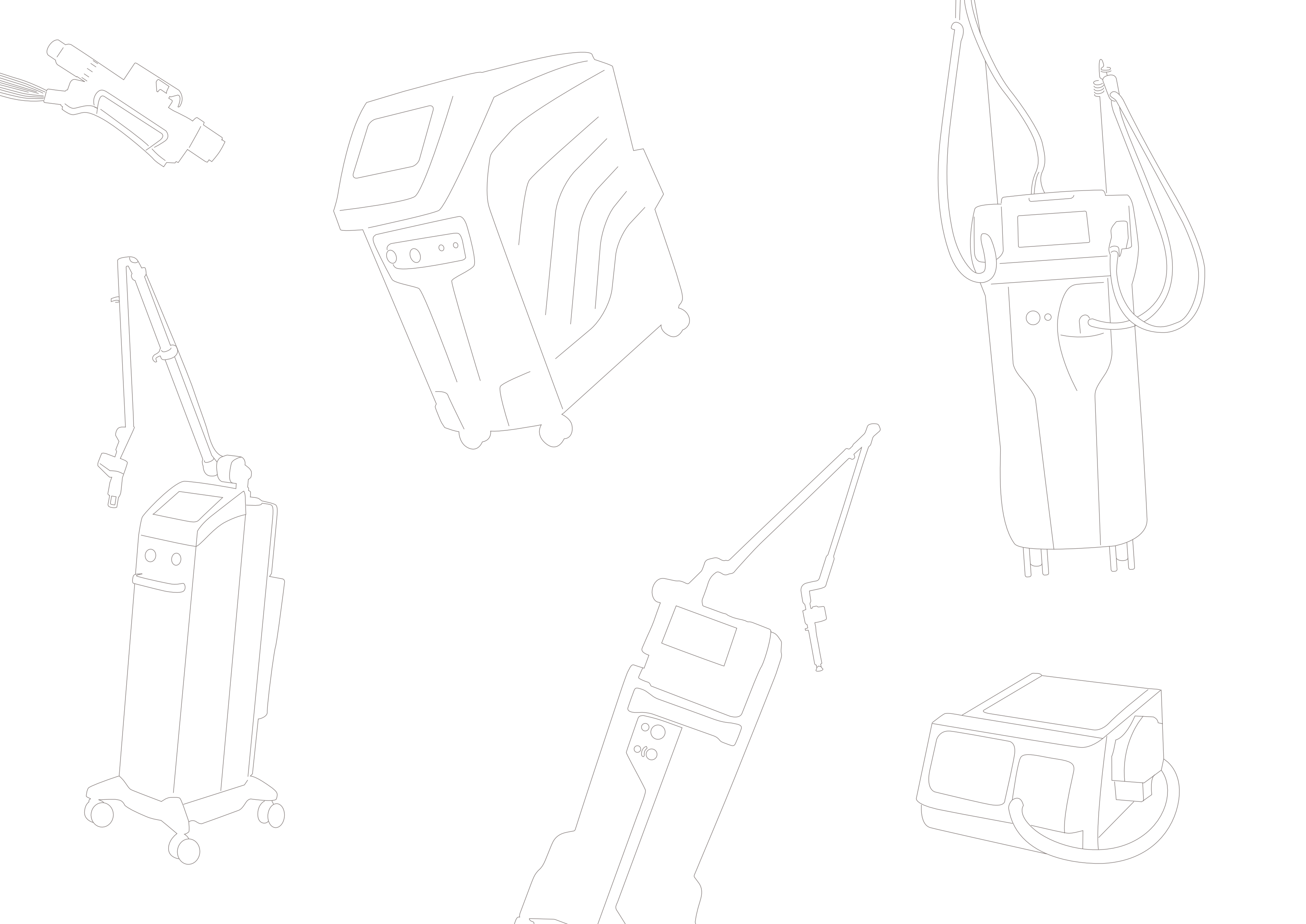


El.En. Group

Sustainability Report 2020

Consolidated Non-financial Statement 2020
pursuant to Italian Legislative Decree n. 254 of 2016



INDEX

LETTER TO OUR STAKEHOLDERS	8
-----------------------------------	----------

HIGHLIGHTS 2020	12
------------------------	-----------

1. SUSTAINABILITY OUR STRATEGY FOR A SUSTAINABLE FUTURE	14
--	-----------

1.1 Sustainability for the El.En Group.	16
1.2 Our stakeholders	17
1.3 Materiality matrix	21
1.4 The sustainability plan	22

2. THE GROUP A HISTORY OF CONCRETE AND SHARED VALUES	38
---	-----------

2.1 Our global presence	44
2.2 Our history	46
2.3 Our markets	50
2.4 The economic value generated and distributed to our <i>stakeholders</i>	53

3. THE ORGANIZATIONAL PROFILE OF THE GROUP RESPONSIBLE BUSINESS MANAGEMENT	54
---	-----------

3.1 The Corporate Governance model	56
3.2 Ethics, integrity and compliance	59
3.3 Internal controls system and risk management	63

4. THE MANUFACTURING PROCESS FROM THE ORIGINAL IDEA TO THE FINISHED PRODUCT	70
--	-----------

4.1 Research and Development as an instrument for innovation	72
4.2 Quality and safety of our products	77
4.3 The supply chain	81
4.4 Our customers	85

INDEX

5. OUR BUSINESS THE LASER AS A SUSTAINABLE INSTRUMENT	90
5.1 Uses and benefits of lasers in the medical sector	92
5.2 Uses and benefits of lasers in the industrial sector	95
5.3 Use of lasers in the conservation of the world's artistic heritage	97
5.4 Our support to the community	98
6. THE PEOPLE PASSION AND TALENT TO GROW TOGETHER	104
6.1 Training and skills development	110
6.2 Health and safety in the workplace	112
6.3 The welfare of the people	115
7. ENVIRONMENTAL RESPONSIBILITY COMMITMENT AND RESPECT FOR OUR PLANET	118
7.1 Energy consumption	120
7.2 Self-produced energy	122
7.3 Emissions	125
7.4 Water consumption	127
APPENDIX	128
8. About our report	130
9. Performance indicators	132
10. GRI Content Index	142
 AUDITOR'S REPORT	 154

Letter to our Stakeholder

In one of the periods which has been historically and economically the most difficult we have ever faced, we wish to present the Sustainability Report of the El.En. Group and in this way give the public an opportunity to judge our commitment, our objectives and the results that we have obtained in this troubled year which demonstrate the solidity of our technical, financial and operative structures.

The El.En. Group has demonstrated their ability to resist with determination the adverse conditions without sacrificing their potential for future growth and maintain unchanged their plans for development thanks to the solidity of their business model which is aimed at sustainable growth over a mid- to long-term period. In the first part of the year we were impacted by the closure of our Chinese companies and, in particular, those located in Wuhan, while in the second quarter the Italian and European activities were hit by the restrictions imposed in the western world and by their effects on our markets; in the third quarter we returned to a growing volume of business although the trends were not uniform and differed according to the various geographic areas and segments of the market, and then, in the last part of the year we achieved excellent results, in which some of the sectors were drivers and others showed more difficulty and the Group was again able to resume the growth rate and the revenue which had been expected at the beginning of the year.

From the start of the spread of the pandemic all of the subsidiary companies adopted procedures which were meant to guarantee the safety of their employees and allow them to go to work confidently, and "smart working" was widely implemented. The emergency situation required that our first priority was the protection of our employees while working; even now the safety procedures are still being applied according to protocols which have been previously agreed upon and are periodically up-dated. Even during the year of the pandemic we continued to create jobs and in fact the number of people who work for us throughout the world increased by 9%. This number represents an important sign of growth not only at a numerical level but also as a symbol of solidity and safety. During this year we never came to a halt even in the field of training; in fact, we continued to promote the adoption and consolidation of the ethics and values of the Group in all of the subsidiary companies and increased the number of hours of technical and occupational training most of which was conducted on-line, to promote the personal and professional growth of all of the employees.

The basis underlying our strategy remains the constant commitment to the research and development activities which represent the essence of our Group: this commitment is aimed not only at the technical aspects for the launch of new products but also the documentary and clinical factors required for obtaining the certifications necessary for the sale of medical systems all over the world. We have worked constantly on clinical experimentation with medical centers and hospitals as well as on the regulatory structures which involve a complex but necessary procedure for launching our innovative products on the market. The difficult context did not affect our capacity to innovate and increase the attractiveness of our range of products which we continued to amplify, thus confirming the solid competitive position of the Group and its ability to differentiate itself on the market

with technical and applicative innovations. The launching of new products represents one of the strong points of our strategy: in the industrial sector this year we introduced systems with laser cutting powers of up to 30kW while in the medical sector in the second half of the year we launched the new Again system for hair removal, the Schwarzy system which introduced the technology of high intensity magnetic fields for body contouring and q-switch technology was configured at its highest potential for the treatment of pigmented and vascular lesions with the greatest effectiveness.

In some of the companies we continued to invest in the enlargement of their manufacturing structures, most of which has been completed in previous years: during the pandemic we completed the work at the German subsidiary Asclepion and at the headquarters of Lasit in Torre Annunziata, continued construction at the manufacturing center located in Calenzano, finished the third Chinese manufacturing unit located in the city of Lin Yi and built the second factory of the Chinese subsidiary in Wenzhou. This work was conducted bearing in mind a high level of energy efficiency and planned with an aim to raise the quality of working life: in fact, we are convinced that working in an environment that is built to size promotes an increased sense of belonging and for this reason we have decided to dedicate ample space to the welfare of the personnel, to complete the training and career factors with an investment which promotes the creation of a work environment that is dynamic and satisfying and stimulates team work.

In the factory of the Parent Company El.En. we have installed systems for the production of prototype and small series electronic boards and for the rapid prototyping of mechanical parts and we have completed the equipping of a new production line of mid-powered sealed sources for manufacturing applications, all of which qualify as facilitations for Industria 4.0. These are only the first of a series of innovations which, in the next few years, will transform our factories: increasingly, the technological mix of robotics, sensors and internet connections will modify the management of the company and of the production models as we now know them and the factory will lose the concept of an immobile physical entity thanks to the sharing of data online, by exploiting the opportunities offered by "big data" and by the "Internet of things". We want this transformation to be a tangible reality for the El.En. Group that will continue in the next few years in all of the factories..

The interruptions caused by the pandemic have created a situation in which, in order to continue to keep working, we have made use of virtual means of communication, in particular for sales and marketing, for the purpose of keeping in touch with our clients: in a dramatic moment like the one we are now experiencing, in which sales continue to be obstructed by the restrictions in travel, our philosophy has continued to be in contact with the clients, by means of the telephone rather than by innovative instruments like the virtual booth, the webinar and live chat. Among the various types of impact generated by the pandemic on the company models of the Group, there is certainly a strong desire to continue to count on the channels of direct communication which are more useful in building a personal human relationship with all clients including those at a great distance. The pandemic and economic crisis have generated significant changes in our marketing

relations and accelerated the process of digital transformation in all of the companies which are now called upon to rethink their models and revise their strategies for the management of their resources.

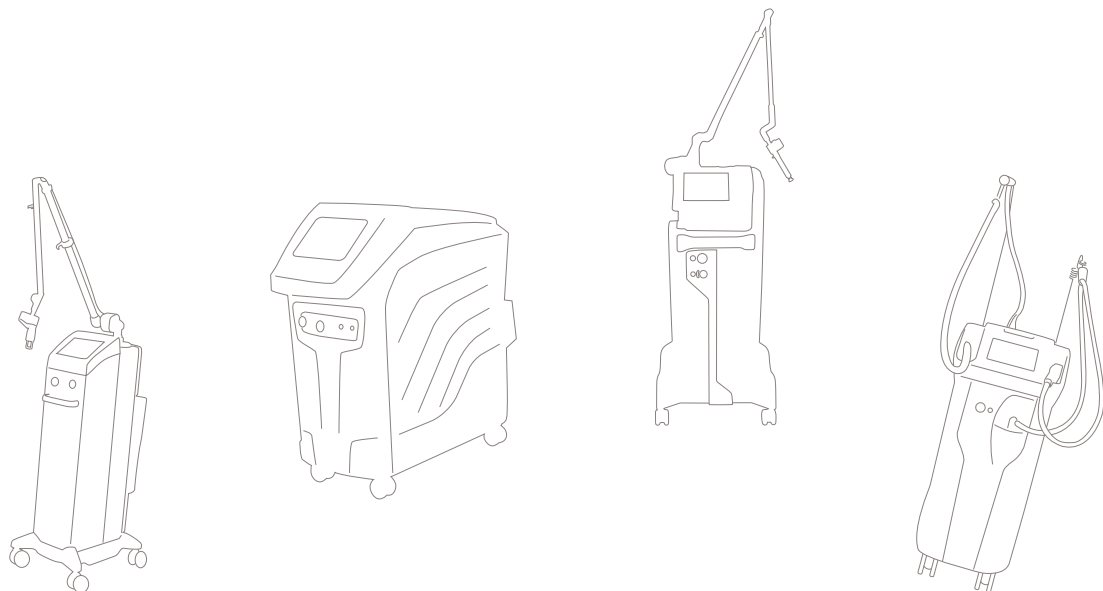
Our commitment as a company has continued to be expressed through initiatives in favor of the community: we work every day to produce a positive impact on the lives of people and, with several specific projects donate our expertise and our instruments to non-profit organizations, foundations and advanced scientific laboratories working for the health of patients, and for the conservation and restoration of works of art. The companies of the Group are closely connected to the territories in which they work and this year, more than ever, have been committed to sustaining them by participating in initiatives of solidarity for the global health emergency as well as the support of cultural, social and educational initiatives by means of sponsoring, participation and associations while continuing to promote projects for alternating school with apprenticeship and internship opportunities.

We are proud to be able to state that, despite this difficult scenario, the results which we have obtained once again confirm the solidity of our business model which has allowed us to absorb the impact of a lockdown which has lasted for months and to react immediately, remaining focused and implementing all of the measures necessary to take advantage of the recovery. This year, despite the pandemic, has been one of growth and consolidation of our global competitive position and has demonstrated our capacity to pursue our objective of sustainable development, a differential factor of success for which in recent years we have made investments in order to enlarge the logistic structures and main operating functions, in this way combining economic growth and financial stability with the principles of social and environmental sustainability in order to represent a model of excellence.

In conclusion I would like to underline how all of this has been possible also thanks to the confidence in the Group demonstrated by all of the stakeholders which has allowed us to continue to operate with effectiveness and continuity.

The President

Gabriele Clementi



HIGHLIGHTS 2020

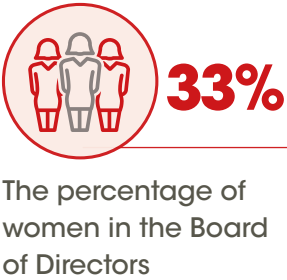
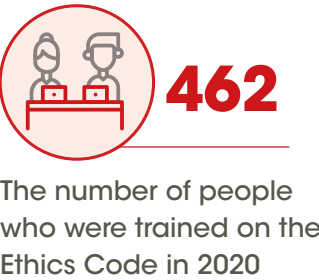
SUSTAINABILITY



THE GROUP



THE ORGANIZATION OF THE COMPANY



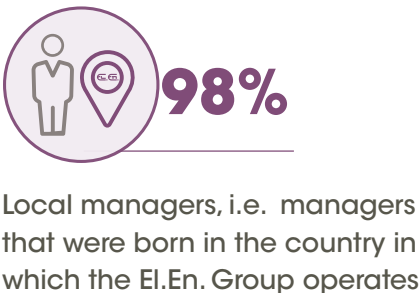
THE PRODUCTION PROCESS



THE SUPPLY CHAIN



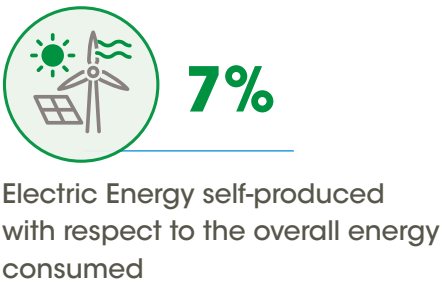
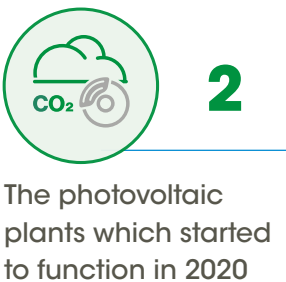
THE COMMUNITY



THE PEOPLE



THE ENVIRONMENT



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 caused by the pandemic, this year was important in terms of the consolidation of our commitment in terms of ESG: the concrete objectives for sustainability which we had set as part of the Sustainability Plan were reached and, as a confirmation of the commitment of the Group in promoting a business model which combines

economic, social and environmental responsibilities we have defined, as we did last year, new sustainability objectives. In this last year, which was very trying for all of us from a physical and human point of view, the objective has been that of attempting to increase awareness of the impact and importance of sustainability issues by spreading the word through documents drawn up by the main stakeholders and by the diffusion of the objectives of the Plan and the actions which must be undertaken in order to reach them. The Board of Directors of the Parent Company, El.En. S.p.A., in order to deal with the ESG issues in 2018, had assigned the task of examining the policies, the company objectives related to sustainability and the supervision of the Plan to the Committee for Risks and Controls. In early 2020 the desire to proceed in a manner that was more responsible and complete determined the decision to entrust the Executive Administrator in charge of internal controls to define the strategic guidelines for sustainability, the Sustainability Plan and the analysis of the Consolidated Non-Financial Declaration, in order to further guarantee an adequate response and monitoring of the procedures.



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 implemented a process of mapping and identification of our stakeholders which brought about the identification of the individuals, both within the Group and outside of it, having some form of interest in the Group and these are shown on the graph below. During this year, in order to collect and evaluate the expectations and issues of major interest for the stakeholders, we conducted specific activities of stakeholder engagement: we submitted questionnaires to a sample group of stakeholders both internal (employees of some of the companies of the Group) and external (the main suppliers of some of the subsidiary companies). During the year we also conducted new communication initiatives and participated in events promoted by local

institutions which we met with and we gave our contribution in relation to the main sustainability issues and initiatives in the territory by participating in questionnaires and sustainability ratings promoted by some investors and we developed a section of the internet site of the Group dedicated to ESG issues which will become active in April 2021. This process will continue in a manner which is even more structured in the coming years by submitting questionnaires to other categories of stakeholders which we have not yet interviewed, conducting market analyses and new communication initiatives. The chart below shows the means and main channels of communication and dialogue with the stakeholders of the Group.



Human Resources

Topic

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

Main dialogue instruments

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



Universities and Research Centers

Topic

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

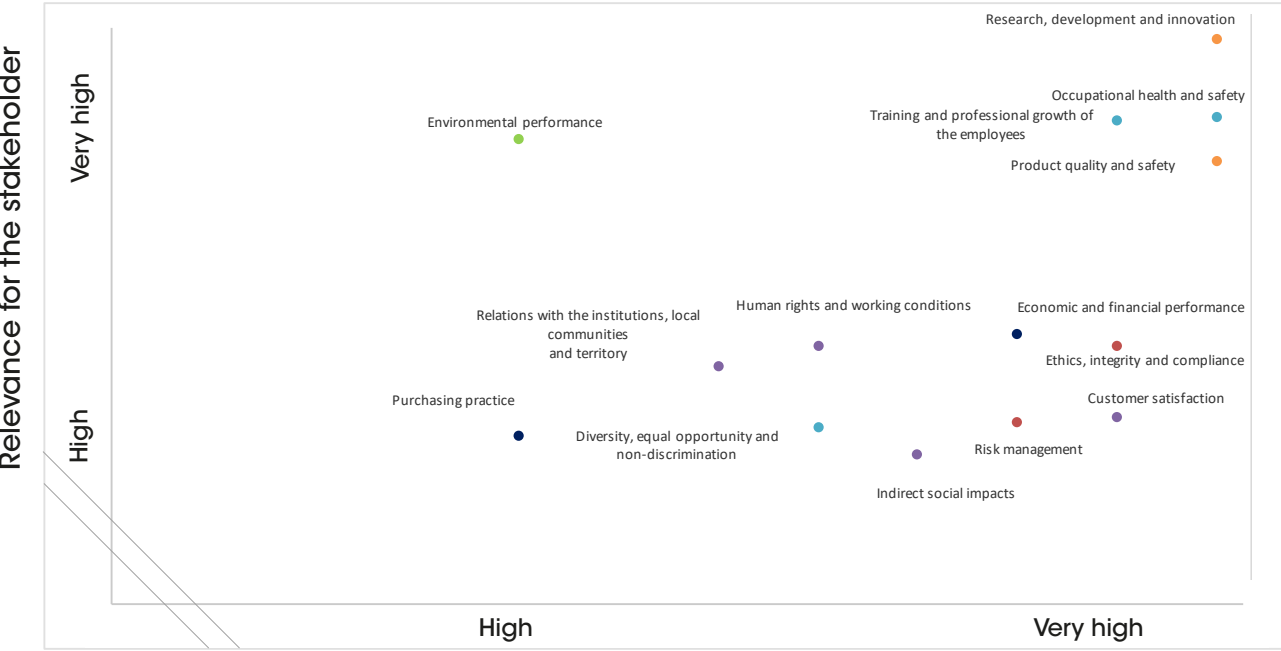
1.3 Materiality matrix

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

Again during 2020, as we had done in preceding years, the materiality matrix was updated by

conducting stakeholder engagement activities¹. In particular, we submitted a questionnaire to a sample of employees of the Group and a sample of suppliers of the Group in which we asked them to attribute an order of priority on the topics which they believed to be most significant.

The results which were obtained were integrated with an internal qualitative evaluation of the Group which also considered factors of best practice in the sector and the evolution of the regulations which resulted in the up-dating of the evaluation of all of the topics, as shown in the following matrix:



MACRO AREAS:

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

The analysis confirmed the 14 material topics which had emerged last year. In particular we noted that the stakeholders gave more importance to topics dealing with “Research, development and innovation”, “Growth and training of employees”, “Environmental performance” and “Relations with the

institutions, local communities and the territory” and much less importance to topics related to “Ethics, integrity and compliance”. As was done last year the materiality matrix was submitted to the attention of the Commission for Risks and Controls which checked the methods used for evaluating it and approved it.

¹ In 2020 we involved some employees of the Parent Company, the Italian and foreign subsidiaries and, as external stakeholders, we contacted some of the major suppliers in terms of purchases of the subsidiaries Asclepion, ASA and Quanta System; in 2019, we involved the employees of some of the Italian and Chinese subsidiaries, while in 2018 we involved employees of the Parent Company and some of the Italian subsidiaries and, as external stakeholders, we contacted the main suppliers in terms of purchases of the Parent Company and of one of the Italian subsidiaries.

1.4 The Sustainability Plan

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

The five-year Sustainability Plan 2018-2022, with the implementation of the policies intended to generate and distribute resources to all the stakeholders represents the mid- to long-term vision of the Group and the means for communicating the objectives and the actions to be undertaken in order to achieve them. By combining the corporate mission with the Sustainability Plan, the El.En. Group is able to respond to the challenges offered by the market while proposing a sustainable development which will be long lasting over time.

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

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

- The objectives of the El.En. Group contribute to the achievement of nine of the SDGs (Sustainable Development Goals) promoted by the United

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

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

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







Governance




1) Implementation of a corporate governance of sustainability			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">• Instruct the Executive Administrator in charge of the system of internal controls and risks to define the strategic points of Sustainability, of the Plan and the examination of the Consolidated Non-financial Statement.• We entrusted the Committee for Risks and Controls with the examination of the Company policies and objectives related to sustainability issues and the supervision of the Sustainability Plan and integrate the Regulation of the Commission with these functions. The Board of Directors entrusted the Executive Administrator with the amount budgeted.	<ul style="list-style-type: none">• The BoD instructed the Executive Administrator as directed.	<ul style="list-style-type: none">• To assure that the company maintains all of the initiatives intended to guarantee the mid- to long-term sustainability of the company activities that are beneficial to the stakeholders in compliance with regulations.	



2) Dialogue with the stakeholders			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">• Issuing and distribution of a questionnaire related to sustainability topics to all employees;• Re-enforcement of dialogue with the stakeholders.	<ul style="list-style-type: none">• We submitted the materiality questionnaire to 320 employees of the subsidiary companies (in the three year period 2018-2020 the employees of 11 companies of the Group were involved);• We submitted the materiality questionnaire to a sample of suppliers of the subsidiary companies both in Italy and abroad (in the three year period 2018-2020 the suppliers of 5 of the companies in the Group were involved);• We participated in events promoted by local institutions to discuss the main topics and sustainability initiatives in the territory and meetings with local and national institutions in order to promote sustainability projects;• We participated in research and sustainability ratings on behalf of investors.	<ul style="list-style-type: none">• Distribute the sustainability questionnaire to all of the employees of the Group;• Extend the questionnaire also including parts to collect opinions, suggestions and assessments; • Carry out new stakeholder engagement and meetings with other stakeholder categories.	

3) Promotion of a sustainability culture			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">• Conduct training sessions on the objectives contained in the Sustainability Plan and the actions that must be taken in order to reach them;• Organize training meetings in class or via web in order to create awareness in the employees on sustainability issues.	<ul style="list-style-type: none">• We conducted promotion campaigns on sustainability issues by giving our employees, suppliers and clients the documents that have been published;• We edited a Synthesis of the Sustainability Report to improve the availability of the main issues and we distributed it mainly to employees and clients;• We developed a section for sustainability issues on our site www.elengroup.com. which will be available starting in April 2021. 	<ul style="list-style-type: none">• To conduct training sessions on sustainability issues for some categories of employees in all of the companies belonging to the Group;• Create work groups dedicated to sustainability issues;• We created on-line training concerning social and environmental themes and Company policies;• we created a Sustainability Section on our on-line site.	




4) Active and passive anti-corruption fight			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">We worked to Prevent corruption in all spheres of influence;We conducted training on the Ethics Code of the Group.	<ul style="list-style-type: none">We conducted a specific training course for directors and executives of the subsidiaries of the El.En. Group which was called "Anticorruption, Ethics Code and Human Rights" (177 employees were involved);the Anticorruption Policy approved by El.En has recently been adopted by all of the subsidiary companies and brought to the attention of all of the employees of the Group.We continued with the training courses on Model 231 for the employees of the Italian subsidiaries that adopted it.	<ul style="list-style-type: none">Creation of specific on-line training for some categories of employees with response and certification that the test has been passed.Continuation of the training sessions based on Model 231 for all of the employees of the Italian subsidiaries that have adopted it;We distributed the Ethics Code and conducted an initial specific training course in all of the subsidiary companies.	



Economic Responsibility



5) Creating sustainable value			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Conduct the activities of the company so that they create the conditions for a sustainable and economical development.	<ul style="list-style-type: none">We increased our sustainability reporting through the identification of all of the steps, the persons involved and the necessary documentation in order to write the NFD in conformity with the GRI accounting standards approved by the Committee for Controls and Risks.	<ul style="list-style-type: none">To guarantee the satisfaction and meet the expectations of all the stakeholders by achieving the objectives outlined in the Sustainability Plan.	

6) Promotion of a culture and sustainable procurement practices			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Definition and promotion of social, environmental and ethical standards amongst our suppliers.	<ul style="list-style-type: none">We continued spreading the social, ethical and environmental standards for the suppliers of the Parent Company and some of the subsidiary companies by submitting questionnaires and sending them our sustainability documents.	<ul style="list-style-type: none">To increase awareness and training of our suppliers in relation to ESG issues.	

7) Carry out checks on suppliers during the selection phase, taking into account social and environmental criteria			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promotion of good sustainability practices at our suppliers'	<ul style="list-style-type: none">To the check-list of the qualification audit used for selecting suppliers of critical components we added questions concerning social and environmental issues also for Quanta System S.p.A. and ASA S.r.l.	<ul style="list-style-type: none">To guarantee the level of uniformity in compliance to their standards and the respect of a sustainable supply chain.	<div><div></div></div>



Human Resource responsibility



8) Guaranteeing health and safety in the workplace			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promotion of a culture of health and safety in the workplace;Conducting the activities that every company follows in relation to health and safety and then proceed to the definition of a procedure for the collective activities.	<ul style="list-style-type: none">We conducted over 2900 hours in training courses related to health and safety.	<ul style="list-style-type: none">To continue to promote training tools and information on health and safety for the employees.	<div><div></div></div>

9) Increasing the well-being of the employees			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Improvement of the well-being of the employees during the working hours;Spread of a culture of well-being through programs aimed at encouraging a healthy life style;Definition of programs to guarantee access to the best health and welfare services;Annual surveys of employees related to the internal climate conditions.	<ul style="list-style-type: none">We completed the project for the remodeling of the rooms of the companies in Calenzano;We completed the remodeling of the medical and industrial production lines of El.En. S.p.A.;We inaugurated the Chinese "Green Factory" the second manufacturing building of the Chinese subsidiary Penta Laser Wenzhou.	<ul style="list-style-type: none">To continue with well-being initiatives;To start an awareness program related to the spread of a wellness culture;To conduct an annual survey of the employees in retain to internal climate conditions.	<div><div></div></div>



10) Promotion of the training and enhancement of human capital

Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Definition and implementation of training and development programs; Attract young resources through partnerships with universities and research centers. 	<ul style="list-style-type: none"> We conducted over 27.100 hours of training courses at a consolidated level; The Human Rights Policy approved by El.En. was adopted by all of the subsidiary companies and distributed to all of the employees of the Group; We conducted a specific training course for the directors and executives of all of the subsidiaries of the El.En. Group which was called "Anticorruption, Ethics Code and Human Rights" and involved 177 employees. 	<ul style="list-style-type: none"> To increase awareness and re-enforce the perception of People in terms of issues of diversity and human rights; To continue to initiate partnerships with universities and research centers. 	

**Social responsibility****11) Expansion of positive social impact through our products**

Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> To issue instruments and solutions on the market which make it possible to improve the patient's quality of life; To issue on to the market technologies for industrial applications which reduce the environmental impact and consumption of resources and improve the quality and productivity of work. 	<ul style="list-style-type: none"> In the medical sector research and development of new laser systems or the improvement of pre-existing ones so that an increased percentage of the population can benefit from the innovative technologies that can improve their well-being. In the industrial sector, research and development to improve the flexibility and decrease consumption of electrical energy of the production systems. In the sector of conservation, we developed and improved the instruments used for the restoration of works of art. 	<ul style="list-style-type: none"> To continue to issue high performance products on the market. 	

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

Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Support of non-profit organizations, foundations and scientific laboratories by assisting them in the use of the new technologies which are available to patients. 	<ul style="list-style-type: none"> We supported non-profit organizations and foundations with donations of money. We also supported some organizations through the donation or loan of laser equipment at no cost, both for long-term use and for ad-hoc projects. 	<ul style="list-style-type: none"> To increase the well-being of people who make use of the services offered by non-profit organizations and foundations. 	

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

Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Support of the conservation of the world's artistic heritage. 	<ul style="list-style-type: none"> We supported some organizations through the donation or loan of laser equipment at no cost, both for long-term use and for ad-hoc projects. 	<ul style="list-style-type: none"> To continue to protect the world's artistic heritage in order to preserve its beauty for future generations. 	

14) Strengthening relations with the community

Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none"> Promotion of indicatives which contribute to the growth of the local community also through partnerships with associations and non-profit organizations; Promotion of alternating school-work programs and curricular and extra-curricular apprenticeships. 	<ul style="list-style-type: none"> During this year we have sponsored some non-profit associations in the communities in which the Group operates; We have developed alternating school-work projects and curricular and extra-curricular apprenticeships. 	<ul style="list-style-type: none"> Continued support of initiatives promoting 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	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Continual improvement of the quality and respect of the technical standards in every phase of manufacturing.	<ul style="list-style-type: none">We obtained the ISO 50001 in energy efficiency and ISO 45001 on Health and Safety for the Chinese subsidiary Wenzhou;We maintain all of the certifications now valid for the companies belonging to the Group.	<ul style="list-style-type: none">To insure that the requirements for quality of the processes, in line with the expectations of the market, are respected in an efficient and integrated manner.	

17) Promoting policies to increase energy efficiency			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Introduction of the sustainability requirements like the use of lighting and air-conditioning systems with low environmental impact when refitting rooms.	<ul style="list-style-type: none">The Environmental Policy approved from El.En. it was approved by all of the subsidiary companies;Adoption of lighting and air conditioning systems with low environmental impact in the new building of chinese subsidiary Penta Laser Wenzhou, which received the award for "Green Factory";Two photovoltaic plants which started to function in 2020.	<ul style="list-style-type: none">Introduction of lighting and conditioning systems with low environmental impact during all interventions of redevelopment of the environments.Installation of one photovoltaic plants in Calenzano production site. 	

16) Investing in innovation, research and development to benefit the progress of scientific knowledge			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Investing in research and development for the purpose of developing products and processes which satisfy the requirements and needs of the clients and optimize their satisfaction.	<ul style="list-style-type: none">4% of the sales volume is invested in Research and Development8 research centers are active;As of December 31st 2020 we have more than 80 patents waiting for approval.	<ul style="list-style-type: none">Monitor the trends and act in a specific and focused way in the areas of interest of the clients.	



18) Decreasing the environmental impact			
Actions	Results 2020	Objectives 2021 - 2022	Progress
<ul style="list-style-type: none">Promotion of ecological behavior among the employees.	<ul style="list-style-type: none">Penta Laser Wenzhou, as part of a government program in which their Green Factory has been selected and awarded a prize, has promoted education programs for Green Production for all of its employees	<ul style="list-style-type: none">To promote among our employees a culture for the rational use of sources of energy and the consequent reduction of the related costs.	



Covid 19 Emergency - our commitment

The Covid 19 emergency with the interruption of our activities first in China and then in the rest of the world, determined a social and economic scenario of recession and uncertainty. The impact of the virus was significant in all of our lives and on the industrial activities in the sectors in which the Group is present, which suffered a severe crisis. The Group was, in the first place, hit by the lockdown in China starting in the month of January and then directly by the lockdown imposed in Italy starting in the month of March. The activities in France and Germany also were directly impacted by the Covid restrictions. Besides the physical interruption of the manufacturing activities for several weeks, most of the impact was indirect, and was derived from the general drop in demand on our markets. The limitations in free circulation, assembly and social meetings which were gradually adopted all over the world determined a drop in demand, in particular in the medical sector which is the one most connected with services to people.

When the first issues related to the Covid pandemic became apparent the Group was in a phase of accelerated growth and rapid expansion mostly due to the effects of a significant investment plan in technical structures and human resources which involved major investments in recent years.

The Group benefitted from some measures for economic and financial support: in the first place, the CIG for the employees*, during the lockdown imposed by the ex DPCM on March 22nd 2020 and in those of greatest decrease in demand; in second place by obtaining financing for the subsidiaries Asa S.r.l., Cutlite Penta S.r.l. and Esthelogue S.r.l. guaranteed by PMI financing; and thirdly some specific grants like those issued in terms of reimbursement and, in the future, tax credits, for the expenses sustained for the DPI. The El.En. Group concretely demonstrated its commitment to sustain its employees by constantly monitoring the evolution of the pandemic situation and taking measures that were, above all, intended to guarantee the health and safety of the employees.



* For the Italian subsidiaries, Asclepion GmbH and Deka France.

We immediately implemented all of the applicable measures at the various companies which had been issued by the Government, the Ministry of Health, the World Health Organization and the various local authorities which were aimed at containing the spread of the virus. This event determined the necessity of making important decisions related to the company activities: the actions taken by all of the companies of the Group to face the emergency and prevent the spread of contagion involved specific measures which included the promotion of smart working smart working which reduced the presence of people in the company, and offered the opportunity to the office personnel to organize their work from home. The companies also invested in computers so that they could offer digital instruments and technologies with which to guarantee the normal conducting of activities and supplied portable PCs and routers with internet data to whomever needed them, thus guaranteeing the business continuity.

The companies of the Group encouraged a different method for working by exploiting digital forms of communication and collaboration which allowed the employees, in any case, to remain in continual contact by means of chat, calls, videoconferences, sharing of files and documents from any source

As far as the operating staff was concerned, in each company the number of employees present was reduced to the number strictly necessary for a strategic production and work shifts were reduced and, where applicable, in rotation, in order to guarantee social distancing, and the non essential activities were suspended.

In relation to safe accessibility to the workplace, at every company we defined a series of regulations which are still active, of single entries in which every individual has their body temperature measured and anyone with a temperature of greater than 37,5° C and/or symptoms of influenza is denied entry. Everyone who is present in the area of the company must wear the surgical mask which is supplied on a daily basis and respect the minimum safety distance. In the departments which are considered the most at risk we have also provided FFP2 masks. In all of the companies antiseptic gel is available in all of the areas where there is the most traffic.



All of the common areas (open space offices, company gyms, meeting rooms, cafeterias etc.) have been converted for use for other activities or momentarily closed for the purpose of eliminating contact among people and avoid assemblies, and in the companies where there is a cafeteria many efforts have been made to continue to offer meals and they have been organized in shifts with the sanitizing of the areas between one shift and the next in order to guarantee a hot meal for the employees.

As far as internal communications are concerned, we have distributed the health and safety rules issue in this regard, and have attached notices at the entries to and inside the areas that are most frequented with posters and illustrated brochures. All of the employees have received specific information sheets related to the regulations issued by the CPMs and the safety rules issued by the Ministry of Health.

We have conducted and are still applying extra sanitizing activities in all of the rooms and the frequency of the daily cleaning and sanitizing has been intensified in order to guarantee, at the end of every shift, or, in any case whenever necessary, the sanitizing of the rooms, the locations and the equipment that are being used. For the use of equipment by more than one operator (for example, lifting equipment, forklifts, coffee machines, etc) the company has given instructions for cleaning with suitable products between one use and the next.

During the months of the lockdowns the Group used, when necessary, all of the social emergency funds promoted by the Government. In order to sustain the families of the companies and paid in advance the salaries which were supposed to be paid by the social security agencies and the local governments. After the closure of the schools, the workers were given the opportunity to choose a more flexible work schedule in order to help in the organization of the family. During the first wave of contagion some of the companies activated insurance policies for the employees to cover expenses in case they were hospitalized because they had contracted the virus.

The persons who were assigned the task of protecting the health and safety of the employees monitored and continue even now to actively monitor the developments related to this emergency and the Group is ready to immediately implement all the measures which may become necessary and to communicate them.

It should also be noted that, during the first lockdown, the Parent Company El.En.S.p.A. created an Extraordinary Emergency Commission to deal with the Covid 19 pandemic with which, on the basis of the analysis of the risks and the risk-benefit ratio, showed a new risk related to this health emergency which concerns the economic, company and social context, which is the risk of loss of cash due to the drop in the market and the slow-down in production. The commission made some important decisions related to the extraordinary measures with particular reference to the relapses in safety and health of the workers mentioned above, the activity and economic performance and the continuity of the business of the organization and of all of the companies in the El.En. Group in general.

The Group has respected its commitment to support the territory in which it operates by conducting numerous initiatives aimed at offering concrete help to the hospitals and Onlus associations and by making donations of money as well as surgical masks, gloves and surgical gowns, especially in the most intense period of the emergency.

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.

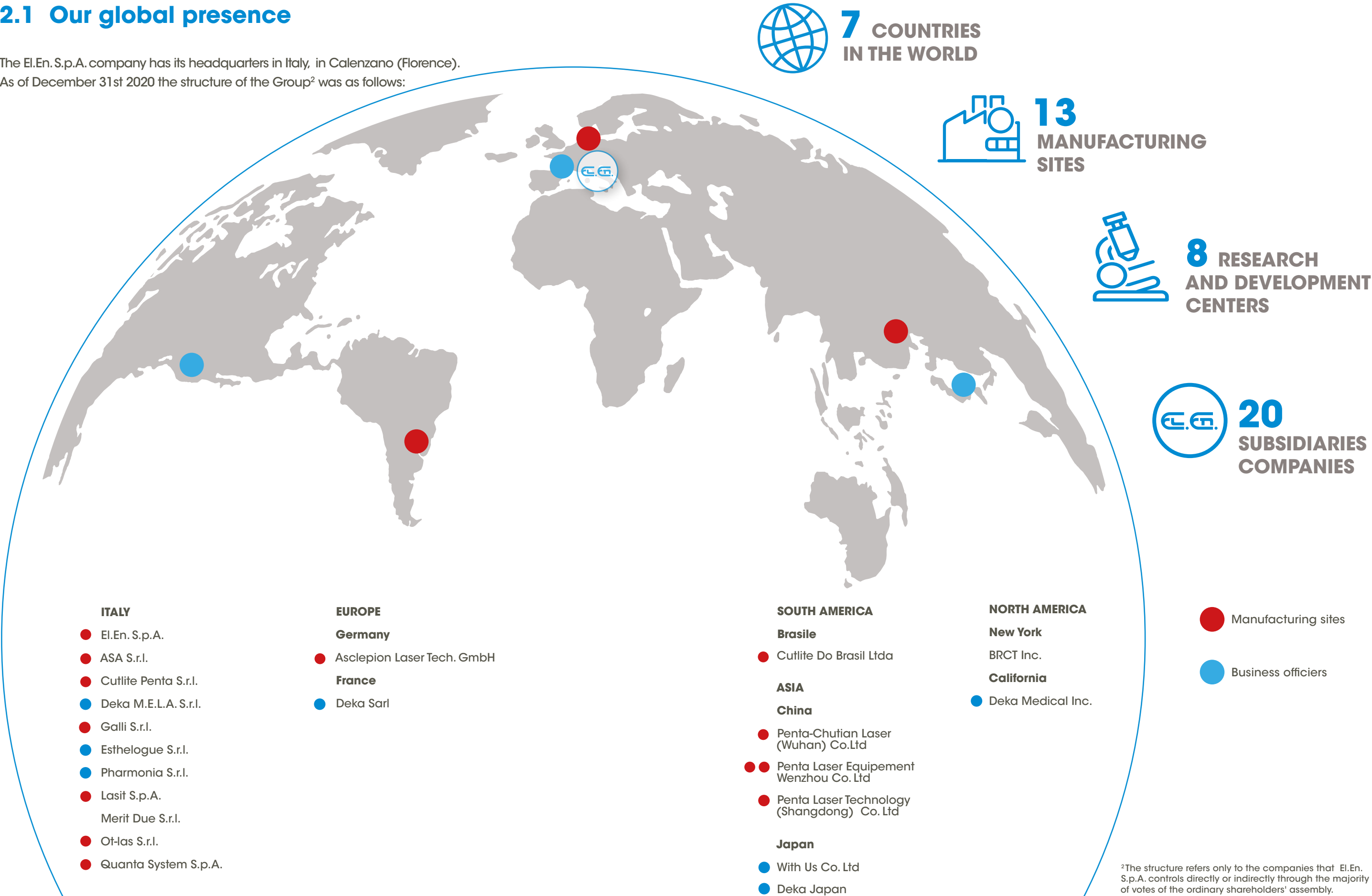


Multiculturalism

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.

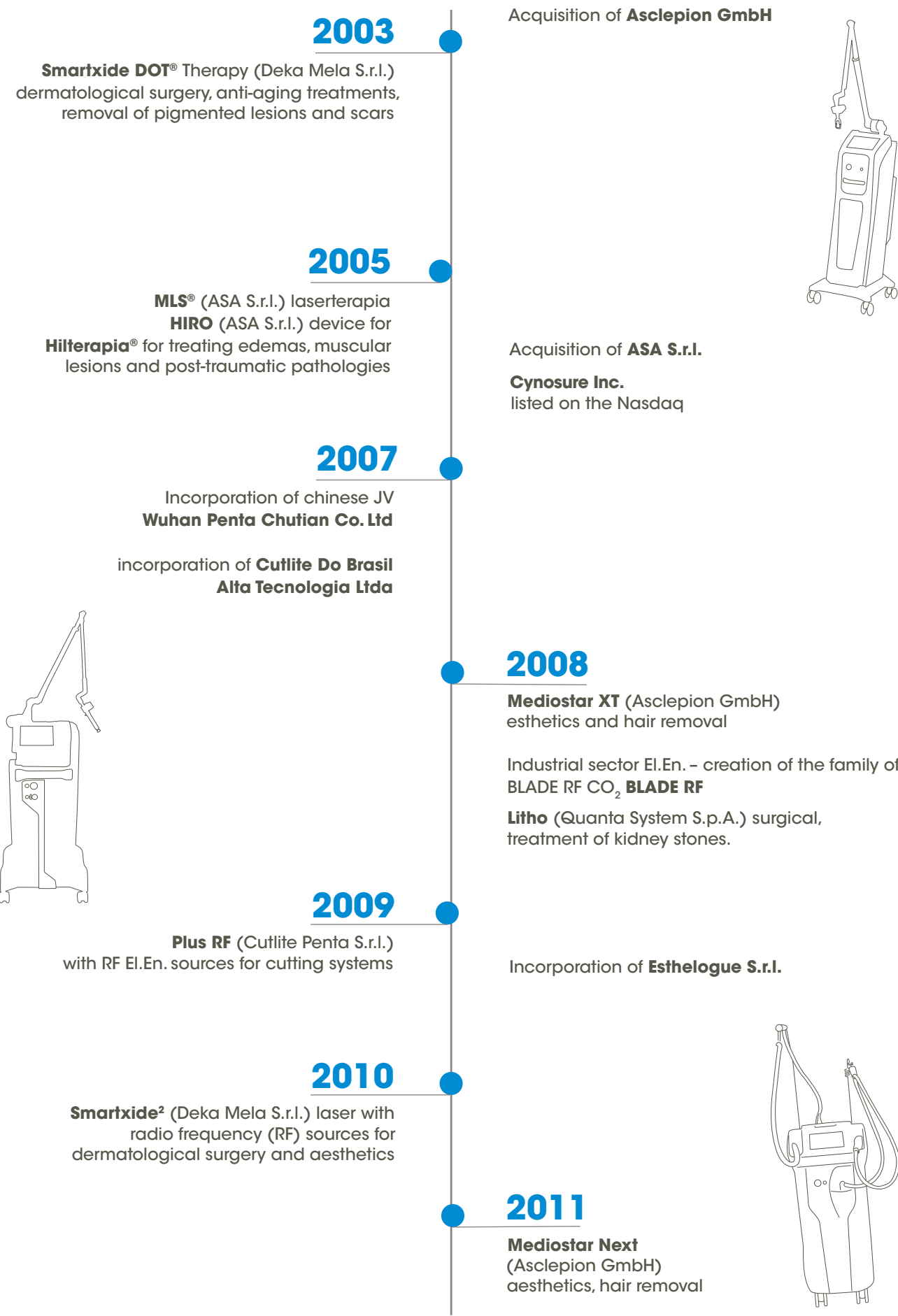
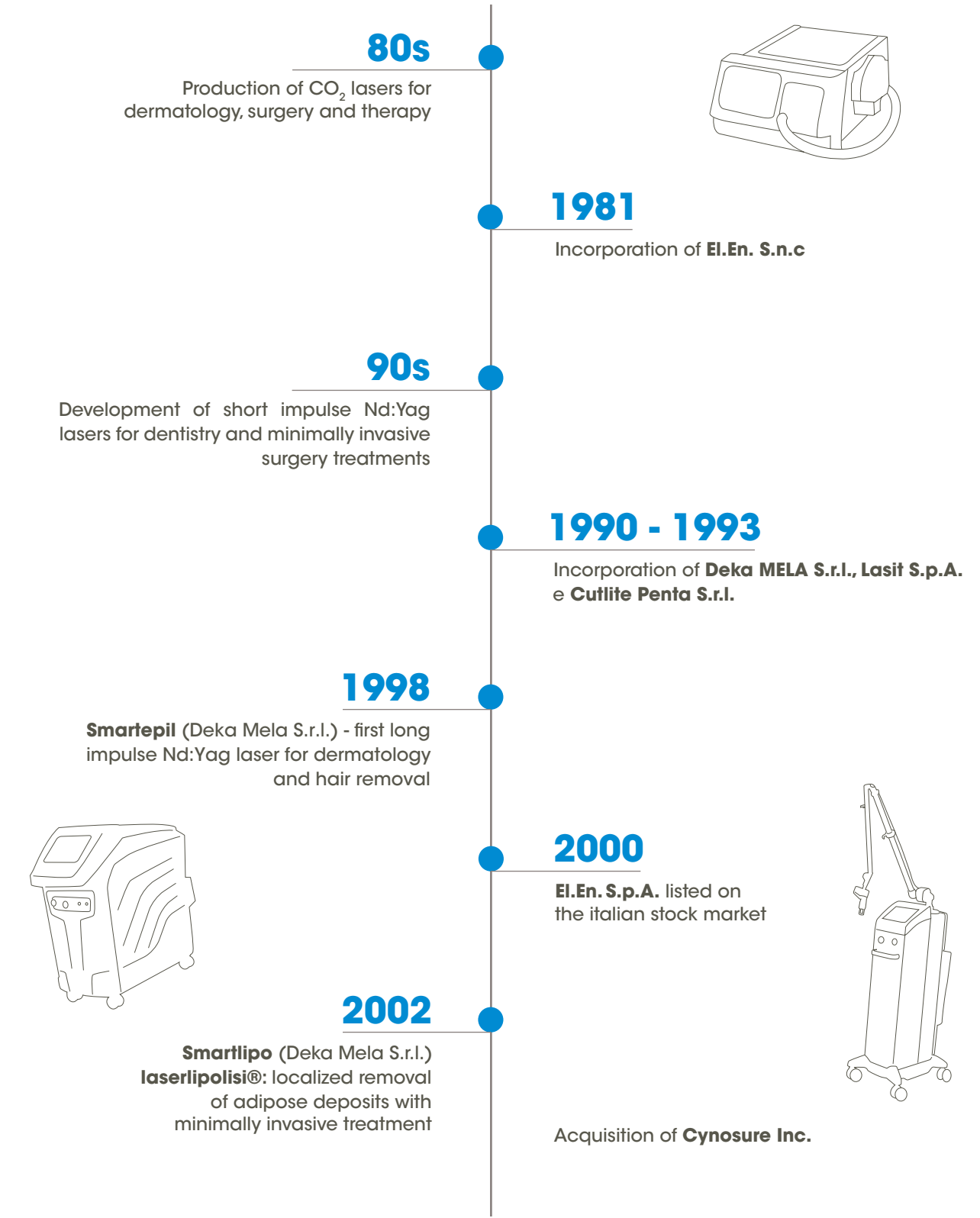
2.1 Our global presence

The El.En. S.p.A. company has its headquarters in Italy, in Calenzano (Florence).
As of December 31st 2020 the structure of the Group² was as follows:



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.



2012

Monna Lisa Touch™ (Deka Mela S.r.l.)
for the treatment of vaginal atrophy

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

2013

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

2015

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

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

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

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

2016

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

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

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

2017

Industrial sector
RF 1222 "The Big Boy"

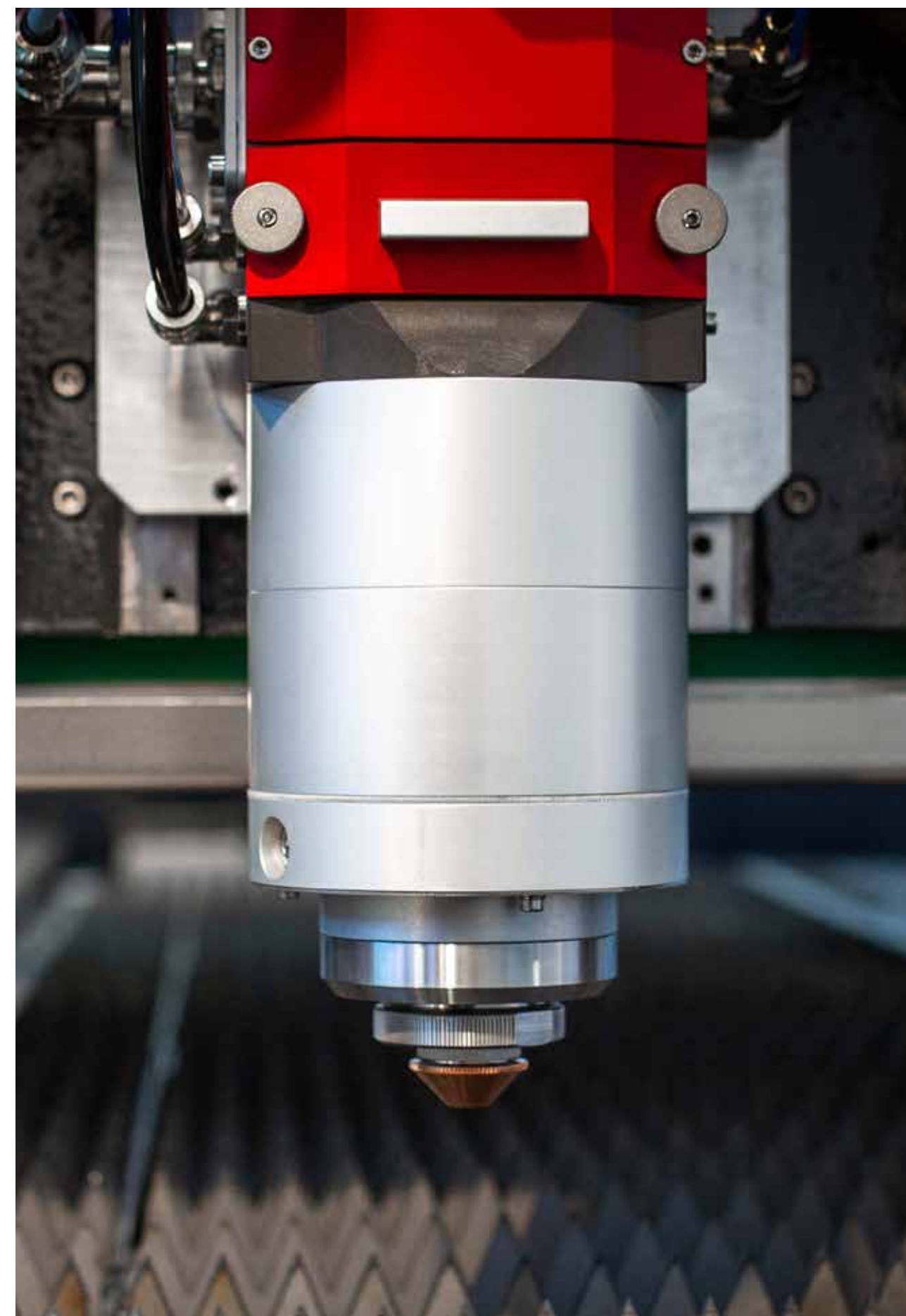
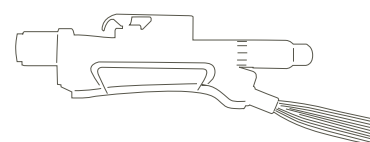
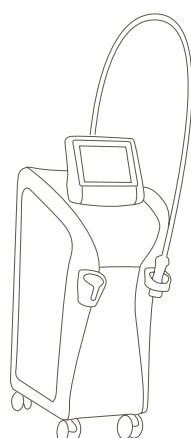
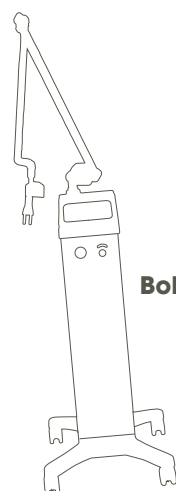
2018

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

2019

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

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



2.3 Our markets

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

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

MEDICAL DIVISION
Aesthetics
Surgery
Therapy
Medical Service

INDUSTRIAL DIVISION
Cutting
Marking
Sources
Restoration
Industrial Service



The medical sector of laser systems for 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 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.



Taxes

The El.En. Group has its companies located in geographical areas which are functional for conducting and developing our activities and is not aimed at acquiring fiscal benefits. Although the Group does not have a formal policy in this regard, they give much importance to fiscal issues, to their social role and, in general, to transparency as a key factor to promote sustainable development in conformity with their Ethics Code, and consequently they completely and scrupulously observe the regulatory measures prescribed by the authorities for the market. The Group does not deny, hide, manipulate or delay any information required by the regulatory bodies acting in their functions of inspection and collaborates actively during the preliminary investigations by refusing to be involved in any form of tax evasion whether it involves clients, subsidiary companies or market partners.

The respect of the law and of the applicable regulations is a priority for combating tax evasion and other fiscal crimes in the markets and in the jurisdictions in which all of the companies operate. The business model of El.En. does not aim at operating in a tax haven and we do not have

branches located in countries which are mentioned in the EU list of jurisdictions which do not cooperate for fiscal purposes.

Both in the Parent Company and in all of the subsidiary companies the executives responsible for fiscal compliance are the local administrators and the respective CFOs. The different companies make use of the collaboration of local consultants and are equipped with the instruments necessary to be up-dated on the latest changes which may include training courses and up-dating on fiscal conformity based on the web and other types, as well as an annual analysis of the risks of fiscal conformity, from which the necessary measures are derived. On specific issues they also obtain opinions from outside experts. For the revision of the annual financial report the fiscal section is verified by an auditor who certifies the financial figures.

As part of the Anticorruption Policy approved by the Parent Company and by all of the subsidiary companies a copy of which was sent to all of the employees, it should be specified that in order to report illegal conduct even anonymously and in relation to tax issues, it is possible to use the communication and reporting channel of 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 2020 the net global added value distributed by the Group was 405 million Euros.

Most of this value, about 79,5% is represented by "remuneration to suppliers" and consists mainly of the costs for services and raw materials.

Following this value there is "remuneration of personnel" (16,5%) which represents the salaries, severance pay and social security, and then "remuneration of shareholders" (2,5%), composed of the profits pertaining to third parties and those distributed as dividends, the "remuneration to the Public Administration" (1,3%) composed of income taxes, and lastly "remuneration of the financial system" (0,2%).

Chart for determining the economic value generated and distributed		
Euros	2020	2019
Economic value generated by the Group	428.181.136	417.611.091
Revenue	408.083.292	400.760.689
Charge in inventories	15.907.872	12.173.587
Other revenues and income	5.734.334	3.473.636
Financial charges	(1.119.626)	1.225.932
Share of profit of associated companies	(424.735)	(22.752)
Other non operating income (charges)	-	-
Economic value distributed by the Group	405.068.206	391.289.890
Remuneration of personnel	66.692.366	66.084.686
Staff cost	66.692.366	66.084.686
Remuneration of suppliers	322.219.123	304.011.461
Total purchase	255.210.640	225.233.497
Other direct services	32.877.479	35.153.507
Costs operating services and charges	34.131.004	43.624.457
Remuneration of the Public administration	5.382.041	9.868.415
Income taxes	5.382.041	9.868.415
Remuneration of shareholders	10.132.098	2.758.544
Net profit of minority interest	2.287.209	2.758.544
Distribution of net Income	7.844.889**	0*
Remuneration of financial system	642.577	757.660
Financial charges	642.577	757.660
Economic value retained by the Group	23.112.931	34.130.325
Net income retained to reserves	12.410.257	26.016.748
Depreciation, Amortization and other accrual	10.702.675	8.113.578

*The amount of distribution of the profits corresponding to the allocation of profits for the year 2019 for each dividend was revised after the decision taken after the approval of the NFD 2019, to allocate the entire amount of profits for the year to a reserve.

** The amount of distribution of the profits corresponds to the allocation of the profits for the year as a dividend which the Board of Directors of El.En S-pA. voted to propose to the Shareholders' Assembly on March 15th 2021.

Organizational profile of the Group

Responsible business
management

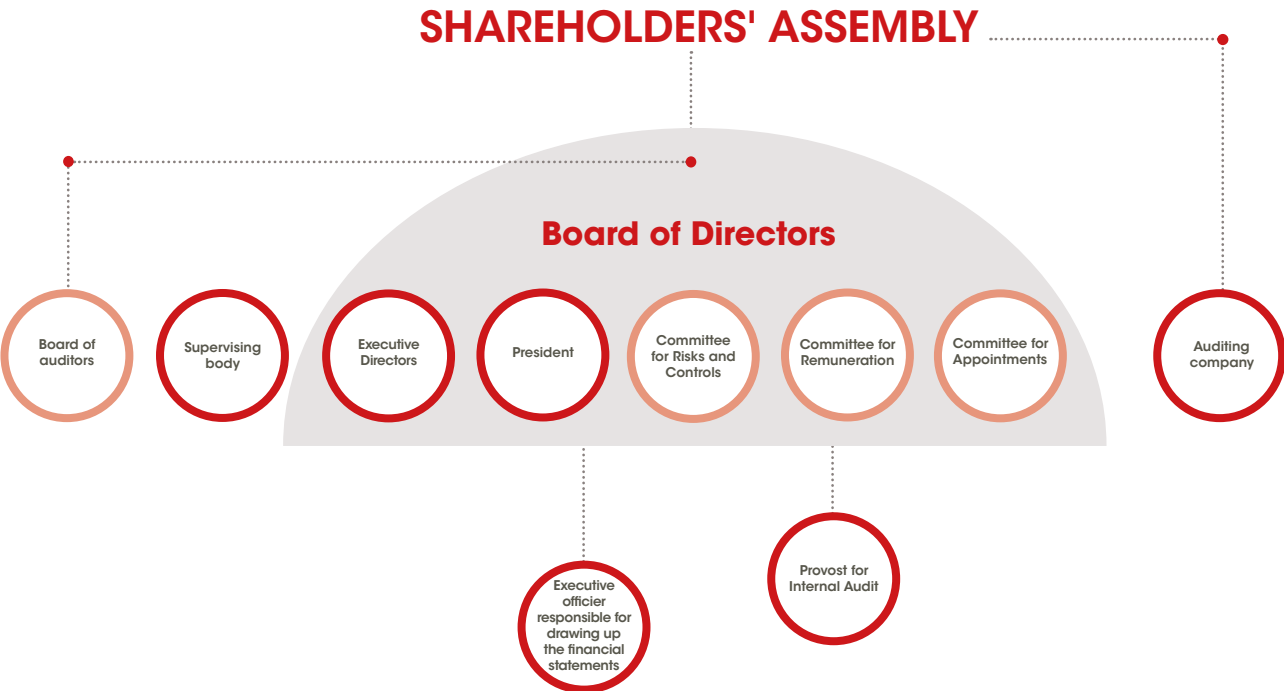


3. Organizational profile of the Group

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

3.1 The Corporate Governance model

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



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

Board of Directors³: The board is the main body of the system of Corporate Governance and it has the function of analysis, sharing and approval of

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

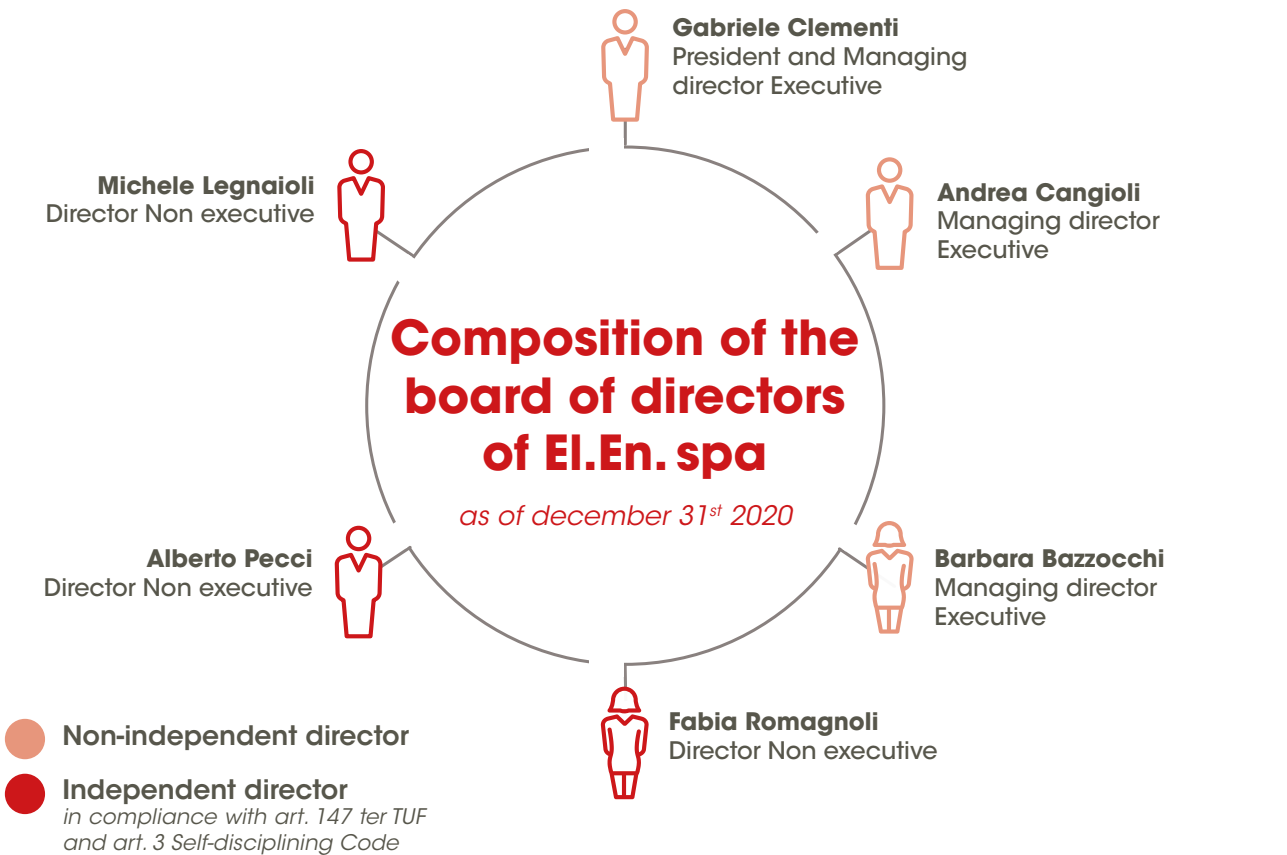
³The members of the Board of Directors were appointed by the shareholders' assembly on April 27th, 2018 and will remain in office for the three year period 2018-2020.

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

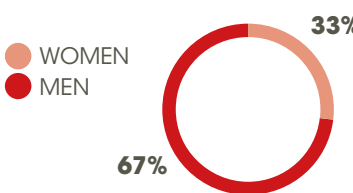
The committees are composed of three non-executive members, two of which are independent. The work of each committee is coordinated by a president. The composition, tasks and powers attributed to the committees are disciplined by special regulations approved by the Board of Directors.

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

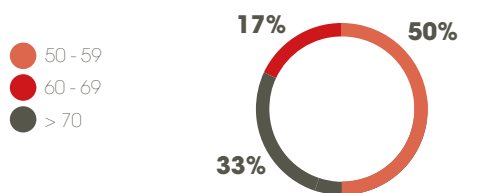
task of assisting the Board of Directors by informing them in the form of proposals and consulting about the evaluation and decisions related to sustainability issues connected with the activities of the company and its dynamics of interaction with all of the stakeholders, to the social responsibility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



Directors, divided by gender (%)



Directors, divided by age group (%) ⁴








⁴The 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.

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

The Board of Directors has, among 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

The 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 Deloitte & Touche 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 received reports of violations or suspected violations of the Code, or requests for explanations. The violation of the principles defined in the Code constitutes a breach of contract derived from the failure to observe the contract for work and/or collaboration and is a source for compensation of damages.

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

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

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

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 2020 no cases of corruption and/or reports of corruption were registered.

During this year we conducted a specific training course for directors and executives of the El.En. Group which was titled "Anticorruption, Ethics Code and Human Rights" which involved 177 employees*.

In order to guarantee the principles contained in the Ethics Code and the effective implementation of the systems for the flow of information and controls

described in Model 231 the companies of the Group that initiated it make use of a **Supervising Body** which is appointed by the Board of Directors; The main duty of the Supervisory Body is that of monitoring and, when necessary, reporting to the Board of Directors any irregularity or violation, and to supervise the respect of the procedures set up by the Company, as part of the prevention plan of the so-called assumption crimes, identified after an in-depth analysis which includes corporate crimes and crimes related to health and safety in the workplace.

The El.En. Group believes that the knowledge of and the adherence to the principles of the Ethics Code and Model 231 must be promoted also through specific information programs for the people who work within the organization; again this year, for some of the Italian companies we ran training courses on Model 231 which were conducted by the Supervising Bodies and, over the years, has reached 293 employees.

At Quanta System S.p.A., Asclepion GmbH, and the Chinese subsidiaries a specific training course on the El.En. Ethics Code is conducted for all of the newly-hired personnel which, in 2020 reached 462 employees and, in any case, at all of the other subsidiary companies a copy of the Ethics Code is given to the employees when they are hired. This activity will be continued in order to disseminate information on these issues in more depth.

* Which represent 11% of the total number of employees, for a training of about 88 hours.

FOCUS: The respect of human rights

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

To re-enforce awareness towards these issues which they believe are a priority, last year the Board of Directors of El.En. S.p.A. approved the **Human Rights Policy** which, in 2020, was adopted by all of the subsidiary companies and disseminated among the employees of the Group.



Cutliffe Penta S.r.l. - Prato (Italy)

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 System for internal controls and management of risks

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

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

and procedures on the basis of the competencies and functions defined and assigned by the Board of Directors to the different bodies at various levels. The organization of the System of Internal Controls and Risk Management is set up as follows:

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

- **Supervising body** in compliance with Organizational Model ex D.Lgs. 231/2001 has the task of supervising the respect of the procedures set up by the Company, also in the area of the prevention of corporate crimes.

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

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

- **Risks related to ethical behavior:** the risks that are related to a lack of integrity in the management or the employees of the Group, which might give rise to unethical behavior or acts that are not authorized, illegal or fraudulent, with particular reference to issues of active or passive corruption, corruption of private individuals and human rights issues. To reduce these risks for the Group we have adopted an Ethics Code to re-enforce the dissemination of a corporate culture that is founded on the importance of an ethical and social responsibility in the conducting of business and company activities; the Parent Company and some of the Italian subsidiaries have also adopted an Organizational Model in compliance with D.Lgs 231/2001. Lastly, in 2019 the Parent Company adopted an Anti-corruption Policy.
- **Risks of reputation:** because of the nature of the sectors in which the Group operates, one of the major risks that they face at a corporate level is related to the quality and safety of our products and the chain of supply; any manufacturer's defects that might occur could compromise the reliability and safety of the final product. If we underestimate the attention of the clients and of the community in general, we could risk a loss of image and in our reputation, with a consequent drop in financial performance. The Group has always directed particular focus on the quality and safety of the processes and the products. The main manufacturing companies of the Group, in fact, adopted a system for quality control and have obtained an ISO 9001 certification, while all of the companies that produce medical devices have obtained the ISO 13485 certification
- and operate rigorously in conformity with the regulations, as is demonstrated by the numerous periodical, programmed and surprise inspections that they have passed every year. In order to guarantee maximum safety, moreover, as stated in the Ethics Code, the Group establishes long-lasting relationships with its suppliers that are based on principles of correctness and transparency and they monitored carefully the process for the selection of suppliers and the maintenance of their performance, by making specific visits to their offices in order to verify their capacity to satisfy and maintain the qualitative requirements needed. We are committed to the creation of a Ethics Code for Suppliers to define and share the principles, good corporate and environmental practices and ethical behavior and promote a supply chain that is increasingly responsible and sustainable.
- **Risks related to personnel:** these risks are related to the fact that the Group does not implement processes for the purpose of attracting, selecting, motivating or exploiting human resources or that there are not adequate processes intended to guarantee the respect of diversity and equal opportunity. In relation to the quality management system (ISO 9001) used by the main manufacturing companies, the issues related to the management of the employees is protected; the Parent Company, moreover, has codified the procedures for the management of human resources and has profiled the company functions with the identification of the responsibilities and skills that are required. In all of the companies, the training activities are defined annually and, besides the obligatory training that must be conducted, they register the curriculum requirements of the company staff. The Group, moreover, has included in the Ethics Code their own commitment to respect and protect the dignity, diversity and equal rights of its employees and collaborators.
- **Risks related to compliance with the environmental and health and safety regulations:** these rules are connected, on one hand, to the possibility of new regulations for the protection of the environment and the possibility of non-conformity with the environmental requirements stated in the regulations and, on the other hand,



- the fact that the Group does not implement processes that insure the safety and health of the workers and the possibility of non-conformity with respect to the laws in this field. In the Ethics Code, the Group has codified its commitment to the protection of the environment and the health and safety of the workers. The Italian companies belong to the Group have monitored the issues related to the environment and health and safety also in relation to Organizational Model D.Lgs 231/2001. In all of the companies, the issue of health and safety is managed and monitored through a series of processes which, although they are not centralized and coordinated at the Group level, guarantee that in all the subsidiaries there are procedures related to the protection of health and safety of the workers, at the time of their training.
- **Risks related to the respect of human rights:** the risks are related to the respect of human rights which might undermine a correct and responsible management of the activities of the company. The risk is related in particular to the

activities and to the suppliers of the Group who operate in countries (for example, those in Asia) where the legislation in this field is not so rigorous as it is in Italy. The protection of human rights is explicitly mentioned in the Ethics Code of the Group, respect of which is required from all the companies. The Group extends the application of its Ethics Code also to the suppliers and explicit reference is made to the Universal Declaration of Human Rights issued by the United Nations. Moreover, in 2019 the Parent Company adopted a Human Rights Policy and is committed to the formation of specific training course, in particular in those countries where the legislation is less stringent than in Italy.

- **Environmental risks:** these risks are related to the possibility of causing an environmental impact which has negative repercussions on the local territory in which the Group operates, or else that inadequate measures have been taken to prevent or reduce this impact. El.En. has always respected environmental requirements in compliance with the present legislation in force and in the Ethics Code of the Group,

it has repeated its commitment to protect the environment. The Italian companies that have adopted the Organizational Model in compliance with D.Lgs. 231/2001 have monitored these issues also within the Model. The Parent Company adopted an Environmental Policy in 2019 to monitor and reduce the environmental impact of their activities

- **Climate-related risks:** the risks related to climate change and the transition towards a low carbon energy model are connected to an incorrect management of energy sources and emissions, the risks related to modifications in the laws and regulations associated with the fight against climate change and physical risks. Among the main risk factors to which the Group may be exposed, there are the increased obligations for reporting the emissions they produce, the expectations concerning the use of low-impact energy sources and the uncertainty in the market signals which causes unexpected variations in the energy prices. Moreover, one should also note the risks deriving from the gradual change in climactic conditions and extreme weather which expose the Group to damage of their infrastructures like industrial buildings, plants, and machinery, rather than

the potential interruptions in the essential supplies and the potential decrease in their productive capacity. As a partial mitigation of the risk, the Parent Company and the Italian subsidiaries have stipulated insurance policies which guarantee against damage caused directly by atmospheric events like hurricanes, storms, wind, hail, floods and earthquakes. As far as the interruption of the production capacity is concerned, in order to reduce this risk the Parent Company is now evaluating an insurance coverage in consideration of the gradual emergence of new risks and unforeseeable events which might affect the production capacity like the pandemic emergency in 2020 obviously, but also the increasingly frequent extreme weather events. Moreover, the Group conducts ordinary maintenance procedures using the best strategies for prevention and protection, also with an aim to reduce any impact on the manufacturing structures. The Group is committed to a policy of continual improvement of the existing activities in terms of environmental impact by pursuing the objectives which are already part of the Plan which promotes policies of energy efficiency and awareness leading to the adoption of responsible behavior.



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 itEl.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. S.p.A. 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 PeopleGroup 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 certificate	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 non-compliance with the new environmental obligations and regulations or of non-conformity 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. S.p.A. 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 it	Environmental responsibility
Climate-related 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



154


PEOPLE INVOLVED IN RESEARCH AND DEVELOPMENT



MORE THAN

16 MILLION

EUROS INVESTED IN R&D



128

ACTIVE PATENTS AND

87 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 128 patents while at this time they have more than 80 pending.

The chart below shows the expenses sustained by the Group during 2020 for research and development:

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

- The amount of the costs sustained corresponds to about 4% of the sales volume of the Group. The expenses sustained by El.En. S.p.A. are about 6% of its revenues.
- The following list shows the main directives of medical research and development conducted by the Group:
- Development of new laser systems and improvement of pre-existing ones with emission of impulses with a duration in picoseconds, for dermatological applications;
 - Preliminary study, development and planning of systems that integrate and improve existing laser applications for hair removal, as well as the improvement of the related accessories and their performance;
 - Research activity and clinical experimentation of the effects of laser application to biological tissues including laboratory studies of biological samples and cellular cultures; experiments on laser emissions with wave lengths for which the theoretical models promise particular effectiveness in the treatment of some skin pathologies or in general, of the human body;
 - The development of an innovative version of the Onda system based on microwave technology for reducing the layer of subcutaneous fat in various parts of the body using a non-invasive treatment.
 - Implementation of new functions and accessories for the LUXEA platform for aesthetic and dermatological applications;
 - Continuation of the studies undertaken in order to confirm the anti-inflammatory action, the accelerated healing of surgical wounds, the analgesic effect as well as the improvement of the limbs thanks to the use of lasers in physical therapy;
 - Research, development and engineering of systems based on high-powered holmium technology, besides the technological renovation of the mid-powered systems for the treatment of stones in the urinary tract and benign hyperplasy of the prostate, as well as a new laser with combined wave length for precision, innovative surgical applications;
 - Continuation of the development and innovation activities in dermatology for the segment dedicated to the removal of tattoos and the treatment of cutaneous and dermatological lesions in general;
 - Development of systems with LED technology combined with electro-stimulation for the reduction of the adipose layers;
 - In the segment of body contouring, the development of systems for muscular stimulation aimed at reducing localized fat layers based on electric and magnetic excitation;
 - In the segment of gynecology, the development of systems for treating stress incontinence, in particular a medical system for the magnetic stimulation of the pelvic floor.

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

- In the industrial sector, the Group has conducted the following activities:
- The development of innovative processes for cutting, pre-cutting and micro-perforation of labels and currency bills;
 - Development of software and algorithms for high-speed advanced coding in the digital converting sector;
 - Increase in the maximum power of laser sources in the radio-frequency range, maintaining a high level of beam quality and modulation;
 - development of innovative applications (for example, micro-perforation of panels or special applications in the field of digital converting) which are possible with this technology.
 - Research activities to improve the management and focusing of the laser of high power fiber sources;
 - Continued improvement of the applicative processes for sheet metal cutting intended to improve the effectiveness, the speed, and the versatility of increasing thicknesses by means of an opportune management of the high power available;
 - The development and installation of the first laser system for cutting sheet metal equipped with a 30kW power laser source;
 - Multidisciplinary experimentation and research (electronic, optical, fluid-dynamic) to improve the power of laser systems for cutting sheet metal;
 - Improvement of the performance of the galvanometric components of the scanning systems in terms of dynamics and stability during variations in the surrounding conditions;
 - Development of scanning systems for CO2 lasers and fibers for the deglazing of copper conductors used for making electrical motors in the automotive sector;
 - Development of systems for industrial cleaning of surfaces in the aviation and nautical fields, in synergy with our business unit operating in the conservation of art works;
 - Development and set up of systems for direct marking on foods to avoid the use of adhesives and/or ink on labels.

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 laser 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**. In 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.

In one of the most difficult years they have ever faced, El.En. S.p.A. tried to react quickly to the pandemic and continued to invest in research and development. Even during this period they were able to release on the market diversified products both for the medical/ aesthetics sector as well as for the surgical sector in order to create new prospects for the future and maintain the innovation leadership of the Company and of the Group in the medical sector.

In the hair removal sector they released two high-end products which had been redesigned on the basis of the new control platform on embedded PC which makes it possible to manage the remote assistance (Elite-IQ and Again). As part of the body contouring line, they released a second version of the Onda product with the new under-chin treatment and a series of improvements related to the ergonomics of the existing treatments and, again in the body contouring segment, they developed a new product which combines magnetic muscle stimulation generated by electrical and heat stimulation based on LEDs (PhysiQ / Delinea).

Two new products with a new technology based on magnetic muscular stimulation (Schwarzy and B-Strong) were released on the market; the same technology was used also for a different product for medical-gynecological applications for the treatment of stress induced urinary incontinence (Dr. Arnold).

In the dermatology sector they developed and marketed a new product dedicated to the photo-rejuvenation of the skin based on direct stimulation of the collagen. For this product, which represents an original and innovative solution, they have filed an international patent.

In the surgical segment they continued the research and development activity related to CO₂ laser technology. They have produced new accessories and systems, including the Multipulse Duo marketed by the subsidiary Asclepion Laser Technologies, a system which makes it possible to perform a vast range of surgical operations thanks to the double function of the arm and fiber. El.En. S.p.A. this year obtained the medical certification of the sterile single-use wave guides produced by Quanta System and soon the reprocessable multi-use fibers will be available.

Among the new products which have been released this year, we also wish to mention Therma Eye, a solution based on pulsated light for the treatment of the pathology of dry eyes.

Moreover, for the purpose of strengthening and making more effective the process of clinical development (an integral part of the development of new products, with the relative pre-launch validation and opportune physical and clinical de-bugging), and to improve the material development supporting sales, white paper and scientific articles, as well as the capitalization of laboratory experiments, they have created a division which is called **Clinical Research and Practise (CRP)**.

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 to that for the conservation of works of art.

During 2020 they continued their activity in the development of new products both for the surgical division and in that for dermatological and aesthetic medicine with the launch of some successful new systems.

In the **surgical sector** the company released on the market some laser systems based on holmium technology with the introduction of cutting with increased power, as well as the technological renovation of the mid-power system and its amplification to OEM derived products for the treatment of stones in the urinary tract and benign hyperplasia of the prostate, and they introduced a new **Tullium Fiber laser - Fiber Dust**, which completed the line produced by the company with all of the most advanced technologies present and available for the urological market. At the same time, the Research and Development team is working on the advancement of studies related to new sources based on non-linear optics dedicated to vascular applications and to some developments of the thulium laser for the treatment of urinary tract stones which should bring about the development of new products in the next few years.

In the **dermatological sector** they continued the development activities of products and innovations which resulted in the launch of new laser systems for the removal of tattoos and for the treatment of skin lesions and dermatological treatments in general; these activities included the study of a new laser resonator made to obtain a more uniform quality of the beam as well as to increase the level of energy and power of the systems for vascular treatments.

Moreover, the collaboration which has been set up by Quanta System with the Center for Photomedicine of the Massachusetts General Hospital gave rise to the development of a new application in the field of dermatology: the treatment of acne in its active state. For this project they obtained the MDD 93/42/CEE certification and completion of an innovative laser system for the typology of the source, with emission of wave lengths which previously had not been available on the market.



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

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

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

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

- ISO 9001;
- ISO 13485 relative to quality control systems for medical devices
- European directive MDD93/42/EEC (Medical Devices Directive);
- National laws of the countries that are members of EU and the non-European countries like the United States of America(21CFR820/803/806),

 **44**
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.

Japan, China (CCC- Certification for electronic components and Enterprise standard "CNC laser cutting machine") and Brazil.

During the last two years, El.En. S.p.A., Deka Mela S.r.l., Quanta System S.p.A., Asclepion GmbH and ASA S.r.l. obtained the MDSAP (Medical Device Single Audit Program) certification. This certification makes it possible for institutions that are recognized and accredited by the Regulating Authorities of the five member nations (U.S.A., Canada, Brazil, Japan and Australia) to conduct a single audit for medical devices at the factory in order to verify that they satisfy the ISO 13485 requisites and the national deviations of the specific countries.

These same companies are now getting organized so that they can obtain the EU certification according to attachment IX of the new European Regulations regarding medical devices, UE 2017/745MDR. This

certification, which will enter into force before mid-2021, will definitively replace the preceding Directive 93/42/ECC, which, in any case, will remain valid until 2024.

The new regulation will include severe and stringent requirements in relation to:

- Clinical evaluations of medical devices with demonstration of their clinical effectiveness through research or analysis of the available bibliography of similar products;
- Reprocessing of the medical devices (cleaning, disinfecting, sterilization, etc.)
- Post market surveillance (PMS) (identification of accidents and adverse events on the market);
- Post market clinical follow up (PMCF) (periodic re-evaluation of the safety and clinical effectiveness of the device).



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 (february 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 Penta Laser Technology (Shangdong) Co., Ltd	<ul style="list-style-type: none">• ISO 9001:2015;
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.
Cutlite 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 Acrilico - 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>

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

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

Moreover, the Regulations include a new system for the traceability, the UDI (Unique Device Identification), which is similar to the American FDI, for all of the devices released on the market as well as the identification and traceability of all of the economic operators (manufacturers, importers, distributors).

For the purpose of guaranteeing increased quality and conformity of the product, the new regulations introduce, and require the producer to appoint, a new manager in the company who is responsible for conformity to the regulations of the product released on the market and for its technical certification documents.

In a highly competitive environment like that of the medical industry, the competence of the experts working in the sector of **Regulatory Affairs** is of significant economic importance for the companies, especially when these latter are pursuing goals of internationalization in their marketing strategy. At the companies of the El.En. Group that operate in the medical sector the Regulatory function registers the compliance to the requirements of the government institutions which protect the public health and

monitor the safety and effectiveness of the products produced in this sector. The companies that manufacture medical devices guarantee that their products are in compliance with all of the regulations relating to safety.

For this reason it is strategic for the company to equip itself with an office specialized in Regulatory Affairs so that they can keep the products updated with respect to the legislation, obtain and manage the certifications of the product, and guarantee the continual maintenance of conformity by acting as an intermediary between the requirements of the authorities and the needs expressed by all of the functional areas of the company, following the bureaucratic procedure and making themselves available in case that further documents or clarifications are requested by the institutions.

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

THE ENVIRONMENTAL CERTIFICATIONS OF PENTA LASER WENZHOU

Last year the Chinese subsidiary Wenzhou Penta Laser obtained certification **ISO 14001** for the implementation of a system of environmental management with the objective of demonstrating that they had adopted policies and procedures intended to protect the environment from the possible negative effects of their production by defining and certifying their processes.

During 2020 the company obtained two more very important certifications: the **ISO 45001** international standard for health and safety on the workplace, in order to have a defined and certified document of measures regarding health and safety, to protect employees and visitors by eliminating all of the factors which were damaging or represented a danger; and the **ISO 50001** the international standard which contributes to the guaranteeing of access to an energy which is clean, reliable and sustainable, by proposing corrective measures and the strategies necessary to be able to achieve, or even to improve, the energy efficiency; the obtaining of this certification permits a more adequate management of the energy being used for the company processes by promoting an informed use and eliminating waste.

Thanks to the efforts that Penta Laser Wenzhou has made to obtain these certifications which will also be repeated for the second factory as soon as the entire project has been completed, the Chinese Ministry of Industry and technological information awarded them the title of Green Factory, a prize which is given to only five companies which have distinguished themselves for their commitment, dedication and advanced experience in “green manufacturing” representing **production units of the manufacturing industry concentrated on the development of sustainable production processes.**

4.3 The supply chain

In the Group there are manufacturing companies that serve the medical and industrial sectors and marketing companies that serve the medical market. The medical companies distribute their products to qualified distributors, directly to the end-user (medical clinics, doctors, etc) and also through OEM partners, while the industrial companies operate on the market mainly by selling directly to the end-users. The specifications of the components of our systems are established by our technical offices and, on the basis of our rigorous requirements, the components may be produced internally, manufactures according to our specifications by qualified suppliers or bought from catalogs. The simplest phases of assembly and work on the components may be conducted either in our factory or it may be outsourced. Purchases of supplies are mainly related to components and

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

During 2020 at a consolidated level the amount of spent for purchases was **255,2 million euros** while the amount spent for outsourcing was **12,6 millions 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.

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

Once the supplier has been judged to be suitable from a qualitative point of view, periodic inspections are programmed to make sure that the standards of quality required have been maintained: these evaluations take into consideration aspects such as flexibility of the

supplier, i.e. his capacity to adapt to the requirements of the organization, the speed of response to and the management of contingencies, the organizational structure and punctuality of deliveries as well as the evaluation of the merchandise delivered. Annual inspections are also conducted at some supplier's by specially trained internal auditors, both routinely or on account of an anomalous situation of non-conformity, like a decline in the quality of the product or services.

As stated in the Sustainability Plan, in the procedure for qualification and approval of the suppliers of critical components* we have included also an evaluation of some aspects related to sustainability issues so that these can also contribute to the overall evaluation of the supplier. The new qualification criteria came into force this year for the Parent Company El.En. S.p.A. and for the subsidiary Dekamela S.r.l., where 43% of the suppliers of critical components were evaluated according to social and environmental criteria, while for the subsidiaries Asa S.r.l. and Quanta System S.p.A. these criteria will be included in the evaluation of suppliers of critical components starting in 2021.



* El.En considers suppliers of critical components to be all of those who supply components and/or assemblies which have an impact on the safety of the Patient and/or the Operator and which represent a high level of risk or offer services related to the quality of the product which have an impact on the safety of the Patient and/or Operator.

INDUSTRIA 4.0

New layout for the manufacturing sites of El.En. S.p.A.

In 2020 the Parent Company El.En. S.p.A. began a re-organization of the layout of their plant which is still being worked on, and which includes the manufacturing area of the medical sector and a new plant for the production lines of the industrial area which were moved to a new factory which was completed this year. The objective for both sectors was the re-organization and optimal use of the available spaces by making them more comfortable and functional and to improve the efficiency of the activities by redesigning the factories on the basis of Industria 4.0 and inserting the so-called "smart" technologies into the production processes which characterize the evolution of the factory into a "Smart Factory". Industria 4.0 is a set of all of the innovations which in the next few years will transform the methods of production; it is a technological mix of robotics, sensors, connections to the web and programming which will change forever the management of the Company and the production models that we now know: the factory will lose its concept of immobility and physical presence thanks to the sharing of data, and to co-working, by taking advantage of the opportunities offered by Big Data and the Internet of Things. Our country, as part of the National Industry Plan 4.0 2017-2020, has offered a series of measures intended to promote investments and allow the companies to more easily access the "digital transformation". We want this transformation to be a tangible reality in El.En. and for it to continue in all of the factories of the Group, so that we can deal with a double reality: the management of physical resources as well as the virtual ones, considering them as a single system for the company production.

INDUSTRIAL Area

The new plant layout of the factory was designed on the basis of Industria 4.0 and the manufacturing processes were integrated and connected with each other.

We started using **intelligent testing benches** for the laser sources: the new benches made it possible to increase the production capacity by decreasing the amount of time required for the sources to pass through the testing line, a simplified management for the operators and greater ease in identifying potential alarms. The inter-connection offered the possibility of monitoring the advancement of the testing phase and to verify the condition of the benches at any time, as well as automating and programming the start of the phase; in fact, it is possible to conduct these controls even remotely by using a tablet with user-friendly interface.

In the production facility they have created specific spaces for high-technology and performance like the **clean room** spaces for assembling of components in a clean environment and the **plant for the ultra-sound cleaning** of mechanical parts, in this way guaranteeing a complete cleaning and reducing the risk of work-related accidents. They also introduced an **automatic vertical storage area** which, with respect to traditional storage solutions makes it possible to save space and speed up storage and delivery operations.

Again following the criteria of Industria 4.0 we created a **production line for prototyping electronic boards**, which was composed of three machines: a serigraphic printing machine, a Pick and Place machine and a reflow oven. Moreover, in the workshop we inserted two machines, **a lathe and a cutter**, both with numerical control, for high-precision machining. During 2021, for these two technologies, we will complete the process of inter-connection with the entire infrastructure of the Company.

MEDICAL Area

The objective of the re-design of the medical plant layout was to re-organize and optimize the use of the spaces and make them more comfortable, functional and efficient. The **number of BOXes** for the testing of medical systems was increased on the production lines also with an aim to increasing the production capacity, while the electronic production improved the positions for testing the electronic boards by renovating the structure of all the area for the purpose of reducing the risk of static discharges on electronic products (ESD) by installing a static dissipative floor.

The work stations for the service department were increased and we created a special area for the personnel dedicated to customer care; the production engineering areas were also enlarged and now include a burn-in zone which is specifically dedicated to prolonged stress tests.

The warehouse was also amplified and **two automatic vertical storage containers** were installed, in addition to the pre-existing ones, with an aim to improved storage and faster distribution, safety and reliability of the storage and distributing operations which are connected to the company management system.

All of the medical area is preparing a digitalization process for the advancement of the production (MES – manufacturing execution system) in order to optimize the processes, from the tendering of the offer to the finished product. By the end of 2021 it will be possible to monitor the activities without adding to costs and guide the operations and processes of the factory with the greatest efficiency.

Moreover, we have purchased, integrated and inter-connected a **3D Smart 4.0 printer** with which it is possible to make products by generating and gradually adding layers of material (additive manufacturing) with speed and precision.

A new operating system for Quanta System S.p.A

The subsidiary Quanta System also began a procedure of inter-connection and digitization of the company on the basis of Industria 4.0 by identifying a more efficient method of reaching their objectives in the new ERP System called SAP S4Hana.

This process, which was begun in 2019 and continued for all of 2020, was concluded with the go-live in January of 2021. SAP S4Hana is a management software which is divided into modules or macro-areas which refer to the company departments (Finance, Procurement, Materials Management, Sales & Distribution, Production Planning, etc...). They are modules which are completely separate from each other but at the same time have their own characteristics and functions which are integrated with each other thanks to specific systems of interaction and automation, which permit the modification in real-time of important data and improve communication between the various departments. In particular, as far as the Supply Chain is concerned, through the integration of a EWM (Extended Warehouse Management) module a more advanced and robust functionality is guaranteed for the management of the activities related to the warehouse and to the handling of goods: the control of the material and the movement of the goods become much faster and simpler and there is a dynamic distribution of the material to their locations which optimizes the available space.

The new operating system reduces the risk of error to a minimum, guarantees a high level of satisfaction from the employees and assures the maximum productivity. The integrated system also promotes the possibility of smart working by meeting all the requirements dictated by the pandemic emergency but could also be the basis for a revolution in the business world that is already upon us.

4.4 Our customers

The innovative capacity of the El.En. Group, as we have already mentioned, is based on continual experimentation which, thanks to the development of advanced systems and technologies makes it possible to offer the client a vast range of very high quality products which are top of the line on the market due to their innovation and excellent performance. The Group also distinguishes itself for its attentive and scrupulous after-sales service which uses monitoring and response systems which are increasingly evolved.

One of the distinctive characteristics of the El.En. Group, moreover, is their solid structure dedicated to marketing and after-sales service to satisfy to the greatest extent possible the clients in specific sectors or geographical areas. All of this makes it possible to maintain focus on customer care with a robust organization which is reliable but flexible and capable of quickly responding to the requests.

The health and economic crisis related to the pandemic last year generated significant changes in customer relations and substantially impacted the activities of the teams dedicated to customer assistance. The discontinuity caused by Covid 19 is accelerating the process of digital transformation in all of the organizations, which are now forced to rethink their models and revise the management strategies of their resources. Some areas like Customer Service, Marketing and selling consequently must move forward in fact because the requirements of the users are increasingly oriented towards a service which is both integrated and intelligent.

The business philosophy pursued by the El.En. Group has remained that of keeping in touch with their clients and being available in the way and at the times most agreeable to them, by using the telephone instead of innovative instruments like Virtual Booth, by organizing numerous Webinars and making wide use of live chat. Among the various effects of the pandemic on the business models of the Group, there is still a strong drive to continue to make use of direct communication channels which are more suited for building personal human relationships with clients including those at a great distance.

The Group is committed to continuing to remain close to their clients and their business partners,

for example, by modifying the way in which their training courses are conducted. In the past, clients and distributors from all over the world participated in these meetings in order to watch the different procedures for using their products which were demonstrated by doctors and experts in the field. The new requirements for "social distancing" have, in fact, transformed the training sessions from "real" to "virtual" by using webinar platforms with inter-active collaboration by all of the participants.

The training proposal of the Group analyzes, interprets and explains the development of its products using digital methods that are extremely practical and making use of highly professional educational material produced directly by researchers and experts and completed by applications for tablets for some of the companies or access to sections of "Club" internet sites dedicated exclusively to clients and filled with information. The objective is to offer important instruments for communication, work and promotion like, for example, presentations, manuals, waiting room material, etc. which represent an exclusive range of additional services for users all over the world.

We have confirmed our presence on the market by offering our clients an opportunity for professional growth since we believe that the future will be created through the improvement of knowledge and competency. In fact, our systems are intended to improve the welfare of the patient but also to promote the evolution of the activities of the professionals who can always count on devices that are safe and high-performance and on a training which will allow them to take advantage of all their potential.



The Virtual Booth of QUANTA SYSTEM

The subsidiary Quanta System has offered the possibility to those who visit their site of connecting to **Virtual Booth**, a virtual stand in which they present their products, with their characteristics and fields of application. The company opens the doors of their **show room** to the participants who can easily connect to the attractive room which offers them the opportunity to find out more about the brand.



ASA chooses the webinar

During last year ASA focused on training in order to remain in touch with their clients, partners, and collaborators and, at the same time, to teach and add new functional information for the professional advancement of their end-users. A dense calendar of webinars, meetings for teaching how to use the new instruments, round-table discussions, live and on-demand demos, and remote seminars allowed the company and its therapies to "travel" all over the world.

The over 160 webinars involved about 10.000 users and more than 100 businesses supporting the selling forces: in a year characterized by the pandemic caused by the Covid 19 virus, ASA invested in the training of collaborators, distributors and clients and promoted a mix of live and digital which shortened the distances and offered occasions for professional growth.

The "web&live" format was created by mixing direct training from remote conducted by company trainers with live experiences guided by international Field Application Specialists and generated a mixture of usefulness because of the ease with which it could be followed and the sharing of information; in this way digitization for Asa became the priority channel for internationalization .

The virtual trade fairs of 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 On-line 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.



Lasit S.p.A. - Torre Annunziata (Italy)

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 interaction 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.

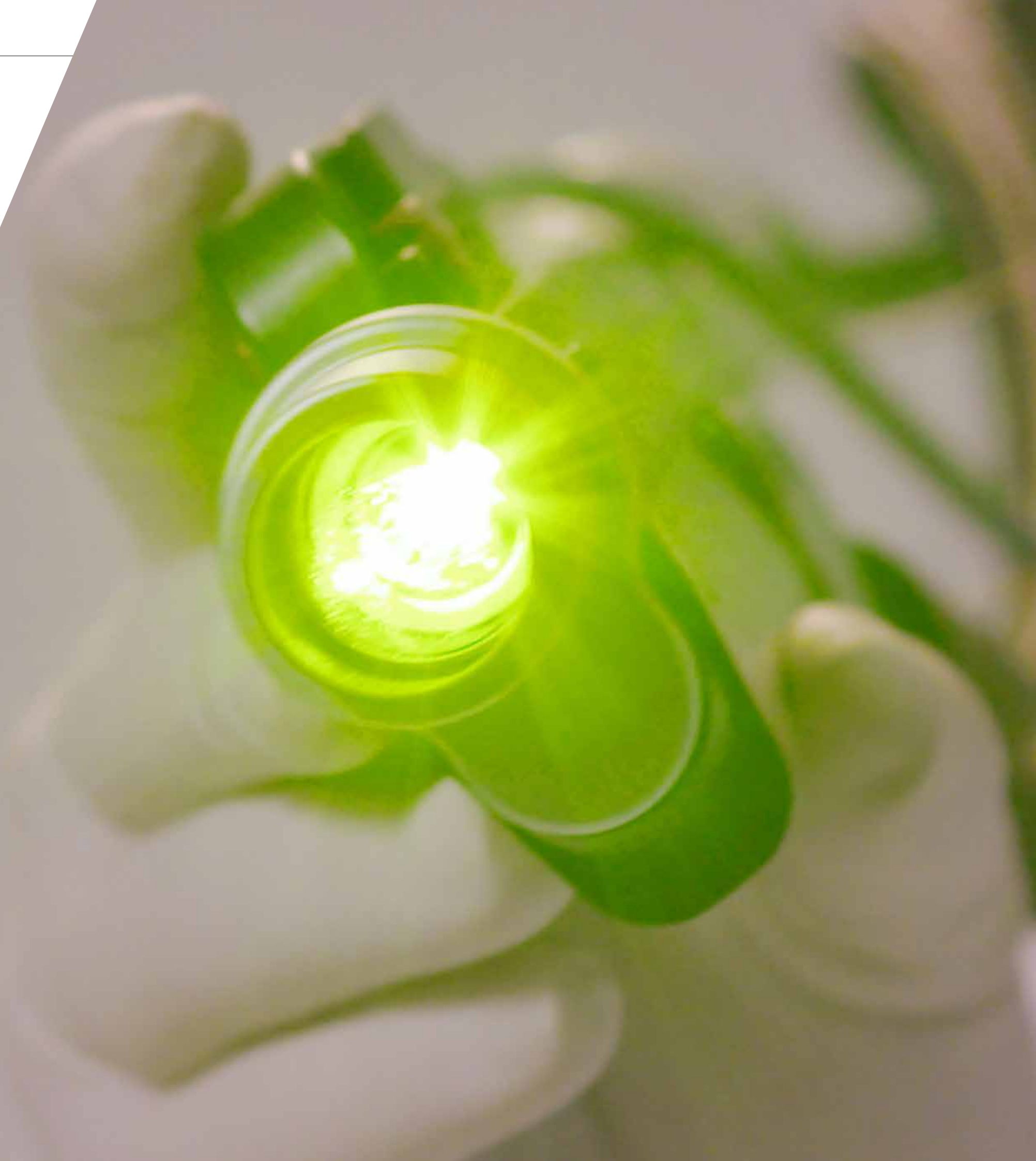
The El.En Group is strongly committed to a continual process of improvement of the processes in the after-sales phase: the role of service becomes increasingly important and is crucial in the relationship of trust between the company and its clients.

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 end-users 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. In 2020 the Parent Company El.En. developed a new service portal used for the management and supervision of technical assistance work for the support of the supply of spare parts and the requests for repairs and for the supervision of the instruments of the distributors. This tool, which guarantees an improved assistance service by developing a synergy with the distributors, will be connected to the management system and this connection will enable the after-sale traceability of the medical devices and a better comprehension of the issues in the field, the downloading of the technical manuals, the integration of the information related to the systems and codes of the spare parts as well as the monitoring in real time of the status of a service report, but above all, it will permit the monitoring in real time of the state of post-sales reliability on an aggregate or individual basis for the product. The web portal will also make it possible to conduct a complete service management using a mobile device.



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 ipoestrogenization.

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

The improvements in the welfare of the patients are evident also for vascular anomalies like **infantile or congenital angiomas**: besides being highly



visible, these imperfections can disturb the normal functioning of a person or cause discomfort; the laser represents a valid alternative to the pharmacological therapies with respect to which it also has the advantage of preserving the integrity of the tissues; in fact the laser treatment selectively dries up the blood component which then slowly deflates until it has completely disappeared. Also in the case of skin discolorations, besides having an important preventive action, the use of the laser makes it possible to save the skin from the aggressiveness of the acids that are traditionally used and to solve one problem without creating another. In the case of superficial discolorations the laser strikes selectively without destroying the surrounding tissue while, with traditional techniques the discoloration was eliminated by controlled abrasion of the skin used along with acid substances. The situation is different for deep spots where the laser is the only technique available.

The quality of life is influenced also by the aesthetic image that people have of themselves even when no pathological imperfections are present. This fact is the reason that there are so many request for

aesthetic and medical treatments from a population that increasingly wishes to improve their appearance; in today's society the aesthetic image plays an increasingly important role and if you are not able to come close to the common standards your dissatisfaction with yourself increases.

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

In order to meet the different requirements of patients, the El.En. Group has created numerous types of lasers in order to treat effectively a wide variety of issues related to the **rejuvenation of the skin** with emissions characterized by wave length, duration of impulse and different levels of power. With laser treatments the most immediate benefit is the reduction of the recovery time for the patient respect to traditional aesthetic surgery; as far as the general mid-term effectiveness is concerned, the laser creates controlled micro-lesions

which stimulate the organism to produce new tissue and, in this way, the intrinsic potential of the body, and triggering a natural and gradual rejuvenation. The impact of these treatments from a psychological point of view is very positive because people do not perceive the change immediately but day after day and they gradually get use to their new appearance.

In the sector of body contouring the last few years have been very important, with the release on the market, first of the Onda, the first system in the world which uses the emission of particular microwaves which act on cellulitis, adiposity and skin laxity, and reduces the layer of subcutaneous fat with a non-invasive treatment which can be repeated again after a short time and which creates benefits that are immediately visible and prolonged over time, and then in 2020 with the release on the market of Schwarzy, a system for the reduction of fat using electro-magnetic fields which interact with the muscle tissue by activating their contraction. Schwarzy intervenes on different parts of the body and in just a few sessions reduces localized fat, improves muscle tone and also improves posture. Besides this new technology, many years ago the Group introduced a system for the removal of local fat deposits with laser lipolysis, a minimally invasive treatment which makes it possible to treat specific areas of the body, even the most delicate, in which traditional liposuction is not advisable.

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 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 an 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. Through research and development we are committed to the continual improvement of the performance of our systems by increasing their effectiveness and efficiency. We produce CO₂ laser sources which we have found to permit a CO₂ energy savings on those now on the market and consequently, a reduced environmental impact; we have also developed and patented regenerating cartridges which regenerate gases and permit a reduction of the environmental impact in terms of refuse.



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.

During 2020, the most significant restoration work conducted with our lasers was:

- Sacro Monte di Varallo, removal of the over-painting on the statues;
- Michelangelo, Medici Chapels of San Lorenzo, Florence, intervention on the base;
- Restoration work on the mural paintings in the catacombs of Sant'Eframo, Naples;
- Cleaning of the polychrome and unpainted stone artifacts, Basilica di Sant'Antonio, Padua;
- Statue of St Mark by Donatello, Museum of Orsanmichele, Florence;
- Cleaning of the stucco reliefs in the underground basilica of Porta Maggiore, Rome;
- Cleaning of the architectural decorations in the Cathedral of Angoulême, France;
- Rimini, removal of the graffiti from the Arch of Augustus;
- Stucco reliefs by Raphael, Vatican Palaces;
- Restoration of a human mummy of the Ptolemaic era conducted by the Conservation and Restoration Center of Venaria Reale.

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 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.

DEKA MAB - Create a Medical Advisory Board for women's health

In 2020 the subsidiary DEKA Mela S.r.l. created its own Medical Advisory Board (MAB) for women's genital health.

The members of the Board are all internationally famous professionals and experts of great clinical and scientific standing who are recognized in their fields of discipline. The Commission will contribute to the definition of a global development plan for new protocols and clinical guidelines, and the improvement of techniques and methods to be applied to women's genital health. The members of the Board will always maintain their independence in their work and Deka will not interfere in any way with their clinical or academic activities.

The creation of the MAB represents an important step for Deka, for the international scientific community and for women who are afflicted with gynecological conditions: we believe that we can supply valuable information on the current requirements for the health and well being of women and in this way increase the already considerable amount of clinical studies and scientific publications conducted on the Monalisa Touch CO₂ laser through research which adds to the knowledge of and experiences with this important system.

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.

THE NEW TFL TECHNOLOGY LASER

Innovation in the medical sector means finding new ways to intervene on human beings in a way that is not invasive and permits an easy and rapid recovery, by investing in new technologies. This is what the El.En. Group does every day to improve the lives of patients by identifying, developing and marketing highly technological lasers which respond to medical needs. When used opportunely, lasers can replace surgical instruments and permit greater selectivity in the treatment of tissues and therefore increase the precision of operations and reduce the consequences of invasive procedures and the recovery time of the patient.

During 2020 the subsidiary Quanta System S.p.A. released on the market a new laser technology called TFL (Thulium Fiber Laser), which represents an evolution in the treatment of kidney stones, by making their destruction more precise and less invasive thanks to the Fiber Dust systems, which makes it possible to increase the utilizable power peak with greater efficiency for pulverizing the hard stones. The finer pulverization of the stones, moreover, makes it easier to eliminate the residual fragments.

The Fiber Dust technology can be used for the ablation of tumors in the upper excretory vessels and the urinary tract in general. The selective action of the wave length emitted and the precision of the laser make it possible to use this technology also in neurological and rehabilitation surgery.

A LASER IN THORACIC SURGERY FOR THE GEMELLI HOSPITAL

A thulium laser was donated by the subsidiary Quanta System S.p.A. to the Gemelli Hospital in Rome. This innovative instrument made it possible for the doctors working in this Roman hospital to apply advanced techniques in pulmonary resection, for which they have performed about 30 operations. For this type of operation, i.e. the preferred option in the therapy of lung cancer or the treatment of pulmonary metastasis (even multiple), the surgeon has the possibility of choosing among various types of operations on the basis of the clinical condition of the patient. In order to perform this type of procedure it is therefore necessary to have expert surgeons who are equipped with the latest technological innovations like lasers. The patients receive enormous benefits from the use of this assisted laser technique because the lesion is eliminated while the surrounding tissue is left in tact and in many cases there is an improvement in the post-operative recovery.

BIG ACADEMY

Big Academy is an advanced training program created for managers in the sectors of energy, mechanics, optics, electronics and computers, operating in small and medium sized manufacturing companies of the supply chain as well in the great industry complexes. The objective of this program is to teach managers and directors of companies to read and interpret the global economic context in continual change. The training plan is the result of the collaboration between university professors in the area of social sciences, economics, and management engineering and the professionals operating in great industries; the lessons are held in the presence of the university professors and top managers so as to alternate the more theoretical and scientific parts with actual experiences and acquire a clear picture of how to operate in great international companies. El.En. S.p.A. was one of five companies that participated, together with the University of Florence, in setting up and elaborating this training program. This partnership which unites the companies, the University and the public administration is the distinctive characteristic of the initiative and represents its unique, innovative character directed to the territory but with an International breadth and with a significant outlook for growth over time and is a further demonstration of how our Group has always been committed to sustaining cultural, social and educational initiatives in the territory in which they operate.



ASA LASER – ENERGY FOR HEALTH AND THE VALUE OF SHARING

The evolution of the bio-medical technologies of the subsidiary ASA goes through a process of continual experimentation. This is an activity which is free, open, ethical and which aims at developing and sharing knowledge, combining the rigor of science with the requirements of production by constantly improving the products and the therapeutic results.

Energy for Health is a magazine edited by ASAcampus (a joint laboratory shared by the Research Division of ASA and the Department of Clinical and Experimental Biomedical Sciences of the University of Florence), and represents a direct demonstration of their commitment to the sharing of scientific information and the cultural promotion of laser therapy and magneto-therapy.

The magazine presents the results of basic research and clinical studies conducted in Italy and abroad. Internationally famous researchers, doctors and specialists contribute to the magazine and in Energy for Health they have found, for over ten years, an open space for discussion and a natural meeting place for exchanging experiences and knowledge.

The magazine is distributed all over the world and is given free of cost to the participants in the training courses and symposiums conducted by ASA and to all those who request a copy on-line. On the internet site of the company there is also a section called "Asa Research Library" where numerous scientific projects are published. The papers can be searched for by year of publication, by author, by therapy or by keyword and they are all projects that have been conducted using equipment made by ASA which highlights the direct evidence of the therapeutic effectiveness.



LASERS FOR RESTORATION

Again this year we continued our collaboration in the International Restoration Project conducted by the ICR (Istituto Centrale per il Restauro – MIBAC) in Rome and the National Corporation for Antiquities and Museum in Sudan for the restoration of the wall paintings in the Temple of Mut at Gebel Barkal, which is a UNESCO world heritage site dating to the first half of the 7th century B.C.

The El.En. Group also participated by loaning equipment free of charge, in the restoration work in the Chapel of the Cardinal of Portugal in the Church of San Miniato in Florence where for the first time laser systems were used on the vault for cleaning the gilded parts of the medallions made by Luca della Robbia, and removing the layers of repainting in order to uncover the original gold leaf.

Using lasers produced by the El.En. Group, in Turin they also restored a 2000 year old human mummy of the Ptolemaic era which was wrapped in sheets of linen and featured a painted paperboard mask. The laser was used for the gradual removal of the deposits on the surface.

Our division of "Light For Art" for the conservation and restoration of works of art and our lasers increasingly confirm that they are a global point of reference for the cleaning and conservation of our artistic and cultural heritage. Thanks to a continual work of study and optimization in collaboration with national and international research institutions, El.En. offers the greatest range of lasers dedicated to this specific application. We are now able to satisfy every type of requirement so that restorers can deal with a vast variety of conservation problems.



PNEUMONIA CAUSED BY COVID-19 AND MLS®: THE IMPORTANT CONTRIBUTION OF ASA

Since their founding ASA has considered research both a guide and a beacon since they understood that it was fundamental in order to increase the value of their therapies and we are very proud that one of the main therapeutic solutions is now freely chosen by specialists for specific clinical studies in contexts of great feasibility as in the case of pain management and physical rehabilitation caused by inflammation that is a result of COVID-19

An example of this is the publication in the Journal of Inflammation Research which is titled "Evaluation of Adjunctive Photobiomodulation (PBMT) for COVID-19 Pneumonia via Clinical Status and Pulmonary Severity Indices in a Preliminary Trial" where attention is drawn to the effectiveness of treatment with the Laserterapia MLS® on patients suffering from interstitial pneumonia caused by COVID-19.

The results, in fact, have revealed how patients treated with Laserterapia MLS® recovered rapidly, showed an improvement in the pulmonary indices (score: SMART-COP, BCRSS, RALE and CAP), did not need to be hospitalized in intensive care or to be attached to a mechanical ventilator and did not have any posthumous consequences five months after the treatment.

The ASA have been the subject of several research projects focused on the elaboration of the functional procedures for the rehabilitation of the patients also in the field of neurology. The Research and Development department continued its projects both in terms of detailed studies and the creation of educational material to be placed at the disposal of the scientific community.

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 "Assorestaura", 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).

The People

Passion and talent
to grow together

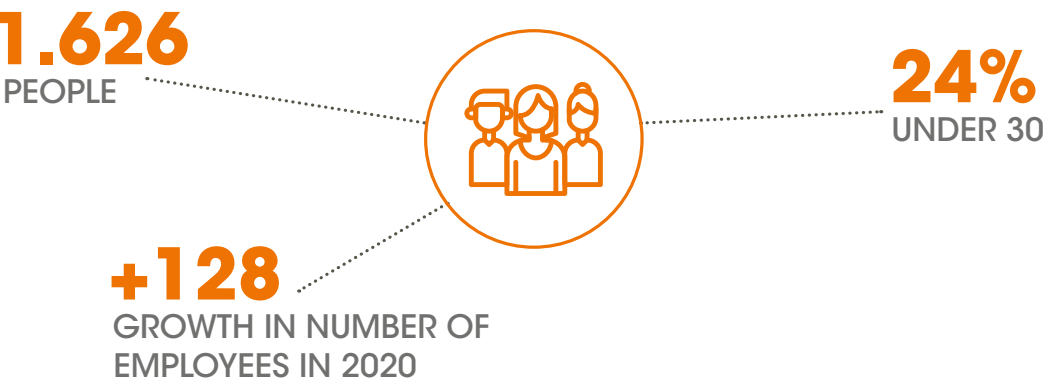


6. The people

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.

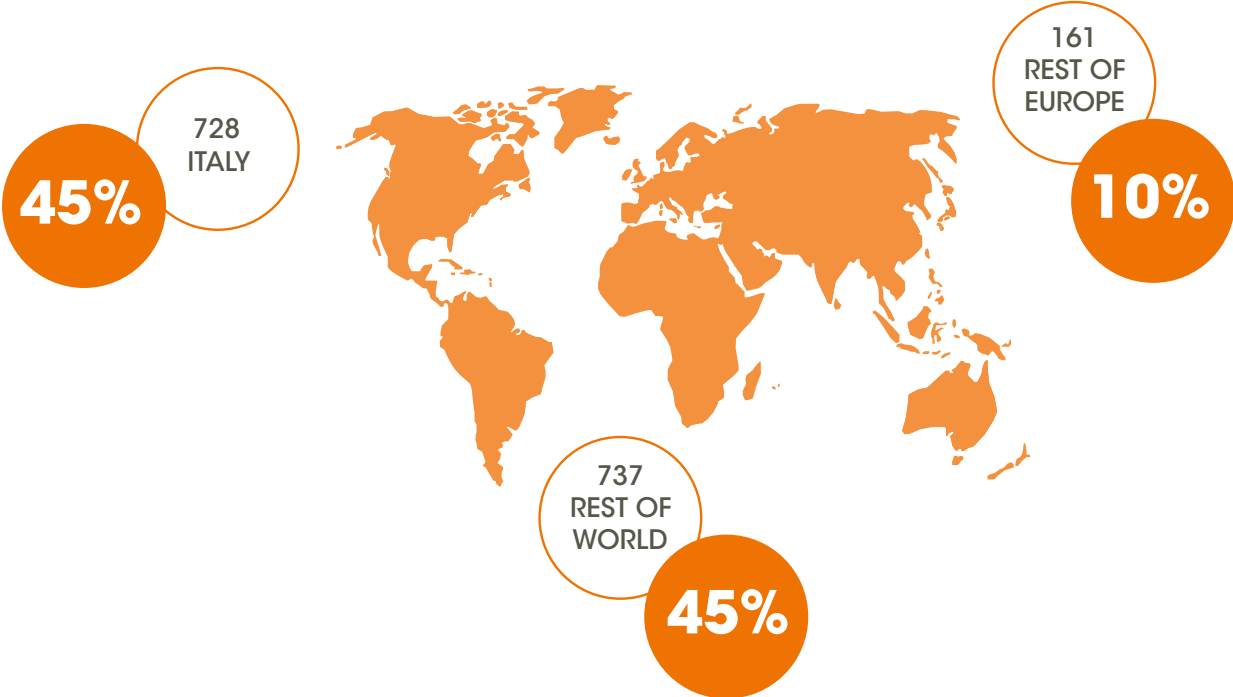
Last year was one of the most difficult and complicated that we have ever faced, the pandemic slowed down the plans for growth to which we had aspired at the beginning of the year, and we were forced to reduce the rate of production and practice sales margins that were lower in order to maintain our position on the market and redesign our workplaces and our operating methods but it did not affect our capacity to innovate or the attractiveness of the range of products that we released on the market: this year, in fact, what emerged and is at the base of everything, is the excellent quality of our human resources: during these difficult months in fact we learned to appreciate the value of the competency and dedication which make our personnel the strong point of our activities.

Important decisions were made immediately in relation to the company activities: from the very beginning all of the companies started to encourage smart working in order to reduce the number of staff in the offices; we also invested in computer equipment to be given to those who did not already have them, portable PCs and routers with internet data in order to assure the continuity of business. As far as the operating personnel was concerned, in every company, especially during the first months of the pandemic, the amount of personnel was reduced to the minimum necessary for a strategic production, reduced work shifts or rotation were organized in order to guarantee social distancing, and all non-essential activity was suspended. During the months of lockdown when necessary, the companies of the Group used the special funds promoted by the Government as a financial support for the families. The Italian companies decided to advance the payments provided by the ordinary Cassa Integrazione (CIG) which is paid by the Social Security service and, in some cases to advance the awarding of production prizes and, after the closure of the schools, the employees were given the opportunity to choose more flexible hours for the purpose of facilitating the organization of the family.



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 in 2020 this policy was adopted by the subsidiary companies and distributed to the 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.

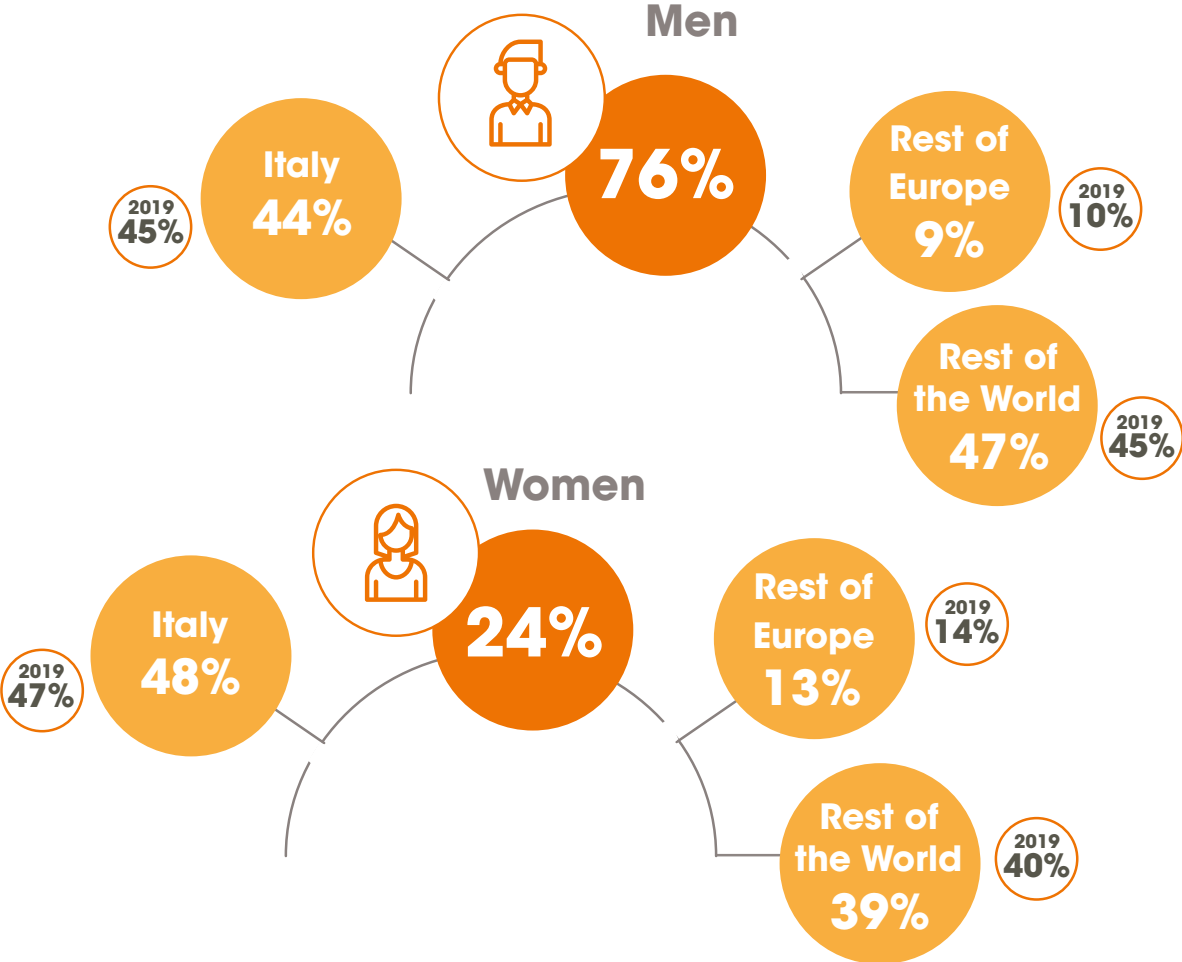
The Parent Company, in particular, has conducted an analysis for the codification of management procedures for human resources (hiring, remuneration, etc.) as well as the profiling of the corporate functions with the identification of the responsibilities and skills that are necessary. On the basis of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

In the Group there are 1.626 employees (1.498 employees last year), and together we form an international Group that is growing and that is called to operate in contexts that are very different on a global level; ours is, in fact a multicultural team: of 100 people in the El.En. Group, 45 work in Italy, 42 in China, 9 in Germany and the remaining are distributed among Japan, Brazil and France.

The diversity of our people is evident in the statistics:

- The El.En. staff is, for the most part, young, in the age range from 30 to 50 years of age (62%), with 24% of the employees being under 30 years of age, and 14% over 50.
- The work force is represented by 24% women, a percentage which reaches 32% if one considers just the white-collar employees; the manufacturing nature of the activities of the Group, in fact, determines the prevalence of men in the category of laborers.

Distribution of employees by geographic area and by gender as of December 31st 2020



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

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

The Group is committed to the need to create a dialog with its employees for the purposes of reconciling

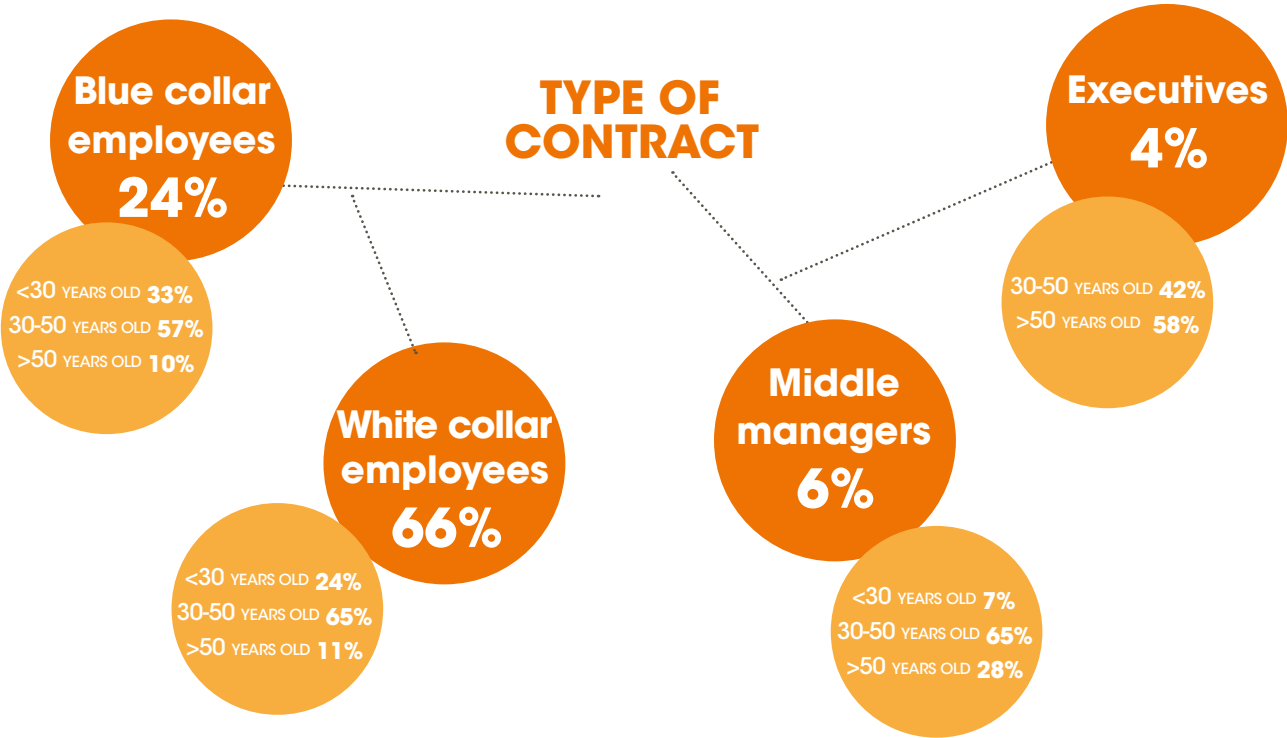
the requirements of the individual with those of the company. This commitment is demonstrated in the management of different categories of contracts: from national and/or sector contracts to collective/ corporate contracts and even contracts stipulated individually.

In particular, in Italy they apply a National Collective Work Contract (the personnel is 100% covered by collective contract), in Germany, the workers' committee signs a collective agreement on an annual basis (90% of the employees are covered by collective contracts; the rest are selling personnel who underwrite a different type of contract); in France they apply to all of the employees the Collective Convention IDCC n°1982; in Brazil the annually conduct a collective negotiation, while in China and in Japan they follow the local legislation. Moreover, in Japan the management conducts a monthly meeting with its employees to discuss any relevant issues. At the Group level, it should be noted that 55% of the employees are covered by agreements stipulated on the basis of collective bargaining.



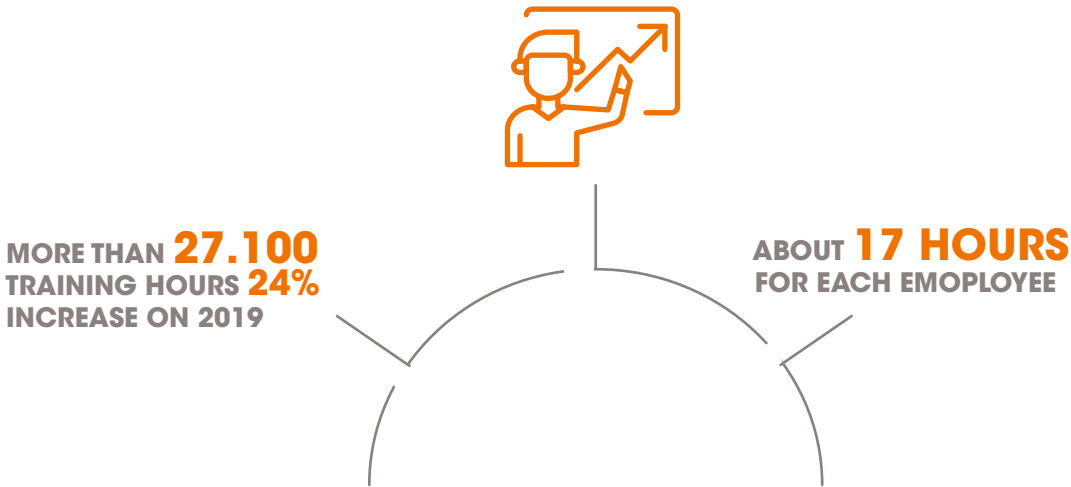
With Us Co. Ltd - Tokyo (Japan)

Distribution of employees by category and age as of December 31st 2020



6.1 Training and skills development

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



The training activity aims to stimulate and expand the professional skills of its employees and it is structured to ensure a differentiated offer aimed at involving all professional categories at all levels. In 2020 were provided 27.111 hours of training, with an average of approximately 16,7 hours for each collaborators.



The main types of training courses promoted by the Group in 2020 were the following:

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

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

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

For the purpose of promoting and increasing a sense of responsibility during this year the Group conducted training and awareness activities for all of their directors and executives on issues related to: anti-corruption, ethics code, human rights as well as sustainability subjects and the relative Sustainability Plan of the El.En. Group.

Moreover, all of the companies of the Group adopted and distributed to their personnel the Human Rights Policy, the Anticorruption Policy and the Environmental Policy which had been approved by El.En. S.p.A. during 2019 and they also committed to the spreading and application of the Ethics Code, containing all of the principles of legality, loyalty, correctness, transparency and professionalism to which the behavior of all individuals belonging to the Group must adhere; in the main Italian companies of the Group, the Ethics Code is always given to the newly hired employees as part of the obligatory documentation while at the subsidiaries Asclepien GmbH, Quanta System S.p.A. and the Chinese subsidiaries a focus on the Ethics Code is included in the training program for the new employees.



6.2 Health and safety in the workplace

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



MORE THAN 2.900 HOURS OF SPECIFIC TRAINING ON HEALTH AND SAFETY ISSUES

This year more than ever, safe accessibility to the workplace has been a priority for all of the companies of the El.En Group. After the start of the world health emergency at every company we defined strict procedures (which are still in force) for access which prevent entry to anyone showing symptoms of influenza or a body temperature of over 37,5°C.

The procedures include points of access with dispensers for sanitizing one's hands, a box for the distribution of surgical masks and a device which measures the body temperature. Different procedures were also implemented for areas which needed a special type of management; in general they referred to types of behavior like the prohibition of assemblies, the adoption of correct hygiene measures, the requirement to wear a surgical mask inside the closed areas and maintaining one's distance from other people. For all of the tasks exposed to risk and which are conducted outside of the Calenzano complex, the workers were equipped with extra protection devices like FFP2 masks and single-use gloves. All points of entry and exit or related to different departments were outfitted with dispensers for sanitizing hands. The workstations were set at a distance from each other and arranged so as to respect the legal limitations in order to be able to continue our activities in safety.

We used posters, flyers and brochures distributed in the areas with greatest visibility and traffic in order to spread the health and safety regulations and we also used computers to send the regulations by company e mail. The regulations were also kept in a folder

available to all of the personnel in the company server in order to increase the dissemination of the procedures and the correct behavior to follow. We also implemented and continue even now to implement daily ordinary and extraordinary cleaning and sanitizing measures of all the surfaces and rooms in order to guarantee at the end of each shift or, in any case, whenever necessary, the sanitizing of all of rooms, workstations and equipment used. For the use of equipment by more than one operator (for example, lifting equipment, forklifts and coffee machines, etc.) the companies organized cleaning procedures with suitable products between one use and the next. In order to deal with the Covid 19 pandemic the Parent Company El.En. S.p.A. created an Extraordinary Emergency Committee which made important decisions both in relation to the extraordinary measures to be taken in particular reference to the effects on the health and safety of the workers mentioned above, as well as on the activities, economic trends and the continuation of business at all of the El.En Group subsidiaries.

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

- Always acting in conformity with national and international standards;
- Managing dangers and risks related to very task and every activity; every variation in the

organizational layout at every level, comports an up-date of the relative documentation;

- Supplying competence and awareness of the risks related to the environment and to the tasks through continuous information and training;
- Periodic revision of the procedures and the work safety instructions in order to modify and improve them;
- Adoption of good practices in the management of contracts and sub-contracts in order to reduce the risk of interference;
- Search for the best technology available for the protection of the individual and the collectivity.

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

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

From this, the commitment to the respect of the regulations related to health and safety in the Organizational Model are derived, with an aim to promote a significant reduction in workplace accidents; the recognition that the responsibility for the management of safety regards the entire company from the employer to the each individual worker, on the basis of his tasks and skills; the commitment to assign adequate human and

financial resources towards the objective of reducing accidents and that of constantly improving working conditions, and the promise that workers will be adequately informed and trained in relation to the risk connected with the processes.

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

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

In all of the manufacturing companies there is a plan for a procedure for identifying risks related to safety and health of the workers: in Italy this activity is codified in the Risk Evaluation Document (DVR); in the Chinese companies the risks related to the workplace are formalized and communicated to the workers by means of the "Worker's Manual"; also in the German and Brazilian subsidiaries, the analysis of the risks is formalized in specific documents which are periodically up-dated. The identification of the risks precedes the identification and implementation of the corrective and/or preventive actions. Most of the subsidiaries have adopted a procedure for reporting of risks by workers and they have elected safety representatives among the workers.

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

During the meeting the following subjects are discussed:

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

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

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

The German and Brazilian companies also have specific commissions dealing with health and safety which meet periodically to evaluate the management of these issues.

For the Brazilian company, the health and safety representatives of the workers meet once a month to monitor the situation.

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

In all of the production companies there are training and information programs regarding health and safety both at the start of employment and later, at regular intervals. The structure and type of training courses is defined by the individual companies but, in general, all of them have programs with training for generic

risks as well as those with risks connected to specific types of work, first-aid courses and periodic up-dating courses. In 2020 we conducted a total of 2.928 hours in training at a Group level in relation to health and safety, an increase with respect to last year due to the increased frequency of training required by law but also because of the increase in the number of employees.

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

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

In 2020, at a Group level, we registered 19 cases of work related accidents, an increase with respect to the 16 registered the preceding year; the main types of accidents involved lesions and bruises, mainly to the limbs. Moreover, during the year there were no serious accidents or deaths. When somebody has been hurt, the Company always runs an investigation to determine the cause and take the necessary measures to prevent similar accidents.



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

6.3 The welfare of the people

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

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

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

Moreover, on the basis of a company agreement which was stipulated a few months ago, it will be possible to convert up to 50% of the amount due to the workers as a result bonus into welfare benefits and/or services. With this agreement, the companies have also granted an improvement in the treatment with respect to the present ones offered by the CCNL by guaranteeing an extra day of paid leave for the birth of a child with respect to the present regulations and also the first three days of a sick leave which

lasts less than five days will be paid 100% even after the third time. In the second level agreement, the subsidiary Quanta System S.p.A. introduced the possibility for every employee to convert the entire production premium into welfare.

The Italian companies, in compliance with the collective bargaining agreements, adhere to a fund for medical assistance for all of the employees. During the first wave of the pandemic, some of the companies activated health insurance for their employees for the purpose of covering their expenses in case they were hospitalized because they were positive to the corona virus Covid-19.

We are convinced that working in a made-to-measure environment increases the spirit of belonging to a company, which is an essential premise for its future. For the purpose of promoting and cultivating the importance of human resources, the development of the welfare program of El.En. was born after discussions and sharing of ideas: during the enlargement or transfer of their buildings, the subsidiaries decided to dedicate a significant amount of space to the welfare of their people in order to improve the quality of their working lives in the company and take care of them in every sense. In the career path of every professional figure it is increasingly important to include an investment which creates a working environment which is dynamic and satisfying and which stimulates team work.



In the companies of the Group which have their Headquarters in Calenzano and Prato we have always had a free cafeteria for the employees and this year considerable efforts were made to continue to offer this service. We divided it into shifts and sanitized the area between one shift and the next in order to be able to continue to provide a hot meal for the staff. Since last year there has also been a company gymnasium. The Chinese companies also provide free of charge an apartment in a company dormitory to all of the employees who ask for one, rather than have them sleep in the surrounding areas and offer a free lunch in the cafeteria. In its buildings the subsidiary Quanta System S.p.A. has a gymnasium that is available to all of their employees and a rest area where the employees can rest and eat their meals, and last year the German subsidiary Asclepion GmbH inaugurated a new building which was built next to the old and the enlargement was designed with an aim to creating a more comfortable

work area for all of the employees, with a large cafeteria area, a fitness zone with two rooms where they offer sports training and a large panoramic terrace on the roof with a garden inside of it. Moreover, the subsidiary ASA, in its new company headquarters inaugurated last year, adopted innovative solutions for the management of the spaces: the intelligent redistribution of the functional areas was designed to improve the quality of work and they installed open space offices which, thanks to an ad hoc study of the furnishings and the use of sound-proofing panels, not only guarantees privacy and silence, but also favors team work. In order to facilitate sharing and cooperation, there are also several meeting rooms, a job island, a snack bar and coffee break islands. Unfortunately, after the outbreak of the pandemic emergency, these rooms were closed or assigned to other uses to guarantee the safety and health of all those who were working inside of the company.



Penta-Laser Equipment Wenzhou Co., Ltd - Wenzhou (China)



Environmental responsibility

Commitment
and respect for
our planet



7. Environmental responsibility

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

prevention of potential risks which may rise in this regard by implementing corrective measures which respect the present regulations and best practice on this issue. During 2020 all of the companies in the El.En Group received, approved and distributed to all of the employees the Environmental Policy which had been approved by El.En. in 2019, with which the Group made official their commitment to keep under control and to reduce the environmental impact of their activities.

7.1 Energy consumption

The Group undertakes to reduce its energy consumption through, where possible, improvements to processes and infrastructures and the promotion of energy saving behaviors and habits, promoting the development of an environmental awareness among people. The energy consumption of the Group consists of electrical energy used for the heating or air conditioning of the rooms and for the manufacturing processes; natural gas and LPG used as fuel for the heating of the buildings, gas and bioethanol used for the motor vehicles. In particular, in 2020, 295.336 m3 of natural gas were used and 3.073 liters of LPG. The total consumption of electrical energy purchased was 4.902.035 kWh and a total of 426.884liters of gas and diesel fuel were consumed. The quantity of bioethanol consumed was 15.758 litri. liters. The overall consumption of Energy was therefore 43.895 GJ. In percentage terms, about 40% of the consumption was for electricity and another 35% about was for the use of company cars while about 24% was for natural gas and LPG for the heating of buildings. Since 2020, the Energy requirements of two of the subsidiaries has been in part met by photovoltaic plants which were installed in 2019: the amount

of energy produced by the photovoltaic systems amounted to 95.184 kWh. Moreover, during 2020, the Group did not make use of purchases of energy from renewable sources certified by a guarantee of origin. The overall energy consumption decreased by 2% with respect to last year because, even though the pandemic reduced the volume of production and the presence of the employees in the company, and for some of the companies of the Group some of the offices and production lines were even shut down for several months, last year we saw the transfer or expansion of some of the subsidiary companies (Cutlite Penta S.r.l., Ot-las S.r.l., ASA S.r.l., Lasit S.r.l. and Asclepion Laser Technology GmbH) which, however did not take place during all the months of the year; the move to larger buildings and new factories of the Chinese subsidiaries in Shandong and in Wenzhou, which were operating only starting in 2020, therefore comported an increase in production and a larger staff and consequently were aligned with the consumption of the preceding year. On the other hand, the consumption registered for the use of company motor vehicles decreased by 9% because with respect to the production, the circulation showed a greater decrease.



Penta Laser Wenzhou becomes a "Green Factory"

In 2020 the Ministry of Industry and Information Technology of the People's Republic of China awarded the title of "Green Factory" to the subsidiary Penta Laser Wenzhou. The companies that are awarded this prize are manufacturing companies that are concentrated on the development of sustainable production processes by using harmless raw materials and recycle refuse following a policy of energy efficiency. "Green manufacturing is an important part of the construction of ecological civilization and the only way for the transformation and upgrading of enterprises" stated the director of Penta Laser Wenzhou, who sustained and promoted the development of the concept of Green Manufacturing and implemented a system of environmental education for all of the employees. In order to receive the title of Green Factory it was first necessary to obtain the ISO 50001 certification which is the international standard which guarantees access to an energy that is clean, reliable and sustainable, and proposes the corrective measures necessary to improve energy efficiency. In 2020 the company inaugurated its second factory, also in the city of Wenzhou, over an area of about 38.000 mq containing two production facilities, a building entirely dedicated to Research and Development and an office building (in this same area we are building the third factory and a building for housing the workers which will be completed in 2021). For all of these buildings the company scrupulously followed the "Green Building Evaluation Standards", by installing high energy efficiency electrical systems: the design of the lighting systems was made using highly efficient LED technology, the light bulbs installed make it possible to reduce energy consumption by 25% and increase luminosity by 15%; in some of the rooms we have also installed motion sensors for automatic lighting. The company has implemented a policy of control and management with HVAC systems, in this way also focusing on energy savings for the heating and air conditioning plants. In all of the companies they have installed taps with infra red sensors to regulate the use of water and reduce waste and the ground where the buildings are located has been made completely permeable in order to protect the water system of the soil using an ecological road material which allows the rain water to penetrate rapidly to add to the flow of underground water and mitigate the effects of the heat from the urban island. The irrigation systems of the green areas, moreover, have been regulated in different times depending on the season and drought-resistant plants have been selected to save water.

7.2 Self-produced energy

In 2019 the subsidiary Asclepion GmbH and Asa S.r.l. installed photovoltaic plants, with powers of 44kW and 33 kW, to add to the energy needs for the company factories. In 2020 the plants functioned for the entire year and produced an amount of energy equivalent to 24% of that consumed by the two companies. In order to reduce its consumption, already several years ago the subsidiary Quanta System S.p.A. installed a cogeneration plant which in 2020 produced the equivalent of 56% of their energy needs. The objective of the Group in the next few years will be to install, also at companies other than those mentioned, plants for self-production of a part of their energy needs from renewable sources.

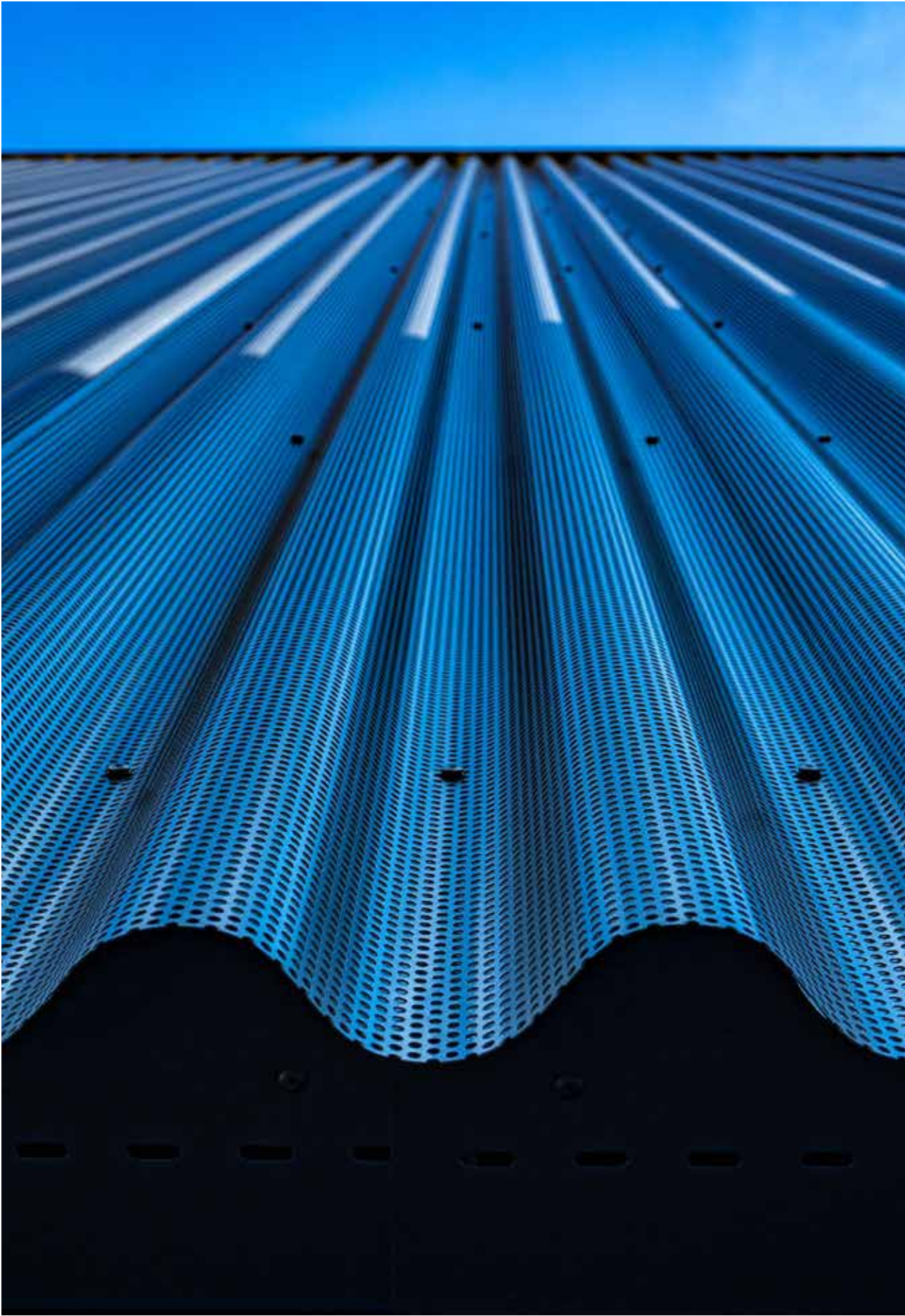
The new compactors

In 2020 three new compactors for cardboard were purchased, two by El.En. S.p.A. and one by Quanta System S.p.A., for a more efficient management of voluminous recyclable materials. Reducing the amount of space occupied in the company signifies an improved management of internal and external spaces, and greater production efficiency and reduced cost of logistics.

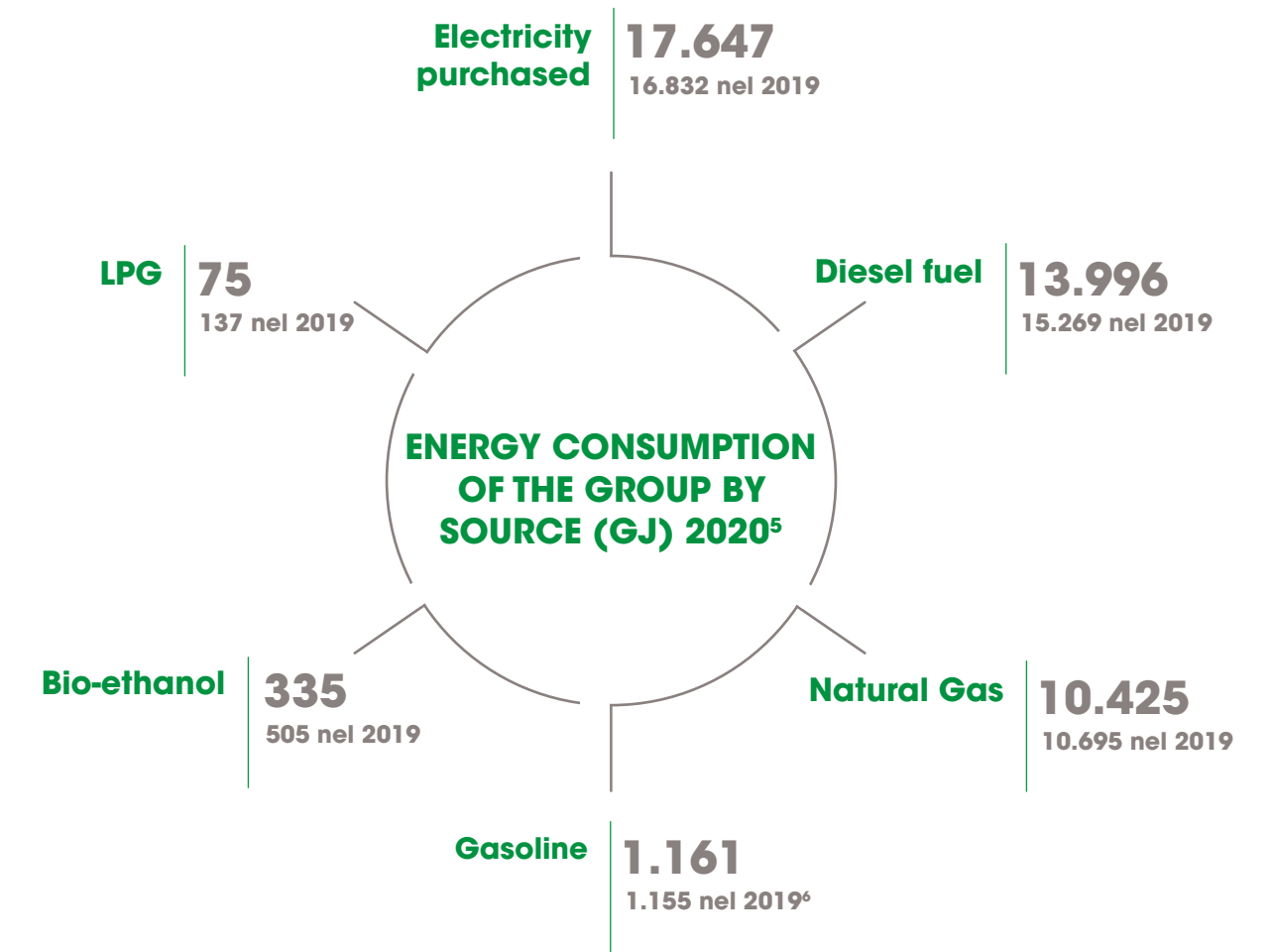
A compactor collects up to five times the amount of cardboard as the preceding types of containers which significantly reduces the number of times it has to be emptied. Compacting makes it possible to increase the quantity of differentiated refuse, by transforming it into high density bales. With this type of intervention the Group intends to create and disseminate a social culture which respects the environment inside and outside of the company.

PLASTIC FREE

At the Headquarters of El.En. S.p.A. and ASA S.r.l. last year they installed **dispensers with filtered water** in order to reduce the use of plastic bottles. During the inauguration of the new building of Asclepion GmbH they gave **glass bottles** with the company logo to all of the employees and the personnel of Quanta System S.p.A. in their Christmas gift baskets received **aluminum canteens** with the company logo to encourage the use of these containers and reduce to a minimum the consumption of plastic. Even if in 2020 we were not able to go forward with this objective for reasons of safety and hygiene, once the pandemic is over we will continue with the project which envisions a reduction of the use of plastic in all of the companies of the Group.



Asclepion GmbH - Jena (Germany)



7.3 Emissions

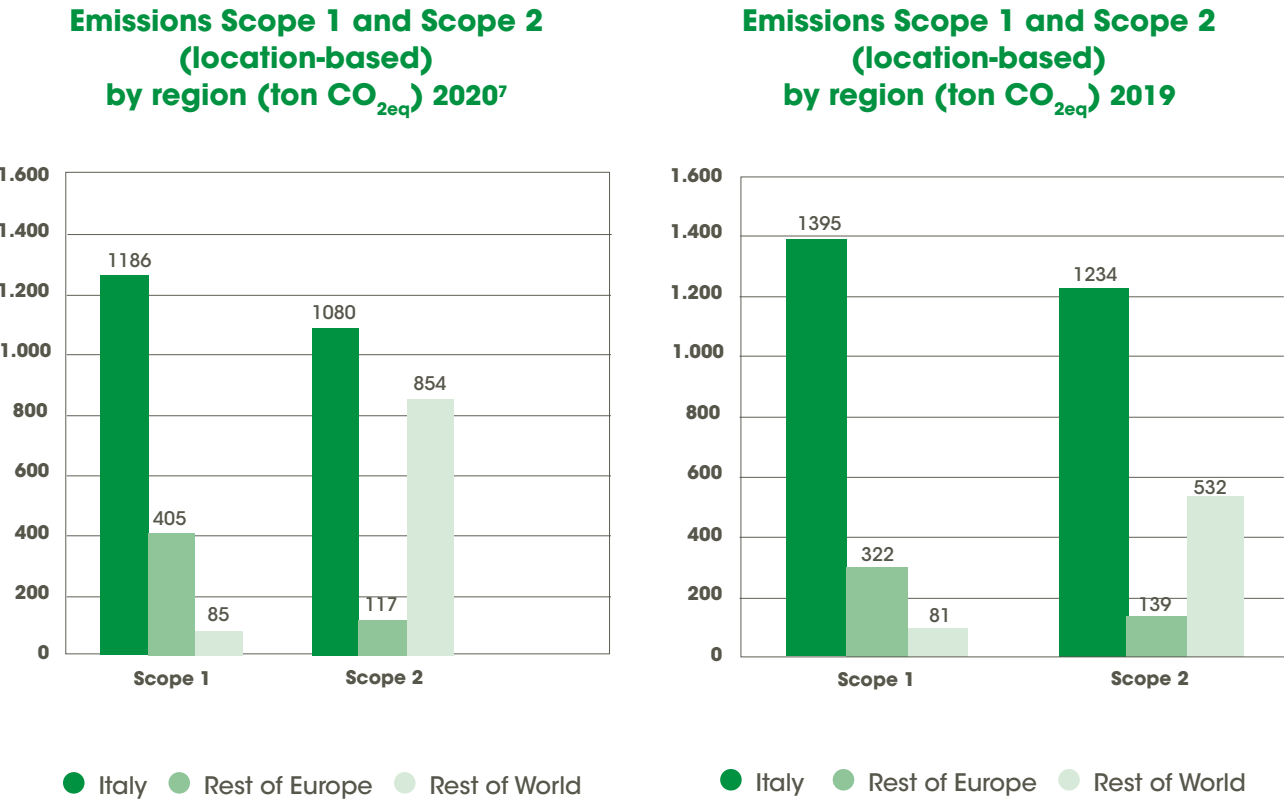
The direct and indirect CO₂ emissions associated with the main consumption of the Group can be divided into two categories:

- **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 “Location-based method” and the “Market-based method”. The Location-based method is based on the factors of relative emissions related to the generation of regional, sub-national and national energy.

⁵The data related to the consumption of electrical energy in the month of December 2019, unless otherwise specified, were acquired from the invoices issued by the suppliers of energy services..The 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 2020 and for 2019.

⁶ As a result of the refinement of the monitoring system of electrical energy and gas for the company cars of the Chinese subsidiaries of the Group, the data for 2019 for the geographic area called “Rest of the World” have been revised with respect to those published in the preceding NFD. For these data, please consult the NFD, published on the site www.elengroup.com. in the section Investor Relations / Sustainability/Reports..



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 market¹⁰.

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 and 2018, respectively for 2019 and 2020⁸;

- 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 and 2019, respectively for 2019 and 2020. For the other countries, we have used the same factors used for the location-based method.

For 2020, considering the calculation method location based for Scope 2, the total emissions were 3.726 tCO_{2eq}: 55% can be attributed to the consumption of electricity while 45% is due to other factors.

For the calculation of indirect emissions using the market-based method, CO_{2eq} emissions were in line with those shown above, i.e. for a total of 3.998 tons of direct and indirect emissions of CO_{2eq}.

⁷ 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.

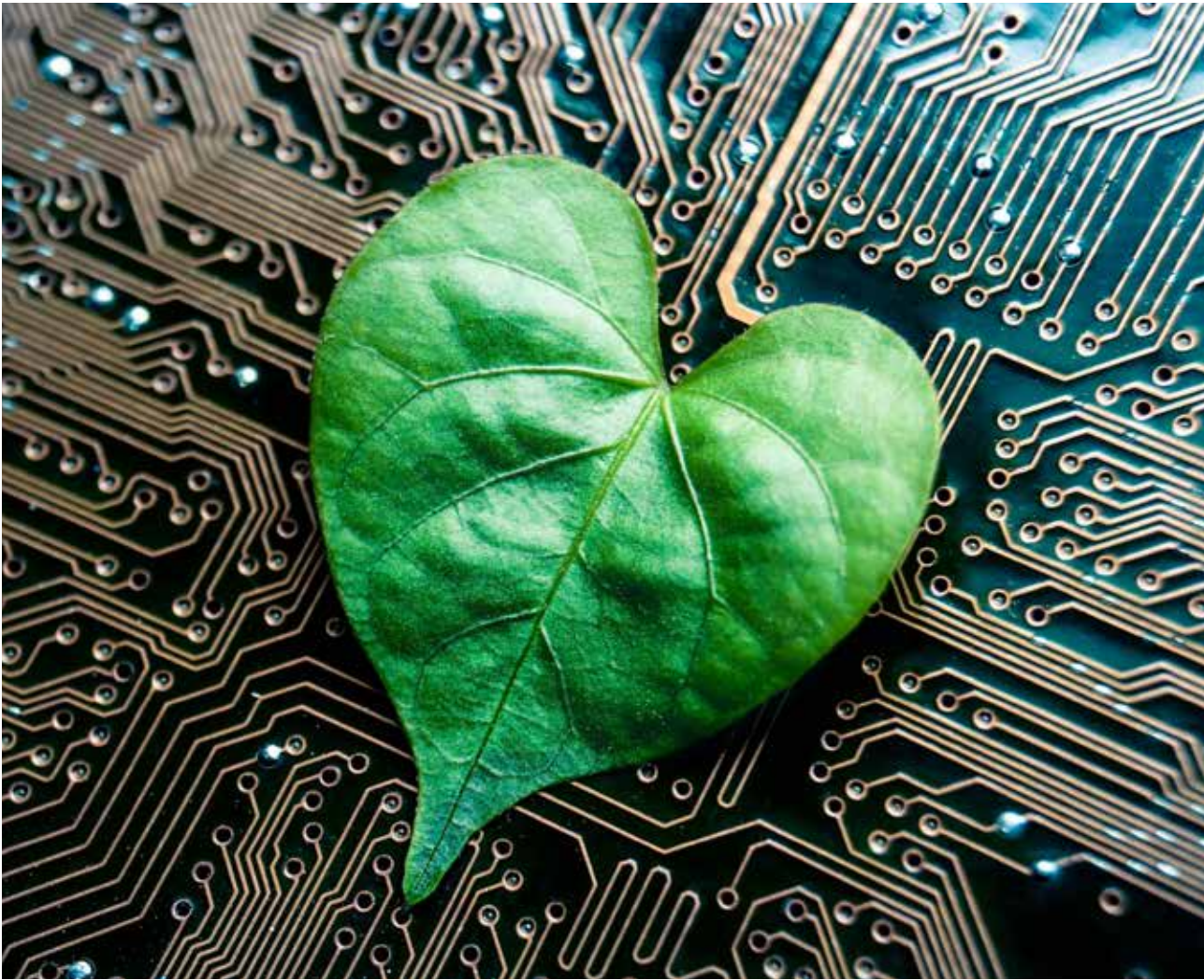
⁸ It should be noted that the Scope 2 emissions calculated with the emission factors published by Terna in the *International Comparisons* document are expressed in tons of CO₂; in any case, the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gas (CO_{2eq}), as can be seen from the specific technical literature.

7.4 Water consumption

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 2020 the amount of water used was 34.042 m3 and it came exclusively from the municipal acqueduct. The reduction in the amount of water used was due to the decrease in the number of people who were

present on the workplace on account of the Covid-19 pandemic. This reduction was in part attenuated, as we have said for the consumption of electrical energy, by the enlargement of the production facilities of some of the subsidiaries or moves to larger quarters. (Cutlite Penta S.r.l., Ot-las S.r.l., ASA S.r.l., Lasit S.r.l. and Asclepion Laser Technology GmbH) which occurred during 2019 and consequently were present in the consumption only for a part of the year, as well as the new production facilities in Shandong and Wenzhou, which have been active only since 2020.



Appendix

About
our report

Performance
indicators

GRI Content
Index



8. About our report

This document represents the second edition of the Consolidated Non-financial Statement (hereinafter "NFS") of the companies belonging to the industrial group formed by El.En. S.p.A. (hereinafter the Parent Company) and its subsidiaries (hereinafter the "El.En Group" or "the Group"). The NFS reports, to the extent that is necessary to ensure an understanding of the Group's operations, performance, results and the impact regarding the topics considered material and set out in Articles 3 and 4 of the Legislative Decree 254/16, with reference to the financial year 2020 (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 2020 by the Group.

This NFS has been prepared in accordance with the new standard «Global Reporting Initiative Sustainability Reporting Standards» established in 2016 by the GRI - Global Reporting Initiative (hereinafter "GRI Standards"), according to the «Core» option. With regard to the specific standard GRI 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 economic and financial data and information is the same as that of the

Annual Financial Report. The scope of the social and environmental data and information presented is the same as that of the companies consolidated on a line-by-line basis in the Group Annual Financial Report.

There were no significant changes in the size, structure or property of the organization or its supply chain that occurred in the reporting period considered here. For further details on the Company operations which took place in 2020, please refer to the consolidated financial statement for the period ending on December 31st 2020.

The information and the data reported refer to the financial year 2020 (from January 1st 2020 to December 31st 2020). The data related to the previous financial year, when available, are reported only for comparative purposes and to facilitate an evaluation of the trend in the activity. The restatements of the data previously published have been clearly stated.

In addition, to fairly present the Group's performance and ensure the reliability of data, the use of estimates has been limited as much as possible. Any estimate in this document is made using the best available methods and is expressly noted. The periodicity of the reporting of the non-financial information and the publication of the NFD is organized according to an annual schedule. This 2020 version was approved by the Board of Directors of El.En S.p.A. on March 15th 2021.

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

The El.En. Group is aware of the company's responsibility to society and to the environment and has initiated a program of continuous development regarding sustainability which already took concrete form in 2018 with the creation of the Group Sustainability Plan approved by the Board of Directors of El.En. S.p.A.; the actions that have been undertaken and the results achieved are reported in the chapter "Sustainability". Moreover we reported that:

Environmental matters

The Group is very attentive to the responsible management of their operations and attempts to create a balance between the financial objectives

and the essential environmental requirements. In 2019 the Board of Directors of El.En. S.p.A. approved an "Environmental Policy" which respected the commitment made in the Sustainability Plan. In 2020 this Policy was also approved by the subsidiary companies (or by their Boards, if present) and during the year it was distributed to the employees.

Respect of human rights

The Group deals with this issue through the adoption and dissemination of their Ethics Code which requires conformity with the Universal Declaration of Human Rights of the United Nations which must also be respected by the main suppliers. In particular, the Parent Company requires adherence to the Ethics Code by their consultants, distributors, agents, and suppliers of critical components. In 2019 the Board of Directors of El.En. S.p.A. approved a "Human Rights Policy" which respected the commitment that they has made in the Sustainability Plan. In 2020 this Policy was also approved by the subsidiary companies (or by their Boards, if present) and during the year it was distributed to the employees.

During the year we conducted training courses for managers and executives of the Group on this subject and in the coming years we will offer specific courses for all of the employees, in particular in those countries where the human rights legislation is not so severe as it is in Italy.

Active and passive fight against corruption

This issue is disciplined by the Ethics Code of the Group and must be respected by all the associated and subsidiary companies and the main suppliers. Moreover, the issue 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. In 2019 the Board of Directors of El.En. S.p.A. approved an "Anti-corruption Policy" which respected the commitment they had made in the Sustainability Plan. In 2020 this Policy was also approved by the subsidiary companies (or by their Boards, if present) and during the year it was distributed to the employees.

During the year we conducted a training course on this subject for managers and executives.

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 9001¹² and ISO 13485¹³ related to the quality control systems or medical devices. Moreover, the Group bases its critical success factors also on its capacity for innovation, as demonstrated by the investments in research and development which have the objective of creating innovative systems and applications to meet the needs of customers and create new ones.

Employee-related matters

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

Supply chain matters

As stated in the Ethics Code, the Group sets as one of its objectives that of creating relationships with their suppliers that are based on standards of transparency and correctness. In consideration of the renewed and growing interest of the organization in issues related to the supply chain, as mentioned in the materiality analysis, the Group is committed to taking action with their suppliers in order to define and share the principles of social and environmental good practice and ethical behaviour intended to promote a responsible and sustainable supply chain: the commitment is that of extending these aspects of the Ethics Code by the end of 2021, instead of in a specific Behaviour Code as was earlier planned. The Group has started to add to the process of qualification, selection and evaluation of the suppliers in Italy and abroad, a checklist of environmental and social criteria to evaluate all potential new suppliers.

Moreover the company formalize the reporting process for non-financial information in a procedure which defines roles, responsibilities and deadlines respecting the commitment specify in the previous NFS.

¹²Companies 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;

¹³Companies 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.

9. Performance indicators

Data related to human resources

Total number of employees by country, gender and type of contract						
	31 december 2020			31 december 2019		
	Men	Women	Total	Men	Women	Total
ITALY	545	183	728	512	168	680
Permanent contract	516	176	692	483	161	644
Fixed term contract	29	7	36	29	7	36
REST OF EUROPE	112	49	161	116	49	165
Permanent contract	112	49	161	111	49	160
Fixed term contract	-	-	-	5	-	5
REST OF THE WORLD	586	151	737	510	143	653
Permanent contract	52	29	81	46	31	77
Fixed term contract	534	122	656	464	112	576
TOTAL FOR THE GROUP	1.243	383	1.626	1.138	360	1.498
Permanent contract	680	254	934	640	241	881
Fixed term contract	563	129	692	498	119	617

Total number of employees by country, full time/part time by gender						
	31 december 2020			31 december 2019		
	Men	Women	Total	Men	Women	Total
ITALY	545	183	728	512	168	680
Full time	536	159	695	503	146	649
Part time	9	24	33	9	22	31
REST OF EUROPE	112	49	161	116	49	165
Full time	110	40	150	113	41	154
Part time	2	9	11	3	8	11
REST OF THE WORLD	586	151	737	510	143	653
Full time	586	144	730	510	135	645
Part time	-	7	7	-	8	8
TOTAL FOR THE GROUP	1.243	383	1.626	1.138	360	1.498
Full time	1.232	343	1.575	1.126	322	1.448
Part time	11	40	51	12	38	50

Total number of employees divided by employee category and gender						
	31 december 2020			31 december 2019		
	Men	Women	Total	Men	Women	Total
ITALY	545	183	728	512	168	680
Executives	39	3	42	37	3	40
Middle managers	33	8	41	29	5	34
White collar employees	235	169	404	224	157	381
Blue collar employees	238	3	241	222	3	225
REST OF EUROPE	112	49	161	116	49	165
Executives	-	-	-	-	-	-
Middle managers	14	4	18	14	5	19
White collar employees	98	45	143	102	44	146
Blue collar employees	-	-	-	-	-	-
REST OF THE WORLD	586	151	737	510	143	653
Executives	11	4	15	12	6	18
Middle managers	33	7	40	28	11	39
White collar employees	395	132	527	362	113	475
Blue collar employees	147	8	155	108	13	121
TOTAL FOR THE GROUP	1.243	383	1.626	1.138	360	1.498
Executives	50	7	57	49	9	58
Middle managers	80	19	99	71	21	92
White collar employees	728	346	1.074	688	314	1.002
Blue collar employees	385	11	396	330	16	346

Total number of employees divided by employee category and gender										
	31 december 2020					31 december 2019				
	M	M	W	W	Tot	M	M	W	W	Tot
Executives	50	88%	7	12%	57	49	84%	9	16%	58
Middle Managers	80	81%	19	19%	99	71	77%	21	23%	92
White collar employees	728	68%	346	32%	1.074	688	69%	314	31%	1.002
Blue collar employees	385	97%	11	3%	396	330	95%	16	5%	346

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

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 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

Occupational health and safety data 2020		
Injuries	2020	2019
Total recordable work-related injuries	19	16
Total high-consequence work-related injuries (excluding fatalities)	-	-
Total number of fatalities as a result of work-related injuries	-	-
number of hours / days	2020	2019
Multiplier	1.000.000	1.000.000
Hours worked	2.648.841	2.654.285
Health and safety indicators	2020	2019
Rate of work related injuries	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	-	-

Environmental data

Energy consumption¹¹

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

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

¹¹The data related to energy consumption for the month of December 2020, unless otherwise specified, have been taken from the invoices issued by the suppliers of energy services. The data related to energy consumption of the companies located in Calenzano have been in part estimated on the basis of their consumption in December of 2019. 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 2020 and 2019 respectively.

REST OF THE WORLD						
Type of fuel	31 december 2020			31 december 2019		
	Consumption [UoM]		GJ	Consumption [UoM]		GJ
Natural Gas	m³	-	-	m³	-	-
Diesel	l	12.381	443	l	13.722	492
Gasoline	l	24.612	795	l	20.506	663
LPG	l	-	-	l	-	-
Renewable fuel (bio-ethanol)	l	15.758	335	l	23.745	505
Electricity purchased	kWh	1.421.266	5.117	kWh	931.387	3.353
Electricity self-produced by photovoltaic plants	kWh	-	-	kWh	-	-
Electricity self-produced and sold to the network	kWh	-	-	kWh	-	-
from renewable sources	kWh	-	-	kWh	-	-
TOTAL	GJ	-	6.690	GJ	-	5.014

ENERGY CONSUMPTION OF THE GROUP						
Type of fuel	31 december 2020			31 december 2019		
	Consumption [UoM]		GJ	Consumption [UoM]		GJ
Natural Gas	m³	295.336	10.425	m³	298.799	10.695
Diesel	l	390.937	13.996	l	425.489	15.269
Gasoline	l	35.947	1.161	l	35.730	1.155 ¹⁵
LPG	l	3.073	75	l	5.770	137
Renewable fuel (bio-ethanol)	l	15.758	335	l	23.745	505
Electricity purchased	kWh	4.902.035	17.647	kWh	4.675.659	16.832
Electricity self-produced by photovoltaic plants	kWh	95.184	343	kWh	24.130	87
Electricity self-produced and sold to the network	kWh	24.339	88	kWh	14.792	53
from renewable sources	kWh	9.345	34	kWh	2.156	8
TOTAL	GJ	-	43.895	GJ	-	44.628 ¹²
from renewable sources	GJ		644	GJ		585

¹²After a recalculation of the consumption of gasoline by two of the subsidiary companies of the Group, the data related to 2019 were modified with respect to those which had been published in the preceding NFD. For the data which has been published previously please consult the NFD for 2019 which is also published on the site www.elengroup.com in the section titled Sustainability/ Reports.

Emissions

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

	2020			2019		
	EMISSIONS (ton CO _{2eq})					
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.186	1.080	2.226	1.395	1.234	2.630
Rest of Europe	405	117	521	322	139	461
Rest of the World	85	854	939	81	532	613
Total	1.676	2.051	3.726	1.798	1.905	3.703

Scope 1 e Scope 2 emissions (market-based method)

	2020			2019		
	EMISSIONS (ton CO _{2eq})					
	Scope 1	Scope 2	Totale	Scope 1	Scope 2	Totale
Italy	1.186	1.497	2.684	1.395	1.674	3.070
Rest of Europe	405	150	554	322	217	540
Rest of the World	85	675	760	81	532	613
Total	1.676	2.322	3.998	1.798	2.424	4.222

For the calculation of the Scope 1 2019 and 2020emissions we have considered respectively the emission factors of Department for Environmental Food & Rural Affairs (DEFRA) 2019 and 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 and 2018, respectively for 2019 and 2020;¹³
- 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 and 2019, respectively for 2019 and 2020. For the other countries we have used the same factors used for the location-based method.

¹³ 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 (CO_{2eq}), as can be seen from the specific technical literature.

Water consumption¹⁴

GROUP TOTAL				
Source of water	2020		2019	
	All areas [ML]	Areas with water stress [ML]	All areas [ML]	Areas with water stress [ML]
Third-party water ¹⁴	34	8	38	18
Surface water	-	-	-	-
Groundwater	-	-	-	-
Seawater	-	-	-	-
Produced water	-	-	-	-
Others	-	-	-	-
Total	34	8	38	18

¹⁴ All of the water used is classified as freshwater

Chart illustrating the material topics and their boundaries

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

Material topic	Description	Scope of impact	Type of impact
Research, development and innovation	Research and development activity aimed at a continual improvement of the quality and innovation of the product, while guaranteeing, when possible, the safeguarding of the Intellectual property	Group, Universities and Research centers	Caused and contributes to
Product quality and safety	Identification and reduction of potential risks for health and safety related to the products along the entire chain of value	Group	Caused
Economic and financial performance	Achievement of brief and mid- to long term positive economic and financial objectives, consistent with the creation of value for the different categories of stakeholders.	Group	Caused
Training and professional growth of the employees	Offering of programs of development and training intended to increase the skills of the employees and consolidate their professionalism.	Employees of the Group	Caused
Occupational health and safety	Respect of the regulations and agreements underwritten and promotion of practices aimed at minimizing the risk for the health and safety of the employees.	Employees of the Group ¹⁵	Caused
Risk management	Implementation of a broad system intended to identify, evaluate and manage risks and uncertainties, including environmental and social risk and/or new types of risks that may emerge that are related to the activity of the Group.	Group	Caused
Ethics, integrity and compliance	Promotion of a good Corporate Governance and respect of the standards related to ethics, integrity and conformity with the law, regulations and Codes for self-disciplining in this category.	Group	Caused
Diversity, equal opportunity and non-discrimination	Creation of working practices and conditions that are adequate to insure equal opportunity, by removing every form of discrimination and moral or psychological violence based on gender, age, race, religion or sexual orientation.	Group	Caused

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

¹⁵ The company will conduct further analysis related to the significance of the other workers who are not employees for the purpose of evaluating the need to collect data at the employers of the external collaborators and the suppliers who operate at the headquarters of the Group and/or under the control of the Group, in order to evaluate the quality and accuracy of the data over which they do not have direct control.

10. GRI content index

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

GENERAL INFORMATION		
GRI Standard	Information	Page
GRI 101: Foundation (2016)		
GRI 102: General Disclosures (2016)		
Profilo dell'organizzazione		
102-1	Name of the organization.	44
102-2	Activities, brands, products and services	46 - 48; 50 - 52
102-3	Location of headquarters	44
102-4	Location of activities	44-45
102-5	Ownership and legal form	56-57; Report on Corporate Governance and ownership for 2020, Chart 1 - information on the company organization
102-6	Markets served	50-52; The main markets are Italy, Europe, USA, China and Japan
102-7	Scale of the organization	44-45; 53; 106; The market value at 31st of December 2020 is 520,70 millions of euros
102-8	Information on employees and other workers	132
102-9	Supply chain	81 - 82
102-10	Significant changes to the organization and its supply chain	130
102-11	Precautionary principle or approach	64-66
102-12	External initiatives	23 - 34; 61; 79
102-13	Membership of associations	20

GENERAL INFORMATION		
GRI Standard	Informations	Pagina
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	41 - 43; 59
Governance		
102-18	Governance structure	56 - 58
Stakeholder Engagement		
102-40	List of stakeholder groups	17
102-41	Collective bargaining agreements	108
102-42	Identifying and selecting stakeholders	17; 21
102-43	Approach to stakeholder engagement	18 - 19; 21
102-44	Key topics and concerns raised	18 - 19; 21; 140 - 141
102-45	Entities included in the consolidated financial statement	130; 44 - 45
102-46	Defining report content and topic boundaries	130; 21
102-47	List of material topics	21; 140 - 141
102-48	Restatements of informations	53; 125 ; 137
102-49	Changes in reporting	21; 140 - 141

GENERAL INFORMATION		
GRI Standard	Information	Page
GRI 102: General Disclosures (2016)		
102-50	Reporting period	130
102-51	Date of most recent report	Marzo 2020 o El.En.
102-52	Reporting period	130
102-53	Contact point for questions regarding the report	sustainability@elen.it
102-54	Claims of reporting in accordance with the GRI Standards	130
102-55	GRI content index	142 - 153 88
102-56	External assurance	154 - 156

SPECIFIC INFORMATION			
GRI Standard	Description	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	21; 140	
103-2	The management approach and its components	27 - 28; 50 - 53	
103-3	Evaluation of the management approach	53	
GRI 201: Economic performance (2016)			
201-1	Direct economic value generated and distributed	53	
Anti-corruption			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	
103-2	The management approach and its components	26; 59 - 60; 63 - 69; 131	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
103-3	Evaluation of the management approach	59 - 60	
GRI 205: anti-corruption (2016)			
205-3	Confirmed incident of corruption and action taken	During 2020 no cases of corruption were reported	
Tax			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	
103-2	The management approach and its components	52	
103-3	Evaluation of the management approach	52	
GRI 207: Tax (2019)			
207-1	Approach to tax	52	
207-2	Tax governance, control and risk management	52	
207-3	Stakeholder engagement and management of concerns related to tax	52	
207-4	Country-by-country reporting		The Group is committed to adapting its internal data collection systems and reporting the data required for the next year reporting
GRI 300: ENVIRONMENTAL SERIES			
Energy			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	
103-2	The management approach and its components	33 - 34; 120 - 125; 131	
103-3	Evaluation of the management approach	120 - 125	
GRI 302: energia (2016)			
302-1	Energy consumption within the organization	120 - 125; 136 - 137	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
GRI 300: ENVIRONMENTAL SERIES			
Water			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	
103-2	The management approach and its components	33 - 34; 127; 131	
103-3	Evaluation of the management approach	127	
GRI 303: Water (2018)			
303-1	Interaction with water as a shared resource	127;	
303-2	Management of water discharge-related impacts	127;	
303-3	Water withdrawal	127; 139	
Emissions			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
103-2	The management approach and its components	233 - 34; 125 - 126; 131;	
103-3	Evaluation of the management approach	125 - 126	
GRI 305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	138	
305-2	Energy indirect (Scope 2) GHG emissions	138	
Environmental Compliance			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140 - 141	
103-2	The management approach and its components	64 - 66; 69; 120; 131	
103-3	Evaluation of the management approach	64 - 66; 69; 120	
GRI 307 Environmental Compliance (2016)			
307-1	Non- compliance with environmental laws and regulations	In 2020 no cases of non-conformity with environmental laws and regulations took place	
Supplier environmental assestment			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140 - 141	
103-2	The management approach and its components	27 - 28; 81 - 82; 131	
103-3	Evaluation of the management approach	81 - 82	
GRI 308 Supplier environmental assestment (2016)			
308-1	New suppliers that were screened using environmental criteria	82	
GRI 400: SOCIAL SERIES			
Occupational Health and safety			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
103-2	The management approach and its components	28 - 30; 112 - 114	
103-3	Evaluation of the management approach	112 - 114	
GRI 403: Occupational health and safety (2018)			
403-1	Occupational health and safety management system	112 - 114	
403-2	Hazard identification, risk assessment and incident investigation	112 - 114	
403-3	Occupational health services	112 - 114	
403-4	Workers participation, consultation and communication on occupational health and safety	112 - 114	
403-5	Workers training on occupational health and safety	114	
403-6	Promotion of workers health	115 - 116	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationship	79; 112 - 114	
403-9	Work-related injuries	114; 135	
Training and education			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21;140 - 141	
103-2	The management approach and its components	28 - 30; 110 - 111	
103-3	Evaluation of the management approach	110 - 111	
GRI 404: Training and education (2016)			
404-1	Average hours of training per year per employee	110; 135	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
Diversity and Equal Opportunity			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	
103-2	The management approach and its components	59; 69; 106 - 109	
103-3	Evaluation of the management approach	59; 69; 106 - 109	
GRI 405: Diversity and equal opportunity (2016)			
405-1	Diversity of governance bodies and employees	57; 106 - 109; 133 - 134	
Non Discrimination			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	
103-2	The management approach and its components	59; 69; 107 - 108	
103-3	Evaluation of the management approach	59; 69; 107 - 108	
GRI 406: Non discrimination (2016)			
406-1	Incidents of discrimination and corrective action taken	In 2020 no cases related to discriminatory practices occurred	
Freedom of association and collective bargaining			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 142	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
103-2	The management approach and its components	30; 61; 65; 131	
103-3	Evaluation of the management approach	60; 65; 82; 108	
GRI 407: Freedom of associations and collective bargaining (2016)			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	65; 82	
Child labor			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 142	
103-2	The management approach and its components	30; 61; 65; 131	
103-3	Evaluation of the management approach	60; 65; 82	
GRI 408: Child labor (2016)			
408-1	Operations and suppliers at significant risk for incidents of child labor	65; 82	
Forced or compulsory labor			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 142	
103-2	The management approach and its components	30; 61; 65; 131;	
103-3	Evaluation of the management approach	60; 65; 82;	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
GRI 409: Forced or compulsory labor (2016)			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	65; 82;	
Human rights assestment			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21 - 22; 141	
103-2	The management approach and its components	30; 61; 65; 131	
103-3	Evaluation of the management approach	65;	
GRI 412: Evaluation of the respect of human rights (2016)			
412-2	Employees training on human rights policies or procedures	30; 60;	
Supplier social assestment			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	
103-2	The management approach and its components	27 - 28; 81 - 82; 131	
103-3	Evaluation of the management approach	81 - 82	
GRI 414: Supplier social assessment (2016)			
414-1	New suppliers that were screened using social criteria	82	
Customer health and safety			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
103-2	The management approach and its components	32; 77 - 80	
103-3	Evaluation of the management approach	77 - 80	
GRI 416: Customer health and safety (2016)			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2020 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	21; 140	
103-2	The management approach and its components	59- 60; 64	
103-3	Evaluation of the management approach	59- 60; 64	
GRI 419: socio-economic Compliance (2016)			
419-1	Non compliance with laws and regulations in the social and economic area	In 2020 there were no cases of non-compliance with the laws and regulations related to social and economic issues	
Research, development and innovation			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	
103-2	The management approach and its components	32; 72 - 76; 92 - 97	
103-3	Evaluation of the management approach	72 - 76; 92 - 97	
Risk management			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	

SPECIFIC INFORMATION			
GRI Standard	Description	Page	Omissions
103-2	The management approach and its components	63 - 69	
103-3	Evaluation of the management approach	63 - 69	
Indirect social impact			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 140	
103-2	The management approach and its components	30 - 31; 72 - 76; 92 - 103	
103-3	Evaluation of the management approach	72 - 76; 92 - 103	
Relations with public institutions			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 141	
103-2	The management approach and its components	62	
103-3	Evaluation of the management approach	62	
Customer satisfaction			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	21; 147	
103-2	The management approach and its components	52; 85- 88; 92-94;	
103-3	Evaluation of the management approach	52; 85- 88; 92-94;	



Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter “Decree”) and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of El.En. S.p.A. and its subsidiaries (hereinafter “El.En. Group” or “Group”) as of December 31, 2020 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 15, 2021 (hereinafter “NFS”).

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

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

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

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

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

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata (“DTTL”), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche “Deloitte Global”) non fornisce servizi ai clienti. Si invita a leggere l’informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all’indirizzo www.deloitte.com/about.

© Deloitte & Touche S.p.A.



Auditor’s Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s responsibility

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

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

Specifically we carried out the following procedures:

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

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



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

In particular, we carried out interviews and discussions with the management of El.En. S.p.A. and with the employees of Quanta System S.p.A., Penta-Chutian Laser (Wuhuan) Co. Ltd and Penta-Laser Equipment Wenzhou Co. Ltd and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

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

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

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the El.En. Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Neri Bandini
Partner

Florence, Italy
March 31, 2021

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



Industrial and Medical Laser Solutions

El.En. S.p.A.

- Via Baldanzese 17 - 50041 Calenzano - Firenze (Italy)
- Tel. +39 055 8826807 • Fax +39 055 8832884
- www.elengroup.com • sustainability@elen.it