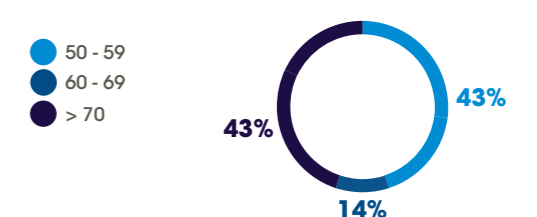


- Non-independent director
- Independent director in compliance with art. 147 ter TUF and art. 3 Self-disciplining Code

Directors, divided by gender (%)



Directors, divided by age group (%)<sup>9</sup>



<sup>9</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 years, unlike that established by the GRI since it was more representative of the composition of the board.

since pursuant to Article 3 Recommendation No. 13 of the Corporate Governance Code, the Chairman of the Board of Directors holds significant management powers, on 14 May 2021 an independent director was appointed Lead Independent Director, with the task of representing a point of reference and coordination of the requests and contributions of the non-executive directors and in particular of the independent ones as well as coordinating the meetings of the independent directors only.

The Lead Independent Director works with the Chairman of the Board of Directors to ensure that information flows to the directors in a complete and timely manner, as recommended by the Corporate Governance Code.

After the expiry of the last Board of Directors' term of office, a self-assessment process was carried out in order to draw up guidelines for shareholders on the qualitative and quantitative composition of the new body, the appointment of the new board, the allocation and delegation of functions, and finally the election of committees. From 2021, self-evaluation takes place on a three-yearly basis. At the meeting held on 14 May 2021, the Board assessed, after obtaining the favourable opinion of the Board of Statutory Auditors, that the Board in office reflects the indications provided to the Shareholders at the time of the Board's guidelines, the illustrative report and at the Shareholders' Meeting concerning the size and composition of the Board also in terms of professional figures and diversified skills deemed, in their complementarity, useful for its efficient functioning; it complies with the provisions of the Articles of Association; it reflects the requirements of the Composition and Diversity Policy adopted by the Company; the legal obligations concerning the balance between genders represented and the presence of independent directors have been complied with; the appointment of the internal committees into which it is divided complies with the requirements of the Code in terms of the members' requisites.

The non-executive directors, three of whom are independent, are organised into three committees to perform advisory and recommendation functions in support of the Board: Control, Risk, Related Parties and Sustainability Committee, Remuneration Committee and Nomination Committee.

The Control, Risk, Sustainability and Related Parties

Committee, which acquired its current name last year, is composed of four non-executive members, three of whom are independent, while the remaining two committees are composed of three non-executive members, two of whom are independent; the work of each committee is coordinated by a Chairman. Their composition, duties and powers are governed by specific regulations approved by the Board of Directors at the time of their establishment and subsequently amended on the basis of the changes required by the Corporate Governance Code.

With reference to sustainability issues and the disclosure of non-financial information pursuant to Italian Legislative Decree 254/2016, the Control and Risk Committee has been assigned the task of assisting the Board of Directors with investigative functions, of a propositional and advisory nature, in evaluations and decisions related to sustainability issues connected to the company's business and its dynamics of interaction with all stakeholders, corporate social responsibility, the examination of scenarios for the preparation of the strategic plan and the Corporate Governance of the Company and the Group. On at least a half-yearly basis, the Control, Risk, Sustainability and Related Parties Committee holds meetings with the Sustainability Manager to discuss and be updated on the progress of the Sustainability Plan and the activities carried out by the Group, and subsequently reports to the Board of Directors on the issues discussed. The Board of Directors is therefore involved and informed on all activities and in some cases, such as the materiality analysis carried out during 2022, is involved in the process of identifying impacts and reviewing the effectiveness of processes put in place to mitigate them. During the meetings, the Sustainability Manager, if necessary, conducts training for the Committee members on sustainability issues, which are then reported to the Board of Directors.

To strengthen sustainability governance, the Board of Directors already in 2020 entrusted the Executive Director in charge of the internal control system with the definition of the strategic sustainability guidelines, the Sustainability Plan and the review of Non-Financial Reporting. The Board of Directors, in order to ensure the most comprehensive information and broad transparency on the remuneration due to directors, has appointed an internal Remuneration Committee since El.En.'s listing. In formulating its remuneration proposals to the Board, the Committee ensures


that the remuneration of Directors and the General Manager is defined in such a way as to align their interests with the pursuit of the priority goal of creating value for shareholders in the medium-long term, and that a significant portion of the total remuneration of Directors to whom management powers are delegated or who perform functions pertaining to the management of the company is linked to the achievement of specific goals, including those of a non-financial nature, predetermined and measurable. On the occasion of each approval of the annual draft financial statements for the previous year, the Board, upon the proposal of the Committee, having heard the opinion of the Board of Statutory Auditors, and having assessed the achievement of the pre-set goals assigned, assigns to the recipients of the

promoting its sustainable success, including, where relevant, non-financial parameters.

Variable remuneration paid to both Directors, including the Chairman, and the General Manager is subject to a claw-back clause.

The evaluation for the achievement of performance goals is carried out: as for the economic-financial goals on the basis of the annual budget data, as for the non-financial goals by comparing the assigned goal with what has actually been achieved. The verification is carried out by the Committee and then by the entire Board on the basis of the information flows received from the corporate functions in charge of the sector being evaluated. With regard to sustainability, criteria for the measurability of goals in the following

### Board of auditors

	Members	Position	End of term
	<b>Carlo Carrera</b>	<b>President</b>	<b>Ass. appr. FS 2024</b>
	<b>Paolo Caselli</b>	<b>Standing auditor</b>	<b>Ass. appr. FS 2024</b>
	<b>Rita Pelagotti</b>	<b>Standing auditor</b>	<b>Ass. appr. FS 2024</b>
	<b>Alessandra Pederzoli</b>	<b>Alternate auditor</b>	<b>Ass. appr. FS 2024</b>
	<b>Gino Manfredi</b>	<b>Alternate auditor</b>	<b>Ass. appr. FS 2024</b>

incentive remuneration plan the variable portion of remuneration actually accrued according to the degree of achievement of the goals assigned and within the limits of the total amount established by the Shareholders' Meeting.

The Remuneration Policy for executive directors and top management defines a) a balance between the fixed component and the variable component that is appropriate and consistent with the strategic goals and risk management policy, providing in any case that the variable component represents a significant portion of the total remuneration b) maximum limits on the payment of variable components for executive directors c) performance goals - to which the payment of variable components is linked - that are (i) predetermined, measurable and linked in significant part to a long-term horizon; (ii) consistent with the Issuer's strategic goals and aimed at

areas were developed by the Committee and then approved by the Board: environment, human rights and corruption, and personnel and human resources. The achievement of the assigned quantitative goals is reflected in the evidence published in the annual DNF, which is subject to review.

The Directors' Remuneration Plan restored the weights of the financial (70%) and non-financial (30%) goals, remaining with a view to assigning goals that are directed towards the sustainable success of the Company and the Group.

As of 2021, the Remuneration Committee decided to propose to the Board of Directors, which then approved it, a four-year incentive remuneration plan for the General Manager consisting also of non-financial goals, which weigh 30% of the total remuneration.

Also starting in 2021, the incentive remuneration plan for Directors and the General Manager provides that 30% of the portion of variable remuneration accrued annually will be paid on a deferred basis at the end of the term of office, possibly re-evaluated on the basis of the performance of the company and the Group.

The evaluation for the achievement of performance goals is carried out: as for the economic-financial goals on the basis of the annual budget data, as for the non-financial goals by comparing the assigned goal with what has actually been achieved. The verification is carried out by the Committee and then by the entire Board on the basis of the information flows received from the corporate functions in charge of the sector being evaluated. With regard to sustainability, criteria for the measurability of goals in the following areas were developed by the Committee and then approved by the Board: environment, human rights and corruption, and personnel and human resources. The achievement of the assigned quantitative goals is reflected in the evidence published in the annual DNF, which is subject to review.

The Directors' Remuneration Plan restored the weights of the financial (70%) and non-financial (30%) goals, remaining with a view to assigning goals that are directed towards the sustainable success of the Company and the Group.

The ratio of the total annual remuneration of El.En.'s General Manager to the median annual remuneration of all Group employees (excluding the General Manager) is 56. During the year, there were no significant average percentage increases in the total annual remuneration of employees or those receiving maximum remuneration. For the calculation, gross annual salaries including salaries, bonuses, stock bonuses, etc. were used, and foreign currency salaries were converted at the average annual exchange rate. Furthermore, for those

employees who were hired during the year, the total annual remuneration was still taken into account.

As of 2021, the Remuneration Committee decided to propose to the Board of Directors, which then approved it, a four-year incentive remuneration plan for the General Manager consisting also of non-financial goals, which weigh 30% of the total remuneration.

Also starting in 2021, the incentive remuneration plan for Directors and the General Manager provides that 30% of the portion of variable remuneration accrued annually will be paid on a deferred basis at the end of the term of office, possibly re-evaluated on the basis of the performance of the company and the Group.

Board of Statutory Auditors: appointed by the Shareholders' Meeting, it monitors compliance with the law and the articles of association, compliance with the principles of proper administration, the adequacy of the organisational structure of El.En.S.p.A. for the aspects within its competence, the internal control system and the administrative-accounting system adopted by El.En. S.p.A. and their actual functioning. It also acts as the Internal Control and Audit Committee, with the duties and responsibilities set out in Article 19 of Italian Legislative Decree 39/2010. The Board of Statutory Auditors currently in office consists of three statutory auditors and two alternate auditors who meet the requirements of integrity, professionalism and independence.

Auditing company: is an external body that is entrusted with the statutory audit of accounts and is chosen by the Shareholders' Meeting. The current auditing company is EY S.p.A..

The other Italian-registered Group companies follow the traditional model and are therefore administered by a Board of Directors or a Sole Director and, where necessary, have a controlling body and are subject to auditing.



### 3.2 ETHICS, INTEGRITY AND COMPLIANCE

The El.En. Group is aware of its responsibility towards the Company and the environment in which it operates, and considers it indispensable that ethical and transparent conduct be maintained in all respects for the proper management of the Company's activities, both in compliance with laws and regulations and in consideration of the expectations of all stakeholders.

For this reason, since 2008 the Parent Company has adopted its own Code of Ethics<sup>10</sup> as a tool to strengthen and disseminate a corporate culture based on the importance of ethical-social responsibility in the conduct of business and corporate activities.

The Code of Ethics defines the principles and values that must be followed at all times in the production process and must be constantly observed in relations of collaboration, cooperation and business dealings: legality, impartiality, honesty, correctness and transparency, confidentiality, fairness, valuing of collaborators and integrity of the individual. It applies to the Group and to all persons performing activities for it.

Group companies have transposed and, where necessary, translated the Code of Ethics into the local language, undertaking to disseminate it to their employees and collaborators through appropriate means of communication. The Code is always available, in its updated version, on the website [www.elengroup.com](http://www.elengroup.com), under the section "Investor Relations/Governance/Corporate Documents".

The rules set out in the Code of Ethics are intended to protect the integrity of the Group and to ensure compliance with the laws and regulations of each country in which it operates; the Group is committed to establishing appropriate channels of communication through which reports of violations or suspected violations of the Code may be made, or for requests for explanations. Violation of the principles set out in the Code constitutes breach of contractual obligations arising from the employment and/or collaboration relationship and a source of damages.

In contracts signed by the Parent Company with consultants, distributors, agents and suppliers of critical components, explicit reference is made to the Group's Code of Ethics and the counterparty declares that it has received a copy and accepts it.

In addition, 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 an Organisational Model

pursuant to Italian Legislative Decree 231/2001 (hereinafter also referred to as the "Organisational Model"), aimed at preventing the commission of offences in the interest of the company by its employees and/or collaborators. This model of organisation, management and control of corporate activities consists of a series of general principles of conduct - in the areas identified as sensitive for the purposes of preventing so-called predicate offences - and a structured system of procedures and control activities for the prevention of such offences.

The areas monitored because they have been identified as sensitive are: offences relating to health and safety in the workplace (the company ASA S.r.l. has identified only this as a sensitive area on which to prepare a special section in its Organisational Model); offences against the public administration; corporate offences; handling stolen goods, money laundering, and the use of money, goods or utilities of unlawful origin; in addition, the companies El.En. S.p.A. and Deka M.E.L.A. S.r.l. have also identified as sensitive the areas relating to the following offences: market abuse, transnational offences and environmental offences.

With particular reference to ethical behaviour risks, the El.En. Group pays great attention to the prevention of corruption risks.

In order to further strengthen its system for preventing corruption and bribery, the Board of Directors of El.En. S.p.A. updated and re-approved the Anti-Corruption Policy during this financial year; the updated Policy was transposed by all subsidiaries, which, if necessary, translated the updated version into the local language, in order to make it possible to disseminate the document to all employees.

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. analysed, considered relevant and mapped this risk, and included it in their Organisational Model pursuant to Italian Legislative Decree 231/2001.

These companies have carried out an analysis of the risks of committing offences against the public

<sup>10</sup>For more knowledge on Ethic Code please read the Code available on the website [www.elengroup.com](http://www.elengroup.com).



administration (including those of a corrupt nature), from which a high level of risk did not emerge, in view of the existence of procedures to guard against them and in consideration of the type of activity performed.

Nevertheless, the most sensitive areas of corporate activity have been identified and a special part dedicated to the prevention of this type of offence has been prepared in the Organisational Model. The analysis therefore started from the mapping of activities and the identification of the risk associated with each of them by means of the attribution of a score (the parameters of which are: historical occurrence, existence of company procedures, impact of sanctions for the type of offence and frequency of occurrence). It was considered that the frequency of the event and the impact of the sanctions made it appropriate to dedicate a part of the Organisational Model to all prevention activities related to this type of offence, even if the historical occurrence (no event occurred to date) and the existence of company procedures mitigated the risk. The Code of Ethics also contains a reference to precise behavioural duties aimed at avoiding the occurrence of corrupt phenomena. In the three-year period 2020-2022, there were no cases of corruption and/or reports of corruption.

In order to ensure compliance with the principles contained in the Code of Ethics and the effective implementation of the system of information flows and controls of Model 231, the Group companies that have set it up make use of the Supervisory Body; appointed by the Board of Directors, the main task of the Supervisory Body is to monitor and, if necessary, report to the Board of Directors any irregularities or violations and to supervise compliance with the procedures adopted by the Company in the context

of preventing the so-called predicate offences, identified following an in-depth analysis.

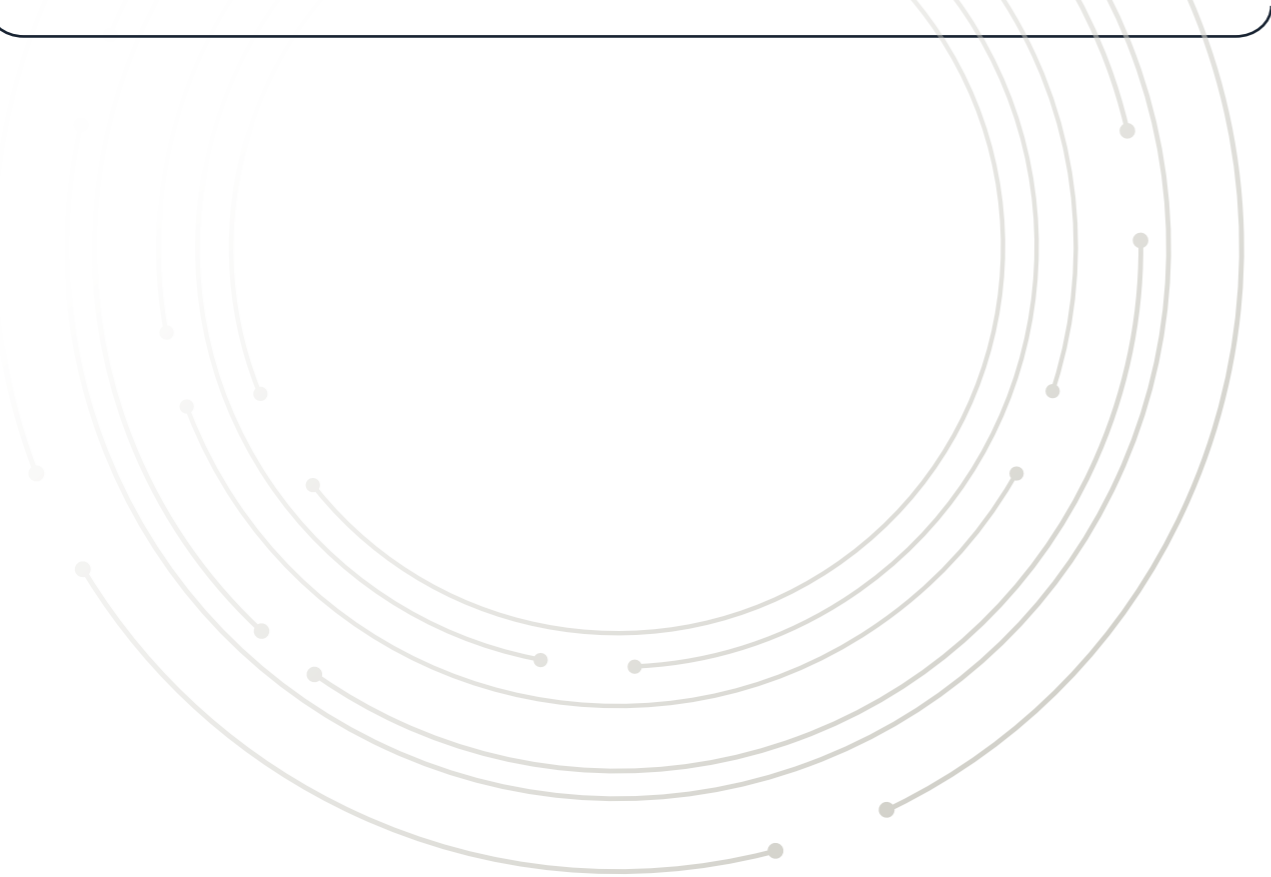
The El.En. Group believes that knowledge of and adherence to the principles of the Code of Ethics and Model 231 should also be promoted through specific training plans for people working within the organisation: during the year, the company El.En. S.p.A., and the subsidiaries Deka Mela, Quanta System and Asa continued specific training on Model 231 carried out by members of the Supervisory Body, which reached 217 employees in 2022.

In the companies Quanta System S.p.A., Asa, and the Chinese subsidiaries, specific training on the El.En Group's Code of Ethics is carried out for all new employees which reached 547 in 2022 for a total of 615 hours, while in the other subsidiaries the Code of Ethics is delivered to each new employee at the time of recruitment. Activities will continue in order to disseminate the issues even further within the organisation.

We point out that already in 2021, in order to formalise the procedures for establishing and managing dialogue with shareholders, investors and other stakeholders, the parent company El.En. S.p.A. approved the "Policy for the Management of Dialogue with the General Shareholders of El.En. S.p.A.", promoting understanding of the Company's corporate objectives and promoting communication aimed at aligning the various interests with a view to pursuing sustainable success. The document has been approved by the Board of Directors, subject to the favourable opinion of the Control, Risk, Sustainability and Related Parties Committee, and may be amended or repealed by resolution of the same body. The updated version is published on the website [www.elengroup.com](http://www.elengroup.com) under the section "Investor Relations/Governance/

## FOCUS: Respect for human rights

The Group upholds and respects the rights of the individual in accordance with the UN Universal Declaration of Human Rights and therefore demands the utmost respect for people and applicable labour regulations, not tolerating any discriminatory behaviour or behaviour that threatens people's safety. The Group considers impartiality of treatment to be a fundamental value in every relationship, both internal and external, and considers the individual, his or her ideologies and rights, to be values to be protected. The behaviour of each employee and collaborator must comply with the principles and rules expressed in the Code of Ethics and in the laws and contractual regulations governing labour relations. Through the dissemination of its Code of Ethics also among its collaborators and suppliers, the El.En. Group establishes a supervision aimed at guaranteeing respect for human rights (prohibition of discrimination, prohibition of forced and child labour, freedom of association), also in areas considered to be at greater potential risk in relation to these issues (e.g. the supply chain). To further strengthen sensitivity to these issues, which are considered priorities, all companies have adopted and disseminated to all employees the **Human Rights Policy** and the **Diversity Policy**, already approved by the parent company El.En. S.p.A.. Specific training on Group Policies was also carried out during the year, reaching 899 employees. Within the Human Rights Policy and the Diversity Policy, there is a paragraph dedicated to reporting in which it is specified that any employee or collaborator who becomes aware of a suspected or known violation of the Policy or the relevant laws must immediately report it, even anonymously, using the communication and reporting channel of the Supervisory Body.



Shareholder Dialogue/Policy Dialogue”.

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:

- Establish, without any kind of discrimination, stable channels of communication with all institutional interlocutors at international, community and territorial level;
- Represent the interests and positions of Group companies in a transparent, rigorous and consistent manner, avoiding collusive attitudes;

In order to guarantee the utmost clarity in relations, contacts with institutional interlocutors take place exclusively through contact persons who have received an explicit mandate from the persons authorised to do so by the Group companies.

Interactions with Public Administrations, Community Institutions, Bodies and International Agencies are always inspired by the principles of legality, loyalty, fairness and transparency.

The Group maintains relations based on full cooperation with all the Authorities that perform inspection, supervisory, regulatory and guarantee functions, making available, in a timely manner, any information requested by them and complying with the measures issued.



### 3.3 THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

**In an ever-changing context, where the issues of sustainability of business activity, combating climate change, environmental protection and the adoption of appropriate development policies are of paramount importance, effective risk management becomes a key factor that every company is called upon to evaluate more and more carefully. In this regard, the El.En. Group has defined an Internal Control and Risk Management System consisting of specific rules and procedures, in order to be able to assess the evolution of external trends and new market challenges, and to be able to seize opportunities as they arise, adequately managing the associated risks.**

For the El.En. Group, whose primary goal is the sustainability of the company's business in the medium to long term and the creation of value in respect of its external stakeholders, the internal control and risk management system is understood as the set of analysis methods, procedures, organisational functions and structures, and related activities aimed at identifying the main corporate risks, the ways in which they are managed, and the organisation of the system for their control.

The establishment of an adequate system of controls is aimed at the effective management of the company, the safeguarding of corporate assets, the efficient management of corporate processes, the reliability of the information disseminated by the company - both financial and non-financial - as well as compliance with laws, regulations, the articles of association and internal procedures.

For the purposes of constructing and developing an adequate risk management system, the Parent Company has defined its own internal control and risk management system, first and foremost in relation to the financial reporting process, based on the CoSO Framework model, in line with international best practice.

The main features of the internal control and risk management system are rules and procedures on the one hand and governance and control bodies on the other.

The rules consist first of all of a series of general principles, codified in the Code of Ethics; secondly, of a series of second-level procedures (those pursuant to Italian Legislative Decree 231/01, L. 262/05, L. 81/09, internal regulations on the handling of confidential information, transactions with related parties, internal dealing, etc.) which make it possible to bring the aforementioned general principles into the

company's reality and make them operational.

On the other hand, they monitor compliance with the rules and procedures on the basis of the competences and functions defined and assigned by the Council to the various bodies at their respective levels.

Since 2018, the parent company El.En. has had a Disaster Recovery Plan, i.e. the set of processes and technologies designed to restore systems, data and infrastructures necessary for the provision of IT services in the face of serious emergencies, i.e. threats that are not due to intentional aggression (disasters). For the correct application of the plan, all systems were classified into critical, vital, delicate and non-critical. As far as El.En.'s systems are concerned, only machines considered critical, i.e. those to be restored within a maximum of two days, were included in the DR plan; the status of the plan is reviewed every month.

Annually, a Vulnerability Assessment and Security Audit is carried out, using a methodology established in the international scientific community that encompasses industry best practices, with the aim of identifying any security issues and vulnerabilities in the infrastructure. For each problem encountered, the impacts of a possible successful attack, the difficulty of exploiting such an attack, and a hypothesis of remediation actions to resolve or mitigate the problem are defined. Each detected vulnerability is associated with a risk, which allows the most critical situations to be identified more precisely and serves as support for the risk management model.

Aware of the ever-increasing importance of cyber security issues for business continuity, the parent company El.En. took a series of actions during 2022 with the aim of both increasing the protection of computer data and increasing people's knowledge on these issues. In fact, infrastructural investments

have been initiated to improve the company's perimeter security, and collaborations have been established with governmental bodies in order to share information in the field of cyber security and thus quickly take corrective actions and increase the efficiency of the process. Periodically, El.En. provides training for its corporate resources with dedicated courses aimed at increasing security know-how, but more training is planned, at least at an early stage, to introduce IT ethics and raise awareness of these issues. In 2022, during the Management Review of the Quality Management System for the companies El.En. S.p.A. and Deka Mela S.r.l., the Management reconfirmed its commitment to risk management as a fundamental tool in the management of the organisation and its processes, always guaranteeing the provision of resources and qualified personnel for verification activities and participating directly in the definition and documentation of the policy for determining the criteria for risk acceptability.

A theme that emerged during the review was that of business continuity, i.e. the company's ability to continue its activities in the event of extraordinary external events, which can be either natural disasters

or socio-cultural events resulting from human actions, on the national and international scenario, especially as a consequence of the sudden and unexpected outbreak of the war between Russia and Ukraine: this event inexorably brings both direct consequences, such as the blocking of laser technology exports to Russia at Group level, and indirect ones, such as the increasing difficulty in finding raw materials and the increase in the cost of energy.

In particular, an awareness has developed of how serious the effects of underestimating risks and being unprepared for potentially disastrous events can be for an organisation. Events that at first glance may seem extremely unlikely (such as a pandemic), global financial crises, environmental catastrophes, earthquakes and floods, cyber attacks, etc., can occur without warning.

The need therefore arises for managerial methods and operational tools to mitigate their impact. It is crucial for the survival of the organisation and the defence of its value to adopt operational risk management tools and to constantly reassess their adequacy and effectiveness. In times of crisis, in addition to the promptness of the operational





response to the destabilising event, the ability to manage communications to control authorities, customers, suppliers, credit institutions, employees, shareholders and investors and all other interested parties is fundamental, and to reduce, as far as possible, the duration of the interruption of production processes and service provision, preserving the value of the company, its reputation and its assets.

In this regard, the following standards were purchased from the Quality department: UNI ISO 31000:2018 (Risk management - Guidelines), IEC 31010:2019 (Risk management - Risk assessment techniques) and UNI EN ISO 22301:2019 (Business continuity management systems - Requirements).

Last year, a number of employees (Quality, Finance and Sustainability, Operations Management) underwent training on these regulations, in order to acquire knowledge and expertise on the main risk assessment techniques, the setting up of a Business Impact Analysis and the implementation of a business continuity management system. As ISO 22301 is the international reference standard for business continuity management, the Management gave the Quality department an exploratory mandate to evaluate a possible company certification according to this management system. At the moment there are no plans to proceed with a company certification according to this model, but the Management does not exclude that this decision may be taken later.

The organisational structure of the Internal Control and Risk Management System is structured as follows:

- **The Board of Directors and the Board of Auditors**, as already mentioned in the previous paragraphs, are respectively responsible for assessing the adequacy of the internal control system implemented and acting as the Internal Control Committee;
- **The Control and Risk, Related Party Transactions and Sustainability Committee** has the task of supporting the Board of Directors in evaluating and deciding on the Internal Control and Risk Management System and on sustainability issues;
- **The Executive Director** in charge of the Internal Control and Risk Management System is responsible for establishing and maintaining an

effective internal control and risk management system, defining strategic sustainability guidelines, the Sustainability Plan and the review of the Consolidated Non-Financial Statement.

- **The Internal Auditor**, appointed by the Board of Directors, has the task of verifying, both on an ongoing basis and in relation to specific needs, the operation and suitability of the internal control and risk management system;
- **The 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;
- **The Supervisory Body** entrusted with the observance of the Organisational Model pursuant to Italian Legislative Decree 231/2001 has the task of monitoring compliance with the procedures set up by the Issuer also in the context of the prevention of corporate offences.

The Internal Control System ensures the monitoring of risks related to the pursuit of strategic, operational, reporting and compliance goals, both in the parent company and in the subsidiaries that have adopted this approach.

The following are the main risks identified relating to sustainability issues:

- **Risks related to ethical behaviour:** risks are related to the lack of integrity of the Group's management or employees, who may engage in unethical, unauthorised, unlawful or fraudulent behaviour, with particular reference to the issues of active or passive corruption, bribery between private individuals and human rights. To mitigate these risks, the Group has adopted a Code of Ethics to strengthen the dissemination of a corporate culture based on the importance of ethical and social responsibility in the conduct of business and corporate activities; the Parent Company and some Italian subsidiaries have

also adopted an Organisational Model pursuant to Italian Legislative Decree 231/2001. During 2022, the El.En. Group updated and re-approved its Anti-Corruption Policy (first approved in 2019); the additions were implemented by all subsidiaries and the Document disseminated to all Group employees.

- **Reputational risks:** due to the nature of the sectors in which the Group operates, one of the major risks pertaining to the social sphere concerns the quality and safety of our products and the supply chain; in fact, any manufacturing defects could compromise the reliability and safety of the final product. Underestimating the attention of customers and the community at large to these issues could lead to a loss of image and reputation, resulting in a decline in financial performance. The Group has always paid the utmost attention to the quality and safety of its processes and products: the Group's main manufacturing companies have adopted a quality management system, obtaining ISO 9001 certification, while all medical device manufacturing companies are ISO 13485 certified and operate strictly in accordance with the relevant provisions, as evidenced by the passing of the numerous periodic inspections, both scheduled and unannounced, that they undergo each year. In order to ensure maximum safety, as also set out in the Code of Ethics, the Group establishes lasting relations with its suppliers inspired by the principles of fairness and transparency and carefully monitors the process of selecting suppliers and maintaining their performance, through training and specific on-site visits to verify their ability to meet and maintain the required quality standards. Since last year, the Group has taken steps with suppliers to define and share principles, good social and environmental practices and ethical behaviour and to promote an even more responsible and sustainable supply chain.
- **Staff-related risks:** these risks are related to the fact that the Group does not put in place processes to attract, select, motivate and enhance human capital, or that there are no adequate processes to ensure respect for diversity

and equal opportunities. Within the framework of the quality management system (ISO 9001) adopted by the main production companies, employee management issues are overseen; the Parent company has also carried out a thorough job of codifying human resources management procedures as well as profiling company functions with the identification of the necessary responsibilities and skills. In all companies, the training activity is defined annually by surveying the curricular needs of the company population in addition to the compulsory training that must be provided. The Group has also codified in the Code of Ethics its commitment to respect and protect the dignity, diversity and equal opportunities of its employees and collaborators. The Group in 2022 adopted a Diversity Policy and approved some updates within the Human Rights Policy already approved in 2019.

- **Environmental and health and safety regulatory compliance risks:** these risks are related, on the one hand, to any new environmental regulatory obligations and possible non-compliance with the environmental requirements of the regulations and, on the other hand, to the fact that the Group does not put in place processes to ensure the health and safety of workers and possible non-compliance with regulatory requirements in this area. Within the Code of Ethics, the Group has codified its commitment to environmental and health and safety protection. The Group's Italian companies have also overseen environmental and health and safety issues within the framework of the Organisational Model pursuant to Italian Legislative Decree 231/2001. In all Group companies, the issue of health and safety is managed and monitored through processes that, although not centralised and coordinated at Group level, ensure that each subsidiary has procedures related to the protection of workers' health and safety, worker training and the implementation of corrective and improvement actions.
- **Risks related to respect for human rights:** the risk is related to the failure to respect human rights, which could undermine the proper and responsible management of the business. The risk



is particularly related to the Group's operations and suppliers operating in countries (e.g. those in the Asian region) where legislation in this area is less stringent than in Italy. The protection of human rights is explicitly mentioned in the Group's Code of Ethics, compliance with which is required of all companies. The Group also extends the application of its Code of Ethics to suppliers in which explicit reference is made to the UN Universal Declaration of Human Rights. In addition, the Group adopted a Human Rights Policy in 2019, which was updated and re-approved in 2022. Specific training on this Policy was also carried out during the year, reaching 899 employees.

- **Environmental risks:** these risks are related to the possibility of causing environmental impacts that adversely affect the local area in which the Group operates or that inadequate measures are taken to mitigate these impacts. El.En. has always complied with the environmental requirements of current legislation, and within the Group's

Code of Ethics has reaffirmed its commitment to environmental protection. The Italian companies that have adopted the Organisational Model pursuant to Italian Legislative Decree 231/2001 have also addressed these issues within the model. In 2019, the Group adopted an Environmental Policy to monitor and reduce the environmental impact of its activities; this Policy, which was updated and re-approved during this financial year, was implemented by all subsidiaries and disseminated to all Group employees. Specific training on this Policy was also carried out during the year, reaching 899 employees.

- **Climate change risks:** The El.En. Group is aware of the risks posed by climate change to its business activities and conducted a major analysis in 2022 to identify the potential economic impacts of these risks. Climate change risks were divided into transition risks and physical risks, and for each identified risk, potential negative impacts and related opportunities were defined and possible mitigation actions to be implemented were

identified. With regard to transition risks, the Group considered various scenarios to reflect potential future developments, adopting two scenarios, IEA 450 and IEA B2DS, which were found to be the most suitable for the Group's business and the most consistent in the path undertaken to keep the temperature increase within 1.5° C. The IEA 450 scenario predicts that by 2030 there will be a significant penetration of renewable energy in the energy sector, an improvement in vehicle and process efficiency, and a major substitution of coal by natural gas. This scenario therefore describes an energy pathway consistent with maintaining global warming at 1.5° C by limiting the concentration of greenhouse gases in the atmosphere to around 450 parts per million of CO<sub>2</sub> equivalent. With this in mind, over the next few years the Group plans to install photovoltaic systems, gradually replace its vehicle fleet with new-generation electric or hybrid models, and further actions to reduce energy consumption. The IEA B2DS scenario was considered to set goals for reducing greenhouse gas emissions, assuming the development of climate policies and the development of technologies to reduce these emissions. Scenario analyses enabled the Group to identify risks and opportunities related to business development. As of today, the main transition risks identified are: (a) risks related to legislative/regulatory changes associated with the fight against climate change: among the main risk factors to which the Group may be subject are the increasing reporting obligations on emissions produced, the possible introduction of new environmental standards and regulations, new reporting obligations on emissions produced, or limitations on atmospheric emissions. (b) Risks related to technological evolution where there is a failure to adapt in the innovation and digitisation of products, services and processes in line with the technological evolutions required to contain climate change phenomena. (c) Risks linked to the evolution of the market where the demand for products/services will be increasingly attentive to environmental issues and an adaptation of the offer will be required. (d) Reputational risks linked to climate change, since not undertaking

a gradual process of decarbonisation or even becoming aware that the activities carried out by the Group and by counterparties could have negative climate impacts would affect the Company's reputation and consequently its economic and financial results. With reference to these risks, we annually communicate our commitments, goals and targets concerning climate change to all stakeholders in a timely manner in order to maintain a positive reputation. The Group is committed to continuous improvement of existing activities in terms of environmental impact, through goals concerning the promotion of energy efficiency policies and raising awareness of responsible behaviour. In the Sustainability Plan 2023-2027, we will include specific goals to reduce direct impacts through the reduction of CO<sub>2</sub> emissions into the atmosphere and to contribute to the fight against climate change through the promotion of circular economy studies and initiatives.

With regard to the identification of physical risks, the Group also selected two different scenarios: RCP 2.6 and RCP 8.5. The RCP 2.6 scenario envisages zero greenhouse gas emissions by 2100 through massive regulation and policy intervention: this scenario predicts an increase in temperatures and a decrease in precipitation in the first half of the century with a decreasing trend in the second half.

The RCP 8.5 scenario, on the other hand, predicts a gradual increase in emissions by 2100 resulting from a lack of effort to reduce emissions and thus a failure to curb global warming: in this second scenario in the second half of the century there will be an increasing trend of rising temperatures and decreasing precipitation. For both scenarios, the Group has identified the main acute physical risks: progressive changes in climatic conditions and extreme weather events, which could result in damage to infrastructure such as industrial buildings or plant and machinery, as well as potential disruptions to essential supplies with a consequent reduction in production capacity. Each assessment was then translated into possible days of business interruption, possible shunting of logistical activities resulting in higher

costs, and possible damage to production sites and company infrastructure, which increases as the severity of weather events increases. As chronic physical risks, the progressive increase in temperature with consequent overloading of power grids or blackouts, which could be followed by interruptions or decreases in activities, or increased energy supply costs related to higher thermal or electrical consumption, were identified.

To partially mitigate these risks, the Parent Company and its Italian subsidiaries have taken out an insurance policy that covers direct damages from atmospheric events such as hurricanes, storms, wind, hail, floods and earthquakes. With regard to the interruption of production capacity, in order to mitigate this risk, insurance coverage by the Parent Company is currently being evaluated, in light of the progressive emergence of new risks and unforeseeable events that may affect production capacity. In addition, the Group conducts routine maintenance operations using the best prevention and protection strategies, also with the aim of reducing possible impacts on production facilities.

The risk of the loss of business continuity due to the reduction or interruption of production processes or service delivery resulting from climate change prompted Management to develop a progressive risk management system and a Business Impact Analysis. This analysis, based on the management model dictated by the ISO 22301 standard, will aim to mitigate risks arising from the occurrence of natural disasters (but also from socio-cultural events, resulting from human actions, on the national and international scene).

Today, the fight against climate change is no longer an option but a must and represents the biggest challenge of the century: companies must therefore consider these aspects as a priority when defining strategies and in day-to-day operations. The Group's commitment to the transition to a low-carbon economy is linked to emission reduction goals in the recently concluded Sustainability Plan, which will be even more challenging in the subsequent Sustainability Plan 2023-2027, to support the Paris Agreement to limit global warming to 1.5°C and contribute to the European Union's goal of achieving carbon neutrality by 2050.



**THE MAIN RISKS INHERENT TO SUSTAINABILITY TOPICS**

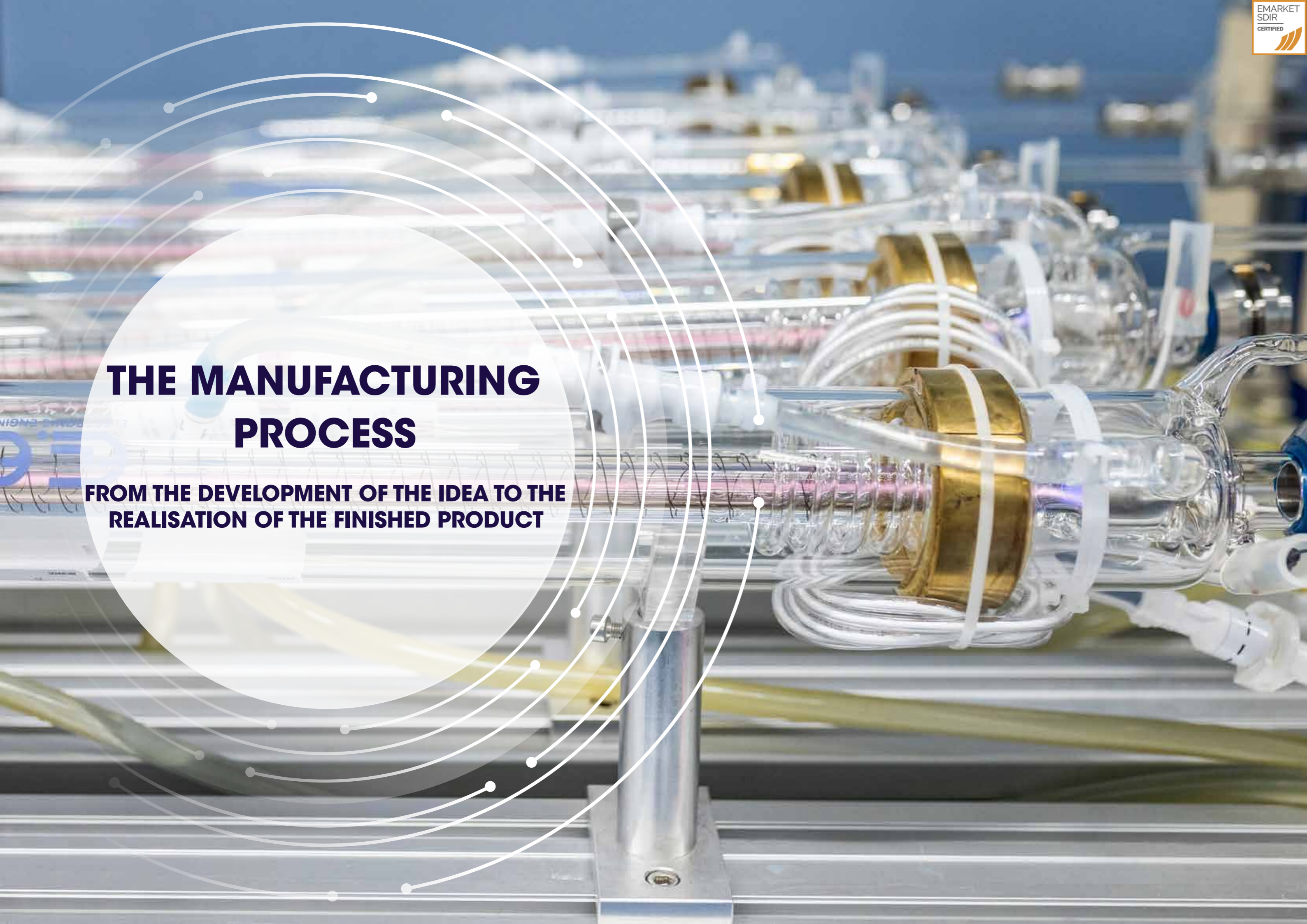
Risk category	Description of risk	Management	Macro area
Risks related to ethical behavior	<ul style="list-style-type: none"> <li>Lack of integrity on the part of the management or of the personnel</li> <li>Risk of corruption</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 1: sustainability</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. Group 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 take actions toward suppliers to share principles, good social and environmental practices, and ethical behavior</li> <li>Insertion in the checklist of suppliers the evaluation of some sustainability issues</li> </ul>	

Risk category	Description of risk	Management	Macro area
<b>Risks related to personnel</b>	<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> <li>El.En. Group adopted a Human Rights Policy</li> </ul>	Human Resources Responsibility
<b>Risks related to compliance with environmental and health and safety laws</b>	<ul style="list-style-type: none"> <li>Lack of procedures to protect the health and safety of the workers.</li> <li>Risk of noncompliance with the new environmental obligations and regulations or of nonconformity to the environmental requisites.</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 6: the People</li> <li>Human Right Policy</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. Group adopted an Environmental Policy</li> </ul>	Environmental responsibility
<b>Environmental risks</b>	<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> <li>El.En. Group adopted an Environmental Policy</li> </ul>	
<b>Climate change risks</b>	<ul style="list-style-type: none"> <li>Risks related to changes connected to modifications in the political, legal, technological and market laws/ regulations.</li> <li>Physical risks</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 7: Environment</li> <li>Ethics Code of the Group</li> <li>Organizational Model in compliance with D.Lgs. 231/2001 for the companies which have adopted it</li> <li>Environmental policy</li> </ul>	



# **THE MANUFACTURING PROCESS**

**FROM THE DEVELOPMENT OF THE IDEA TO THE  
REALISATION OF THE FINISHED PRODUCT**



## 4. THE MANUFACTURING PROCESS

### 4.1 RESEARCH AND DEVELOPMENT AS A TOOL FOR INNOVATION

The critical success factors of the El.En. Group are the adequacy of the product range we offer and the ability to continuously innovate it to meet market needs and to create new ones

**8**  
RESEARCH CENTERS

**182**  
PEOPLE INVOLVED  
IN RESEARCH AND  
DEVELOPMENT

ABOUT **20 MILLION**  
EUROS INVESTED IN R&D

**287** ACTIVE PATENTS AND  
**55** PENDING

The Group's positioning on high-tech products and the global competitive environment in which it operates entail a continuous and significant commitment to research and development of new products and new technologies. What characterises us is our ability to think in a unique way, to innovate by considering the needs of the doctor and the patient in the medical sector rather than the user of the system in the industrial one, starting from any intuition that may arise from the constant and profound observation of problems that do not yet have a solution.

It is the skills we have acquired and the passion of our people that make the real difference; the El.En. Group and the people who work for it in fact boast a knowledge of physical, biomedical and technological phenomena gained in almost forty years of experience, which leads to a marked ability to innovate in its know-how, production technologies, processes, products and related services. One of its strengths is precisely the possibility of networking among the people working in the Group, who in this way develop contacts and relationships, creating a bond of reciprocity in which skills and information are exchanged and shared.

The Group organises its research and development activities along programmatic lines and with a medium- to long-term vision, so that innovative products in performance and applications can be developed promptly and continuously.

In the research activities conducted in our laboratories, as well as through collaboration with leading research centres, hospitals and universities, both nationally and internationally, we do not set ourselves any limits, driven by the desire and passion for everything that is or can become new. The research carried out is applied for most of the activities, while it is basic for some specific topics, generally related to activities regarding innovative medium and long-term goals.

The El.En. Group's ability to innovate is also demonstrated by the number of patents the companies have filed: in just over forty years of activity, 287 patents have been filed, while 55 are currently in the application phase. There has been an intense activity in obtaining patents to protect intellectual property of the inventions obtained; this activity has been increasingly more difficult over the

years due to the protectionism policies of the more technologically developed countries.

Intense Research and Development activity was also carried out during 2022 according to the strategy of pursuing continual innovation, aimed at opening new laser applications or of other energy sources, both in the medical and industrial sector (including applications for the preservation of cultural heritage) and to place innovative products on the market from the point of view of applications, performance of the devices and technologies used.

medical field are concerned, we mention the Group's main lines of development.

In the area of dermatological applications, research continued on the "RedTouch" system, based on a laser source with red emission, which represents a unique and innovative solution for skin photo-rejuvenation, based on the direct interaction of radiation with the collagen present in the tissue. A clinical study is scheduled to start in the first quarter of 2023 in the US with the aim of obtaining FDA clearance.

Thousands of Euros	31/12/2020	31/12/2021	31/12/2022
Staff costs and general expenses	11.067	11.633	13.392
Equipment	362	305	339
Costs for testing and prototypes	3.957	7.113	5.740
Consultancy fees	564	493	461
Other services	119	233	284
<b>Total costs R&amp;D</b>	<b>16.069</b>	<b>19.775</b>	<b>19.946</b>

The El.En. Group is currently among the few in the world who develop, manufacture and market products based on the widest spectrum of available technologies, including: solid-state laser, semi conductor laser, active fibre laser, dye laser, CO2 laser, in addition to frequency conversion systems including OPO and Raman, capable of providing solutions from infrared to ultraviolet with different levels of power and emission duration, to fulfil a wide range of applications. In addition to laser technology, El.En. is active in other technologies, again in the field of electromagnetic energy forms, including in particular radiofrequency, microwaves and high-intensity electromagnetic fields. Therefore Research and Development is addressed to numerous and different systems, subsystems and accessories.

The table above shows the expenses incurred by the Group during the three-year period 2020-2022 for research and development activities: the amount of expenses incurred corresponds to approximately 2.6% of the Group's consolidated turnover. The expenses incurred by El.En. S.p.A. amount to 3% of its turnover.

As far as research and development activities in the

Also in the field of dermatology, the development of the "Viridis" handpiece of the "Luxea" platform was completed, which aims to achieve the highest standards on the market for pulsed light-based vascular applications.

Development of a new system for dermatology called "Helix", which combines the ablative effect of the traditional CO2 laser with a non-ablative effect achieved by means of a source emitting at 1570 nm, was completed in the year 2022. Aimed at the US market, it obtained FDA clearance in January 2023, and its commercialisation is about to start.

In the hair removal sector, there is constant research and development aimed at improving the high-end "Again" and "Elite IQ" products. The time structure of the pulses produced to optimise the efficacy of treatments while minimising discomfort is the main focus of study, particularly for the treatment of vascular lesions, which is an essential additional application potential of the "Again" family of products.

Work continues on improving the top end of hair removal products, aimed at making treatments faster by reducing heating and calibration downtime to a

minimum, with the aim of pursuing the excellence of El.En. products.

The production and sale of the new "MotusAZ" product, characterised by a complete range of treatments using a series of contact-cooled handpieces, is now fully operational: Moveo HR, dedicated to hair removal; Moveo PL dedicated to the treatment of pigmented lesions; Moveo VL dedicated to the treatment of vascular lesions; Moveo SR dedicated to the treatment of Skin Rejuvenation. The proposed offer is proving to be a great success, proving the goodness of the development realised.

DEKA has started marketing the new product "SmartPico", a laser system mainly dedicated to applications for the removal of tattoos and the treatment of benign pigmented lesions, operating in picoseconds. Intensive research and development, jointly conducted by El.En. R&D and Quanta System, is underway to enhance product specifications in all emission wavelengths.

The range of laser handpieces accompanying the Monolith hair removal system was completed by adding a new handpiece capable of generating a powerful 760 nm emission.

In the area of body shaping, the development of a new, small handpiece specifically for facial treatment was completed for our innovative "Onda Coolwaves" system. The new handpiece is intended to complete the range of treatments available with "Onda Coolwaves": reduction of localised adiposity, cellulite and under the chin blemishes.

Research and development activities continue on systems for muscle stimulation and reduction of localised adiposity based on electrical ("PhysiQ") and magnetic ("Schwarz") excitation. The latter appliances for the stimulation of specific muscular

masses of the body are also intended to be applied in the rehabilitation sector, and have confirmed significant sales results during 2022. Further development activities are underway to obtain FDA clearance for the treatment of fat with a version of the PhysiQ product enhanced by the adoption of innovative technology.

Also in the Body Shaping segment, innovative Artificial Intelligence algorithms have been implemented on the "LIPO AI" system, which allow significant advantages and improved user-friendliness, ensuring the highest levels of safety and effectiveness of the now classic laser lipolysis procedure.

For applications in gynaecology, we report the release of the new "GLIDE" product family: "Monalisa Glide" and "Monalisa duo glide". The new family represents an evolution of the iconic Monalisa Touch, retaining the outstanding features of El.En.'s CO2 technology while improving control architecture, design, and ergonomics. In addition, the new "Monalisa duo glide" system combines the ablative treatment characteristic of the CO2 laser with a non-ablative thermal treatment using the 1540nm wavelength delivered by an additional laser source available in the system.

The development of the revolutionary new "Monalisa Butterfly" accessory capable of automating the "Monalisa Touch" treatment has been successfully concluded, released for sales at the end of 2022. "Monalisa Butterfly" allows the "Monnalisa" procedure to be carried out automatically, thanks to a motorised drive system for both the linear feed and the rotation movement, traditionally performed by hand by the operator. With the addition of automation, treatment is faster and safer, with results independent of operator experience.



Also in the field of gynaecology, research and development work continues on systems for the treatment of stress incontinence.

For surgical applications, research and development related to CO<sub>2</sub> laser technology continued: new accessories and systems were developed, including the "Multipulse Pro Duo" marketed by the subsidiary Asclepion, a system that enables a wide range of surgical procedures thanks to its dual arm-fibre functionality.

The study, development and design of laser systems based on the new Thulium Fiber laser - Fiber Dust technology continues, completing the company's product portfolio on the market for the treatment of urinary tract stones and benign prostatic hyperplasia.

Work continues on clinical trials and validation of the therapeutic efficacy of physiotherapy equipment as required by MDR.

The development of automatic vessel recognition for vascular treatments by camera continues and technical and clinical trials are underway. Work continued on perfecting a surgical system for urological applications characterised by the presence of a morcellator integrated in the system.

In the industrial field, the Group carries out the following activities:

The re-engineering of products in the light of the increasingly demanding applications to which they are addressed continues steadily at El.En. Work has begun on higher power sealed sources for e-vehicle applications in competition with conventional systems. Refinement of the range of medium-power CO<sub>2</sub> sealed sources continued, in particular of the 1.5 kW source, enabling its use in the die-cutting sector in cooperation with Cutlite Penta.

Continued development on sealed sources for stripping applications, again for e-vehicles, requiring higher power and low cost to reaffirm our integrator partner's presence in the industry as opposed to mechanical solutions.

In the industrial sector, too, the shortage of certain components meant that R&D team resources had to be deployed to revise technical solutions to enable production to minimise the difficulties of the historical

moment and the impact of similar situations that may arise in the future.

In the area of galvanometric scanning systems, product engineering continues to be optimised in order to improve production processes and long-term dynamic performance. Work is underway to design new scanning units that are modular according to marking requirements with flat-field lenses or dynamic focusing systems.

In the restoration sector, the R&D team is following up on the first 300W units for more extensive restoration applications, with use also being extended to the world of paint stripping or industrial cleaning.

In the sector of metal cutting machines, new optical, mechanical, fluid dynamic and sensor developments of the EVO2 cutting heads allowed laser power outputs of up to 40kW to be added to the range. The machines equipped with a 40kW source, represent a product that is constantly evolving due to the development of cutting processes that are becoming more and more cutting edge. Outstanding results have been achieved in terms of the ability to cut very thick carbon and stainless steels. The design and improvement of innovative tube cutting systems and combined tube/plane machines continues.

The development of software and the characterisation of cutting parameters, also with the relevant support gases, have made it possible to fully exploit the potentials resulting from the high power outputs used, with significant increases in performance in terms of productivity and quality and the implementation of innovative 2D and 3D bevel cutting systems that result in a new application range for fibre laser cutting and a distinctive differentiation element on the market.

The constant development and expansion of the range of American die-cutting machines also continues, an area in which the subsidiary Cutlite Penta is increasingly strengthening its position as a world leader by presenting a new line based on the El.En RF1555 laser, which is gaining market share over competing sources.

The implementation of the new El.En. RF1222 CO<sub>2</sub> source continued on the Of-las marking systems, as well as of the new scanning optics specifically developed to manage medium and peak high

power together with the increasing demand for dynamic performance. To improve the performance of the systems produced by automation, specific new servo systems were designed.

For the footwear sector, software functions have been extended to make the use of the systems increasingly responsive to market needs. Similarly, positioning systems have been optimised in hardware. With regard to the processing of large slabs, particularly marble and natural stone, the study and development of processing on large dimensions (2x3 metres) with high laser power (1200w) continues. Furthermore, constant research and streamlining of the processes in the leather, textile and footwear industry continues in order to achieve increases in performance and operational flexibility.

Work continues to identify and realise customised solutions to be integrated into complete production processes requiring surface treatments of various materials, as well as those to be integrated into production lines using universal robotic systems.

On the other hand, the research and development of

the subsidiary Lasit S.p.A. focused on improving the confinement systems of the laser irradiation zone in terms of greater integrability and ergonomics of the opening and closing devices. Work was carried out to simplify, reduce the size and standardise the electrical panels and other components in order to optimise the engineering of the systems, making them also more integrable and compact. Work is in progress to develop vision systems capable of accessing the field of view directly through the focusing optics in order to minimise parallax errors, bulk and camera vulnerability.



## THE TECHNOLOGICAL REVOLUTION OF FIBRE IN THE INDUSTRIAL SECTOR

### PENTA Research and Development

Penta started its business about thirty years ago with CO<sub>2</sub> laser source machines, establishing itself mainly in the field of cutting non-metallic materials. The turning point came thanks to the technological revolution in the sheet metal cutting sector that gave birth to very short wavelength **fibre laser sources** thanks to the efforts made by its R&S laboratories, aimed at researching and adopting increasingly higher powers (which have risen to levels previously considered unattainable for CO<sub>2</sub> sources), in recent years Cutlite Penta has also made a strong name for itself in the metal cutting market, offering solutions with affordable costs and high performance in terms of production efficiency and effectiveness, which have enabled them to be used both for very high efficiency and speed production and for production requiring higher thicknesses, previously only satisfied by other technologies.

**Penta's R&D, building on the El.En. Group's decades of experience with CO<sub>2</sub> laser sources, has transferred this know-how advanced and transversal in the field of fibre laser technology and has applied it in sheet metal cutting, to develop fast, high-power machines..**

This technological revolution has created a spread of laser applications that are becoming more and more affordable for everyone and that, besides being effective and technologically advanced, are **also highly appreciable in terms of sustainability**. We know the advantages of using lasers in the metal cutting industry: no polluting materials are added to the machining process, the fumes produced contain no chemical additives, and waste quantities are reduced thanks to extreme precision and the use of programmable software; but replacing CO<sub>2</sub> lasers with fibre lasers also allows the machine's productivity to be increased, thus reducing energy consumption during the production process and thus reducing CO<sub>2</sub> emissions into the atmosphere, thus helping customers to establish processes that are much more respectful of ethical and environmental values, aware that the entire industry must become even more sustainable.



## CLINICAL RESEARCH & PRACTICE

### of El.En. S.p.A.

The Parent Company El.En. S.p.A. set up a Division called Clinical Research and Practice (CRP) a few years ago to enhance and streamline the clinical development process (an integral part of the development of new products, with relevant validation, pre-launch and appropriate physical-clinical debugging) and to better develop sales tools, white papers and scientific articles, as well as to capitalise on lab experiences.

The success of a laser treatment arises from a meeting of ideas, it is nourished by the clinical experience of professionals who want to innovate their profession every day, by listening to the sales network, by marketing, by discussions with product specialists, by the ability of research and development to push the technological envelope. The CRP (Clinical Research & Practice) division was therefore created to concretely define the place where these ideas meet, before choosing the right ones to be given clinical force and accompanying them in the right direction so that they can be successful and scientifically sound. CRP is therefore an incubator, maturing proposals and trying to mediate for the right compromise between physical well-being and technical feasibility.

This division consists of professionals with diverse experience and expertise in bioengineering, surgery, biology and chemistry. It was set up a few years ago as an autonomous department, but is the fruit of the union of colleagues who have been working assiduously for years in scientific research within the company, and also makes use of external collaborations with professionals from numerous branches and institutional and university bodies.

The Clinical Research & Practice division supports the company by providing clinical data to support the medical systems, especially the youngest ones, through numerous activities: it promotes clinical training through the drafting of scientific documentation, coordinates the activities of Product Managers to increase the synergy of products in the various specialities, drafts clinical manuals with protocols to support the use of the latest systems, and produces Clinical Evaluation documentation for the various certifying bodies according to the latest regulatory standards to support the obtaining of various medical certifications.

Preclinical evaluations on biological models and specific investigations, including histological investigations, are also carried out in the department, along with advice on the scientific state of the art in order to have a complete picture of the situation in which the product is to be placed.



## ASACAMPUS - EXPERIMENT ON THE INTERNATIONAL SPACE STATION

After having participated in the CORM experiment (2017) and the XENOGRISSE experiment (2019), the researchers of the ASAcampus Joint Laboratory - established from the partnership between the ASA Research Division and the Department of Experimental and Clinical Biomedical Sciences "Mario Serio" of the University of Florence - are taking part in the "SUTURE in SPACE" experiment, on the International Space Station (ISS) during the Minerva mission with Italian astronaut Samantha Cristoforetti.

The experiment, selected by the European Space Agency in the ESA-ILSRA2014 call and with the support of the Italian Space Agency (C-ASI N. 2018-14-U.0-Suture in Space), aims to study the healing process of surgical wounds in Space. In future interplanetary space missions, any surgical emergencies, wounds, burns and traumas will have to be managed on board spacecraft or space bases, because the medical evacuation times to Earth would be too long. The wound healing process is crucial for the survival of the organism, so it is necessary to study it under the typical conditions of the space environment.

The hardware and biological samples needed to carry out the experiment were prepared and integrated in the laboratories of the Kennedy Space Center (KSC) at Cape Canaveral, Florida, and transferred to the ISS with the SpX-25 (Cargo Dragon 2) launch.

The realisation of the SUTURE experiment in SPACE was possible thanks to seven years of multidisciplinary research in which many researchers from the departments of: Experimental and Clinical Biomedical Sciences "Mario Serio" and Experimental and Clinical Medicine, both from the University of Florence, Life Sciences-University of Siena, Pharmacological and Biomolecular Sciences-University of Milan, Health Sciences-University of Molise, Biomedicine Pharmacology and Space Medicine-Aarhus University, VU University Medical Center-University of Amsterdam, Space Biology Group-Lucerne University of Applied Sciences and Arts. Surgeons from the Breast Unit and the Vascular and Cardiovascular Surgery Units of the Careggi University Hospital also took part in the project activities.

Studying the wound healing process under microgravity conditions will help to better understand the mechanisms of tissue repair and regeneration and to identify therapeutic strategies for wound management both in Space and on Earth. During the studies for the experiment, an ex-vivo biological tissue culture technique was developed that allows tissue to survive for several weeks and could have various applications in the biomedical field.

## QUANTA SYSTEM S.p.A.

Quanta System's core business is almost exclusively dedicated to the medical sector and only to a small extent to the industrial sector and the art preservation sector.

During 2022, new product development activities continued in both the surgical and dermatology and medical aesthetics divisions, with the launch of several successful new systems.

In the **surgical sector**, the company recently brought to market laser systems based on the new Thulium Fiber laser - Fiber Dust technology, which completed the company's product portfolio on the market for the treatment of urinary tract stones and benign prostatic hyperplasia. In parallel, custom versions of the same product were created for some major OEM customers. The company is currently engaged in the power development of this product range, to complement its offerings with ever-increasing technical specifications to meet the growing demand for innovative technologies in this sector. The segment also continues to develop new sources based on non-linear optics and the use of the Tullium laser for applications in the treatment of urinary tract stones. Quanta System is confirmed as the El.En. Group's leading company in research and technological innovation in the laser market for urology applications.

In the **dermatological sector**, the development of two new products has been completed and will be launched from 2023 onwards: these are the "Youlaser Prime" for dermatological and gynaecological surgery applications and the new "Suprema" platform, which complements and enhances the performance of the EVO platform in all its configurations.

At the same time, the R&D team mainly devoted itself to advancing studies on the use of picosecond lasers that will lead to the definition of two new "pico" configurations: one with variable pulses and a second with emission in the red, for the treatment of surface pigmentations and for photo-rejuvenation treatments.

Quanta System's collaboration with the Massachusetts General Hospital's Centre for Photo-Medicine continues, leading to the development of a new application in the field of dermatology: active acne treatment. This project led to the CE certification and finalisation of an innovative laser system in terms of source type, with emission at a wavelength previously not commercially available. "Accure Laser" is the first laser platform in the world developed to selectively strike the sebaceous glands, the source of the production of sebum and this holds the key for an effective and lasting treatment of acne.

Accure Laser™ is the result of a large research and development project implemented by Accure Acne Inc. in collaboration with El.En. and Quanta System and is an extremely innovative product in the dermatological field. Among automatic Artificial Intelligence (AI) elements, we mention the "autotrigger system" that automatically enables the laser emission only when the cooling target temperature has been reached, the "ADD" (Automatic Dose Determination) System and the "DEM" system to automatically control interruption of the emission by directly measuring when the End Point is reached. The product is protected by a massive "patent portfolio" with over 14 patents.

The clinical development activity also involves, under the responsibility of the associated company Accure Acne Inc., a number of research centres in America and has intensified during 2022. Having obtained CE marking for the Accure Laser™ system for the treatment of patients with moderate acne vulgaris, the affiliate obtained FDA clearance for sale in the US in 2022 and is expected to start commercialisation during 2023.

## 4.2 THE QUALITY AND SAFETY OF OUR PRODUCTS

The Group is aware that the complexity of its business requires high quality standards, and therefore the commitment we promote and maintain to the **Quality and Safety of our products is essential to its continued growth and success. We always pay the utmost attention to the design and development phases of our systems: our value also lies in the study and application of increasingly selective, effective and safe methods.**

We strive every day to provide valuable products to our customers in order to establish a loyalty process based on quality, reliability and safety, ensuring that product requirements are recognised and appreciated and that every measure is taken to ensure regulatory compliance.

100% of our products are tested at three different stages: functional testing, electrical safety testing and final testing for product release.

Some Group companies have adopted an "Integrated Management System Manual", which meets the requirements of TUSSL no. 81 of 2008, to describe the goals and policies of the Quality Management System and how it is applied. The manual defines the general criteria for meeting the safety and performance requirements of products throughout their life cycle as well as the services provided.

The companies 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 have a Quality Policy that guarantees the compliance

of their activities with the standards of the national authorities of the countries in which they operate.

The various Group companies comply with the following standards and regulations, depending on the geographical area and type of business in which they operate:

- ISO 9001;
- ISO 13485 relating to the quality management system for medical devices;
- ISO 14001 relating to the environmental management system;
- ISO 45001 for occupational health and safety;
- ISO 50001 for access to clean, reliable and sustainable energy;
- European Directive MDD93/42/EEC (Medical Devices Directive) which will soon be replaced by European Regulation (EU) 2017/745 MDR (Medical Device Regulation);
- National laws of member states of the European Community and non-European countries such as



### 53

EMPLOYEES WORKING IN  
QUALITY CONTROL



### 16

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.**

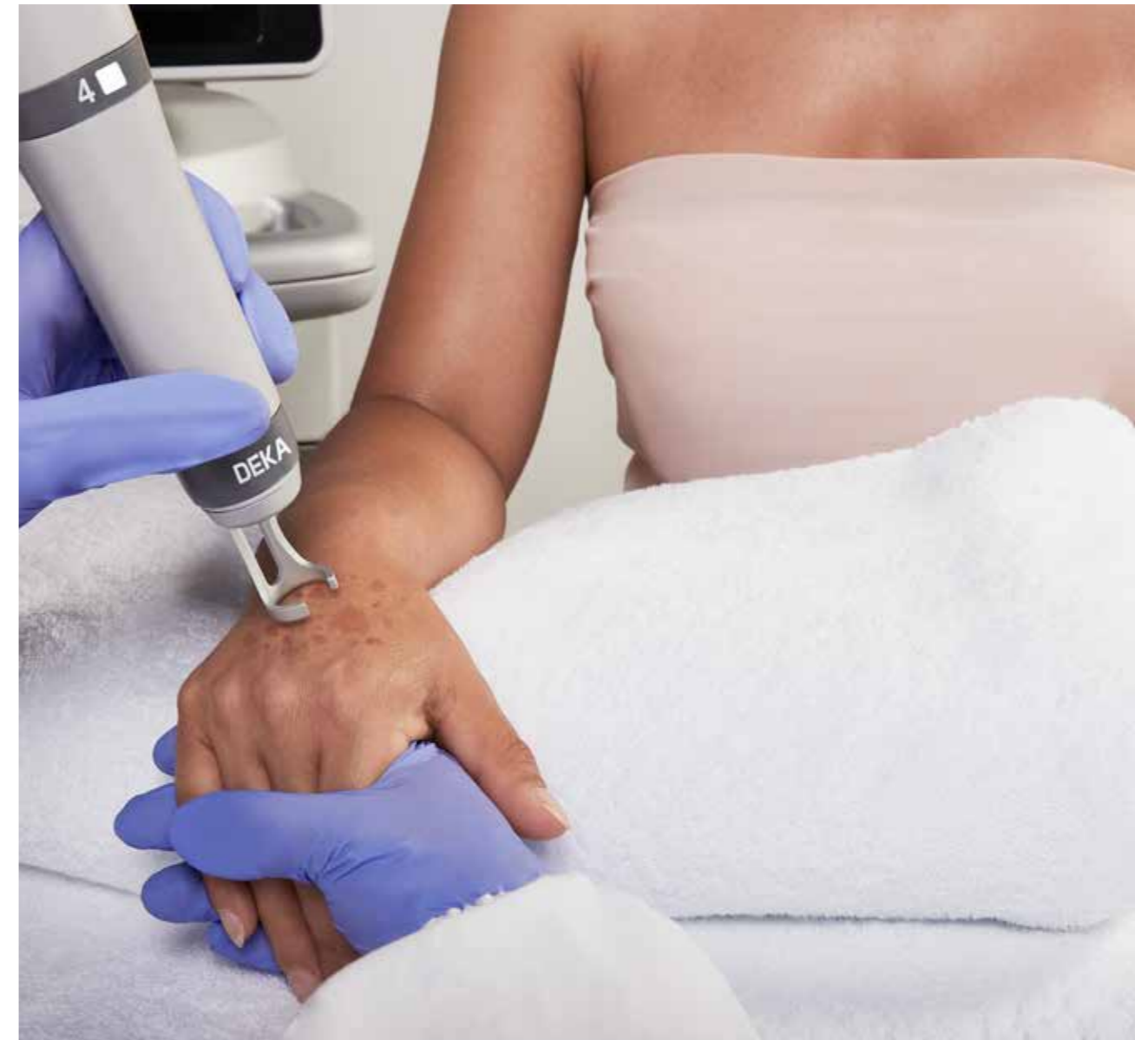
the United States of America (21CFR820/803/806), Japan, China (CCC- Certification for electronic components and Enterprise standard "CNC laser cutting machine") and Brazil.

All Group companies that produce medical devices (El.En. S.p.A., Deka Mela S.r.l., Quanta System S.p.A., Asclepion GmbH and ASA S.r.l.) have been MDSAP (Medical Device Single Audit Program) certified for several years. This certification allows bodies recognised and accredited by the Regulatory Authorities of the five participating countries (U.S.A.,

Canada, Brazil, Japan and Australia) to conduct a single audit of medical device manufacturers to verify that they meet the requirements of ISO 13485 and the national deviations of the relevant countries.

The companies El.En. S.p.A., Deka Mela S.r.l., Quanta System S.p.A., obtained last year the CE certification according to Annex IX of the new EU Medical Device Regulation 2017/745MDR. This certification definitively replaces the previous Directive 93/42/ECC, which will remain valid until 2024, while the companies Asclepion GmbH and ASA S.r.l. are

Società	Certificazione
<b>ASA S.r.l.</b>	<ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive 93/42/ECC medical devices;</li> <li>• MDSAP 13485:2016 (february 2020).</li> </ul>
<b>El.En S.p.A. and Deka M.E.L.A. S.r.l.</b>	<ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive 93/42/ECC medical devices;</li> <li>• Directive UE 2017/745MDR;</li> <li>• MDSAP 13485:2016.</li> </ul>
<b>Penta Chutian Laser (Wuhan) Co. Ltd</b>	<ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> </ul>
<b>Penta Laser Technology (Shangdong) Co., Ltd</b>	<ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 14001;</li> <li>• ISO 45001;</li> </ul>
<b>Penta Laser Zhejiang Co., Ltd</b>	<ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 14001;</li> <li>• ISO 45001;</li> <li>• ISO 50001;</li> </ul>
<b>Quanta System S.p.A.</b>	<ul style="list-style-type: none"> <li>• ISO 9001:2015;</li> <li>• ISO 13485:2016;</li> <li>• European directive 93/42/ECC medical devices;</li> <li>• Directive UE 2017/745MDR;</li> <li>• MDSAP 13485:2016.</li> </ul>
<b>Asclepion Laser Technologies GmbH</b>	<ul style="list-style-type: none"> <li>• ISO 13485:2016;</li> <li>• European directive 93/42/ECC medical devices</li> <li>• MDSAP 13485:2016.</li> </ul>
<b>Cutlite do Brasil</b>	<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 Acrílico - National Institution for Development of Acrylic);</li> <li>• Conselho Regional de Engenharia. e Agronomia de sc</li> </ul>
<b>Deka Japan Co. Ltd and With US Co. Ltd</b>	<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>



finalising the procedure and certification is expected to be granted for both during 2023. On the previous page we provide a summary of the certifications in place for the various companies.

It should be noted that there are 13 production sites, of which eight relate to production for the industrial sector and five to production for the medical sector. 54% of the production sites are ISO 9001 certified while 100% of the production sites producing medical devices are ISO 13485 certified. Since environmental legislation in China is less stringent than in other countries where the El.En. Group subsidiaries are based, the Wenzhou and Shangdong companies have seen fit to obtain ISO 14001 and ISO 45001 certification (15% of production sites), while the

Wenzhou company has also obtained ISO 50001 certification. The goal in the coming years will be to extend certification to the remaining Chinese locations.

The Group is committed to achieving, through the motivation and involvement of its people, a continuous improvement in the quality of its products and services; this goal is pursued through the optimisation of company processes, according to criteria of efficiency and uniform, streamlined and effective working methods. There is also an increasing tendency towards a risk management-oriented Quality Policy, as a tool for evaluation and decision-making, in order to pursue continuous improvement through appropriate preventive or corrective actions.

All employees have received basic training on the quality and safety of our products.

The responsible Quality functions, for which a managerial responsibility for product safety has been identified in each subsidiary, carry out daily safety risk assessments and promptly investigate incidents that occur and implement corrective actions promptly. The personnel in charge of these controls receive regular training on the activities that must be carried out in line with new regulations, recommendations, and best practices at national and international level, and they receive regular inspections by independent bodies on product safety and the correctness of the procedures and processes put in place, also in response to emergencies tested regularly to ensure product safety. With a view to improving and streamlining internal procedures, in 2022 the parent company El.En launched a project to digitise non-compliance processes, with the aim of increasing data traceability, digitising electronic signatures and facilitating document interchange. The chosen solution is a web-based software with a powerful workflow engine for Quality Assurance & Compliance with Industry Standards: this software solution offers a comprehensive approach to quality management by increasing the transparency of internal business processes and making supplier quality management much easier. The solution will improve efficiency by automating many steps in workflows that are currently done manually, and will allow time and resources to be invested in improved product quality and regulatory compliance.

In una prima fase il software gestirà le seguenti aree:

- In a first stage, the software will manage the following areas:

- customer complaint management: the improvement will concern reducing the timeframe for handling complaints and creating a report for the customer following the international standard 8D-report containing the summary of the complaint analysis, actions implemented and the effectiveness checks carried out to ensure actual resolution of the problem highlighted.

- management of corrective and preventive actions: improvement will involve the traceability of activities and their authorisations and timings, as well as data

usability, which will happen in real time and the option for this data to be aggregated for different cost centres and linked to the management system for the sharing of item, supplier and customer records;

- non-conformity management: increased speed in the management of non-conformities detected from both internal production and external supplies, with the option for the supplier to enter non-conformity reports and cause analysis results directly through the software remotely;

- management of instrumentation and measuring equipment: the improvement will involve the possibility of setting alarms on approaching deadlines and being able to easily plan instrument calibrations so as not to incur any downtimes. It also enables complete tracking of the allocation of instruments to departments, making them responsible for their safekeeping and proper use;

- Entry and final release checks and tests: the improvement will concern the timing of these checks, the digitisation of documentation, which will be managed entirely within the software, and the possibility of implementing dynamic incoming (application of more or less rigid sampling plans, automatically suggested by the software, based on the outcome of previous supplies of the same article/supplier), which is currently manually updated with periodic analysis and reporting, adjustments in real time; vendor rating to optimise actions towards suppliers will also be available in real time;

- Statistical data module: the software will enable a better analysis of the different KPIs investigated and improve the readability of the data available in real time.

In a second phase, further modules for the management of internal audit activities and supplier audits will be added to the software.

This project will increase the effectiveness of the monitoring process and the analysis of non-conformities as it will optimise the processes related to the quality of our products. Another important aspect related to sustainability issues is that of digitisation, which will allow the elimination of paper use and the lesser movement of people to carry out checks, controls or document delivery, making information circulate better.

## THE INCOMING INSPECTION IN EL.EN. S.P.A.

Already last year, the "Incoming Inspection" department of El.En. S.p.A. had been greatly enhanced with the introduction of a major measuring and control instrument, an Automatic Optical Measuring machine equipped with a contact probe. The tool, which is part of the wider Industry 4.0 project, is interconnected to the company's operating system and enables to control quantities, geometric tolerances and dimensions of parts.

The introduction of this tool has resulted in a significant boost to the department's activities, especially for the dimensional inspection of mechanical components: the Incoming Inspection activity has increased the type of incoming checks, the accuracy, speed and repeatability of measurements and has provided the Technical Department with the possibility of a greater indirect control over its mechanical suppliers (through targeted tests on some supplied products), while to the Engineering/Production department the tool has allowed greater support during the investigation of deficiencies of a mechanical nature, during the assembly and testing of machines. The new measuring machine enabled to carry out 100% of the measurements and tests for a given mechanical part (whereas previously 25 per cent of the tests were carried out in a partial manner and 10 per cent were not even measurable). During the first year of use, introduction of the new machinery has allowed us to significantly reduce incoming defects on materials and mechanical parts: the measuring instrument is

in fact also used in the prototyping phase by R&D so as to intercept problems at the design stage.

During 2022, the department's improvement activities continued with the introduction of the dynamic incoming procedure: in the six-monthly review of the supplies to be inspected, the defect coefficient was also introduced into the calculation, for the time being manually, which allows for a more effective rotation that concentrates inspections on potentially more critical components or suppliers, reducing inspections where no defects or particular problems occur. This improvement stems from the analyses carried out throughout the year, where we found that more materials left the inbound control as a result of dynamic incoming than those for which the control was introduced: this reduction, of around 29%, is due both to dynamic incoming and to the increased controls carried out upstream with better control and monitoring equipment.

This activity will have a further development during the coming year: the introduction of the management software mentioned in the previous paragraph for quality will allow the installation of a module that will enable the application of more rigid or less rigid sampling plans, automatically suggested by the software, based on the outcome of previous supplies of the same article/supplier.



### 4.3 REGULATORY ACTIVITY

In a competitive environment such as the medical device industry, the expertise of experts working in the Regulatory Affairs field is of considerable economic significance for the company, especially if it pursues internationalisation goals in its business strategy. Regulatory activity today requires the presence of several players, possibly with different technical, scientific and administrative backgrounds and an excellent command of languages as well as a profound knowledge of European, national and even non-European regulations.

Within the El.En. Group companies operating in the medical sector, the Regulatory Affairs department documents compliance of our products with the requirements and needs of the governing bodies that protect public health, and oversees the safety and efficacy of the industry's products. Medical device companies ensure their products comply with current safety regulations.

For this reason, it is highly strategic to have a specialised office of Regulatory Affairs experts to keep products up-to-date with respect to legal requirements, to obtain and manage product certifications, and to ensure the continuous maintenance of conformity by acting as an intermediary between the authorities'

requests and the needs expressed by all the functional areas of the company, following the documentary process and making itself available for any documentary requests and additional clarifications by the authorities in charge.

While research and development works to turn the concept into a real product, the Regulatory Affairs department plays a crucial role, suggesting appropriate regulatory strategies to ensure the product can be marketed.

From the earliest stages of product design, Regulatory Affairs specialists must explain to the development team how the various design choices may influence the path and timing of certification applications to be submitted to the relevant bodies.

For products distributed in international markets, the Regulatory Affairs department must also coordinate with the various local partners to define a global certification strategy for the product. To be effective in this role, they must understand the international regulatory requirements which the device will be subject to and ensure the product development team takes these requirements into account during development, testing and validation of the device.

### Environmental certifications of Chinese subsidiaries

In previous years, the Chinese subsidiary of Wenzhou Penta Laser Zhejiang, obtained ISO 14001 certification for the implementation of an environmental management system, with the aim of demonstrating to have implemented policies and procedures to safeguard the potential negative impacts of its production on the environment by defining and certifying its processes.

By 2021, the company had obtained two other highly significant certifications: ISO 45001, the international standard for occupational health and safety, to have a defined and certified structure of health and safety measures to protect employees and visitors by mitigating or eliminating all harmful factors or factors that pose a danger; and ISO 50001, the international standard that helps ensure access to clean, reliable and sustainable energy, proposing corrective actions and strategies required to achieve or even improve energy efficiency: obtaining this certification enables a more appropriate management of the energy used for company processes, promoting its conscious and waste-free use.

Last year, Linyi's Chinese subsidiary Penta Laser Technology Shangdong also obtained two certifications: ISO 14001 for the implementation of an environmental management system and ISO 45001 for occupational health and safety. The company's efforts to obtain these certifications led it to be recognised as a company committed to the "conversion from old to new energy" by the Chinese government and to obtain the certificate of "safety production standardization" by the Ministry of Emergency Management of the People's Republic of China, representing a manufacturing industry unit focused on the development of sustainable production processes, replicating the 2020 success of Penta Laser Zhejiang, which in 2020 was awarded the title of "Green Factory" by the Chinese Ministry of Industry and Information Technology.



## The new MDR regulation

The new Regulation (EU) 2017/745 (MDR) regulates the placing of medical devices on the EU market and has definitively replaced Directive 93/42 /EEC (MDD), as of 26 May 2021. The main changes introduced by the new regulation were as follows:

- Expansion of the scope to include products that do not have medical indications (such as lasers and pulsed lights for aesthetic applications of hair removal, photorejuvenation and tattoo removal). These devices will also have to fulfil the additional requirements of the Common Specifications that were published last December 2022 (EU REGULATION 2022\_2346);
- More stringent requirements for clinical evaluation, with clinical evidence derived exclusively from the device itself or other equivalent devices from the same manufacturer;
- Additional requirements on Post-Market Surveillance, requiring the issuance of a Periodic Safety Update Report (PSUR) by manufacturers, for each class IIb and IIa<sup>11</sup> device;
- Appointment by each manufacturer of at least one Person Responsible for Regulatory Compliance (PRRC), who is ultimately responsible for all conformity aspects of products placed on the market with the requirements of the Regulation; More stringent requirements on the Technical Documentation accompanying medical products to be produced and maintained by manufacturers;
- New obligations and responsibilities for economic operators involved in the supply chain: manufacturer, importer, distributor, authorised representative;
- New mandatory requirements for the unique identification of disposables (UDI);
- Nuovi requisiti obbligatori per l'identificazione univoca dei dispositivi (UDI);
- New single European database EUDAMED for the registration of devices and economic operators;
- New classification rules.

Therefore, as of 26 May 2021, any new medical device may only be placed on the EU market if it complies with the requirements of the new MDR regulation. It should be noted that existing medical devices with a valid EC certificate according to Directive 93/42/EEC may continue to be marketed until 26 May 2024, provided they do not undergo any significant changes to their design and indications for use.

The MDR regulation will inevitably lead to an increase in the time-to-market and costs of new certifications. On the other hand, it may represent an opportunity in terms of a barrier to entry, as only well-structured companies with sufficient regulatory resources will be able to maintain the new regulatory environment.

The companies El.En. SpA or DEKA M.E.L.A. S.r.l. and Quanta System S.p.A. were already CE-certified at the end of 2021, while Asclepion GmbH and ASA S.r.l. are currently completing the process and certification is expected for both in the course of 2023.

<sup>11</sup> According to the Directive 93/42 and subsequently the MDR 745/2017 Regulation, medical devices are classified into the following risk classes: I, IIa, IIb, III in increasing order of the risk associated with the device.

## 4.4 THE SUPPLY CHAIN

The Group includes production companies serving the medical and industrial sectors and trading companies for the medical market. Medical companies supply their products to qualified distributors, directly to end customers (medical clinics, doctors, etc.) and also through partners served in OEM mode, while industrial companies supply their market by providing their products mainly to end users.

The specifications of the components of our systems are set by our technical departments and, depending on our stringent requirements, the components can be produced in-house, manufactured to our specifications by qualified external suppliers or purchased from a catalogue.

The simplest stages of component assembly and processing can be carried out either in-house or externally by relying on third-party companies. Supplies mainly concern production components and accessories (technical accessories, critical components, industrial accessories, etc.).

Other purchase categories may include office products, software and computer products, and shipping packaging. In the area of services, Group companies use external suppliers for several services, including IT support, technical maintenance, services of scientific laboratories and certification bodies, special waste disposal services, advertising and marketing, financial services and transport services. The provision of services strictly related to research and development by highly qualified entities or professionals is not uncommon.

During 2022 at the consolidated level, the value of purchases amounted to EUR 412 million, while third-party processing amounted to EUR 30.2 million. The El.En. Group believes that close cooperation with its supply chain is essential to achieve higher quality standards of the finished product and more generally of the entire production process. The ultimate goal is to establish a lasting cooperation relationship characterised by transparency and collaboration. Suppliers must meet minimum safety, quality and financial soundness requirements in order to minimise potential operational disruptions and unexpected costs. Preventive analyses and evaluations are

carried out on an ongoing basis to capture market trends, monitor the evolution of current and potential suppliers, their technical upgrading and industry regulations, including on the marketing of their products sold to us.

The Group operates in a framework of fair competition with honesty, legality and fairness, respecting the legitimate interests of all stakeholders; the Group's Code of Ethics contains the principles and rules that all those who come into contact with the company are expected to respect. In supply contracts and in all purchase orders, the counterparty states that it has received the Code of Ethics and accepts it. Violation results in termination of the contract and possible damages.

Suppliers are therefore asked to meet certain requirements:

- financial stability;
- experience in the sector;
- reliability;
- resources and technical and design skills;
- production capacity;
- adoption of product quality and safety control systems, consistent with the Group's requirements.

In the selection process and in its relations with suppliers, the Group assesses, in accordance with internal procedures and corporate planning, the economic viability with reference to the objectives of solvency and long-term profitability, as well as the market presence, technical capabilities and reliability of the interlocutors.

In particular, in the Group's production companies, the selection of suppliers follows precise qualification and approval procedures to ensure product quality and maximum compliance with delivery schedules. The procedures provide for a "Supplier Qualification Request Form" to assess the general level of the supplier's Quality System, with a view to continuous improvement of the aspects that influence the quality of the product or service we purchase; for supplies of goods, test orders are also issued, which allow us to carry out tests directly on the product.

In the event that deliveries concern components made to our specifications by subcontractors, i.e.

suppliers who are part of the production process because they assemble or test our systems or work on certain semi-finished products, they are given mandatory training by our qualified in-house personnel. Training for suppliers is planned, carried out throughout the year and recorded in an annual register. Training is carried out whenever a new supplier needs to be qualified, in the case of a new product or substantial changes to an existing product, and in the case of deficiencies found during audits at their premises.

For products or services of a particular nature, such as services provided by testing laboratories, the qualification and approval procedure is predominantly based on the analysis of the certifications held by the supplier, since the authority of the certifications and of the bodies that have issued them constitute a guarantee of reliability. Audits at the supplier's premises may also be envisaged: once the analysis is complete, the supplier is either accepted or excluded as insufficient in quality based on the results of all tests carried out.

Once suppliers have been judged qualitatively suitable, periodic evaluations are planned to ensure the required quality standards are maintained: these evaluations take into account aspects such as supplier flexibility, i.e. the ability to adapt to the company's needs, timeliness of response and management of unforeseen events, organisational structure and punctuality of deliveries, as well as the evaluation of the quality of the goods delivered. There are also annual audits to be carried out at certain suppliers by trained internal auditors, either routine or due to abnormal situations of non-conformity, such as a decline in the quality of products or services.

Although we do not provide for audits at our subcontractors, in our contracts with our suppliers of critical<sup>12</sup> components, i.e., components that have an impact on product quality and/or safety, we require that procurement for components supplied to us only take place from our direct suppliers or from suppliers indicated by us (and thus in fact qualified by us).

We can therefore say that subcontractors of critical components are only suppliers belonging to our qualified supply chain.

In past years, the companies El.En. S.p.A. and Deka Mela S.r.l. had already included in the qualification and approval procedure of suppliers of critical components the evaluation of certain aspects related to sustainability issues (Human Resources and health and safety system management, Environmental system management, Corporate Governance Management and respect for Human Rights in terms of refusal to employ child labour and refusal to use forced or compulsory labour), so that sustainability KPIs also contribute to the supplier's overall assessment; as of 2022, Asclepion GmbH also adopted the same checklist.

Aware that the monitoring of these issues must be carried out throughout the supply chain, procedures were already in place in many subsidiaries in 2021 to start assessing the ESG performance of their supply chain. At El.En., through management of a tool, the main subcontractors were invited to fill in a questionnaire that, by analysing the answers, gave each supplier a score regarding their social commitment, environmental protection and enhancement, good corporate management, and respect for human rights; in addition, questionnaires for new suppliers were activated for all the companies of the Calenzano and Prato Hub and for the subsidiaries Lasit, Cutlite Do Brasil, Asclepion, and Deka Sarl with the same intent. The three Chinese subsidiaries and the companies Quanta System, Asa and With Us included the same questions in their 'New Supplier Checklists' relating to sustainability issues (Human Resources and health and safety system management, Environmental system management and Corporate Governance management and Respect for Human Rights in terms of refusal to employ child labour and refusal to use forced or compulsory labour). New suppliers also assessed against the aforementioned topics during 2022 accounted for 20% of the total new suppliers.

<sup>12</sup> Suppliers of critical components are intended as those who supply a component/assembly that has an impact on Patient and/or Practitioner safety and presents a high risk index, or who offer services related to product quality that have an impact on Patient and/or Practitioner safety.

The El.En. Group's trade payables are represented for 56% by local suppliers, i.e. suppliers from the Italian territory, for 5% by European suppliers and for 39% by non-European suppliers: it should be noted that in this geographical definition of "local", suppliers from the same territory as the Group's companies not belonging to the European Community are considered non-European suppliers. As of next year, the commitment will be to report local suppliers as suppliers present in the same territory as the company that requested the goods/service, in order to show how one of the Group's commitments is to

support investments in the territory they belong to as far as possible. In fact, we believe that sourcing locally is a strategy to ensure faster supplies, with less environmental impact, that foster a stable local economy and maintain close community relations.

It should be noted that during the 2020 - 2022 three-year period, there were no events that would suggest the presence of suppliers in the Group's supply chain that represent environmental risks or significant risks of child, forced or compulsory labour, or where the right to freedom of association and collective bargaining could be at risk.



## New layouts for the logistics and production area of El.En. S.p.A.

In the course of 2022, the parent company El.En. carried out a project to reorganise the logistics area in order to optimise the space available and to make the flow of goods in and out of the area more linear, thus improving daily operations.

In addition to adding new pallet racks to optimise the space available and facilitate the flow of goods, the areas for the temporary storage of incoming goods, goods awaiting storage and outgoing goods were expanded.

Furthermore, three new vertical warehouses were installed, two of which replaced existing but considered obsolete vertical warehouses, for better storage of small parts and faster picking, safety and reliability of storage operations. These warehouses are interconnected to the company's management system and to the MES (Manufacturing Execution System) and are part of the latest redesign of the factory in view of Industry 4.0, which began in 2020, with the aim of incorporating 'smart' technologies within the production processes to advance the evolution of the 'Smart Factory'.

The fleet of radio frequency terminals within the company was replaced with new Wi-Fi terminals in 2022, pursuing the primary goal of facilitating the flow, integration and exchange of information in real time on an IT level. Thanks to this investment, which is part of Industry 4.0, the use of paper has been reduced in some processes.

Some production areas were also redesigned throughout the year: the dressing area, the final step of the production lines where the machine is completed, was fitted with new benches and the environment was harmonised to improve the working quality of people so that all tools are within easy reach and employees always maintain a correct posture and continuous fluidity in the work they have to do. A new clean room for assembling medical sources and laser handpieces has been put into operation to improve the reliability and performance of the handpieces, and laminar flow hoods have been installed for use in the machining of opto-mechanical assemblies, particularly for the assembly of the optical benches of Nd:YAG and Alexandrite laser systems; the optical components of these assemblies need to be assembled in a sterile environment and with strict cleaning procedures, and the laminar flow hood is a booth that creates such an environment inside, in which assembly or testing activities can be carried out with the guarantee that the product is protected from external contaminants such as particulates or particle dust.

Further investments (also part of Industry 4.0) are planned throughout 2023 for the electrical safety test stations carried out at the end of the production lines, with new, faster and higher-performance measuring instruments (safety testers), which will bring advantages in terms of time reduction thanks to the automation of tests without the constant presence of an operator, and in terms of complete compatibility between all equivalent instruments present on each production line, for better management of any stoppages due to faults or periodic calibrations.





## 4.5 OUR CUSTOMERS

The El.En. Group's innovative capacity is based on continuous research and experimentation that, with the development of cutting-edge systems and technologies, allows it to provide customers a wide range of top-quality products that stand at the top end of the market in terms of innovation and performance excellence. The Group also stands out for its attentive and scrupulous after-sales service, which uses increasingly advanced monitoring and response tools.

One of the distinctive features of the El.En. Group is also represented by having capillary and structured entities dedicated to marketing and after-sales service to respond in a targeted and comprehensive manner to customers in specific channels or geographical areas. All this enables to maintain a focus on customer care with a stable, reliable but also flexible organisation with fast response times.

The discontinuity caused by Covid-19 in previous years has accelerated the digital transformation process of all companies, which are now called upon to rethink models and revise their resource management strategies, and some areas such as Customer Service, Marketing and Sales must consequently transform themselves in this respect, because users' needs are increasingly oriented towards an integrated and intelligent service.

The operational philosophy pursued by the El.En. Group is to be close to its customers, making itself available in the ways and times that best suit them, including through innovative tools such as Virtual Booths, organising webinars and making the most of live chats. Major changes in recent years in the Group's business models include the strong push to focus even further on remote communication channels. Although restrictions were still in place in some countries in early 2022, conference activities resumed at full speed during the year, both in Italy and abroad.

The Group is committed to being at the side of its customers and partners, conducting a large number of training sessions, organising meetings attended by customers or distributors from all over the world to witness the various procedures for the use of its products by doctors and experts in the field in person

or remotely, where classrooms become "virtual" through the use of webinar platforms, with interactive collaboration by all participants.

The Group's training proposal analyses, interprets and recounts the development of its products in an extremely practical manner using highly professional didactic material, produced directly by experts and researchers, and is completed with tablet applications for some companies or with exclusive access to "Club" sections of the websites, dedicated only to customers and rich in content. The aim is to important major tools and exclusive communication, work and promotion content, such as presentations, manuals, waiting room materials, etc., which translate into high value-added tools and services for users all over the world.

With a view to transparency, maximum attention towards customers and to guarantee the accuracy and correctness of any information provided, all material for the commercial promotion of products (brochures, flyers, catalogues, website, advertisements in specialised magazines, videos, etc.) is subject to an internal approval process before it is disseminated, as it must highlight aspects related to the performance of our systems.

A specific internal procedure of ISO 9001 called "PO-7.2-01.A12 Customer-related processes and communications" is in place, which stipulates that material for the commercial promotion of products must highlight aspects related to the sale of the system, the contents of which must be inspired by market conditions and the technical and clinical state of the art of the product. Sales promotion material (brochures, flyers, catalogue, posters, website, advertisements in trade magazines, videos, etc.) is to all intents and purposes institutional documentation of the company, related to the product, to the outside world. This documentation is then subject to configuration checks and approval before it is issued and disseminated, and supporting documentation is archived and subject to internal audits by the Quality department, which verifies, in addition to the existence of formal approvals, that the authorisation of any new commercial documentation is prepared

at the initiative of the sales departments, that the material prepared originates from information produced in collaboration with the Clinical Research and Practice department and that the technical data, system specifications and clinical application data are congruent with the product's technical dossier. After the final review, formal approval by the following is required in order to officially issue and make the advertising documentation available to customers: Product Manager (PM) for verification of consistency with clinical findings and approved indications for use or applications, Quality Manager for CE marking and/or other regulatory issues, and relevant Sales Management for residual aspects, who has the right to the final go-ahead on the document by signing the release form M7201-10.

Within the companies of the Group, training is periodically provided on consumer protection and the set of provisions, rules and safeguards, aimed at safeguarding consumer rights and interests. And it is thanks to the attention we devote each day to these issues that we are able to establish our presence in the market, offering our customers opportunities for professional growth, aware that the future will always come from improving knowledge and skills. In fact, our systems are designed to promote the patient's well-being but also to allow the practitioner's activity to evolve. The practitioner can always count on high-performance and safe devices and on training that allows him to make the most of all their potential.

## DEKA training school

The subsidiary company Deka, collaborates with the most important of aesthetic medicine schools in Italy and for many years has been involved in the dissemination of information related to scientific, clinical and technological information related to laser devices for medical purposes that it sells. For the training sessions they involve doctors and specialist on the product and during the classes university students and professionals in the sector participate and have the opportunity of discussing the issues, applications, optimization of the laser systems and possible complementary treatments. Every lesson is prepared and set up to achieve the maximum involvement and the greatest interaction with the participants in order to allow the professional to exploit the maximum potential of the laser device.

The doctor who uses the laser is, with his training, the determining element for the diagnosis and execution of the treatment so that our lasers can contribute to the continuous improvement the quality of life of the patient and the well being of people.

## QUANTA SYSTEM communication

The subsidiary Quanta System is one of the El.En. Group companies that has been most dedicated to the development of its external and internal communication, in order to tell its story in a transparent and effective manner, especially in these last few years characterised by a strong change, which has altered the paradigms of everyday life.

In times of uncertainty, between discontinuity and unstable markets, Quanta System works daily to consolidate its identity and credibility, bringing concrete content consistent with both the expectations of its customers and the expectations of its own people, telling its story in an ethical, simple and authentic manner.

The project, which started during the year and will continue in 2023, aims to bring out the company's values and commitment to pursuing the goal of comprehensively improving people's health and well-being in a sustainable way, putting human connections at the centre of all company activities.

The programme includes:

- The construction of a new website, which will be designed for a fast and effective user experience, including the use of augmented reality and features for a more immersive laser experience;
- The narration of the Company Profile, through a series of videos (for web/social/internal channels) that narrate the company in episodes through the words of the CEO and managers;
- The unification of corporate communication, through tools used at corporate level and others more specific to individual divisions;
- Creation of a distinctive infographic, through coordinated signs and posters within the offices as well as in the various common corporate areas, both internal and external;
- Search for original, useful and sustainable products for company gadgets and review of workwear for employees.



## ASCLEPION ACADEMY

The "Asclepion ACADEMY" is an initiative of the subsidiary Asclepion Laser Technologies GmbH which offers to its clients the opportunity to be constantly update on the latest developments of lasers for medical use. For over twenty years they have organized events with the participation of people from all over the world. The objective of the Academy is to promote the development of scientific knowledge and the advantages of laser technology to a growing number of people. Day after day, Asclepion aims to increase the well being of patients and guarantee the success of medical research and its local partners.

### *Training and safety*

In order to sustain its clients in the applications of laser technology, they offer training sessions that last for several days. Besides the standard treatments, they also discuss special cases and live demonstrations which give people the opportunity to apply in practice the theoretical knowledge that they have acquired. The Academy also regularly offers courses on laser safety which cover the physics aspects, the biological effects and the legal regulations of laser devices for medical use.

### *Workshops*

Besides the events held at the company , they organize workshops in various other cities in Germany as well as in Austria and Switzerland. The events are conducted with the support of doctors with multi- year experience who are able to present a wide panorama of cases in medicine and aesthetics.

### *Webinar*

Using webinar they are able to offer to clients all over the world numerous opportunities for training and instruction. During the events it is possible to interact and receive important suggestions for the execution of the treatment and also to ask questions and start discussions. Afterwards, the participants can download the video of the webinar or watch it on the You Tube channel of the company.

The Group also ensures that attention is paid to improving customer satisfaction through Customer Satisfaction surveys by monitoring appropriate company indicators, administering questionnaires on the surveys carried out rather than through the analysis of deficiencies.

Customer satisfaction goes hand in hand with the drive for innovation and sustainability and is determined by a combination of factors: from the characteristics of the product to the evaluation of the service received and the relationship with the company in terms of quality delivered and perceived. Customer experience is measured on a daily basis through feedback obtained during dialogues with customers in which opinions, comments, expressions of interest in a product or service, or in interactions with both internal and external sales representatives are collected.

For a more specific survey, customers are provided with several communication channels in which they can report their feedback: the Customer Satisfaction Survey (CSS), a survey carried out in most Group companies on an annual basis, the Complaint Management process, the analysis of service reports and post-market reliability, and other methods of analysis that may include market research and trend analysis.

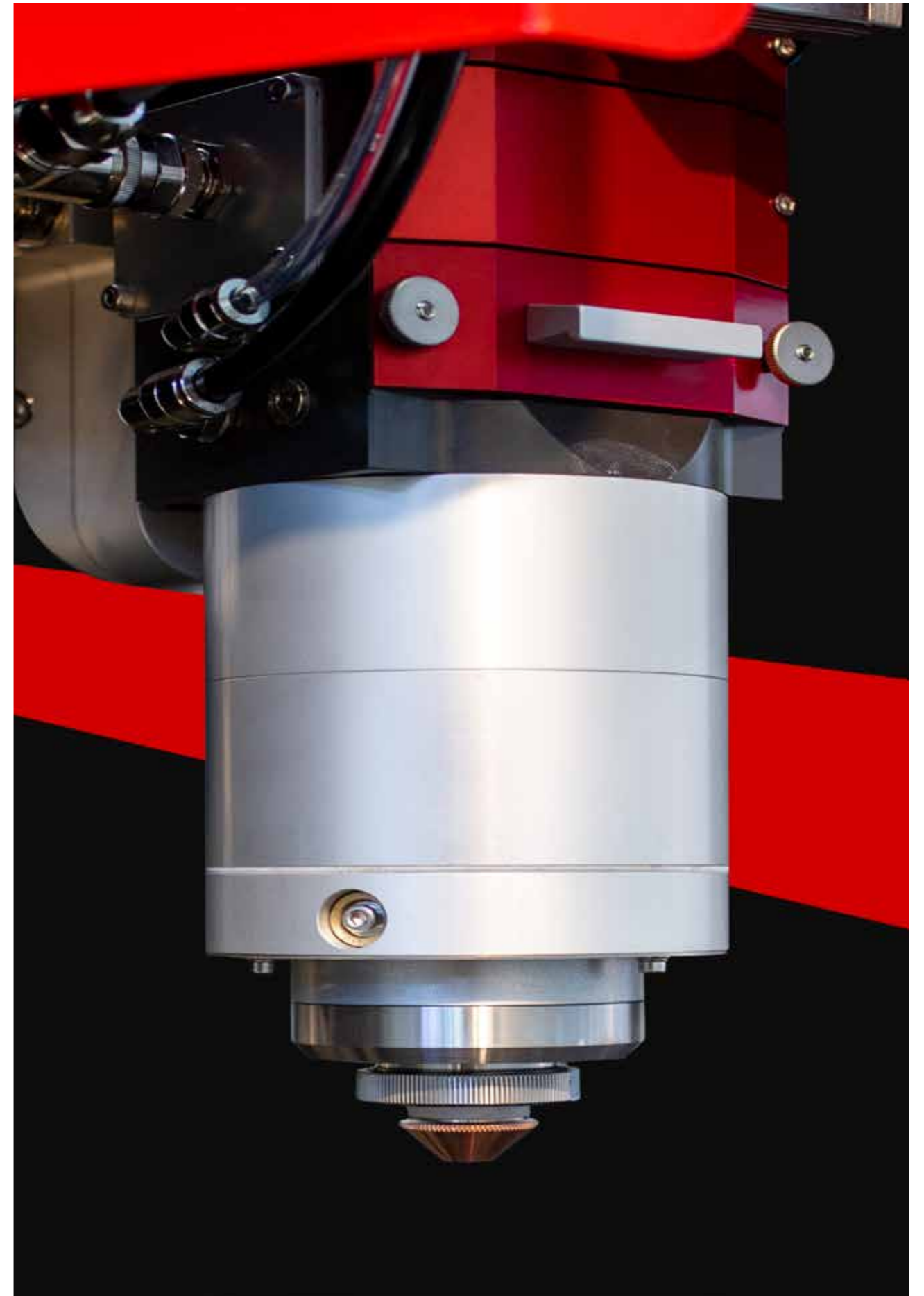
Each form of interaction with customers provides an opportunity to create value, as it is only by identifying the current and future needs of customers that we will be able to intercept possible growth opportunities and fully understand the adherence of our products to market expectations.

An additional tool useful for improving customer satisfaction is post-market reliability analysis, the purpose of which is to identify any defect trends and immediately propose suitable countermeasures for resolution. Verification allows any deviations to be detected in a timely manner, provided that individual reports of complaints, incidents or adverse events are quickly dealt with on a case-by-case basis (for improvements on this aspect, please refer to Section 4.2 The Quality and safety of our products, of this document).

The El.En Group is actively dedicated to the continuous improvement of flows and processes in the after-sales stage: of particular importance is the role of Service, crucial in the relationship of trust between companies and their customers.

The El.En. Group's distribution network is designed to meet the technical support needs of products directly in the countries where the end customers are located, which is why most Distributors are equipped with a team of trained technicians, supported by the Service Departments at headquarters, who maintain supervision and provide support on interventions. In order to better follow the needs of technical training for distributors and allow them to keep up to date with innovations, the major Group companies have equipped themselves with specific training rooms for this purpose. In addition to filming equipment, the rooms were fitted with specific lighting systems to eliminate shadow areas as much as possible and ensure maximum visibility and brightness even of minor details.

The parent company El.En. developed a new service portal a few years ago, which is used for the management and supervision of technical interventions, support for the dispatch of spare parts and the request for repairs, and for the control of distributor equipment. This tool, which ensures an improvement in service as it develops synergies with distributors, is connected to the company's management system and this link allows post-market traceability of medical devices, a deeper understanding of problems in the field, the download of technical manuals, the integration of system information and spare part codes as well as real-time monitoring of the progress of service reports. It also allows real-time monitoring of the status of post-market reliability on an aggregate basis or analytically by product. The web portal also enables service management from mobile devices, and further system developments are planned during 2023 to make the entire process paperless.



DEKA  
Innate Life

# OUR BUSINESS

THE LASER  
AS A SUSTAINABLE TOOL



## 5. OUR BUSINESS

### 5.1 USES AND BENEFITS OF LASER 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 hypoestrogenization.

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, noninvasive 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 requests for aesthetic and medical treatments from a population that increasingly wishes to improve their appearance; in today's society the aesthetic image plays an 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 a 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 the developments in recent years have been very important, with the release on the market first of Onda, the first system in the world which, by means of the emission of special microwaves treats cellulitis, adiposity and cutaneous laxity and reduces the layer of subcutaneous fat with a non-invasive treatment which can be repeated soon afterwards, and which creates benefits that are immediately visible and long-lasting over time, and then, in 2020 with the release on the market of Schwarzy, a system for the reduction of fat by means of an electro-magnetic field which interacts with the muscular tissue by activating their contraction.

Schwarzy acts on different areas of the body and after a few sessions, localized fat, tones and creates volume in the muscles and also improves the look of

the posture. Besides this new technology, for many years the Group has been using systems for the removal of localized fat deposits with laser-lipolysis, a minimally invasive treatment which makes it possible to treat specific areas of the body, even very delicate ones, for which traditional liposuction is not advised.

In the sector of lasers for hair removal, the Group has developed and engineered systems since the end of 1990s and continually improved their performance; our lasers, in fact, are able to remove even the finest hairs from every type of skin, even the darkest and tannest and the treatments are very rapid in order

to meet the requirements of our clientele who increasingly has less time available, and the operators who in this way are able to optimize their performance thanks to the productivity of the equipment.

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. 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 LASER 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 sector of textiles for jeans the laser technology has been revolutionary; the laser system for cutting and marking in fact makes it possible to cut and bleach the fabric at the same time which offers an alternative to the traditional technologies which is fast, precise and above all, ecological, because it does not require the use of chemicals for the bleaching, it does not produce polluting waste materials and, above all, it improves the quality of life of the workers because it replaces the obsolete technologies with which the fabric was aged using a sanding process with silica powders (potentially very harmful to human health) or else by subjecting the fabric to a "stone wash" with the addition of chemical substances or with "sanding", an exhausting process for the worker who had to do it and effective only with the use of large quantities of abrasive and chemical materials with a high environmental impact because they were harmful and difficult to discard.

The use of lasers is also very effective for the removal of paint from helicopters and airplanes as well as ships because it makes it possible to reduce the amount

of maintenance with a significant reduction in the times required since it can be conducted on the spot, but also for the reduction in the use of the chemical substances used which otherwise would have to be disposed of, with the consequent reduction of the environmental impact.

In the food sector, the use of special lasers in many cases makes it possible to replace labels which show the logo and production lot with a indelible laser mark which respects the organoleptic qualities of the food.

In this same sector we are now developing some

applications for laser piercing of both rigid and flexible packaging systems which in this way improve their function of preservation of foods by regulating the exchange of water between the food and the outside, while taking advantage of the digital simplicity which permits the modification of the geometrical characteristics of the holes for the production of different lots.

We are very proud for having contributed on this market to the development of processes which are more respectful of the environment and we believe that all industries should become more sustainable.



## 5.3 PRESERVING THE WORLD'S ARTISTIC HERITAGE

**The beauty of works of art is our legacy for future generations and we have a duty to preserve it for them. We are therefore proud to be the first in the world to present lasers specifically for art restoration operations, using the same technology used in medicine and surgery. Whether we are restoring works of art or medicine, we can say that we respond to the same principle: caring for people, our masterpieces**

One of the flagships of the El.En. Group is the small restoration segment; sensitivity to the preservation of artistic heritage has grown over time within the Group and has inspired research to provide advanced technologies for the conservation and restoration of some of the world's most important artistic masterpieces. The Group also never ceases to experiment with new technologies that can provide increasingly effective conservation processes that respect artistic artefacts. In fact, lasers provide an effective, reliable and safe solution to preserve the cultural heritage, which year after year is increasingly integrated into restoration work in Italy and around the world. Laser technology enables to remove layers of decay formed over the centuries with a non-invasive, extremely selective and controllable procedure, rediscovering and respecting the patina of time so the public may once again admire art masterpieces at their best. This technology is also particularly useful in reducing the use of chemicals that have to be disposed of, even with special and expensive procedures.

The laser solution provides the restorer with a high-tech instrument that allows them to work in complete safety with considerable advantages over commonly used mechanical or chemical methods: first of all, minimal invasiveness due to the absence of physical contact with the surface on which the work is carried out, allows one to operate even on extremely fragile or highly altered surfaces; a high degree of control allows one to define the degree of cleaning one

wishes to achieve (a high degree of selectivity since the layers to be removed are very dark in colour and therefore absorb a high percentage of the laser light) and great precision as a well-defined area on which to carry out the work can be set, without in any way affecting the surrounding area.

The laser has been successfully used on several monuments and works of art, both Italian and European; some of the most note-worthy sites where El.En. Group's lasers have been employed include the Duomo of Milan and the Cathedral of Florence, cleaning the Gates of Paradise and Ghiberti's North Door of the Baptistery of San Giovanni in Florence, the sculptural group of the Rape of the Sabine Women by Giambologna in Piazza della Signoria in Florence, the bas-reliefs of SS. Sepulchre in Jerusalem, the cloister of Oviedo Cathedral, the Leaning Tower and Pisa Cathedral.

Some of the most significant interventions carried out during 2022 with our lasers include:

- Spalato Cathedral
- Borromeo Palace- Lake Maggiore
- Underground Basilica of Porta Maggiore - Rome
- Cleaning of plaster statues in the Santa Giulia Museum - Brescia
- Basilica of Maxentius Rome
- Cleaning of Candoglia marble statues from Milan Cathedral
- Porta dei Cornacchini - Florence Cathedral
- San Siro Hot Springs - Milan

## 5.4 OUR CONTRIBUTION TO THE COMMUNITY

**At El.En. we strive each day to ensure our work has a positive impact on people's health. Our strategy in social work is to provide skills, knowledge and tools, with the dual aim of facilitating access to care and improving health care for vulnerable people and those most disadvantaged around the world and to increase scientific knowledge: we work for science and a healthier world.**

One of the ways we work in the social field is to support non-profit organisations, foundations and cutting-edge scientific laboratories around the world with specific donations, accompanying them in the use of new technologies in the service of patient health, as well as in the conservation and restoration of cultural heritage.

Over the years, we have donated our medical systems to several hospitals: the State Hospital of the Republic of San Marino, the Careggi Hospital and the Meyer Children's Hospital in Florence, the Moshi Medical Centre in Tanzania, the Pediatric Outpatients Clinics in St. Albert's, MaryMount, St. Rupert's and Chitsungo Mission Hospitals in Zimbabwe, the Mondino Foundation National Neurological Institute IRCCS, the Valduce Hospital, the Bambin Gesù Children's Hospital and the Gemelli Hospital in Rome.

And donations of our lasers were also made to the Vatican for the restoration of marble sculptures, busts, fountains and statues, as well as to the Uffizi Gallery and the Archaeological Museum in Florence for the restoration of paintings and sculptures, and also to other museums, such as the MET in New York and the Paul Getty Museum in Los Angeles, as well as to associations such as "Gli Angeli del bello" in Florence to clean up graffiti in the city.

In 2022, the El.En. Group donated a dual-wavelength laser system for gynaecological treatments and a medical chair intended mainly for the treatment of urinary incontinence and vulvodynia, with a total value of approximately EUR 124,000. The willingness of the El.En. Group to make its tools, skills and knowledge available is reflected in the formal commitment reported in objective 12 "Support to non-profit organisations, foundations and scientific laboratories" within the Sustainability Plan, where said support is to be provided on a yearly basis through donations or loans for the free use of laser systems for medicine and aesthetics or for the conservation of works of art, with the aim of facilitating access to treatment and improving health care for the fragile and most disadvantaged people worldwide or contributing to the conservation of the World Art Heritage. The achievement of this goal, approved in 2018 by the Board of Directors of El.En. S.p.A., is also linked to a percentage of 30% of the salary of the Board of Directors and the General Manager. The equipment to be donated is identified on a case-by-case basis by assessing the validity of the project proposed. Monitoring activities are then carried out to verify the correct use of the systems and accessories and to understand how our skills, knowledge and equipment have contributed to access to care and improved healthcare for people with disabilities and those most disadvantaged around the world.

### A LASER FOR THE CITY OF SIENA

El.En. sponsored the restoration of Tito Sarrocchi's "Monumento ai caduti per l'indipendenza" (Monument to the Fallen for Independence) in the San Prospero gardens in Siena, providing its Thunder Compact laser system for the removal of black crusts formed on the monument. In fact, the monument was in a very poor state of preservation and was marked by different forms of decay: this required work according to the most advanced techniques and using state-of-the-art materials and tools.

The sponsorship took place as part of the "Una donna di nome Italia" (A woman named Italy) project of the Scuola Edile Senese, selected as part of the "Let's Art" initiative promoted by the Monte dei Paschi di Siena bank.

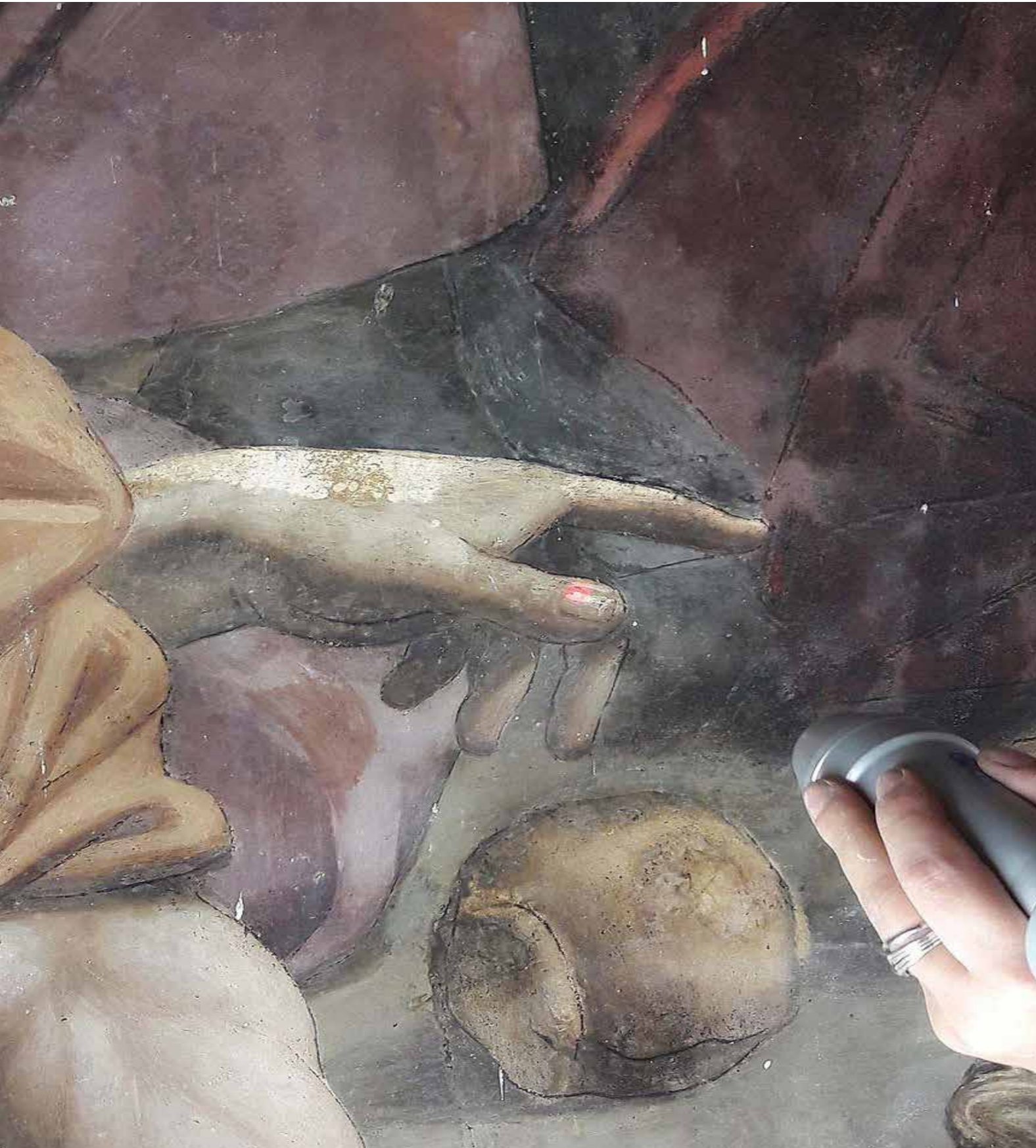
### GALLI HOUSE FOR UKRAINE

In 2022, the subsidiary Giovanni Galli S.r.l., following the escalation of violence and the humanitarian emergency in Ukraine, wished to provide concrete aid and support to respond to the multiple emergencies and needs of the population, by granting, as a temporary free loan for residential use only, the property it owned to an association that provides aid to Ukrainian refugees to allow the initial reception of refugee families.

### TWO LASERS FOR SAN MARINO HOSPITAL

In 2022, the El.En. Group donated an innovative gynaecological instrument, "Dr. Arnold", to the State Hospital of the Republic of San Marino, used for the treatment of urinary incontinence and vulvodynia, and a "Duoglide" dual-wavelength laser system, also for the Obstetrics and Gynaecology Department. The donation of these two systems enables further expansion of the range of interventions and therapies that can be provided within the State Hospital for women's health in general and intimate health in particular. Pathologies and symptoms such as vulvodynia and urinary incontinence have negative effects on people's quality of life, however with these innovative systems, significant improvements can be achieved within a few weeks. We are proud to reiterate and emphasise that the importance of technological innovation, combined with adequate professional training, are fundamental requirements to ensure the best available therapies, bringing benefits to the health of individuals and also to the community as a whole.





## ASA LASER - ENERGY FOR HEALTH AND THE VALUE OF SHARING

The evolution of ASA's biomedical technologies passes through continuous experimentation: a free, open and ethical activity in which the rigour of science marries the needs of production, helping to constantly improve devices and increase therapeutic results. All in the name of sharing.

The company's commitment to disseminating scientific knowledge and promoting the culture of laser therapy and magnetotherapy finds its synthesis in "Energy for Health", a magazine published by ASAcampus (Joint Laboratory between ASA's Research Division and the Department of Experimental and Clinical Biomedical Sciences of the University of Florence) which presents the results of basic research and clinical studies carried out in Italy and abroad by internationally renowned researchers, doctors and specialists. In the more than 10 years since it was first published, "Energy for Health", distributed worldwide, provided free of charge during company courses and conferences and on request online, has become a space for open discussion, a natural meeting point for exchanging experiences and knowledge.

The numerous scientific papers published using ASA technologies (195 to the end of 2021) can be viewed publicly in the "ASA Research Library" section of the company website. A wealth of knowledge, available to all.

## BIG ACADEMY

Big Academy is a high-level training programme designed for managers in the energy, mechanics, optics, electronics and IT sectors, working in small and medium-sized manufacturing companies as well as in large industrial enterprises. A course whose objective is to transfer the ability to read and interpret the ever-changing global economic context to tomorrow's managers and company directors. The training plan is the result of collaboration between university lecturers from the areas of social sciences, economics and management engineering and professionals from large-scale businesses: lectures are co-taught by university lecturers and top company managers, so that more theoretical and scientific parts alternate with real-life experience and a clear overview of how one operates in large international companies. This year El.En. S.p.A. is also part of the five companies that have participated since 2020, together with the University of Florence, in creating and defining this training course. This partnership, which binds companies, the University and the Public Administration, is the distinctive feature of the initiative, representing its unique, innovative character, with a territorial vocation but with an international scope and significant prospects for growth over time, and is a further demonstration of our Group's renewed commitment to supporting cultural, social and educational initiatives in its territory.



Moreover, the Group has always been committed to supporting cultural, social and educational initiatives in favour of the local community with the aim of strengthening the relationship with the territory in which it operates and with the people directly or indirectly affected by the Group's activities. The basic idea consists in the promotion of a mutual and positive exchange between the Group and the local community, which benefits both parties involved in the projects and activities developed.

All Group companies consider the collaborative relationship established with higher education institutions and universities in the various territories in which they operate as essential to their talent search and selection process. Maintaining these channels is crucial to increase the opportunities to get to know people and to promote the development of technical and scientific skills in the territories where the Group operates:

- **curricular and extra-curricular university traineeships;**

school-to-work projects involving local school students and thus allowing them to learn within a work situation, integrating theoretical aspects with practical ones; in fact, it is important to approach young people from secondary school onwards in order to foster their orientation and approach to the world of work;

- participation in career day events, open days of mutual exchange between companies and recent graduate students seeking their first job.

In 2022, with the Tuscany Region - with El.En. we participated in a call for advanced training projects through the activation of research cheques, project DIAGNOSE: Non-Invasive Diagnostics and preservation of Daguerreotypes and other photographic materials lasting 24 months starting in July 2022, partnership with the CNR National Institute of Optics, the Opificio delle Pietre Dure and the Museo Galileo. The project aims to propose innovative solutions to the conservation problems of photographic assets also arising from their structural complexity and material fragility.

## LASERS FOR RESTORATION

The activities carried out with our laser systems in the conservation sector resulted in several interventions during 2022:

"San Marco" - Donatello: The work exhibited alteration phenomena typical of prolonged time spent outdoors: the deposition of atmospheric particles had made the marble's appearance darker and darker, and the presence of residual substances, due to the making of a cast, had changed its hue. The EOS 1000 LQS laser was used by the restorers of the Opificio delle Pietre Dure to rid the sculpture of the residues of the old "faux bronze" patina still present on the stone surface in a punctual and selective manner whilst respecting the gilding traces.

"Casa degli Omenoni" - Milan: Palazzo Leoni-Calchi, at no. 3 Via degli Omenoni, is known as the "Casa of the Omenoni" precisely because its façade, one of the most iconic and curious in the city of Milan, features eight imposing statues on the ground floor, the "telamones", which face the street from the façade of the building. These majestic male sculptures that adorn and decorate the building are inspired by the statues of ancient Rome and represent the lineages of defeated barbarians. The Thunder Compact laser was used by the restorer to remove encrustations of various kinds from the surface of the sculptures.

Frescoes in the "Throne Room" - Palace of the Principality of Monaco: In the Throne Room of the Palace of the Principality of Monaco, two different laser systems (EOS QS and EOS 1000 LQS) were used for the restoration of a cycle of Italian frescoes, almost certainly of the Genoese school, which were concealed by a layer of plaster: the lasers enabled the surface removal and subsequent finishing of the cleaning. The laser restoration was carried out with a view to an environmentally sustainable operation, as expressly requested by Prince Albert II.

"Basilica di San Miniato a Monte" - Florence: El.En. provided the EOS 1000 LQS laser system free of charge for cleaning the marble of the presbytery area and the mosaic of the apsidal basin of the Basilica of San Miniato a Monte. Laser ablation has proven to be the most effective method for removing the most cohesive dirt from artefact surfaces. The restoration was made possible thanks to the sponsorship of the non-profit association "Friends of Florence".

"Reggia di Portici" - Naples: The Royal Palace of Portici in Naples, the summer residence of the Bourbon royal family, was the focus of major restoration work. The Infinito 100W and EOS QS laser systems were used to bring to light the stucco decorations that adorn the vaults of the rooms and that had been covered, a hundred years ago, by paint and lime when these rooms were changed in their use.

"Vienna National Library": Europe's largest Baroque library holds more than 200,000 historical books arranged on richly decorated wooden shelves. The numerous gildings, stucco, marble, stone and metal decorations and all wooden bookcases were restored in 2022. The wooden surfaces were deep-cleaned with the Infinito 100W laser, which enabled to leave the books in their original position. El.En.'s "Light For Art" division with its lasers increasingly affirms itself as the international benchmark for conservation and restoration worldwide for the thorough cleaning of the artistic and cultural heritage. Thanks to continuous

study and optimisation work, in collaboration with national and international research institutes, El.En. offers the widest range of laser systems dedicated to this specific application. We are now able to meet every need, allowing restorers to successfully tackle multiple conservation problems.

Parallel to all these activities, there has been a considerable increase in the training of operators in the sector, not only to provide better and more information on the potential of this technology, but above all to comply with the new regulations. In this regard the parent company El.En. S.p.A. is the largest private national reference for the conservation sector.

The Light for Art staff held the "Laser Operator Safety Course" every two months, both online and in-person; several courses on the use of lasers for cleaning cultural heritage were also held at major national institutions such as SAF ICR (Istituto Centrale per il Restauro) in Rome and Matera, Opificio delle Pietre Dure in Florence, Soprintendenza Speciale in Rome, Accademia di Belle Arti di Brera and the Centro Regionale per il Restauro in Palermo. A course was also held in Paris at the INP - Institut National de Patrimoine.

In 2022, approximately 220 restorers participated in the courses we promoted.



# PEOPLE

**PASSION AND TALENT  
TO GROW TOGETHER**



## 6. PEOPLE

**El.En. firmly believes that human resources are the company's most significant asset. The ability to innovate and pursue excellence depends on the people and employees involved in all activities and is the result of the specialisation, skills and passion that characterise all the people working in the Group.**

For El.En., people come first as it is only through the growth of individual skills and a stimulating environment that facilitates their exchange and collaboration that the collective growth of the Group and the creation of shared value is achieved. This is why the Group promotes the skill growth and enhancement of all employees each day, a true competitive advantage and the basis of the ability to innovate and pursue excellence.

The El.En. Group has codified in the Code of Ethics its commitment to respect and protect the dignity, health, safety and privacy of its employees and collaborators. Last year, these concepts were expressed even more vigorously in the Human Rights Policy, which was adopted by all subsidiaries and disseminated to all Group employees.

In particular, the Group aims to protect the physical and moral integrity of workers by informing them of their rights and of the risks they might incur in performing their work, and by ensuring working conditions that respect individual dignity, in accordance with current local legislation. Attention to human resources is also a major issue within the quality management system, which most of the Group's production companies have adopted in accordance with ISO 9001. On the basis of the latter's prescriptions, in fact, the certified companies were in charge of overseeing issues such as selection, training, skills development and the definition of function responsibilities.

The Parent Company, in particular, carried out a thorough job of codifying human resources management procedures (recruitment, remuneration, etc.) as well as profiling corporate functions with the identification of the necessary responsibilities and skills. Based on these, ad hoc training plans are then drawn up to meet the training needs of each individual.

As of 31 December 2022, we count 2,105 people compared to 1,902 last year, and together we form a growing international Group, called upon to operate in highly diverse contexts on the global stage. Ours is a multicultural team: out of 100 people in the El.En. Group, 45 work in Italy, 42 in China, 8 in Germany and what remains is distributed among Japan, Brazil, Poland, Spain and France.

The Group's workforce is predominantly young, 61% of employees are in the age group between 30 and 50, 25% of employees are under 30, and 14% are over 50.

The ability to attract talented people in terms of experience and skills is reflected both in the growth of the workforce, with a positive balance of 203 new people compared to the previous year, and in the highly professional and qualified team, with 90% of the company's workforce possessing a medium-high level of education and more than 52% holding a university degree.



As already stated in the previous chapter in section 5.4 "Our contribution to the community", the Group's companies consider the collaborative relationship established with higher education institutions and universities in the various territories in which they operate to be essential to their talent search and selection process. Maintaining these channels is crucial to increase the opportunities to get to know people and to promote the development of technical and scientific skills in the territories where the companies operate.

Chinese companies in Wuhan and Wenzhou have already been carrying out an anonymous survey of all employees in December for several years, the results of which are processed and handed over to management, in order to collect suggestions, opinions and anonymous evaluations on the company climate and the motivational level of people and thus obtain anonymous judgements that may help improve the ability to retain resources and the internal climate. In the course of 2022, the parent company El.En. and its subsidiary Quanta System also carried out a Survey for a part of the corporate population. A total of 788 employees were involved in this process (Wuhan 147 - Wenzhou 393 - Quanta 212 - Elen 36).

During the coming year, this activity will also be offered to other Group subsidiaries.

The Group recognises the need to value principles such as the integration of diversity and gender equality as forms of protection of the individual in the workplace: these values are promoted in the Code of Ethics, in which all Group companies undertake to ensure their employees are treated fairly and valued. Women make up 23% of the workforce, a figure that rises to 32% if only the white-collar category

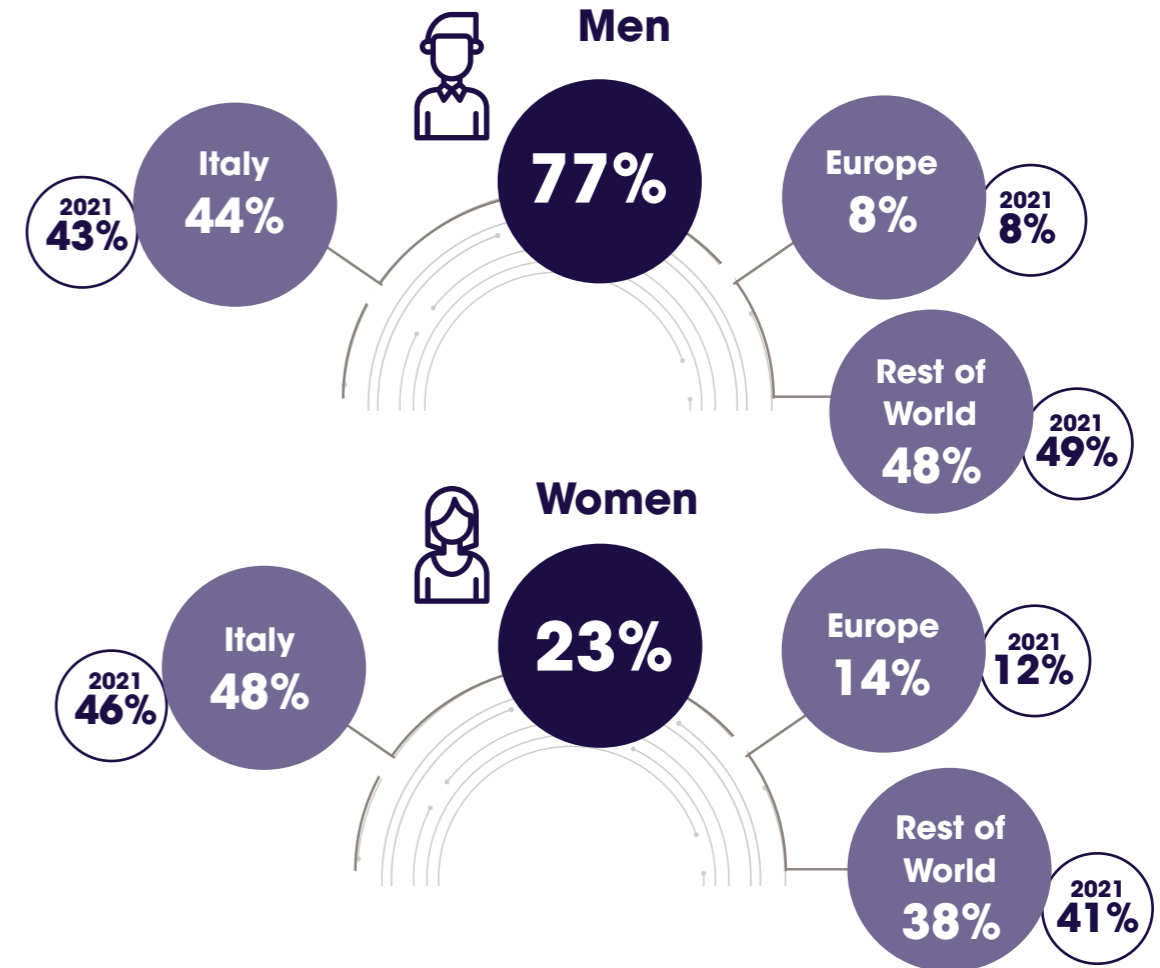
is considered; the markedly productive nature of the Group's activities determines, in fact, a higher incidence of male workers in the blue-collar category. With this in mind, the El.En. Group has started a screening and monitoring process as of 2021 regarding (i) spontaneous applications received, (ii) interviews conducted and (iii) actual hires broken down by department and gender in order to check whether the percentage of female hires is in line with the percentage of women who have applied and been interviewed. The data shows that in 2022, spontaneous applications received from women accounted for approximately 19% of all applications received. These were followed by 1,876 interviews, 374 of which were carried out by women: this figure, equal to 20% of the total number of interviews carried out, is in line with the applications received. The Group finalised 677 recruitments during the year, of which 137 were women (20% of the total).

The analysed data therefore confirm that the percentage of female interviews and hirings carried out is in line with the spontaneous applications received.

The parent company El.En., with the intention of taking further steps in the process of promoting gender equality in 2022, approved the "Diversity Policy" which has been implemented by the subsidiaries and disseminated to employees; in some cases the Policy has already been translated into local languages and approved. At the end of the year, a training programme on El.En. Group Policy was carried out in order to increase people's awareness of the issues involved, and then an in-depth study was also conducted on Diversity issues, which reached 899 Group employees (43% of the entire company population).



**Distribution of employees by geographic area and by gender as of December 31<sup>st</sup> 2022**



The Group's focus on diversity and inclusion is also reflected in the inclusion of differently-abled resources in the companies, in accordance with applicable practices and laws. As at 31 December 2022, there were 42 employees in the company belonging to protected categories.

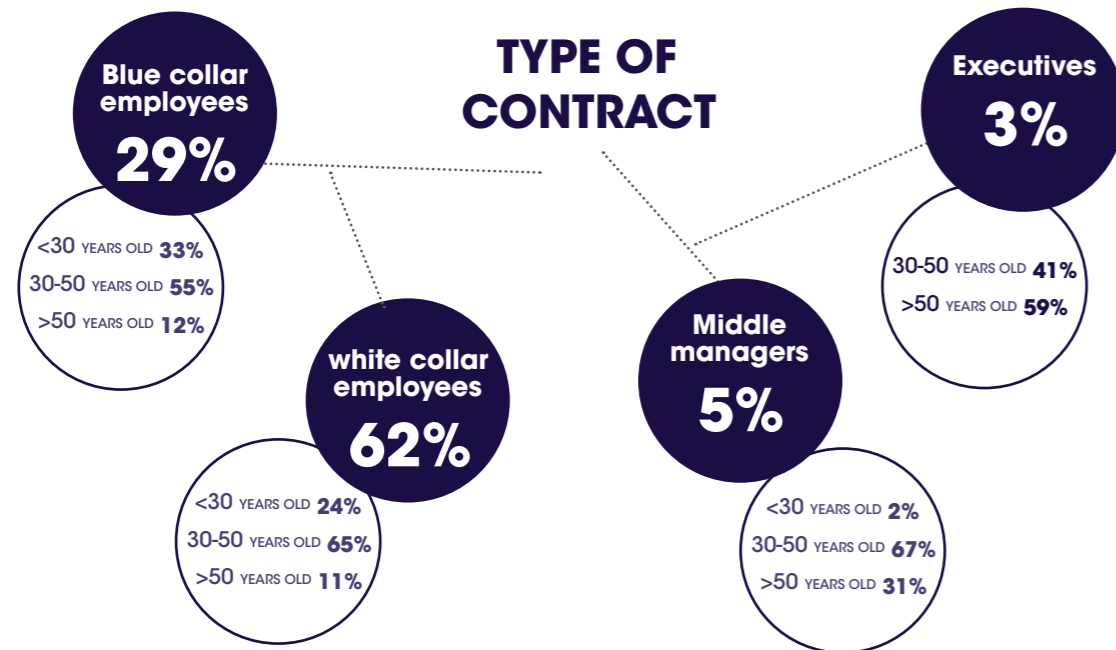
A further element in favour of the El.En. Group's commitment to develop a multicultural organisation is the prevalence of local managers in all its subsidiaries: of the 165 managers operating in different countries, 98% were born in the same country, an element that allows them to be more rooted in the territory.

We are committed to ensuring a constructive and dynamic working environment that supports the diversity of people and talents, is stimulating and offers opportunities for professional growth. The Group's human resources management aims at integration and respect for diversity, rejecting any discrimination based on nationality, sexual orientation, age, political or religious views. The Group, supporting and respecting the rights of the individual in accordance with the UN Universal Declaration of Human Rights, is committed to avoiding any form of discrimination. This commitment applies to all aspects of the employment relationship, including recruitment, training, job assignment, promotion,

transfer and termination. Equally important for creating an inclusive work environment are the initiatives promoted to facilitate work-life balance, starting with the possibility of adhering to part-time working arrangements. The Group is committed to establishing dialogue relationships with its employees in order to reconcile people's needs with company requirements. This commitment is also reflected in recruitment: 93% of the Group's employees are hired on a permanent basis if we exclude Chinese subsidiaries, where the labour market is much more dynamic and the tendency of people to constantly move from one region of the country to another in order to obtain a better standard of living means there is rapid employee turnover, and where current legislation stipulates that employees are hired on a permanent basis by companies after three three-year renewals at the same company (i.e. after nine years). The percentage drops to 55% if Chinese employees are included, for whom this form of contract is provided after three three-year renewals at the same company.

This commitment translates into the management of different categories of contracts: from national and/or sectoral bargaining, to collective and/or company agreements, to individually concluded contracts. In

**Distribution of employees by category and age as of December 31<sup>st</sup> 2022**



particular, in Italy the Contratto Collettivo Nazionale di Lavoro (National Collective Labour Agreement) is applied (100% of the employees are covered by collective bargaining), in Germany the workers' council signs a collective agreement on an annual basis (approximately 90% of the employees are covered by collective bargaining, the rest are sales staff, who sign their own different contract), in France the Collective IDCC Convention no.1982 is applied to all employees, in Brazil collective bargaining is conducted annually, and in China and Japan local legislation is followed. In Japan, management also holds a monthly meeting with its employees to discuss any relevant issues. At Group level, it should be noted that 53% of employees are covered by collective bargaining agreements.

During the year, we had 677 new hires, 540 male hires (80 per cent) and 137 female hires (20 per cent); of these, 278 were persons under 30 years of age, 372

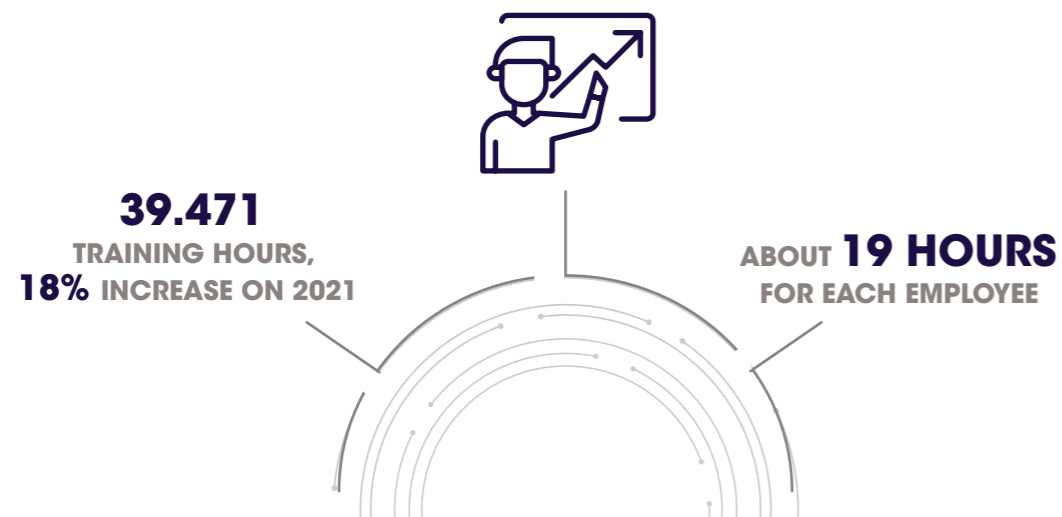
were persons in the 30-50 age bracket and 27 were persons over 50. 28% of the new hires were at Italian companies, 8% at European locations and 64% at Asian subsidiaries.

During the year we had 474 exits, 370 male exits (78%) and 104 female exits (22%); of these persons 173 are under 30 years of age, 271 persons are in the 30-50 age bracket and 30 persons are over 50). Of the total number of exits, 15% occurred at Italian companies, 9% at European subsidiaries and 76% at Asian subsidiaries. The overall turnover rate is 57%. If we strip out the figure from the entries and exits of Chinese subsidiaries, where both entry and exit turnover rates are higher than the norm due to the peculiarities of the Chinese labour market, where there is a rapid turnover of employees due to the tendency of people to move frequently to the regions of the country where the best living conditions are offered, the turnover rate drops to 34% with 259 hirings and 126 terminations.



## 6.1 TRAINING AND SKILLS DEVELOPMENT

Training has always been considered fundamental for the growth of personnel and the development of the key skills essential for a company's success. We promote continuous training with both refresher and subject-specific courses in order to enhance the knowledge and specialisation of each resource within the company.



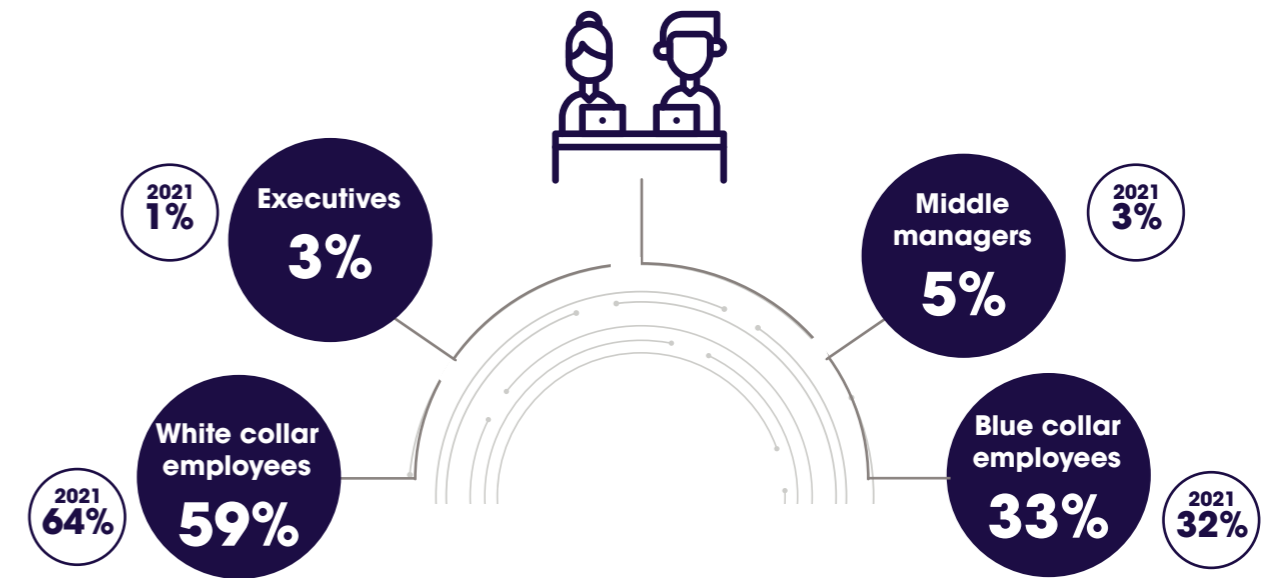
The training activity aims to stimulate and expand the professional skills of its employees and is structured to ensure a differentiated offer aimed at involving all professional categories at all levels.

During 2022, 39,471 hours of training were provided with an average of approximately 19 hours per employee. The main training categories are technical training with 15,928 hours, health and safety training amounting to 7,240 hours and training on Quality issues amounting to 3,971 hours.

We devoted 450 hours to training on the four E.I.En. Group Policies that reached 899 employees, 340

hours to training on sustainability issues that reached 80 employees, 240 hours to enhancing language training, while 615 hours were the training investment for new hires on the Code of Ethics and 126 hours training on Model 231. The residual category "Other" is very large with 9,328 hours as it includes all the trainings that do not fall under the above-mentioned trainings. Furthermore, 1,056 hours of specific management training were provided during the financial year, representing 3% of the total training hours. A total of 2,076 people were involved in at least one training session, for a total investment of over 380,000 euro.

### Professional training provided to each employment category (2022)



The main education and training courses promoted by Group companies as a whole in 2022 were:

- training on health and safety issues, thus relating to learning or keeping up to date with legal and/or company rules and regulations on health and safety in the workplace;
- training on quality system specifications for learning the necessary operating procedures at each stage of the production process;
- **specialised technical training for enhancing skills to optimally perform the assigned role;**
- **language training related to enhancing the language skills of the resources involved;**
- training in information systems to acquire skills in the purely information field (e.g. knowledge of certain software);
- training for new employees;
- **on-the-job training, usually carried out for fixed periods within companies and delivered by other qualified employees.**

For many professionals, a mentoring activity is also required to facilitate the trainee's insertion into the work environment in order to accompany, support and train them through the collaboration of colleagues, periodically checking the results achieved.

Although there is no central coordination of training activities, this is defined annually by each company by surveying, in addition to the compulsory training that must be provided, the curricular needs of the company population; through a census, the specific topics that need to be studied in depth are noted, and in some companies, each employee has the possibility of requesting to participate in specific training courses to enrich and personalise their curriculum.

In order to promote ever greater accountability, this year the companies continued to provide training and information on the E.I.En. Group's Policies and Code of Ethics, developing all the main topics contained in these documents, and held an important anti-corruption course for all management figures.

In the Group companies, the Code of Ethics is delivered to all new employees as mandatory documentation, and in the companies Asclepion GmbH, Quanta System S.p.A. and the Chinese subsidiaries, a focus on the Code of Ethics is included in the training for all new employees: the implementation of this activity for the parent company E.I.En. S.p.A. and the subsidiaries of the Calenzano and Prato Hub has been completed and will be active from 2023.



## THE PEOPLE BEHIND COMPANY SUCCESS CLIMATE ANALYSIS

During 2022, the parent company El.En. S.p.A. carried out an internal climate analysis, a diagnostic and listening tool that shows how people perceive their working environment.

These perceptions greatly influence the motivation and performance of employees, which is why El.En.'s approach was not to administer a questionnaire to receive feedback from people, but to turn this analysis tool into an improvement process that involved people and made them participate in the change.

The first stage involved providing a questionnaire for the following areas of interest: (i) environmental quality, safety and sociality, (ii) motivation, (iii) staff supervision and (iv) behavioural culture.

Starting from the questionnaire data, the second stage saw the creation of a number of focus groups (created by dividing the participants according to their department, skills, age and company seniority).

In the third stage, focus groups were asked to propose improvement projects on the company areas where deficiencies had been highlighted using the problem solving technique.

In the fourth and final phase, concrete actions were identified for the development of improvement projects concerning the implementation of synergetic collaboration between departments, the increased implementation of a culture of gratification and motivation, professional development and continuous improvement orientation.

In the course of 2023, the projects proposed by the Focus Groups will be presented to the Management, which will evaluate the relevant improvement actions.



## 6.2 HEALTH AND SAFETY IN THE WORKPLACE

We are committed to ensuring a healthy and safe working environment that complies with worker and environmental safety regulations. Our aim is to spread and develop awareness among people of the risks associated with their work activities and to promote responsible behaviour by all workers, with targeted programmes aimed at preventing potential personal injury.



### 7.240

HOURS OF SPECIFIC TRAINING ON HEALTH AND SAFETY ISSUES

During the year, Group companies maintained, albeit loosened, certain rules for safe accessibility in the workplace, a priority for all companies since the beginning of the Covid 19 pandemic. In some workplaces, access procedures remained in force for most of the year, with anyone showing flu symptoms and/or a body temperature above 37.5°C being banned from entering.

Some companies maintained specific access points with hand sanitisation dispensers, a mask supply box and a body temperature station in the early months of the year. In Chinese subsidiaries, however, the continuation of the pandemic meant that restrictions were maintained throughout the year.

Routine and special cleaning and sanitising of surfaces and environments has been and is still being implemented, and the frequency of daily cleaning and sanitising has been increased to ensure that rooms, workstations and equipment used are sanitised at the end of the shift or whenever necessary. For the use of equipment shared by several operators (e.g. work equipment such as lifting gear, forklifts, coffee machines, etc.), companies have provided for cleaning procedures with appropriate products between uses.

As also stated in the Code of Ethics, the El.En. Group is fully committed to spreading and consolidating a culture of safety, promoting responsible behaviour by all employees.

To this end, the Group is committed to:

- always act in accordance with applicable national and international regulations and standards;
- manage the hazards and risks associated with each task and activity; any change to the organisational layout, at any level, involves updating the relevant documentation;
- provide competence and awareness of risks related to work environments and tasks to all personnel through continuous training and information;
- periodically review the safety procedures and work instructions to make changes and improvements;
- adopt rules of good practice in the management of contracts and subcontracts to reduce possible interfering risks;
- search for the best available technology for individual and collective protection.

In all the Group's production companies, the issue of health and safety is managed and monitored through processes that, although not centralised and coordinated at Group level, ensure that in each subsidiary there are procedures related to the protection of workers' health and safety, worker training and the implementation of corrective and improvement actions.

In Italian companies, the subject is regulated by Legislative Decree no. 81/2008; foreign production subsidiaries equally oversee health and safety under local regulations. The Group's Italian companies have also addressed the issue of Health and Safety within the framework of the Organisational

model pursuant to Legislative Decree 231/2001. The guiding principle is that safety policy should be elevated to a corporate value, on a par with all the other values that characterise corporate strategy. Just as organisational systems are used to manage economic resources, so too safety must be an essential value, to be constantly achieved and implemented, with the help of an organisational system that identifies the tools, responsibilities and motivations aimed at expressing and translating the commitment of top management in this respect. Hence, among other things: the commitment to comply with health and safety regulations and the Organisational Model with the aim of fostering a significant reduction in accidents; recognition that the responsibility for safety management concerns the entire company, from the employer to each employee, according to their duties and skills; the commitment to allocate adequate human and financial resources to achieve the objective of a significant reduction in accidents and the objective of constantly improving working conditions; the commitment to ensure that workers are adequately informed and trained on the risks connected to their work. Based on the organisational model, it is planned to identify and allocate the responsibilities related to health and safety among the company departments, to map and self-assess the risk, and to prepare training activities. For the companies located in the Calenzano area, the central role of the HSE office in safety management has made a more coherent and uniform view of company policy towards this issue available over time. In all production companies, the process of identifying risks related to workers' health and safety is envisaged: in Italy, this activity is formalised in the Risk Assessment Documents (RAD); in Chinese companies, risks related to the workplace are formalised and communicated to workers through the "Worker's manual"; similarly, in German and Brazilian subsidiaries, risk analyses are formalised in dedicated documents that are periodically updated. Risk identification is subject to the subsequent identification and implementation of corrective and/

or preventive actions. Most of the subsidiaries have procedures in place for workers' complaints and have elected workers' safety representatives. During the year, the Group's Italian companies hold a periodic meeting in accordance with the provisions of Article 35 of Legislative Decree no. 81/08, attended by the Employer, the Company Physician, the RSPP (Health and Safety Officer) and the RLS (Workers' Safety Representatives) representing all workers. In line with a policy of maximum transparency, a member of the Supervisory Board and all persons within the corporate security organisation chart are also invited to attend the periodic meeting of the Parent Company. The following topics were discussed at the meeting:

- update on any changes made to the risk assessment document;
- evaluation of trends in accidents, occupational diseases and health surveillance;
- the selection criteria, technical characteristics and effectiveness of personal protective equipment that may have been added or modified;
- safety information and training programmes for managers, supervisors and workers.

During each meeting, a new improvement plan is also presented, describing all objectives that the Prevention and Protection Service aims to achieve for the following year. German and Brazilian companies also employ specific committees with expertise in health and safety, which meet periodically to assess the progress and management of the issue. In case of the Brazilian company, workers' health and safety representatives hold monthly monitoring meetings. In all production companies, departments and persons responsible for health and safety are identified (e.g. employer, RSPP and supervisors for the Italian company; general manager and department manager for the Chinese company; employer and safety manager for the German company). In all production companies, training and information on health and safety is provided both at the time of recruitment and periodically thereafter. The structure and type of training courses are defined by the individual companies, however all provide both

training for general risks and training for specific risks related to certain tasks, first aid training and periodic refresher courses. A total of 7,240 hours of Group-wide health and safety training were provided in 2022, an increase over last year due to the periodicity of legally required training, but also due to the increase in the number of employees. Given the nature of the production activity carried out, all companies have established safety procedures and provide for collective and individual protective equipment for artificial optical radiation risks. Specifically, all production workers have personal protective equipment available and then, prevention

or collective protection devices such as bulkheads, containment boxes and turnstiles are provided in a different manner to delimit production areas. In non-manufacturing companies, the issue is also monitored through the collection and monitoring of accident-related data. In 2022, 20 occupational injuries were recorded at Group level, up from 14 in the previous year; the main types of injuries were injuries and bruises, mainly of the limbs. No serious<sup>8</sup> accidents occurred during the year. Following accidents, companies investigate the causes of accidents in order to develop possible preventive and ameliorative actions.



<sup>8</sup> Serious accidents are considered those for which more than 180 days of absence are foreseen.

## 6.3 PEOPLE'S WELL-BEING

**The well-being of its people is the key factor for a company's success. Technical skills are not enough to guarantee a good result, but it is necessary for the company to offer its employees an environment that can stimulate their potential and abilities.**

To support, encourage and implement the well-being of its people, the El.En. Group considers welfare a highly innovative tool compared to traditional salary and incentive methods, destined to become an integral part of modern and efficient resource management. Welfare plans were planned by the Japanese, Brazilian and Chinese subsidiaries. The Group's Italian companies, in accordance with the provisions of the applicable national collective bargaining agreement for the sector, pay part of their salary in flexible benefits. In particular, for companies of the Calenzano and Prato hub, through the provision of a specific platform, each worker can choose the welfare good or service that best suits his or her interests and needs, such as, for example, home care or health services, reimbursement of school expenses, supplementary welfare, training courses, recreational goods, goods in kind and collective transport services. Furthermore, the company agreement provided the opportunity to convert the amount due to employees as a performance bonus, up to a maximum of 50%, into welfare goods, benefits and/or services. With this agreement companies also granted better treatment compared to the CCNL in force by guaranteeing an additional day of paid leave per event with respect to those provided for by the regulations in force and, as a better treatment, the first three days of sick leave

not exceeding five days will be paid at 100% even after the occurrence of the third event. Employees at the Calenzano Hub were also given the opportunity to convert part of the ad personam bonus into welfare vouchers. The subsidiary Quanta System S.p.A. introduced the possibility for each employee to convert the entire production bonus into welfare in its second-level agreement.

Italian companies, as per collective bargaining, subscribe to health care funds for all employees and their dependants.

We are convinced that working in a custom-built environment fosters a greater spirit of belonging to the company, a prerequisite for its future. And it is in order to enhance and cultivate the importance of human relationships, of confrontation and sharing that this welfare development path for the El.En. Group was born: the subsidiaries during extensions or relocations of their premises have decided to dedicate ample space to people's well-being, in order to raise the quality of working life within the company and take care of people's well-being at 360°. It is increasingly important to accompany the training and career path of each professional figure with an investment that leads to the creation of an energetic and fulfilling working environment that stimulates teamwork.



In the Group's companies based in Calenzano and Prato, a free canteen service has always been offered to all employees, and with much effort it has always been maintained, even during the pandemic, by dividing the entrance to the canteen into several shifts with sanitisation of the stations between one shift and the next, in order to continue to offer a hot meal to employees. For a few years now, the Calenzano facility has also had a company gymnasium. Chinese companies provide each employee on request with a free flat in the company dormitory or in the vicinity of the factory and offer a free canteen service for lunch. Furthermore, in the new Chinese plants in Wenzhou and Shangdong, recreational areas for employees with sports equipment, reading rooms and calligraphy courses have been created and made available by the company for anyone who wishes to use them.

The subsidiary Quanta System S.p.A. possesses a gymnasium (to be expanded in 2023) for all employees and a refreshment area where they may rest and have meals (a company canteen is planned for 2023), while the German subsidiary Asclepion GmbH, with a view to creating a more welcoming working environment for all employees, built a large cafeteria area, a fitness area with two rooms in

which sports courses are offered, and a large rooftop terrace with a garden inside. Lastly, the subsidiary Asa, in its new company headquarters inaugurated at the end of last year, also planned to adopt innovative space management solutions: the smart redistribution of functional areas was carried out to improve the quality of work, and open-plan operating rooms were adopted that, thanks to an ad hoc study of furnishings and the use of sound-absorbing panelling, while guaranteeing privacy and acoustics, favour teamwork. Several meeting rooms, job islands, a refreshment area and coffee break islands help facilitate sharing. Fortunately, the slowdown in the global health emergency meant that access to the aforementioned premises by employees was almost entirely restored during the course of the year, guaranteeing the health and safety of everyone in the company at all times. Companies of the El.En. Group therefore offer their employees non-statutory benefits in addition to statutory ones.

Every El.En. Group employee, whether part-time or full-time, is covered by health insurance policies (100 per cent) that also cover employees' dependants, while 90 per cent of employees have access to company welfare plans, including conventions and/or other types of benefits<sup>13</sup>.



<sup>13</sup> Not all companies have the same benefits. As already mentioned in the text, the concessions referred to concern welfare plans, free canteen, gym and free sports courses and various agreements stipulated with local companies.

## LASIT S.P.A. THE NEW PLANT

In recent years, the subsidiary Lasit S.p.A., in order to comply with the need to expand its production capacity and the space available for its various departments, moved to a larger plant: the project included the use of some space to be made available as recreational areas for its employees from the outset. The Covid 19 pandemic slowed down significantly and in some cases even nipped in the bud projects that had been planned, which will be summarised below. In 2021, a nursery area was set up to allow all parents working at Lasit to bring their small children to the office, providing them with a free babysitter and a specially-equipped play area: this way, even for the very youngest of children, parents are always close by and can feel more relaxed in carrying out their daily activities. Last year, a large library area, strongly desired by Management was also set up. It holds volumes of different subjects, based on the interests expressed by the employees themselves. As of the end of 2022, the plan to set up a company gymnasium has become concrete: the gym is the ideal place where, during lunch breaks or after working hours, employees can share a playful moment and have fun together, to train their physical and mental fitness. This way, the company wishes to complement the training and career path of each professional with an investment that leads to the creation of an energetic and rewarding working environment that stimulates teamwork; the project will be completed by 2023.

The last area that should be developed over the next year is the canteen area, creating a lunch break space where all employees will be able to find a hot meal choosing from a variety of options, prepared with products purchased from local farmers and small local companies.

With these measures, the subsidiary Lasit S.p.A. fully embraces the welfare development project desired by the parent company El.En.. All of these actions are aimed at improving the quality of working life within the Group's companies and are part of the broader project launched a few years ago and aimed at its employees, which has the objective of taking all-round care of people's well-being.



# **ENVIRONMENTAL RESPONSIBILITY**

**COMMITMENT AND RESPECT  
FOR OUR WORLD**

## 7. ENVIRONMENTAL RESPONSIBILITY

For the Group, the environment represents a primary asset that must be safeguarded. To this end, activities are planned by seeking a balance between economic objectives and unavoidable environmental needs, respecting and protecting the rights of future generations and in line with the principle of sustainable development. The Group is therefore committed to monitoring the environmental impact generated by its activities, as well as preventing any potential risks, implementing

corrective and mitigation actions, in compliance with current regulations and in the light of best practices on the subject. During 2022, the Board of Directors of El.En. S.p.A. amended and re-approved the Environmental Policy, which was first approved in 2019.

All El.En. Group companies have implemented, approved and disseminated to all employees the revised Environmental Policy, formalising their commitment to monitor and seek to reduce the environmental impact of their activities.

### 7.1 ENERGY CONSUMPTION

The Group is committed to reducing its energy consumption through, where possible, improving processes and infrastructures and promoting energy-saving behaviour and habits, fostering the development of environmental awareness among people.

Last year, the parent company El.En., for the Calenzano site, carried out an energy diagnosis of its production sites, aimed at providing an adequate knowledge of the energy consumption profile and identifying and quantifying energy saving opportunities from a cost/benefit standpoint. On the basis of the data found during the inspection and the subsequent analysis carried out, technicians proposed areas of intervention to achieve the best results in terms of energy savings: the installation of photovoltaic systems, the upgrading of the roof of a building in the Calenzano hub, and the installation of an energy optimiser in the cabin that would allow users with heterogeneous absorption in applications to reduce energy consumption under the same conditions of use.

Demonstrating that the goal of reducing energy consumption and producing renewable energy is a priority for the Group, the first two activities have already been implemented during 2022, and for the third point we have already ordered the purchase of meters, and will then install software for continuous detection from our electricity grid. Together with the use of present and future home automation, we could better manage our network by avoiding peaks in electricity consumption during peak demand periods. The Group's energy consumption consists of: electricity used for space heating or cooling and for

production processes; natural gas and LPG used as fuel for heating buildings; and gasoline, diesel and bioethanol used as automotive fuel.

Specifically, in 2022, 377,127 m<sup>3</sup> of natural gas and 5,118 litres of LPG were consumed. On the other hand, the total consumption of purchased electricity was 6,795,933 kWh while the total number of litres of diesel and petrol consumed was 532,461. Bioethanol consumption amounted to 16,997 litres. The total energy consumption was therefore 57,578 GJ. In percentage terms, approximately 42% of consumption is attributable to the use of purchased electricity; a further 33% is attributable to the use of company cars, and approximately 24% to the consumption of natural gas and LPG for internal heating. Since 2022, the energy needs of two subsidiaries are partly met by photovoltaic systems, which were installed in 2019: self-produced energy from the photovoltaic systems amounted to 92,863 kWh. During the financial year 2022, the Group did not make use of the direct purchase of energy from renewable sources certified through guarantees of origin, but the subsidiaries Asclepion GmbH, Quanta System S.p.A. and Lasit Laser Iberica purchased 100 per cent of their energy from suppliers who declared that they in turn purchased it from renewable sources.

Total energy consumption was up by 16% year-on-year: the increase is mainly to be seen in the increased volume of business (+18% in consolidated turnover and +11% in headcount). If we analyse the emissions in 2022 in relation to the production carried out, overall we have reduced CO<sub>2</sub> emissions into the atmosphere per unit of product by 3%.

### 7.2 SELF-GENERATED ENERGY BY THE EL.EN. GROUP

The photovoltaic systems already in operation in the past financial years are located at the subsidiaries Asclepion GmbH and Asa S.r.l., which each installed a photovoltaic system at their plants, of 44 kW and 33 kW power respectively, to supplement the energy needs of their company plants. These plants produced during 2022 an amount of electricity equivalent to 21% of the total purchased by the two companies.

The commitment already reported in the Sustainability Report of 2021 to complete the installation of three photovoltaic plants during this financial year was completed in 2022: one plant was installed at the Calenzano production site, one at the subsidiary Quanta System and one at the subsidiary Giovanni Galli S.r.l., and the fourth plant, also at the Calenzano site, is currently being completed. All facilities will be operational starting from early 2023.

The subsidiary Quanta System S.p.A., in order to reduce its consumption in recent years, installed a cogeneration plant, which during the year produced an amount of electricity equivalent to 57% of the company's energy needs (calculated on the amount of electricity purchased).

The Group's goal in the coming years will be to install new photovoltaic systems at other locations in addition to the ones mentioned above, in order to self-produce an increasing amount of electricity from renewable sources and meet its energy needs in an increasingly renewable and independent manner.

As already described, 2022 was a highly significant year in terms of investments made by the El.En. Group for the installation of photovoltaic systems. The subsidiary Quanta System has completed the installation of a 450 kWp photovoltaic system that will be in operation from 2023 and will, when fully operational, produce the company's entire energy

requirements, resulting in a reduction of approximately 200 tonnes of CO<sub>2</sub> in the atmosphere per year. The subsidiary Giovanni Galli S.r.l. installed a photovoltaic system at the company's new headquarters. The photovoltaic plant will be in operation from 2023, has a capacity of 80 kWp and is estimated to contribute 70% of the company's entire annual energy needs, saving around 40 tonnes of CO<sub>2</sub> into the atmosphere.

Two photovoltaic systems were also installed in the Calenzano hub, headquarters of the parent company El.En. S.p.A. and other subsidiaries: the first one has 76 kWp, the installation is completely finished and will be in operation as of mid-2023, while for the second system, amounting to 64 kWp, installation work began in 2022 and will continue during 2023. At full capacity, these first two plants will contribute to the production of about 10% of the total energy demand, saving about 70 tonnes of CO<sub>2</sub> per year into the atmosphere. At the Calenzano Hub, plans have already been drawn up for the installation of further solar panels of approximately 253 kWp, which should be installed by the end of 2023: this will enable future savings of a further 125 tonnes of CO<sub>2</sub> in the atmosphere per year thanks to the production of a further 18% of the total energy requirement.

Additional roofing projects were also presented for the Calenzano hub, which, although technically feasible, are tied to future building extensions or the reclamation of certain roofs and will therefore possibly be taken into account in the development plans for the coming financial years.

Other Group subsidiaries have also started feasibility studies for the installation of photovoltaic systems, so that the amount of renewable energy self-produced by the Group is set to increase over the next few years.

## THE TRANSITION OF PENTA LASER SHANDONG

The Chinese provincial government of Shandong and the city government of Linyi awarded the subsidiary Penta Laser (Shandong) Co. Ltd recognition as a company engaged in the “conversion from old to new energy” during the construction of the experimental zone in Shandong province. In the same year, the Ministry of Emergency Management of the People's Republic of China also granted the certification of safety systems for manufacturing to Penta Laser (Shandong) Co., Ltd.

These awards are primarily intended to reward companies that are leading the way in a conversion that aims to replace traditional technologies with innovative, safer and more environment- and people-friendly technologies, such as laser technology.

During the past year, the Chinese company Penta Laser Shangdong has completed expansion of its existing production site by adding approximately 12,000 square metres including a new production facility, a workshop and an employee dormitory, which also includes an entertainment centre for after-work use with sports equipment, reading rooms and calligraphy courses. In these new buildings, the company followed the “green building assessment standards” by installing highly efficient electrical and heating systems.

## CUTLITE DO BRASIL'S ENVIRONMENTAL PROCEDURES

The subsidiary Cutlite do Brasil, after approving and disseminating the El.En. Group's Environmental Policy to all employees, has introduced internal procedures to reinforce its commitment to energy and water saving, raising awareness among employees on the proper use of resources.

In previous years Cutlite do Brasil had already replaced all the lights with LED lamps and equipped taps with manual presence sensor devices. The procedures recommend that all employees turn off lights and air conditioning in unoccupied rooms, keep doors and windows closed to avoid wasting air conditioning, and adjust the thermostat according to the room temperature, always giving preference to the use of natural light during the day. Care should be taken to always switch off monitors, printers, stabilisers, speakers and other accessories when not in use, to disconnect the monitor from the computer during periods of absence of more than 15 minutes, and to reduce the brightness/contrast of the monitor or activate the “Power-saving” or “Energy efficiency” option. Everyone's cooperation is also required in preventing water wastage and reporting any leaks immediately. The company has also implemented a project to reduce plastic by replacing the cups in beverage dispensers with bamboo fibre cups.

## 7.3 WASTE

In 2021, the El.En. Group carried out an initial waste reporting exercise, even though this issue is not included among the material topics because, in a world where natural resources are by nature limited, we want to strive to manage them as well as possible and promote responsible resource management by promoting sustainable production and consumption models. Last year, the reporting had affected all Group companies except Chinese subsidiaries, as the data collection for monitoring this activity had been difficult to obtain, and the subsidiaries had committed to report the collection from 2022 onwards: the target was achieved and as of this year, all Group companies have been reporting data on time.

We would like to remind you that all Group companies have been carrying out separate waste collection on their premises as of last year. The three Chinese companies were the last subsidiaries to introduce separate waste collection and, referring to the Group Environmental Policy, which was approved and disseminated to all employees, they established additional internal Company Regulations for the management of separate waste collection, organised training courses for all employees on the correct sorting of waste, and carried out internal awareness campaigns on the environmental damage caused by incorrectly disposed waste.

Each of the Chinese companies then entered into contracts with external companies for the collection, handling and disposal of the waste and, in this first phase, requested the cleaning employees to review any incorrect disposals. These actions were carried out in just a few months and are part of the more ambitious project to transform Chinese companies into “Green factories” where, together with the use of more sustainable materials, the installation of energy-efficient equipment and the introduction of solutions to reduce waste is also, and above all, accompanied by a system of environmental education for all employees since, as stated by the CEO of Penta Laser Wenzhou, “Green manufacturing is an important part of the construction of ecological civilization and the only way for the transformation and upgrading of enterprises”.

This initial reporting of waste showed that the Group produced 724 tonnes of waste during the year, of which 717 tonnes (99%) was non-hazardous waste: of this, 90% was sent for recycling or other recovery operations while 10% was sent for disposal. Hazardous waste accounts for only 1% of the total and consists mostly of packaging, absorbents or filter materials containing substance residues, spent solvents and discarded equipment. All companies use external companies for collection and disposal services, but also use municipal pick-up and collection services, especially for undifferentiated waste, organic waste and paper from offices. Waste disposed of with state agencies, which accounts for a very marginal share, is not included in the scope of the reported data.

Waste generated	
	2022
<b>HAZARDOUS WASTE</b>	<b>6.584</b>
diverted to disposal	2.346
diverted from disposal	4.238
<b>NON HAZARDOUS WASTE</b>	<b>717.619</b>
diverted to disposal	71.606
diverted from disposal	646.013
<b>TOTAL</b>	<b>724.203</b>
diverted to disposal	73.952
diverted from disposal	650.251

## QUANTA SYSTEM - GREEN FACTORY

At the end of 2022, the subsidiary Quanta System inaugurated the last part of the company's new plant, adjacent to the previous one: employee well-being and sustainability were the guidelines followed in the renovation of this latest area of the company, which was created with the precise intention of putting people's well-being and health at the centre.

The new area of around 2,000 m2 offered additional office space for more than seventy employees, two medical rooms for laser treatment demos, a training room and a state-of-the-art auditorium: this room can hold meetings for around one hundred and fifty people and can be divided into two spaces.

In the name of welfare and the spirit of belonging, the renovation included the adoption of innovative solutions in the management of spaces and in the choice of furnishings, with the utmost functionality to facilitate the fluidity of work; to encourage sharing, several meeting rooms and three "coffee break" areas were also created (one of which was for the exclusive use of the Auditorium), as well as the rebuilding of the company gym, already present but no longer able to accommodate all employees who wished to use it, which will be completed during 2023 (in the existing building).

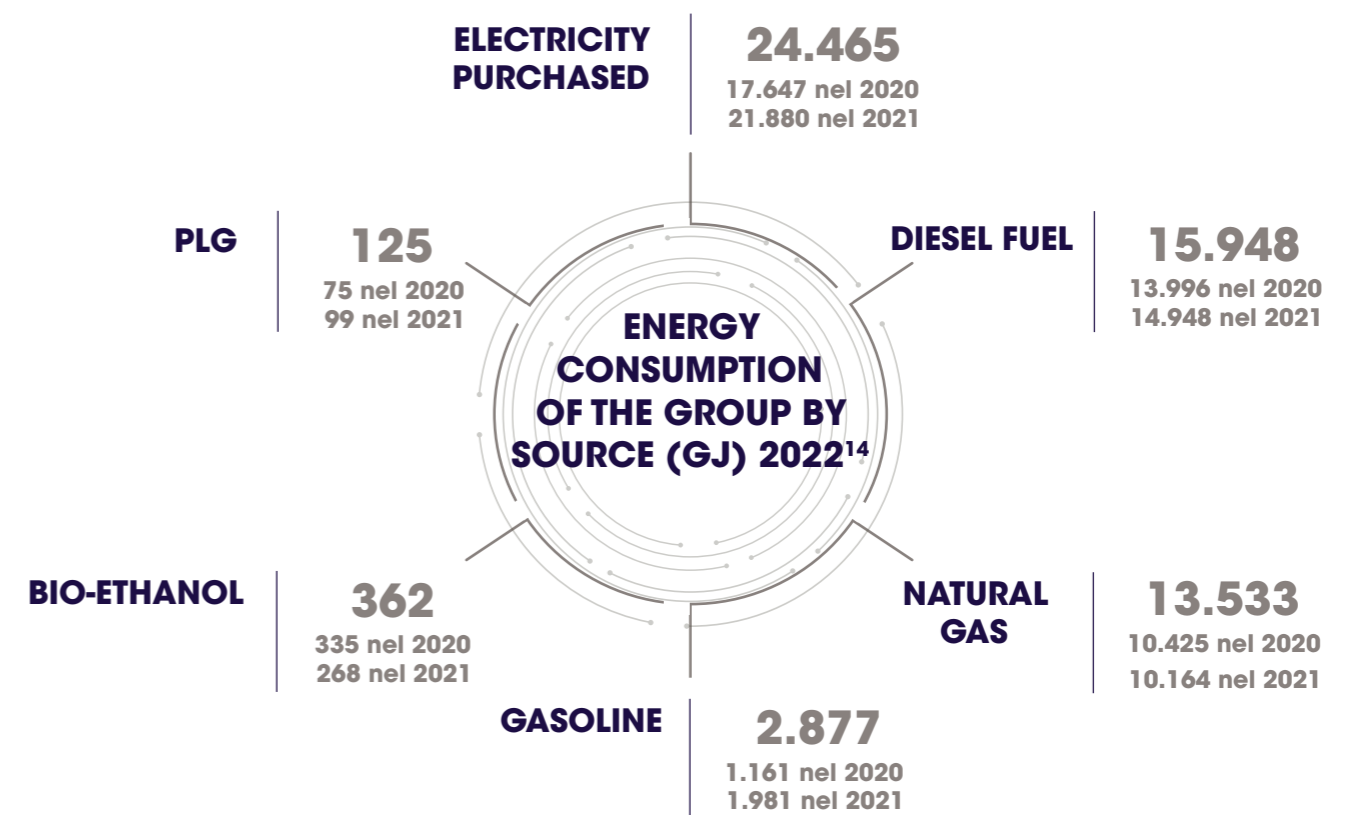
Throughout the building, winter/summer air conditioning was ensured by the installation of an energy-efficient heat pump system, which allows for a distributed diffusion of air and temperature, avoiding ventilation. Energy-efficient electrical systems were also installed: high-efficiency LED technology was used in the lighting design, and presence sensors were installed for automatic lighting wherever possible.

As previously described, a photovoltaic system of 450 kWp was installed on the roof of the new building to cover the company's entire energy needs when the system will be fully operational (the installation is complete and connection to the electricity grid should take place in early 2023); the installation of a second photovoltaic system of equal power on the roof of the second building has also been approved, which should take place as early as 2023. Lastly, seven electric vehicle charging stations have been installed and a further three will be installed in the coming months.



## FUTURE DEVELOPMENTS AT THE CALENZANO HUB

2022 saw a continuation of the initiatives promoted by the parent company El.En. to propose a positive ecological impact: in addition to the installation of photovoltaic systems and the planning of future ones, which we have already described above, the following projects have already been authorised for the coming years: (a) Relamping of the entire Hub with LEDs for those areas that have not yet been adapted by the end of 2023 or early 2024; (b) Installation of electric vehicle recharging stations: the first installation will be scheduled for 2023, the second in 2024, and for two further installations we are waiting for further work on the plant to be completed before deciding where they will be most effective; (c) Expansion where possible of the automatic switching on and off of lights in the entire building and where possible installation of presence sensors to facilitate energy saving (d) Purchase of a fully electric eight-seater mini-van by 2023 for possible passenger/guest transport or shuttle services for our employees; (e) The project to reopen the existing drinking fountains for water supply will be fully reactivated from 2023 (the fountains had been closed following the Covid 19 health emergency) to promote the reduction of plastic use and reduce both waste and its handling. Automatic dryers inside restrooms, which were temporarily closed for the reasons mentioned above, will similarly be reactivated to reduce the use of paper.



<sup>14</sup>The data related to the consumption of electrical energy in the month of December 2022, unless otherwise specified, were acquired from the invoice issued by the suppliers of energy services. The consumption of fuel for vehicles for the automobiles belonging to the Italian companies located in Calenzano and Prato, 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 2020, 2021 e 2022.



## 7.4 EMISSIONS

Direct and indirect CO<sub>2</sub> emissions associated with the Group's main consumption can be divided into two categories:

- **direct emissions (Scope 1): greenhouse gas emissions due to direct fuel consumption by the Group (e.g. natural gas, diesel);**
- **indirect emissions (Scope 2): greenhouse gas emissions from electricity purchased or consumed by the Group.**

In particular, for the calculation of CO<sub>2</sub> emissions, as required by the GRI Sustainability Reporting Standards, Scope 2 emissions were calculated according to two distinct calculation methods: the "Location-based method" and the "Market-based method". The location-based method is based on average emission factors for regional, sub-national or national power generation. The Market-based method, on the other hand, is based on the CO<sub>2</sub> emissions emitted by energy suppliers from whom the company purchases, by contract, electricity, or on market-related factors.

Different factors were used for the calculation of Scope 2 emissions, depending on the calculation method and the reference country. Specifically:

- For the location-based method, average emission factors relating to domestic power generation for the different countries of operation were used, as reported in the publication International Comparisons, Terna 2019, 2020 and 2021, for 2020, 2021 and 2022<sup>15</sup> respectively.

- For the market-based method, average emission factors from the European electricity market production for Italy, France and Germany were used, as reported in the document Residual Mix Results, Association of issuing bodies (AIB) 2019, 2020 and 2021, for 2020, 2021 and 2022, respectively. For the remaining countries, the same factors were applied as for the location-based method.

For 2022, considering the location-based calculation method for Scope 2, total emissions are 4,805 tCO<sub>2</sub>eq: 56% is attributable to electricity consumption while 44% is mainly attributable to natural gas and fuel consumption.

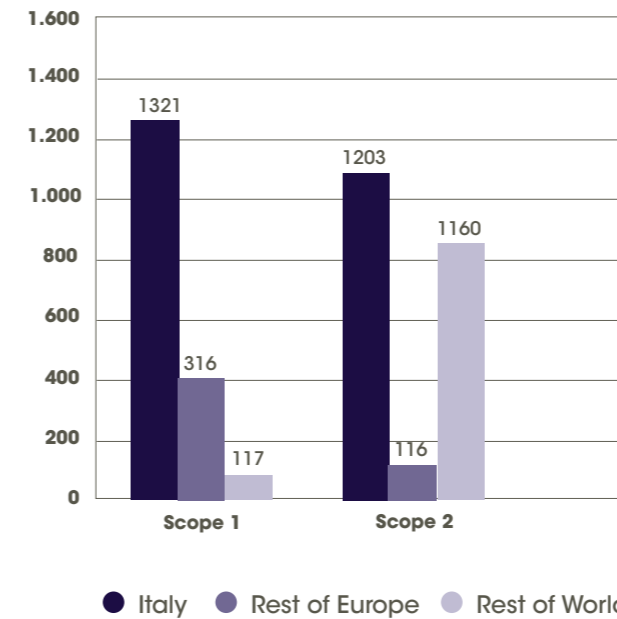
When calculating indirect emissions using the market-based method, CO<sub>2</sub>eq emissions are more or less in line with the above, i.e. a total of 5,503 tonnes of direct and indirect CO<sub>2</sub>eq emissions.

The parent company El.En. S.p.A., and the subsidiaries Quanta System S.p.A. and Deka Mela S.r.l. in December 2022 signed a consultancy contract to obtain ISO 16064 - Organisation Carbon Footprint certification, to set up an initial approach to reporting GHG emissions expressed in units of weight of carbon dioxide equivalent (CO<sub>2</sub>eq) released into the atmosphere resulting from all direct and indirect activities of the Organisation. The project envisages the three companies obtaining ISO 14064 certification by 2023.

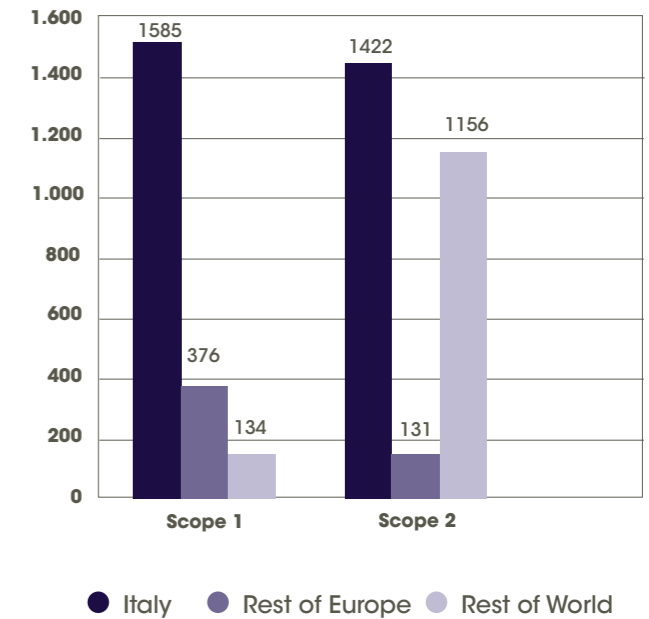


<sup>15</sup> It should be noted that the Scope 2 emissions calculated with the emission factors published by Terna in the International Comparisons document are expressed in tons of CO<sub>2</sub>; in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gas (CO<sub>2</sub>eq), as can be seen from the specific technical literature.

**Emissions Scope 1 and Scope 2 (location-based) by region (ton CO<sub>2</sub>eq) 2021**



**Emissions Scope 1 and Scope 2 (location-based) by region (ton CO<sub>2</sub>eq) 2022<sup>16</sup>**



## 7.5 WATER CONSUMPTION

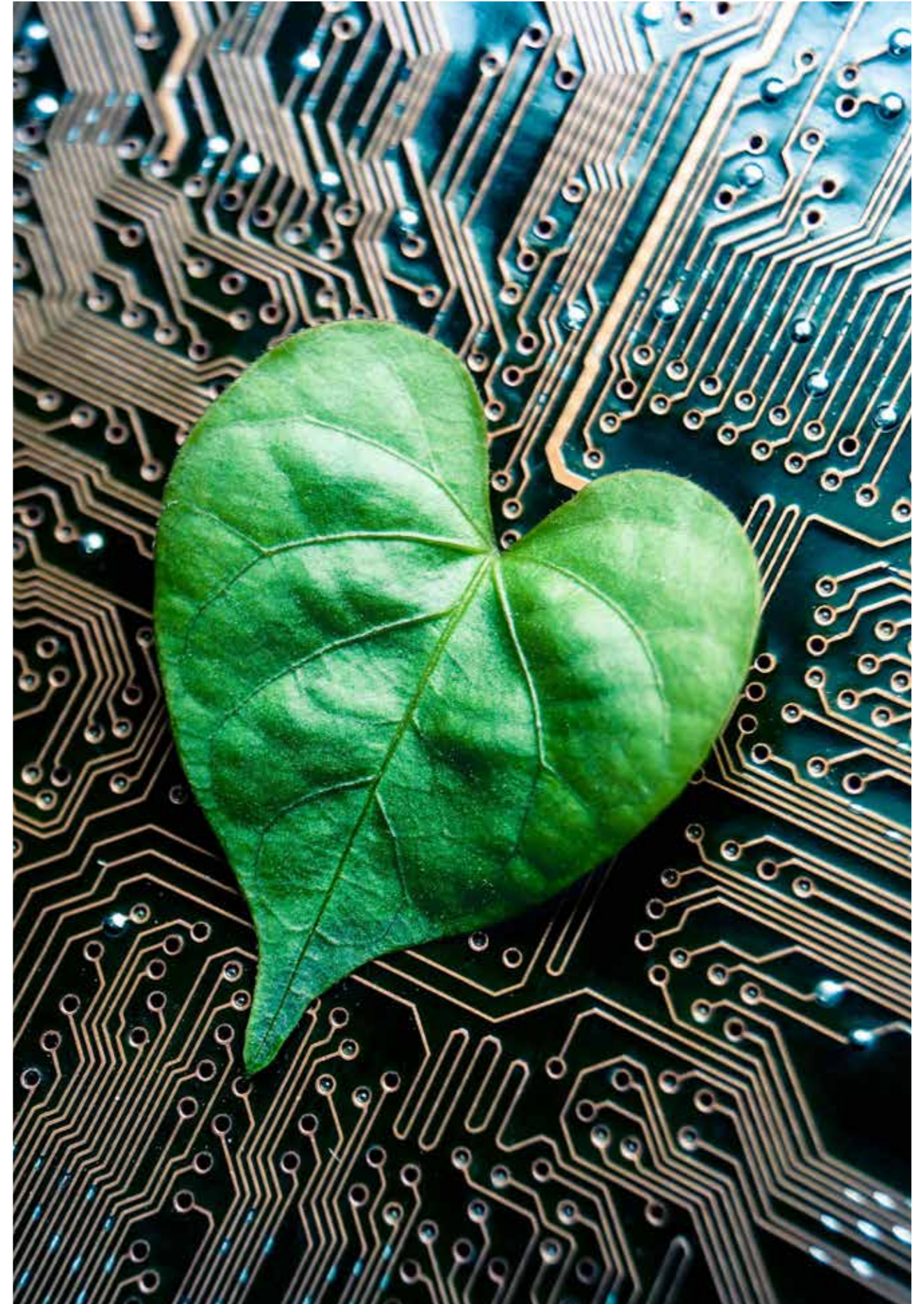
The Group's actions towards respecting and optimising environmental resources also take concrete form in the efficient use of water resources, with the aim of minimising its consumption and thus reducing waste, at a time when water represents a commodity that is as precious as it is at risk for future generations.

The Group is committed to promoting good water-saving habits, providing practical advice to its employees and implementing improvement actions (e.g. turning off the tap when not needed, avoiding the "running water" phenomenon, etc.).

Water is mainly used for sanitary purposes, canteen activities and production processes. In the latter

case, water is mostly used through closed cycles that allow its recovery and avoid its dispersion into the environment: water discharges take place into the public sewerage system and there are no particular parameters or quality standards for discharges to be met.

In 2022, the total water withdrawal amounted to 53,255m<sup>3</sup> and came exclusively from the civil aqueduct pipeline mains. The increase in water consumption is mainly due to the increased presence of several employees in the company due to the removal in 2022 of the restrictive measures caused by the Covid-19 pandemic as well as the increase in the Group's workforce.



# **APPENDIX**

**EUROPEAN TAXONOMY**

**ABOUT OUR REPORT**

**PERFORMANCE INDICATOR**

**GRI CONTENT INDEX**



Below is a table summarising the Group's Capex investments during 2022:

CAPEX - FISCAL YEAR 2022		SUBSTANTIAL CONTRIBUTION CRITERIA (DOES NOT SIGNIFICANT HARM)										SUBSTANTIAL CONTRIBUTION CRITERIA (DOES NOT SIGNIFICANT HARM)													
Code(s)	Absolute Capex	Proportion of Capex	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change migration (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change migration (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Minimum safeguards Regulated by ES&T 2020	Taxonomy-aligned Capex, year 2022	Taxonomy-aligned Capex, year 2021	Category (transitional activity)	Category (enabling activity)
<b>A. TAXONOMY ELIGIBLE ACTIVITIES</b>																									
<b>A.1 ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)</b>																									
Installation, maintenance and repair of charging stations for electric vehicles (own parking spaces and/or public charging)	7.4	0%	100%	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a	N	0%	0%	Y	Y
Installation, maintenance and repair of heat pumps and devices for measuring, regulation and controlling energy performance of buildings	7.5	3%	100%	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a	N	0%	0%	Y	Y
Installation, maintenance and repair of renewable energy technologies	7.6	2%	100%	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a	N	0%	0%	Y	Y
Capex of environmentally sustainable activities (Taxonomy-eligible) (A.1)	1.487	5%																							
<b>A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED)</b>	1.487	100%																							
Capex of Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	0	0%																							
<b>TOTAL (A.1 + A.2)</b>	<b>1.487</b>	<b>95%</b>																							
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																									
Capex of taxonomy-non-eligible activities (B)	27227	95%																							
<b>TOTAL (A + B)</b>	<b>28.914</b>																								

Below is a table summarising the permissible OpEx shares related to business activities during 2022 that, as previously mentioned, were not recognised:

OPEx - FISCAL YEAR 2022		SUBSTANTIAL CONTRIBUTION CRITERIA (DOES NOT SIGNIFICANT HARM)										SUBSTANTIAL CONTRIBUTION CRITERIA (DOES NOT SIGNIFICANT HARM)														
Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change migration (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change migration (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Minimum safeguards Regulated by ES&T 2020	Taxonomy-aligned proportion of OpEx, year 2022	Taxonomy-aligned proportion of OpEx, year 2021	Category (enabling activity)	Category (transitional activity)	
<b>A. TAXONOMY ELIGIBLE ACTIVITIES</b>																										
<b>A.1 IN ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)</b>																										
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)	.	0%																					0%	0%		
<b>A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)</b>																										
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	.	0%																								
<b>Total (A.1 + A.2)</b>	.	0%																								
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																										
OpEx of taxonomy-non-eligible activities (B)	5.545	100%																								
<b>Total (A + B)</b>	<b>5.545</b>	<b>100%</b>																								



## 9. About our Report

This document constitutes the consolidated non-financial statement (also "NFS" or "Sustainability Report") of companies belonging to the industrial group consisting of El.En. S.p.A. (also the "Parent Company") and its subsidiaries (also the "El.En.Group" or the "Group"). The NFS reports its performance, results and impact, to the extent necessary to ensure an understanding of the company's activities, on the issues deemed relevant and provided for in Art 3 and 4 of Legislative Decree no. 254/16 with reference to the financial year 2022 (1 January to 31 December). As required by Art. 5 of Italian Legislative Decree 254/16 this document constitutes a separate report from the management report, marked with an appropriate wording in order to relate it to the NFS required by the regulations.

The NFS represents a first element for an increasingly transparent and structured sustainability communication, as well as the tool for communicating the annual results in terms of sustainability performance achieved by the Group during 2022. This NFS has been prepared by adopting the "in accordance with" option, in accordance with the "GRI Sustainability Reporting Standards" published in 2016 by the "GRI - Global Reporting Initiative" and updated subsequently. Furthermore, the guidelines of the EC Guidelines 2017/C215/01 were also taken into account where appropriate.

The selection of aspects and indicators to define the content to be reported was carried out taking into account the information considered to be of the highest priority for the Group and its stakeholders, through a materiality analysis process described in section 1.2 "Materiality analysis" of this document. With regard to the information provided for in Art 3(2) of Legislative Decree no. 254/16 it should be noted that, in view of the Group's business activities, atmospheric pollutant emissions other than greenhouse gas emissions were not relevant to the understanding of the company activity.

The reporting and drafting of this document involved

all the functions in the areas in which the Group operates, which were coordinated centrally by the work team dedicated to this project.

The scope of the economic and financial data and information is the same as in the consolidated financial report. The scope of the social and environmental data and information presented consists of the companies consolidated on a line-by-line basis within the consolidated financial report.

It should be noted that the subsidiary Lasit S.p.A. established the 60%-owned company LASIT Láser Ibérica S.L. on 1 October 2022.

It should also be noted that in the last days of 2022, the subsidiary Penta Laser Zhejiang 'Penta Laser' acquired 60% control of KBF Laser Tech co. "KBF" of Shenzhen, a manufacturer of laser systems for batteries for electric vehicles: this company was excluded from the NFS's reporting as well as from the economic data in the balance sheet.

For further details on corporate transactions in 2022, please refer to the Consolidated Financial Report as at 31.12.2022.

The information and data shown refer to the year 2022 (1 January 2022 to 31 December 2022). In order to allow comparability of the data over time, data for the year 2021 and in some cases the year 2020 have been reported in order to have a comparison over the three-year period. Restatements of previously published comparative data are clearly indicated as such. During 2022, no critical issues emerged and therefore no critical issues were reported to the Board of Directors.

In order to provide a fair representation of the Group's performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible, and where they exist, they are based on the best available methodologies and appropriately reported.

The frequency of the reporting of non-financial information and the publication of the NFS is set on

an annual basis: this 2022 version was approved by the Board of Directors of El.En S.p.A. on 15 March 2023. This document has been subjected to a limited review in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised) by EY S.p.A.. The audit was carried out according to the procedures set out in the "Auditor's Report", included in this document. Quantitative indicators that do not refer to any general or topic-specific disclosure of the GRI Standards, which are reported on the pages indicated in the Content Index, are not subject to limited review by EY S.p.A..

The El.En. Group, aware of its social responsibility towards society and the environment, has embarked on a path of continuous development in the area of sustainability, which materialised in 2018 in the preparation of a first Group Sustainability Plan approved by the Board of Directors of El.En. S.p.A.; the actions aimed at achieving the set targets and the results achieved are indicated in the chapter "Sustainability". It is also reported that:

### Environmental themes

The Group pays attention to the responsible management of its activities, seeking a balance between economic objectives and unavoidable environmental requirements. The Group has approved an "Environmental Policy", fulfilling the commitment made in the Sustainability Plan. This Policy, which was updated, re-approved and adopted by all subsidiaries, was disseminated to all Group employees during the year. From 2021 onwards, most of the Group's companies have targeted projects with the aim of improving their environmental impact. Subsidiaries Penta Laser Wenzhou and Penta Laser Shangdong have obtained ISO 14001 certification for environmental management and ISO 45001 for occupational health and safety in previous years; Penta Laser Wenzhou has also obtained ISO 50001, which guarantees access to clean, reliable and sustainable energy. Four photovoltaic plants for the

production of renewable energy were installed in 2022 and will be in operation from 2023.

### Respect for Human Rights

The Group oversees this issue through the adoption and dissemination of its Code of Ethics, which requires compliance with the UN Universal Declaration of Human Rights and also requires compliance by its main suppliers. Specifically, the Parent Company envisages adherence to the Code of Ethics by consultants, distributors, agents and suppliers of critical components. The parent company and all subsidiaries have adopted a "Human rights policy", fulfilling the commitment made in the Sustainability Plan. This Policy has been disseminated to all Group employees. In 2020, training was carried out for Group executives and managers on this subject, and in 2021 this topic was repeated as part of training on the Sustainability Plan for certain categories of employees. In 2022, training on El.En Group Policies was carried out, which reached 899 employees and where, of course, Human Rights issues were also covered. A "Diversity Policy" was adopted in 2022 and approved by the Board of Directors of El.En. S.p.A. and subsequently approved by all subsidiaries on their Boards, if any, disclosed to all employees.

### Fight against active and passive corruption

The subject is governed by the Group's Code of Ethics, compliance with which is required of all affiliated companies, subsidiaries and major suppliers. Furthermore, the topic is overseen by the parent company and its subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. within the framework of the Organisational Model pursuant to Legislative Decree 231/2001. The parent company and all subsidiaries have adopted an "Anti-Corruption Policy", fulfilling the commitment made in the Sustainability Plan. This Policy was amended during the year, re-approved by El.En. and its subsidiaries and disseminated to all Group employees. In 2020, training was conducted for Group executives and managers on this issue, and in 2021, training on the Sustainability Plan was

conducted for certain categories of employees, which also contained information on anti-corruption policies. During 2022, training in this area was conducted for the Group's middle and senior managers and those in coordination functions, which reached 191 employees.

#### Social themes

The Group pays particular attention to the quality and safety of its products, and to this end, the Group's main production companies have adopted a quality management system, obtaining ISO 9001<sup>17</sup> and ISO 13485<sup>18</sup> certification for the quality management system for medical devices. The Group also bases its critical success factors on its ability to innovate, which is evidenced by its investment in research and development aimed at creating innovative systems and applications to meet customer needs and to create new ones.

#### Personnel-related topics

The Group has codified in the Code of Ethics its commitment to respect and protect the dignity, health, safety and privacy of its employees and collaborators. In 2022 the Board of Directors of El.En. S.p.A. approved a "Diversity Policy", fulfilling the commitment made in the Sustainability Plan. The Policy has been disseminated to all Group employees and during 2023 the subsidiaries will approve it at their Boards, if any.

Furthermore, as part of the quality management system (ISO 9001) adopted by the Group's main

production companies, the certified companies oversee employee management issues. In particular, the parent company carried out a thorough job of codifying human resources management procedures as well as profiling corporate functions with the identification of the necessary responsibilities and skills.

#### Supply chain issues

As set out in the Code of Ethics, the Group aims to establish relations with suppliers inspired by the principles of fairness and transparency. In light of the company's renewed and growing interest in supply chain issues, the Group is committed to taking actions towards its suppliers to define and share principles, good social and environmental practices and ethical behaviour aimed at promoting a responsible and sustainable supply chain. Specifically, the commitment is to expand and deepen these aspects in a dedicated Code of Conduct: the deadline had been set for 2022, however the years 2020 and 2021, heavily conditioned by the restrictions caused by the Covid 19 pandemic, have pushed this target back to 2023.

The Group has begun to integrate the process of qualification, selection and evaluation of suppliers in Italy and abroad, including environmental and social criteria in the checklist for evaluating a potential new supplier for some subsidiaries, reaching 20% of new suppliers by 2022.

Lastly, the company formalised the reporting process of non-financial information in 2020 within a procedure that defined roles, responsibilities and timelines.

<sup>17</sup> Company certified 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, Penta Laser Technology (Shangdong) Co. Ltd, Penta Laser Technology (Shangdong) Co., Ltd. and Quanta System S.p.A.;

<sup>18</sup> Company certified 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.



## 10. PERFORMANCE INDICATORS

### Data related to human resources

#### Total number of employees by country, gender and type of contract

	31 december 2022			31 december 2021			31 december 2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>ITALY</b>	<b>716</b>	<b>231</b>	<b>947</b>	<b>631</b>	<b>201</b>	<b>832</b>	<b>545</b>	<b>183</b>	<b>728</b>
Permanent contract	659	205	864	565	184	749	516	176	692
Fixed term contract	57	26	83	66	17	83	29	7	36
<b>REST OF EUROPE</b>	<b>125</b>	<b>65</b>	<b>190</b>	<b>122</b>	<b>53</b>	<b>175</b>	<b>112</b>	<b>49</b>	<b>161</b>
Permanent contract	122	64	186	117	49	166	112	49	161
Fixed term contract	3	1	4	5	4	9	-	-	-
<b>REST OF THE WORLD</b>	<b>787</b>	<b>181</b>	<b>968</b>	<b>716</b>	<b>179</b>	<b>895</b>	<b>586</b>	<b>151</b>	<b>737</b>
Permanent contract	66	45	111	54	39	93	52	29	81
Fixed term contract	721	136	857	662	140	802	534	122	656
<b>TOTAL FOR THE GROUP</b>	<b>1.628</b>	<b>477</b>	<b>2.105</b>	<b>1.469</b>	<b>433</b>	<b>1.902</b>	<b>1.243</b>	<b>383</b>	<b>1.626</b>
Permanent contract	847	314	1.161	736	272	1.008	680	254	934
Fixed term contract	781	163	944	733	161	894	563	129	692

#### Total number of employees by country, full time/part time by gender

	31 december 2022			31 december 2021			31 december 2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>ITALY</b>	<b>716</b>	<b>231</b>	<b>947</b>	<b>630</b>	<b>202</b>	<b>832</b>	<b>545</b>	<b>183</b>	<b>728</b>
Full time	710	199	909	624	178	802	536	159	695
Part time	6	32	38	6	24	30	9	24	33
<b>REST OF EUROPE</b>	<b>125</b>	<b>65</b>	<b>190</b>	<b>122</b>	<b>53</b>	<b>175</b>	<b>112</b>	<b>49</b>	<b>161</b>
Full time	121	52	173	119	41	160	110	40	150
Part time	4	13	17	3	12	15	2	9	11
<b>REST OF THE WORLD</b>	<b>787</b>	<b>181</b>	<b>968</b>	<b>716</b>	<b>179</b>	<b>895</b>	<b>586</b>	<b>151</b>	<b>737</b>
Full time	779	170	949	712	166	878	586	144	730
Part time	8	11	19	4	13	17	-	7	7
<b>TOTAL FOR THE GROUP</b>	<b>1.628</b>	<b>477</b>	<b>2.105</b>	<b>1.468</b>	<b>434</b>	<b>1.902</b>	<b>1.243</b>	<b>383</b>	<b>1.626</b>
Full time	1.610	421	2.031	1.455	385	1.840	1.232	343	1.575
Part time	18	56	74	13	49	62	11	40	51

#### Total number of employees divided by employee category and gender

	31 december 2022			31 december 2021			31 december 2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>ITALY</b>	<b>716</b>	<b>231</b>	<b>947</b>	<b>631</b>	<b>201</b>	<b>832</b>	<b>545</b>	<b>183</b>	<b>728</b>
Executives	43	4	47	41	4	45	39	3	42
Middle managers	37	9	46	31	6	37	33	8	41
White collar employees	297	212	509	276	187	463	235	169	404
Blue collar employees	339	6	345	283	4	287	238	3	241
<b>REST OF EUROPE</b>	<b>125</b>	<b>65</b>	<b>190</b>	<b>122</b>	<b>53</b>	<b>175</b>	<b>112</b>	<b>49</b>	<b>161</b>
Executives	4	-	4	1	-	1	-	-	-
Middle managers	12	2	14	10	5	15	14	4	18
White collar employees	41	39	80	69	32	101	98	45	143
Blue collar employees	68	24	92	42	16	58	-	-	-
<b>REST OF THE WORLD</b>	<b>787</b>	<b>181</b>	<b>968</b>	<b>716</b>	<b>179</b>	<b>895</b>	<b>586</b>	<b>151</b>	<b>737</b>
Executives	11	2	13	10	2	12	11	4	15
Middle managers	34	9	43	36	9	45	33	7	40
White collar employees	559	164	723	464	152	616	395	132	527
Blue collar employees	183	6	189	206	16	222	147	8	155
<b>TOTAL FOR THE GROUP</b>	<b>1.628</b>	<b>477</b>	<b>2.105</b>	<b>1.469</b>	<b>433</b>	<b>1.902</b>	<b>1.243</b>	<b>383</b>	<b>1.626</b>
Executives	58	6	64	52	6	58	50	7	57
Middle managers	83	20	103	77	20	97	80	19	99
White collar employees	897	415	1.312	809	371	1.180	728	346	1.074
Blue collar employees	590	36	626	531	36	567	385	11	396

#### Total number of employees divided by employee category and gender\*

	31 december 2022					31 december 2021					31 december 2020				
	M	M	W	W	Tot	M	M	W	W	Tot	M	M	W	W	Tot
Executives	58	91%	6	9%	64	52	90%	6	10%	58	50	88%	7	12%	57
Middle managers	83	81%	20	19%	103	77	79%	20	21%	97	80	81%	19	19%	99
White collar employees	897	68%	415	32%	1.312	809	69%	371	31%	1.180	728	68%	346	32%	1.074
Blue collar employees	590	94%	36	6%	626	531	94%	36	6%	567	385	97%	11	3%	396
Total	1.628	77%	477	23%	2.105	1.469	77%	433	23%	1.902	1.243	76%	383	24%	1.626

#### Percentage of employees by employee category and age group

	31 december 2020						
	<30	% <30	30-50	% 30-50	>50	% >50	Tot
Executives	-	-	24	42%	33	58%	57
Middle managers	7	7%	64	65%	28	28%	99
White collar employees	259	24%	699	65%	116	11%	1.074
Blue collar employees	130	33%	224	57%	42	10%	396

\* It should be noted that for the company Asclepion GmbH (which falls under the category "rest of Europe") in 2021, it was not possible to distinguish the number of employees falling into the categories of white-collar and blue-collar workers, which is why employees were reported in the white-collar category only. For 2022, this breakdown was achieved and the figure for 2021 has been updated in the following tables to also ensure comparability with this year's data.



**Percentage of employees by employee category and age group\***

	31 december 2021						
	<30	% <30	30-50	% 30-50	>50	% >50	Tot
Executives	-	-	24	41%	34	59%	58
Middle managers	1	1%	69	71%	27	28%	97
White collar employees	297	25%	759	64%	127	11%	1.180
Blue collar employees	180	32%	313	55%	72	13%	567

**Percentage of employees by employee category and age group**

	31 december 2022						
	<30	% <30	30-50	% 30-50	>50	% >50	Tot
Executives	-	-	26	41%	38	59%	64
Middle managers	2	2%	72	67%	33	31%	107
White collar employees	313	24%	855	65%	146	11%	1.314
Blue collar employees	205	33%	343	55%	72	12%	620

**Average hours of training per employee category and gender**

	31 december 2020					
	Men n. hours	Average per capita men	Women n. hours	Average per capita women	Total hours	Average total per capita
<b>TOTAL</b>	<b>17.964</b>	<b>14</b>	<b>9.147</b>	<b>24</b>	<b>27.111</b>	<b>17</b>
Executives	458	9	116	17	574	10
Middle managers	1.300	16	436	23	1.736	18
White collar employees	11.868	16	8.474	24	20.341	19
Blue collar employees	4.339	11	122	11	4.461	11

**Average hours of training per employee category and gender\***

	31 dicembre 2021					
	Men n. hours	Average per capita men	Women n. hours	Average per capita women	Total hours	Average total per capita
<b>TOTAL</b>	<b>25.163</b>	<b>17</b>	<b>8.351</b>	<b>19</b>	<b>33.514</b>	<b>18</b>
Executives	627	12	28	5	655	11
Middle managers	877	11	115	6	992	10
White collar employees	12.297	16	7.954	21	20.912	18
Blue collar employees	10.693	20	263	7	10.955	19

**Average hours of training per employee category and gender**

	31 december 2022					
	Men n. hours	Average per capita men	Women n. hours	Average per capita women	Total hours	Average total per capita
<b>TOTAL</b>	<b>30.678</b>	<b>19</b>	<b>8.793</b>	<b>18</b>	<b>39.471</b>	<b>19</b>
Executives	910	16	91	15	1.000	16
Middle managers	1.898	23	224	11	2.121	21
White collar employees	15.148	17	8.206	20	23.354	18
Blue collar employees	12.723	22	274	8	12.996	21

**Employee health and safety indicators**

Injuries	2022	2021	2020
Total recordable work-related injuries	20	13	19
Total high-consequence work-related injuries (excluding fatalities)	-	1	-
Total number of fatalities as a result of work-related injuries	-	-	-
number of hours / days	2022	2021	2020
Multiplier	1.000.000	1.000.000	1.000.000
Hours worked	3.928.775	3.689.473	2.648.841
Health and safety indicators	2022	2021	2020
Rate of work related injuries	5,09	3,52	7,17
Rate of high-consequence work-related injuries (excluding fatalities)	-	-	-
Rate of number of fatalities as a result of work-related injuries	-	-	-

**Non-employee health and safety indicators**

Injuries	2022	2021	2020
Total recordable work-related injuries	1	-	-
Total high-consequence work-related injuries (excluding fatalities)	-	-	-
Total number of fatalities as a result of work-related injuries	-	-	-
number of hours / days	2022	2021	2020
Multiplier	1.000.000	1.000.000	1.000.000
Hours worked*	217.489*	205.210**	-
Health and safety indicators	2022	2021	2020
Rate of work related injuries	4,60	-	-
Rate of high-consequence work-related injuries (excluding fatalities)	-	-	-
Rate of number of fatalities as a result of work-related injuries	-	-	-

\* Please note that the breakdown of white and blue-collar workers for the company Asclepion GmbH (which falls under the category "rest of Europe") was not shown correctly in 2021: for this reason and to ensure comparability with this year's figures, the 2021 figure has been updated in the tables above.

\* From this financial year onwards, the non-employee category also includes staff leasing, temporary work and internship contracts for a total of 103 persons as at 31 December 2022: the hours worked were reported on time and amounted to 106,787. This category also includes the employees of the various external contracting companies, amounting to 66 persons, whose working hours were estimated on the basis of the hours stipulated in the contracts with these companies.

\*\* It should be noted that in 2021, only the hours worked by employees of external contractors were reported, and for this reason, in order to ensure comparability with this year's figures, the 2021 figure was updated by adding the hours worked by contractors in 2021.

## Environmental data

### Energy consumption<sup>19</sup>

ITALY									
Type of fuel	2022			2021			2020		
	Consumption [UoM]	GJ		Consumption [UoM]	GJ		Consumption [UoM]	GJ	
Natural Gas	m <sup>3</sup>	296.552	10.642	m <sup>3</sup>	241.052	8.639	m <sup>3</sup>	251.504	8.878
Diesel	l	360.936	12.968	l	319.129	11.452	l	260.887	9.340
Gasoline	l	26.010	845	l	13.848	451	l	3.827	124
PLG	l	5.118	125	l	4.056	99	l	3.073	75
Renewable fuel (bio-ethanol)	l	-	-	l	-	-	l	-	-
Electricity purchased	kWh	4.515.672	16.256	kWh	3.818.907	13.748	kWh	3.213.503	11.569
<i>from renewable sources</i>	kWh	567.769	2.044	kWh	-	-	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	46.855	169	kWh	42.773	154	kWh	45.339	163
Electricity self-produced and sold to the network	kWh	16.872	61	kWh	18.958	68	kWh	22.050	79
<i>from renewable sources</i>	kWh	4.938	18	kWh	3.784	14	kWh	7.056	25
<b>TOTAL</b>	<b>GJ</b>		40.943	<b>GJ</b>		34.475	<b>GJ</b>		<b>30.069</b>

REST OF EUROPE									
Type of fuel	2022			2021			2020		
	Consumption [UoM]	GJ		Consumption [UoM]	GJ		Consumption [UoM]	GJ	
Natural Gas	m <sup>3</sup>	80.575	2.891	m <sup>3</sup>	42.531	1.524	m <sup>3</sup>	43.832	1.547
Diesel	l	66.229	2.379	l	82.664	2.966	l	117.669	4.213
Gasoline	l	20.364	661	l	10.308	336	l	7.508	243
PLG	l	-	-	l	-	-	l	-	-
Renewable fuel (bio-ethanol)	l	-	-	l	-	-	l	-	-
Electricity purchased	kWh	329.316	1.186	kWh	306.553	1.104	kWh	267.266	962
<i>from renewable sources</i>	kWh	296.493	1.068	kWh	287.876	1.036	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	46.008	166	kWh	41.354	149	kWh	49.845	179
Electricity self-produced and sold to the network	kWh	1.444	5	kWh	1.903	7	kWh	2.289	8
<i>from renewable sources</i>	kWh	1.444	5	kWh	1.903	7	kWh	2.289	8
<b>TOTAL</b>	<b>GJ</b>		7.289	<b>GJ</b>		6.072	<b>GJ</b>		<b>7.136</b>

REST OF WORLD									
Type of fuel	2022			2021			2020		
	Consumption [UoM]	GJ		Consumption [UoM]	GJ		Consumption [UoM]	GJ	
Natural Gas	m <sup>3</sup>	-	-	m <sup>3</sup>	-	-	m <sup>3</sup>	-	-
Diesel	l	16.726	601	l	14.753	529	l	12.381	443
Gasoline	l	42.197	1.371	l	36.606	1.193	l	24.612	795
PLG	l	-	-	l	-	-	l	-	-
Renewable fuel (bio-ethanol)	l	16.997	362	l	12.591	268	l	15.758	335
Electricity purchased	kWh	1.950.945	7.023	kWh	1.952.201	7.028	kWh	1.421.266	5.117
<i>from renewable sources</i>	kWh	-	-	kWh	-	-	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	-	-	kWh	-	-	kWh	-	-
Electricity self-produced and sold to the network	kWh	-	-	kWh	-	-	kWh	-	-
<i>from renewable sources</i>	kWh	-	-	kWh	-	-	kWh	-	-
<b>TOTAL</b>	<b>GJ</b>		9.357	<b>GJ</b>		9.019	<b>GJ</b>		<b>6.690</b>

ENERGY CONSUMPTION OF THE GROUP									
Type of fuel	2022			2021			2020		
	Consumption [UoM]	GJ		Consumption [UoM]	GJ		Consumption [UoM]	GJ	
Natural Gas	m <sup>3</sup>	377.127	13.533	m <sup>3</sup>	283.583	10.164	m <sup>3</sup>	295.336	10.425
Diesel	l	443.891	15.948	l	416.546	14.948	l	390.937	13.996
Gasoline	l	88.570	2.877	l	60.761	1.981	l	35.947	1.161
PLG	l	5.118	125	l	4.056	99	l	3.073	75
Renewable fuel (bio-ethanol)	l	16.997	362	l	12.591	268	l	15.758	335
Electricity purchased	kWh	6.795.933	24.465	kWh	6.077.661	21.880	kWh	4.902.035	17.647
<i>from renewable sources</i>	kWh	864.262	3.112	kWh	287.876	1.036	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	92.863	334	kWh	84.127	303	kWh	95.184	343
Electricity self-produced and sold to the network	kWh	18.316	66	kWh	20.861	75	kWh	24.339	88
<i>from renewable sources</i>	kWh	6.382	23	kWh	5.687	20	kWh	9.345	34
<b>TOTAL</b>	<b>GJ</b>		<b>57.578</b>	<b>GJ</b>		<b>49.567</b>	<b>GJ</b>		<b>43.895</b>
<i>from renewable sources</i>	<b>GJ</b>		<b>3.784</b>	<b>GJ</b>		<b>1.587</b>	<b>GJ</b>		<b>644</b>

<sup>19</sup>The data related to energy consumption for the month of December 2021, unless otherwise specified, have been taken from the invoices issued by the suppliers of energy services. The consumption of vehicle fuel for the cars belonging to the Italian companies located in Calenzano and Quanta System, 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. For the automobiles with mixed use, we considered as 70% of the total consumed. 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 the 2020, 2021 and 2022 respectively.

**Emissions**

**Scope 1 and Scope 2 emissions (location-based method)**

	2022			2021			2020		
	EMISSIONS (ton CO <sub>2</sub> eq)								
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.585	1.422	3.008	1.321	1.203	2.524	1.186	1.080	2.226
Rest of Europe	376	132	507	316	116	432	405	117	521
Rest of World	134	1.156	1.291	117	1.160	1.277	85	854	939
<b>Total</b>	<b>2.095</b>	<b>2.710</b>	<b>4.806</b>	<b>1.755</b>	<b>2.479</b>	<b>4.234</b>	<b>1.676</b>	<b>2.051</b>	<b>3.726</b>

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

	2022			2021			2020		
	EMISSIONS (ton CO <sub>2</sub> eq)								
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.585	2.051	3.636	1.321	1.751	3.073	1.186	1.497	2.684
Rest of Europe	376	200	576	316	4	320	405	150	554
Rest of World	134	1.156	1.291	117	1.160	1.277	85	675	760
<b>Total</b>	<b>2.095</b>	<b>3.408</b>	<b>5.503</b>	<b>1.755</b>	<b>2.915</b>	<b>4.670</b>	<b>1.676</b>	<b>2.322</b>	<b>3.998</b>

For the calculation of the Scope 1 2019, 2020 and 2021 emissions we have considered respectively the emission factors of Department for Environmental Food & Rural Affairs (DEFRA) 2020, 2021 e 2022.

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 2018 and 2019 respectively for 2020, 2021 e 2022;<sup>20</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), 2019, 2020 and 2021 respectively for 2020, 2021 and 2022. For the other countries we have used the same factors used for the location-based method.based."

<sup>20</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>2</sub>eq), as can be seen from the specific technical literature.

**Water consumption**

Source of water	GROUP TOTAL					
	2022		2021		2020	
	All areas [ML]	Areas with water stress <sup>22</sup> [ML]	All areas [ML]	Areas with water stress <sup>22</sup> [ML]	All areas [ML]	Areas with water stress <sup>22</sup> [ML]
Third-party water <sup>21</sup>	53	9	44	10	34	8
Surface water	-	-	-	-	-	-
Groundwater	-	-	-	-	-	-
Seawater	-	-	-	-	-	-
Produced water	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total</b>	<b>53</b>	<b>9</b>	<b>44</b>	<b>10</b>	<b>34</b>	<b>8</b>



<sup>21</sup> It should be noted that all the water withdrawn can be classified as fresh water

<sup>22</sup> It should be noted that the water risk areas are the geographical areas where there is a temporary or prolonged lack of water, usually missing in the ground. The data was collected on the web site Beta Acqueduct - water risk atlas.

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

For every issue which has been identified as material, the chart below shows the relation with the GRI, a brief description of the relevance of the issue, for the Group, the relative scope (where the impact is felt and the involvement of the Group):

Topic of D.Lgs. 254/2016	Nr.	Material topic	Description	GRI
<b>Corruption</b>	<b>1</b>	Ethics, integrity and compliance	Promotion of good corporate governance and respect of the standards related to ethics, integrity and conformity to the law, regulations and Codes for the self-disciplining of the category.	205-3
				207-1
				207-2
				207-3
				207-4
				2 - 27
<b>Environment</b>	<b>2</b>	Environmental performance	Commitment of the Group for the reduction of its environmental impact through the monitoring and efficiency of consumption, the reduction of green house emissions, and the development of policies and procedures intended to mitigate the impact.	302-1
				303-1
				303-2
				303-3
				305-1
				305-2
				306-1
				306-2
<b>HR</b>	<b>3</b>	Health and safety of workers	Respect of the regulations and written agreements and promotion of initiatives and practices aimed at minimizing the risks to the health and safety of their people.	403-1
				403-2
				403-3
				403-4
				403-5
				403-6
	<b>4</b>	Employee growth and training	Offers of development and training sessions aimed at improving the knowledge of their people and consolidate their professional qualifications.	401-1
				404-1
	<b>5</b>	Diversity, equal opportunities and non-discrimination	Development of practices and work conditions that are adequate to insure equal opportunity through the removal of every form of discrimination and moral or psychological violence related to gender, age, ethnicity, religion or sexual orientation.	405-1
				406-1
<b>Human Rights</b>	<b>6</b>	Human rights and working conditions	Respect, promotion of human rights and the working conditions for conducting their activity (prohibition of child or forced labor and respect of the Ethics and Behavior Codes).	407-1
				408-1
				409-1

Topic of D.Lgs. 254/2016	Nr.	Material topic	Description	GRI
<b>Social</b>	<b>7</b>	Supply chain practices	Responsible management of purchases along all of the supply chain of the organization, evaluation and screening of suppliers on the basis of their social and environmental performance and promotion of socially responsible behavior and practices which stimulate the supplier to adopt sustainable practices.	204-1
				308-1
				414-1
	<b>8</b>	Research, development and innovation	Research activities aimed at continually improving the quality and innovation of the product and guaranteeing, when possible, the safeguarding of the intellectual property.	-
				<b>9</b>
	<b>10</b>	Customer satisfaction	The Group intends to release on the market products that are innovative and high quality in order to fully satisfy the expectations of their clients. The satisfaction of their clients is one of the main objectives of the Group.	
				<b>11</b>

## 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		
Statement of use	El.En. Group has reported in accordance with the GRI Standards for the period January 1 <sup>st</sup> - December 31 <sup>th</sup> 2022	
GRI 1 used	GRI 1: Foundation 2021	
Applicable GRI Sector Standard(s)	Not applicable	
GRI Standard	Disclosure	Location
2-1	Organizational details	54 - 56
2-2	Entities included in the organization's sustainability reporting	54 - 55; 170 - 171
2-3	Reporting period, frequency and contact point	170 - 171; sustainability@elen.it
2-4	Restatements of information	176 - 177
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2-8	Workers who are not employees	177
2-9	Governance structure and composition	68 - 72
2-10	Nomination and selection of the highest governance body	68 - 70
2-11	Chair of the highest governance body	69 - 70
2-12	Role of the highest governance body in overseeing the management of impacts	68 - 70
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2-14	Role of the highest governance body in sustainability reporting	70 - 71
2-15	Conflicts of interest	70
2-16	Communication of critical concerns	69 - 70
2-17	Collective knowledge of the highest governance body	30 - 45; 68 - 70
2-18	Evaluation of the performance of the highest governance body	24 - 28; 70 - 71
2-19	Remuneration policies	70 - 72
2-20	Process to determine remuneration	69 - 72
2-21	Annual total compensation ratio	72
2-22	Statement on sustainable development strategy	8 - 10; 16; 30 - 45; 48
2-23	Policy commitments	34; 38; 43; 74-76; 171 - 172
2-24	Embedding policy commitments	30 - 45; 81 - 82

GENERAL INFORMATION		
2-25	Processes to remediate negative impacts	24 - 28; 74-77; 99 - 102; 107 - 109; 112 - 113; 138; 142 - 143; 145-147; 154-155; 157; 160-162;
2-26	Mechanisms for seeking advice and raising concerns	17 - 18; 63; 74 - 76
2-27	Compliance with laws and regulations	74 - 75; 109; 185 - 187
2-28	Membership associations	22 - 23
2-29	Approach to stakeholder engagement	17 - 23
2-30	Collective bargaining agreements	140 - 141

SPECIFIC INFORMATION			
GRI Standard	Disclosure	Location	Omissions
<b>Material topics</b>			
3-1	Process to determine material topics	23	
3-2	List of material topics	23 - 28	
<b>Economic performance</b>			
3-3	Management of material topics	28; 182 - 183	
201-1	Direct economic value generated and distributed	64 - 65	
<b>Procurement practices</b>			
3-3	Management of material topics	28; 182 - 183	
204-1	Proportion of spending on local suppliers	109	
<b>Anti-corruption</b>			
3-3	Management of material topics	25; 182 - 183	
205-3	Confirmed incidents of corruption and actions taken	During three years 2020 - 2021 - 2022 no cases of corruption were reported.	

SPECIFIC INFORMATION			
GRI Standard	Disclosure	Location	Omissions
<b>Tax</b>			
3-3	Management of material topics	25; 182 - 183	
207-1	Approach to tax	62 - 63	
207-2	Tax governance, control, and risk management	62 - 63	
207-3	Stakeholder engagement and management of concerns related to tax	62 - 63	
207-4	Country-by-country reporting	62 - 63	
<b>Energy</b>			
3-3	Management of material topics	25; 182 - 183	
302-1	Energy consumption within the organization	154 - 155; 159; 178 - 179	
<b>Water and effluents</b>			
3-3	Management of material topics	25; 182 - 183	
303-1	Interactions with water as a shared resource	162; 181	
303-2	Management of water discharge-related impacts	162; 181	
303-3	Water withdrawal	162; 181	
<b>Emissions</b>			
3-3	Management of material topics	25; 182 - 183	
305-1	Direct (Scope 1) GHG emissions	160 - 161; 180	
305-2	Energy indirect (Scope 2) GHG emissions	160 - 161; 180	
<b>Waste</b>			
3-3	Management of material topics	25; 182 - 183	
306-1	Waste generation and significant waste-related impacts	During three years 2020 - 2021 - 2022 no cases of non-conformity with environmental laws and regulations took place	
306-2	Management of significant waste-related impacts	157	
306-3	Waste generated	157	

SPECIFIC INFORMATION			
GRI Standard	Disclosure	Location	Omissions
<b>Supplier environmental assessment</b>			
3-3	Management of material topics	28; 182 - 183	
308-1	New suppliers that were screened using environmental criteria	During three years 2020 - 2021 - 2022 no suppliers in the supply chain suppliers who present a significant risk in terms of environmental impact.	
<b>Employment</b>			
3-3	Management of material topics	26; 182 - 183	
401-1	New employee hires and employee turnover	141	
<b>Occupational health and safety</b>			
3-3	Management of material topics	26; 182 - 183	
403-1	Occupational health and safety management system	145 - 147	
403-2	Hazard identification, risk assessment, and incident investigation	81; 86; 145 - 147	
403-3	Occupational health services	145 - 147	
403-4	Worker participation, consultation, and communication on occupational health and safety	145 - 147	
403-5	Worker training on occupational health and safety	142 - 143; 145 - 147	
403-6	Promotion of worker health	148 - 149	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	26; 36; 81; 99 - 102; 145 - 147	
403-9	Work-related injuries	147; 177	
<b>Training and education</b>			
3-3	Management of material topics	26; 182 - 183	
404-1	Average hours of training per year per employee	142 - 143; 145; 176 - 177	
<b>Diversity and equal opportunity</b>			
3-3	Management of material topics	26; 182 - 183	
405-1	Diversity of governance bodies and employees	69 - 70; 136 - 141	
<b>Non-discrimination</b>			
3-3	Management of material topics	26; 182 - 183	
406-1	Incidents of discrimination and corrective actions taken	During three years 2020 - 2021 - 2022 no cases related to discriminatory practices occurred	

SPECIFIC INFORMATION			
GRI Standard	Disclosure	Location	Omissions
<b>Freedom of association and collective bargaining</b>			
3-3	Management of material topics	26; 182 - 183	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	During three years 2020 - 2021 - 2022 no incidents at supply chain suppliers about forced or compulsory child labor or where the right to freedom of association and collective bargaining may be at risk.	
<b>Child labor</b>			
3-3	Management of material topics	27; 182 - 183	
408-1	Operations and suppliers at significant risk for incidents of child labor	81 - 82; 107 - 109; 171 - 172	
<b>Forced or compulsory labor</b>			
3-3	Management of material topics	27; 182 - 183	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	81 - 82; 107 - 109; 171 - 172	
<b>Supplier social assessment</b>			
3-3	Management of material topics	29; 182 - 183	
414-1	New suppliers that were screened using social criteria	During three years 2020 - 2021 - 2022 no cases of non compliance took place in relation to health and safety issues of products	
<b>Customer health and safety</b>			
3-3	Management of material topics	29; 182 - 183	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	81; 99 - 102; 112 - 113; 116	
<b>Research, development and innovation</b>			
3-3	Management of material topics	29; 182 - 183	
<b>Customer Satisfaction</b>			
3-3	Management of material topics	29; 182 - 183	



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018 (Translation from the original Italian text)

To the Board of Directors of  
Ei.En. S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Ei.En. S.p.A. and its subsidiaries (hereinafter "Group" or "Ei.En. Group") for the year ended on 31<sup>st</sup> December 2022 in accordance with article 4 of the Decree and approved by the Board of Directors on 15<sup>th</sup> March 2023 (hereinafter "DNF"). Our limited assurance engagement does not cover the information included in the paragraph "European taxonomy" of the DNF, that are required by art.8 of the European Regulation 2020/852.

#### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

#### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and

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Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi  
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997

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professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

### Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "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. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the EI.En. Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we have conducted interviews and discussions with the management of EI.En. S.p.A. and with the personnel of Quanta System S.p.A. and we have performed limited



documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for Quanta System S.p.A., that we have selected based on their activities and relevance to the consolidated performance indicators, we have also carried out site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

### Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the EI.En. Group for the year ended on 31<sup>st</sup> December 2022 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Our conclusions on the DNF of the EI.En. Group do not refer to the information included in the paragraph "European taxonomy" of the DNF itself, that are required by art.8 of the European Regulation 2020/852.

### Other aspects

The consolidated disclosure of non-financial information of the EI.En. Group for the year ended on 31<sup>st</sup> December 2020, whose data are presented for comparative purpose, has been subject to limited assurance procedures by another auditor, who expressed unqualified conclusions on March 31<sup>st</sup>, 2021.

Firenze, March 31<sup>st</sup>, 2023

EY S.p.A.  
Signed by: Lorenzo Signorini (Auditor)

*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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