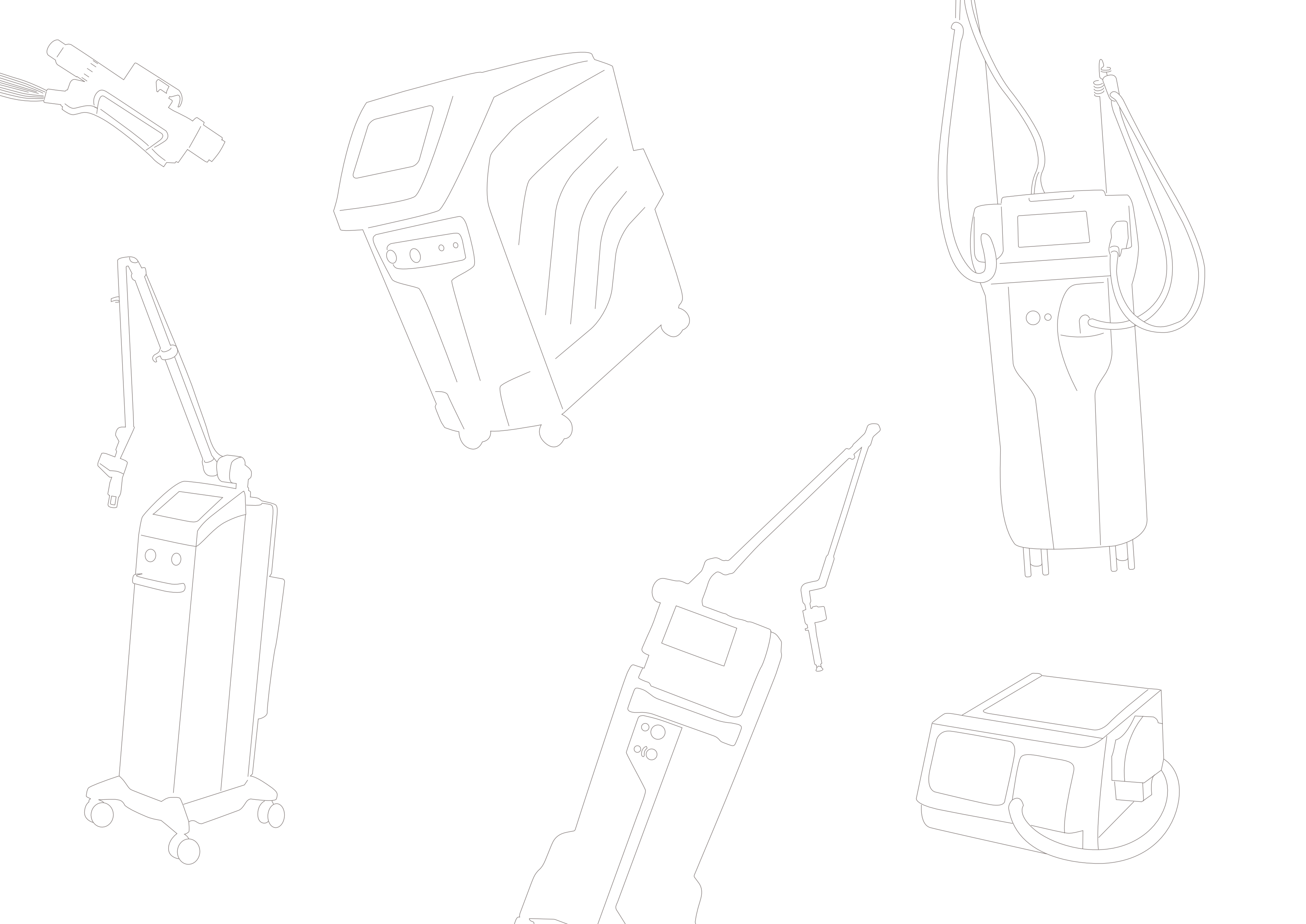


El.En. Group

Sustainability Report 2021



Consolidated Non-financial Statement 2021
pursuant to Italian Legislative Decree n. 254 of 2016



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Letter to our Stakeholder

To our stakeholders,

It is with great satisfaction that we present the Sustainability statement of the El.En. Group so that you can evaluate the commitment, objectives, and results which we have obtained this year and which demonstrate the solidity of our technical, financial and operative structures.

The results obtained by the Group in 2021 are excellent and are derived from the ambition and the dedication demonstrated by all those who worked every day with commitment to reach the objectives that we had set. The strategic position that we have obtained on the markets in which we operate is the result of team work and planning that has been going on for many years and which includes the organizational, technological, research and development aspects and significant investments to sustain the growth: the increase in the production capacity thanks to new and enlarged operating structures, the investments in the organization and our highly qualified personnel, and, above all, the expertise necessary to maintain the high level of innovation of our products, which increasingly characterize our manufacturing units.

Thanks to the solidity of our business model which is focused on a sustainable growth over a medium- to long-term period, we now have the right organization and the technologies necessary to satisfy the requests of the market, take advantage of the opportunities that are offered, and further stimulate the demand for our products.

In 2021 the markets became consolidated and we received a record number of orders, despite the continuing effects of the pandemic continued and still continue to influence our everyday lives and our activities. Along with the great demand in the last months of the year on fact, there was also an increase in the costs of energy, an increase in the costs of numerous raw materials and components and the difficulties encountered in the supply chain to respond rapidly to the growing requests. The Group, with the commitment of all the technical structures involved has managed and is still managing this emergency which still shows a high degree of complexity and critical aspects.

All of the companies continued to adopt the Covid-19 safety procedures which are periodically reviewed and revised, in order to protect the health of the employees and allow them to come to work confidently: during 2021 we continued to use smart working, especially during the periods when an increase in contagion was registered. During this year on any case, we continued to offer employment and increased by 17% the number of employees working for us all over the world: this increase is important not only at a numerical level but also for the signal of solidity and safety that it sends. During the year we continued to promote training courses which are fundamental for the personal and professional growth of our personnel and consequently, of our companies. We invested mainly in technical, linguistic, managerial training and in that related to the quality of the products and the processes, and increased by 24% the number of hours of training with respect to last year.

The focus of our strategy is based on the constant commitment to the research and development activities which represent the essence of our Group: the commitment is both from a technical point of view, aimed at the launching of new products, as well as for the documentary and clinical aspect in order to obtain the certification necessary for selling our medical systems all over the world. We have worked constantly on one hand for the clinical experimentations with medical centers and hospitals and on the other hand, for the so-called Regulatory, a complex process which is indispensable in order to launch our innovative systems on the market.

In 2021 we also enlarged and renovated the range of products both in the medical sector and in the industrial sector and we increased our investment in research and development. In the month of November, at the headquarters of the Parent Company, they inaugurated the photonic laboratories dedicated to the development of laser sources, which adds another operating unit of 300 square meters to the existing space. This new facility includes four new laboratories, two of which are dedicated to optical laser research, a laboratory dedicated to the development of laser power electronics, and a laboratory dedicated to cooling systems.

We have, therefore, continued with the investments in the manufacturing structures and just finished the work started last year inside of the production centers in Calenzano, and proceeding with the remodeling for the enlargement of the headquarters of Quanta System, by purchasing the third production unit for Cutlite Penta and building the second factory of the Chinese subsidiary at Linyi. All of this work, just as was done previously, was conducted using a high level of energy efficiency and taking into consideration the quality of the working environment of the personnel.

During 2021 the innovative development following Industria 4.0 continued in the production buildings in Calenzano with the implementation of the MES (Manufacturing Execution System), an integrated process of digitalization of the progress of production which makes it possible to optimize the processes: this system allows the control and monitoring of the advancement of the processes at any time and makes the state of production available and consultable in real time. The Chinese subsidiaries this year made investments to innovate and increase the efficiency of their manufacturing units by installing a system which controls the management of the life cycle of the product (PLM - Product Lifecycle Management) in order to sustain the management of the research and development process, by implementing a MES (Manufacturing Execution System) to improve the management of the production information and implementing a new ERP system to improve the internal processes of the company and the sharing of information between the various divisions and the three companies.

In the final months of the year, we began to implement a more structured monitoring of our supply chain, since we are aware of the fact that it is necessary to share with our suppliers a sustainable growth level which will create a constant improvement in the quality of our products and the economic performance while, at the same time, guaranteeing a correct management of the company which is committed to company growth and the respect of the environment.

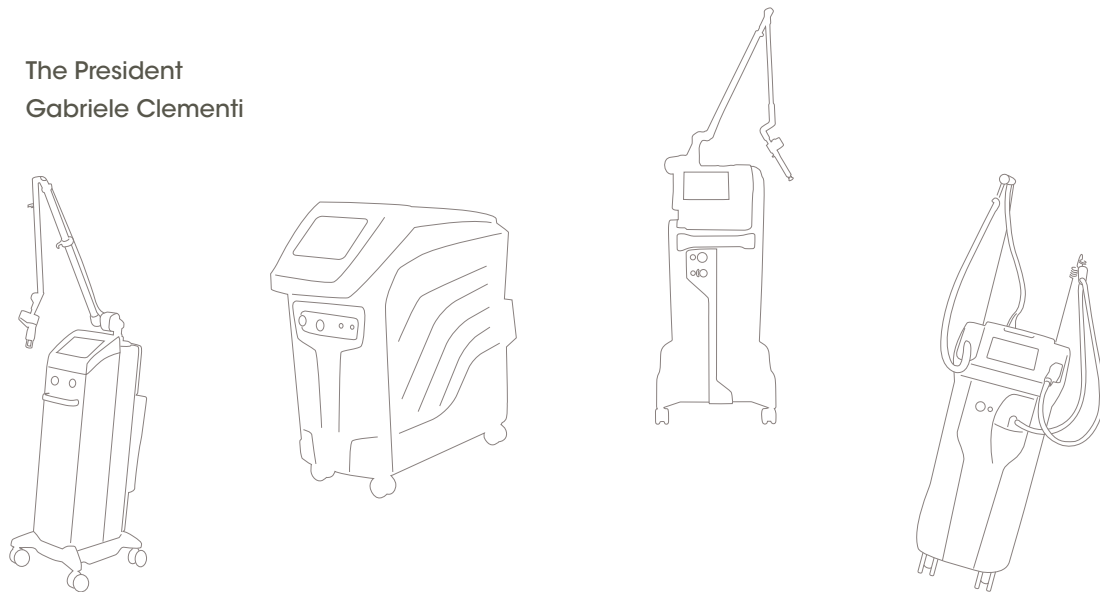
For the El.En, Group, the environment represents a major asset which must be protected and, during this year, they planned numerous activities aimed at reducing the consumption of energy and the environmental impact: besides the initiatives taken to improve the processes and the infrastructures, we have also planned the installation of four photovoltaic plants by the end of 2022 (which will be added to the two existing plants), we have implemented the selective collection of refuse in the subsidiary companies where it was not yet in use, and we began monitoring the waste produced by the Group in a world where the natural resources are, by their very nature limited, because we wish to promote a responsible management of resources through sustainable production and consumption models. All of the companies have started numerous activities aimed at producing a positive environmental impact by revising their purchases in favor of recyclable materials and reduced environmental impact and promoting behavior and habits meant to save energy while at the same time heightening awareness of environmental questions among our people.

Our commitment as a company continue to be expressed also through initiatives in favor of the community: we work every day to produce a positive impact in people's lives and, for some specific projects we donate our instruments and our expertise to non-profit organizations, foundations and state-of-the-art scientific laboratories, at the service of the patient as well as for the conservation and restoration of our cultural heritage. The companies in the Group, moreover, are closely connected to the territories in which they operate and they sustain cultural, social and educational initiatives as sponsors, participating in associations, and also through the promotion of alternate school/work programs, internships and apprenticeships.

In conclusion, I also wish to add that despite the fact that the global scenario is still very complex the results which we have obtained confirm once again the solidity of our business model, which allows us to combine economic growth and financial solidity with the standards of social and environmental sustainability such that we represent of model of excellence.

The results obtained and the confidence of our stakeholders encourage us to continue to move in this direction, innovating with enthusiasm, and yet remaining faithful to the values and principles which have always marked our progress and giving our contribution towards a future that is better for everyone!

The President
Gabriele Clementi



HIGHLIGHTS 2021

SUSTAINABILITY



Sustainability Plan
2018-2022



Targets approved by
the Board of Directors



Activities to be
undertaken in order
to reach the targets
reported

THE GROUP



Countries where the
operations of the
Group are located



Production sites



Research and
development centers

THE ORGANIZATION OF THE COMPANY



The number of people
who were trained on the
Ethics Code in 2021



The percentage of
women in the Board
of Directors



Number of meetings
the Committee for
Controls and Risks,
related party-transactions
and sustainability
held in 2021

THE PRODUCTION PROCESS



Active patents and
80 pending



People involved
in research and
development activities



People involved in
Quality control and
Regulatory activities

THE SUPPLY CHAIN



Million Euros
Purchase value



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

THE COMMUNITY



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



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



laser systems donated

THE PEOPLE



Increase in staff
in 2021



hours of training
conducted in 2021



under 30

THE ENVIRONMENT



Active photovoltaic plants and
4 photovoltaic plants planned
for 2022



Self-produced electrical energy
produced with respect to the
amount consumed



Electrical energy
purchased from
renewable sources

SUSTAINABILITY



Our strategy for a
sustainable future

1. Sustainability

1.1 Sustainability for El.En. Group

Sustainability means creating value over time and being ready to accept and successfully deal with the challenges for tomorrow; we have always believed that the ethic, the valorisation of human resources, the defense of the environment, the research and development and the high quality of our products, as well as the safeguarding of the interests and creation of value for all of our stakeholders are the only pathway that can be followed by a company that is innovative, sustainable and successful.

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

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

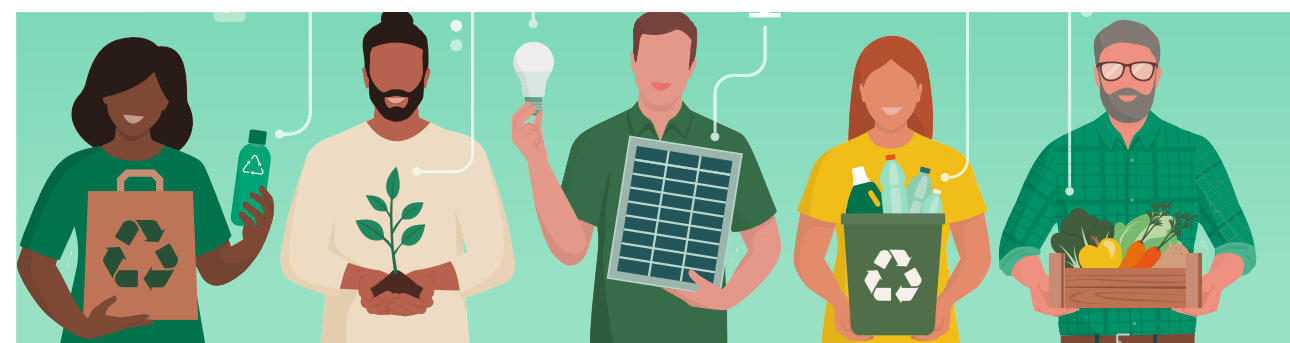
Despite the difficulties which even now continue due to the pandemic, this year confirmed the commitment of the Group in all of the themes related to ESG: the concrete objectives that we had set in our Sustainability Plan have been reached and the state of advancement of the Five Year Plan is aligned with the schedule.

This year we have conducted initiatives that were aimed at increasing awareness of the impact and

of the importance of sustainability issues both by disseminating the documents which had been drafted and by making known the objectives of the Plan and the actions which must be taken in order to reach them. During the year we conducted a training course which involved 159 employees and illustrated the objectives of the 2018-2022 Plan, which ones had been reached and which ones still needs to be completed.

For the purpose of integrating ESG issues, the Board of Directors of the Parent Company, El.En. S.p.A. had assigned to the Commission for Controls and Risks, the analysis of the company policies and objectives related to sustainability and the supervision of the Plan. In 2021 the Commission changed its name to Committee for Controls and Risks, related party-transactions and sustainability.

At the beginning of last year, in response to the desire to operate in a more responsible and integrated manner brought about the decision to assign to the Executive Administrator of the internal controls system the task of defining the strategic guidelines for sustainability, of the Sustainability Plan and the analysis of the Consolidated Non-Financial Statement in order to guarantee unequivocally the adequate supervision and monitoring of the processes.



1.2 Our stakeholders

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



We have implemented a process of mapping and identification of our stakeholders which has made it possible to identify all those who in some way have an interest in the Group, either internal or external, as shown on the chart below.

During this year, for the purpose of collecting and evaluating the expectations and the issues of major interest for the stakeholders, we conducted specific stakeholder engagement activities: we gave questionnaires to a selected sample of stakeholders, from both within the company (employees of some of the companies of the Group) and outside of it (the main suppliers of some of the subsidiary companies). During the year we also conducted some new communication activities by participating in discussions promoted by local institutions and made our contribution concerning the main sustainability issues and initiatives in the area, and we participated

in sustainability questionnaires and ratings¹ promoted by some investors and developed a section of the site of the Group dedicated to ESG issues starting in April of 2021.

This process will be continued in an increasingly structured manner also in the next few years: the Parent Company, El.En. in fact, at the end of this year has planned an agreement for the use of a platform which will allow the monitoring of the ESG aspects of its production line. The project will be developed in 2022 in the next few years should also involve some of the main subsidiaries. Moreover, El.En. terminated the development phase of another platform for the creation and submission of questionnaires which can be used by various departments; this will allow us to send questionnaires to other categories of stakeholders which up to now have not been interviewed, to conduct more timely market analyses and effect new communication initiatives:

¹ In 2021 the El.En. Group obtained a BBB score for MSCI ESG rating, a score of 28.8 for the Sustainalytics ESG Risk rating Report and a score of 68/100 for the Gaia Research 2021 campaign



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 conferences* • 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-las 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.	Assorestauro
El.En. S.p.A.	AIIA - Associazione italiana internal auditors
El.En. S.p.A.	ACSI - associazione per la cultura e lo sviluppo industriale
El.En. S.p.A.	Toscana Pharma Valley
Ot-las	ACIMIT
Esthelogue	FAPIB – Associazione Nazionale Produttori e Fornitori di Tecnologie per la Bellezza e il Benessere
ASA	American Society of Laser
ASA	CUOA – Centro Universitario di Organizzazione Aziendale
ASA	Confindustria Dispositivi Medici
Asclepion	German Chamber of Commerce and Industry
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 matrix

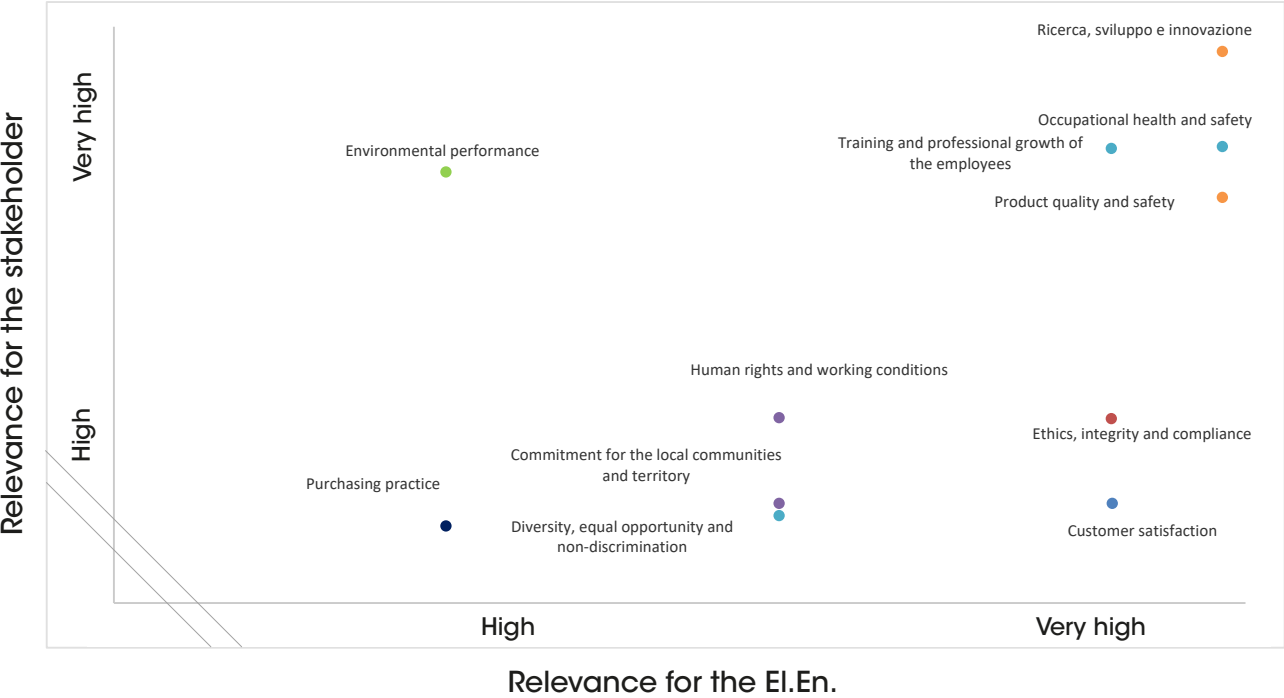
The evaluation process of the relative issues was conducted for the first time in 2017 through an analysis of materiality conducted internally by the top management, which made it possible to identify the significant aspects in the economic, social and environmental areas for the El.En. Group and for its stakeholders: these issues in fact, reflect the main impact generated by the Group and by its activities and represent the aspects that are able to influence the evaluation of the stakeholders.

During 2021 since no major changes had taken place related to the business, stakeholders and the context, the El.En. Group decided to confirm the materiality analysis made for the preceding Non-financial statement. In particular, for the purpose of increasing the availability of the information provided, they reviewed the descriptions of the material issues that had been identified previously.

Concerning the 14 issues identified in the preceding Non-financial document, it was considered opportune to:

- eliminate the material issue "Risk management system", the contents of which will be reported in the document issued in compliance with D. Lgs. 254/16;
- aggregate the material issues "Economic and financial performance", "Indirect social impact" and Relations with institutions, local communities, the territory" into a single material issue called "Commitment to the community and the territory" in which the relations with the public institutions, the donations for the benefit of the collectivity, collaboration and the contribution to the development of the surrounding area in which the companies of the Group operate and the indirect social impact connected to the use of the systems that we release on the market are included.

At this point we can define 11 material issues which are represented in the matrix which follows:



MACRO ARAS:

● Environmental responsibility ● Economic Responsibility ● Governance ● Social Responsibility

● Human Resources ● Product Responsibility

As was done last year, the materiality matrix was brought to the attention of the Commission for Controls and Risks which, after having analyzed the evaluation criteria, approved the document.



1.4 The Sustainability Plan

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

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

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

The 5-year Sustainability Plan related to the 11 material issues which have been identified, set 18 sustainability objectives and 43 concrete initiatives to reach them. Some of the objectives were already achieved in preceding years while others, as of today, are still in a phase of completion.

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

To define the Sustainability Plan have been taken into account of the *Sustainable Development Goals* (SDGs), promoted by the United Nations e pubblicati nell'agenda 2030 for Sustainable Development, and

the sustainability objectives of the Group have been identified, which we believe, with your commitment, can contribute to the achievement, in particular, of nine of seventeen SDGs, which the Group recognizes as relevant for its business and in line with its goals;

The objectives of the Plan have been updated every year and take into consideration the ones that have been achieved and the ones that still need to be completed, as well as the new needs which emerge over time. The reference year to which we refer with respect to the definition of the quantitative targets presented in the Plan, is 2018.

Our continued commitment is also demonstrated by the improvement in the ESG rating obtained from the main sustainability rating agencies.

A sustainable and responsible development is expressed only by a Governance that is dedicated to the supervision and management of the sustainability issues through the growth and involvement of the employees, with improvements in the working environment, the support of technological innovation, the sustaining of a high level of customer satisfaction, the dialog with, and support of, the local community and the contribution to the reduction of the environmental impact. The charts below show the objectives contained in the plan, the results that have been achieved and the targets for the next years.





Governance





1) Implementation of a corporate governance of sustainability			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">• The executive administrator responsible for the internal controls system was assigned the task of defining the strategic guidelines for sustainability, the Plan and the drafting of the consolidated non-financial statement;• The Commission for Controls and Risks was made responsible for the analysis of the policies and the company objectives in relation to sustainability issues and the supervision of the sustainability Plan and integrating the Regulations of the Commission with these functions.	<ul style="list-style-type: none">• During the year, the El.En. Group conducted numerous initiatives aimed at guaranteeing the continuation of the mid- to long- term sustainability strategy for the benefit of the stakeholders and in compliance with the regulations;• The Commission for Controls and Risks changed its name to "Commission for Controls and risks, operations with related parties and sustainability ";• During the year, the Group drafted a plan for the analysis of it activities to comply with the gradual adoption of the new reporting requirements introduced by Regulation UE 852/2020 - Taxonomy Regulation, which will continue for the next few years.	<ul style="list-style-type: none">• The objective is to insure that the company maintains the initiatives aimed at guaranteeing the mid- to long term sustainability of the company activities for the benefit of the stakeholders and in compliance with the regulations;• To develop a new analysis process in order to verify the applicability of the taxonomy of our activites when the European Commission adopts the next Delegated Acts which specify the taxonomy eligible activities also for the remaining objectives and for the social objectives.	




2) Dialog with the stakeholders			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">• Distributed and submitted to all the employees a questionnaire concerning sustainability issues;• Distributed and submitted to a sample group of suppliers of the Group a questionnaire related to sustainability issues;• Re-enforced the dialog with some categories of stakeholders by participating in events, meetings and research on sustainability.	<ul style="list-style-type: none">• Conducted training course on the Sustainability Plan of the El.En. Group for 159 employees belonging to all of the companies of the Group;• Participated in events promoted by local institutions in order to discuss the main issues and initiatives for sustainability in the area and in meetings with local and national institutions in order to proceed with sustainability projects;• During the year we worked to obtain sustainability ratings from the main independent agencies and increase our score with respect to preceding years by obtaining a score of BBB for MSCI ESG rating, a score of 28.8 for per Sustainalytics ESG Risk rating Report and a score of 68/100 for the Gaia Research 2021 campaign.	<ul style="list-style-type: none">• Distributed the sustainability questionnaire to all of the employees of the Group and enlarged it by adding a special section to collect opinions, suggestions and evaluations;• To conduct new activities for the engagement of stakeholders at the suppliers of all of the subsidiary companies;• To conduct new stakeholders engagements and arrange meetings with other stakeholders;• To participate in the sustainability ratings obtained in 2021 and try to improve our score. 	



3) Promotion of a culture of sustainability			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">• To Conduct training courses on the objectives contained in the Sustainability Plan and on the activities which must be undertaken in order to achieve them;• Organized training sessions in classrooms or on the web to create awareness in our employees on sustainability issues;• Conducted promotional campaigns on sustainability issues by spreading information and documents.	<ul style="list-style-type: none">• To run promotional campaigns on sustainability issues and disseminate the documents which have been published among our employees, suppliers and clients;• Drafted a summary of the Sustainability Statement in order to increase the availability of the main issues and distributed it mostly to our employees and clients;• Developed a lengthy section concerning sustainability issue on our site www.elengroup.com.• Obtained recognition of the label ESG identity 2021², which is granted to the companies that have activated a serious plan for the transformation and evolution related to ESG in their company;• Obtained recognition as "Sustainability Leader 2021"³, which was awarded to the 150 most sustainable Italian companies, promoted by Statista in collaboration with Il Sole 24 Ore, to identify which companies in Italy stand out for truly sustainability oriented choices;• Obtained recognition by receiving the "Sustainability Awards 2021"⁴ which was awarded to the 100 best sustainability companies for the capacity they demonstrated in conducting a sustainable, inclusive and stable growth, in this way creating added value for the community.	<ul style="list-style-type: none">• To conduct training course on sustainability issues for the employees of all the companies of the Group;• To create corporate work teams dedicated to sustainability issues;• To create on-line training courses on social and environmental issues and on the Company policies;• Review of Corporate site www.elengroup.com. 	

² For more informations see the link <https://www.esgbusiness.it/esg-identity-company-2021/>
³ For more informations see the link <https://lab24.ilsole24ore.com/leader-della-sostenibilita-2021/>
⁴ For more informations see the link <https://sustainabilityaward.it/il-premio/>

4) The fight against active and passive corruption


Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Used all of the instruments considered suitable to prevent corruption in all the spheres of influence; Organized the delivery of the Ethics Code to all of the new employees and conducted training sessions of the Ethics Code of the Group in most of the subsidiary companies; Conducted a specific training session called "Anticorruption, Ethics Code and Human Rights" which involved 177 employees; The anticorruption Policy was approved by all of the companies in the Group. 	<ul style="list-style-type: none"> Continuation of the training on Model 231 for the employees of Quanta System S.p.A. and ASA S.r.l. 	<ul style="list-style-type: none"> Continuation of the anti-corruption training for some of the employees of the Group; Continuation of the training sessions on Model 231 for the Italian subsidiary companies which have adopted it for all of the employees who are required to know its contents; Conduct an initial specific training session on the Ethics Code at some of the subsidiaries. 	




Economic Responsibility



5) Creating sustainable value

Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Set up a business model focused on sustainable growth over a mid- to long-term period, which combines economic growth and financial stability with the principles of environmental and social sustainability. A procedure for reporting in the Non-financial Statement through the identification of all of the steps, the persons involved and the necessary documentation for drafting the NFS in conformity with the GRI accounting standards was drawn up and approved by the Commission for Controls and Risks and Sustainability. 	<ul style="list-style-type: none"> Continued the coordinating of the actions and the achieving of the objectives contained in the Sustainability Plan; Conduct a training session on the set up of a Business Impact Analysis and on the implementing of a management system for the operative continuity. 	<ul style="list-style-type: none"> To assure the satisfaction and meet the expectations of all of the stakeholders by implementing the objectives contained in the 5-year Sustainability Plan which will end on December 31st 2022. To extend the analysis of the Business Continuity and evaluate obtaining a ISO 22301 company certification. 	

6) Promotion of a culture and sustainable procurement practices

Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Defined and delivered to our suppliers a document with the social, ethical and environmental standards; Required the acceptance of the Ethics Code by the suppliers in the management contracts and/or in the orders to suppliers of some of the companies of the Group. 	<ul style="list-style-type: none"> Inserted the acceptance of the Ethics Code of the Group into the contracts of the employees and/or the orders to suppliers of the companies Asclepion GmbH, Quanta System S.p.A., Asa S.r.l. and for three of the Chinese subsidiaries; Continue with the dissemination of the social, ethical and environmental standards for the suppliers of the Parent Company by submitting questionnaires and sending them our sustainability documents. 	<ul style="list-style-type: none"> To increase the awareness and the training of suppliers of the Group in relation to ESG issues; To draft an ethics code for the suppliers of the Group. 	


7) Carry out checks on suppliers during the selection phase, taking into account social and environmental criteria			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promotion of good sustainability practices also in relation to the suppliers	<ul style="list-style-type: none">Insertion of questions related to social and environmental issues in "checklist for new suppliers" of Quanta System S.p.A., ASA S.r.l. and three of the Chinese subsidiaries;Creation by the Parent Company El.En. S.p.A of a platform for monitoring the ESG issues of its production line	<ul style="list-style-type: none">To guarantee uniformity in the level of conformity and the respect of the standards through a sustainable supply chain;Increase the monitoring of the supply chain in the companies that have started it and implement it in the other companies of the Group.	




Human Resource responsibility



8) Guaranteeing health and safety in the workplace			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promotion of a culture of health and safety in the workplace for all of the companies of the Group;Conducted the activities that all of the companies carry out in relation to safety and health.	<ul style="list-style-type: none">Conducted over 4.000 hours of training on health and safety.	<ul style="list-style-type: none">To continue to promote training sessions and information on health and safety for the employees.	

9) Increasing the well-being of the employees			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">In many of the companies of the Group, they have created spaces (fitnessgyms, cafeterias and relaxing rooms) dedicated to the wellbeing of people in order to create a working environment that is increasingly energetic and appealing;In all of the companies they defined programs to guarantee access to the best rest room facilities which must be available to 100% of the employees;In many of the companies they defined programs that guarantee access to welfare plans or agreements;Some of the companies of the Group have spread the culture of fitness through programs aimed at encouraging a healthy life style.	<ul style="list-style-type: none">Completed the construction of the second factory of the subsidiary Penta Laser Technology (Shangdong) which includes a recreation room for the employees).	<ul style="list-style-type: none">To continue with further wellbeing initiatives;To set up awareness programs for the dissemination of a culture of wellbeing;To submit new annual research reports on the climate inside the buildings.	




10) Promotion of the training and enhancement of human capital			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Defined and implemented training and development programs for the employees of the Group;Implemented programs to attract young resources through partnerships with universities and research centers.	<ul style="list-style-type: none">More than 33.000 hours of training were conducted at a consolidated level;In 2021 a specific research project was conducted on diversity at all of the companies of the Group by monitoring spontaneous candidates, interviews and hiring of employees divided by gender.	<ul style="list-style-type: none">To approve a diversity policy for the Group;To create awareness and re-enforce the perception of people in relation to diversity and human rights issues by conducting training sessions;To continue to initiate partnerships with universities and research centers.	





Social responsibility



11) Increasing positive social impact through their products			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Released on the market instruments and solutions that improve the quality of life of the patient;Released on the market technologies for industrial applications which reduce the environmental impact and consumption and improve the quality and productivity of the work.	<ul style="list-style-type: none">The medical sector, we continued research and development of new laser systems and the improvement of existing systems so that a growing part of the population can make use of the innovative technologies which can improve their wellbeing;In the industrial sector we continued research and development to increase the flexibility and power of the systems and decrease the waste, the quantity of material used and reduce or eliminate the use of polluting substances for some types of industrial processes;On the conservation sector, we continued research and development in order to improve the performance of the systems and obtain instruments that are highly effective in the conservation and restoration of works of art.Quanta System handmade its know-how available in the optical and bio-medical field for the creation of a pioneering surgical operation which made it possible to improve the clinical state of a patient in which the transplanted esophagus presented an extremely rare complication.	<ul style="list-style-type: none">To continue to release on the market products that have improved performance so that they amplify the positive social impact.	



12) Support of non-profit organizations, foundations and scientific laboratories			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">The El.En. Group supports non-profit organizations, foundations and scientific laboratories, by assisting them in the use of new technologies at the service of the health of the patient.	<ul style="list-style-type: none">Support through donations in cash to non-profit organizations and/or foundations;Support given through the loan of instruments free of charge both for single projects and for longer periods of time;The subsidiary Quanta System donated a laser system for surgical, dermatological and physical therapy applications to a pediatric hospital in Zimbabwe.	<ul style="list-style-type: none">To continue to promote support of non-profit organizations and foundations.	

13) Contributing to the conservation of the world's artistic heritage			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">The El.En. Group supports the conservation of the global cultural heritage by donating lasers or loaning them free of charge, as well as spreading the know-how by conducting training sessions on the use of lasers in the field of conservation and restoration.	<ul style="list-style-type: none">Support by loaning free of charge laser systems for conservation and restoration both for specific single projects and for long term periods;El.En. S.p.A. donated a laser system for conservation and restoration to the Archeological Museum in Florence.	<ul style="list-style-type: none">To continue to protect the global artistic legacy in order to preserve it intact for future generations.	

14) Strengthening relations with the community			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promotion of initiatives that favor the growth of the local community, also through partnerships with non-profit associations and organizations;Promotion of projects alternating school with work, curricular and extra-curricular internships.	<ul style="list-style-type: none">During the year they sponsored some non-profit associations in the area in which the Group operates;Development of projects alternating school with work, curricular and extra-curricular internships.	<ul style="list-style-type: none">Continual support of initiatives for the social and economic development of the local community in which the Group operates.	






Product responsibility








Environmental Responsibility




15) Guaranteeing the highest level of quality of the product and compliance with technical standards			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promoted the continuous improvement of the quality and the respect of the technical regulations in every phase of the production process.	<ul style="list-style-type: none">Obtained the ISO 14001 for the implementation of a system for environmental management , and of the ISO 45001 for Safety and health from the Chinese subsidiary Penta Laser Shangdong;The Ministry for Emergency Management of the People's Republic of China granted the certificate of standardization of the safety production to Penta Laser (Shandong) Co., Ltd.Maintenance of all the certifications believed to be important by the companies of the Group.	<ul style="list-style-type: none">To assure in an efficient and integrated manner the respect of the quality requirements of the processes, in line with the expectations of the market;To promote sustainable models for production and consumption through an efficient use of resources, by adopting circular models and green solutions for its processes.	

16) Investing in innovation, research and development to benefit the progress of scientific knowledge			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Invested in research and development for the purpose of developing products and processes that meet with the requirements and needs of the client in order to maximize the satisfaction for better performance, efficiency and sustainability.	<ul style="list-style-type: none">3,5% of the sales volume invested in research and development;8 research centers now active;More than 80 patents pending as of December 31st 2021.	<ul style="list-style-type: none">To monitor trends and act in a specific and focused way on the areas of interest for the client.	

17) Promoting policies to increase energy efficiency			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Introduced sustainability requirements during the remodeling of the offices, like the installation of energy efficient plants with LED lighting systems and motion detectors, installation of infrared sensors to regulate the use of water and the installation of heating and air condition systems, with low environmental impact;The environmental policy was approved by all of the companies in the Group;Two photovoltaic plants started working.	<ul style="list-style-type: none">The Chinese subsidiary Penta Laser Shangdong completed the construction of their second factory following the "standards of evaluation of ecological constructions" and installed high efficiency electrical and heating plants;The Chinese government of the province of Shandong and the government of the city of Linyi awarded to Penta Laser Shandong a recognition of the commitment of the company for the "conversion of the old to the new energy", a conversion which aims at the substitution of traditional technologies with innovative technologies that are safer and more respectful of the environment and of people.	<ul style="list-style-type: none">For all of the remodeling and/ or construction work, the Group is committed to the use of high efficiency electrical plants and heating and air conditioning with low environmental impact conditioning.Installation of four photovoltaic plants at the Headquarters in Calenzano and at some of the subsidiary companies. <div></div>	



18) Decreasing the environmental impact			
Actions taken in previous years	Results 2021	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Conducted awareness campaigns and promoted ecological behavior among the employees of some of the companies of the Group.	<ul style="list-style-type: none">The three Chinese subsidiaries started using selective waste collection;The Group companies in Calenzano and Prato started a project to review of all of the purchases of stationery materials, office supplies, cleaning and personal hygiene products which were replaced by recycled materials; moreover, in all of the drink distributors they installed drinking cups in certified paper and wooden stirring spoons which could be recycled in the organic waste.All of the Italian subsidiaries underwrote a contract for the supply of filing folders made of recycled paper and certified paper for the printers;At the headquarters in Calenzano, they installed a station for recharging electric bicycles and scooters, and the German subsidiary installed a column for recharging electric automobiles.	<ul style="list-style-type: none">To conduct awareness campaigns to teach our people to employ a rational use to the consumption of energy sources;To make an in-depth review of the climate change analysis in order to identify all of the possible risks deriving from climate change;To continuously verify that the company products and processes are in conformity with the laws and the current safety regulations and that the initiatives to protect the environment and save energy are being followed.	



1.5 European taxonomy

Starting in 2021, UE Regulation 852/2020 - Taxonomy Regulation, came into force; this regulation defines a specific classification system intended to identify the sustainable economic activities from an environmental point of view, for the purpose of standardizing and identifying a situation which favors sustainable investments. The Regulation describes the obligations, the contents and the criteria used to identify an economic activity as eco-sustainable. The European taxonomy has defined the following six objectives used to identify the economic activities that are sustainable from an environmental point of view: mitigation of climate change, adaption to climate change, sustainable use and protection of water and ocean resources, transition towards a circular economy, prevention and reduction of pollution, protection and restoration of the bio-diversity and the ecosystems.

Consequently, an economic activity is defined as sustainable from an environmental point of view if it:

- significantly contributes to achieving one or more of the six environmental objectives;;
- does not significantly harm any of the environmental objectives (Do No Significant Harm - DNSH);
- is conducted respecting the minimum guarantee of safeguarding.

For the first year of application the companies that are required to publish the consolidated Non-financial statement, to publish the amount of their sales volume, CapEx and OpEx related to the taxonomy eligible activities and those that are not eligible, along with the relevant Qualitative Disclosure in reference to the first two objectives. As of now, the taxonomy regulation has, in fact, adopted delegated acts I and II which specify the aligned taxonomy activity (that is, the ones that can be classified as eco-sustainable activities only for the mitigation of the climate change and the adaption to climate change).

The El.En. Group, in following the recommendations of the Regulations, conducted an application analysis of the taxonomy with respect to the criteria for eligibility, in reference to each company in the Group.

The process involved only the mitigation objectives and adaptation to climate change, since they are the only two for which the European Commission has published the criteria.

The final valuation allowed us to conclude that our activities, at least until now, are not eligible for the first two environmental objectives described, since they are not included among the activities which significantly contribute to the mitigation or the adaptation to climate change listed in the taxonomy regulations.

We do not have, therefore, amounts of sales volume, CapEx and OpEx eligible related to the business activity and of significant Capex and Opex related to the purchase of goods or services economic activities that are eligible for the taxonomy or individual measures that have contributed to the reduction of the polluting profile of our assets.

In 2022, when the European Commission adopts the next Delegated Acts which specify the taxonomy eligible also for the other four environmental objectives we will develop a new analysis process in order to again verify the eligibility of the taxonomy to our activities.

1.6 The impact of the Covid-19 emergency - our commitment

2021 was a very demanding year for the El.En. Group: the final phase of the most critical period of the pandemic saw the fulfillment of the programs for the development of growth thanks to the favorable general condition of the demand on all of the markets in which the Group operates. Thanks to the fundamental strategic planning activity that had been implemented in the last few years, we were able to register results which even exceeded the ones that were forecast before the pandemic. During the year the demand remained solid and produced double-digit growth results substantially in all applicative segments and in all the geographical areas. Despite the profound uncertainties caused by the evolution of the pandemic and its conclusive phase, which was much more prolonged than had been hoped, we benefitted from an atmosphere of trust and optimism derived from the prospect of a significant economic support from the industrial expansion policies which we had applied all over the world.

The activities of the Group were forced to deal with the problems derived from the global crisis in the supply chain, with inflation of costs and a real shortage of raw materials, particularly in the sector of electronic components, plastics and metals and significant delays in deliveries. The Group, with the efforts of all the technical structures involved managed and is still managing this emergency which is still very complex and critical. No events occurred that forced the subsidiary companies to stop the production line for lack of materials, but the effects of this problem had, and continue to have a significant impact on the efficiency of the production processes, on the costs and on the increase in the inventory of raw materials.

The effects of the pandemic did not affect our efforts in the activities of research, development and engineering of numerous new products, which will constitute the foundation for future developments by the Group. Our prolificness in this field is facilitated by the progressive stratification of the qualified expertise in the company functions which, over time, have accumulated capacity and know-how which have made the innovation process increasingly effective.

The pandemic emergency did not have any particular affect on the slowdown of the 5-year Sustainability Plan: they continued monitoring the existing projects, the objectives that had been set were achieved and other improvements projects were proposed and implemented.

In order to keep contact with the clients alive, both for meetings and for the launching of new products, the functions of marketing and sales this year made use of virtual means of communication on the web while the participation in trade fairs and symposiums have still almost all been cancelled.

The El.En. Group has maintained their commitment to the focus and closeness to their employees and constantly monitored the evolution of the pandemic situation in the various countries in which they operate and adopted all the measures necessary to guarantee, first of all, the health and safety of their workers, clients, suppliers and maintainers. They received and implemented all of the applicable measures to the various aspects of their business which had been issued by the governments, Ministries of Health, World Health Organization and other local authorities which were aimed at preventing the spread of the virus, and they will continue to actively monitor any developments so that they can rapidly implement any other instructions that are issued.

In 2021 the pandemic also determined the necessity of making important decisions on the conduction of the company activities: the actions undertaken by all of the companies of the Group in order to deal with the emergency and prevent contagion involved specific measures, one of which was the promoting of smart working to reduce the presence of personnel in the offices. The companies also invested in digital and technological instruments so that they could guarantee the normal activities even from a distance and they supplied portable computers and routers with internet connections to whoever needed one, thus assuring the business continuity.

The companies of the Group encouraged a different way of working, by exploiting kinds of digital communication and collaboration which allowed the employees to remain in continuous contact with each other via chat, calls, video conferences and sharing of files and documents sent from anywhere.

As far as the operating activity was concerned, in every company during the periods in which contagion increased, they reduced the number of employees present to that which was strictly necessary for a strategic production and they organized reduced working shifts and, where applicable, rotation in order to guarantee social distancing, while the non-essential activities were completely suspended. From the point of view of safe access to the workplace, at each company they defined and are still in use, single points of entry where whoever enters has their body temperature measured and whoever has symptoms of influenza or a body temperature of over 37,5 Centigrade is prohibited from entering. Moreover, all of those who are inside the rooms of the company buildings must wear a surgical mask which is provided every day and respect the minimum safety distance. In the areas which are considered most at risk, FFP2 masks are provided. At all of the companies, disinfectant gel for the hands is provided and placed at all of the points where it is considered to be of the most use.

Some of the common areas (open space, company gyms, meeting rooms, recreation areas) during the period of greatest contagion of the virus were converted for other activities or temporarily closed for the purpose of limiting contact between people and avoid crowds and, in the companies where there is a cafeteria, strict measures were taken in order to continue to supply meals, by limiting access to two shifts with disinfection of the furniture between one shift and the next in order to guarantee a hot meal for the employees.

At the level of internal communications, they emanated regulations on personal hygiene and safety, and at the entrance and most visible locations they attached the designs, warning signs and illustrated brochures. Moreover, they published and sent to all of the employees specific information about the regulations issued by the DCPM and the orders issued by the Ministry of Health.

They implemented and are still using extra sanitizing procedures on the rooms and they have increased the frequency of the cleaning and daily sanitizing in order to guarantee at the end of each shift or, in any case whenever necessary, the disinfection of the rooms, the work areas and the equipment used. For the use of common equipment by more than one operator (for example, lifting equipment and trolleys, coffee machines, etc) the company requires cleaning with appropriate substances between one use and the next.

The persons who have been designated as responsible for health and safety have monitored and continue to actively monitor the developments related to the Covid emergency and the Group is ready to immediately implement any other instructions which are issued with timely communications in this regard.

The Parent Company El.En. S.p.A. on 2020 had already created an Extraordinary Emergency Commission to deal with the Covid-19 pandemic. This Commission made important decisions concerning extraordinary measures (with particular reference to the effects on the health and safety of the workers mentioned above) and on the activity, economic trend and business continuity for all the companies in the El.En. Group in general.



THE GROUP



A history of concrete
and shared values



El.En. S.p.A. - Calenzano (Italy)

2. The Group

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

Mission of El.En. Group

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

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

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



The values of El.En. Group.

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



Know-how

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

Research and development

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



Innovation

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

People

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



Certifications

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



Training

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

Ethics

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



Community

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

Future

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

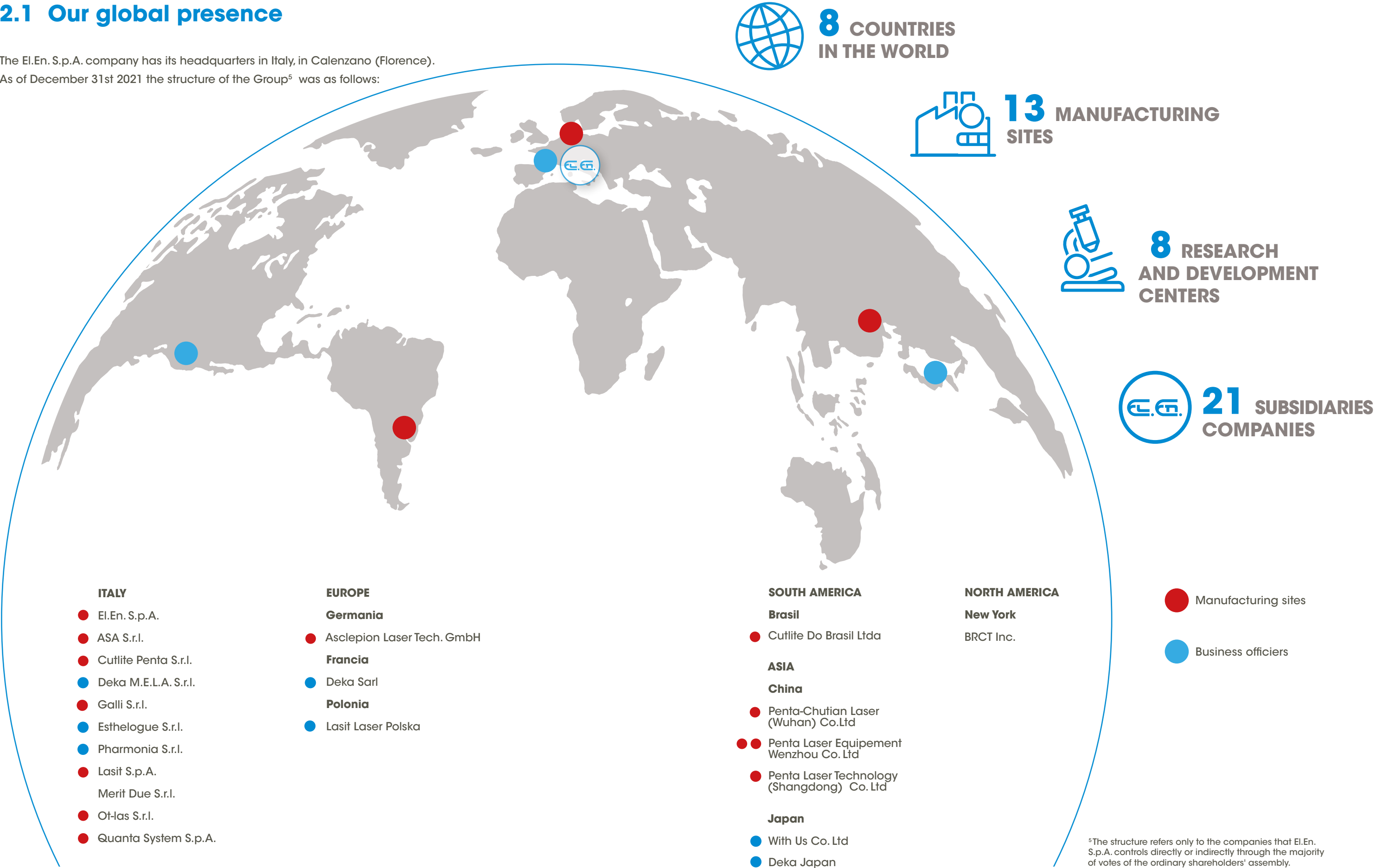


Multiculturalism

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

2.1 Our global presence

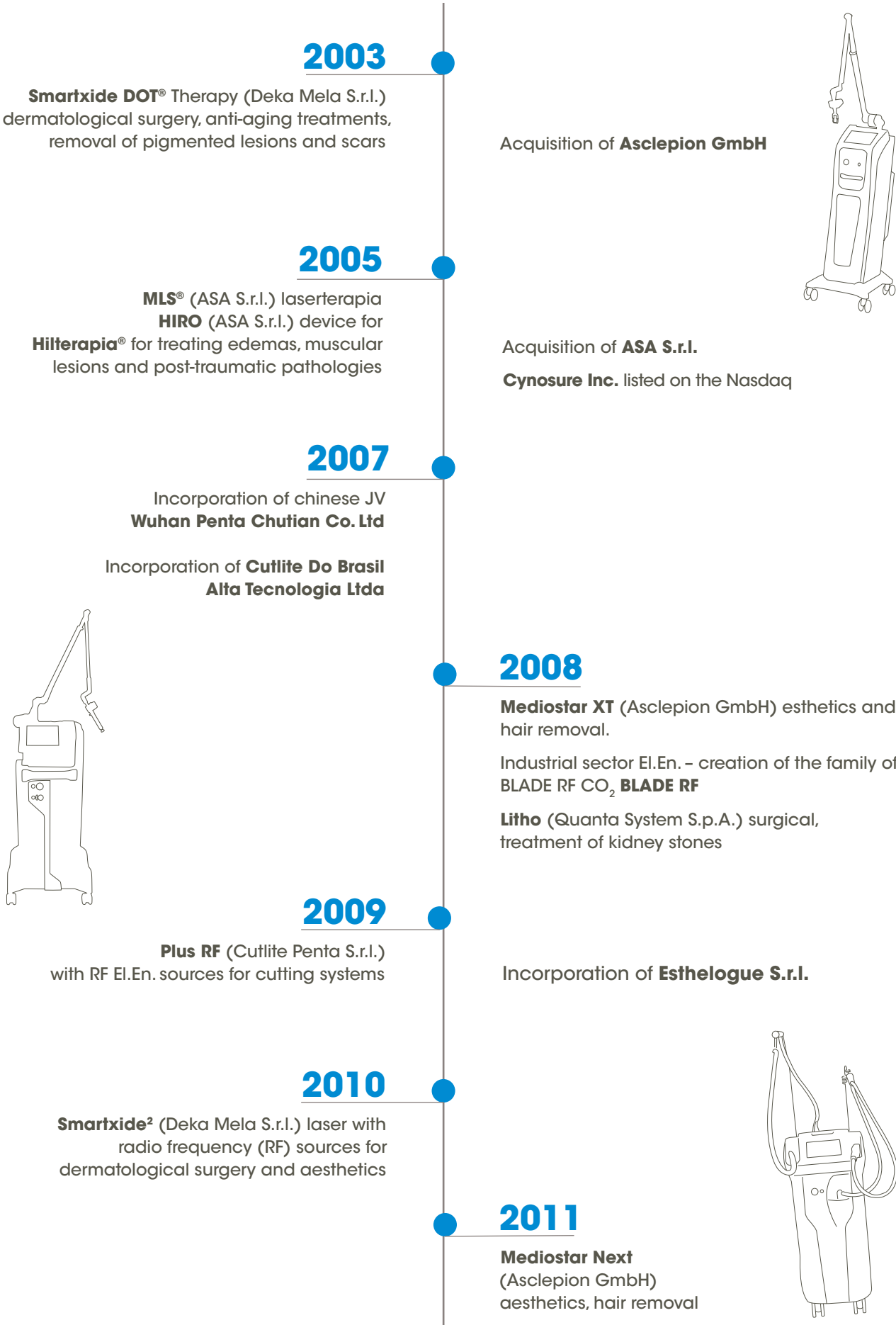
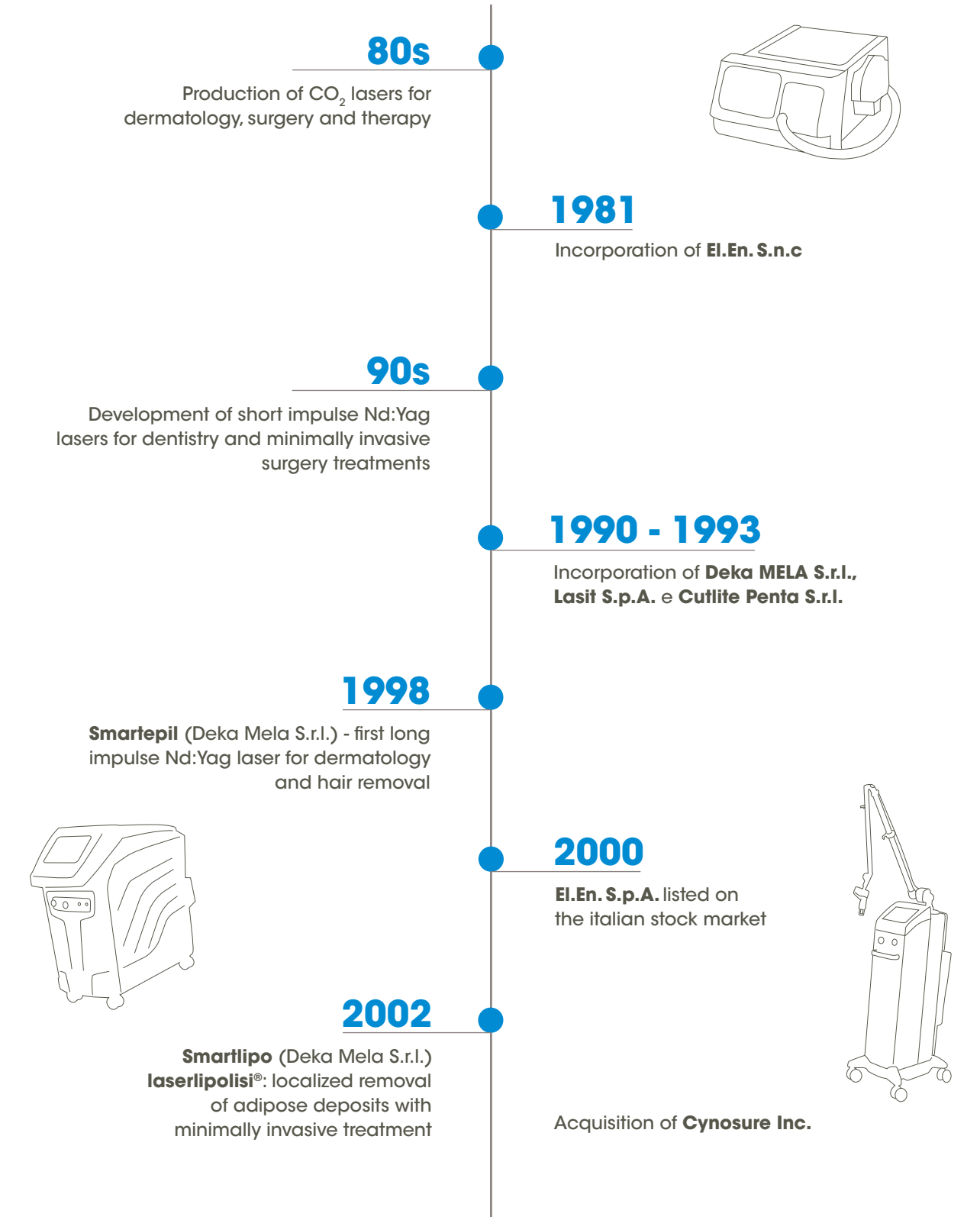
The El.En. S.p.A. company has its headquarters in Italy, in Calenzano (Florence).
As of December 31st 2021 the structure of the Group⁵ was as follows:

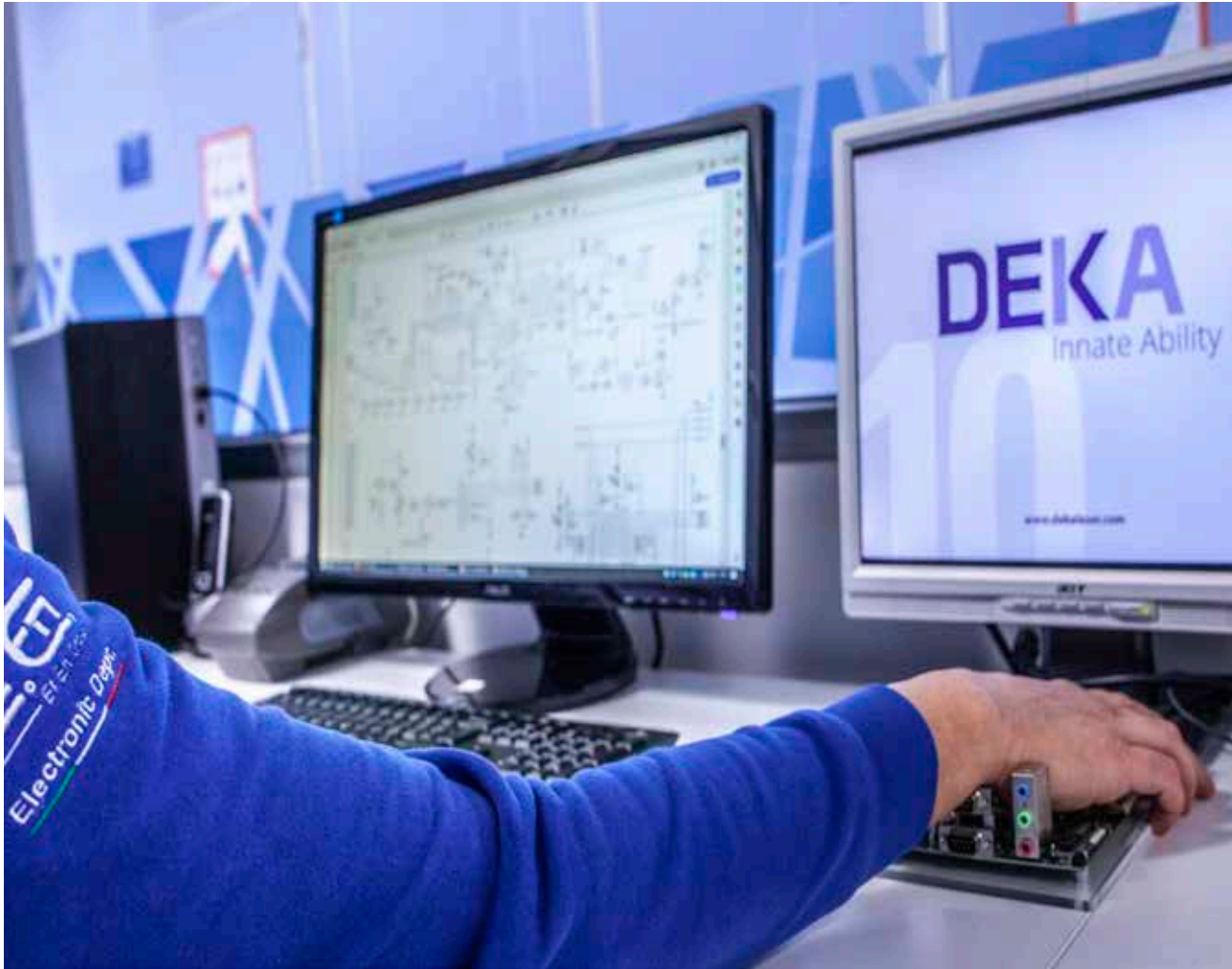
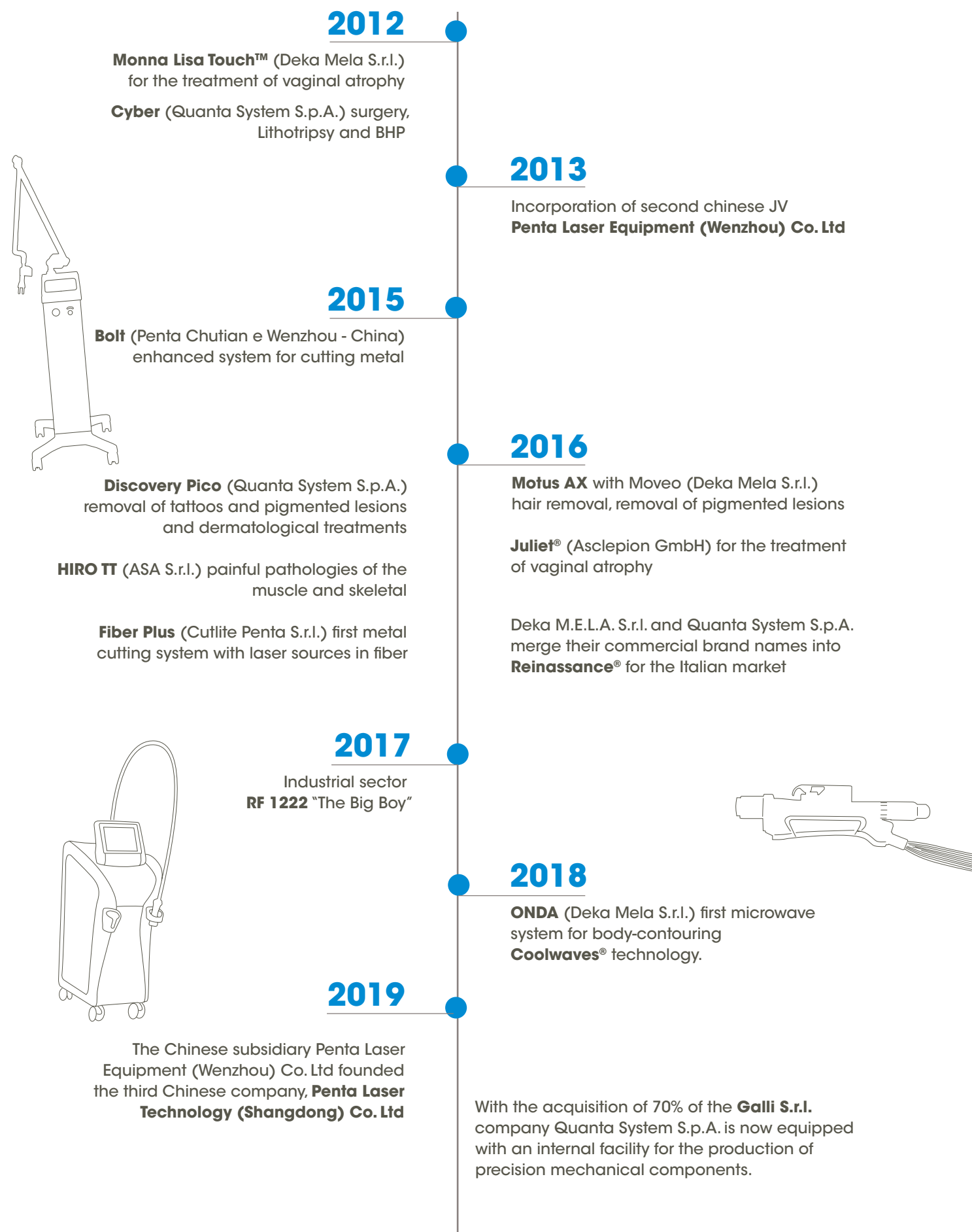


⁵The structure refers only to the companies that El.En. S.p.A. controls directly or indirectly through the majority of votes of the ordinary shareholders' assembly.

2.2 Our history

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





2.3 Our markets

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

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

INDUSTRIAL SECTOR
Cutting
Marking
Sources
Restoration
Industrial service

MEDICAL SECTOR
Aesthetics
Surgery
Therapy
Medical service



The medical sector of laser systems for medicine and for 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 sectors

of aesthetics, surgery and therapy. The expertise and reliability of our systems have made us one of the leading companies in this sector on a global level. In almost forty years of activity and research we have reached an unparalleled level of excellence in our products.

The industrial sector of laser systems for industrial manufacturing:

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

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

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

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

The taxes

The El.En. Group has companies that are located in geographical areas that are functional for conducting and developing their activities and is not aimed at obtaining tax benefits. Although the Group does not have a formal policy in this regard, they attribute great importance to tax issues, their social role and, in general, transparency as a key factor which favors sustainable development and, in conformity with their Ethics Code, they adhere to a complete and scrupulous observance of the regulations issued by the authorities who regulate the market.

that each country has in the uses of the technologies. The two sectors, although they both make use of laser technology and share numerous strategic components and some activities at the level of production and research and development, serve markets that are profoundly different and their activities are organized so as to satisfy the radically different requirements of the various kinds of clientele that they are dealing with.

To each market corresponds a specific dynamic in the demand and expectations for growth that are related to different key factors.

The Group does not deny, hide, manipulate or delay any information requested by the regulatory bodies in their functions as inspectors and actively collaborates in the information gathering procedures, refusing any form of tax evasion whether it involves their clients, subsidiary companies or business partners.

Respecting the law and the applicable regulations is a priority in combating tax evasion and other fiscal crimes on the markets and in the jurisdiction in which all of the companies of the Group operate.

The chart below shows the data according to the 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	832	324.768	81.166	52.094	292.072	- 4.782	13.952
France	10	5.381	22	- 258	2.032	-	-
Germany	161	55.689	4.437	7.469	30.834	-2.737	2.727
Poland	4	368	-	- 315	153	-	- 27
USA	-	-	-	2.725	9	- 6	- 13
Brasil	16	7.245	-	464	1.437	- 86	120
Japan	55	34.590	128	580	11.893	- 1.106	236
China	824	143.360	57.597	3.665	130.903	-847	304
Total	1.902	571.402	143.350	66.424	469.332	-9.565	17.300

⁴For 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.

The business model of El.En. does not aspire to operate in a tax haven and we do not have branches located in a country that is on the EU list of countries whose jurisdiction is not cooperative for tax purposes. At the Parent Company and at all of the subsidiary companies those responsible for tax compliance are the local administrators and their respective CFOs.

The various companies that make use of the collaboration of local consultants are equipped with instruments for updating on the recent changes in the tax laws which may include training and updating sessions on fiscal conformity as well as an annual

analysis of the risk of tax conformity, from which the necessary measures are derived. For specific issues we request and obtain opinions from outside experts. For the annual review of the financial statements, the fiscal review is verified by an auditor who certifies the statement.

As part of the Anti-corruption Policy approved by the Parent Company and by all of the subsidiary companies and sent with copy to all of the employees, they specify that in order to report an irregularity, even anonymously and even in relation to taxes, it is possible to use the communication channel and report to the Supervising Body.



2.4 Economic value generated and distributed to our stakeholders

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

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

In 2021 the economic value generated by the Group was over than 620 million Euros while the net global added value distributed by the Group was over than 575 million Euros.

Most of this value, about 78,8%, is represented by "remuneration to suppliers" and consists mainly of the costs for services and raw materials.

Following this value there is "remuneration of personnel" (14,6%) which represents the salaries, severance pay and social security, and then "remuneration of shareholders" (3,4%), composed of the profits pertaining to third parties and those distributed as dividends, the "remuneration to the Public Administration" (3,0%) composed of income taxes, the "remuneration of the financial system" (0,2%) and lastly the "Value distributed to the community" (0,05%).

Chart for determining the economic value generated and distributed			
Euros	2021	2020	2019
Economic value generated by the Group	620.520.351	428.181.136	417.611.091
Revenue	571.402.153	408.083.292	400.760.689
Charge in inventories	40.680.101	15.907.872	12.173.587
Other revenues and income	5.986.774	5.734.334	3.473.636
Financial charges	2.636.505	(1.119.626)	1.225.932
Share of profit of associated companies	(195.348)	(424.735)	(22.752)
Other non operating income (charges)	10.166	-	-
Economic value distributed by the Group	575.812.257	405.068.206	391.289.890
Remuneration of personnel	84.170.079	66.692.366	66.084.686
Staff cost	84.170.079	66.692.366	66.084.686
Remuneration of suppliers	453.526.396	322.044.935	303.832.593
Total purchase	358.601.494	255.210.640	225.233.497
Other direct services	47.394.512	32.877.479	35.153.507
Costs operating services and charges	47.530.391	33.956.816*	43.445.589*
Value distributed to the community	281.127	174.188	178.868
Donations	281.127	174.188	178.868
Remuneration of the Public administration	17.299.635	5.382.041	9.868.415
Income taxes	17.299.635	5.382.041	9.868.415
Remuneration of shareholders	19.650.016	10.132.098	2.758.544
Net profit of minority interest	3.687.998	2.287.209	2.758.544
Distribution of net Income	15.962.018**	7.844.889	0
Remuneration of financial system	885.005	642.577	757.660
Financial charges	885.005	642.577	757.660
Economic value retained by the Group	44.708.094	23.112.931	34.130.325
Net income retained to reserves	29.474.369	12.410.257	26.016.748
Depreciation, Amortization and other accrual	15.233.725	10.702.675	8.113.578



* It should be noted that "Costs operating services and charges" relating to 2019 and 2020 have been shown net of "donations" which are separately presented in the section "Value distributed to the community";

** The distribution quota of the profits for the year corresponds to the destination of the profits for the year as dividend which the Board of Directors of El.En. S.p.A. voted to propose to the Shareholders' Assembly on March 15th 2022.

ORGANIZZATIONAL PROFILE OF THE GROUP



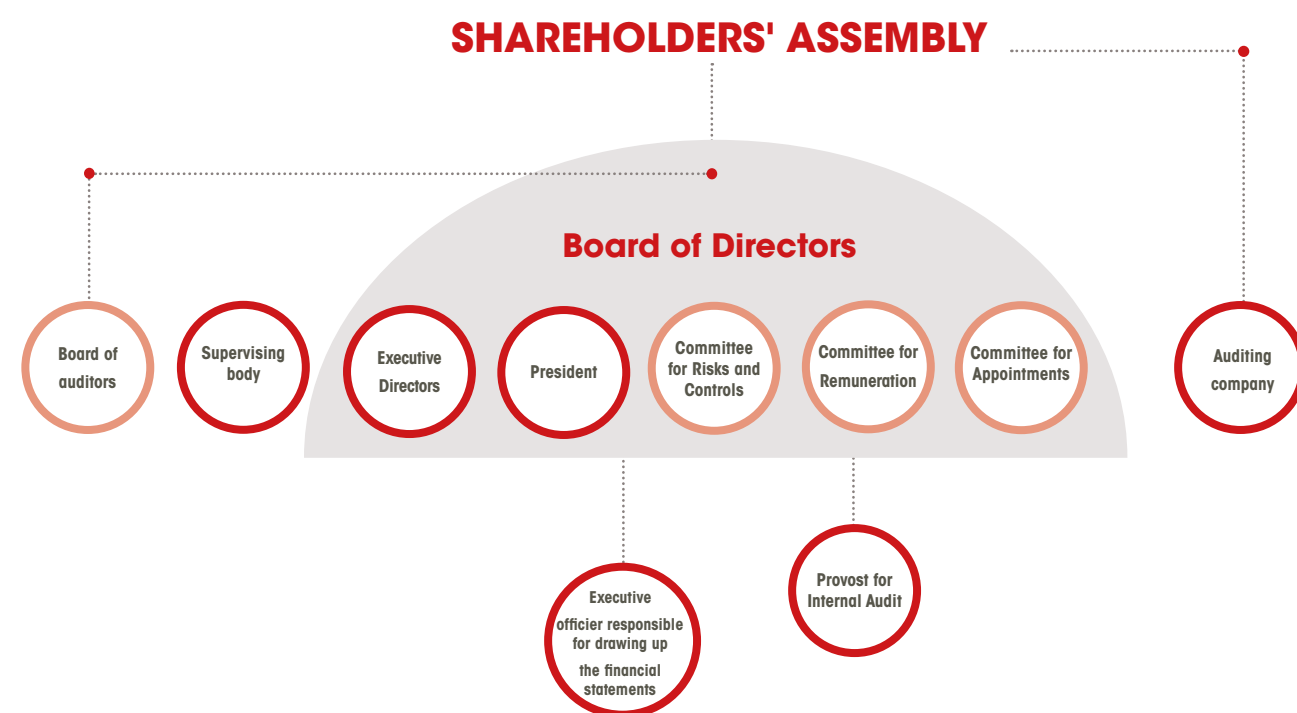
Responsible business
management

3. Organizational profile of the Group

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

3.1 The Corporate Governance model

The model of Corporate Governance selected by El.En. S.p.A. is the traditional system based on a Board of Directors which has the duty of directing and strategic supervising and a Board of Auditors which has the task of control; the Governance system selected is based on the contribution of the following bodies:



Shareholders' Assembly: The assembly is the company body in which the shareholders participate in the decisions of the Company with respect to the issues which the law and the company by-laws have designated as their competence; the shareholders' assembly appoints the members of the Board of Directors, the Board of Auditors and approves the financial statements for the year.

Board of directors⁷: this board is the central organ of the Corporate Governance system and conducts the functions of analysis, sharing and approval of the annual statements and of the strategic, industrial and financial plans of the Group and the relative monitoring. The Board is appointed by the Shareholders' Assembly and plays a role of strategic

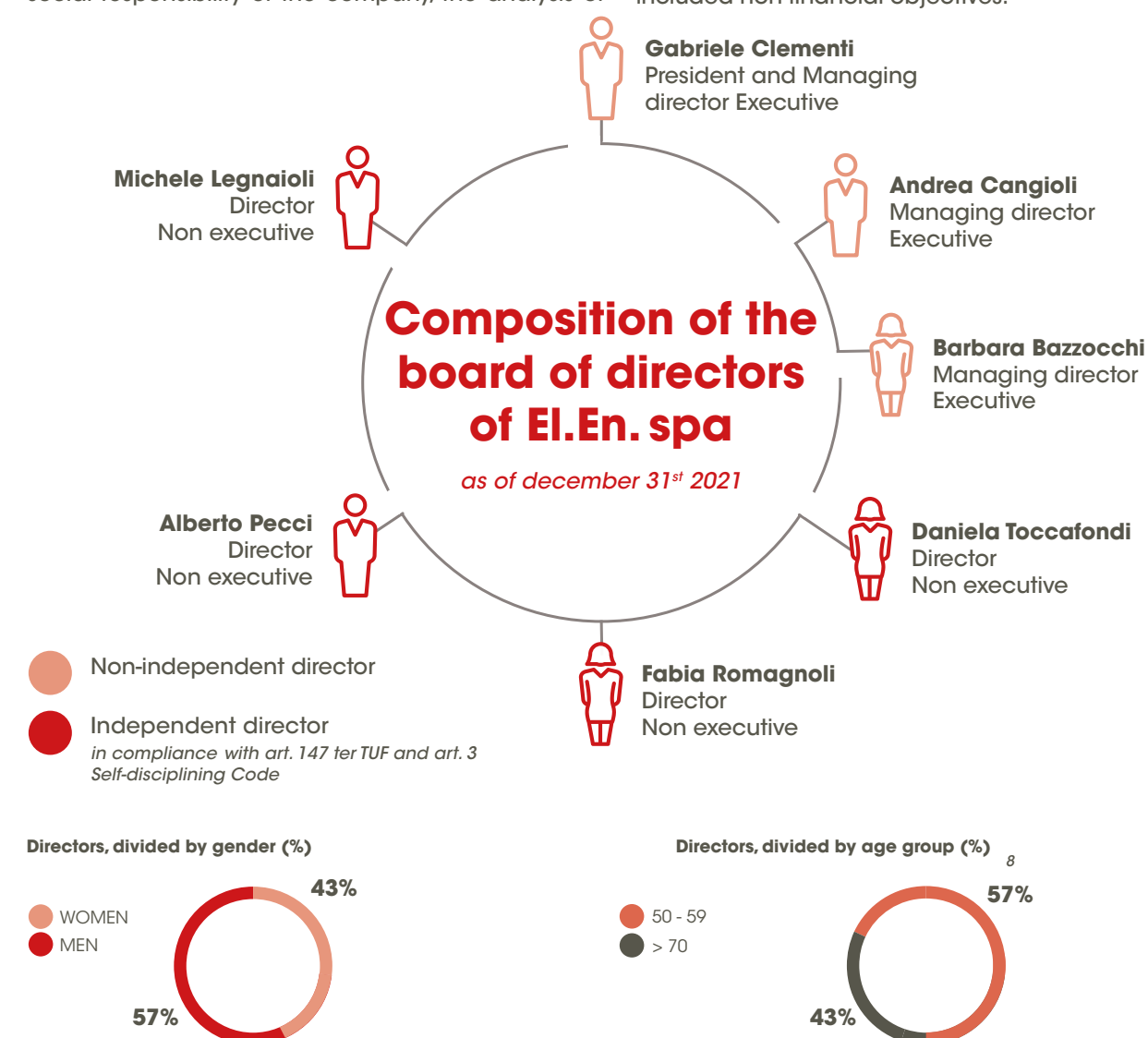
direction and evaluation of the adequacy of the system of controls that has been implemented. The composition, the role and the functions of the Board of Directors of El.En. S.p.A. are in conformity with the law and the Corporate Governance Code of companies quoted on the stock market. The current Board of Directors is composed of seven members, four of which are not executive; the non-executive members, three of which are independent, are organized to conduct functions of consulting and proposing in support of the Board, in three different commissions: the commission for risks, controls, related parties and sustainability, the Commission for Remuneration and the Nominations Commission.

The Committee for Controls and Risks, related party-

transactions and sustainability, which acquired this name in 2021, is composed of four non-executive members, three of which are independent, while the other two commissions are composed of three non-executive members, two of which are independent; the work of each commissions is coordinated by a President. Their composition, duties and powers are governed by special regulations approved by the Board of Directors when they were constituted and afterwards amended on the basis of the modifications required by the Corporate Governance Code.

With reference to sustainability issues and the communication of non-financial information in compliance with D.Lgs. 254/2016, a Committee for Controls and Risks, related party-transactions and sustainability has been assigned the duty of assisting the Board of Directors with information gathering processes of a proposing and consulting nature, in the evaluation and decisions related to questions of sustainability connected to the running of the activities of the company and the dynamics of its interaction with all of the stakeholders, the social responsibility of the company, the analysis of

the scenario for setting up the strategic plan and the corporate governance of the companies and the Group. In order to re-enforce the sustainability governance in 2020 the Board of Directors assigned the Executive Administrator responsible for internal controls the task of defining the strategic guide lines for sustainability, the Sustainability Plan and the analysis of the non-financial reporting. As far as the remuneration of the executive administrators is concerned, already starting in 2019 El.En. S.p.A. had inserted among the parameters related to the variable component of the remuneration, specific non-financial multi-year objectives, related to the company's sustainability in the areas included as material in the 2018-2022 Sustainability Plan (actions aimed at issues related to the environment, corruption, human rights, social issues and employees) which amount to 25% of the total incentive remuneration. Last year, the Remuneration Committee proposed to the Board of Directors, which later approved it, a 4-year incentive remuneration plan for the General Director which is valid starting in 2021 and which also included non-financial objectives.








⁷ The members of the Board of Directors were appointed by the Shareholders' Assembly on April 27th 2021 and remain for the three-year period 2021-2023.

⁸ 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.

The Board of Directors has, among other things, the responsibility of the system of internal controls and risk management in relation to which it defines the guidelines and periodically verifies the adequacy and the effectiveness of its functioning and makes sure that the main risks involving the Group have been correctly identified, measured, monitored and managed.

The Board of Auditors: is appointed by the Shareholders' Assembly and supervises the respect of the law and of the by-laws, of the correct standards of administration and the adequacy

of the organizational structure of El.En. S.p.A. and, in the area of its expertise, the aspects related to the system of internal controls, the administrative and accounting systems adopted by El.En. S.p.A., and their correct functioning. They also act as a function of the Commission of Internal Controls and account auditing with duties and responsibilities in compliance with art. 19 D. Lgs. 39/2010. The Board of Auditors which is now in office is composed of three statutory auditors and two alternate auditors who possess all the requisites of honesty, professionalism and independence required.

Board of auditors			
	Members	Position	End of term
	Vincenzo Pilla	President	Ass. appr. bilancio 2021
	Paolo Caselli	Standing auditor	Ass. appr. bilancio 2021
	Rita Pelagotti	Standing auditor	Ass. appr. bilancio 2021
	Daniela Moroni	Alternate auditor	Ass. appr. bilancio 2021
	Gino Manfredi	Alternate auditor	Ass. appr. bilancio 2021

Auditing company: is an external institution that has the responsibility of conducting the legal auditing of the accounts and is appointed by the Shareholders' Assembly. The auditing company that is now in office is EY S.p.A..

The other companies of the Group in Italy follow the traditional model and consequently are administered by a Board of Directors or a single managing director and, where necessary, have control commissions and are subject to audits.



3.2 Ethics, integrity and compliance

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

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

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

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

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

In the contracts that have been underwritten by the Parent Company with consultants, distributors, agents and suppliers of critical components explicit reference is made to the Ethics Code of the Group and the other party must declare that they have received a copy and that they accept it.

Moreover, the Parent Company and the Italian subsidiaries, Deka M.E.L.A. S.r.l., Quanta System S.p.A. and ASA S.r.l. have adopted the Organizational Model

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

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

With particular reference to the risks related to ethical behavior, the El.En Group has directed their attention to the prevention of risks related corruption.

To further re-enforce their system for preventing corruption and bribery, last year the Parent Company El.En. S.p.A. approved the Anti-corruption Policy which, in 2021 was adopted by all of the subsidiary companies, approved by the Boards of Directors of the companies that had one, translated into the local language and distributed to the 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. analyzed, found it relevant, mapped this risk and inserted it in their Organizational Model D.lgs. 231/2001.

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



Nevertheless, they have identified the most sensitive areas and have inserted a special section dedicated to the prevention of crimes of this type in the Organizational Model. The analysis therefore started with the mapping of the activities and the identification of the risk related to each of them by attributing a certain number of points. The parameters used for the point system were: the number of times it had happened in the past, the existence of company procedures, the impact of the penalties for this type of crime and the frequency of the event. We decided that the frequency of the event and the impact of the penalties made it opportune to dedicate a part of the Organizational Model to all the preventive activities related to this kind of crime, even if the occurrence in the past (no event of this type has taken place) and the existence of company procedures lowered the risk. In the Ethics Code there is also a reference to specific types of behavior which are aimed at avoiding the onset of corruption phenomena. In the three-year period 2019-2021 no cases of corruption were registered or reported.

In order to guarantee the respect of the principles that are contained in the Ethics Code and an efficient implementation of the systems for the flow of information and controls in Model 231, the companies of the Group that had instituted it use the Supervising Body; this committee, which was appointed by the Board of Directors, has been assigned the task of monitoring and, if necessary reporting to the Board of Directors, any irregularity or violation and to supervise the respect of the procedures adopted by the Company for the prevention of so-called presumed crimes, identified after a careful analysis.

The El.En. Group believes that the knowledge and adherence to the principles of the Ethics Code and

Model 231 must be promoted also through specific training sessions for the people who work within the organization: during this year, the subsidiary companies Quanta System and Asa continued with a specific course on Model 231 conducted by the Supervising Body, which reached 37 employees in addition to the 293 employees trained in preceding years.

At Quanta System S.p.A., Asclepion GmbH, and the Chinese subsidiaries, all of the newly hired employees take a special training course on the Ethics Code of the El.En 25 new employees for a total of 514 hours, while at the other subsidiary companies the Ethics Code is handed to all new employees at the time they are hired. We will continue the activities aimed at disseminating these issues more widely inside the organization.

It should be noted that in 2021 the Parent Company, El.En. S.p.A., for the purpose of formalizing the methods for initiating and managing the dialog with the shareholders, the investors and other interested parties, approved the "Policy for the management of the dialog with the generality of the shareholders of El.En. S.p.A.", with an aim to promoting the understanding of the company objectives and creating a communication directed to the alignment of the different interests for the purpose of pursuing a sustainable success. The document was approved by the Board of Directors after receiving the favorable opinion of the Commission for Controls, Risks Sustainability and Related Parties and can be modified or abrogated by a resolution of the same body. In the updated version it is published on the internet site. www.elengroup.com sez. "Investor Relations / Governance / Dialogo con gli Azionisti / Politica del dialogo".

FOCUS: THE RESPECT OF HUMAN RIGHTS

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



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

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

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

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

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

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

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



3.3 The internal controls and risk management system

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

For El.En. S.p.A. and the Group, whose objective is the sustainability of the company activities over a mid to long-term period and the creation of value in the respect of external stakeholders, the system of internal controls and risk management is understood to be a series of methods of analysis of the procedures, the functions and organizational structure and the relative activities conducted in order to identify the main risks for the company, the methods used for managing them and the organization of the system for safeguarding against them.

The organization of an adequate system of controls is meant to implement an efficient management of the company, the safeguarding of the corporate assets, the efficient management of the company processes, the reliability of the information disseminated by the Company both of a financial and non-financial nature, as well as the respect of the laws, the regulations, the company statutes and internal procedures.

For the purposes of building and developing an adequate system for the management of risk management, the Parent Company has defined their own system of internal controls and risk management, first of all, in relation to the process of disseminating financial information, based on the CoSO Framework model, consistent with international best practice.

The main characteristics of the system of internal controls and risk management are represented, on one hand by the regulations and procedures and, on the other, by the bodies for governance and control.

The regulations are mainly constituted by a series of general principles codified by the Ethics Code; and, in the second place, by a series of secondary procedures (like those in ex D. Lgs. 231/01, L. 262/05, L. 81/09, internal regulations concerning the treatment of confidential information, operations with related parties, internal dealing, etc. which make it possible

to act within the reality of the company and to implement the above mentioned principles of a general nature.

On the other hand, they conduct the control of the observance of the rules and procedures on the basis of the competencies and functions defined and assigned by the Board of Directors to the different bodies at various levels.

Since 2018 the Parent Company El.En. has been using a Disaster Recovery Plan, that is, a plan which described all of the processes and technologies suited to restore the systems, data and infrastructures necessary for the use of computer services during serious emergencies or threats which are not caused intentionally (disasters). For the correct application of the Plan all of the systems have been classified as critical, vital, delicate and non-critical. As far as the El.E. systems are concerned, in the Disaster Recovery plan they have inserted only the machines considered critical, that is, those that must be restored in less than two days; the state of the Plan is reviewed every month.

In 2021, during the re-examination of the Direction of the Quality Management System of El.En. S.p.A. and Deka Mela S.r.l., the Directors confirmed their commitment to risk management as a fundamental instrument for managing the organization and its processes by always guaranteeing the availability of resources and qualified personnel for the verification activities and by participating directly in the definition and documentation of the policy used to determine the criteria for the acceptability of the risk.

An issue which emerged during the re-examination was that of business continuity, or the capacity of the company to continue its activity despite the occurrence of extraordinary external events, which may be natural disasters, social or cultural events,

consequences of human action on the national or international scene. In particular, we became aware of how serious for the organization the effects of underestimating the risks and the lack of preparation in dealing with potentially disastrous events. Events which at a first glance may seem very improbable (like a pandemic), a global financial crisis, environmental disasters, earthquakes and floods, attacks on computer systems (hacking) etc. and which may appear very suddenly.

For this reason it is necessary to be equipped with managerial methods and operative instruments capable of mitigating the impact. It is, in fact, fundamental for the survival of the organization and the defense of its value, to adopt the operative instruments needed for risk management and to constantly review their adequacy and effectiveness. In times of crisis, besides the rapid response to the de-stabilizing event, it is essential also to have the capacity to manage communication to the controlling authorities, clients, suppliers, banks, employees, shareholders and investors and all other

interested parties, and to reduce to the greatest extent possible, the duration of the interruption of the production processes and the supplying of services, thus preserving the value of the company, its reputation and its assets.

In this regard, the following regulations have been adopted by the Quality Department: UNI ISO 31000:2018 (Guidelines for risk management), IEC 31010:2019 (Risk management - Risk assessment techniques) and UNI EN ISO 22301:2019 (Management systems for operational continuity - Requirements).

In 2021 some of the employees (Quality, Finance and Sustainability, Operation Directors) attended training sessions on these regulations for the purpose of acquiring knowledge and competence on the main risk evaluation techniques, on the basis of the Business Impact Analysis and on the implementation of a system for managing business continuity. Since ISO 22301 is the international reference for the management of business continuity, the Directors assigned an explorative analysis to be conducted



by the Quality Department for the evaluation of a possible company certification according to this management system.

The organization of the System of Internal Controls and Risk Management is set up as follows:

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

The System of Internal Controls guarantees the safeguarding against risks related to the pursuance of strategic and operative objectives, reporting and compliance, both in the Parent Company and the

subsidiaries which have adopted this approach.

Below is a list of the main risks which have been identified in relation to sustainability issues:

- **Risks related to ethical behavior:** these risks are related to a lack of integrity on the part of the management or the employees of the Group, which might bring about unethical, unauthorized or illicit behavior, or fraud, with particular reference active or passive corruption, corruption between private individuals and human rights. In order to mitigate these risks, the Group has adopted an Ethics Code to re-enforce the dissemination of a company culture based on the importance of ethical and social responsibility when conducting business and the company activities. The Parent Company and some of the Italian subsidiaries have also adopted the Organizational Model in compliance with D.Lgs. 231/2001. Moreover, in 2019, the Parent Company adopted an Anti-corruption Policy.
- **Risks of reputation:** because of the particular sector in which the Group operates, one of the main risks related to the social sphere is related to the quality and safety of our products and the supply chain; in fact, a manufacturing defect could compromise the reliability and the safety of the final product. Underestimating the attention of the client and of the community in general to these issues could cause a loss in image and reputation, with a consequent drop in financial performance. The Group has always dedicated the greatest attention to the quality and safety of the processes and products: the main manufacturing companies of the Group have, in fact, adopted a system of quality control and obtained a ISO 9001 certification, while all of the companies producing medical devices have a ISO 13485 certification and operate rigorously in conformity with the relative regulations, as is demonstrated by the fact that they have passed numerous periodical, scheduled and surprise inspections every year. Also for the purpose of guaranteeing maximum safety, as explained in the Ethics Code, the Group establishes with its suppliers long lasting relations inspired by principles of correctness and transparency and carefully monitors the supplier selection process and the maintenance of their performance by making specific visits to their offices in order to verify their capacity to satisfy and maintain the qualitative requirements needed. Our aim is to establish with the suppliers actions to define and share principles, good social and environmental practices and ethical behavior and to promote a supply chain that is increasingly responsible and sustainable.

- **Risks related to personnel:** These risks are related to the fact that the Group does not conduct procedures intended to attract, select, motivate or exploit human resources or there are not adequate processes to guarantee the respect of diversity and equal opportunity. As part of the system for quality management (ISO 9001) adopted by the main manufacturing companies, the issues related to the management of the personnel are monitored; the Parent Company moreover conducted a specific codification of the management procedures of human resources as well as the profiling of the company functions with the identification of the necessary responsibilities and qualifications. In all of the companies the training activity is defined annually and besides the obligatory training that must be conducted, identifies the curriculum needs of the company population. The Group has also codified in the Ethics Code its commitment to respect and protect the dignity, diversity and equal opportunity of its employees and collaborators.
- **Risks related to compliance with the environmental and health and safety regulations:** these risks are related, on one hand to the new environmental regulations and to the possible non-conformity of the environmental requirements required by the regulations and, on the other hand, by the fact that the Group does not implement processes to assure the health and safety of the workers and the possible non-conformity to the requirements in this field. In the Ethics Code the Group has codified its commitment to the protection of the environment and to health and safety. The Italian companies of the Group have dealt with the environmental issues and health and safety also as part of the organizational model in compliance with D.lgs 231/2001. In all of the companies of the Group, the issue of health and safety is managed by means of processes which, despite the fact that they are not centralized or coordinated at a Group level, guarantee that all the subsidiaries are present at the procedures concerning the protection of the health and safety of the workers from the time they are trained to the implementation of the corrective actions and improvements.
- **Risks related to the respect of human rights:** the risk is related to the lack of respect of human rights which could harm the correct and responsible management of the activity of the Company. The risk is related in particular to the operations and the suppliers of the Group who operate in countries (for example, Asiatic countries) where the legislation on this subject is less rigorous than in Italy. The protection of human rights is explicitly mentioned in the Ethics Code of the Group which must be respected by all of the companies. The Group has extended the application of their Ethics Code in which there is explicit reference to the Universal declaration of Human Rights of the UN also to the suppliers. Moreover, the Parent Company, in 2019 adopted a Policy related to human rights and is committed to conducting specific training courses on this subject, particularly in those countries where the legislation is less rigorous than in Italy.
- **Environmental risks:** these risks are related to the possibility of causing an environmental impact that could have negative repercussions on the local area in which the Group operates or that they adopt measures that are not adequate to mitigate this impact. El.En. has always respected the environmental requirements in compliance with the laws in force and in the Ethics Code of the Group has emphasized their commitment to the protection of the environment. The Italian companies that have adopted the Organizational Model in compliance with D. Lgs. 231/2001 have considered these issue even within the Model. The Parent Company last year adopted an environmental policy to monitor and reduce the environmental impact of its activities which, in 2020 was acknowledged by all of the subsidiaries and disseminated to all of the employees of the Group.
- **Climate-related risks:** As of now, the main risks that can be caused by climate change and the transition to a low carbon energy model are connected to an incorrect management of energy and emission sources, risks that are related to modifications in the regulations associated with the fight against climate



change and physical risks. Among the main risk factors that the Group must deal with there are the increasing obligations for reporting the emissions produced, the expectations with respect to the use of low-impact energy sources and the uncertainties in the signals coming from the markets with unexpected potential variations in the prices of energy.

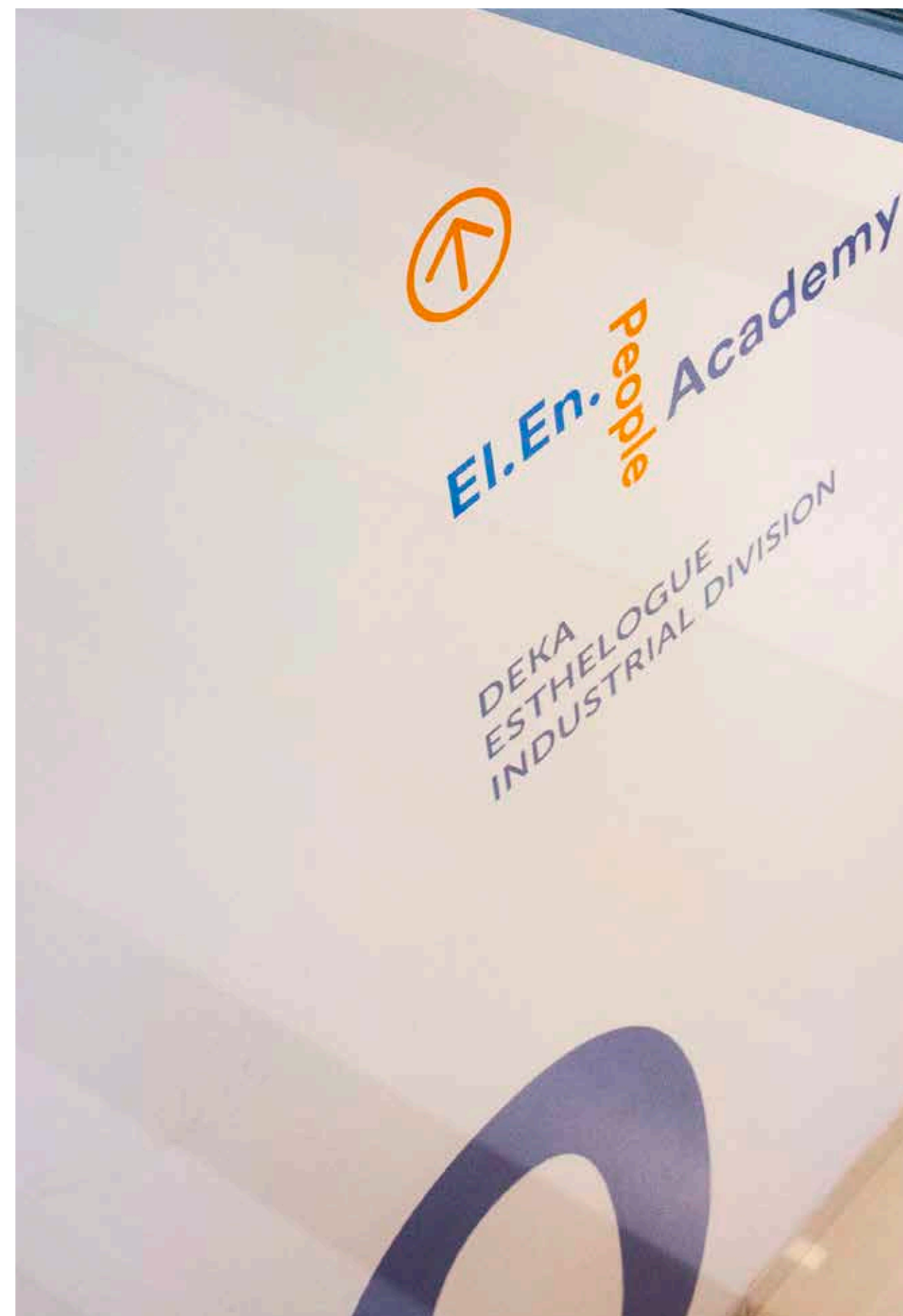
Moreover, we should also recall the risks derived from the gradual change of the climactic condition and extreme weather which expose the Group to danger to the infrastructures like industrial buildings, plants and machines, as well as potential interruptions in the supply of essential components and the potential reduction of the production capacity. As a partial mitigation of this risk, the Parent Company and the subsidiaries have stipulated an insurance policy which protects the against the damages cause by hurricanes, storms, wind, hail, floods, and earthquakes. As far as the interruption of the production capacity is concerned for the purpose of mitigating this risk, we are now evaluating an insurance coverage by the

Parent Company in consideration of the emergence of new risks and unforeseen events which could damage the production capacity. Moreover, the Group conducts ordinary maintenance work using the best strategy for prevention and protection also for the purpose of reducing the possible impact on the production structures. Among the risks associated with the transition from an economy with low carbon emissions the risks to the reputation are also included: not adopting a gradual process of decarbonization could have a negative impact on the reputation of the Company and, consequently, on the economic and financial results.

In reference to these risks, we wish to point out to all of our stakeholders our commitment, objectives and targets in relation to the fight against climate change along with our desire to maintain a good reputation. The Group is committed to a continuous improvement of the existing activities in terms of environmental impact through objectives regarding the promotion of policies of energy efficiency and awareness of the adoption of responsible behavior. In the 2023-2028

Sustainability Plan we will insert specific objectives to reduce direct impact by reducing our emissions of CO₂ in the atmosphere and to contribute to the fight against climate change through the promotion of studies and initiatives of circular economy. The El.En. Group believes that the aspects related to climate change are a primary source of risks, and for this reason, starting next year, they have decided to monitor and analyze a method that is more specific than that use up to now which will make it possible to associate all of the risks identified with the appropriate measure to mitigate them. The risk of losing the continuity of business due to the reduction or interruption of the production processes or the conducting of services derived from climate change has convinced the Directors to gradually equip the

Company with a risk management system and a Business Impact Analysis. This analysis, based on the management model described in ISO 22301, will have the objective of mitigating the risks derived from the occurrence of natural disasters (but also soon the national and international scene). As a consequence of the COVID-19 pandemic emergency, people started to realize just how serious for an organization it can be to underestimate the risks and to not be prepared for a potentially disastrous event like a pandemic, a global financial crisis, natural disasters, earthquakes, floods, computer hacking, etc. which can occur very suddenly and without warning. For this reason it is necessary to equip the Company with managerial methods and operative instruments suited to mitigate the impact.



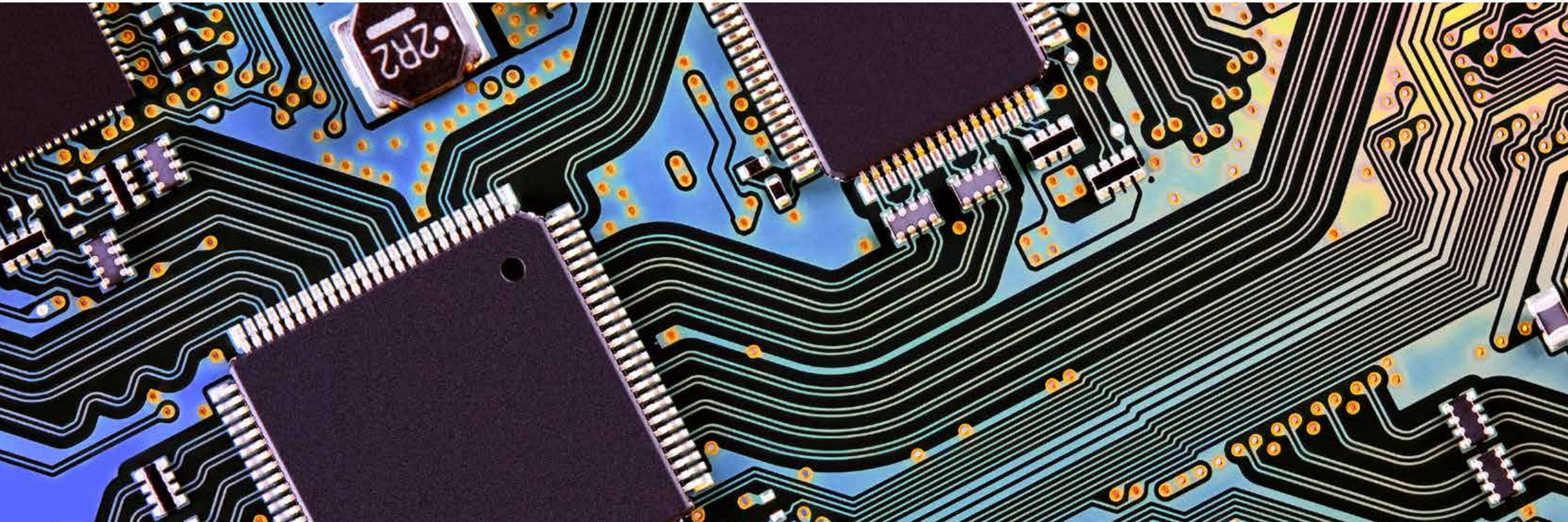
THE MAIN RISKS INHERENT TO SUSTAINABILITY TOPICS

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

Risk category	Description of risk	Management	Macro area
Risks related to personnel	<ul style="list-style-type: none">Inadequate use of human resourcesLack of trainingLack of respect for diversity and equal opportunities	<ul style="list-style-type: none">Chapter 6: the People Group Ethics CodeOrganizational model Modello D.Lgs. 231/2001 for the companies that have adopted itSystem for the management of quality for the companies with the ISO 9001 certificateEl.En. Group adopted a Human Rights Policy	Human Resources Responsibility
Risks related to compliance with environmental and health and safety laws	<ul style="list-style-type: none">Lack of procedures to protect the health and safety of the workersRisk of noncompliance with the new environmental obligations and regulations or of nonconformity to the environmental requisites	<ul style="list-style-type: none">Chapter 6: the PeopleHuman Right PolicyChapter 7: the environmentGroup Ethics CodeOrganizational model D.Lgs. 231/2001 for the companies that have adopted itEl.En. Group adopted an Environmental Policy	
Environmental risks	<ul style="list-style-type: none">Risk of causing environmental impact which has negative repercussionsRisk of using inadequate measures to reduce the environmental impact	<ul style="list-style-type: none">Chapter 7: the EnvironmentGroup Ethics CodeOrganizational model D.Lgs. 231/2001 for the companies that have adopted itEl.En. Group adopted an Environmental Policy	Environmental responsibility
Climate change risks	<ul style="list-style-type: none">Risks related to changes connected to modifications in the political, legal, technological and market laws/ regulations.Physical risks	<ul style="list-style-type: none">Chapter 7: EnvironmentEthics Code of the GroupOrganizational Model in compliance with D.Lgs. 231/2001 for the companies which have adopted itEnvironmental policy	



THE MANUFACTURING PROCESS



From the original idea
to the finished product

4 . The manufacturing process

4.1 Research & Development as an instrument for innovation

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



8

RESEARCH CENTERS



156

PEOPLE INVOLVED IN RESEARCH AND DEVELOPMENT



ABOUT 20 MILLION

EUROS INVESTED IN R&D



187

ACTIVE PATENTS AND

80 PENDING

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

It is the skills we have acquired and the enthusiasm of our employees that make the real difference; The El.En. Group and the people who work there in fact, possess a knowledge of physical, biomedical and technological phenomena that has evolved in almost forty years of experience and which is conducive to a great capacity for innovating one's know-how, the production technologies, the processes, the products and the related services.

The Group organizes its activity of research and

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

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

The El.En. Group's capacity for innovation is demonstrated also by the numerous patents that the Group has filed. In less than forty years they have filed 187 patents while at this time they have more than 80 pending.

The chart below shows the expenses sustained by the Group during 2021 for research and development:

Thousands of Euros	31/12/2019	31/12/2020	31/12/2021
Staff costs and general expenses	11.145	11.067	11.633
Equipment	310	362	305
Costs for testing and prototypes	2.783	3.957	7.113
Consultancy fees	575	564	493
Other services	201	119	233
Total costs R&D	15.014	16.069	19.775

- The amount of expenses sustained corresponds to about 3,5% of the consolidated sales volume of the Group. The expenses sustained by El.En. S.p.A. are equal to about 3% of its sales volume.
- For the research and development activities in the medical field, below we have listed the main directions of development followed by the Group.
- In the dermatology sector:
- We have continued research and development for photo-rejuvenation of the skin based on the direct interaction of the radiation of collagen present in the tissue, which has demonstrated great effectiveness in the stimulation of the neocollagenogenesis of the elastic fibers and is able to significantly improve the appearance of the skin, based on a laser source with red emission ("Red Touch" system);
 - We continued the activity of research and development of the Luxea platform and improved the performance of the Viridis handle, which will make it possible to reach the highest standards on the market based on pulsating light and the "Flash" handle, laser emissions in green at laser 532 nm, for vascular applications;
 - Development of the Q-switched laser systems (Chrome Lase Station) and for the treatment of skin and dermatological lesions in general, based on the use of a new laser resonator to obtain more uniform quality of the beam;
 - Also in the segment dedicated to tattoo removal and the treatment of skin lesions and dermatology in general, we are now conducting an intense activity of research and development aimed at improving the specifications of the product and, in particular the conversion in frequency in order to offer an adequate solution in the red spectral region: this activity is now operative in the new photonic laboratories inaugurated in November of 2021 at the El.En. S.p.A. headquarters;
 - In the segment of hair removal we continued the activity to optimize the high-powered products "Again" and "Elite IQ" and the mid-powered "Motus AZ", which offers a complete range of dermatological treatments made using a series of handles with cooling on contact: Moveo HR dedicated to hair removal, Moveo PL for the treatment of pigmented lesions, Moveo VL for the treatment of vascular lesions and Moveo SR dedicated to the treatment of skin rejuvenation.



In the sector of *body shaping*:

- We continued our research and development on our innovative system “Onda Coolwaves”; and we are now conducting an important activity aimed at further improving its performance and the long-term reliability in the applications for reducing the layer of subcutaneous fat in various areas of the body through the non-invasive treatment of the blemishes caused by cellulitis;
- Development of systems with LED technologies combined with electro-stimulation for the reduction of adipose layers (“PhysiQ”);
- Development of systems for muscular stimulation aimed at reducing the adipose layers based on electric and magnetic excitement (“Schwarzy”);
- Revision of the SmartLipo product (“LIPO AI”), which has been renovated both in the laser part as well as the method of control of the clinical procedure which was improved by the implementation of innovative algorithms of Artificial Intelligence. In the fourth quarter of 2021, FDA clearance was obtained for this system.

In the Gynecology and Urology segment:

- We released a new family of products belonging to the “GLIDE” series: “Monalisa Glide” and “Monalisa Duo Glide”. The new family represents an evolution of the iconic Monnalisa Touch, of which it maintains the exceptional characteristics of the El.En.CO2 technology but with an improvement in the design of the control system which offers better ergonomics, thanks to a new graphic interface and a new larger, adjustable display. Besides the revision of the design, the new family offers a new product, “Monalisa duo Glide” which combines ablative treatment characteristic of the CO₂ with a non-ablative heat treatment created thanks to a wave length of 1540nm produced by a new laser source in the system. We are now in the final phase of development of a new, revolutionary accessory that is able to automate the “Monnalisa Touch” treatment that will make it possible to apply the traditional specific treatment for vaginal laxity and for stress-induced incontinence in a faster and safer way, with results that do not depend on the experience of the operator.

- Research and development on the system for the treatment of stress-induced incontinence, the “Dr Arnold” medical system for the stimulation of the pelvic floor using high intensity magnetic impulses.
- Study, development and design of systems based on the high-powered Holmium and Tullium Fiber Laser technology for the treatment of stones in the urinary tract and benign hyperplasy of the prostate;
- Continuation of the clinical experimentation and certification of the therapeutic effectiveness of the physical therapy equipment in compliance with the MDR requirement.

In the industrial field, the Group is conducting the following activities:

- Raising the maximum power of the RF range of sources, maintaining the high quality and modularity of the beam; developing innovative applications (for example, micro-piercing of panels or special applications in the field of digital converting) made available by this technology;
- Research activities for the management and focalization of the laser beam in high-powered fiber sources;
- Continued improvement in the applicative processes of sheet metal cutting aimed at improving the efficiency, speed, versatility of cutting increased thicknesses through the opportune management of the high-powers now available;
- Creation of innovative systems for 2D and 3D laser cutting and systems for cutting pipes;
- Fine tuning and installation of the first laser system for cutting sheet metal with a laser source with a power of 40 kW;
- Improvement of the performance of the RF sources in terms of modulability and power stability and preparation of applications of laser processing fr denim in order to reduce the use of high-impact polluting substances;
- Multi-disciplinary (electronic, optical, fluid-dynamic) research and experimentation to optimize the potential of laser system for cutting sheet metal;

For further information on Research and Development of the Group, please consult the Annual Financial Report for December 31st 2021 which is available on the web site www.elengroup.com.

- Development of marking systems by using innovative systems for applications like the shaping of the insoles for shoes, and the moving of large slabs of natural stone as well as the continued development in devices for marking textiles and leather;
- Development of three-axis marking systems on mass-produced high-quality mechanical components for the bicycle, auto motive and machine tool sectors;
- Development and fine tuning of scanning systems for CO₂ lasers and fibers for stripping copper wires for making electric motors for the auto motive industry (*hair pin stripping*);
- Development and fine tuning of systems for industrial cleaning like surfaces in the aviation and nautical industries and applications on supporting structures in the coating processes in cooperation with our business unit for the conservation of works of art;
- Development and fine tuning of systems for directly marking foods without using adhesive labels or ink;
- Development of innovative processes for machine cutting, pre-cutting and micro-perforation labels and paper for currency;
- Development of software and algorithms for advanced, high-speed in “coding” in the sector of “security printing”;
- Development of laser applications for the modifications of the functional characteristics of flexible surfaces for the purpose of improving the effectiveness of the subsequent processes;
- Improvement of the performance of the galvanometric components of the scanning systems in terms of dynamics and stability when the environmental conditions have changed;
- Development of the controlling software to increase the dynamic performance of the scanning systems and allow the use of new mirrors made of new materials;
- In the sector of the conservation of works of art they developed systems with increased power which will improve the performance in terms of speed of execution or in terms of effectiveness in removal and which can be used also in lighter industrial applications.



THE TECHNOLOGICAL REVOLUTION OF FIBER IN THE INDUSTRIAL SECTOR

Research and development by Penta

Penta began its operations about thirty years ago with machinery with CO₂ alaser sources and achieved success mainly in the sector of cutting non-metal materials. The turning point came thanks to the technological revolution in the sheet metal cutting sector which gave rise to the **laser sources in fiber** with very short wave lengths; thanks to the efforts of the company's research and development laboratories working on the research and adoption of increasingly high powers (which reached levels that has been previously considered unthinkable CO₂ lasers), in recent years Penta has been extremely successful also on the market for metal cutting by offering solutions at an accessible price that were high-performance both from the point of view of efficiency and production effectiveness, which made it suitable for use both for very high efficiency and high speed productions as well as for manufacturing which required greater thicknesses and which previously had been satisfied only by other technologies.

The Research and Development department of Penta, sustained by the decades-long experience of the El.En. Group with CO₂, laser sources transferred this advanced, cross-cutting know-how to the field of fiber laser technology and applied it to sheet metal cutting in order to develop fast, very high powered machine.

This technological revolution created a spread of laser applications which are increasingly becoming available to everyone and which, besides being effective and technologically advanced, are **particularly appreciated from the point of view of sustainability**. CIn fact, this type of laser use for cutting sheet metal in the industrial sector has many advantages: no polluting substances are added during the process, the vapors produced do not contain chemical additives and the amount of waste that is produced is reduced because of the extreme precision and the use of programmable software; however, the replacement of CO₂ lasers with those in fiber also make it possible to increase the productivity of the machine and in this way reduce emissions of CO₂ in the atmosphere, which helps the client implement a process which is more respectful of the ethical and environmental values which all the industries should follow in order to become more sustainable.

RESEARCH AND DEVELOPMENT IN THE MEDICAL SECTOR

El.En. S.p.A.

During 2021, despite the limitations imposed by the Covid-19 pandemic, we conducted an intense research and development activity according to our strategy of continual innovation aimed at finding new applications for lasers and other sources of energy, in both the medical and the industrial sectors (which includes the applications for the conservation of our cultural heritage) and to release on to the market products that are innovative in their applications, performance of the devices and the technologies used.

During the year the commitment of the research and development team was intensified in their support and sourcing in order to deal with the shortage of components.

As a further demonstration of the increase in the investments in Research and Development of the El.En. Group, in the month of November 2021, the inauguration of the new photonics laboratories dedicated to the development of laser sources for use in the medical division of El.En SpA took place, thus adding an additional 300 sq mt to the space currently available. This new facility, located in Calenzano very near to the Headquarters, includes four new laboratories, two of which are dedicated to optical laser research, a laboratory dedicated to the development of the power electronics of the lasers and a laboratory dedicated to the development of cooling systems.

The new photonics laboratory required additional specialized personnel which included a new researcher with a PhD in photonics and, starting in 2022, a researcher with a scholarship grant in collaboration with the Physics Department of the University of Florence.

Already last year, for the purpose of re-enforcing and making more efficient the clinical process (an integral part of the development of new products, with the relative pre-launching, and opportune physical and clinical debugging and improve the development of the material sustaining the sales, white paper and scientific articles, as well as to capitalize the laboratory experiments, we instituted a division called **Clinical Research and Practise (CRP)**; in 2021 there was an increase of over 40% in scientific publications concerning, above all, dermatology and health of the private parts.

For the research and development projects conducted during the year and for the new products released on the market, please consult the preceding paragraph where the main directions of development are described.



Quanta System S.p.A.

The core business of Quanta System is dedicated almost exclusively to the medical sector and in minimal part to the industrial sector and that for the conservation of works of art. .

During 2021 they continued with the development of new products both in the surgical division and in the dermatological and aesthetic/medical sector and successfully launched some new systems.

In the **surgical sector**, the company released on to the market laser systems based on a new technology, Thulium Fiber laser - Fiber Dust, which completed the range produced by the company for the treatment of stones in the urinary tract and benign hyperplasia of the prostate. At the same time they created custom versions of the same product for some important OEM clients. Currently the company is engaged in the power development of this range of products in order to complete the range of technical specifications that are increasingly driven to satisfy the growing demand for innovative technologies that is registered for this sector. In this segment, they are also continuing with the development of new sources based on non-linear optics, and on the use of Tullium lasers for the treatment of stones on the urinary tract. The challenge to Holmium, a technology which dominated the scene starting in the 1980s, was officially launched and Quanta has been confirmed as the leading company in the El.En. Group for research and technological innovation on the laser market for applications in urology.

In the **settore dermatological sector** during 2021 they launched on the market a system called "Chrome Lase Station", a new laser system for the removal of tattoos and for the treatment of skin and dermatological lesions in general, based on the use of a new laser resonator capable of emitting more uniform kinds of beams, entirely developed by Quanta System.

Moreover, they have completed the development of two new laser platforms with Energy levels that are 30% higher than the current ones for all the main dermatological applications. These platforms will make it possible to create new products which will be released on the market next year.

Quanta System continued their collaboration with the center for Photo-medicine of Massachusetts General Hospital which brought about the development of a new application the field of dermatology: the cure of acne in its active state. This project led to the certification and completion of a laser system which is innovative because of due to its type of source with emissions at a wave length that previously had not been available on the market. During 2021 several centers were set up for treating the first patients. The clinical development also involves several research centers in America and will be intensified in 2022.



4.2 The quality and safety of our products

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

Every day we are committed to supplying quality products to our clients for the purpose of creating a trusting relationship based on quality, reliability and safety and in order to guarantee that the requirements of the product are recognized and appreciated and that every measure is taken to guarantee their conformity to the law.

The 100% of our products are tested three different times: the functional test, the electrical safety test and the final test for the release of the product.

Some of the companies of the Group use the "Manual of the Integrated Management System", which answers requirements of TUSSL n. 81 of 2008, for the description of the objectives and policies of the management system for the quality and the methods with which it is applied. The manual defines the general criteria so that the requirements for safety and product performance are satisfied during their life cycle, like the services provided.

El.En. S.p.A., Dekam M.E.L.A. S.r.l., Quanta System S.p.A., ASA S.r.l. and Asclepion GmbH have adopted a Quality Policy which guarantees the conformity of the activities with the regulations of the national institutions in the countries in which they operate.

The different companies of the Group, depending on the geographical area and the type of business they run, must comply with the following standards and regulations:

- ISO 9001;
- ISO 13485 related to quality control systems for medical devices;
- ISO 14001 related to environmental management;
- ISO 45001 for safety and health in the workplace;
- ISO 50001 for access to an energy source that is clean, reliable and sustainable;
- European directive MDD93/42/EEC (Medical Devices Directive) which will soon be entirely replaced by Regolamento Europeo (UE) 2017/745 MDR (Medical Device Regulation);



49

EMPLOYEES WORKING IN
QUALITY CONTROL



15

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.

- National laws of the member countries of the European Community and the non-European countries like the United States of America (21CFR820/803/806), Japan, China (CCC-Certification for electronic components and Enterprise standard “CNC laser cutting machine”) and Brazil.

Le El.En. S.p.A., Deka Mela S.r.l., Quanta System S.p.A., Asclepion GmbH and ASA S.r.l. have obtained in the last three years the certification MDSAP (Medical Device Single Audit Program). This certification makes it possible for institutions that are recognized and accredited by the regulatory authorities of the five member nations (U.S.A., Canada, Brazil, Japan and Australia) to conduct a single audit at the factory of the manufacturer of medical devices in order to verify if they satisfy the requirements of ISO 13485 and the national variations to which they refer.

During the year, these same companies got organized to obtain the EU certification according to attachment IX of the new European Regulations on Medical Devices, UE 2017/745MDR. This certification

definitively replaces the preceding Directive, 93/42/ECC, which, in any case will remain valid until 2024. A summary of the certifications of the different companies now in existence is shown below.

It should be noted that 73% of the production sites possess the ISO 9001 certification while all of the ones that produce medical devices are in possession of the ISO 13485 certification. Since in China the environmental legislation is not as rigorous as it is with respect to the other countries where El.En. has subsidiaries, the companies in Wenzhou and Shangdong considered it opportune to obtain certifications ISO 14001 and ISO 45001 (18% of the production sites) and the company in Wenzhou also obtained the ISO 50001 certification. The objectives in the next few years will be to extend the certifications to the remaining Chinese companies.

The Group is committed to achieving, through the motivation and the involvement of its people, a continuous improvement in the quality of its products and services; this objective is pursued



Company	Certification
ASA S.r.l.	<ul style="list-style-type: none">• ISO 9001:2015;• ISO 13485:2016;• European directive 93/42/ECC medical devices;• MDSAP 13485:2016 (febbraio 2020).
El.En S.p.A. e Deka M.E.L.A. S.r.l.	<ul style="list-style-type: none">• ISO 9001:2015;• ISO 13485:2016;• European directive 93/42/ECC medical devices;• MDSAP 13485:2016.
Penta Chutian Laser (Wuhan) Co. Ltd	<ul style="list-style-type: none">• ISO 9001:2015;
Penta Laser Technology (Shangdong) Co., Ltd	<ul style="list-style-type: none">• ISO 9001:2015;• ISO 14001;• ISO 45001;
Penta Laser Equipment Wenzhou Co. Ltd	<ul style="list-style-type: none">• ISO 9001:2015;• ISO 14001;• ISO 45001;• ISO 50001;• CCC certification for electronic components;
Quanta System S.p.A.	<ul style="list-style-type: none">• ISO 9001:2015;• ISO 13485:2016;• European directive 93/42/ECC medical devices;• MDSAP 13485:2016.
Asclepion Laser Technologies GmbH	<ul style="list-style-type: none">• ISO 9001:2015;• ISO 13485:2016;• European directive 93/42/ECC medical devices;• MDSAP 13485:2016.
Cutliffe do Brasil	<ul style="list-style-type: none">• ACIB - Centro Empresarial de Blumenau;• ABIMAQ (National Association of Machine Industries);• INDAC (Instituto Nacional para Desenvolvimento de Acrílico - National Institution for Development of Acrylic);• Conselho Regional de Engenharia. e Agronomia de sc
Deka Japan Co. Ltd e With US Co. Ltd	<p>The companies comply with the regulations of the Japanese Ministry of health, labor and welfare. In order to import and sell machinery in Japan, companies must have a selling permit and the type of product imported must be approved in advance. The selling permit must be renewed every five years and the permit for marketing of the machine is renewed for from one to five years depending on the type of risk it represents</p>

also by optimizing the various company processes, according to criteria of efficiency and work methods that are univocal and homogeneous, simple and effective. We also increasingly tend towards a Quality Policy that is oriented towards a risk management

that is an instrument of evaluation and decision, for the purpose of pursuing a continuous improvement through opportune preventive and corrective actions. All of the employees have received training concerning the quality and safety of our products.

Incoming Inspection of El.En. S.p.A.

In 2021 the "Incoming Inspection" department of El.En. S.p.A. was significantly re-enforced by the arrival of an important instrument for measurement and control, an Automatic Optical Measurement machine equipped with a contact feeler. The instrument, which is part of a vast project of Industria 4.0 to which the Parent Company adhered last year, is interconnected to the operative system of the Company and makes it possible to check size, geometric tolerances and dimensions of the parts.

The installation of this new instrument gave a new impetus to the activity of this department, especially for the mechanical components: the activity of Incoming Inspection has increased the kinds of

incoming controls made with greater precision, speed and repeatability of the measuring and supplied the Technical Office with the possibility of greater indirect control of its mechanical suppliers (through specific tests on some of the products supplied) while in the Engineering and Production department the instrument is used to increase the support during the phase of investigation of deficiencies of a mechanical nature, which intervenes during the assembly and testing of the machines.

Using this new measuring machine, all of the controls conducted by the department are 100% complete while in the past 25% of the tests were conducted only partially and 10% were not measurable.



4.3 Regulatory activity

In a competitive environment like that of the medical industry, the competence of experts who work in the sector of Regulatory Affairs is of significant economic importance for the Company, especially if it is pursuing objectives of internationalization in its marketing strategy. The current regulatory activity requires the presence of different kinds of experts, possibly with different kinds of technical, scientific and administrative expertise and able to speak foreign languages because it is necessary to be acquainted with the national regulations, those of other of European countries, and those of some non-European countries.

In the companies of the El.En. Group which operate in the medical sector, the Regulatory Affairs

department documents the conformity with the requirements of the government commissions that are responsible for public health and supervise the safety and effectiveness of products in the industrial sector. The companies that produce medical devices guarantee that their products are in conformity with the current safety regulations.

For this reason it is of great strategic importance to have an office with experts specialized in Regulatory Affairs so that they can keep the products updated with respect to the legal requirements, they can obtain and manage the certifications of the product, can assure the continuous maintenance of the conformity by acting as intermediaries between the requirements of the authorities and the needs

expressed by all of the functional areas of the company, following a documentary procedure and making themselves available for any additional documents or clarifications which might be advanced by the institutions.

While the Research and Development department works to transform an idea into reality, the function of the Regulatory Affairs plays an important role and suggests the strategic regulations appropriate to guarantee that a product can be marketed. Starting in the first meetings, the specialists in Regulatory affairs must explain to the development team in which way the various decisions may influence the

type of certification request to be presented to the authorities as well as the timing.

For the products which will be distributed at an international level, the Regulatory Affairs must also coordinate the various local partners in order to guarantee that the product has a global certification strategy. In order to be effective in this role, they have to understand the International regulations to which the device will be subjected and make sure that the team that is developing the product takes into consideration these factors during the testing and verification of the device.

THE NEW MDR REGULATIONS

El.En. S.p.A., Deka Mela S.r.l., Quanta System S.p.A., Asclepion GmbH and ASA S.r.l. organized this year to obtain the EU certification according to attachment IX of the new European Regulations on medical devices, UE 2017/745MDR. The new Regulations, (UE) 2017/745 (MDR), regulate the release on the market of medical devices in the European Union and definitively replaced directive 93/42 /EEC (MDD), starting on May 26th 2021. The main changes introduced by the new regulations are as follows:

- Expansion of the field of application to include products that are not indicated for medical use (like, for example, laser and pulsating lights for aesthetic applications like hair removal, photo-rejuvenation and tattoo removal). These devices, moreover, must satisfy additional requirements (common specifications) which will be published in the next few months;
- More rigorous requirements for clinical evaluation requiring clinical evidence coming exclusively from the device itself and from other equivalent devices from the same manufacturer;
- Additional requirements on the after-sale Supervision, requiring the issuing of a periodic report (PSUR; Periodic Safety Update Report) from the manufacturers for each device of Class IIb and IIa⁹;
- the manufacturer must appoint a person responsible for regulatory conformity (PRRC), who is ultimately responsible for all the aspects related to conformity of the products released on the market to the requirements of the regulations;
- additional requirements for the Technical Documentation of the medical products must be produced and maintained by the manufacturers;
- New obligations and responsibilities for the economic operators involved in the supply chain: manufacturers, importers, distributors, agents;
- New obligatory requirements for the univocal identification of the devices (UDI);
- New unique European database EUDAMED for the registration of the devices and of the economic operators;
- New classification rules.

Consequently, starting on May 26th 2021 each new medical device can be released in the European Union only if it is in conformity to the regulations of the new MDR. It should be noted that the existing medical devices having a CE certification that is valid according to the 93/42/EEC directive, can continue to be sold until May 26th 2024 on the condition that neither their design nor their indications for use are significantly modified.

The MDR regulations will inevitably cause an increase in the time-to-market and the costs of the new certifications. On the other hand, it may represent an opportunity because only the best organized companies that are equipped with adequate resources in the regulatory field will be able to maintain the new regulatory environment.

El.En. S.p.A., Deka M.E.L.A. S.r.l. and Quanta System S.p.A. have already obtained the EUMDR 2017/745 certification according to the new regulations on the medical devices respectively in August, September and December 2021.

⁹ 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.

THE ENVIRONMENTAL CERTIFICATIONS OF PENTA LASER WENZHOU

Two years ago the Chinese subsidiary Wenzhou Penta Laser obtained the ISO 14001 certification for the implementation of an environmental management system with the objective of demonstrating that they had initiated a series of policies and procedures intended to protect the environment from the possible negative impact of their production, by defining and certifying their processes.

Last year the company had obtained two other very important certificates: ISO 45001, the International standard for health and safety in the workplace, in order to have a defined structure with certified measures on health and safety, to protect the workers and visitors by attenuating or eliminating all the factors that were harmful or represented a danger; and ISO 50001, the international standard that contributes to guaranteeing access to an energy that is clean, reliable and sustainable, by proposing corrective actions and strategies necessary to reach or even improve the energy efficiency: by obtaining this certification they will be able to create a more adequate management of the energy used in the company processes and promote a more rational use without any waste.

This year also the Chinese subsidiary Penta Laser Technology Shangdong obtained two certifications: ISO 14001 for the implementation of an environmental management system per and ISO 45001 for health and safety on the workplace. The efforts expended by the company to obtain these certifications were awarded by obtaining recognition as a company "committed to converting from the old energy to the new" granted by the Chinese government and to obtain the certificate of "standardization of the safety production" from the Ministry for the management of emergencies of the People's Republic of China, representing a production unit concentrated on the development of sustainable production processes, as occurred with the subsidiary Penta Laser Wenzhou in 2020, when they were awarded the title of "Green Factory" by the Chinese Ministry of Industry and technological information.



4.4 The supply chain

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

The specifications of the components of our systems are established by our technical offices and, on the basis of our rigorous requirements, the components may be produced internally, manufactures according to our specifications by qualified suppliers or bought from catalogs. The simplest phases of assembly and work on the components may be conducted either in our factory or it may be outsourced. Purchases of supplies are mainly related to components and accessories for manufacturing (technical accessories, critical components, industrial accessories, etc). The other categories of purchases may include office supplies, software, and computer supplies and packaging for shipments. As far as services are concerned, the companies of the Group use outside suppliers for computer assistance, technical maintenance, scientific laboratory services and certifying institutions, companies for the disposal of special waste, for publicity and marketing, financial services and shipping agents. We frequently also use services that are inherent to research and development by hiring highly qualified professionals.

During 2021 at a consolidated level the amount of spent for purchases was **358 million euros** while the amount spent for outsourcing was **22,4 million euros**. The El.En. Group believes that a close cooperation with the supply chain is essential in order to maintain a high standard of quality in the finished product and, in general, in the entire production process. The final objective is that of establishing a long-lasting relationship that is characterized by transparency and cooperation. The suppliers must meet the minimum requirements for safety, quality and financial stability in order to minimize the risk of potential interruptions in the supply and unexpected costs. We continually conduct preventive analysis and evaluations in order to understand the market trends and monitor the

evolution of the present suppliers and the potential ones, their technical updating and the regulations for the sector even in relation to the marketing of the products they sell to us.

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

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

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

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

In the case that the goods supplied are components made by others according to our specifications, that

is, suppliers who are part of the production process because they assemble and test our systems or the machining on some of the sub-assemblies, they receive training from our qualified internal personnel. The training sessions are conducted each time a new supplier must be qualified, in the case of a new product or substantial modifications to an existing product or in the case of errors discovered during an audit conducted at their factory. All of the training sessions conducted are registered in a specific register.

For products or services of a particular kind like, for example, the services performed by a testing laboratory, the qualification and approval procedure is mostly based on the analysis of the certifications possessed by the supplier, because the authority of the certifications and the institutions that issued them represent a guarantee of reliability. We may also conduct audits at the suppliers' offices: at the completion of the analysis, on the basis of the outcome of all the tests that have been run, we either accept the supplier or exclude him if his qualities are judged to be insufficient.

Once the supplier has been judged to be adequate, in any case, periodic verifications are planned in order to assure that the high standards of quality required are maintained; these evaluations take into consideration aspects such as flexibility of the supplier, his ability to adapt to the needs of the organization, the speed of his response and the management of unforeseen events, punctuality in deliveries, as well as the evaluation of the quality of the goods delivered. Moreover, we also annually conduct unannounced inspections at the suppliers' by internal auditors who are trained to detect, either routinely or because of anomalous situations of non-conformity, a decline in the quality of the product or the service.

Even though we do not conduct audits at our sub-suppliers, in the contracts stipulated with our suppliers of critical components, that is, components that have an impact on the quality and/or the safety of the product, we require that the purchase of the components supplied to us take place only from

our direct suppliers or from suppliers that we have selected (and consequently, qualified).

Since last year, El.En. S.p.A. and Deka Mela S.r.l., in the procedure for the qualification and approval of the suppliers of critical components have also inserted an evaluation of some aspects related to sustainability issues (management of human resources and the health and safety system, management of the environmental system and corporate management), so that these factors also contribute to the evaluation of the supplier.

Since it is evident that the monitoring of these issues must be conducted on the entire supply chain, starting in the month of December 2021, the Parent Company El.En. S.p.A. initiated a collaboration with an external company to conduct the evaluation of the ESG performance of its production line: through the management of an instrument, the suppliers are asked to complete a questionnaire and the program elaborates the information it contains and assigns a score to each supplier on the basis of their social commitment, their efforts to protect the environment and the correct management of their company in respect to a series of indicators recognized by the GRI accounting standards. This instrument, which will be used starting in 2022, will make it possible to conduct a preliminary evaluation on terms of sustainability of the supply chain and to facilitate the identification of the strong points and those which need to be improved.

In 2021 the three Chinese subsidiaries, Quanta System S.p.A. and Asa S.r.l. inserted into their "New supplier check list" the questions related to sustainability issues (Management of Human Resources and Health and Safety System, Management of the Environmental System and Corporate Governance) which had been identified by the Parent Company last year. These companies implemented the activity only at the end of the financial year and for this reason and the fact that some of the subsidiaries will implement the monitoring of their supply chain in the next few years, the new suppliers evaluated also in terms of sustainability were only 1%¹⁰ of the total new suppliers.

¹⁰ El.En. considers suppliers of critical components those that supply components and/or assemblies which have an impact on the safety of the patient and/or operator and which present a high degree of risk or those that offer services that are related to the quality of the product which have an impact on the safety of the operator and/or the patient.



INDUSTRIA 4.0

El.En. S.p.A.

Already in 2020 the Parent Company El.En. S.p.A. had re-organized the production of the medical sector and built a new factory for the production lines of the industrial sector. The objective in both cases was that of re-organizing and optimizing the spaces, making them more comfortable and functional in order to improve the efficiency of the activities by introducing “smart” technologies into the production processes.

In 2021 the innovative development conducted in light of “Industria 4.0” continued with the implementation of the MES (Manufacturing Execution System), an integrated digitalizing process of the advancement of production which makes it possible to optimize the processes starting with the receipt of the order and ending with the creation of the finished product.

This system makes it possible to control and monitor the advancement of the production at any time so that the state of production is available and consultable in real time. The MES makes it easy to identify possible slowdowns or interruptions in the production and consequently facilitates an immediate reaction.

This instrument also facilitates the collection of data and their analysis by offering the possibility of identifying aspects that could be improved upon, like the reduction of activity with no added value. Moreover, by supplying detailed information on the processing times, it facilitates the identification of the objectives which must be reached in order to guide the operations and processes of the factory with the greatest efficiency.

We want this transformation to be a tangible reality at El.En. and that it will continue in the next years in all of the factories of the Group so that we will be dealing with a double reality: the management of the physical resources and the virtual ones, considered as a single system of the company production.



New operative systems for the Chinese subsidiaries

In 2021 the Chinese subsidiaries also made investments to innovate and to increase the efficiency of their factories.

At Penta Laser Wenzhou they installed a system for managing the life cycle of the product (PLM - Product Lifecycle Management) for the purpose of optimizing the development of the products by sustaining the management of the research and development process in order to standardize the management of the documents and technical designs. This software makes it possible to improve the management of the research and development projects by increasing the efficiency of the entire process. In 2021 they completed the training of all of the operators, implemented the projects and inserted the documents into the system.

Penta Laser Wenzhou was equipped with a MES (Manufacturing Execution System), a system for managing production information which makes it possible to control and monitor the state of advancement. The objective was that of efficiently organizing the work of the staff, the production schedule and the quality control, thus improving the efficiency and, at the same time, reducing production costs. The training of the personnel has been completed and the MES became operative at the end of the year.

The three Chinese subsidiaries also implemented a new ERP in order to have a management platform that would improve the internal processes of the company and communications between the various departments and the sharing of information among the three companies.

4.5 Our clients

The innovative capacity of the El.En. Group is based on continuous experimentation which, thanks to the development of vanguard systems and technologies, makes it possible to offer the clients a vast range of high-quality products which represent the top of the line for innovation and performance. The Group is also distinguished by its rapid and scrupulous after-sales service which uses monitoring and response systems that are increasingly evolved.

Moreover, one of the distinctive elements of the El.En. Group is that of having a dense, structured network dedicated to the marketing and after-sales services in order to respond completely to the clients in specific channels and geographical areas. All of this makes it possible to maintain the maximum attention to customer care with a solid and reliable which is also flexible and able to respond rapidly.

The discontinuity caused by the Covid-19 pandemic is accelerating the process of digital transformation of all of the organizations, which are now forced to revise models and reconsider the strategies for managing their resources and some sectors like Customer Service, Marketing and Sales must now take a step forward because the requirements of the clients are increasingly oriented towards a service that is integrated and intelligent.

The operating policy pursued by the El.En. Group has remained that of maintaining close contact with their clients, being available in the ways and at the times that are convenient, by telephone instead of by innovative instruments like the Virtual Booth, by organizing numerous Webinar and making extensive use of live chat. Among the various kind of impact generated by the pandemic on the company models of the Group, there is certainly a strong urge to increasingly count on direct channels of communication which are more suited to building human, personal relations with each client, even at a great distance. During 2021, symposiums started being held again both in Italy and abroad, although not with the frequency they used to be.

The Group is committed to staying in close contact with its clients and its partners, for example by modifying the conduction of the training sessions.

Usually clients and distributors from all over the world participated in these meetings so that they could assist in the different procedures in which doctors or experts in the sector were using these products; the necessity for "social distancing" however, transformed these areas from real classrooms to virtual classrooms using webinar platforms with the interactive collaboration of all of the participants.

The training offered by the Group analyzes, interprets and describes the development of their products using digital supports that are extremely practical and making use of highly professional educational equipment produced directly by experts and researchers, and which is completed by the application of tablets for some of the companies or by access to sections of the "Club" internet site dedicated only to clients and filled with information. The aim is to offer important instruments and exclusive contents of communication, work, and promotion like presentations, manuals, waiting room materials, etc. which tools and services with a high added value for users all over the world.

For the purpose of transparency and attention to the client, and to guarantee the consistency and correctness of all the information supplied, all of the material for the promotion of the products (brochures, flyers, catalogs, web sites, ads in specialized magazines, videos, etc...), since they highlight aspects related to the performance of our systems, are subject to an approval procedure before they can be disseminated.

There is also a specific procedure which states that all new commercial documents must be initiated by the sales management, that the material prepared departs from the information produced in collaboration with the Clinical Research and Practice function and that the technical data, the specifications of the systems, and the data related to clinical applications be consistent with the technical dossier of the product. In order to be able to officially issue the advertising documentation it is necessary to receive the formal approval from the Product Manager for the verification of the consistency of the clinical results and the instructions for use or approved applications, the approval from the

Quality control in relation to the EU brand and/or other questions concerning regulatory and approval from the pertinent sales management for all the other aspects.

We have confirmed our presence on the market by offering our clients an opportunity for professional growth because we are aware of the fact that the

future will always be based on the improvement of knowledge and expertise. Our systems, in fact, are created to promote the wellbeing of the patient but also to allow for the evolution of the activity of the professional who can always count on high performing, safe devices and on training which will allow him to exploit all of the 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.

ASA chooses the webinar

2021 was characterized by a slow but gradual recovery of the presence of people in the activities despite the fact that 80% of the training and dissemination of information was conducted remotely. In order to respond effectively to the needs of their stakeholders, ASA therefore implemented a significant amount of remote training and was able to satisfy the growing requests for support from partners and collaborators and, at the same time, to transmit the best expertise for a correct and efficient use of their devices to current and prospective clients.

By means of a dense webinar schedule, lessons on the use of the devices, round-table discussions, demo live and on-demand but also classes, the Asa therapies continued to be spread all over the world and allowed the company to remain in direct contact with its public.

Following a training schedule that had begun with success in 2020, more than 190 activities related to humans and 120 activities in the veterinary field, involving over 10.000 users, were organized.

The "web&live" format was particularly popular and by mixing in-depth lessons entrusted to trainers from the company and practical experiences of local clients, was able to generate a growing interest in the participants and also favor the interaction and Exchange of information. By applying digitalization and through a significant revision of its operative parameters in the field of training, ASA was able to pursue its strategy of internationalization and continue towards new objectives.

Le fiere virtuali di LASIT

The subsidiary LASIT produces laser markers for industrial applications with a focus on personalization and the requirements of the client to whom they offer innovative equipment. In the past the company was able to give live tours of their laboratories, manufacturing and Research and Development areas so that the clients could appreciate the atmosphere of innovation and study of the personalization, and the professional quality and enthusiasm they had for their work. The pandemic put a stop to the possibility of sharing all of this in person but by taking advantage of the technological possibilities, the idea of holding an **Online Trade Fair** was born. In this virtual space Lasit was able to create an environment which copied the experience of a live trade fair, and in this way keep in touch with people so that they could continue to communicate with their clients and partners and transmit a feeling of trust, warmth and welcoming. The company allocated an entire area of their buildings to the stands in the fair; everything was planned in minute detail, from the panels to the perspective and positioning of the furnishings. Through a television camera the operators follow the sellers while they explain the project and the laser markers that are displayed and they can watch the laser marker being used live both for standard jobs and on their own samples.

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 YouTube channel of the company.



The Group guarantees their focus on the improvement of customer satisfaction also through Customer Satisfaction research and by monitoring certain company indicators through deficiency analysis.

Customer satisfaction improves at the same rate as the drive toward innovation and sustainability and is determined by a number of factors: from the characteristics of the product to the evaluation of the service that has been received and the relationship with the company in terms of quality given and perceived.

The reporting of the customer experience takes place through feedback obtained during the dialogs with the clients during which we collect opinions, comments, expressions of interest in a product or a service or else through interaction with the service operators and with the internal and external sales representatives.

For more specific types of reporting we supply the customer with various channels of communication with which to send their feedback: the CSS (Customer Satisfaction Survey), which is a survey which is conducted periodically and is related to industrial and medical products as part of a Customer Focused initiative, the process related to Complaint Management, the analysis of service post-market reliability reports and other methods of analysis which may include market research and trend analysis.

Every form of inter-action with the client offers the opportunity to create value because only by identifying the current and future needs of the clients can we intercept opportunities for growth and completely understand to what extent our products meet the expectations of the market.

Another instrument for measuring customer satisfaction is the analysis of post-market reliability, the purpose of which is to identify trends in defectiveness and immediately propose suitable solutions to solve them. This type of verification makes it possible to identify potential defects in a reasonable period of time since the individual complaints, accidents or adverse events are managed rapidly in each case.

The El.En Group is strongly committed to a continual

process of improvement of the processes in the aftersales phase: the role of service becomes increasingly important and is crucial in the relationship of trust between the company and its clients.

The distribution network of the El.En. Group was created

to meet the requirements of the clients for technical assistance directly in the countries where the endusers are located and for this reason the majority of the distributors have a team of trained technicians that are supported by the service departments of the central headquarters, who maintain the supervision by sustaining all of the service interventions. In

order to be able to improve the supervision of the technical training for the distributors and let them be up-dated on the innovations, some of the companies of the Group, especially last year, have equipped themselves with special rooms for training which have been fitted for this purpose. Besides the filming equipment, the rooms are installed with specific lighting fixtures which make it possible to eliminate all areas of shadow and guarantee the maximum visibility and lighting of even the smallest components.

Starting in 2020, the Parent Company El.En. developed a new service portal which is used for the management and supervision of technical intervention, to support the delivery of spare parts and the requests for repairs, and for controlling the instruments of the distributors. This tool, which assures an improvement in the technical assistance service because it creates cooperation with the distributors is connected to the management system of the company and this connection allows the after-sales traceability of medical devices, a better understanding of the problems in the field downloading of technical manuals, interaction of information related to the systems and codes of the spare parts and monitoring in real time of the status of the service report, so that it is possible to monitor in real time the after-sale reliability on an aggregated or diffused basis for the product. The web portal enables the management of the service also from a mobile device and further developments are planned in order to make the process paperless.



OUR BUSINESS



The laser as a sustainable
instrument

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.

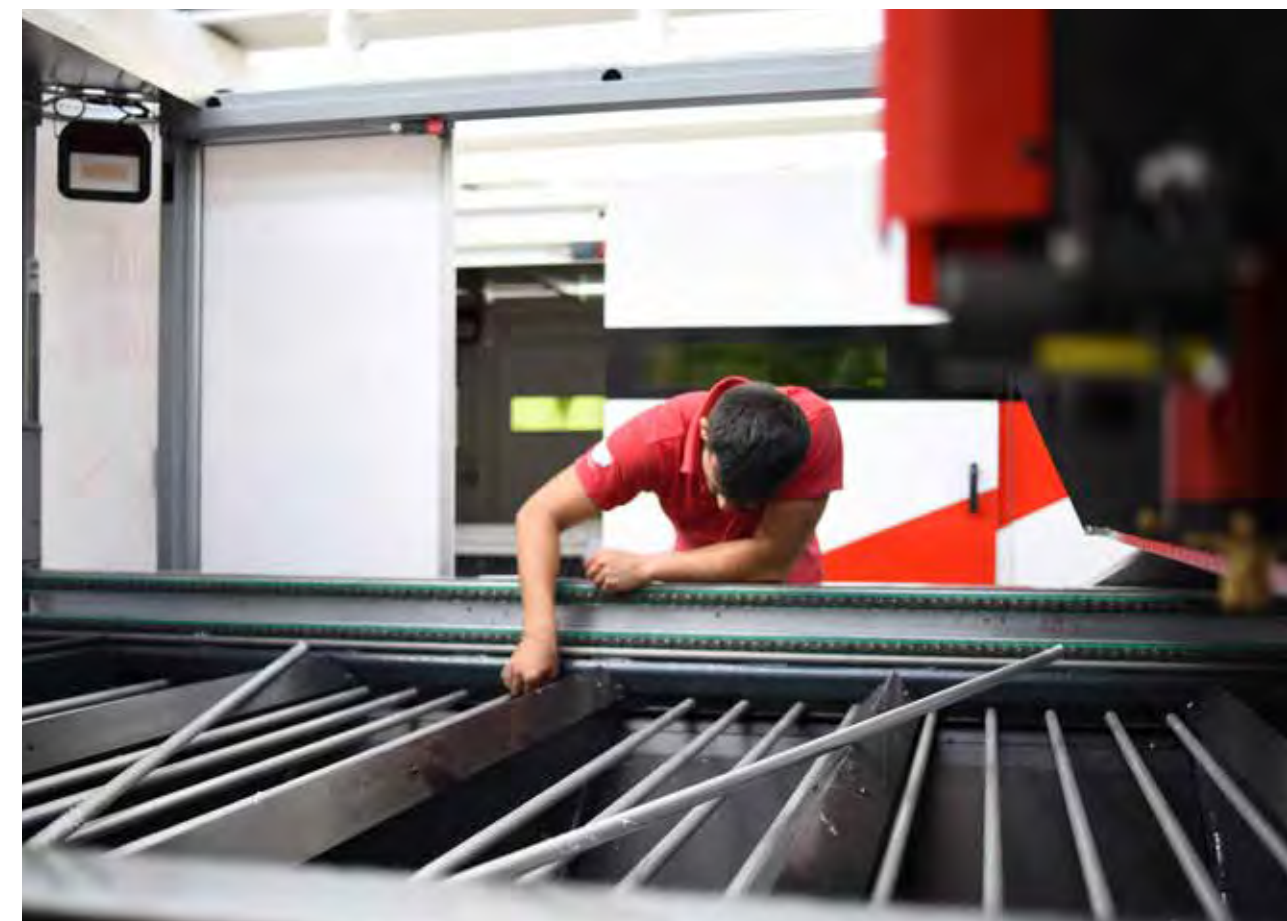
With our laser systems for the medical and aesthetic field we have placed at the disposal of the market instruments and solutions which improve the welfare of people and the quality of life of patients by reducing health issues of both a physical and aesthetic nature, and the those of a psychological 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 request 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 used 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, i.e., belonging to a group. They contain a message, a memory, but for many people they are part of a past that they wish to cancel: thanks to laser technology, the particles that contain the ink used for the tattoo are shattered and removed through the lymphatic system during the weeks following the treatment leaving the tissues unaltered. It should be noted that in the eastern hemisphere the technology that is used in the West to remove tattoos is considered an anti-aging treatment because it is effectively used to remove the pigmented lesions that characterize the skin of the elderly in oriental countries.



5.2 Uses and benefits of 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 at 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 The conservation of the World's artistic heritage

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

One of the flagship products made by the El.En. Group is represented by the small segment of restoration;

over the years the sensitivity of the Group towards the conservation of works of art has continued to grow and has inspired research aimed at making the most advanced conservation technologies available for the restoration of artistic masterpieces all over the world. The Group has continued to experiment with new technologies that can offer conservation processes that are increasingly effective and respectful of the works of art. Lasers offer a solution which is effective, reliable and safe for the conservation of art works which every year are added to the restoration work conducted in Italy and the rest of the world. Laser technology makes it possible to remove layers of deterioration which have formed over the centuries with a non-invasive procedure which is highly selective and controllable and reveals and respects the patina so that the public can once again admire the works of art as they once were. This technology is particularly useful also to avoid the application of chemical substances which will have to be disposed of, often with special and costly procedures.

The laser solution provides the restorer with a highly technological tool which allows him to operate in complete safety with significant advantages with respect to the mechanical and chemical methods commonly used, first of all for the minimal invasiveness thanks to the absence of physical contact with the surface on which they are working, which makes it possible to intervene even on extremely fragile or very altered surfaces; a high level of control allows the operator to define the degree of cleaning that is to be reached (a high degree of selectivity because the layers to be removed are very dark and therefore absorb a high percentage of laser light) and great precision because the operator can define a precise area on which to intervene without minimally affecting the surrounding area.

Lasers have been used with great success on numerous monuments and works of art in Italy and the rest of Europe; among the most important where El.En. lasers have been used are: the cathedrals of Milan and of Florence, the cleaning of the Porta del Paradiso and the Porta Nord by Ghiberti 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 the Holy Sepulcher in Jerusalem, the cloister of the cathedral of Oviedo, the leaning tower and cathedral of Pisa.

The most significant conservation work conducted in 2021 using our lasers included:

- The Lorenzini Head, Archeological Museum, Florence
- The cenotaph of Dante in the Basilica of Santa Croce, Florence
- The statue of St Mark by Donatello at the Church of Orsanmichele, Florence
- The polychrome maiolica sculptures by Della Robbia in the Church of San Miniato al Monte, Florence
- Colosseum, Rome
- Temple of Vesta, arches of Constantine and Settimio Severo, Archeological Park of the Colosseum, Rome
- Subterranean Basilica of Basilica Porta Maggiore, Roma
- Jewish catacombs, Villa Torlonia, Roma
- Mural paintings at the House of the Ceii, Pompei
- Monocrom painting by Leonardo da Vinci in the Sala delle Asse, Milan
- Cathedral of Notre Dame, Paris
- Cathedral of Naumburg, Germany
- Library Lello of Porto, Portugal
- Carolingian frescoes from the Monastery of San Giovanni in Val Mustair

5.4 Our support to the community

The Group wishes to confirm its position not only as a valid point of reference for its own shareholders and stakeholders, but also as a pillar of the community.

At El.En. every day we are committed to making our work have a positive impact on the health of people. Our social strategy is that of making available our skills, knowledge and instruments with an aim to improving the access to treatment and health care for fragile and disadvantaged people all over the world. At the same time we are working to improve scientific knowledge. In other words, we are working for science and for a healthier world.

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

Bambin Gesù and the Gemelli Hospital in Rome and also hospitals in Latin America.

Donations of our lasers have also been made to the Vatican for the restoration of marble sculptures, busts, statues and fountains as well as paintings, and to some foreign museums like the Metropolitan in New York and the Getty Museum in Los Angeles. In 2021 the El.En. Group donated two lasers, a medical system for surgical applications and a system for the conservation of works of art. In 2021, the overall value of the donations made by the Group amounted to 281 thousand Euros.

A LASER FOR ZIMBABWE

In 2021 the El.En. Group donated to the Florentine Onlus Manzo-Prod-Action-Aid a laser for important surgical, dermatological and physical therapy applications. This equipment which was produced and donated by the subsidiary Quanta System SpA was installed at the Pediatric Outpatients Clinics in St. Albert's, MaryMount, St. Rupert's and Chitsungu Mission Hospitals, in Zimbabwe. This Onlus is trying to help the younger generations in these countries which, for geographical and climatic reasons are most disadvantaged, by establishing projects for the health and education of children. The creation of four pediatric clinics in Zimbabwe was one of these projects and the donation of the laser was part of this initiative. The laser will be useful both for dental applications and for the treatment of pathologies that afflict children in particular because of malnutrition but represent a valid instrument also for dermatological surgery and for physical therapy.

A LASER FOR THE ARCHEOLOGICAL MUSEUM

The El.En. Group intervened in the restoration of the "Lorenzini Head", a masterpiece of Etruscan sculpture in marble, which was once part of a temple in Volterra. This magnificent work dated to about 480 B.C., was acquired by the Ministry of Culture in 2019 for the National Archeological Museum in Florence and was recently cleaned using EOS 1000 LQS laser equipment made available by El.En.. When the cleaning was completed the laser system was donated to the Archeological Museum in Florence. Lasers for conservation and restoration make it possible to treat and eliminate lime and other types of incrustations without harming the original surface and the donation to the Museum will make it possible to treat works made of marble, alabaster and stone that are in the Museum, like the Etruscan urns with mythological scenes and the funerary urns with bas-relief sculptures on the front and covers. By having this laser equipment available, the difficulties of the traditional cleaning techniques using mechanical means or solvents will be reduced to a minimum for the Museum which will optimize the results obtained; with an instrument like this available, the educational programs for students who wish to undertake professional training in the field of cultural heritage at the Museum will significantly improve.

A LASER TO TREAT ACNE

The remedy for the control of acne is called ACCURE, (a combination of the two English words, acne and cure). It is a highly engineered laser system that is able to emit a precise and selective wave length which can explode and destroy the sebaceous glands that are the cause of acne without causing any skin damage. It is a highly technological laser device which was designed and developed by the subsidiary Quanta System, on the basis of the intuitions of the inventor of photo-medicine, Dr. Richard Rox Anderson (Professor at Harvard and Director of the Laboratory for Photo-medicine at Massachusetts General Hospital in Boston). His project, which began over twenty years ago became a reality thanks to the work of a team of engineers and technicians from Quanta System and El.En., who dedicated years of research to the transformation of an experimental model into a high-performance laser. Acne is an inflammation process of the hair follicle and the sebaceous glands connected to the follicle which forms on the face, shoulders, back and chest; it is particularly common in teenagers between the ages of 14 and 18 and every year affects millions of adolescents all over the world. However, the most serious psychological effects of acne are not related to the clinical gravity of the condition but to the fact that it affects the moods of adolescents and causes sadness, anger, anxiety and difficulties in relating to the other sex and even social self-marginalization. Acne could be one of the main causes for depression in adolescents on the basis of a study conducted by the University of Calgary (Canada), according to which, a year after the medical diagnosis of acne, the risk of depression increased by 63% with respect to the control group (people with no acne). About 20% of the individuals with acne manifested changes in mood and, in general, the researchers found that in the five years subsequent to the appearance of chronic pimples, the risk of depression tended to increase significantly. We are glad that we were able to release on to the market a solution that can improve the welfare of people and the quality of life of the patients and reduce not only the clinical issues but also the psychological ones that are related to them.

A LASER FOR POST-OPERATIVE COMPLICATIONS

From the cooperation between Quanta System S.p.A. and a group of Spanish doctors an innovative solution to a rare complication was born. The complication involved the growth of hair on the transplanted skin inside the esophagus of a man who had been operated for a tumor. The collaboration between the University hospital of Basurto, the Clinica Dermitek of Bilbao and Quanta System made it possible to significantly improve the quality of life of the patient which had been severely compromised.

The man, who had been operated for a carcinoma on the pharynx and undergone an auto-graft for the reconstruction of the tube that connects this cavity to the esophagus, had a rare complication which was the dense growth of hair on the grafted skin which prevented him from swallowing and eating. The joint efforts of a research group composed of Quanta System and El.En. placed at the disposal of a Spanish team of dermatologists and gastroenterologists an innovative laser system, as well as their expertise in the fields of optics and bio-medicine, which made it possible to perform a pioneering surgical operation. In fact, for the first time in the world for surgery they used a laser which is normally employed in aesthetic medicine for hair removal, the Alexandrite Duetto MT Serie Evo laser, opportunely modified so that it could be inserted and operate inside the esophagus. The results so far have been very encouraging and above expectations in terms of effectiveness and safety; the hair has decreased significantly and the patient has greatly improved.

The innovative system uses an extra-fine fiber with a diameter of just a millimeter, ten times thinner than the standard fiber and an emission of the impulse from the side rather than the front. We also used a very selective wave length, that of the Alexandrite 755nm, which has a significant affinity with melanine. The positive results obtained may open new doors for research in this field and be helpful in similar situations.

This initiative once again demonstrates the commitment of Quanta System and of all of the El.En. Group in the creation of a positive impact on the lives of people, in line with the main values present in all of the companies of the Group which have always been to work for the improvement of the quality of life of people and increase scientific knowledge.



ASA LASER – ENERGY FOR HEALTH AND THE VALUE OF SHARING

The evolution of the bio-medical technologies of the subsidiary ASA is based on continual experimentation: an activity that is free, open and ethical in which the rigor of science is combined with the necessity of production and constantly contributes to the improvement of the devices and the growth of the therapeutic results. This is all achieved through a policy of sharing.

The commitment of the company to spread scientific knowledge and the cultural promotion of laser therapy and magneto-therapy is summarized in "Energy for Health", a magazine published by ASAcampus (Joint Laboratory between the Research Division of ASA and the Department of Experimental and Clinical Biomedical Sciences of the University of Florence) which presents the results of basic research and clinical studies conducted in Italy and abroad by researchers, doctors and specialists of international standing. In the over ten years that it has been published "Energy for Health", has been distributed all over the world, has been given free of cost to participants in the company symposiums and courses and can also be requested on-line. It has succeeded in becoming a platform for open discussions and a natural point for meeting and exchanging experiences and knowledge.

The numerous scientific studies that have been published using ASA technologies (195 at the end of 2021) can be consulted by the public in the section called "ASA Research Library" on the company's site: a legacy of knowledge, available to everyone.

DEKA MAB – Creation of a Medical Advisory Board for women's health

The subsidiary DEKA Mela S.r.l. has instituted its own Medical Advisory Board (MAB) for women's health starting last year; the members of the Board are all internationally known professionals and experts recognized in their fields and highly influential in the clinical and scientific sectors; one of the objectives of this commission is to contribute to the definition of a global development plan for new clinical procedures and guidelines, in order to perfect the techniques and methods for women's health. The members of the board permanently maintain the independence of their work and Deka never interferes with their clinical or academic activities.

The creation of the MAB represents an important step for Deka and for all of the El.En. Group, for the international scientific community and for women who suffer from certain gynecological conditions. We believe that in this way we can supply precious information on the current needs for the health and well being of women and increase the already numerous clinical studies and scientific publications made with the Monalisa Touch CO₂, and in this way increase, through further research the knowledge and experience with this important system.

A NEW LOGO FOR EL.EN. S.P.A.

As part of their policy of commitment to sustaining social and educational initiatives in their area, the Parent Company El.En. awarded the most creative students in the Fashion System Design master degree of the University of Florence that contributed to the creation of a new company logo.

The logo that was selected was a mix between the ones that were classified in first place and third place. The university and the teachers expressed their satisfaction for the result and commented that the relations between the companies and the University should be promoted and re-enforced because they can stimulate mutual growth. All of the students that participated in the contest in fact were able to apply the things they had learned in the classroom to an actual company, a leader in its field which from now on will have its own logo and its own payoff developed in collaboration with the University of Florence.



BIG ACADEMY

Big Academy is an advanced training program created for managers in the sectors of energy, mechanics, optics, electronics and computers operating both in small and medium sized manufacturing companies as well as in the large industrial complexes. The objective of the Academy is to transfer to the managers and directors of tomorrow the ability to read and interpret the economic global context which is constantly changing. This training program is the result of collaboration between university professors who teach social sciences, economics and managerial engineering and some top managers in industry who, in order to alternate the more theoretical and scientific parts with actual experience and gain a clear idea of how one operates in a great international company. El.En. S.p.A. is one of five companies that participated in 2020, together with the University of Florence, to create and define this training program. This partnership which connects the companies, the University and the public administration is the main feature of the initiative and represents its unique and innovative character dedicated to the local territory but with an International focus and with an important outlook for growth over time and it is a further demonstration of how our Group is always committed to sustaining cultural, social and educational initiatives in the local area.

Moreover, the Group has always been committed to sustaining cultural, social and educational initiatives for the local community with an aim to reinforcing their relationship with the territory in which they operate and with the people who are involved directly or indirectly with the activities of the Group. The underlying idea is to promote a reciprocal and positive exchange between the Group and the local community which is beneficial to both the parties involved in the projects and the activities which have been developed.

The Group is presently involved in the promotion of the following activities:

- **Curricular and extra-curricular university internships;**
- Projects for alternating school-work which involves students of the local schools and allows them to learn from inside a working situation by combining theoretical aspects with practical ones; in fact, it is important to reach young people already starting with the secondary schools in order to help them get oriented and become part of the work force;
- participation in career day events, and events dedicated to reciprocal exchanges between the companies and the neo-graduates looking for their first job. In the conservation field every year the Group conducts numerous training courses on laser technology and on its safety procedures

for specialized restorers and other specialists in the sector. During 2020 two new training programs were started:

- the first project involved erbium laser applications with the Centre de Recherche et de Restauration des Musées de France (C2RMF) at the Louvre.
- the second program had the objective of verifying the real effectiveness and durability of cleaning treatments with lasers and cold plasma.

El.En. also co-financed a project assigning research grants as part of a cultural and creative initiative and awarded two research grants as part of the Plas@rt project of the Region of Tuscany (POR FSE 2014-2020 Asse A - Occupazione - ASSEgni DI RICERCA IN AMBITO CULTURALE) which was called "Innovative techniques for laser and cold plasma ablation for restoration" in partnership with CNR-ICVBC, the Opificio delle Pietre Dure, the Superintendency for Fine Arts and the Landscape for the metropolitan city of Florence and the provinces of Pistoia e Prato. Moreover, the Parent Company El.En. S.p.A. is a member of "Assorestauro", the Italian association for architectural, artistic and urban restoration and sponsored the last twelve editions of the International LACONA (Laser in the Conservation of Artworks) conference and the last six editions of the international conference of APLAR (Applications of lasers in restoration).

LASERS FOR RESTORATION

The activities dedicated to the conservation of our artistic legacy have been implemented since early 2021 for the restoration project involving the so-called "Lorenzini Head" in the Archeological Museum in Florence (for further details, see the preceding paragraph in this chapter). Also, in the city of Florence, one should take note of the contribution to the cenotaph of Dante on the Church of Santa Croce, the statue of St Mark by Donatello at the Church of Orsanmichele restored by the Opificio delle Pietre Dure and the polychrome maiolica sculptures by Della Robbia in the Chapel of the Cardinal of Portugal in the church of Miniato al Monte.

In the field of archeology we conducted important restoration work in the Archeological Park of the Colosseum and worked on both the Colosseum itself and the Temple of Vesta and the arches of Constantine and Settimo Severo. Moreover, we conducted a new restoration in the subterranean Basilica of Porta Maggiore in Rome and, also in the field of archeology made significant contributions to the conservation of the Jewish catacombs under Villa Torlonia in Rome and to the recovery of the mural paintings in the House of the Ceii in Pompeii. Moreover, also in Italy, a few months ago we completed the lengthy conservation project in the Sala delle Asse in Milan where we discovered traces of the monochrome designs by Leonardo da Vinci.

The most significant example of the use of our laser instruments in the restoration of architectural monuments is certainly that of the two pilot workshops set up at the Cathedral of Notre Dame in Paris. Some other examples of important restoration work conducted abroad are those at the Cathedral of Naumburg (Germany) and at Porto (Portugal) in the Libreria Lello.

Last year we also started a new type of restoration work, that on antique cars. The laser technology, besides improving the quality of the restoration, will also reduce the environmental impact by limiting the amount of material which has to be discarded and the quality of chemical substances used.

The "Light For Art" division of El.En. with its lasers is increasingly confirmed as an international point of reference for conservation and conservative cleaning of works of art all over the world. Thanks to a continuous project of study and optimization, in collaboration with national and international institutions, El.En. offers the widest range of laser systems dedicated to this specific application. We are now able to satisfy every necessity which allows restorers to successfully deal with many kinds of conservation problems.

Along with all of these activities, there has been a significant increase in the number of people being trained as professionals in this sector, not only to receive more information on the potential of this technology but, above all, to be in compliance with the new regulations on this subject. For this, the El.En. Group is nationally, the principal private point of reference in the conservation sector.



THE PEOPLE



Passion and talent
to grow together

6. The people

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

For El.En. their people come before everything else because only through the growth in individual expertise and a stimulating environment facilitating the exchange and collaboration that one can obtain the collective growth of the of the Group and the creation of shared value. For this reason every day in the Group we promote growth and re-enforcement of the competence of all of the employees, a significant competitive advantage which is the basis for our ability to innovate and pursue excellence.

In the Ethics Code of the Group, El.En. codified their commitment to protect and respect the dignity, health, safety and privacy of its employees and collaborators. Last year these concepts were expressed even more specifically in the Human Rights Policy approved by the Parent Company and adopted by the subsidiary companies and distributed to all El.En. Group employees.

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

The concern for human resources is an issue of great relevance also in the field of quality management which most of the manufacturing companies of the Group have adopted in conformity to regulation ISO 9001. On the basis of this regulation, in fact, the certified companies have been supervising certain issues like the selection, training, and development

of skilled personnel and the definition of the responsibilities for the various functions. The Parent Company, in particular, has conducted an analysis for the codification of management procedures for human resources (hiring, remuneration, etc.) as well as the profiling of the corporate functions with the identification of the responsibilities and skills that are necessary. On the basis of this, we have planned ad hoc training courses to respond to the training needs of each one.

On December 31st 2021 the Group 1.902 employees as opposed to the 1.626 for last year, and together we form a growing international team that has been called to operate in contexts that are very different on the global scene. Our Group is a multi-cultural team: for every 100 people in the El.En. Group, 44 work in Italy, 47 in China, 8 in Germany and the rest are in Japan, Brazil, Poland and France.

The staff of the Group consist prevalently of young people: 61% of the employees are between 30 and 50 years old, 25% of them are less than 30 years old, and 14% are over 50.

The ability to attract talented people with experience and capability is demonstrated by the growth in the regular staff which 276 new employees with respect to last year, both in the highly professional and qualified team with 91% of the employees having a mid- to high-level of education and 51% having a university degree.

1.902
PEOPLE



25%
UNDER 30

+276
GROWTH IN NUMBER OF
EMPLOYEES IN 2021



As already mentioned in the preceding chapter, the companies of the Group believe that it is fundamental in the process of search and selection of talent the collaboration established with the high schools and universities present in the area in which they operate. Maintaining open these channels is essential for increasing the number of occasions for knowing people and for promoting the development of technical and scientific knowledge in the areas in which the companies operate.

In order to gather anonymous suggestions, opinions and evaluations on the climate of a company and the motivational level pf the people and, in this way have anonymous evaluations which may help to improve the capacity to maintain resources and improve the internal atmosphere, in 2021 the Parent Company El.En. implemented a project for the drafting of a survey which should be applied in 2022, and later used at all of the subsidiaries of the Group. The Chinese companies in Wuhan and Wenzhou have been distributing a survey to all their employees in the month of December for many years now and the results are elaborated and delivered to the management.

The Group recognizes the importance of applying principles like the integration of diversity and gender equality as part of the defense of the individual in the workplace ; these principles are promoted by the Ethics Code , in which all of the companies of the Group are committed to guaranteeing equal treatment to their employees and recognition of the value of the individual.

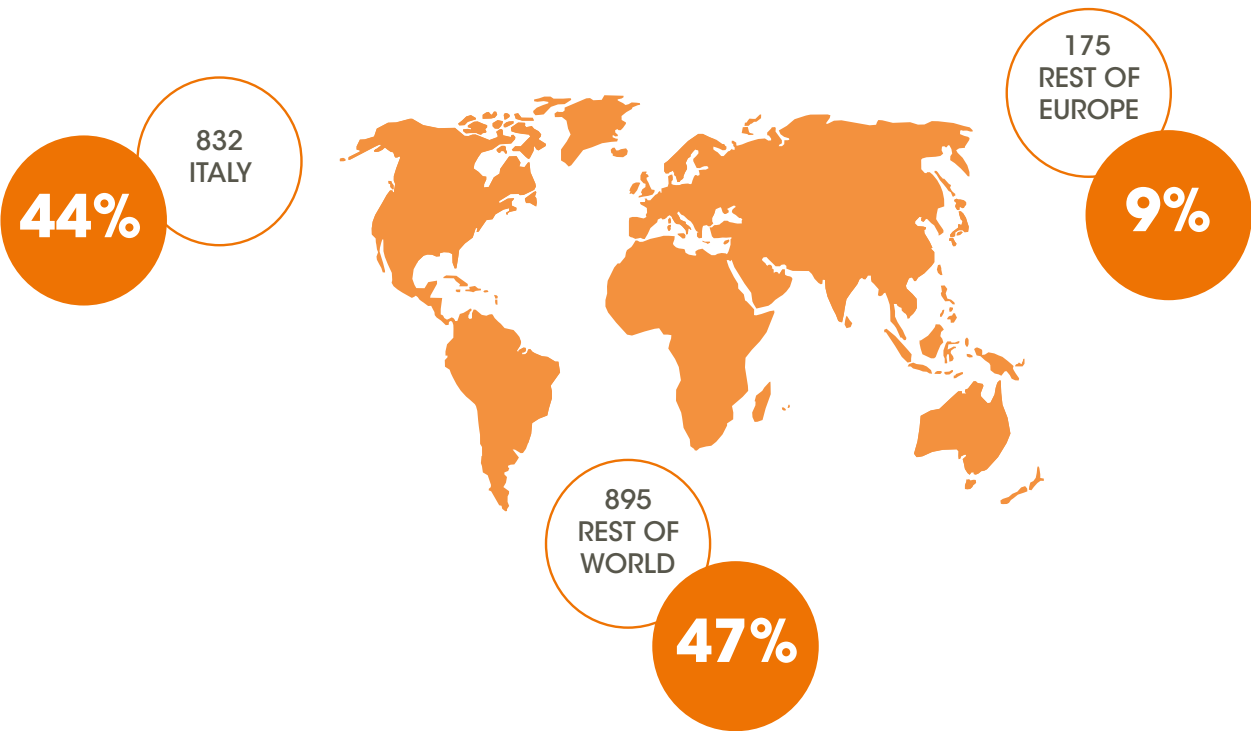
23% of the work force is represented by women, an amount which rise sto 31% if one considers only the whire-collar category; the manufacturing nature of most of the activities of the company in fact, tends towards a larger number of men rather than women in the blue-collar category.

For this purpose the El.En. Group on 2021 started a screening and monitoring procedure related (i) candidates wh spontaneously applied for employment, (ii) interviews conducted (iii) people actually hired divided by the department to which they were assigned and their gender, in order to verify if the percentage of female employees hired was aligned with the percentage of women who applied for a job and were interviewed. According to the data which emerged in 2021 spontaneous applications for a job received from women were about 22% of the total received. After this 1717 interviews were granted 397 of them to women: this data, with 23% of the total interviews held, is aligned with the number of applications received. This year the Group hired 611 new employees, 117 of which were women (equal to 18%).

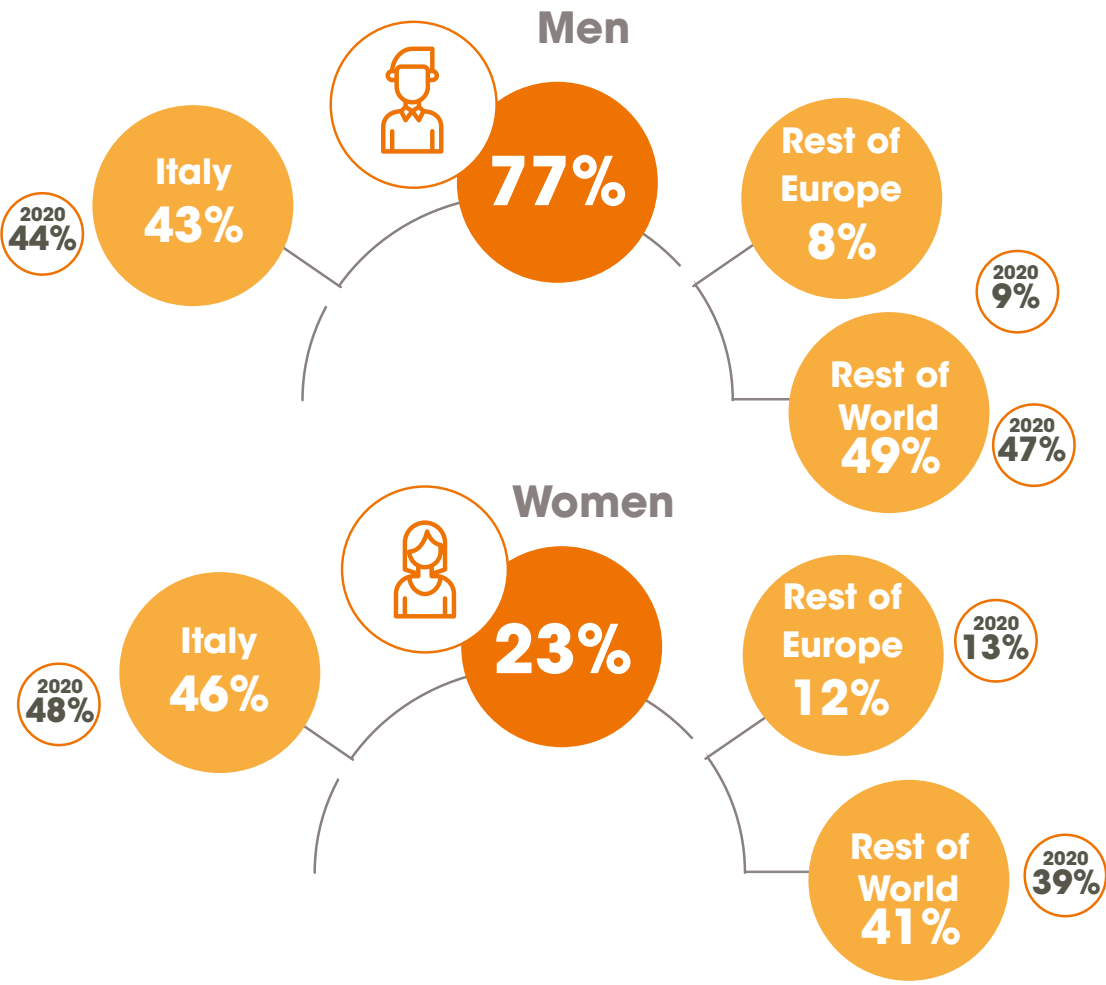
The data analyzed confirm a lack of spontaneous job applications from women but a figure which is aligned with the percentage of interviews and hiring of women.

In the intention of proceeding with their promotion of gender equality, the El.En. Group will approve a "Diversity Policy" by the end of 2022. This Policy will later be accepted by all of the subsidiary companies and disseminated to all the employees. Training sessions will start being conducted by 2023 in relation to diversity issue for the purpose of creating awareness. The attention of the Group towards diversity and inclusion is demonstrated also by the inclusion of handicapped persons among the company resources in compliance with the regular practice and applicable laws. On December 31st 2021 in the company there were 37 employees who belong to protected categories.

Another element that is in favor of the commitment of the El.En. Group to develop a multi-cultural organization is the prevalence of local managers in



Distribution of employees by geographic area and by gender as of December 31st 2021



all of the subsidiary companies : of the 155 managers who operate in different countries, 98% of them were born in the country in which they work, an element which makes it possible to create more affinity with the local territory.

Il Our commitment is intended to guarantee a constructive and dynamic work environment which sustains the diversity of people and their talents, which is stimulating and offers opportunities for professional growth. The management of the human resources of the Group aims at the integration and the respect of all the diversities and rejects any type of discrimination based on nationality, sexual orientation, age, political or religious opinions. The Group, while supporting the rights of a person in conformity with the United Nations Universal Declaration of Human Rights, is committed to avoiding and form of discrimination. This commitment is applied to all aspects of an inclusive working relationship, including hiring, training, assignment of jobs, promotion, transfer and termination. Equally important in the creation of a working environment are the initiatives promoted in order to facilitate the balance between family life and work, starting with the possibility of adhering to a part-time schedule. The Group is committed to establishing a dialogue with its employees for the purpose of reconciling the needs of the employees

with the company needs. This commitment is also demonstrated by the types of hiring: if we exclude the Chinese subsidiaries, 91% of the employees of the Group have open-ended contracts. This percentage drops to 53% if we include the Chinese employees, to whom this type of contract is granted only after three triennial contract renewals at the same company.

This commitment is also demonstrated by the management of the different types of contracts: from National and sector contracts to collective and/or company contracts to those stipulated individually. In particular, in Italy they apply the National Collective Work Contract (the employees are covered 100% by collective bargaining), in Germany, the workers' commission signs a collective agreement on an annual basis (about 90% of the employees are covered by collective bargaining, the rest are selling personnel who underwrite a different type of contract), in France they apply a Convention Collective IDCC n°1982 to all employees, in Brazil they annually conduct a collective bargaining agreement, while in China and Japan they follow the local legislation. In Japan, moreover, the management holds monthly meeting with its employees to discuss relevant issue. At a Group level, it should be noted that 52% of the employees are covered by agreements stipulated by collective bargaining.

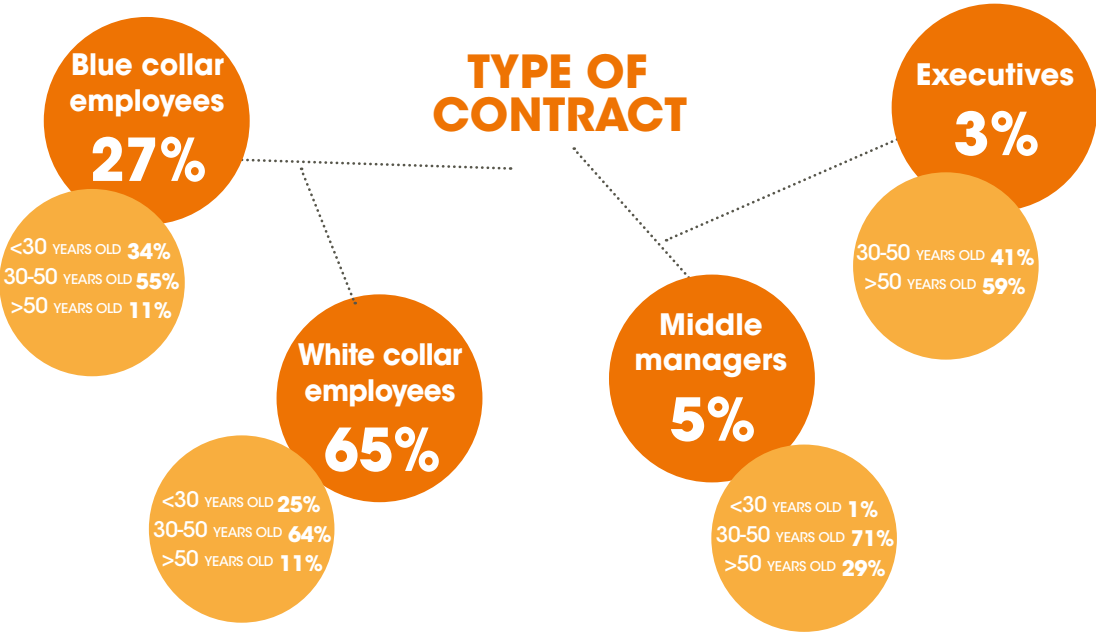
During the year we have hired 611 new employees (people under 30, 277 people between 30-50 and 31 people over 50 years of age) and 335 people left (137 people under 30, 171 people between 30-50 anni and 27 people over 50 years of age): the turnover rate was 55%¹¹.

If we exclude the data on the arrivals and departures in the Chinese subsidiaries, where the turnover rates are higher than usual because of the start up of the new factories but also on account of the peculiar type of labor market in China, the turnover rate falls to 29% with 211 new employees hired and 79 terminations.



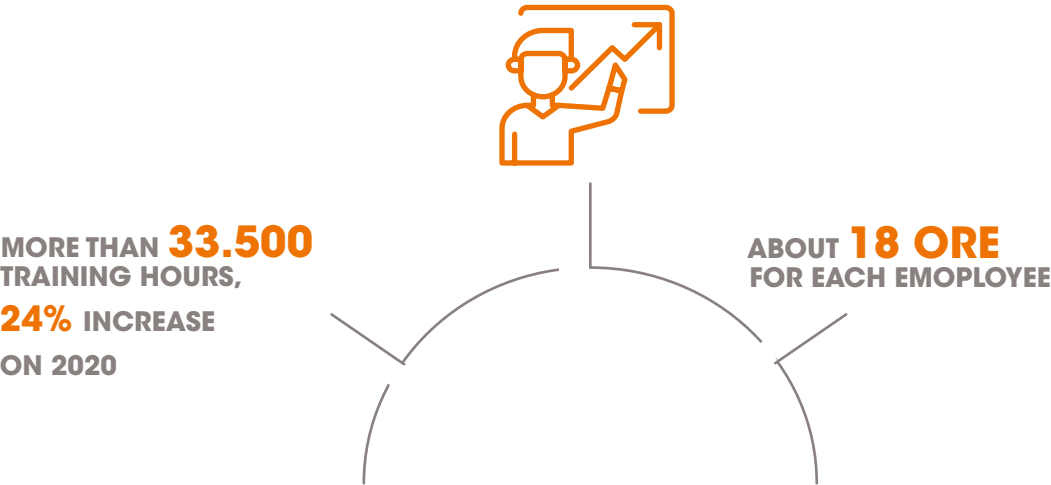
¹¹ This is the first year the indicator was reporting, only the data relating to 2021 are present.

Distribution of employees by category and age as of December 31st 2021



6.1 Training and skills development

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



The training sessions are aimed at stimulating and amplifying professional know-how of the employees and are set up in order to assure different courses and involve all of the professional categories at every level. In 2021, 33.514 hours of training were held, with an average of 17,6 hours for each collaborator. In 2021, 33.514 hours of training were held, with an average of 17,6 hours for each collaborator. We dedicated 452 hours to training dedicated to sustainability issues¹², 220 hours to language lessons,

514 hours of training to the Ethics Code for new employees and 49 hours related to Model 231. The residual category of "Others" is them ost numerous with 15.251 hours because it includes all of the types of training that are not part of those mentioned above. This year, moreover, we conducted 799 hours of specific managerial training which amounted to 2% of the total hours of training. The persons involved in at least one training session were 1.712, equal to 90% of all of the employees, with an investment of over 295 thousand Euros.

¹² Part of these hours refer to a specific training session attended by all of the employees of the Group who have some relation to sustainability issues. They showed a video which was a summary of the Sustainability Plan (objectives reached and actions to be taken in the next few years)



The main types of training courses promoted by the Group in 2021 were the following:

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

Although there is not a central coordinating for the training sessions, this is defined every year by each company, registering, besides the required training sessions, the curricular needs of the company employees.

Through a census they identify specific subjects which need to be dealt with in depth and, in some of the companies, each collaborator may ask to participate in specific training sessions in order to enrich and to personalize his/her curriculum.

For the purpose of promoting a greater sense of responsibility again this year the Companies continued to held training and information sessions on sustainability issues and the relative Sustainability Plan of the Group and on the Ethics Code, and discussed all of the topics it contains (ethical principles of the Group, behavior rules, health and safety, respect of the environment, anti-corruption, human rights and diversity, company resources, relations with related parties, clients, suppliers and consultants). It should be noted that 90 hours were dedicated to training relating to respect for Human Rights.

Since 2021 in all of the companies of the Group the Ethics Code is given to all employees at the time that they are hired as a required documentation, while for Asclepion GmbH, Quanta System S.p.A. and the Chinese subsidiaries, as part of the training of new employees, they focus on the Ethics Code: the implementation of this activity will be applied at the Parent Company El.En. S.p.A. and all the subsidiaries clustered in Calenzano and Prato, by the end of 2022.

6.2 Health and safety in the workplace

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



MORE THAN 4.400 HOURS OF SPECIFIC TRAINING ON HEALTH AND SAFETY ISSUES

Again in 2021, safe access to the workplace was a priority for all of the companies in the El.En. Group. After the international pandemic emergency, at each place of work they established and still apply rigorous access procedures which prohibit entry to whomever shows symptoms of influenza or has a body temperature of over 37,5°C.

The procedures require specific points of access where there is a hand sanitizer dispenser installed, a box with surgical masks and a device for measuring the body temperature. They have created various procedures depending on the particular department and, in general, refer to behaviors that prohibit crowding or gathering, the use of correct hygiene procedures, the requirement to wear a surgical mask in all closed environments and to maintain a safe distance from other people. For all of the tasks that are potentially exposed to a greater risk, and which are performed outside of the Calenzano facility, the workers are equipped with DPI quality FFP2 masks and single-use gloves. All of the points of entry and exit or those related to the various departments are equipped with a sanitizing dispenser. The work locations have been separated and relocated in order to respect the limits imposed by law and to be able to continue to work safely.

They have spread the information about safety and hygiene by using signs, flyers, and brochures placed in high visibility and high traffic locations, and have also used computers for company e-mails which are kept inside a file and are available to all of the

employees in order to disseminate information on the correct procedures to follow. They implemented and are still using ordinary and extraordinary cleaning and sanitizing procedures for the surfaces and the rooms, and they have increased the frequency of the daily cleaning and sanitizing in order to guarantee the hygiene of the rooms, work places and equipment after every shift or, at least, whenever necessary.

For the equipment that is used by more than one operator (for example elevators, lifting equipment, coffee machines) the companies are using cleaning procedures with suitable products between one use and the next. The Parent Company El.En. S.p.A. starting already last year created an Emergency Commission to deal with the Covid 19 pandemic which made important decisions regarding the extraordinary measures to adopt with particular reference to the effects on the health and safety of the workers mentioned above and on the activities and economic trend and the business continuity of the organization of all the subsidiaries of the El.En. Group. As stated in the Ethics Code, the El.En. Group is completely committed to the dissemination and consolidation of a culture of safety and promotes responsible behavior from all its collaborators. For this purpose the Group is committed:

- to always acting in conformity with the current regulations and national and international standards;
- to managing the risks and dangers related to every activity and every task; every variation in the organizational layout at every level, comports an

update of the inherent documentation;

- to supply expertise and knowledge concerning the risks related to environments and tasks to all of the employees through continuous information and training sessions;
- to periodically revise the procedures and instructions related to safety in order to modify and improve them;
- to adopt rules of good practice in the management of contracts and sub-contracts in order to reduce the risks of interference.
- to find the best technologies available for protecting the individual and the collectivity.

In all of the production companies of the Group, the issue of safety and health is managed through procedures which, although they are not centralized and coordinated at a Group level, guarantee that in all the subsidiaries there are procedures concerning the protection of the health and safety of the workers, training sessions for the workers and the implementation of measures intended to improve or correct.

In the Italian companies these issues are regulated by D.Lgl. 81/2008; at the same time, the producing subsidiaries preside over the issue of safety and health by following the local regulations. The Italian companies of the Group have analyzed the issue of Health and Safety also as part of the organizational model in compliance with D.Lgs 231/2001. The principle to which they aspire is that the safety policy be raised to the level of company value, like all the other values which characterize the strategy of the company. In the same way that we make use of organizational system for the management of economic resources,

safety must also represent an essential value, which is constantly pursued and implemented with the help of an organizational system which identifies the instruments, the responsibilities and the motivations suited to express and translate the commitment of the top management in relation to this issue.

The commitment to respect the regulations on health and safety and the Organizational Model is based on this, with an aim to achieving a significant reduction in the number of accidents in the workplace; the recognition that the responsibility for the management of safety involves the entire company, from the employer to the individual worker, each according to their particular task and area of expertise; the commitment to supply adequate financial and human resources to reach the objective of a significant reduction in accidents and that for the constant improvement of working conditions; the commitment that the workers be adequately informed and trained on the risks connected with the work. In the Organizational Model they require the identification and dislocation of the responsibilities connected with health and safety issues among the company functions, the analysis and self-evaluation of risks, the inclusion of training sessions.

For the companies located near the Calenzano complex, the centrality of the HSE office in the safety management over time has made a more consistent and uniform company policy on this issue available. In all of the production companies they have implemented a process of identification of the risks related to the health and safety of the workers. In Italy this activity has been codified in the DVR (Document



of Risk Evaluation). In the Chinese companies the risks related to the work place are codified and communicated to the workers by means of the "Worker's Manual" ; in the German and Brazilian subsidiaries the analysis of the risks is codified in specific documents that are periodically updated. The identification of the risks assumes that it will be followed by the identification and implementation of corrective and/or preventive actions. Most of the subsidiary companies have implemented procedures for reports of risks by the workers and have elected a workers' safety representative.

During the year, the Italian companies of the Group conduct periodic meetings in conformity with the requirements of art.35 of D.Lgs. 81/08, in which the employer, the presiding physician, the RSPP (person responsible for prevention and protection services) and the RLS (representatives of the workers for safety) participate and represent all of the workers. In accordance with the policy of complete transparency, in the periodic meetings of the Parent Company a member of the Supervision Body and all of the persons that are part of the company safety commission are invited to participate.

The following issues are dealt with during the meetings:

- updating of any modifications made on the risk evaluation document;
- evaluation of the trend in work accidents, professional illnesses and health supervision;
- the selection criteria, technical characteristics and effectiveness of the individual protection devices and any additions or modifications needed;
- training programs on safety information for the managers and workers.

During each meeting they present a new improvement program in which they describe all of the objectives that the Prevention and Protection Service proposes to reach next year.

In the German and Brazilian companies there are also specific commissions dealing with health and safety which meet periodically to evaluate the trends

and the management of this issue. In the case of the Brazilian company the workers responsible for health and safety hold monitoring meetings every month.

In all of the production companies there are persons responsible for health and safety (for example, the employer, RSPP and provosts in the Italian companies, the general manager and department manager in the Chinese companies and the employer and safety manager in the German company)

In all of the production companies there are training and information programs both when the worker is hired and later on with regular frequency but, in general, all of them include training concerning generic risks as well as those on specific risks related to particular jobs, first aid training and periodic updating courses.

In 2021 they conducted, at the Group level, a total of 4.416 hours of training sessions related to health and safety, an increase with respect to last year both for the frequency of the obligatory training course required by law but also for the increase in the number of employees.

Considering the type of production activity we conduct, all of the companies have established safety procedures that require both individual and collective kinds of protection against the risks related to artificial optical radiation. In particular, all of the workers involved in production have individual protection devices and they also make use of collective devices for prevention and protection, like protective screens, containing boxes and turnstiles that limit entry to the production areas. Even in the companies that do not produce, the issue is monitored by the gathering and analysis of data related to accidents in the workplace.

In 2021, at agro level, they registered 14 accidents in the workplace, a decrease with respect to the 19 registered for the preceding year; the main kind of accident involved contusions and lesions, mainly to the arms and legs. This year unfortunately an employee had an high-consequence work-related injuries¹³. When an accident occurs the companies conduct an investigation to determine the cause and to elaborate preventive measures or improvements.

¹³ Accident occurred in December and for which more than 180 days of absence are expected.

6.3 The welfare of the people

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

In order to support, promote and implement the wellbeing of its people, the El.En. Group considers welfare a innovative instrument with respect to the traditional remuneration and incentive methods which is destined to become an integral part of a modern and efficient management of resources. Welfare plans are scheduled at the Japanese, Brazilian and Chinese subsidiaries. The Italian companies of the Group, on the basis of the CCNL of the se, issue part of the salaries in flexible benefits. In particular, for the companies located in Calenzano and Prato, by using a specific platform, each worker can chose the goods or welfare services, which are most suited to his interests and needs like, for example, the expenses for assistance at home or medical services, reimbursement of educational expenses, complementary pensions, training courses, recreation supplies, goods in kind and collective transport systems. Moreover, it is possible to make an agreement with the company to convert the amount owed to the employee as a bonus for a maximum amount of 50% into goods and/or welfare services. With this kind of agreement the companies have also granted improved treatment with respect to the current CCNL by guaranteeing an additional day off with pay for the birth of a child with respect to those provided by the regulations and, and, as preferential treatment, the first three days of absence due to an illness of not over five days will be paid 100% even after the third event. The subsidiary Quanta System

S.p.A. introduced in the second level agreements, the possibility for each employee to convert the entire production bonus into welfare.

The Italian companies, in accordance with the collective bargaining agreements, adhere to a medical insurance plan for all of the employees.

We are convinced that working in an environment that has been made to measure promotes a greater spirit of belonging to the company and is an essential premise for its future. It is for the purpose of cultivating and promoting the importance of human relationships, interacting and sharing that the El.En. Group has developed this welfare plan. During the enlargement or transfer of their facilities the subsidiary companies decided to dedicate large areas to the wellbeing of their people and to the improvement of the quality of their working lives by taking care of all aspects of their welfare. It is increasingly important to include in the training and career path of each professional figure an investment which promotes the creation of a working environment that is energetic and satisfying and stimulates teamwork.

In the companies of the Group located in Calenzano and Prato, we have always offered meal service at the cafeteria free of charge and this year great efforts were made in order to continue to offer this service. The cafeteria service was divided into shifts and the area was sanitized between one shift and the next in order to continue to supply a



hot meal to the employees. For several years now at the headquarters in Calenzano we have had a company gym. The Chinese companies offer to each employee who asks for one, an apartment inside the company dormitory rather than in the adjacent area outside of the factory and offer free cafeteria service for lunch. Moreover, in the new factories at Wenzhou and Shangdong (this latter completed in 2021) they have created recreational area for the employees with sports equipment, reading rooms and calligraphy lessons which are available to all interested employees.

The subsidiary Quanta System S.p.A. has, inside of its building, a gym which is available to all of the employees and a recreation room where one can rest or eat a meal. In order to create a more appealing work environment, the German subsidiary, Asclepion GmbH, now has a large cafeteria area, a fitness area with two rooms in which they offer sports training, and a wide panoramic terrace on the roof with a garden inside of it. In its new company headquarters

inaugurated last year, the subsidiary Asa has adopted innovative solutions in the distribution of its spaces: the intelligent redistribution of the functional areas was made for the purpose of improving the quality of the work and they have installed open space offices which, thanks to the ad hoc study of the furniture and the use of sound-proofing panels promote team work while guaranteeing privacy and silence. On order to facilitate sharing and cooperation. There are also several meeting rooms, job islands, a recreation room and coffee break islands. Unfortunately, after the emergency caused by the pandemic, which began in the first quarter of 2020, access to these rooms was reduced several times in order to comply with the National or regional regulations in force at the time and to guarantee the health and safety of all those inside of the company.

All employees of the El.En. Group are covered 100% by health insurance while 90% of the employees have access to company welfare plans which include various types of facilitations¹⁴.



¹⁴ 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.



ENVIRONMENTAL RESPONSIBILITY



Commitment and respect for our planet

7. Environmental responsibility

For the Group the environment represents a primary resource which must be protected. For this purpose the plan activities to try to obtain a balance between the economic objectives and the indispensable environmental needs while respecting and protecting the rights of future generations and are aligned with the standards for sustainable development. The Group is, therefore, committed to monitoring the environmental impact generated by its activities and to preventing

potential risks by implementing corrective and mitigating activities respecting the current legislation and following a policy of best practice.

All of the companies of the El.En. Group received, approved and disseminated the Environmental Policy, with which they codified their commitment to keep under control and to attempt to reduce the environmental impact of their activities.

7.1 Energy consumption

The Group is committed to the reduction of its Energy consumption when possible, through the improvement of its processes and its infrastructure, by promoting behavior and habits that are aimed at the reduction of energy consumption and favor an environmental consciousness in its people.

In 2021 for the companies in Calenzano, the Parent Company El.En. promoted a monitoring plan with a company that offers consulting services on energy consumption and which will end in the second half of 2022 when they draft an energy diagnosis of the sites. The awareness of the energy consumption will make it possible to implement a plan to improve the management of the activities and generate savings on the total consumption.

The energy consumption of the Group consists of uses of: electrical Energy for heating and cooling the rooms and for manufacturing processes, natural gas and LPG used as fuels for heating the buildings, gasoline, diesel fuel and bio-ethanol used as fuels for traction.

In particular, in 2021 we consumed 283.583 m3 of natural gas and 4.056 liters of LPG. The total consumption of electrical energy purchased was 6.077.661 kWh while the liters of diesel fuel and gasoline consumed were 477.307. The consumption

of bio-ethanol was 12.591 liters. The overall energy consumption therefore amounted to 49.567 GJ. In percentage terms, about 44% of the consumption was for electrical energy that was purchased; a further 35% was due to the use of company cars, while about 21% was for natural gas and LPG for heating the buildings. Since 2021, the Energy needs of two of the subsidiary companies has been in part satisfied by photovoltaic plants installed in 2019. The self-produced Energy of the photo-voltaic plants amounted to 84.127 kWh. In 2021, the subsidiary Asclepion GmbH purchased 100% of the electricity from renewable sources, for which the Group purchased 5% of the total electricity from renewable sources.

The overall Energy consumption increased by 13% with respect to last year. The increase is due mainly to the increase in the volume of business (+40% of the consolidated sales volume and +17% in the staff) but one must also consider the fact that the year with which we are comparing it, on account of the pandemic, had reduced its volume of production for several months as well as the presence of employees and some of the production areas and offices had been closed. If we analyze the emissions for 2021 in relation to the amount of production, we had actually reduced by 24% the CO₂ emissions into the atmosphere for every unit produced.

7.2 Self-produced Energy

The subsidiaries, Asclepion GmbH and Asa S.r.l. installed photo-voltaic plants in their buildings, respectively with 44kW and 33 kW power, to integrate their energy requirements and during the year produced an amount of energy equivalent to 19% of that consumed overall by the two companies. In order to reduce its consumption, the subsidiary Quanta System S.p.A. installed, several years ago,

a cogeneration plant, which this year produced an amount of energy that was equivalent to 40% of the energy needs of the company. The objective of the Group in the next few years is to install also at other sites, plants for self-production of electrical energy from renewable sources. For 2022, they have planned the installation of four more photo-voltaic plants at subsidiary companies.



The transition of Penta Laser Shangdong

In 2021 the Chinese government for the province of Shandong and the government of the city of Linyi awarded the subsidiary Penta Laser (Shandong) co. Ltd recognition as a company committed to "conversion from the old to the new Energy" during the construction of an experimental area in the province of Shandong. In the same year, the Ministry of Emergency Management of the People's Republic of China granted the certificate of standardization of the safety production to Penta Laser (Shandong) Co., Ltd..

These awards are mainly intended to give recognition to the companies that are promoting conversion which aims at replacing traditional technology with innovative technologies which are safer and more respectful of the environment and of people, like laser technology. During the year, the Chinese company Penta Laser Shangdong completed the enlargement of its existing production site by adding about 12.000 mq including a new factory, a workshop and a dormitory for its employees, which also includes a reception area to be used after work and which includes sports equipment, reading rooms and calligraphy lessons. In these new offices the company followed the "evaluation standards for ecological constructions" by installing high-efficiency electrical plants and heating.

Cutlite Do Brasil - environmental procedures

The subsidiary Cutlite do Brasil, after having approved and disseminated the Environmental Policy of the El.En. Group to all of their employees, decided to implement internal procedures to re-enforce the commitment to saving water and Energy by creating awareness in the employees on the correct use of these resources.

The company which, in recent years had already replaced all of the fluorescent lighting with LEDs and equipped all of the faucets with timing devices or manual presence sensors, with this procedure also recommends the employees to turn off the lights and the air conditioning in the unoccupied rooms, to keep windows and doors closed to avoid wasting the air conditioner, to regulate the thermostat on the basis of the room temperature, and to always prefer natural light during the day. They are reminded to turn off the monitors, printers, stabilizers, loudspeakers and other accessories when they are not in use, to disconnect the monitor from the computer during absences of over 15 minutes, to reduce the luminosity/ contrast of the monitor or activate the energy saving or energy efficiency options. Employees are also requested to collaborate in order to avoid wasting water and to immediately report leaks. In 2021 the company also started a project to reduce the amount of plastic by replacing the plastic drinking glasses in the beverage machines with ones made of bamboo fiber.

Waste

In 2021, the El.En. Group drafted a report on refuse despite that fact that this issue is not included among the material subjects because in a world in which natural resources are, for their very nature, limited, we wanted to start managing them in the best possible way and promote a responsible use of resources by adopting sustainable models for production and consumption. This preliminary report involved all of the companies of the Group except the Chinese subsidiaries because collecting data for monitoring this activity turned out to be very difficult and was started only in 2022. In 2021, in any case, the three Chinese subsidiaries, took an important step forward and accepted the request of the Group to implement a differentiated collection of refuse which had not been used up until then. The three companies, referring to the Environmental Policy of the Group which they had approved and disseminated, implemented a list of internal Company Regulations for managing the differentiated collection of waste, organized training for all of the employees in the correct disposal of refuse and conducted an internal campaign on the awareness of environmental damage caused by incorrectly discarded refuse. Each of the companies then stipulated a contract with an external company for the collection, management and elimination of refuse and, in this preliminary phase, asked the employees responsible for cleaning to review the material incorrectly discarded. These activities occurred in a period of just a few months and are part of a more ambitious project to transform the Chinese companies into "Green factories" where, along with the use of more sustainable materials, the installation of highly efficient Energy plants and the introduction of solutions intended to reduce waste, they are, in particular, adding a system of environmental education for all of the employees because, as the director of Penta Laser Wenzhou said "Green manufacturing is an important part of the construction of ecological civilization and the only way for the transformation and upgrading of enterprises".

After the first report on refuse, the Group* produced 526 metric tons of waste products, of which 522 metric tons (99%) were not dangerous. Of these, 1'89% was sent for recycling or for other types of reuse, while 11% was sent to be discarded. Dangerous waste represented only 1% of the total and consisted mainly of packaging absorbent or filtering materials containing the residue of substances, used solvents and old equipment. All of the companies make use of external companies for the service of collecting and discarding but they also use community services for this purpose, especially for undifferentiated waste, organic refuse and paper from the offices. The waste discarded using the state institutions is not included in the scope of the data of the report.



Going green

In 2021 the El.En. Group started numerous initiatives to promote a positive ecological impact: all of the subsidiaries* started using exclusively certified FSC(Forest Stewardship Council) or PEFC (Program for the Endorsement of Forest Certification) paper or paper coming from responsibly managed forests and produced using processes that do not contain chloride for bleaching (certifications TCF or ECF); these companies also asked their suppliers of brochures and advertising materials to use only certified paper.

The companies in Calenzano and Prato, moreover, initiated a project for revising all of the purchases of stationery , cleaning and hygiene products in favor of recycled materials and, in the beverage machines to use drinking glasses made of certified paper and stirrers made of wood which can be discarded with the organic materials. The other companies of the Group also undertook initiatives aimed at reducing the environmental impact and reduce the use of paper, eliminate plastic in favor of recyclable materials or those with a reduced environmental impact, when possible.

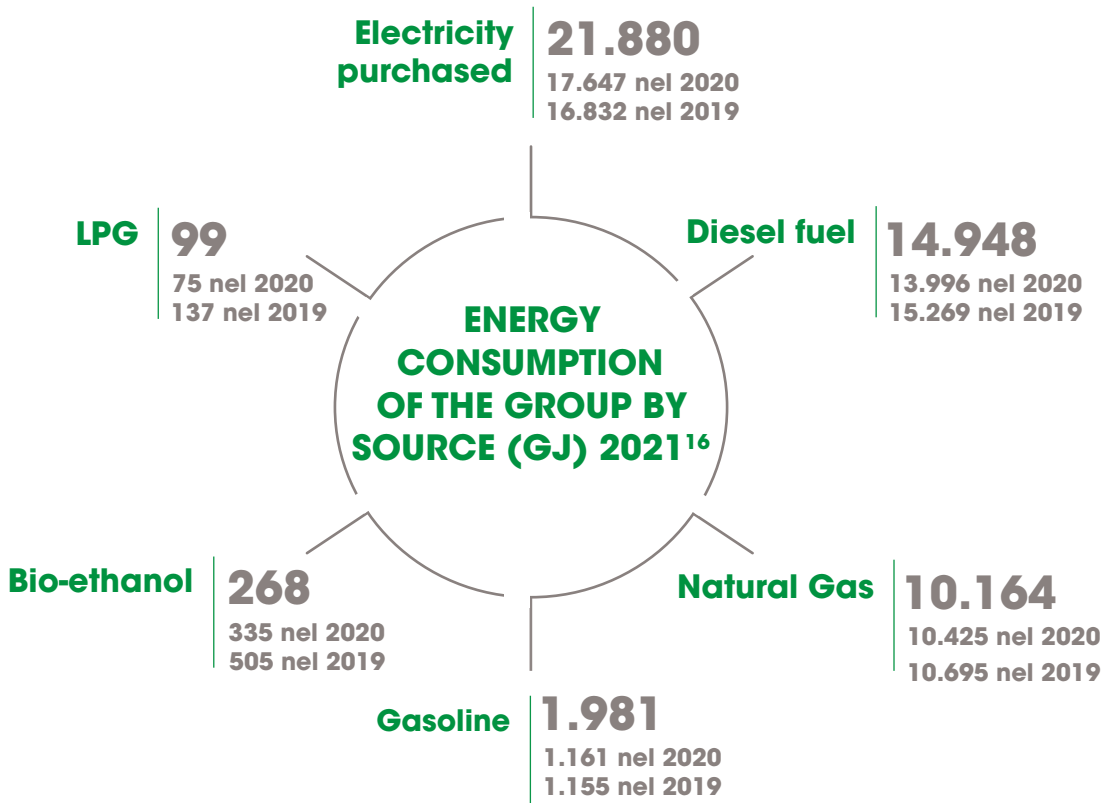
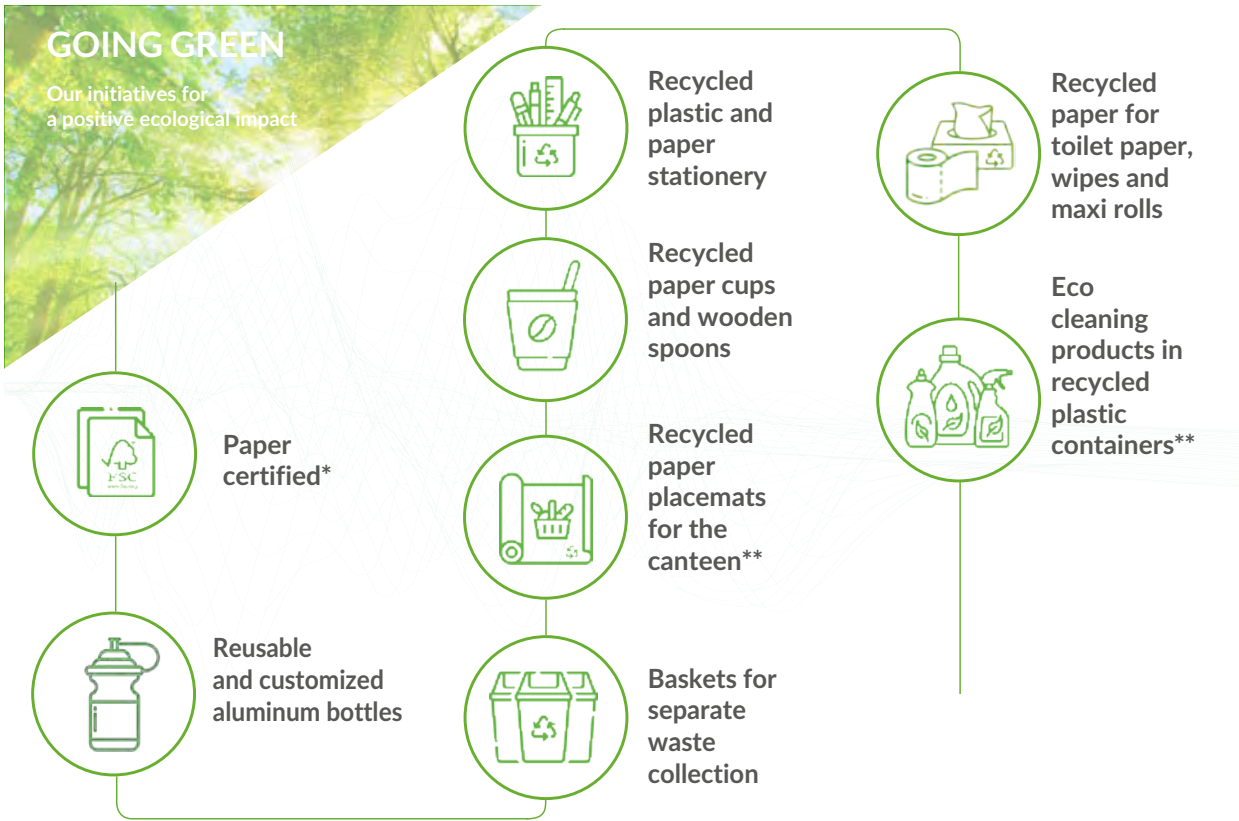
At the end of 2021 in all of the companies of the Group they were using differentiated collection of refuse in the company buildings. The impetus given by the Environmental Policy, the training conducted in the last few years and the dissemination of the objectives of the Sustainability Plan are increasing awareness in the employees on the importance of these activities.

In preceding years some of the companies in the Group had initiated “green projects” related to the reduction of plastic by installing water filters (companies in Calenzano and Asa S.r.l.) and by encouraging the use of recyclable containers in glass or aluminum which were given to the employees (companies in Calenzano and Prato, Quanta System and Asclepion GmbH). Last year they bought three paper compactors, two for El.En. S.p.A. and one for Quanta System S.p.A., and this year El.En. S.p.A. purchased a compactor for plastic for the purpose of a more efficient management of voluminous and recyclable materials.

The less space occupied in the company means better management of the internal and external spaces, more efficient production and savings on the cost of logistics. A compactor collects more than 5 times the volume of paper held in the preceding containers which means a significant reduction also in the emptying activity required. Compacting makes it possible to increase the concentration of differentiated refuse by transforming it into dense bales of material.

It should also be noted that at the complex in Calenzano they have installed column for recharging electric bicycles and scooters and at Asclepion they have installed one for recharging electric automobiles.

¹⁵ With the exception of the Chinese companies



¹⁶ The data related to the consumption of electrical energy in the month of December 2021, unless otherwise specified, were acquired from the invoices issued by the suppliers of energy services. The consumption of fuel for vehicles for the automobiles belonging to the Italian companies located in Calenzano, were estimated on the basis of the costs by means of the average annual price of gas and diesel fuel (Euros per liter) shown on the site of the Ministry for Economic Development. For automobiles with mixed use, we considered 70% of the total consumption. For the calculation of Energy consumption in GJ, we used the conversion factors of the Department for Environmental Food & Rural Affairs (DEFRA), UK., for 2019, 2020 e 2021.

7.3 Emissions

The direct and indirect CO₂ emissions associated with the main consumption of the Group can be divided into two categories:

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

In particular, for the calculation of CO₂ emissions, as stated in the GRI Sustainability Reporting Standards, one must use the calculation of Scope 2 according to two distinct calculation methods: the "Locationbased method" and the "Market-based method". The Location-based method is based on the factors of relative emissions related to the generation of regional, sub-national and national energy.

The Market-based energy, on the other hand, is based on the CO₂ emissions by the energy supplier from whom the organization, by means of a contract, buys their energy or on factors related to the specific market.

To calculate the Scope2 emissions we used different

factors based on the method of calculation and the country. In particular:

- For the location-based method we used average emission factors that are related to the generation of national energy for the different countries in which we operate as shown in the publication titled Confronti Internazionali, Terna 2017, 2018 e 2019, respectively for 2019, 2020 and 2021¹⁷.
- For the market-based method we have used average emission factors derived from the electricity production of the European market for Italy, France and Germany, which were published in the document Residual Mix Results, Association of issuing bodies (AIB) 2018, 2019 e 2020, respectively for 2019, 2020 and 2021. For the other countries, we have used the same factors used for the location-based method.

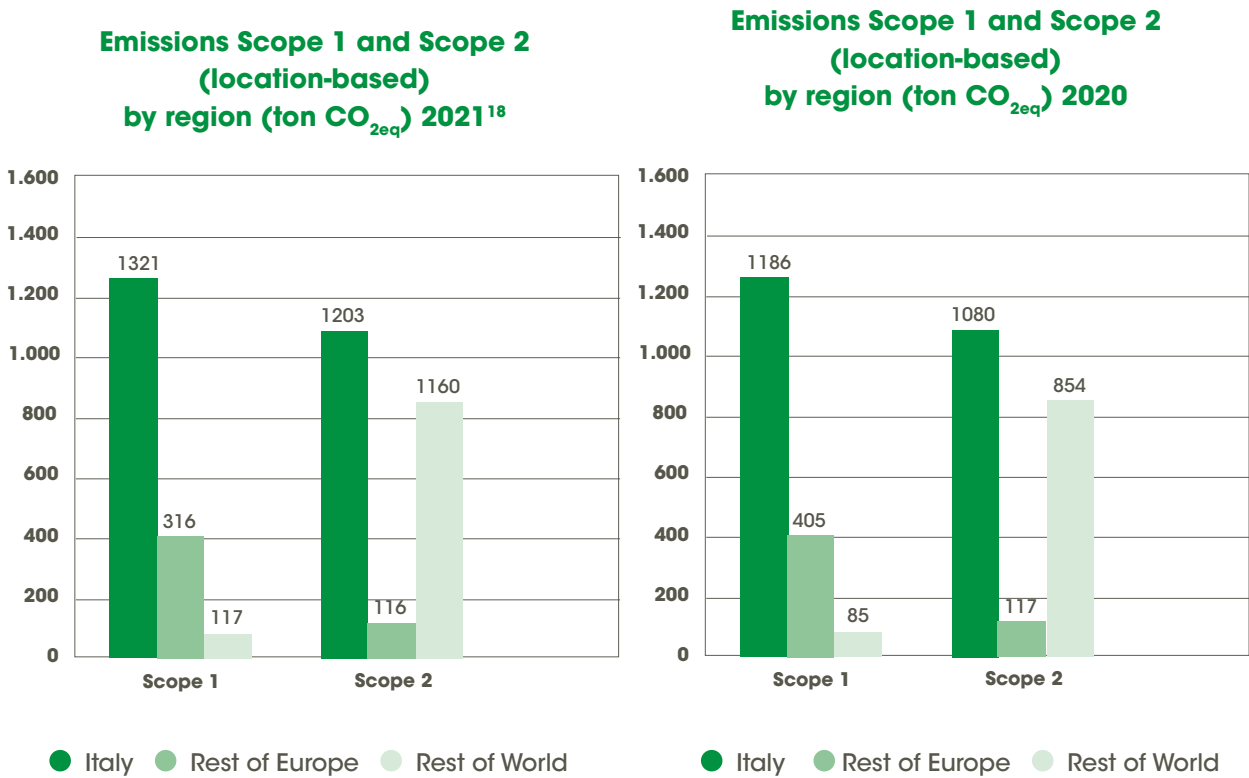
For 2021, considering the calculation method location based for Scope 2, the total emissions were 4.234 tCO₂eq: 55% can be attributed to the consumption of electricity while 41% is due to other factors.

For the calculation of indirect emissions using the market-based method, CO₂eq emissions were in line with those shown above, i.e. for a total of 4.670 tons of direct and indirect emissions of CO₂eq.



¹⁷ 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 CO₂; in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gas (CO₂eq), as can be seen from the specific technical literature..





¹⁸ Further details concerning the method used for the calculation of the emissions and the emission factors used, please see the relative section in the chapter on Performance Indicators.

7.4 Water consumption

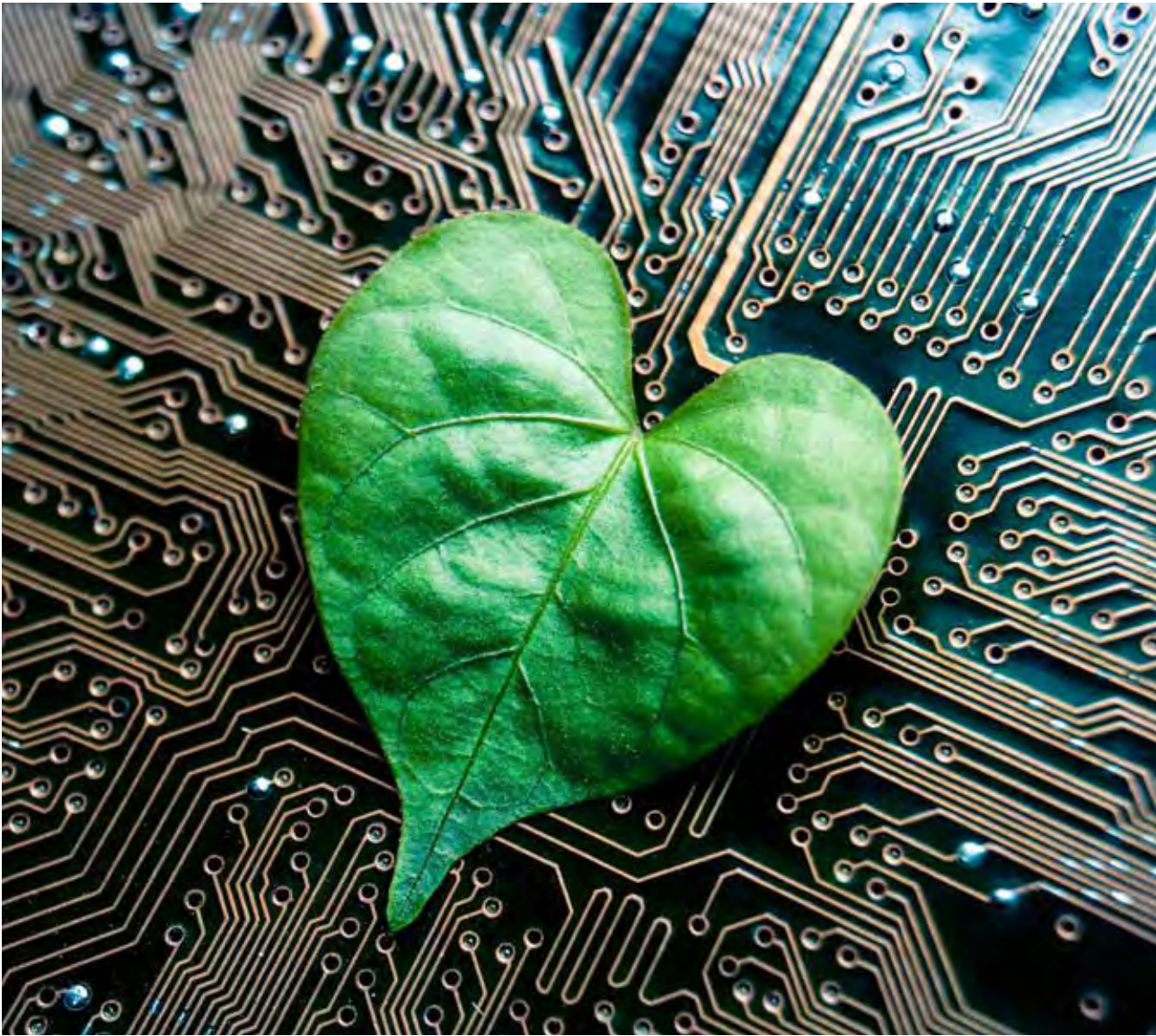
The Group actions towards the respect and optimization of environmental resources are also reflected in the efficient use of water resources, with the aim of minimizing consumption and thus reducing waste, at a time when water represent an asset that is as precious as it is at risk for future generations.

The Group is committed to promoting good habits regarding water saving, providing practical advice to its employees and implementing improvement actions (eg closing the tap if it is not needed, avoiding the phenomenon of "running water", etc...).

Water is used mainly for washing, for the activities in the company cafeteria and for manufacturing

processes. In this latter case, the water is usually used through closed circuits which make it possible to recover it and avoid its dispersion in the environment: the water is drained into the public sewers and no particular parameters or standards of quality in the drains need to be respected.

In 2021 the total consumption of water was 44.142 m3 and it came exclusively from the city aqueduct system. The increase in water consumption is mainly due to the increase of the number of employees present in the Company which is due to the increase in staff and to the lifting in 2021 of the restrictive measures imposed by the Covid-19 pandemic.



APPENDIX



About our report

Performance indicator

GRI Content Index

8. About our report

This document represents the second edition of the Consolidated Non-financial Statement (hereinafter "NFS" or Sustainability Report) of the companies belonging to the industrial group formed by El.En. S.p.A. (hereinafter the Parent Company) and its subsidiaries (hereinafter the "El.En Group" or "the Group"). In compliance with the provisions of article 5, paragraph 3, letter b) of D.Lgs. 254/16 (hereinafter "The Decree") and subsequence additions.

The NFS reports, to the extent that is necessary to ensure an understanding of the Group's operations, performance, results and the impact regarding the topics considered material and set out in Articles 3 and 4 of the Legislative Decree 254/16, with reference to the financial year 2021 (from the 1st of January to the 31st of December).

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

The NFS represents a first step towards an even more transparent and comprehensive sustainability communication, as well as being an opportunity for communicating the annual results of the sustainability performance that have been achieved during the financial year 2021 by the Group.

This NFS has been prepared in accordance with GRI Standards: "Core" option. With regard to the specific standard GRI 303 (Water and Effluents) and GRI 403 (Occupational Health and Safety) the most recent version of 2018 has been adopted. Furthermore, for the preparation of the document the Guidelines CE 2017/C215/01, have been taken into account.

The selection of the topics and the indicators reported in the document was based on the information assessed as relevant for the Group and its stakeholders during the materiality Analysis described in the chapter "Sustainability" of this document. Concerning the information required by Art. 3, sub-section 2 of D.Lgs. 254/16 it should be noted that in consideration of the business activity of the Group, the polluting air emissions other than greenhouse gases did not turn out to be relevant. The reporting and editing activities of this document

involved several Functions across all the geographical areas in which the Group operates, centrally coordinated by the working group dedicated to the project.

The scope of the data and the economic and financial information is the same as that used for the consolidated financial statement. The scope of the social and environmental data presented is composed by the consolidated companies using the integral method in the consolidated financial report. It should be noted that in May of 2021 the subsidiary company . Lasit Laser Polska with Headquarters in Poland was founded and is held 65% by the subsidiary Lasit S.p.A.. There were no other significant changes in its dimensions, structure, organization or supply chain during the period being reported. For further details on company operations which took place in 2021, please consult the consolidated financial report for December 31st 2021.

The information and the data reported refer to the financial year 2021 (from January 1st 2021 to December 31st 2021). In order to allow the comparability of the data over time, the comparison with the data relating to the years 2019 and 2020. The restatements of the comparative data previously published are clearly indicated as such.

In addition, to fairly present the Group's performance and ensure the reliability of data, the use of estimates has been limited as much as possible. Any estimate in this document is made using the best available methods and is expressly noted.

The periodicity of the reporting of the non-financial information and the publication of the NFD is organized according to an annual schedule. This 2021 version was approved by the Board of Directors of El.En S.p.A. on March 15th 2022.

The NFS was subject of a limited assurance engagement (according to the criteria set out by the ISAE 3000 Revised principle) by EY S.p.A. The audit was carried out according to the procedures indicated in the "Auditors' Report", included in this document.

The El.En. Group is aware of the company's responsibility to society and to the environment and has initiated a program of continuous development regarding sustainability which already took concrete form in 2018 with the creation of the

Group Sustainability Plan approved by the Board of Directors of El.En. S.p.A.; the actions that have been undertaken and the results achieved are reported in the chapter "Sustainability". Moreover we reported that:

Environmental matters

The Group is directing its attention to a responsible management of its activities by attempting to establish a balance between economic objectives and indispensable environmental requirements. The Group approved an Environmental Policy" which respected the commitment towards the Sustainability Plan. Policy was also approved by the subsidiary companies (or by their Boards, if present) and during the year it was distributed to the employees. Starting in 2021, some projects were initiated by some of the companies of the Group with the objective of improving their environmental impact. The subsidiaries Penta Laser Wenzhou and Penta Laser Shangdong obtained the ISO 14001 certification for environmental management and the ISO 45001 certification for the health and safety of the workplace; Penta Laser Wenzhou obtained also the ISO 50001 certification which guarantees access to clean, reliable and sustainable energy.

Respect of human rights

The Group presides over this issue by adopting and disseminating the Ethics Code which is in conformity with the United Nations Universal Declaration of Human Rights and they require respect of the Code also from suppliers. In particular, the Parent Company requires the adhesion to the Ethics Code from consultants, distributors, agents and suppliers of critical components. El.En. Group adopted a "Human Rights Policy" which respected the commitment made in the Sustainability Plan. The Policy was distributed to all El.En. Group employees. In 2020 a specific training sessions about human rights were carried out for the executives and managers of the Group and next year they will run specific courses for some categories of employees. Next year a specific

training about human rights will be carried out for all employees, in particular in those countries in which the legislation is less rigorous than in Italy. In 2022 a "Diversity Policy" will be adopted, approved by the Board of Directors of El.En. S.p.A. and subsequently approved by all subsidiaries and will be disclosed to all employees. Specific training will also be provided on this topic.

Active and passive fight against corruption

This issue is disciplined by the Ethics Code of the Group, respect of which is required by all of the associated and subsidiary companies, and main suppliers. Moreover, the subject is dealt with by the Parent Company and by its subsidiaries Deka M.E.L.A. S.r.l. and Quanta System S.p.A. as part of the Organizational Model in compliance with D.lgs 231/2001. El.En. S.p.A. and all subsidiaries adopted an "Anti-corruption Policy" respecting the commitment made in the Sustainability Plan. The Policy was distributed to all El.En. Group employees. In 2020 a specific training sessions about anti corruption were carried out for the executives and managers of the Group and in 2021 this issue was re-proposed as part of training on the Sustainability Plan for some categories of employees. Specific training will also be offered on this topic next year.

Social matters

The Group has always paid particular attention to the quality and safety of its products and, to this aim, the main manufacturing companies of the Group have adopted a quality control system and obtained certification ISO 9001¹⁹ and ISO 13485²⁰ related to the quality control systems or medical devices. Moreover, the Group bases its critical success factors also on its capacity for innovation, as demonstrated by the investments in research and development which have the objective of creating innovative systems and applications to meet the needs of customers and create new ones.

¹⁹ 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 e Penta Laser Equipment Wenzhou Co. Ltd, Penta Laser Technology (Shangdong) Co., Ltd., Quanta System S.p.A. and Asclepion Laser Technologies GmbH;

²⁰ 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.

Employee-related matters

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

Supply chain matters

As codified in the Ethics Code, the Group has as one of its objectives, that of creating relationships with their suppliers that are based on correctness and transparency. In consideration of the new and growing interest of the organization in issues related

to the supply chain, as shown by the analysis of the materiality, the Group is committed to taking actions in relation to their suppliers, to define and share principles, good social and environmental practices and ethical behavior aimed at promoting a supply chain that is responsible and sustainable; in particular, the commitment is to amplify and increase these aspects in a specific Behavior Code compiled by the end of 2022.

The Group has started to integrate the process of qualification, selection and evaluation of suppliers in Italy and abroad by providing to some of the subsidiary companies a check list for evaluating potential new suppliers which now contains social and environmental criteria.

Moreover, the Company in 2020, in respecting the commitment made in the preceding Non-financial Document, has codified the process for reporting non-financial information as part of a procedure which defines roles, responsibilities and times.



9. Performance indicators

Data related to human resources

Total number of employees by country, gender and type of contract									
	31 december 2021			31 december 2020			31 december 2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
ITALY	631	201	832	545	183	728	512	168	680
Permanent contract	565	184	749	516	176	692	483	161	644
Fixed term contract	66	17	83	29	7	36	29	7	36
REST OF EUROPE	122	53	175	112	49	161	116	49	165
Permanent contract	117	49	166	112	49	161	111	49	160
Fixed term contract	5	4	9	-	-	-	5	-	5
REST OF THE WORLD	716	179	895	586	151	737	510	143	653
Permanent contract	54	39	93	52	29	81	46	31	77
Fixed term contract	662	140	802	534	122	656	464	112	576
TOTAL FOR THE GROUP	1.469	433	1.902	1.243	383	1.626	1.138	360	1.498
Permanent contract	736	272	1.008	680	254	934	640	241	881
Fixed term contract	733	161	894	563	129	692	498	119	617

Total number of employees by country, full time/part time by gender									
	31 december 2021			31 december 2020			31 december 2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
ITALY	630	202	832	545	183	728	512	168	680
Full time	624	178	802	536	159	695	503	146	649
Part time	6	24	30	9	24	33	9	22	31
REST OF EUROPE	122	53	175	112	49	161	116	49	165
Full time	119	41	160	110	40	150	113	41	154
Part time	3	12	15	2	9	11	3	8	11
REST OF THE WORLD	716	179	895	586	151	737	510	143	653
Full time	712	166	878	586	144	730	510	135	645
Part time	4	13	17	-	7	7	-	8	8
TOTAL FOR THE GROUP	1.468	434	1.902	1.243	383	1.626	1.138	360	1.498
Full time	1.455	385	1.840	1.232	343	1.575	1.126	322	1.448
Part time	13	49	62	11	40	51	12	38	50

Total number of employees divided by employee category and gender									
	31 december 2021			31 december 2020			31 december 2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
ITALY	631	201	832	545	183	728	512	168	680
Executives	41	4	45	39	3	42	37	3	40
Middle managers	31	6	37	33	8	41	29	5	34
White collar employees	276	187	463	235	169	404	224	157	381
Blue collar employees	283	4	287	238	3	241	222	3	225
REST OF EUROPE	122	53	175	112	49	161	116	49	165
Executives	1	-	-	-	-	-	-	-	-
Middle managers	10	5	15	14	4	18	14	5	19
White collar employees	110	48	158	98	45	143	102	44	146
Blue collar employees	1	-	1	-	-	-	-	-	-
REST OF THE WORLD	716	179	895	586	151	737	510	143	653
Executives	10	2	12	11	4	15	12	6	18
Middle managers	36	9	45	33	7	40	28	11	39
White collar employees	464	152	616	395	132	527	362	113	475
Blue collar employees	206	16	222	147	8	155	108	13	121
TOTAL FOR THE GROUP	1.469	433	1.902	1.243	383	1.626	1.138	360	1.498
Executives	52	6	58	50	7	57	49	9	58
Middle managers	77	20	97	80	19	99	71	21	92
White collar employees	850	387	1.237	728	346	1.074	688	314	1.002
Blue collar employees	490	20	510	385	11	396	330	16	346

Total number of employees divided by employee category and gender															
	31 december 2021			31 december 2020			31 december 2019				31 dicembre 2019				
	M	M	W	W	Tot	M	M	W	W	Tot	M	M	W	W	Tot
Executives	52	90%	6	10%	58	50	88%	7	12%	57	49	84%	9	16%	58
Middle managers	77	79%	20	21%	97	80	81%	19	19%	99	71	77%	21	23%	92
White collar employees	850	69%	387	31%	1.237	728	68%	346	32%	1.074	688	69%	314	31%	1.002
Blue collar employees	490	96%	20	4%	510	385	97%	11	3%	396	330	95%	16	5%	346
Total	1.469	77%	433	23%	1.902	1.243	76%	383	24%	1.626	1.138	76%	360	24%	1.498

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

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

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	306	25%	793	64%	141	11%	1.240
Blue collar employees	170	34%	279	55%	58	11%	507

Avarage hours of training per employee category and gender						
	31 december 2019					
	Men n. hours	Average per capita men	Women n. hours	Average per capita women	Total hours	Avarage total per capita
TOTAL	15.042	13	6.782	19	21.823	15
Executives	340	7	73	8	413	7
Middle managers	1.417	20	507	24	1.923	21
White collar employees	7.774	11	6.094	19	13.867	14
Blue collar employees	5.512	17	109	7	5.621	16

Avarage 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	Avarage total per capita
TOTAL	17.964	14	9.147	24	27.111	17
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

Avarage hours of training per employee category and gender						
	31 december 2021					
	Men n. hours	Average per capita men	Women n. hours	Average per capita women	Total hours	Avarage total per capita
TOTAL	25.163	17	8.351	19	33.514	18
Executives	627	12	28	5	655	11
Middle managers	877	11	115	6	992	10
White collar employees	13.224	16	8.702	21	21.295	17
Blue collar employees	10.436	21	136	7	10.572	21

Employee health and safety indicators			
Injuries	2021	2020	2019
Total recordable work-related injuries	13	19	16
Total high-consequence work-related injuries (excluding fatalities)	1	-	-
Total number of fatalities as a result of work-related injuries	-	-	-
number of hours / days	2021	2020	2019
Multiplier	1.000.000	1.000.000	1.000.000
Hours worked	3.689.473	2.648.841	2.654.285
Health and safety indicators	2021	2020	2019
Rate of work related injuries	3,52	7,17	6,03
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	2021	2020	2019
Total recordable work-related injuries	-	-	-
Total high-consequence work-related injuries (excluding fatalities)	-	-	-
Total number of fatalities as a result of work-related injuries	-	-	-
number of hours / days	2021	2020	2019
Multiplier	1.000.000	1.000.000	1.000.000
Hours worked	103.891 *	-	-
Health and safety indicators	2021	2020	2019
Rate of work related injuries	-	-	-
Rate of high-consequence work-related injuries (excluding fatalities)	-	-	-
Rate of number of fatalities as a result of work-related injuries	-	-	-

-It should be noted that the hours worked by non-employees have been estimated on the basis of contracts stipulated with the various external companies doing contract work. 2021 was the first year that we monitored this data and consequently we have no comparable data for last year.

Environmental data

Energy consumption²¹

ITALY									
Type of fuel	2021			2020			2019		
	Consumption [UoM]		GJ	Consumption [UoM]		GJ	Consumption [UoM]		GJ
Natural Gas	m³	241.052	8.639	m³	251.504	8.878	m³	269.461	9.645
Diesel	l	319.129	11.452	l	260.887	9.340	l	315.781	11.332
Gasoline	l	13.848	451	l	3.827	124	l	9.138	295
LPG	l	4.056	99	l	3.073	75	l	5.770	137
Renewable fuel (bio-ethanol)	l	-	-	l	-	-	l	-	-
Electricity purchased	kWh	3.818.907	13.748	kWh	3.213.503	11.569	kWh	3.438.074	12.377
from renewable sources	kWh	-	-	kWh	-	-	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	42.773	154	kWh	45.339	163	kWh	24.130	87
Electricity self-produced and sold to the network	kWh	18.958	68	kWh	22.050	79	kWh	14.792	53
from renewable sources	kWh	3.784	14	kWh	7.056	25	kWh	2.156	8
TOTAL	GJ		34.475	GJ		30.069	GJ		33.820

REST OF EUROPE									
Type of fuel	2021			2020			2019		
	Consumption [UoM]		GJ	Consumption [UoM]		GJ	Consumption [UoM]		GJ
Natural Gas	m³	42.531	1.524	m³	43.832	1.547	m³	29.339	1.050
Diesel	l	82.664	2.966	l	117.669	4.213	l	95.986	3.444
Gasoline	l	10.308	336	l	7.508	243	l	6.086	197
LPG	l	-	-	l	-	-	l	-	-
Renewable fuel (bio-ethanol)	l	-	-	l	-	-	l	-	-
Electricity purchased	kWh	306.553	1.104	kWh	267.266	962	kWh	306.198	1.102
from renewable sources	kWh	287.876	1.036	kWh	-	-	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	41.354	149	kWh	49.845	179	kWh	-	-
Electricity self-produced and sold to the network	kWh	1.903	7	kWh	2.289	8	kWh	-	-
from renewable sources	kWh	1.903	7	kWh	2.289	8	kWh		
TOTAL	GJ		6.072	GJ		7.136	GJ		5.794

²¹ 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 companied located in Calenzano, 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 2019, 2020 e 2021 respectively.

REST OF THE WORLD									
Type of fuel	2021			2020			2019		
	Consumption [UoM]		GJ	Consumption [UoM]		GJ	Consumption [UoM]		GJ
Natural Gas	m³	-	-	m³	-	-	m³	-	-
Diesel	l	14.753	529	l	12.381	443	l	13.722	492
Gasoline	l	36.606	1.193	l	24.612	795	l	20.506	663
LPG	l	-	-	l	-	-	l	-	-
Renewable fuel (bio-ethanol)	l	12.591	268	l	15.758	335	l	23.745	505
Electricity purchased	kWh	1.952.201	7.028	kWh	1.421.266	5.117	kWh	931.387	3.353
from renewable sources	kWh	-	-	kWh	-	-	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	-	-	kWh	-	-	kWh	-	-
Electricity self-produced and sold to the network	kWh	-	-	kWh	-	-	kWh	-	-
from renewable sources	kWh	-	-	kWh	-	-	kWh	-	-
TOTAL	GJ	-	9.019	GJ	-	6.690	GJ	-	5.014

ENERGY CONSUMPTION OF THE GROUP									
Type of fuel	2021			2020			2019		
	Consumption [UoM]		GJ	Consumption [UoM]		GJ	Consumption [UoM]		GJ
Natural Gas	m³	283.583	10.164	m³	295.336	10.425	m³	298.799	10.695
Diesel	l	416.546	14.948	l	390.937	13.996	l	425.489	15.269
Gasoline	l	60.761	1.981	l	35.947	1.161	l	35.730	1.155 ¹⁵
LPG	l	4.056	99	l	3.073	75	l	5.770	137
Renewable fuel (bio-ethanol)	l	12.591	268	l	15.758	335	l	23.745	505
Electricity purchased	kWh	6.077.661	21.880	kWh	4.902.035	17.647	kWh	4.675.659	16.832
from renewable sources	kWh	287.876	1.036	kWh	-	-	kWh	-	-
Electricity self-produced by photovoltaic plants	kWh	84.127	303	kWh	95.184	343	kWh	24.130	87
Electricity self-produced and sold to the network	kWh	20.861	75	kWh	24.339	88	kWh	14.792	53
from renewable sources	kWh	5.687	20	kWh	9.345	34	kWh	2.156	8
TOTAL	GJ	-	49.567	GJ	-	43.895	GJ	-	44.628 ¹²
from renewable sources	GJ		1.587	GJ		644	GJ		585

Emissions

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

	2021			2020			2019		
	EMISSIONS (ton CO _{2eq})								
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.321	1.203	2.524	1.186	1.080	2.226	1.395	1.234	2.630
Rest of Europe	316	116	432	405	117	521	322	139	461
Rest of the World	117	1.160	1.277	85	854	939	81	532	613
Total	1.755	2.479	4.234	1.676	2.051	3.726	1.798	1.905	3.703

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

	2021			2020			2019		
	EMISSIONS (ton CO _{2eq})								
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.321	1.751	3.073	1.186	1.497	2.684	1.395	1.674	3.070
Rest of Europe	316	4	320	405	150	554	322	217	540
Rest of the World	117	1.160	1.277	85	675	760	81	532	613
Total	1.755	2.915	4.670	1.676	2.322	3.998	1.798	2.424	4.222

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) 2018, 2019 e 2020.

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 2017, 2018 and 2019 respectively for 2019, 2020 e 2021;²²
- 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), 2018, 2019 and 2020 respectively for 2019, 2020 and 2021. For the other countries we have used the same factors used for the location-based method."

²² 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 CO₂; in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gas (CO₂eq), as can be seen from the specific technical literature.

Water consumption

GROUP TOTAL						
Source of water	2021		2020		2019	
	All areas [ML]	Areas with water stress ²⁴ [ML]	All areas[ML]	Areas with water stress [ML]	All areas[ML]	Areas with water stress [ML]
Third-party water ²³	44	10	34	8	38	18
Surface water	-	-	-	-	-	-
Groundwater	-	-	-	-	-	-
Seawater	-	-	-	-	-	-
Produced water	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	44	10	34	8	38	18



²³ It should be noted that all the water withdrawn can be classified as fresh water

²⁴ 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	Scope of impact	GRI	Type of impact
Corruption	1	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.	Group	207-4	Caused and contributes to
					205-3	
					419-1	
					307-1	
Environment	2	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.	Group; Suppliers of electricity	302-1	Caused and directly linked through business relationship
					303-3	
					305-1	
					305-2	
HR	3	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.	Employees and workers non employees of the Group*	403-9	Caused
	4	Employee growth and training	Offers of development and training sessions aimed at improving the knowledge of their people and consolidate their professional qualifications.	Employees of the Group	404-1	Caused
	5	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	Group	405-1	Caused
					406-1	
	6	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).	Group	412-2	Caused

Topic of D.Lgs. 254/2016	Nr.	Material topic	Description	Scope of impact	GRI	Type of impact
Social	7	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.	Group	308-1	Caused
					414-1	
	8	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.	Group, University and research centres	-	Caused and contributes to
	9	Commitment to the community and the territory	Commitment of the Group in the relations with public institutions, collaboration and contributions to the creation of research and development activities Indirect social impact related to the use of the products of the Group by means of donations which benefit the collectivity.	Gruppo	201-1	Caused
	10	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.	Group, Clients (B2B) and Consumers (B2C)	-	Caused
	11	Product quality and safety	Identification and reduction of potential risks to the health and safety related to products along the entire chain of values	Group	416-2	Caused

10. GRI content index

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

GENERAL INFORMATION		
GRI Standard	Information	Page
GRI 101: Foundation (2016)		
GRI 102: General Disclosures (2016)		
Organization profile		
102-1	Name of the organization	48
102-2	Activities, brands, products and services	50 - 53; 54 - 56
102-3	Location of headquarters	48
102-4	Location of activities	48-49
102-5	Ownership and legal form	62-64; Report on Corporate Governance and ownership for 2021, Chart 1 - information on the company organization
102-6	Markets served	54-56; The main markets are Italy, Europe, USA, China and Japan
102-7	Scale of the organization	48-49; 58; 122-123; The market value at 31st of December 1,243 billion of euros
102-8	Information on employees and other workers	154 - 157
102-9	Supply chain	93 - 94
102-10	Significant changes to the organization and its supply chain	152
102-11	Precautionary principle or approach	69-74
102-12	External initiatives	25 - 38; 67; 89
102-13	Membership of associations	20-21

GENERAL INFORMATION		
GRI Standard	Information	Page
GRI 102: General Disclosures (2016)		
Strategy		
102-14	Statement from senior decision maker	8 - 10
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	45 - 47; 65 - 66
Governance		
102-18	Governance structure	62 - 64
Stakeholder Engagement		
102-40	List of stakeholder groups	17
102-41	Collective bargaining agreements	126
102-42	Identifying and selecting stakeholders	17; 22
102-43	Approach to stakeholder engagement	18 - 19; 22
102-44	Key topics and concerns raised	18 - 19; 22; 162 - 163
102-45	Entities included in the consolidated financial statement	150 - 152; 48 - 49
102-46	Defining report content and topic boundaries	150 - 152; 22
102-47	List of material topics	22; 162 - 163
102-48	Restatements of informations	It should be noted that no revisions have been made to the data provided in previous reports
102-49	Changes in reporting	22; 162 - 163

GENERAL INFORMATION		
GRI Standard	Information	Page
GRI 102: General Disclosures (2016)		
102-50	Reporting period	150
102-51	Date of most recent report	March 2021 for El.En.
102-52	Reporting period	150
102-53	Contact point for questions regarding the report	sustainability@elen.it
102-54	Claims of reporting in accordance with the GRI Standards	150
102-55	GRI content index	164 - 173
102-56	External assurance	174 - 176

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
Material aspects			
GRI 200: ECONOMIC SERIES			
Economic performance			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 163	
103-2	The management approach and its components	29; 54 - 56	
103-3	Evaluation of the management approach	58	
GRI 201: Economic performance (2016)			
201-1	Direct economic value generated and distributed	58	
Anti-corruption			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	28; 65 - 66; 69 - 77; 151	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
103-3	Evaluation of the management approach	65 - 66	
GRI 205: anti-corruption (2016)			
205-3	Confirmed incident of corruption and action taken	During three years 2019 - 2021 no cases of corruption were reported	
Tax			
103-1	Explanation of the material topic and its boundary	162	
103-2	The management approach and its components	56 - 57	
103-3	Evaluation of the management approach	56 - 57	
GRI 207: Tax (2019)			
207-1	Approach to tax	56 - 57	
207-2	Tax governance, control and risk management	56 - 57	
207-3	Stakeholder engagement and management of concerns related to tax	56 - 57	
207-4	Country-by-country reporting	56 - 57	
GRI 300: ENVIRONMENTAL SERIES			
Energy			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	37 - 38; 138 - 140; 142 - 143; 151	
103-3	Evaluation of the management approach	138 - 146	
GRI 302: energy (2016)			
302-1	Energy consumption within the organization	138 - 140; 142 - 143; 158 - 159	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
GRI 300: ENVIRONMENTAL SERIES			
Water and water discharges			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	37 - 38; 147; 151	
103-3	Evaluation of the management approach	147	
GRI 303: Water and water discharges (2018)			
303-1	Interaction with water as a shared resource	147	
303-2	Management of water discharge-related impacts	147	
303-3	Water withdrawal	147; 161	
Emissions			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	37 - 38; 144 - 146; 151	
103-3	Evaluation of the management approach	144 - 146	
GRI 305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	160	
305-2	Energy indirect (Scope 2) GHG emissions	160	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
Environmental Compliance			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	69 - 74; 77; 140; 151	
103-3	Evaluation of the management approach	69 - 74; 77; 140	
GRI 307 Environmental compliance (2016)			
307-1	Non- compliance with environmental laws and regulations	During three years 2019 - 2021 no cases of non-conformity with environmental laws and regulations took place	
Supplier environmental assessment			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 163	
103-2	The management approach and its components	29 - 30; 93 - 94; 152	
103-3	Evaluation of the management approach	93 - 94;	
GRI 308 Supplier environmental assessment (2016)			
308-1	New suppliers that were screened using environmental criteria	94	
GRI 400: SOCIAL SERIES			
Occupational Health and safety			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
103-2	The management approach and its components	30 - 32; 130 - 132	
103-3	Evaluation of the management approach	130 - 132	
GRI 403: Occupational health and safety (2018)			
403-1	Occupational health and safety management system	130 - 132	
403-2	Hazard identification, risk assessment and incident investigation	130 - 132	
403-3	Occupational health services	130 - 132	
403-4	Workers participation, consultation and communication on occupational health and safety	130 - 132	
403-5	Workers training on occupational health and safety	128 - 132	
403-6	Promotion of workers health	133 - 134	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationship	90 - 91; 132 - 134	
403-9	Work-related injuries	132; 157	
Training and education			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	30; 32; 128 - 129	
103-3	Evaluation of the management approach	128 - 129	
GRI 404: Training and education (2016)			
404-1	Average hours of training per year per employee	128 - 129; 156 - 157	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
Diversity and Equal Opportunity			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	65; 77; 122 - 127	
103-3	Evaluation of the management approach	65; 77; 122- 127	
GRI 405: Diversity and equal opportunity (2016)			
405-1	Diversity of governance bodies and employees	63; 122 - 127; 154 - 156	
Non Discrimination			
GRI 103: Management approach(2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	65 - 67; 77; 126	
103-3	Evaluation of the management approach	65; 77; 126	
GRI 406: Non discrimination (2016)			
406-1	Incidents of discrimination and corrective action taken	During three years 2019 - 2021 no cases related to discriminatory practices occurred	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
Human rights assestment			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	67; 72; 151	
103-3	Evaluation of the management approach	72	
GRI 412: valutazione del rispetto dei diritti umani (2016)			
412-2	Employees training on human rights policies or procedures	32; 129	
Supplier social assestment			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 163	
103-2	The management approach and its components	29 - 30; 93 - 94; 152	
103-3	Evaluation of the management approach	93 - 94	
GRI 414: Supplier social assessment (2016)			
414-1	New suppliers that were screened using social criteria	94	
Customer health and safety			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 163	
103-2	The management approach and its components	36; 87 - 90	
103-3	Evaluation of the management approach	87 - 90	

SPECIFIC INFORMATION			
GRI Standard	Information	Page	Omissions
GRI 416: Salute e sicurezza del cliente (2016)			
416-2	Incidents of noncompliance concerning the health and safety impacts of products and services	During three years 2019 - 2021 no cases of non compliance took place in relation to health and safety issues of products	
Socio-Economic Compliance			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	65 - 66; 70 - 71	
103-3	Evaluation of the management approach	65 - 66; 70 - 71	
GRI 419: socio-economic Compliance (2016)			
419-1	Non compliance with laws and regulations in the social and economic area	During three years 2019 - 2021 no cases of non compliance with laws and regulations relating social and economic issues	
Research, development and innovation			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	36; 80 - 86; 108 - 113	
103-3	Evaluation of the management approach	36; 80 - 86; 108 - 118	
Customer satisfaction			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	22; 162	
103-2	The management approach and its components	98 - 102; 109 - 111	
103-3	Evaluation of the management approach	98 - 102; 109 - 111	



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

To the Board of Directors of
El.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 El.En. S.p.A. and its subsidiaries (hereinafter the "Group" or "El.En. Group") for the year ended on December 31, 2021 in accordance with article 4 of the Decree and approved by the Board of Directors on March 15, 2022 (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 the International Ethics Standards Board for Accountants, based on fundamental



principles of integrity, objectivity, professional competence and diligence, confidentiality and 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 El.En. Group's consolidated financial statements;
4. understanding of the following aspects:
 - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - 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 El.En. 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 El.En. S.p.A., production site of Calenzano, that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out a 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 El.En. Group for the year ended on December 31, 2021 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 El.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 El.En. Group for the years ended on December 31, 2019 and December 31, 2020, whose data are presented for comparative purpose, have been subject to limited assurance procedures by another auditor, who expressed unqualified conclusions on May 14, 2020 and March 31, 2021, respectively.

Firenze, March 31, 2022

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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