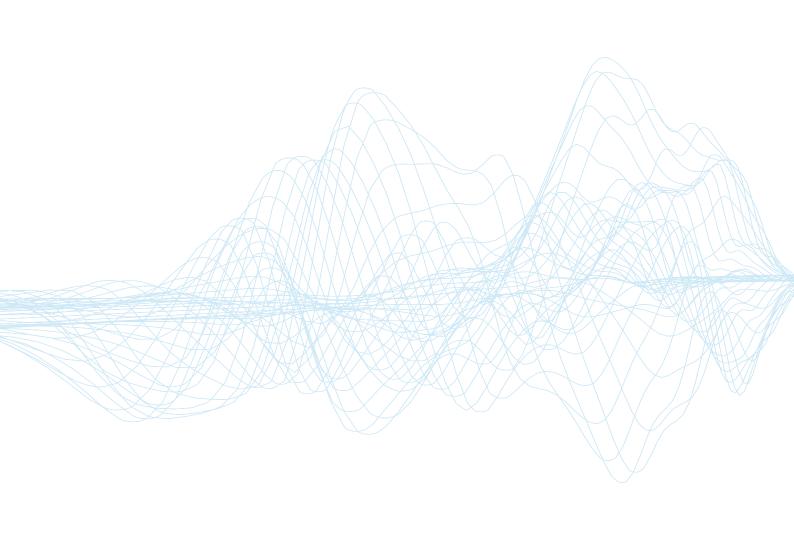
Gruppo El.En.

Sustainability Report 2018







LETTER TO OUR STAKEHOLDERS

Dear stakeholders.

We are proud to present an extract of the Consolidated Non-financial Statement (NFS) of the El.En. Group. This document is meant to allow you to know more about us and to evaluate our commitment, the objectives and results obtained in the area of social responsibility which includes taking care of our people, the quality of our products, the investments in research and development to improve the welfare of the human race, as well as the respect for the environment, for human rights and the fight against corruption; these values represent the fundamental basis for the daily management of our activities and the starting point for the planning of all the future initiatives.

Our attention to these issues was expressed even more clearly thanks to the approval of our first Sustainability Plan which defined the medium to longterm goals of the Group, clarified the initiatives promoted in this field and represented an important demonstration to our stakeholders of the path we had taken. Sustainability means creating value over time and being able to successfully meet the challenges of tomorrow; we believe that the future will be open to those who will be able to meet these challenges and assume the responsibility in terms of sustainability for the future generations by managing the changes and innovating with enthusiasm while remaining true to the values and principles which they have always honored.

This is what guides us every day in our business, makes us proud and urges us to improve continuously.

The President
Gabriele Clementi



1. EL.EN. GROUP - HIGHLIGHTS

MEDICAL 198

Sales volume in million Euros + 13,4% on 2017

INDUSTRIAL **148**

Sales volume in million Euros + 12,2% on 2017

SALES BREAKDOWN BY GEOGRAPHICAL AREA

66 68 212	66	68	212
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- ITALY
- EUROPE
- REST OF THE WORLD

SALES BREAKDOWN BY SECTOR



GLOBAL WORKFORCE





2017 - 1212 people **2016 -** 1093 people

OUR GLOBAL PRESENCE ITALY El.En. S.p.A. ASA S.r.l. Cutlite Penta S.r.l. Deka M.E.L.A. S.r.l. Esthelogue S.r.l. Penta Laser Europe S.r.l. Pharmonia S.r.l. Lasit S.p.A. Merit Due S.r.l. Ot-las S.r.l. Quanta System S.p.A. **EUROPE** Germany **COUNTRIES MANUFACTORING** 8 10 **IN THE SITES** Asclepion Laser Tech. GmbH **WORLD** France

Deka Sarl



OUR MISSION

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 THE GROUP

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 befit 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.

Certification: 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.

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.

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.

2. OUR STRATEGY FOR A SUSTAINABLE FUTURE

Sustainability means creating value over time and being ready to accept and successfully deal with the future challenges; in the light of the development of the context to which we are referring and moved by the desire to communicate our commitment we have undertaken a program of sustainability that is more detailed because we have always believed the only pathway that can be followed by a company that is innovative, sustainable and successful.

2018 was an important year for the consolidation of the commitment of the Group for a sustainable development:

- A **special team** was created with the task of drawing up the Sustainability Report and identifying the local colleagues in charge of managing the information flow from the subsidiary companies.
- We presented our first Sustainability Plan approved by the Board of Directors of the Parent Company, which defined the medium to long-term objectives.
- For the purpose of guaranteeing adequate supervision and monitoring of the processes related to sustainability, the Board of Directors assigned to the **Committee for Controls and Risks** the analysis of the policies and objectives of the Group in terms of sustainability and the supervision of the Sustainability Plan.



STAKEHOLDER

We have implemented a process for mapping and identifying our stakeholders having interest in the Group because we believe that only through the process of listening to its stakeholders El.En. Group can understand the extent to which it is meeting the expectations and interests of its stakeholders and identify the issues on which to increase its efforts or confirm the strategy outlined.



During 2018 we have conducted specific activities of **stakeholder engagement**: this process will be continue next years submitting questionnaires to other categories of stakeholders, with the support of market analysis and new communication initiatives.

MATERIAL ISSUES

Per proseguire il nostro processo di rendicontazione strutturata sui temi della sostenibilità, abbiamo inoltre selezionato i nostri **principali temi materiali** individuando **14 tematiche**, ovvero quelli più rilevanti per il nostro business ed i nostri portatori di interesse.

RISK MANAGEMENT	Q ⊕	DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION	ECONOMIC AND FINANCIAL PERFORMANCE
ETHICS, INTEGRITY AND COMPLIANCE		OCCUPATIONAL HEALTH AND SAFETY	INDUSTRIAL RELATIONS
RESEARCH, DEVELOPMENT AND INNOVATION		INDIRECT SOCIAL IMPACT	TRAINING AND PROFESSIONAL GROWTH OF THE EMPLOYEES
HUMAN RIGHTS AND WORKING CONDITIONS	40	ENVIRONMENTAL PERFORMANCE	RELATIONS WITH THE INSTITUTIONS LOCAL COMMUNITIES AND TERRITORY
PRODUCT QUALITY AND SAFETY		PURCHASING PRACTICES	

SUSTAINABILITY PLAN

For the Group the Sustainability Plan represents a strategic instrument that is indispensable for setting its sustainability goals and the activities and the projects to implement in order to achieve them. In the definition of our Sustainability Plan we also took into consideration the **Sustainable Development Goals (SDGs)**, objectives promoted

by the United Nations and published in the 2030 agenda - Sustainable Development; the Group identified **18 sustainability goals** that, with a continual effort, could contribute to achieve nine of seventeen SDGs. The Sustainability Plan was approved by the Board od Directors in november 2018.



















- **1.** Implementation of a Corporate Governance of sustainability
- **2.** Increased dialog with stakeholders
- **3.** Promotion of a culture of sustainability in line with the values of the Group
- **4.** Fight against active and passive corruption
- **5.** Creation of sustainable value
- **6.** Promotion of sustainable culture and values in terms of purchasing practices
- **7.** Implementation of a verification process which considers environmental and social criteria to evaluate and select suppliers

- **8.** Guarantee health and safety in the workplace
- **9.** Increase the welfare of the human resources
- **10.** Promotion of employee training and development programs.
- **11.** Increase of the positive social impacts through its products
- **12.** Support of non-profit organizations, foundations and scientific laboratories
- **13.** Contribute to the conservation of the world's artistic and cultural heritage

- **14.** Strenghtening of the relations with local communities
- **15.** Guarantee the highest standards of product quality and compliance with the regulations
- **16.** Investing in innovation, research and development
- **17.** Promotion of energy efficiency policies
- **18.** Reduce the environmental impact

THE ECONOMIC VALUE GENERATED AND DISTRIBUTED TO OUR STAKEHOLDERS AND THE INVESTMENTS OF THE YEAR

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

In 2018 the net global added value generated by the Group was **371,83 million Euros**.

Most of this amount is represented by the remuneration of suppliers and by remuneration of staff. The remain value is distributed to Shareholders, Public Administration and financial system.

ECONOMIC VALUE DUE 357.1 MILLIONS OF EUROS **SUPPLIERS** 74.5% REMUNERATION OF **ECONOMIC** SHAREHOLDERS 3,4% VALUE DISTRIBUTED REMUNERATION 96% OF PUBLIC STAFF ADMINISTRATION2.1% 15,9% FINANCIAL SYSTEM 0,2 %

Investiments in 2018 amounted to **26,4 million Euros**, of which 22,1 million Euros for purchase, construction and equipping of the new factories of:

- · Prato (Cutlite Penta)
- Torre Annunziata (Lasit)
- · Samarate (Quanta System)
- · Jena (Asclepion)
- Vicenza (ASA Laser)
- · Wenzhou (Penta Laser Wenzhou)



3. RESPONSABLE BUSINESS MANAGEMENT

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.

- Starting in 2008 the Parent Company started using its
 own Ethics Code as an instrument for reenforcing and
 disseminating a company culture founded on the importance
 of ethic and social responsibility in the conducting of business
 and company activities. 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.
- the Parent Company and the Italian subsidiaries, Deka M.E.L.A.
 S.r.I., Quanta System S.p.A. and ASA S.r.I. have adopted the
 Organizational Model in compliance with D.lgs 231/2001,
 which is intended to prevent employees and/or collaborators from committing crimes in the interest of the company.
- 3. 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 Supervising 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.
 - Starting from 2018 for some of the companies that are located in Calenzano, we have begun a specific training program based on Model 231. This activity will continue in next years.

OUR COMMITMENT

- Adopt a Group anti-corruption policy for the purpose of re-enforcing its anti-corruption and bribery system and institute specific training in this field.
- Adopt a Group Human Rights policy and to institute specific training in this field.
- Continue a specific training program based on Model 231 for Group's companies that adopt it.

THE CORPORATE GOVERNANCE MODEL

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 Corporate Governance Code issued by Borsa Italiana (Italian stock market) and contributes significantly to the creation of sustainable value over a medium-to-long term period.

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.

COMPOSITION OF THE BOARD OF DIRECTORS OF EL.EN. SPA



4. FROM THE ORIGINAL IDEA TO THE FINISHED PRODUCT

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.









92 PEOPLE INVOLVED IN RESEARCH AND DEVELOPMENT 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 midto long-term innovative objectives.

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

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.

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.



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PEOPLE INVOLVED
IN QUALITY
CONTROL

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



OUR COMMITMENT

- Adoption of a **Suppliers' Code** of Conduct in order to define and share the principles, social and environmental best practices and ethical behavior aimed at promoting a supply chain that is both responsible and sustainable.
- The Group is committed to adding 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.



THE SUPPLY CHAIN

During 2018 at a consolidated level the amount of spent for purchases was **207,4 million Euros** while the amount spent for outsourcing was **7,4 million Euros**.

The El.En. Group believes that close collaboration 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.

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.

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.

5. PASSION AND TALENT TO GROW TOGETHER

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.

OUR COMMITMENT

- We are committed to create a working environment that is constructive and dynamic and supports the heterogeneity of people and talents and is stimulating. We rejects any form of discrimination based on nationality, sexual orientation, age, political or religious opinions.
- We believe in integrity, honesty, transparency and team spirit.
- We want to create a work environment that promotes the welfare of our people.
- We are committed to guaranteeing healthy and safe workplaces, compliant with the regulations on the safety of workers and of the environment.
- We work for the professional and personal development of all employees.

THE PEOPLE

In the Group there are **1.368 people** 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, 46 work in Italy, 38 in China, 10in Germany and the remaining 6 are distributed among Japan, Brazil and France.



1.368

+156
GROWTH IN NUMBER
OF EMPLOYEES IN 2018

24%ARE UNDER 3

TRAINING

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.

MORE THAN 16.300 TRAINING HOURS



THE WELFARE OF THE PEOPLE

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. The Italian companies of the Group, in compliance with the CCNL of the sector which is applied, issue a part of the remuneration in flexible benefits Welfare programs are now planned by the Japanese subsidiary and two of the Chinese subsidiaries. As determined by collective bargaining the Italian companies adhere to **health care**

funds for all of their employees. For the employees of the companies in Calenzano, the Group has always offered **free cafeteria service**. Also, the subsidiary Quanta System S.p.A. has its own gym which is available to all of the workers.

HEALT AND SAFETY

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.

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.



MORE THAN 4.000

HOURS OF SPECIFIC TRAINING ON HEALTH AND SAFETY ISSUES



-14% OF THE INJURY RATE COMPARED TO 2017

6. OUR CONTRIBUTION 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.... At the same time we are working to improve scientific knowledge. In other words, we are working for science and for healthier world." (Ing. Salvadeo - General Director of El.En.)

OUR COMMITMENT

- Committed to sustaining cultural, social and educational initiatives in favor of the local community with the objective of strengthening the relations with the surrounding area in which it operates.
- Promote university internships and alternate school-work projects that involve students from local schools to gain orientation in relation to future employment.
- Participation in associations for occupational training in the sectors of pharmaceuticals, biotechnology, and medical devices.
- Donations and sponsoring of our medical leasers 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.
- Donations and sponsoring of our lasers for the conservation of the world's artistic heritage, give new life to the masterpieces, respects the original surface and the texture of the art work.

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.

MAIN INITIATIVES OF 2018

- El.En. S.p.A. donated a laser to the neuroscience sector of the Mondino Istituto Neurologico Nazionale IRCCS. The research activities of the Mondino Institute are focused on pathologies and issues related to neurology and neuro-psychiatry both in adults and children. These pathologies are quite common in the population and are one of the causes of the high cost of health care.
- Quanta System S.p.A. donated a laser for treatment of hyperplasy of the prostate (BHP) to the Saint Camille Hospital in Ouagadougou, in Burkina Faso, helping to create the first clinic in the country that is able to perform minimally invasive urological operations.

USE OF LASER IN THE CONSERVATION OF THE WORLD'S ARTISTIC HERITAGE

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**.

Last year, the El.En. Group donated a laser to the **volunteer organization "Gli Angeli del Bello"** in Florence for their work in the removal of urban graffiti; In **2018** we loaned, free of charge, a laser to the **city of Varese** to combat the effects of degradation caused by vandalism.



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.

Some of the most important restorations we have performed with our lasers are listed below:

- Cleaning of some of the marble facades of the Baptistery of San Giovanni in Florence;
- Cleaning of the Porta del Paradiso and the Porta Nord of the Baptistery of San Giovanni by Ghiberti;
- Cleaning of the frescoes in the Cappella Paolina, in the Vatican.
- Restoration of some of the frescoes in the Roman catacombs of Santa Domitilla in Rome:
- Contribution to the cleaning of the Statue of Neptune by Ammannati, in Piazza della Signoria in Florence and the Rape of the Sabine Women by Giambologna, in the Loggia dei Lanzi in Florence:
- Contribution to the cleaning of some of the frescoes in the Villa dei Misteri in Pompei, to bring them back to their original splendor;
- The Group's laser technology was used successfully also on the damaged portions of the Leaning Tower of Pisa and the Duomo di Santa Maria Assunta in Pisa.

7. ENVIRONMENTAL RESPONSABILITY

WE CREATE LIGHT, ENERGY AND WAVES. LASERS ARE THE CLEANEST FORM OF ENERGY THAT ONE CAN IMAGINE FOR THE ENVIRONMENT.



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 beat practice on this issue.

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

The Group is committed to promoting correct habits regarding the saving of water and they have given practical advice to their employees and implemented actions in this sense.

OUR COMMITMENT

- Adopt a medium to long-term Group environmental policy for the purpose of controlling and reducing the environmental impact of its activities.
- Promotion of energy efficiency policies.
- The Group is committed to the reduction of its energy consumption
 by taking appropriate measures like the replacement of neon
 ceiling lights with LED lights and the promotion of behaviors
 and habits which favor the saving of energy and promote the
 development of an environmental conscience in people.

Quanta System S.p.A. installed a cogeneration plant which, in 2018, produced an amount of electricity equal to 42% of the total consumed by the company.



Industrial and Medical Laser Solutions

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