TOD'S s.p.a.

2020 Annual Report

(Translation of the 2020 Annual Report approved in Italian solely for the convenience of international readers)

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Even the past year forced us to work in very difficult conditions and without the possibility of planning as we would have liked.

Many countries still have complicated health situations and almost all stores closed and even today we have little chance of planning the future in an important part of the world.

Therefore, our attitude remains one of great prudence. The choice made last year, not to put a lot of goods on the market, while penalizing us in the immediate results, proved to be right. In fact, we have managed in this way to protect the prestige of our brands and not to create confusion in consumers.

Now we are ready to satisfy the markets, when they reopen, with excellent products increasingly in line with customer requests.

What happened in the world has changed the attitude of consumers, directing them more and more towards high quality products and this is reassuring news for us. We have used part of the past year to study a strategic plan appropriate to the situation, which also includes a rationalization and cost cutting plan, which has been already partially implemented and will be continued in 2021. The production chain is well structured and it sustained these difficult moments with clarity and excellent organization. The distribution network reacted quickly and we negotiated, in the best possible way, the rental conditions, obtaining good results.

We paid the utmost attention to the employees of the Group; everything possible was done for them, to support them in a moment that was also so difficult for them. Safeguarding their health was the most important goal for us and I believe that, to date, the results have been excellent.

As for 2021, from the countries where the stores are open, we receive good signals, in some cases excellent, and this leads us to be optimistic.

We think that, if the health situation improves as planned, we can have an excellent second semester. The world of e-commerce and omnichannel is growing very well, above our expectations and the entire digital world of the group is evolving rapidly. Also in this year the Company has supported many solidarity initiatives, trying to help people and families in difficulty, as is our custom.

I conclude with a thank you to all our managers and employees for the great work they have done, facing situations and problems never seen before. Hoping that the world will soon return to its normality, I wish everyone good health, serenity and a secure future.

Diego Della Valle

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Company's data

Registered office

TOD'S S.p.A.
Via Filippo Della Valle, 1
63811 Sant'Elpidio a Mare (Fermo) - Italy
Tel. +39 0734 8661

Legal data Parent company

Share capital resolved euro 66,187,078
Share capital subscribed and paid euro 66,187,078
Fiscal Code and registration number on Company Register of Court of Fermo: 01113570442
Registered with the Chamber of Commerce of Fermo under n. 114030 R.E.A.

Offices and Showrooms

Munich – Domagkstrasse, 1/b, 2
Hong Kong – 35/F Lee Garden One, 33 Hysan Avenue, Causeway Bay
London – Wilder Walk, 1
Milan - Corso Venezia, 30
Milan - Via Savona, 56
Milan - Via Serbelloni, 1-4
New York - 450, West 15th Street
Paris – Rue de Faubourg Saint-Honore, 29
Paris – Rue du Général FOY, 22
Paris – Rue Royale, 25
Seoul – 11/F Pax Tower 609, Eonju-ro, Gangnam-gu
Shanghai - 1717 Nanjing West Road, Wheelock Square 45/F
Tokyo – 1-5-8 Jingumae Shibuya Ku

Group's Headquarter and main production site

Via Filippo Della Valle, 1
63811 Sant'Elpidio a Mare (Fermo) – Italy

Other production facilities

Arquata del Tronto (AP) – Zona Industriale Pescara del Tronto
Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 50
Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 60
Comunanza (AP) - Via Merloni, 7
Comunanza (AP) - Via S.Maria, 2-4-6
Durres (Albania) – Rr. Jakov Xoxa Prane – Nish Goma – Shkozet
Tolentino (MC) - Via Sacharov 41/43

Report on operations

Corporate Governance bodies

Board of directors [1]	Diego Della Valle	Chairman
	Andrea Della Valle	Vice - Chairman
	Luigi Abete	
	Maurizio Boscarato	
	Marilù Capparelli	
	Sveva Dalmasso	
	Emanuele Della Valle	
	Gabriele Del Torchio	
	Romina Guglielmetti	
	Umberto Macchi di Cellere	
	Emilio Macellari	
	Vincenzo Manes	
	Cinzia Oglio	
	Emanuela Prandelli	
	Pierfrancesco Saviotti	
Executive Committee	Diego Della Valle	Chairman
	Andrea Della Valle	
	Umberto Macchi di Cellere	
	Emilio Macellari	
Compensation Committee	Vincenzo Manes	Chairman
	Sveva Dalmasso	
	Luigi Abete	
Control and Risk Committee	Romina Guglielmetti	Chairman
	Maurizio Boscarato	
	Vincenzo Manes	
Independent Directors Committee	Vincenzo Manes	Chairman
	Sveva Dalmasso	
	Romina Guglielmetti	
Board of statutory Auditors [2]	Giulia Pusterla	Chairman
	Enrico Colombo	Acting stat. auditor
	Fabrizio Redaelli	Acting stat. auditor
	Myriam Amato	Substitute auditor
	Gilfredo Gaetani	Substitute auditor
Independent Auditors [3]	PricewaterhouseCoopers S.p.A.	
Manager charged with preparing a company's financial report	Rodolfo Ubaldi	

(1) Term of the office: 2018-2020 (resolution of the Shareholders' meeting as of April 19th, 2018)
(2) Term of the office: 2019-2021 (resolution of the Shareholders' meeting as of April 18th, 2019)
(3) Term of the office: 2012-2020 (resolution of the Shareholders' meeting as of April 19th, 2012)

TOD'S Group

TOD'S S.p.A.
Parent Company, owner of TOD'S, HOGAN, FAY brands and ROGER VIVIER brand under a licence agreement. It operates DOS in Italy and on line sales.

TOD'S International B.V.
Sub-holding for operation of international subsidiaries and DOS in the Netherlands

An.Del. Usa Inc.
Sub-holding for operation of subsidiaries in the United States

Del.Pav S.r.l.
Company that operates DOS in Italy

Filangieri 29 S.r.l.
Company that operates DOS in Italy

Gen.del. SA
Company that operates DOS in Switzerland

TOD'S Belgique S.p.r.l.
Company that operates DOS in Belgium

TOD'S Deutschland Gmbh
Company that distributes and promotes products in Germany and manages DOS in Germany

TOD'S Espana SL
Company that operates DOS in Spain

TOD'S France Sas
Company that operates DOS in France

TOD'S Japan KK
Company that operates DOS in Japan and online sales

TOD'S Macao Ltd
Company that operates DOS in Macao

TOD'S Hong Kong Ltd
Company that distributes and promotes products in Far East and South Pacific and manages DOS in Hong Kong. Sub-holding for operation of international subsidiaries in Asia

TOD'S Korea Inc.
Company that distributes and promotes products in Korea and operates DOS in Korea

TOD'S Retail India Private Ltd
Company that operates DOS in India

TOD'S (Shanghai) Trading Co. Ltd
Company that distributes and promotes products in China and operates DOS in China

TOD'S Singapore Pte Ltd
Company that operates DOS in Singapore

TOD'S UK Ltd
Company that operates DOS in Great Britain

Webcover Ltd
Company that operates DOS in Great Britain

Cal.Del. Usa Inc.
Company that operates DOS in California (USA)

Deva Inc.
Company that distributes and promotes products in North America, and manages DOS in the State of NY (USA)

Flor. Del. Usa Inc.
Company that operates DOS in Florida (USA)

Hono. Del. Inc.
Company that operates DOS in Hawaii (USA)

Il. Del. Usa Inc.
Company that operates DOS in Illinois (USA)

Neva. Del. Inc.
Company that operates DOS in Nevada (USA)

Or. Del. Usa Inc.
Company that operates DOS in California (USA)

TOD'S Tex. Del. Usa Inc.
Company that operates DOS in Texas (USA)

Alban.Del Sh.p.k.
Production company

Un.Del. Kft
Production company

Re.Se.Del. S.r.l.
Company for services

Roger Vivier S.p.A.
Owner of ROGER VIVIER brand and Sub-holding for operation of international subsidiaries and DOS in Italy

Roger Vivier Hong Kong Ltd
Company that distributes and promotes products in Far East and South Pacific and manages DOS in Hong Kong. Sub-holding for operation of subsidiaries in Asia

Roger Vivier Singapore Pte Ltd
Company that operates DOS in Singapore

Roger Vivier (Shanghai) Trading Co. Ltd
Company that operates in China and online sales

Roger Vivier UK Ltd
Company that operates DOS in Great Britain

TOD'S Georgia Inc.
Company that operates DOS in Georgia (USA)

Roger Vivier France Sas
Company that operates DOS in France

Roger Vivier Korea Inc.
Company that operates DOS in Korea and that distributes and promotes products in Korea

Roger Vivier Switzerland S.A.
Not operating company

Roger Vivier Macau Ltd
Company that operates DOS in Macao

Roger Vivier Japan KK
Company that operates DOS in Japan

TOD'S Austria GMBH
Company that operates DOS in Austria

TOD'S Washington Inc.
Company that operates DOS in Washington (USA)

Ala Del Inc.
Company that operates DOS in Delaware (USA)

TOD'S Massachussets Inc.
Company that operates DOS in Massachussets (USA)

Roger Vivier Paris Sas
Company that operates DOS in France

Buena Ltd.
Company that provides services in Great Britain

Roger Vivier Deutschland GmbH
Company that operates DOS in Germany

Roger Vivier Espana SL
Company that operates DOS in Spain

Roger Vivier Australia PTY Ltd
Company that operates DOS in Australia

TOD'S Australia PTY Ltd
Company that operates DOS in Australia

Roger Vivier Canada Ltd
Company that operates DOS in Canada

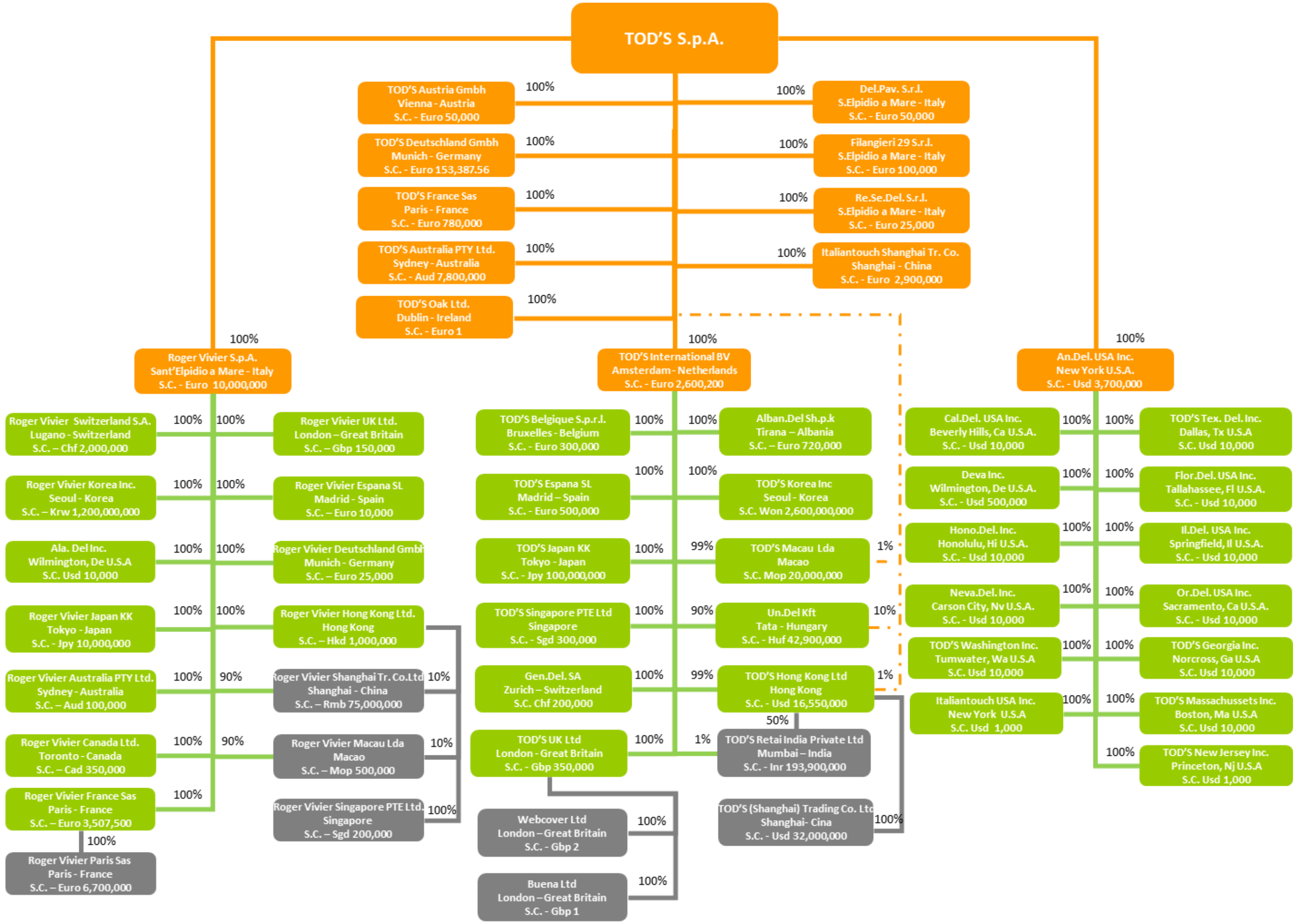
Italiantouch USA Inc.
Company that manages on line sales in the USA market.

Italiantouch Shanghai Trading Co. Ltd
Company under liquidation

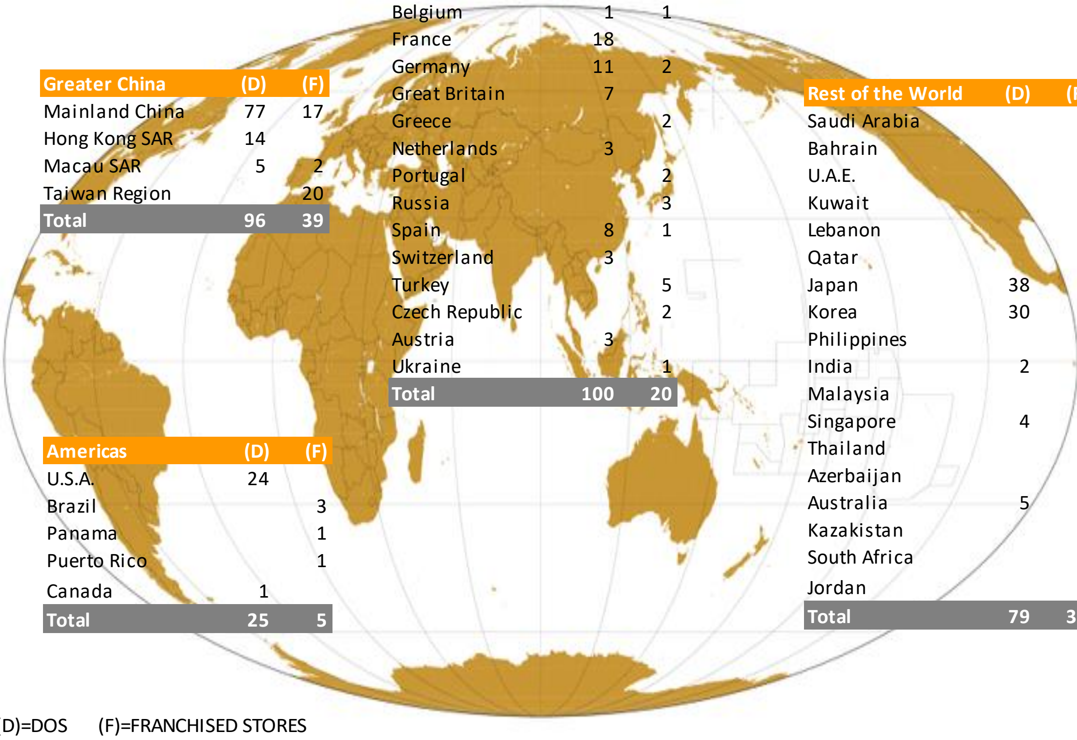
TOD'S New Jersey Inc.
Company that operates DOS in New Jersey (USA)

TOD'S OAK Ltd.
Company that operates DOS in Ireland

Group’s organizational chart



Distribution network as of December 31st, 2020



Europe	(D)	(F)
Italy	46	1
Belgium	1	1
France	18	
Germany	11	2
Great Britain	7	
Greece		2
Netherlands	3	
Portugal		2
Russia		3
Spain	8	1
Switzerland	3	
Turkey		5
Czech Republic		2
Austria	3	
Ukraine		1
Total	100	20

Greater China	(D)	(F)
Mainland China	77	17
Hong Kong SAR	14	
Macau SAR	5	2
Taiwan Region		20
Total	96	39

Rest of the World	(D)	(F)
Saudi Arabia		2
Bahrain		1
U.A.E.		7
Kuwait		3
Lebanon		2
Qatar		1
Japan	38	
Korea	30	9
Philippines		5
India	2	2
Malaysia		2
Singapore	4	
Thailand		1
Azerbaijan		1
Australia	5	
Kazakistan		1
South Africa		1
Jordan		1
Total	79	39

Americas	(D)	(F)
U.S.A.	24	
Brazil		3
Panama		1
Puerto Rico		1
Canada	1	
Total	25	5

(D)=DOS (F)=FRANCHISED STORES

DOS, 2020 new openings

Europe

Salzburg	(Austria)
Milan	(Italy)
Paris	(France)

Greater China

Chengdu	(Mainland China)
Shanghai	(Mainland China)
Shanghai	(Mainland China)
Shanghai	(Mainland China)
Shanghai	(Mainland China)
Shenzhen	(Mainland China)
Shenyang	(Mainland China)
Kunming	(Mainland China)
Changchun	(Mainland China)

Rest of the World

Seoul	(South Korea)
Seoul	(South Korea)
Seoul	(South Korea)
Seoul	(South Korea)
Tokyo	(Japan)
Osaka	(Japan)
Kyoto	(Japan)

Americas

Riverside	(USA)

Franchised stores, 2020 new openings

Rest of the World

Manila	(Philippines)
Manila	(Philippines)

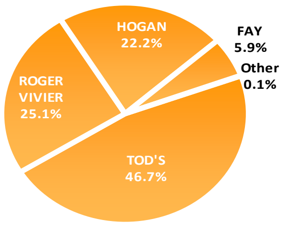
Greater China

Taoyuan	(Taiwan Region)
Taipei	(Taiwan Region)
Harbin	(Mainland China)

For a complete list of retail outlets operated by the DOS and franchising network, reference should be made to the corporate web site: www.todsgroup.com

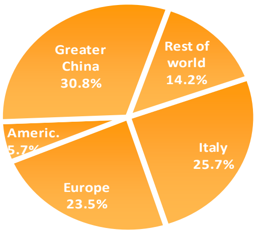
Key consolidated financial figures (*)

2020 Revenues - % by brand



P&L key figures (euro mn)	FY 20		FY 19	
Revenues	637.1		916.0	
EBITDA	39.5	6.2%	255.4	27.9%
EBIT	(135.4)	-21.2%	101.1	11.0%
Profit before tax	(158.0)	-24.8%	77.0	8.4%
Profit for the period	(73.2)	-11.5%	45.7	5.0%
ADJUSTED EBITDA	69.5	10.9%	255.4	27.9%
ADJUSTED EBIT	(93.7)	-14.7%	101.1	11.0%

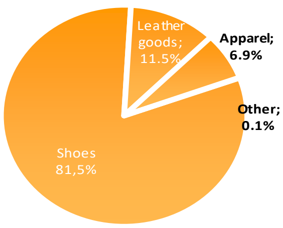
2020 Revenues - % by region



Main Balance Sheet indicators (euro mn)	12.31.20	12.31.19
Net working capital (**)	322.4	344.6
Intangible and tangible fixed assets	716.0	741.1
Shareholders' equity	1,007.2	1,080.5
Net financial indebtedness/(surplus)	521.3	451.2
Capital expenditures	30.3	47.3

(**) Trade receivable + inventories - trade payables

2020 Revenues - % by product



Financial key indicators (euro mn)	12.31.20	12.31.19
Operating cash flow	28.9	115.4
Net operating cash flow	(2.2)	98.5
Cash flow generated/(used)	155.6	(12.7)

(*) The Group's operating results for the year 2020 include both an extraordinary write-down of inventories for 30 million euros made following the effects of the COVID-19 pandemic, and a partial write off of FAY brand operated as a consequence of the impairment test procedure. As described in detail below, the "adjusted EBITDA" and "adjusted EBIT" indicators do not include both the extraordinary write-down of inventories and FAY write off, in order to provide a better understanding of the Group's performance recorded in the financial year.

Highlights of results

Revenues: 2020 revenues of 637.2 million euros, decreased by 30.4% in respect to 2019. The Retail channel had sales of 448.8 million euros (-30.5%).

EBITDA: EBITDA is positive for 39.5 million euros. (255.4 million euros in 2019). Adjusted EBITDA is positive for 69.5 million euros.

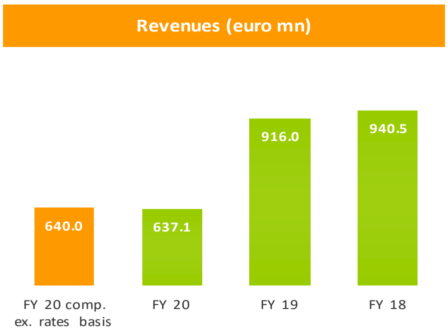
EBIT: EBIT is negative for 135.4 million euros (positive for 101.1 million euros in 2019). EBIT adjusted is negative for 93.7 million euros.

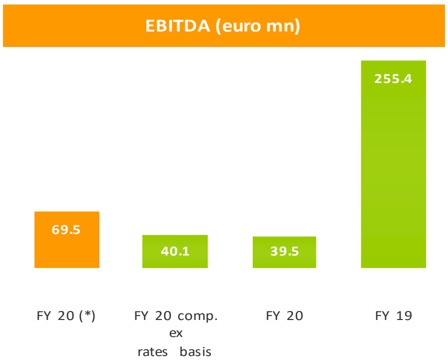
Net profit: net consolidated result is negative for 73.2 million euros (positive for 45.7 million euros in 2019). Net consolidated result adjusted is negative for 31.5 million euros in FY 2020.

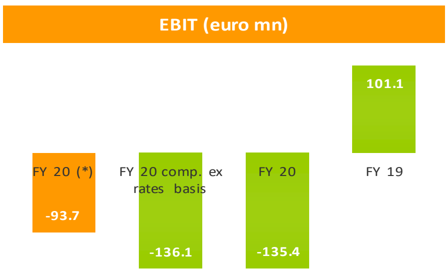
Net financial indebtedness (NFI): NFI totaled to 521.3 million euros (in 2019 was 451.2 million euros). Excluding lease liabilities the NFI would be 124.9 million euros (at December 31st, 2019 it was 12.1 million euros).

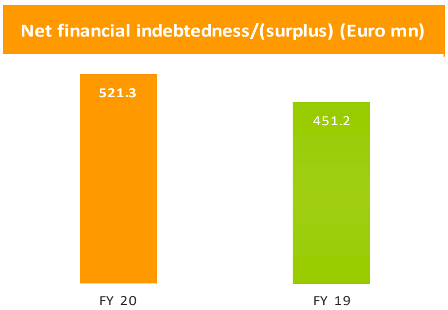
Capital expenditure: amount to 30.3 million euros capital expenditures for tangible and intangible fixed assets were made in FY 2020; they were 47.3 million euros in 2019.

Distribution network: a total of 25 new DOS were opened during the financial year. At December 31st, 2020 the single brand distribution network comprised 300 DOS and 103 franchised stores.







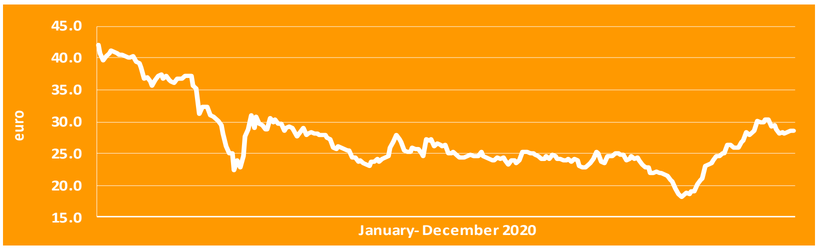


(*) Adjusted data

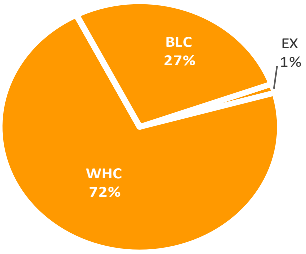
Main stock Market indicators (euro)	
Official price at 01.02.2020	42.00
Official price at 12.30.2020	28.46
Minimum price	18.08
Maximum price	42.00
Market capitalization at 01.02.2020	1,389,928,638
Market capitalization at 12.30.2020	941,842,120
Dividend per share 2018	1.00
Number of outstanding shares at 12.31.20	33,093,539.00

Earning per share (euro)

Stock performance



2020 Group's employees



The Group's employees

	FY 20	FY 19	FY 18	FY 17
Year to date	4,588	4,815	4,705	4,627
Average	4,673	4,786	4,672	4,572

EX = executives
WHC = white collar employees
BLC = blue collar employees

Introduction

In accordance with article 40 paragraph 2 *bis* of the Legislative Decree n. 127 of April 9th, 1991, the Parent company has prepared the Report of the Board of Directors on Operations as a single document for both the separate financial statements of TOD'S S.p.A. and the Group consolidated financial statements.

The Report on Operations must be read together with the Financial Statements and Notes to the Financial Statements, which are an integral part of both the Consolidated Annual Report and the separate financial statements. The Report on Operations also includes the additional information required by CONSOB, pursuant to the orders issued in implementation of Article 9 of Legislative Decree 38/2005 (Resolutions 15519 and 15520 of July 27th, 2006 and memorandum DEM/6064293 of July 28th, 2006, as well as all subsequent notices containing provisions regarding financial disclosures.

In order to strip the effects of changes in exchange rates with respect to the average values for the previous year from the results for the 2020 financial year, the typical economic reference indicators (Revenues, EBITDA, and EBIT) have been recalculated by applying the average exchange rates for 2019, rendering them fully comparable with those for the previous reference period. Note that on the one hand, these principles for measurement of business performance represent a key to interpretation of results not envisaged in IFRSs, and on the other hand, must not be considered as substitutes for what is set out in those standards. To determine EBITDA in particular, as already mentioned, does not give us unequivocal quantitative information because it is not recognised as an accounting measurement in international accounting standards (IFRS/IAS). It is a measurement used by the Management of the company to monitor and assess the performance of its operations. The Management believes that EBITDA is an important parameter for measuring the company's operational performance because it is not influenced by the effects of the application of the various criteria for calculating taxable income, the amount and characteristics of invested capital and the related amortisation policies. The criterion that the company applies to determine EBITDA might not correspond to that applied by other companies or groups and so its value might not be comparable to that determined by such other companies or groups.

Moreover, the Report on Operations includes non-financial statement related to the fiscal year 2020 in accordance with articles 3 and 4 of the Legislative Decree n. 254 of December 23rd, 2016.

Group's activity

TOD'S Group operates in the luxury sector under its own brands TOD'S, HOGAN, FAY and ROGER VIVIER. It actively creates, produces and distributes shoes, leather goods and accessories, and apparel.
The Group's organizational configuration rotates around TOD'S S.p.A. that is at the heart of the Group's organization, its parent company owns TOD'S, HOGAN, FAY and, under a license agreement, ROGER VIVIER brands, the latter owned by the subsidiary Roger Vivier S.p.A. Through a series of sub-holdings, the organization is rounded out by a series of commercial companies that are delegated complete responsibility for retail distribution through the DOS network. Certain of them, strategically located on international markets, are assigned major roles in product distribution, marketing and promotion, and public relations processes along the "value chain", while simultaneously guaranteeing the uniform image that Group brands must have worldwide.

The Group's production structure is based on complete control of the production process, from creation of the collections to production and then distribution of the products. This approach is considered key to assuring the prestige of its brands.
Shoes and leather goods are produced in Group-owned plants, with partial outsourcing to specialized workshops. All of these outsourcers are located in areas with a strong tradition of shoe and leather good production. This preference reflects the fact that an extremely high standard of professional quality is required to make these items, with a significantly high level of added value contributed to the final product by manual work.
The Group relies exclusively on selected specialized outsourcers, which enables it to exploit their respective specializations in crafting the individual products sold as part of the apparel line.
The prestige of the Group's brands and the high degree of specialization necessary to offer the respective products to customers entails distribution through a network of similarly specialized stores. Accordingly, the Group relies principally on the following distribution channels: DOS (directly operated stores), e-commerce website, franchised retail outlets and a series of selected, independent multibrand stores.
The e-commerce channel, in particular, is assuming, in line with the rapid dynamics of the sector, an increasingly central role in the Group's distribution strategy, with the presence of the e-commerce sites of the Group's brands in 35 countries around the world.
The on-line sales channel and that of directly operated stores, however, are rapidly evolving towards a concept of "omnichannel", in which the commercial and distribution interrelationships of the two channels make it possible to offer innovative services and have a privileged and direct

contact with the customer, in order to meet their expectations and build lasting relationships and trust.

Main events and operations during the year of TOD'S Group

Covid 19 pandemic

At the end of 2019 a new coronavirus, named as Sars-CoV-2, was identified at Wuhan, China. From China, the virus, which generated a pathology known as COVID-19, spread first to South Korea, to some countries in Europe, including Italy, to the United States and then to the rest of the world, leading to the World Health Organisation declaring a state of pandemic on March 11st, 2020 as a result of the speed and extent of contagion all over the world.

According to the data supplied by the World Health Organisation, the virus has infected more than 105 million people around the world and caused more than 2.3 million deaths since the outbreak of the pandemic, at the end of February 2021. As already mentioned in the Half-year Financial Report, these events gradually induced the Governments in the various countries concerned to take rigorous containment and social distancing measures, including the temporary closure of commercial activities in order to curb the epidemic and protect their populations. During the financial year, the containment measures put in place by the various Governments followed the trend in the cases of infection, with new closures and restrictions, ordered on the basis of the evolution of the epidemiological curve, especially in the European and American continents, which were heavily hit by the "second wave" of the virus as from the fourth quarter of the year. On the other hand, a completely opposite situation occurred in mainland China where the measures to fight infection were gradually relaxed as from the second quarter of 2020, until they were totally removed, at the same time as the gradual disappearance of the virus.

In this context, tourist flows were also impacted in a significant manner and substantially reduced to zero by containment measures for a large part of the year.

This exceptional scenario inevitably had serious consequences on the Group's operations, both in terms of the performance of its operating results and cash flows recorded during the year, strongly affected by the restrictions mentioned above, and in terms of the dissipation of resources and energy which were immediately directed to cope with the epidemiological emergency.

TOD'S S.p.A. promptly formed a special management Committee as soon as the first news of the spread of COVID-19 emerged in order to ensure that all the related aspects were dealt with, assisted by an operational task force devoted to handling any risk arising from the emergency. In this situation, the Group put exceptional measures in place aimed at safeguarding the health and safety of its employees and "protecting" its business.

The swift spread of the pandemic in all countries led to the progressive closure of the Group's DOS, in accordance with the above-mentioned restrictions imposed by local Governments. During the first quarter of the year, closures only concerned the mainland Chinese market, where the pandemic emerged; on the contrary, as from the second quarter when the health emergency spread to the rest of the world, the Group's stores remained gradually closed for several months of the year, with the peak in April and May, when more than half of the DOS in the Group's retail network were closed temporarily. Furthermore, new lockdowns were imposed in Europe and, subsequently, in some Asian countries too when the second wave spread during the fourth quarter. The average store opening rate fell from 98% in October, to 83% in November, and to 87% in December. On the other hand, even in the periods when stores remained open, the low propensity to consume on the part of customers, worried about the epidemic crisis, and the absence of tourist flows, which is a key growth driver for the sector, further heavily affected the performance of all players with a strong retail footprint throughout the year.

The situation described above had a very significant impact on the results for 2020, in terms of both revenues and profit margins, with considerable effects even on the Group's financial position. In order to counter the inevitable adverse effects of the pandemic, the Group promptly took various steps to limit any adverse impact in the short term, by curbing operating costs (such as reducing or postponing certain communication costs, renegotiating rents with its main landlords to adjust payments to the current situation and using, where possible, financial aid offered by the local governments following the COVID-19 emergency), on the one hand, and, on the other hand, by starting, especially during the second half of the year, a number of projects aimed at strengthening its brands and reviving the business, through the recovery of revenues and profit margins once the emergency has finished.

In the first half of the year, the situation described above generated an extraordinary need for liquidity to be able to cope with the adverse effects generated, above all, by the first periods of lockdown imposed to tackle the pandemic. In order to ensure the backing for the action necessary to overcome the extraordinary and complex circumstances, the parent company, TOD'S S.p.A., applied for and obtained, between the end of March and the beginning of April 2020, a total amount of 450 million euros in available revolving credit facilities, previously entirely unused, which are due to expire between the end of 2021 and the beginning of 2022 and, subsequently, additional loans of a smaller amount, totalling 57 million euros, mainly expiring at the end of 2021. In taking account of the need to be able to count on adequate resources to finance the development and recovery of our business in a medium-term scenario, negotiations with credit institutions were started in 2020 for consolidation of the abovementioned debt in the medium/long-term, which were completed in early 2021. In particular, on January 22nd, 2021, TOD'S S.p.A. signed a syndicated loan agreement, the Sustainability Linked Loan, with the same banks with which the revolving credit lines used were in place, for a total maximum amount of 500 million euros, structured into a Term Facility of 250 million euros and a Revolving Credit Facility of further 250 million euros, both with a term of five years. The disbursement of the Term Facility, together with available cash, enabled the full repayment of existing medium-term loans and the repayment of the revolving lines of credit. This transaction further strengthened the Group's financial structure, which was, however, already solid, thus mitigating the risk profile linked to the current market situation and guaranteeing, through the Revolving Credit Facility, which is still entirely unused at present, a financial reserve available to support the necessary actions and investments and the resumption of business growth and development.

Other events and operations during the year

“Sustainability" is increasingly at the centre of business strategies, constituting a key driver for strategic choices and a benchmark for comparison to assess whether any action undertaken by a business is effective on an all-round basis. Despite the fact that, in the very difficult context, the choices made in the year just ended were necessarily guided by the priority of protecting the health and safety of employees and customers, work nevertheless continued on the development projects in the field of Sustainability on the various fronts on which the Group is engaged. Significant results were achieved during the year in various areas relating to the environment and social issues: the ISO 14001 environmental certification was obtained for the sites where the Group's headquarters are located in Italy; the welfare plan was renewed in support of employees and their families; in recent times, there has been the creation of the first HOGAN-branded capsule made with recycled materials and, last but not least, the provision for specific commitments to sustainability under the abovementioned loan agreement that was signed on January 22nd, 2021. These results constitute important milestones given the complexity of the year. For more details, reference should be made to the Consolidated Disclosure of Non-Financial Information prepared in accordance with Articles 3 and 4 of Legislative Decree 254 of 2016.

Numerous projects were also carried out in support of our business, which were aimed at enhancing brand visibility and product desirability.

We mention, in this area, the third chapter in the T-Factory project, a workshop in which special collaborations take shape between the TOD’S brand and creative talents selected from all over the world. Mame Kurogouchi for TOD’S is a capsule collection created together with designer Mame Kurogouchi, a rising star in Japanese fashion chosen for her talent and for her passion for traditional Japanese craftsmanship. It is, indeed, a shared interest in craftsmanship that was the basis for the project and the outcome has been revealed to be a sophisticated wardrobe of

essential garments and accessories marked by timeless elegance and style and a quest for absolute quality.
As regards promotion of the TOD'S brand, a very important feature during the year was the presentation of the first collections of Walter Chiapponi, the new creative director, which were greatly admired in the sector and from which, once the markets return to normal, excellent results are expected thanks to an approach to collections that combines innovation and contemporary design with the elegance of the brand.
Very positive results are also expected from the implementation of certain projects for an efficient management of warehouse stock, which will enable greater efficiency in distribution as a result of the adoption of new approaches to the management of supplies at DOS, with significant returns in terms of both expected sales and stock turnover and reduction.
The investments that the Group is making in the digital channel are also very significant as regards business development, in terms of both its growth, extending the e-commerce network to new geographical areas and implementing "omnichannel" retail, which by the end of 2021 will become operational in all the markets in which the Group operates, and strengthening digital communication strategies. On the latter front, the Group is equipping itself with the technological infrastructure and recruiting people that will allow for greater transition towards increasingly effective digital communication; on the other hand, it will be possible to establish privileged and direct relationships with the Customer, just thanks to the potential offered by an integrated development of physical and digital distribution channels, in a mutual and profitable exchange of information, which will ensure the possibility of meeting the needs of our customers and responding effectively to their expectations.
This further advance is another stage in enhancing the potential of a channel that shows considerable growth rates, placed at the high end of the management's expectations and that, especially in the present circumstances, is sure to become increasingly important for business in the sector and for the growth of the Group's own business.

The Group's results in 2020

Preamble

The Group's key income statement and balance sheet indicators for the 2020 financial year were, as mentioned above, significantly impacted by the measures taken at a global level to mitigate the effects of the spread of the pandemic on the public health. The significant fall in the Group's results of operations recorded during 2020 was substantially due to the lockdown measures and restrictions imposed by the various governments worldwide. The impact of these measures was much more pronounced in the second and fourth quarters of 2020 when the lockdown was applied more intensively in order to counter the first and second waves of the virus. The mainland China market is an exception to the above restrictions, as the virus containment measures were adopted in the first quarter of 2020, and were then gradually removed as early as from the second quarter of the year.

Again with reference to the income statement and balance sheet indicators, it should be noted that the operating results for the period ended December 31st, 2020 (EBITDA and EBIT) included a non-recurring write-down of inventories for 30 million euros that the Group made for prudential purposes against the anomalous increase in inventory stock at December 31st, 2020, again as a result of the effects of the pandemic.

In order to provide a better understanding of the performance recorded by the Group in 2020, the "adjusted EBITDA" indicator has been adopted, which does not include the non-recurring write-down of inventories for 30 million euros.

Furthermore, it should be noted that, in view of the extraordinary events that occurred during the year, the Company conducted the impairment test for the 2020 financial year with the support of a third-party independent expert and that the analyses conducted resulted in a non-recurring impairment loss of 11.7 million euros for the Group-owned FAY brand.

In order to provide a better understanding of the Group's performance recorded in 2020, the "adjusted EBIT" indicator has therefore been adopted, which does not include both the non-recurring write-down of inventories and the non-recurring impairment loss of the FAY brand.

The results in 2020

Consolidated sales were 637.1 million euros, decreased by 30.4% in respect to 2019 turnover when it was 916 million euros. The effect produced by the exchange rates fluctuations was not particularly significant; at constant exchange rates, sales revenue would have been 640 million euros, showing a decrease of 30.1% in respect to 2019. The reduction in consolidated sales is attributable, as mentioned, to the restrictions put in place to deal with the spread of the COVID-19 pandemic.

EBITDA is positive for 39.5 million euros while EBIT is negative for 135.4 million euros (at constant exchange rates EBITDA would have been positive for 40.1 million euros while EBIT would have been negative for 136.1 million euros).

Adjusted EBITDA is positive for 69.5 million euros while adjusted EBIT is negative for 93.7 million euros.

Consolidated net result is negative for 73.2 million euros, while last year it was positive for 45.7 million euros.

euro 000's Main economic indicators	Year 20	Year 19	Change	%
Sales Revenues	637,111	915,983	(278,871)	(30.4)
EBITDA	39,504	255,396	(215,892)	(84.5)
Deprec., amort., write-downs and provisions	(174,866)	(154,336)	(20,530)	13.3
EBIT	(135,362)	101,060	(236,422)	(233.9)
Profit before taxes	(157,975)	76,971	(234,945)	(305.2)
Profit for the period	(73,190)	45,659	(118,849)	(260.3)
Foreign exchange impact on revenues	2,901			
Sales Revenues at constant exchange rates	640,012	915,983	(275,971)	(30.1)
Foreign exchange impact on operating costs	(2,312)			
EBITDA at constant exchange rates	40,093	255,396	(215,303)	(84.3)
Foreign exchange impact on deprec.& amort.	(1,366)			
EBIT at constant exchange rates	(136,139)	101,060	(237,199)	(234.7)
EBITDA %	6.2	27.9		
EBIT %	(21.2)	11.0		
EBITDA % at constant exchange rates	6.3	27.9		
EBIT % at constant exchange rates	(21.4)	11.0		
Tax Rate %	53.7	40.7		

euro 000's Main adjusted economic indicators	Year 20	Year 19	Change	%
Adjusted EBITDA	69,504	255,396	(185,892)	(72.8)
Adjusted EBIT	(93,662)	101,060	(194,722)	(192.7)
Adjusted EBITDA at constant exchange rates	70,093	255,396	(185,303)	(72.6)
Adjusted EBIT at constant exchange rates	(94,439)	101,060	(195,499)	(193.4)
Adjusted EBITDA %	10.9	27.9		
Adjusted EBIT %	(14.7)	11.0		
EBITDA % at constant exchange rates	11.0	27.9		
EBIT % at constant exchange rates	(14.8)	11.0		

euro 000's Main Balance Sheet Indicators	12.31.20	12.31.19	Change
Net working capital (*)	322,364	344,610	(22,246)
Right of use assets	382,521	446,126	(63,605)
Intangible and tangible fixed assets	715,989	741,141	(25,152)
Other current assets/liabilities	107,588	(168)	107,755
Net assets held for sale			
Invested capital	**1,528,462**	**1,531,710**	**(3,248)**
Net financial indebtedness/(surplus)	521,286	451,162	70,124
Shareholders' equity	**1,007,176**	**1,080,548**	**(73,373)**
Capital expenditures (**)	30,267	47,305	(17,038)
Net cash flows from operating activities	(2,188)	98,537	(100,725)
Cash flow generated/(used)	155,563	(12,735)	168,298

(*) Trade receivable + inventories - trade payables

(**) Right of use assets are not included

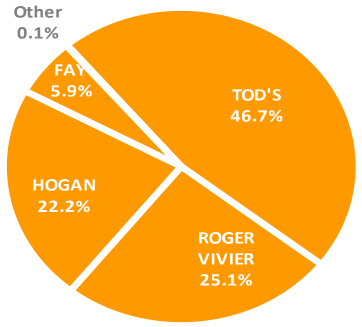
Revenues. During 2020, the TOD'S Group's consolidated sales amounted to 637.1 million euros (-30.4% compared to 2019). The reduction was attributable to the effects of the Coronavirus pandemic as already commented above. During the current year, the impact of currencies was slightly negative, and was seen on the TOD'S and ROGER VIVIER brands, which have the greatest presence abroad. At constant exchange rates, meaning by using the same average exchange rates as 2019, including the effects of hedging contracts, the Group's revenues totalled 640.0 million euros (-30.1%).

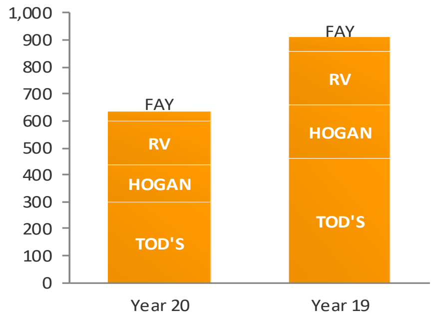
Revenues from TOD'S brand sales totalled 297.5 million euros in 2020, showing a decrease of 35.6% compared to the previous year. There was a significant increase in sales in the fourth quarter, which was recorded by the TOD'S brand in mainland China, where the impact of the pandemic was less severe.

Revenues from ROGER VIVIER brand sales totalled 160.0 million euros, compared to 200.5 million euros in 2019. There was an increase in ROGER VIVIER brand sales too in mainland China during the fourth quarter.

Revenues from HOGAN brand amounted to 141.5 million euros, compared to 196.5 million euros in 2019. After a significant increase recorded during the third quarter, HOGAN brand sales reported a decline during the fourth quarter, due to the new restrictions imposed to counter the second wave of the COVID-19 pandemic, in Europe and in Italy, which are the countries where the brand is more available.

(euro mn)	Year 20	%	Year 19	%	% current exch. rates	Year 20 constant rates	% constant exch. rates
TOD'S	297.5	46.7	461.8	50.4	(35.6)	299.0	(35.3)
ROGER VIVIER	160.0	25.1	200.5	21.9	(20.2)	161.3	(19.5)
HOGAN	141.5	22.2	196.5	21.4	(28.0)	141.7	(27.9)
FAY	37.6	5.9	56.3	6.1	(33.2)	37.5	(33.4)
Other	0.5	0.1	0.9	0.1	n.s.	0.5	n.s.
Total	**637.1**	**100.0**	**916.0**	**100.0**	**(30.4)**	**640.0**	**(30.1)**



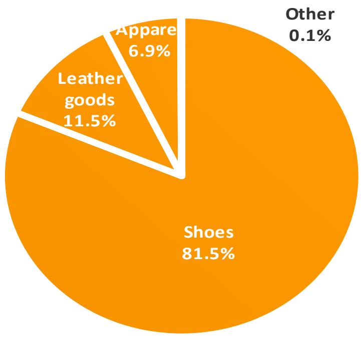


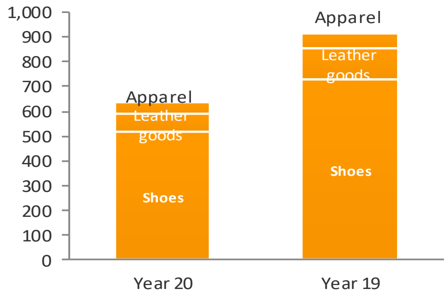
Finally, revenues from FAY brand sales amounted to 37.6 million euros, compared to 56.3 million euros in 2019. The fourth quarter was adversely affected by the new restrictions imposed to deal with the resurgence of the pandemic in Italy, which is the brand's main market outlet.

Revenues from sales of shoes amounted to 518.9 million euros in 2020 compared to 730.7 million euros in 2019.

Revenues from sales of leather goods and accessories totalled 73.4 million euros compared to 121.7 million euros in 2019.

(euro mn)	Year 20	%	Year 19	%	% current exch. rates	Year 20 constant rates	% constant exch. rates
Shoes	518.9	81.5	730.7	79.8	(29.0)	521.6	(28.6)
Leather goods	73.4	11.5	121.7	13.3	(39.7)	73.7	(39.5)
Apparel	44.3	6.9	62.7	6.8	(29.4)	44.2	(29.5)
Other	0.5	0.1	0.9	0.1	n.s.	0.5	n.s.
Total	**637.1**	**100.0**	**916.0**	**100.0**	**(30.4)**	**640.0**	**(30.1)**





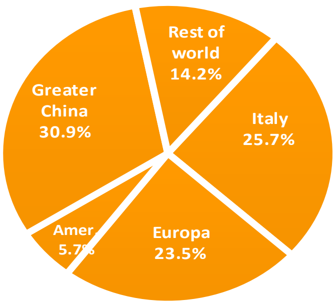
Finally, revenues from sales of apparel amounted to 44.3 million euros compared to 62.7 million euros in 2019; the performance substantially reflects that reported by the FAY brand.

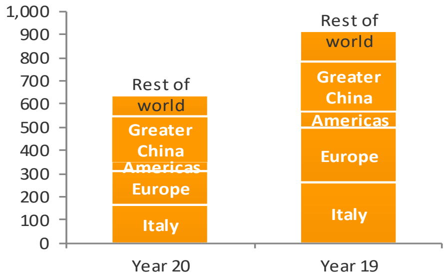
The Group's revenues on the domestic market amounted to 163.7 million euros, down by 37.2% compared to 2019.

In the rest of Europe the Group's revenues totalled 149.5 million euros compared to 237.6 million euros in 2019. After recording a recovery in the third quarter, sales both in Italy and Europe saw a deterioration in the fourth quarter, which was due to the intensification of restrictions imposed by the various local governments to tackle the pandemic.

In the Americas the Group recorded total revenues of 36.6 million euros compared to 70.6 million euros for sales in 2019. The results were impacted by the closures imposed during lockdown periods and by the very low traffic, even during the opening periods, given the absence of tourists' purchases.

(euro mn)	Year 20	%	Year 19	%	% current exch. rates	Year 20 constant rates	% constant exch. rates
Italy	163.7	25.7	260.6	28.5	(37.2)	163.7	(37.2)
Europe	149.5	23.5	237.6	25.9	(37.1)	149.2	(37.2)
Americas	36.6	5.7	70.6	7.7	(48.2)	36.8	(47.9)
Greater China	196.5	30.9	215.1	23.5	(8.7)	198.3	(7.8)
Rest of world	90.8	14.2	132.1	14.4	(31.3)	92.0	(30.3)
Total	**637.1**	**100.0**	**916.0**	**100.0**	**(30.4)**	**640.0**	**(30.1)**



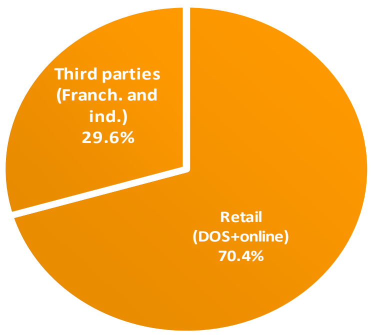


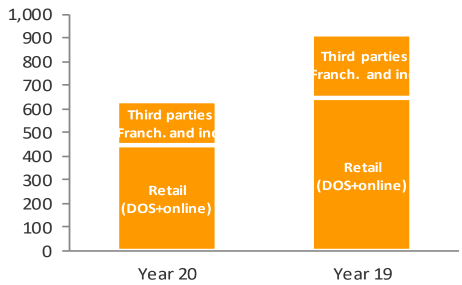
The Group's revenues in Greater China amounted to 196.5 million euros compared to 215.1 million euros in 2019. Revenues from sales in mainland China posted very good results during the fourth quarter, showing considerable growth compared to the previous year.

Finally, the Group recorded total revenues of 90.8 million euros in the area of the "Rest of the World", compared to 132.1 million euros in 2019.

In 2020, revenues from sales at DOS amounted to 448.7 million euros, showing a reduction of 30.5% compared to 2019 and accounting for more than 70% of the Group's turnover. The results reported by the DOS network was adversely affected by the persistence of the pandemic; after a good performance in October, new lockdowns were imposed in November in Europe and subsequently in some Asian countries too. The average store opening rate fell from 98% in October to 83% in November and 87% in December. However, the overall results of the DOS network showed a slight improvement during the fourth quarter compared to the figure for the third quarter. On the other hand, the very strong double-digit growth continued in the online channel, with further acceleration in the fourth quarter of the year, thus generating particularly positive results.

(euro mn)	Year 20	%	Year 19	%	% current exch. rates	Year 20 constant rates	% constant exch. rates
Retail (DOS+online)	448.7	70.4	645.8	70.5	(30.5)	451.8	(30.0)
Third Parties (WS)	188.4	29.6	270.2	29.5	(30.3)	188.2	(30.3)
Total	**637.1**	**100.0**	**916.0**	**100.0**	**(30.4)**	**640.0**	**(30.1)**





On the other hand, the result from the wholesale channel remained definitely negative, thus also confirming the Group's strategy of great caution in this channel, which is experiencing a downsizing of its structure, especially in Europe and the United States of America. The result for the fourth quarter was also affected by a different timing of deliveries and shipments during the various quarters of the year.

As of December 31st, 2020 the Group's distribution network included 300 DOS and 103 franchised stores, compared to 290 DOS and 115 franchised stores as of December 31st, 2019.

Revenues from third parties totalled 188.4 million euros compared to 270.2 million euros in 2019.

Operating results. Although profitability at gross margin level has not been particularly affected by the changed scenario, the percentage on sales being only slightly lower, the effect on operating results arising from the reduction in turnover mentioned above was considerable. The gross operating result (EBITDA) for the period, however, was affected, as we have already said, from a non-recurring, prudential write-down of stock, totalling 30 million euros, carried out in order to take into account the surplus inventories generated by the pandemic, which it will be more arduous to dispose of through the usual channels.

The Group's EBITDA came to 39.5 million euros in 2020 (255.4 million euros in 2019, when it included non-recurring proceeds of 97.5 million euros), accounting for 6.2% of consolidated revenues (27.9% in 2019).

The exchange rate effect on the operating result was not particularly significant; at constant exchange rates, or with the application of average cross rates from the previous period, EBITDA would in fact come to about 40.1 million euros, equal to 6.3% of revenues at constant exchange rates.

The exceptional event of the pandemic, therefore, led to the need to take a number of steps to keep down and save operating costs in order to limit the serious impact on the results of operations arising from a considerable decline in revenues due to the closure of stores as a result of the restrictions imposed by various governments. Particular attention was paid to communication costs, which were optimised and reorganised to respond to the changed scenario, mainly by making use of the digital channel and substantially reducing the more traditional communication activities and those performed in stores and/or other sales locations.

Moreover, the restructuring of communication activities in the digital channel is an issue that will also concern the near future, with the allocation of greater resources for the development of this channel, which makes it possible to convey the values of the Group's brands with great effectiveness and innovative methods, in a one-to-one relationship with our Customer.

As at December 31st, 2020 costs for use of third-party assets came to 29.3 million euros compared to 55.7 million euros at December 31st, 2019. The reduction benefitted, for an amount of 15.4 million euros, from the concessions granted in response to the large efforts made in renegotiating lease rents after the prolonged periods of closure suffered by directly operated stores. The change compared to the previous year was mainly linked, for the remaining amount, to variable-fee leases depending on sales, as well as to the efficiency improvement actions taken on some short-term contracts.

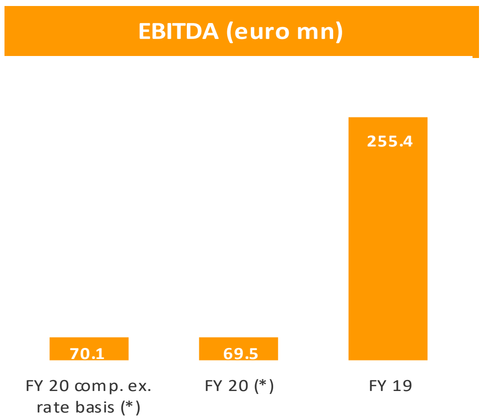
The Group's employee labour costs fell from 213.9 million euros in 2019 to 189 million euros at December 31st, 2020, mainly benefitting from measures put in place by the governments of the countries struck by the pandemic to support jobs, the economy and businesses during the lockdown periods. The Group applied to benefit from this form of assistance where circumstances permitted, in most cases supplementing government grants in order to maintain its employees' pay levels. In spite of these factors, the ratio to sales rose from 23.4% in 2019 to 29.7% in 2020; this was partly the effect of the extra amounts the Group decided to give employees, but mainly as a result of a significant decrease in revenues. At December 31st, 2020, the Group's workforce included 4,588 employees, down by 227 compared to December 31st, 2019.

Among the actions taken to keep operating costs down we mention the decision taken by the Chairman and the Vice-Chairman to waive their emoluments.

As regards costs for services, in addition to the reduction in communication costs that has already been mentioned, savings were also made in other areas by deferring to the following financial year that were deemed not to have priority in the present circumstances.

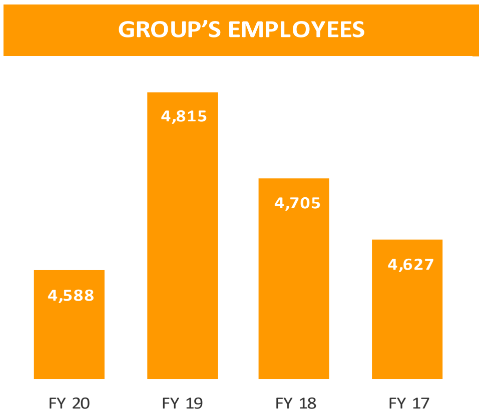
As a result of these performances, Adjusted EBITDA for 2020 posted a profit of 69.5 million euros, accounting for 10.9% of consolidated sales. The reported EBITDA amounted to 39.5 million euros, compared to 255.4 million euros in 2019, which, however, included non-recurring proceeds of 97.5 million euros. The effect of the change in exchange rates was not very significant: while using the average cross rates of 2019, EBITDA would be confirmed at 40.1 million euros.

Amortisation and depreciation of fixed assets came to 144.8 million euros (149.2 million euros in 2019), including amortisation of rights of use (IFRS 16) for 104.3 million euros (105.3 million euros at December 31st, 2019). The ratio to revenues was 22.7% at December 31st, 2020, compared to 16.3% at December 31st, 2019. The change was closely linked to the performance of revenues.

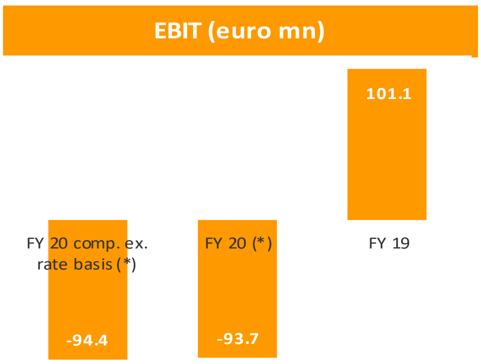


(*) Adjusted EBITDA

Impairment losses on fixed assets amounted to 28.7 million euros during the year (3.2 million euros in 2019), including the write-down of a portion of FAY brand's carrying amount for 11.7 million euros and the write-down of fixed assets for 17 million euros (of which an amount of 15.9 million euros relating to rights of use - IFRS 16), relating to some stores that have reported trigger events in the current situation, highlighting the partial non-recoverability of the investments the Group has made, on the basis of the economic and financial forecasts updated by our Management.

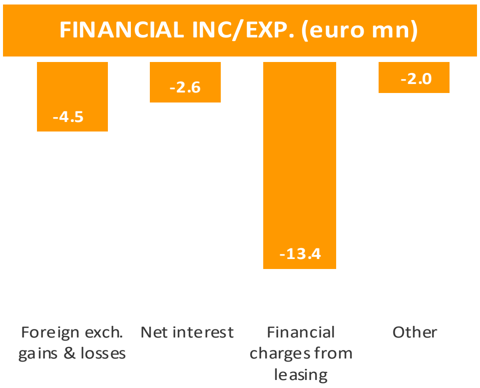


Net of additional operating provisions of 1.4 million euros, adjusted EBIT in 2020 posted a loss of 93.7 million euros (compared to EBIT of 101.1 million euros in 2019, which included non-recurring proceeds of 97.5 million euros). The reported EBIT for 2020 posted a loss of 135.4 million euros.

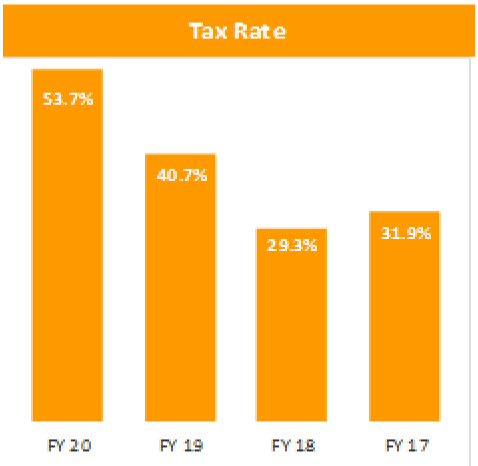


(*) Adjusted EBIT

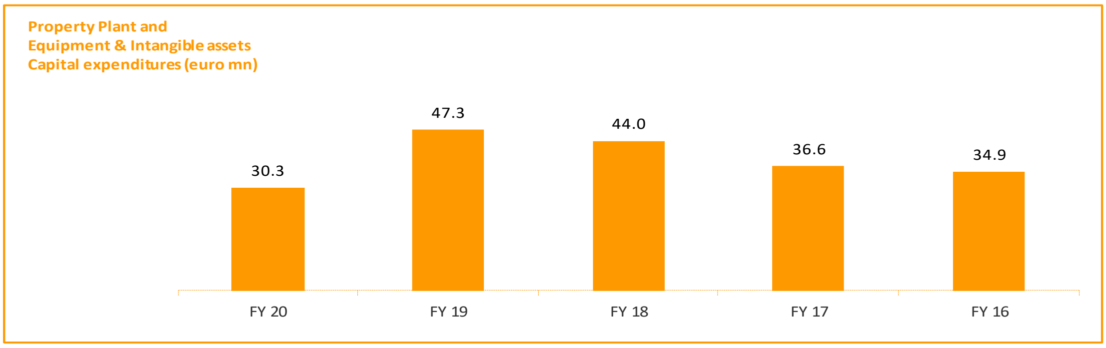
Financial income and expenses posted a negative value of 22.6 million euros, showing a slight improvement compared to the figure recorded at December 31st, 2019, when it amounted to 24.1 million euros. The balance included interest expense on existing loans for 2.8 million euros and financial charges on lease liabilities (IFRS 16) for 13.4 million euros.



Income taxes accrued in the year posted a profit of 84.8 million euros, including the effects of deferred taxation. In particular, note the positive effect, for 59.6 million euros, arising from the release of deferred tax liabilities as a result of adjusting the value for tax purposes at the statutory value of Group-owned brands. Furthermore, income taxes benefitted from the recognition of receivables for deferred tax assets on operating losses, which may be recovered through future taxable income on the basis of the economic and financial forecasts prepared by the Management. The loss for 2020 amounted to 73.2 million euros (FY 2019: a profit of 46.3 million euros).



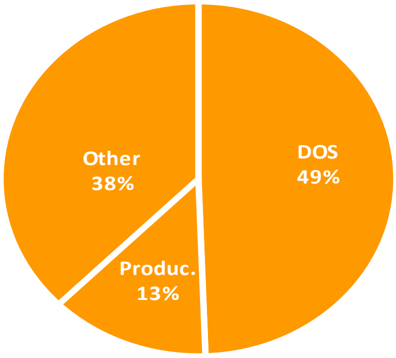
Capital expenditures. Capital expenditure in 2020 totalled 30.3 million euros compared to 47.3 million euros in 2019. The performance is linked to the deferral of some investments that are regarded as not being a priority in the current situation.



Resources amounting to about 15 million euros (25.9 million euros at December 31st, 2019) were invested in new DOS fitting out, among which it is highlighted for strategic importance the new TOD'S brand flagship store in Tokyo in the prestigious neighbourhood of Ginza, and in mainland China, where the Group further strengthened its footprint with nine new DOS that were inaugurated during the year. Investments of 4 million euros were made in production for the normal processes of modernising the facilities and industrial equipment (mainly lasts and moulds).

Furthermore, additional investments for the period were mainly intended for management software development, among which are programmes linked to digital channel and its integration into the Group's distribution network, aimed at completing the omnichannel retail development project, which are very significant to the corporate strategies.

INVESTMENTS BY ALLOCATION



Net financial indebtedness and cash flow.

At December 31st, 2020 net financial indebtedness was 521.3 million euros and included lease liabilities arising from the application of IFRS 16 for 396.4 million euros; net of the latter items, the NFI would have been equal to 124.9 million euros (to be compared with that recorded in 2019, which amounted to 12.1 million euros). As mentioned, the increase in net financial debt was mainly attributable to the cash absorption incurred as a result of the pandemic. Cash and cash equivalents (cash and bank deposits) amounted to 330.9 million euros, while financial liabilities totalled 852.2 million euros, including lease liabilities, equal to 396.4 million euros, as stated above.

euro 000's Net financial indebtedness	12.31.20	12.31.19	Change
Current financial assets			
Cash and cash equivalents	330,940	184,072	146,869
Cash (A)	**330,940**	**184,072**	**146,869**
Current financial liabilities			
Current account overdraft	14,769	23,463	(8,694)
Current share of medium-long term financing	431,733	88,668	343,065
Current lease liabilities	91,337	94,879	(3,542)
Current financial liabilities (B)	**537,838**	**207,009**	**330,829**
Current net financial indebtedness/(Surplus) (C) = (B) - (A)	**206,898**	**22,937**	**183,961**
Non-current financial liabilities			
Financing	9,375	84,023	(74,648)
Non-current lease liabilities	305,013	344,201	(39,188)
Non-current financial indebtedness (D)	**314,388**	**428,225**	**(113,836)**
Net financial indebtedness/(surplus) (C) + (D)	**521,286**	**451,162**	**70,124**

Nevertheless, in view of the pandemic's impacts on its operating results and cash flows, the Group has obtained in advance all its lenders' consent not to apply the obligation to calculate financial covenants, where required in current agreements, for the 2020 financial year and, where requested, even on a six-monthly basis until June 30th, 2021. As mentioned above, after the end of the year the parent company signed a medium/long-term syndicated loan agreement for a maximum total amount of 500 million euros, structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros, both with a term of five years. The disbursement of the Term Facility component and cash, which was still largely available to the Company, allowed the repayment of the existing medium-term loans, except for those taken out with Cassa di Risparmio di Fermo S.p.A. and Cassa Depositi e Prestiti S.p.A. during the year, as well as the outstanding RCF lines to be paid off, which had been drawn down for an amount of 450 million euros.

euro 000's Statement of cash flows	Year 20	Year 19
Net Cash and cash equivalents at the beginning of the period	**160,609**	**173,344**
Cash flows from operating activities	28,935	115,391
Interests and taxes collected/(paid)	(31,123)	(16,853)
Net cash flows from operating activities	**(2,188)**	**98,537**
Cash flow generated (used) in investing activities	**(29,695)**	**92,718**
Cash flow generated (used) in financing activities	**188,178**	**(200,700)**
Translation differences	(733)	(3,291)
Net Cash and cash equivalents at the end of the period	**316,172**	**160,609**

Cash flows from operating activities for the period inevitably absorbed liquidity, following the significant effects of the pandemic. However, the cost efficiency and containment measures commented on above had a positive impact on the absorption during the period. Net cash flows from operating activities also included the payment of taxes relating to the sale of the Omotesando property, which had taken place in the previous year.

Cash flows from financing activities in 2020 mainly included new loans and the repayment of outstanding loans during the year, as well as the payment of the nominal amount of lease liabilities for 77 million euros.

Report on operations of parent company TOD'S S.p.A.

The situation due to the COVID-19 pandemic clearly affected the parent company's results for the year as well. Since the outbreak of the crisis the Company put in place exceptional measures aimed at the utmost protection of the health and safety of its employees, collaborators and customers, applying protocols relating to distancing and hygiene at all its sites, encouraging smart working as much as possible, providing medical devices for prevention for its employees and sanitizing the Company's offices and stores. As a precautionary measure, the Company's production plants were also closed even before the lockdown period began to run in Italy; as soon as possible, their operations were promptly resumed, putting in place anti-infection measures in order to ensure that production processes could be carried out safely, without however affecting their productivity.

The rapid spread of the pandemic around the world has led to the gradual closure of most of the sales outlets directly operated by the Company in Italy, and of those of the Group, with a consequent impact on the performance in terms of results of operations and financial position. Likewise, the sales outlets operated by third parties (wholesale channel) were also subject to the same restrictions as those imposed by the various governments worldwide, with significant effects on TOD'S S.p.A.'s sales to that channel as well.

The Company also promptly undertook various activities in order to limit the significant impact of the pandemic by curbing operating costs. Great attention was also paid to containing the physiological increase in working capital, through a prudent management of the flow of products placed on the market, it being necessary to take account of the restrictions on sales in each country affected by the pandemic and adopting flexible and particularly cautious management of relations with wholesale customers, while taking account of any possible critical situation.

In the context described above, sales during the year came to 384 million euros, recording a decrease of 36.7% compared to 606.8 million euros in 2019. The effect of exchange rates was positive; based on constant cross-rates, i.e. using the same average exchange rates prevailing in 2019, revenues would be instead equal to 382.5 million euros.

Adjusted EBITDA and EBIT for the year (which then do not include the effects arising from a non-recurring write-down of inventory stock and the partial write-down of the FAY brand) posted negative values of 7 and 58.6 million euros. Comparable gross and net operating results for 2019 came to 51.5 million euros (EBITDA), for a percentage impact of 8.5% on sales, and to 2.8 million euros (EBIT), for a percentage impact of 0.5% on sales, respectively.

EBITDA and EBIT for the year posted negative values of 37 million euros and 100.3 million euros, respectively.

The net loss for the year was equal to 116.8 million euros, compared to a net profit of 30.3 million euros in 2019.

Below are summarised the key financial indicators based on the data that have been published:

euro 000's Main economic indicators	Year 20	Year 19	Change	%
Sales revenues	383,983	606,834	(222,851)	(36.7)
EBITDA	(36,969)	51,488	(88,456)	(171.8)
Deprec., amort., write-downs and provisions	(63,368)	(48,690)	(14,678)	30.1
EBIT	(100,337)	2,797	(103,134)	(3,686.9)
Profit before taxes	(177,209)	25,213	(202,423)	(802.8)
Profit for the year	(116,788)	30,344	(147,132)	(484.9)
Foreign exchange impact on revenues	(1,491)			
Revenues at constant exchange rates	382,491	606,834	(224,343)	(37.0)
Impact on operating cost	440			
EBITDA at constant exchange rates	(38,020)	51,488	(89,507)	(173.8)
EBIT at constant exchange rates	(101,388)	2,797	(104,185)	(3,724.5)
EBITDA %	(9.6)	8.5		
EBIT %	(26.1)	0.5		
EBITDA % at constant exchange rates	(9.9)	8.5		
EBIT % at constant exchange rates	(26.4)	0.5		

euro 000's Main adjusted economic indicators	Year 20	Year 19	Change	%
Adjusted EBITDA	(6,969)	51,488	(58,456)	(113.5)
Adjusted EBIT	(58,637)	2,797	(61,434)	(2,196.2)
Adjusted EBITDA at constant exchange rates	(8,020)	51,488	(59,507)	(115.6)
Adjusted EBIT at constant exchange rates	(59,688)	2,797	(62,485)	(2,233.8)
Adjusted EBITDA %	(1.8)	8.5		
Adjusted EBIT %	(15.3)	0.5		
Adjusted EBITDA % at constant exchange rates	(2.1)	8.5		
Adjusted EBIT % at constant exchange rates	(15.5)	0.5		

euro 000's Main Balance Sheet indicators	12.31.20	12.31.19	Change
Net working capital (*)	297,980	300,635	(2,655)
Intangible and tangible fixes assets	250,649	269,341	(18,691)
Right of use assets	132,394	158,839	(26,445)
Other current assets/liabilities	470,539	466,287	4,251
Invested capital	**1,151,562**	**1,195,102**	**(43,540)**
Net financial indebtedness/(surplus)	309,154	236,120	73,034
Shareholders' equity	**842,408**	**958,983**	**(116,574)**
Capital expenditures (**)	15,146	23,754	(8,608)
Net operating cash flows	(56,295)	21,861	(78,156)
Cash flows generated/(used)	166,124	19,661	146,464

(*) Trade receivables + inventories - trade payables
(**) Right of use assets are not included

Revenues. The table below shows a breakdown of the Company's revenues, compared with the previous year:

euro 000's	FY 20	%	FY 19	%	Change	%
Brand						
TOD'S	143,313	37.3	261,848	43.1	(118,535)	(45.3)
HOGAN	117,360	30.6	166,497	27.4	(49,137)	(29.5)
FAY	35,834	9.3	54,956	9.1	(19,122)	(34.8)
ROGER VIVIER	84,622	22.0	118,940	19.6	(34,318)	(28.9)
Other	2,853	0.7	4,593	0.8	(1,740)	(37.9)
Total	**383,983**	**100.0**	**606,834**	**100.0**	**(222,851)**	**(36.7)**
Product						
Shoes	305,392	79.5	475,008	78.3	(169,616)	(35.7)
Leather goods	35,762	9.3	67,041	11.0	(31,279)	(46.7)
Apparel	39,976	10.4	60,192	9.9	(20,216)	(33.6)
Other	2,853	0.7	4,593	0.8	(1,740)	(37.9)
Total	**383,983**	**100.0**	**606,834**	**100.0**	**(222,851)**	**(36.7)**
Region						
Italy	156,856	40.8	256,915	42.3	(100,059)	(38.9)
Europe	95,629	24.9	162,376	26.8	(66,747)	(41.1)
Americas	15,223	4.0	39,818	6.6	(24,595)	(61.8)
Greater China	91,342	23.8	111,288	18.3	(19,946)	(17.9)
RoW	24,932	6.5	36,437	6.0	(11,505)	(31.6)
Total	**383,983**	**100.0**	**606,834**	**100.0**	**(222,851)**	**(36.7)**

In 2020 revenues from TOD'S brand came to 143.3 million euros, showing a decrease of 45.3% compared to the previous year. The HOGAN brand recorded revenues of 117.4 million euros, with a negative 29.5% difference compared to 2019. The FAY brand recorded sales of 35.8 million euros, down by 34.8% compared to 2019. The ROGER VIVIER brand achieved revenues of 84.6 million euros (against 118.9 million euros in 2019), showing a decrease of 28.9% compared to 2019.

As regards product categories, sales data confirm that the Company's core business is conducted in the segment of footwear, whose revenues amounted to 305.4 million euros in 2020 (475 million euros at December 31st, 2019), accounting for 79.5% of total turnover. Revenues from leather goods and accessories, which amounted to 35.8 million euros (67 million euros at December 31st, 2019), recorded a decrease of 46.7% compared to the previous year. Sales from apparel came to 40 million euros (60.2 million euros at December 31st, 2019); the performance was the same as that of the FAY brand.

Revenues from domestic market, equal to 156.9 million, reported a decline of 100.1 million euros (-38.9%) compared to the previous year. In Europe, revenues amounted to 95.6 million euros, recording a decrease of 41.1% compared to 162.4 million euros in 2019. Revenues in American markets reported a fall of 61.8% compared to 2019, while in the Greater China region there was a decrease of 17.9%. The "Rest of the world" area recorded revenues of 24.9 million euros (36.4 million euros in 2019), showing a reduction of 31.6% compared to the previous year.

Operating results. Adjusted EBITDA was equal to -7 million euros, while EBITDA for 2019 had been 51.5 million euros. EBITDA for 2020 amounted to -37 million euros. The operating results for the year were strongly affected by the reduction in revenues caused by the current pandemic.
The exchange rates trend had a positive impact; based on constant cross-rates, i.e. using the average exchange rates applied in 2019, adjusted EBITDA would come, in fact, to -8.0 million euros.
The expenditure for the use of third-party assets (leases and royalties) decreased from 25.5 million euros to 14.7 million euros, mainly owing to both lower royalty expenses and discounts obtained on lease rentals, due to the abovementioned pandemic. The impact on revenues from sales amounts to 3.8% against 4.2% in the previous year.
Personnel costs amounted to 94 million euros (107.1 million euros in 2019), accounting for a percentage of sales of 24.5% compared to 17.6% in 2019. The reduction in absolute value was mainly attributable to the benefit obtained from the application of wage-support schemes made available by the Italian Government in order to provide financial aid to the businesses affected by the pandemic, which the Company made use of in the periods and organisational areas where the need had arisen. However, since the beginning of the crisis, the Company adopted measures aimed at both supplementing redundancy fund payments and advancing the related amounts in order to mitigate the resulting loss of remuneration for its staff members.
In 2020 amortisation and depreciation, excluding those relating to right-of-use assets, equal to 24.3 million euros, came to 21.6 million euros (22 million euros in 2019), accounting for 5.6% of revenues (3.6% in 2019). Furthermore, it should be noted that, in applying impairment test procedures, assets were written down for a total of 16.5 million euros, of which an amount of 11.7 million euros related to the partial write-down of the FAY brand's carrying amount, an amount of 4.7 million euros related to the write-down of rights of use and an amount of 0.1 million euros related to the write-down of long-term costs for stores. Net of provisions of 0.9 million euros, adjusted EBIT came to -58.6 million euros, while EBIT for 2019 had been equal to 2.8 million euros. Finally, the reported EBIT amounted to -100.3 million euros.
Financial income and costs for the year, without considering the effects arising from the adoption of IFRS 16, showed a negative balance for 8.5 million euros, which was affected by the performance of cross rates of some currencies with which the Company operates and included, for about 2.8 million euros, interest expenses on outstanding loans (1.4 million euros in 2019). In also including the effects arising from the adoption of IFRS 16 (financial costs accrued on lease liabilities), equal to 5.5 million euros, the balance of financial income and expenses was negative for 14 million euros.
The income from equity investments was significantly impacted by write-downs applied, for prudential purposes, to some interests that take account of the losses reported by subsidiaries and the changed capacity of recovery of these losses in the light of the foreseeable effects of the

pandemic in the medium term. In particular, total impairment losses amounted to 62.8 million euros, of which an amount of 1.5 million euros related to the investment held in Italiantouch Shanghai Trading Co. Ltd, an amount of 2.9 million euros related to the investment held in Tod's Australia, an amount of 3.5 million euros related to the investment held in Del Pav S.r.l., an amount of 2.9 million euros related to the investment held in Filangieri S.r.l. and an amount of 52 million euros relating to the investment held in the US company An.Del. Inc., the sub-holding company of the group of companies that operate the retail channel in the US market. The significant impairment of the investment held in the US subsidiary reflects, in particular, a severe crisis in the US market, where the prospects for recovery in the retail channel, which has been experiencing a very difficult situation for some years, have further deteriorated, especially due to the effects of the pandemic: for this reason, at present it is no longer likely that the losses incurred by Group companies operating in this market will be recovered.

In 2020 income taxes showed a positive value of 60.4 million euros (FY 2019: a positive value of 5.1 million euros). The tax effect for the year was significantly impacted by the release of deferred tax liabilities made as a result of adjusting the value of the brands for tax purposes at their respective book value. The total amount of the aforesaid release amounted to about 34.5 million euros. Deferred tax assets recognised for the tax loss recorded in 2020 amounted to 16.3 million euros. The net result for the period posted a loss of 116.8 million euros against a profit of 30.3 million euros in 2019.

Investments in intangible assets and property, plant and equipment. The investments made in 2020 amounted to 15.1 million euros, against investments of 23.8 million euros in 2019. In particular, an amount of about 3.9 million euros was invested in the normal processes of modernisation of facilities and industrial equipment mainly dedicated to the purchase of additional industrial equipment for the creation of the collections (lasts and moulds). An amount of about 1 million euros was invested in the DOS network operated by the Company. A significant share of investments in the year was also allocated to the development of the company information systems, among which those linked to the digital channel and its integration into the Group's distribution network.

Net financial indebtedness. At December 31th, 2020, net financial debt amounted to 309.1 million euros and included lease liabilities arising from the adoption of IFRS 16, equal to 139.9 million euros; therefore, net of the latter items, net financial debt would have been 169.3 million euros (77.8 million euros at December 31st, 2019).

Other financial assets related to agreements granting loans to some subsidiaries in order to support investments in the network of DOS.

The financial debt is made up of the following loans:

-a medium/long-term syndicated loan relating to the facility agreement signed between TOD'S S.p.A. and Mediobanca/Crédit Agricole in July 2014;

-a loan taken out with BNL S.p.A. (BNP Paribas Group) on December 21st, 2018 for an amount of 25 million euros, repayable in 16 deferred quarterly instalments and due to expire on December 21st, 2022;

- a loan taken out with Intesa SanPaolo S.p.A. on December 21st, 2018, for an amount equal to 125 million euros, repayable in 6 deferred six-monthly instalments and due to expire on December 31st, 2021;

- a loan taken out with Cassa di Risparmio di Fermo S.p.A. on May 13th, 2020, for an amount equal to 20 million euros, repayable in full on maturity on November 13th, 2021;

- a loan taken out with Cassa Depositi e Prestiti S.p.A. on May 12th, 2020, for an amount equal to 20 million euros, repayable in full on maturity on November 11th, 2021;

- a drawdown of revolving credit facilities available for a total amount of 450 million euros in March and April 2020. At December 31st, 2020, the total amount that had been used was equal to 310 million euros after having repaid a total amount of 140 million euros in December 2020.

In taking account of the impact of the pandemic on the results of operations and financial position, the Group has obtained in advance all its lenders' consent not to apply the obligation to calculate financial covenants, where required in current agreements, for the 2020 financial year and, where requested, even on a six-monthly basis until June 30th, 2021. As mentioned above, medium-term loans, except for those taken out with Cassa di Risparmio di Fermo S.p.A. and Cassa Depositi e Prestiti S.p.A. during the year, were repaid after the end of the year following the debt consolidation completed on January 22nd, 2021 by entering into the Sustainability Linked Loan agreement, structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros, both of which with a term of five years.

euro 000's Net financial indebtedness	12.31.20	12.31.19	Change
Current financial assets			
Cash and cash equivalents	252,488	86,426	166,062
Other current financial assets	10,463	308	10,155
Current financial assets (A)	**262,950**	**86,734**	**176,216**
Current financial liabilities			
Current account overdraft		63	(63)
Current share of medium-long term financing	428,481	87,760	340,721
Current lease liabilities	22,282	22,084	198
Current financial liabilities (B)	**450,763**	**109,906**	**340,857**
Current net financial indebtedness/(Surplus) (C) = (B) - (A)	**187,813**	**23,172**	**164,641**
Non current financial assets			
Other non-current financial assets	5,619	7,348	(1,729)
Non-current financial assets (D)	**5,619**	**7,348**	**(1,729)**
Non-current financial liabilities			
Medium-long term financing	9,375	84,023	(74,648)
Non-current lease liabilities	117,585	136,272	(18,687)
Non-current financial liabilities (E)	**126,960**	**220,296**	**(93,336)**
Non-current net financial indebtedness/(Surplus) (F) = (E) - (D)	**121,341**	**212,948**	**(91,607)**
Net financial indebtedness/(surplus) (C) + (F)	**309,154**	**236,120**	**73,034**

Operating activities during the year absorbed cash for 31.8 million euros (while it had generated 29 million euros in 2019), mainly as a result of the effects of the pandemic. Net of the payment of taxes and interest expense, the net operating cash flow amounted to -56.3 million euros (21.9 million at 31 December 2019). The cash flow absorbed by investing activities is equal to -16.6 million euros and includes the cash flows associated with investment in fixed capital.
Cash flows obtained from financing activities amounted to 239.0 million euros (in 2019 the cash flows used amounted to 112.3 million euros) and include the opening and repayments of loans during the period, as well as the payment of the nominal value of leasing liabilities of 17.5 million euros. With regard to the loans raised during the year, it should be noted that they were disbursed at ordinary market conditions.

euro 000's Statement of cash flows	FY 20	FY 19
Net Cash and cash equivalents at the beginning of the period	**86,364**	**66,703**
Cash flows from operating activities	(31,816)	28,967
Interests and taxes collected/(paid)	(24,479)	(7,106)
Net cash flows from operating activities	**(56,295)**	**21,861**
Cash flow generated (used) in investing activities	**(16,588)**	**110,057**
Cash flow generated (used) in financing activities	**239,007**	**(112,256)**
Net Cash and cash equivalents at the end of the period	**252,488**	**86,364**

Other Information

Statement pursuant to art. 2.6.2 paragraph 7 of the regulations for markets organized and managed by Borsa Italiana S.p.A. In respect of Art. 15 of CONSOB Regulation no. 20249 of December 28th, 2017 on conditions for the listing of companies that control entities formed or governed under the laws of countries outside the European Union that are of material significance to the financial statements, we report that 10 of the company's direct or indirect subsidiaries fall under these provisions (Tod's Korea Inc., Tod's Shanghai Trading Co. Ltd, Roger Vivier Shanghai Trading Co. Ltd, Tod's Hong Kong Ltd, Roger Vivier Hong Kong Ltd., Tod's Japan KK, Deva Inc., An. Del. USA Inc. Flor Del. USA Inc., Cal. Del. Usa Inc.), that suitable procedures have been adopted to ensure total compliance with said rules, and that the conditions stated in Art. 15 have been satisfied.

Disclosure pursuant to Consob Resolution no. 17221 of March 12th, 2010 (Related Parties Regulation). During 2020 the Group did not conclude highly significant transactions with related parties or related party transactions that had a material impact on the assets, liabilities or net income of the Group, and there were no modifications or developments in the transactions described in the 2019 Annual Report that had the same effects.

All the information regarding existing relations with related parties in 2020 are set out in the supplementary notes.
With regard to new operations of lesser importance, a new contract, lasting two years, effective from June 1st, 2020, concerning the creation of prototypes of leather goods, as well as the subsequent mass production of the same, should be noted. by the Group, on behalf of the related company Elsa Schiaparelli Sas, the company that holds the exclusive rights for the use of the Schiaparelli brand. The operation is configured as a "transaction between related parties" as Elsa Schiaparelli Sas is a company wholly owned, through Diego Della Valle & C. S.r.l., by the President, Diego Della Valle, and the Vice President, Andrea Della Valle, and controlled by the first.

Management and coordination activities. Although TOD'S S.p.A. is subject to the control (pursuant to Article 93 of Legislative Decree 58/1998) of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l., neither this latter company or any other party has dictated policy or interfered in the management of TOD'S S.p.A. (or any of the subsidiaries of TOD'S S.p.A.). Indeed, management of the issuer and its subsidiaries was not subject to any influence by third parties outside the TOD's Group.
It should also be noted that the Sole Director of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l. considers that it does not carry out management and coordination activities provided for by Article 2497 of the Italian Civil Code. In particular, TOD'S S.p.A. is not subject to management and coordination by its parent company DI.VI. Finanziaria di Diego Della Valle & C. S.r.l., or any other entity, pursuant to Articles 2497 and ff. of the Italian Civil Code.
Additionally, the Sole Director of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l. deems that it does not carry out management and coordination activities provided for by Article 2497 of the Italian Civil Code in that:

• the shareholder has no structure for performing this activity, having no employees or independent personnel in a position to support the Sole Director in his work;

• the shareholder does not draw up TOD'S S.p.A.'s budgets or plans;

• the shareholder does not give the subsidiary any directives or instructions and does not ask to receive prior information regarding its more important transactions, not to speak of day-to-day transactions, or to approve them beforehand;

• there are no formal or informal committees or working groups composed of representatives of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l..

There have been no changes to the above circumstances up to this date.

Pursuant to the Corporate Governance Code, transactions that have a particularly significant impact on TOD's S.p.A. strategy, operations, assets, liabilities, and financial position are subject to exclusive review and approval by the Board of Directors of the issuer TOD'S S.p.A. Its members include independent directors without executive responsibilities at the company, in accordance with the rules set out in Article 3 of the Corporate Governance Code.
The expertise and authority of the independent directors without executive responsibilities and their material impact on decisions taken by the Board of Directors represent a further guarantee that all decisions by the Board of Directors are taken exclusively on behalf of TOD'S S.p.A. without being influenced by instructions or interference by third parties representing interests opposed to the Company's.
All subsidiaries of TOD'S S.p.A. are subject to management and coordination by the issuer. This activity consists in defining the general strategic policies for the Group, the internal control and risk management system, and the elaboration of general policies for management of the most important operating drivers (human, financial, productive, marketing and communication resources), without impairing the complete managerial and operating autonomy of the subsidiaries.

Research and development. Given the particular nature of the Group's production, research and development activity consists of continuous technical/stylistic revision of models and constant improvement of the materials used to realise the product.
Since this activity is exclusively ordinary, the associated costs are charged entirely to income in the year that they are incurred, and thus recognised as normal production costs.
Research and development costs, as defined above, have assumed major importance due to operating realisation of projects connected with expansion of the existing product line with new types of merchandise that complement current ones. These will increase the number of brands offered and stimulate increased sales to end customers.

Reconciliation of the result for the period and net equity of the Group with the analogous values of the Parent Company. The following table illustrates the reconciliation of the result for the period and net equity of the Group with the analogous values of the Parent Company, in accordance with CONSOB memorandum DEM/6064293 dated July 28th, 2006.

euro 000's	12.31.20		12.31.19	
	Net Profit	Share equity	Net Profit	Share equity
Parent Company	**(116,788)**	**842,408**	**30,344**	**958,983**
Difference between book value of consolidated Companies and net equity method valutation	(19,197)	165,389	60,197	238,345
Goodwill from Business combination Parent Company		(13,685)		(13,685)
Goodwill from Business combination Group		12,285		12,285
Others (*)	62,795	779	(44,257)	(114,291)
Minority interest			(625)	(1,089)
Group	**(73,190)**	**1,007,176**	**45,659**	**1,080,548**

(*) Mainly dividends and intercompany profits

Information on Share Capital. At December 31st, 2020 the Company's share capital was divided into 33,093,539 shares, all of which are of no par value, for a total nominal value of euro 66,187,078, unchanged respect to 2019.

Own shares and shares or quotas of controlling companies. As of December 31st, 2020 the Company did not possess any of its own share nor did it possess any shares or quotas of the controlling companies, neither since the date on which the shares of the Company were listed on the Milan Stock Exchange, the Company has not been a party to any transactions with reference to its own shares.

Significant events occurred after the end of the period

Furthermore, it should be noted that on January 22nd, 2021, Tod's S.p.A. signed a loan agreement with a pool of banks coordinated by Intesa Sanpaolo S.p.A. – through the IMI Corporate and Investment Banking Division, for a maximum total amount of 500 million euros. The Sustainability Linked Loan is structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros and has a term of five years.
At the same time as the disbursement of the amount relating to the Term Facility, the Company proceeded with the repayment of all existing medium/term loans and paid off the RCF lines of credit still outstanding.

Business outlook

As commented in details, the results for 2020 were heavily affected by the pandemic, which particularly hit the luxury goods sector, leading to long periods of closure of stores in many areas of the world, and to the almost complete disappearance of purchases linked to tourist flows. In this context, the Group's priority has been to protect the health of its employees and customers and, subsequently, to implement all the necessary measures to limit the impact of the pandemic, preserve the value of the brands and be ready to relaunch the business once the markets return to normal.

The year that has just begun will continue to be affected by Covid-19; while also taking account of the current uncertainty regarding the vaccination campaigns that are being conducted in the various countries, there is still poor visibility on the outlook for the future, but it is, unfortunately, possible to imagine that the pandemic will continue to impact the markets and the demand for luxury goods, even for a good part of 2021. In spite of this context, the actions taken are beginning to bring the hoped-for results; the e-commerce channel is recording excellent growth rates, with performances above expectations, and the new collections, which have been presented recently, have received excellent feedback.

Despite the uncertainty that surrounds the reference context described above and considering the good signals coming from the Chinese market, where the Group has a significant footprint, it is possible to look at the current year with new eyes, considering it as an important step forward in the Group's transition to medium-term growth, thanks to its sound capital and financial structure; this structure was further strengthened at the beginning of the year with the execution of the new loan agreement linked to sustainability objectives, which enables the Group to invest definitely in the business strategies that are necessary for recovery.

Approval of Financial Statement and proposal for the allocation of the profit for the period

The consolidated financial statements of the TOD'S Group and the separate financial statements of TOD'S S.p.A. were approved by the Board of Directors as of today's date.
It is proposed that the Shareholders' Meeting approves the separate financial statements of TOD'S S.p.A. and covers the loss for the year, equal to 116,788,189.34 euros, by using the extraordinary Reserve, the amount of which will be then equal to 281,552,284.48 euros.

Sant'Elpidio a Mare, March 10th, 2021

The Chairman of the Board of Directors
Diego Della Valle

Consolidated Non - Financial Statement - FY 2020 pursuant to articles 3 and 4 of Italian Legislative Decree 254 of 2016

Letter to stakeholders

Our ongoing process of integrating sustainability into our business strategy saw us achieve a number of ambitious objectives in 2020, representing the latest milestones in a journey we embarked on several years ago now.

2020 was a year of profound change for the society and the economy as a whole, not to mention the fashion sector. The COVID-19 pandemic and the legal restrictions adopted in order to contain the spread of the virus suddenly transformed the habits and behaviour of people all over the world. In regard to businesses, the transformation affected both workers and consumers, imposing inevitable, long-term limitations on traditional production activities, not to mention commercial retail activities. This in turn accelerated the vital role played by digital channels in communications, purchasing, entrepreneurialism and consumption.

At the same time, the issues of health and safety in the workplace and the environment, particularly climate change, gained key billing on the agendas of public and private bodies across the world, as part of a transformation towards a more sustainable economy from the economic, social and environmental standpoints.

TOD'S Group responded quickly and proactively to the new challenges posed by the COVID-19 crisis, taking particular care to bolster health and safety in the workplace, ensure the wellbeing of employees, their families and our clients, further the progressive digitalisation of our sales challenges, mitigate our environmental impacts and continue to work hard to integrated sustainability into every aspect of our business, in accordance with the 2021-23 Sustainability Plan adopted by the company.

The 2020 Non-Financial Statement, now in its fourth edition, sets out this mission alongside a summary of the results we achieved during the year. In the wake of the massive impact of the pandemic, we've updated our materiality matrix to reflect the main international trends in our sector and the changed priorities held by us and our stakeholders.

As we adopt an increasingly sustainable business model, the core values that have allowed TOD'S Group to grow and establish itself over time remain as strong as ever: tradition and innovation, Italian spirit and ethics and solidarity. These values have always embodied a responsible, future-oriented business strategy.

The Group reviewed its approach to sustainability in 2020, updating its Environmental Policy, publishing the 2021-23 Sustainability Plan and agreeing a Sustainability Linked Loan, based on

the attainment of specific ESG objectives in the Sustainability Plan, which was signed off in January 2021.

From an environmental perspective, 2020 saw TOD'S Group consolidate its activities designed to mitigate its environmental impacts. The Brancadoro complex obtained UNI EN ISO 14001:2015 environmental certification, while a main supplier assessment for the site was initiated, based on specific environmental criteria. The aim of this was to add environmental, social and ethical sustainability criteria into the standard supplier assessment process.

The results achieved so far by the Group make us proud of our rapid progress in the field of business sustainability. However, given the fast-moving global situation, which was accelerated further by the pandemic, we know that our commitment to sustainable development must continue to build on the positive work done in recent years – the same work that has allowed us to achieve the results we are now pleased to present to you in our Non-Financial Statement.

Methodological note

TOD'S Group's (hereinafter also the "Group" or "TOD'S") 2020 Consolidated Non-Financial Statement (hereinafter also "Statement" or "NFS") is a tool to transparently and articulately describe the economic, social and environmental results achieved by the Group and demonstrates the Group's commitment to sustainable development, with the aim of creating value not only for itself, but also for its stakeholders.

This document also responds to the obligation to report non-financial information set out in Legislative Decree 254 of 30 December 2016 (hereinafter "Decree 254"), which TOD'S S.p.A. is subject to.

This Statement relates to the 2020 financial year (from 1 January to 31 December) and was prepared in accordance with articles 3 and 4 of Decree 254 and with the "*Global Reporting Initiative Sustainability Reporting Standards*" (and subsequent amendments), defined in 2016 by the Global Reporting Initiative (GRI) according to the "*In accordance - Core*" option. Please be reminded that with reference to the GRI 207 (Taxes), GRI 303 (Water and water waste) and GRI 403 (Occupational health and safety) standards, the most recent version has been adopted. The appendix to the document contains the "GRI content index", with the details of the content reported in accordance with the guidelines mentioned above. Furthermore, this document has used the "Guidelines on non-financial reporting" (2017/C 215/01), issued by the European Commission on 26 June 2017, and the "Public statement on European common enforcement priorities for 2020 annual financial reports", published by the European Securities and Markets Authority (ESMA) on 28 October 2020, relating to reporting the impacts of the COVID-19 pandemic.

The NFS is published annually and the previous edition, relating to the 2019 financial year, was published in March 2020.

The present document aims to describe to its stakeholders the management model and policies practised by the Group in relation to sustainability, describing the most significant results achieved in the financial year in question, to the extent necessary to ensure understanding of the company's business, performance, results and impact, covering environmental and social issues and issues relating to staff, to respecting human rights and to the fight against active and passive corruption, which are relevant considering the company's activities and characteristics and stakeholders' expectations, as illustrated in the materiality analysis contained in this document.

The process of collecting data and information to draft this Non-Financial Statement was managed in collaboration with TOD'S Group's corporate functions, with the aim of providing a clear and precise indication of the information considered significant for the stakeholders according to the principles of accuracy, balance, clarity, comparability, reliability and timeliness set out in the GRI guidelines.

The scope of the data and information reported in this Statement is limited to the fully consolidated companies in TOD'S Group as at 31 December 2020, which are grouped into the following regions: Italy, Europe, Greater China, Americas and Rest of the World.

In particular, the scope of the economic data is the same as that of the Group's 2020 Consolidated Financial Statements, while the scope of the social and environmental data and information is limited to the fully consolidated subsidiaries.

The scope of consolidation as of 31 December 2020, compared to as of 31 December 2019, has changed as a result of the following operations:

- the company TOD'S New Jersey Ltd., a wholly-owned subsidiary of An.Del. USA Inc., was established on 30 January 2020;
- the liquidation process for the Tod's Danmark APS subsidiary (already non-operating) was completed on 3 April 2020;
- the company TOD'S Oak Ltd., a wholly-owned subsidiary of TOD'S S.p.A., was established on 18 August 2020;
- on 17 September 2020, Tod's S.p.A. bought the remaining 50% of the share capital of Filangieri 29 S.r.l., of which it already owned 50%.

Any specifications and exceptions to the reporting scope are duly noted in the relevant sections.

This document provides adequate data and information to the extent necessary to ensure understanding of the Group's business, performance, results and impact (so-called material issues).

Where available, data relating to the previous financial year is shown for comparative purposes only, in order to allow an assessment of the performance of the Group's activities over a longer period of time. Moreover, the chapters of the NFS report quantitative information for which estimates have been used. Furthermore, in the event that data relating to the previous period is restated, this is clearly indicated in the document.

Finally, to facilitate reading of the document, it should be noted that the following terms have been used:

• "The Parent Company" and "The Company" with reference to TOD'S S.p.A.;

• "The Group" with reference to TOD'S Group (Parent Company and fully consolidated companies);

• "Italy" with reference to the area that is home to the business of TOD'S S.p.A., Roger Vivier S.p.A., Del. Pav. S.r.l., Filangieri 29 S.r.l., Re.Se.Del. S.r.l.

In order to complete the implementation the sustainable development plan for the period between 2018 and 2020, in 2020 the Group obtained UNI EN ISO 14001:2015 certification for the environmental management system at its Brancadoro complex: central headquarters, production facility, raw materials warehouse and outlet.

In order to ensure ongoing improvement in sustainability, over the course of the next reporting period TOD'S Group will continue to undertake activities designed to achieve the following objectives:

• implementation of the ISO 45001:2018 occupational health and safety management system, to be initially introduced at the headquarters, which represents the hub of the footwear, clothing, logistics and sales divisions;

• formalisation of policies regarding staff management issues for Italian companies and subsequent extension to the Group's other companies, in order to standardise actions and behaviour in the various regions in which the Group operates;

In January 2021, the parent company signed a Sustainability Linked Loan with a group of banks coordinated by Intesa San Paolo S.p.A. (as set out in Chapter 1, "Approach to sustainability"), linked to the attainment of specific ESG objectives.

This Statement was assessed for compliance by an auditor which, with a separate report, certifies the compliance of the information provided pursuant to Article 3(10) of Legislative Decree 254 of 2016. Checks are carried out according to the procedures indicated in the "Independent Auditor's Report" included in this document.

This document was approved by the TOD'S S.p.A. Board of Directors and published on the company's website www.todsgroup.com. To request more information about TOD'S Group's sustainability strategy and the contents of this Statement, please contact the following address: infocsr@todsgroup.com.

1. Approach to sustainability

For TOD'S Group, sustainability means conducting its activities with an eye to the future and focusing its business strategy on creating value for stakeholders in the medium and long-term.
The Group's sustainability strategy is geared around three core values that have always been key to its identity:

- **Tradition and innovation**, the result of over a century of quality and excellence, based on passion, creativity and the promotion of Made in Italy production, elements that are inseparable from the outstanding quality of the products made by the Group's brands;
- **Ethics**, namely the continuous pursuit of honesty, fairness, confidentiality, transparency and reliability in its relationship with all stakeholders;
- **Solidarity and Italian spirit**, in other words responsibility towards the community (with a focus on the most vulnerable people, both locally and internationally) and towards the area in which the Group is present (with the aim of enhancing Italy's image throughout the world).

These values are reflected in numerous annual and long-term sustainability initiatives that the Group undertakes, providing a clear and concrete example of its commitment to its stakeholders and to the context in which it operates.
Strengthened by its values and aware of its commitment to uphold and continually develop them, the Group has taken steps towards sustainability reporting in order to demonstrate its economic, social and environmental impact on the local area and the community, as well as the measures that it has taken to monitor and constantly improve its performance.
In order to promote the spread of social and environmental sustainability standards, which have always been the basis of TOD'S Group's activities and business strategies, the Group adopted a **Sustainability Policy** and an **Environmental Policy**, which was most recently updated by a ruling of the TOD'S S.p.A. Board of Directors on 10 March 2021. This policy can be viewed at *https://www.todsgroup.com/en/sustainability*.
The Sustainability Policy sets out the principles that guide the Group's management of matters relating to human resources, the environment, responsible management of the supply chain, the central importance of the customer and to supporting the country and its economic/industrial system and artistic and cultural heritage. These principles apply to corporate bodies, employees (without exception), contractors (including but not limited to consultants, agents, representatives, brokers, etc.), and anyone who works with TOD'S Group companies in any capacity.

The principles set out in the Sustainability Policy are outlined in the **Sustainability Plan**, a tangible representation of how our commitment to sustainability concretely permeates the essence of TOD'S Group's business.

TOD'S Group's Sustainability Plan

During 2020, TOD'S Group issued its new 2021-23 Sustainability Plan (approved by the TOD'S S.p.A. Board of Directors on 10 March 2021). The Plan defines initiatives in line with the Group's strategy, aimed at achieving objectives in the following areas:

- **Management of sustainability issues**, for example through implementation of initiatives in line with the requirements of Legislative Decree 254 of 2016 and by international reporting standards and the organisation of stakeholder engagement activities;
- **Talent development and promotion of equal opportunities**, for example through implementation of tools aimed at assessing employee performance and defining training plans customised to their tasks and training needs;
- **Employee wellbeing**, through optimisation of welfare programmes and implementation of initiatives aimed at protecting workers' health and safety;
- **Responsible management of the supply chain**, through the definition and dissemination of social, ethical and environmental standards for suppliers, the implementation of production chain audits and the definition and implementation of standards relating to the use of chemical substances;
- **Monitoring and reduction of environmental impact**, through the implementation of an environmental management system and the definition of an energy efficiency plan in the Group's stores, offices and factories;
- **Environmental awareness activities for employees**, through the promotion of good behaviour from an environmental point of view among the Group's employees and the implementation of sustainable mobility activities;
- **Monitoring and optimisation of logistics**, for example through initiatives aimed at increasing the traceability of emissions produced by logistics processes;
- **Responsible consumption of materials**, for example through actions aimed at optimising and rationalising environmental impact related to materials used, such as paper and plastic;
- **Management, satisfaction and central importance of customers**, through CRM initiatives, customer satisfaction level assessments and activities designed to involve customers;
- **Collaboration with schools, universities, industry associations and design institutes**, through ongoing collaboration, the launch of new initiatives and the promotion of projects designed to support research and innovation in terms of health protection, safety and respect for the environment;

• **Initiatives to show solidarity and support for Italian spirit**, through the promotion and continuation of initiatives to benefit the area and to support its artistic and cultural heritage.

Sustainability Linked Loan

In January 2021, the parent company signed a €500 million loan agreement linked to the attainment of specific ESG objectives with a group of banks coordinated by Intesa San Paolo S.p.A. The Sustainability Linked Loan has a duration of five years (2020-24) and is split into a Term Facility of €250 million and a Revolving Credit Facility of another €250 million.

The operation further strengthens the Group's already solid financial structure, mitigating the risk profile of the current market situation. The loan also includes incentives linked to the attainment of **three specific ESG objectives,** which are included in the TOD'S 2021-23 Sustainability Plan. The objectives refer to three areas of strategic importance for the Group:

• **Developing the skills of TOD'S staff**, with progressive increase of hours of training per head;

• **Mitigating our environmental impact**, by maintaining and extending the UNI EN ISO 14001:2015 environmental certification to other sites;

• **Supporting local areas**, by allocating 1% of the Group's net profits to support local initiatives and the local community.

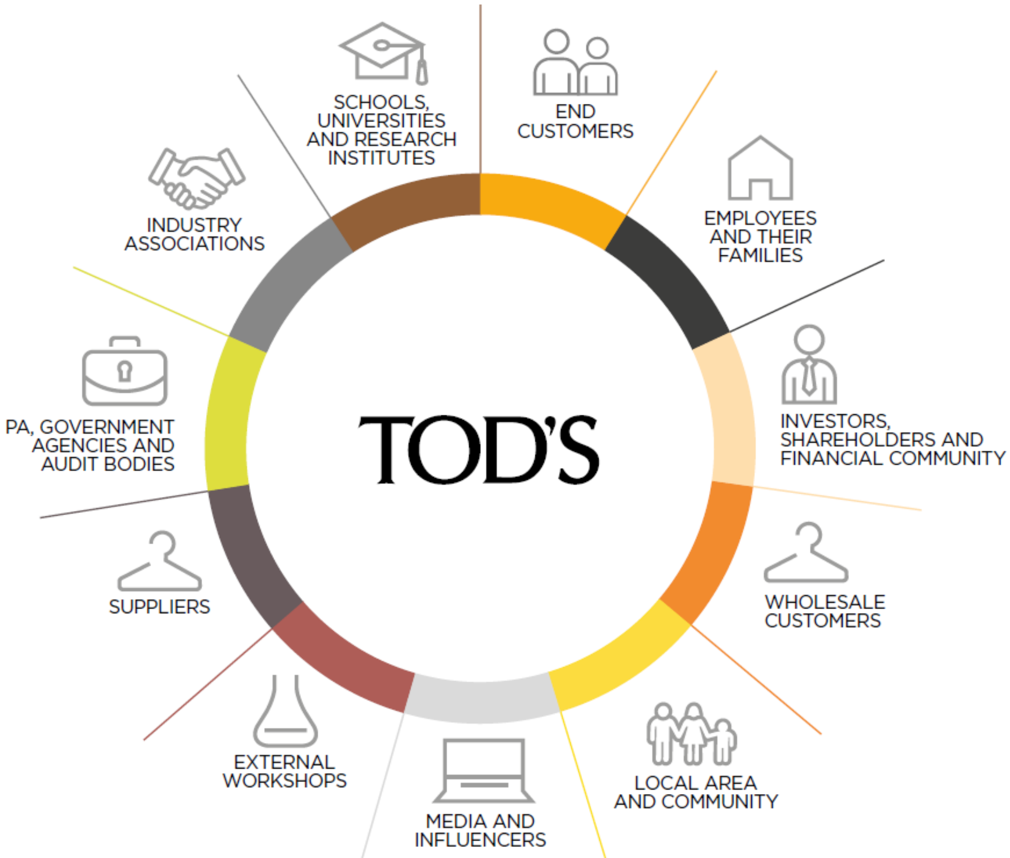
1.1 Interaction with stakeholders

Openness, dialogue and constant interaction with internal and external stakeholders are essential to the company's pursuit of its goals.

This approach allows the Group not only to understand the needs, interests and expectations of its stakeholders, but also to identify the best ways to generate shared value in the medium and long-term.

Starting from its own characteristics, activities and an awareness of its role in the context in which it operates, in recent years TOD'S Group has used and updated internal analysis and benchmarks aimed at mapping national and international trends and best practices in order to map its stakeholders and group them into the following **11 categories**.

TOD'S Group stakeholder map



Main initiatives for dialogue with stakeholders

TOD'S Group's approach to its stakeholders is aimed at implementing various kinds of dialogue and engagement initiatives that take advantage of the Group's many interaction channels.

Stakeholder categories	Main dialogue and engagement initiatives
End users	• Different selling ceremony for each of the Group's brands • Direct interaction with sales staff in the boutiques • E-commerce digital sales channel • Telephone and e-mail contact • Activation of new one-to-one interaction channels such as WhatsApp for Business and other tools such as chat and/or in-store video • Option to customise products • Gifting strategy • Product catalogue delivery • Customer care and customer delight services • After-sales services • Returns management policies • Creation of special content on social media • Virtual presentation of new collections and press previews via Zoom
Employees and their families	• Company welfare programme (in Italy) • Induction programmes for new employees • "Italian Orientation" project for new retail employees • Gym services, childcare centre, media library/library and corporate catering in the headquarters • Smart working programmes • Skills development programmes, tailored to the needs of different professional figures • Linguistic and technical/specialist training programmes • Digital Knowledge platform dedicated to e-learning • Workshops/educational sessions around sustainability and environmental responsibility • Online survey around sustainability issues • Annual meetings to discuss career development and performance assessments

	• Membership on a three-year basis of an assessment programme to monitor, improve and develop staff management practices • Cycles of interviews designed to assess the corporate climate
Investors, shareholders and financial community	• Shareholders' Meeting (in person and remote) • Institutional website • Meetings and conference calls with institutional investors and analysts • Industry conferences organised with the main international brokers (in person and remote) • Roadshows in the main European financial centres • Contact with private shareholders (in person and remote)
Wholesale customers	• Meetings in showrooms and launch of the Virtual Showroom • Telephone or email contact to share business performance • Invitations to fashion shows/events/collection presentations (in person and remote)
Local area and community	• 1% of the Group's net profit is allocated to supporting initiatives targeted at members of the local community who require the most assistance • Collaborations with non-profit organisations to support charitable initiatives for disadvantaged people • National and international collaborations and initiatives aimed at the promotion and protection of the Italian spirit worldwide
Media and influencers	• Institutional website • Institutional communication events and initiatives • Conferences • Press releases • Press days • Interviews with senior management • Invitations to fashion shows/events • Collaborations with prominent bloggers and influencers
External workshops	• Definition and sharing of technical and quality standards • Visits to start the production process and to monitor product quality • Sharing of production progress • Dedicated portal/information systems • Auditing of issues spanning the environment, social issues, human rights, health and safety and ethics • Online survey around sustainability issues • Self-assessment questionnaire on environmental issues

Suppliers	• Daily reports • Definition and sharing of technical, stylistic and quality standards • Supplier portal • Self-assessment questionnaire on environmental issues
PA, government agencies and audit bodies	•Special periodic meetings • Collaboration to develop initiatives
Industry associations	• Constant dialogue and meetings • Participation in workgroups • Design and development of joint projects • Participation in trade fairs
Schools, universities and research bodies	• Support for initiatives to facilitate students' entry into the world of work, including through school/work alternation • Participation in career days and job fairs • Organisation of placements and internships • Sharing of expertise • Collaborations with prestigious universities and design schools • Launch of the TOD'S Academy to support new creative talent • Participation in specialised training courses • Participation in working groups and industry associations in the field of sustainable research and innovation

1.2 Materiality Analysis

In order to identify economic, social and environmental aspects that are relevant to the Group and significantly influence or could influence the assessments and decisions of its stakeholders, TOD'S Group, in the course of 2020, updated its **materiality matrix**, which defines the aspects reported in the Non-Financial Statement.

The process of reviewing the materiality analysis was carried out in accordance with the 2016 GRI Standards Guidelines (and subsequent amendments), published by the Global Reporting Initiative (GRI) and with Legislative Decree 254/2016 on non-financial information. The review – which also took into consideration the changes to the global situation following the severe effects of the COVID-19 pandemic – consisted of two stages, starting with an analysis of the issues identified as being relevant in the 2019 materiality analysis. The process saw the Group management take part in a special workshop to assess the relevance of the various issues from two perspectives: the Group's perspective and the perspective of stakeholders, acting as spokespeople for their opinions and expectations. Subsequently, the analysis was extended to the stakeholders themselves via the distribution of an online survey targeted at certain categories of employees, representing sites in Italy and abroad, and at a select panel of external workshops operating in the Footwear, Leather and Clothing divisions. The surveys allowed us to identify 22 material areas, which served as the starting point for the 2020 review, according to the stages presented below.

- **Assessment of relevant issues in the 2019 NFS**: In the initial stages, the relevant issues in the materiality matrix presented in the 2019 NFS were analysed so that they could be updated to reflect internal literature (Code of Ethics, Annual Financial Report, company website etc.) and external sources (industry-specific studies and publications). This stage also included a wide-reaching benchmark analysis investigating national and international best practices in the sector, with a specific focus on the identification of trends connected to or resulting from the COVID-19 crisis;
- **Reworking of material issues**: The material issues were reworked in terms of both communication and relevance, in order to offer a picture that closely aligns with key trends and the Group's identity. The updated TOD'S Group matrix features 20 material issues, divided into broad areas.

Considering the importance that the Group places on stakeholder engagement, with a view to defining material topics and to identifying their needs and expectations, the Group has set itself the goal of guaranteeing, over the years, the increasing involvement of stakeholders in the materiality analysis process.

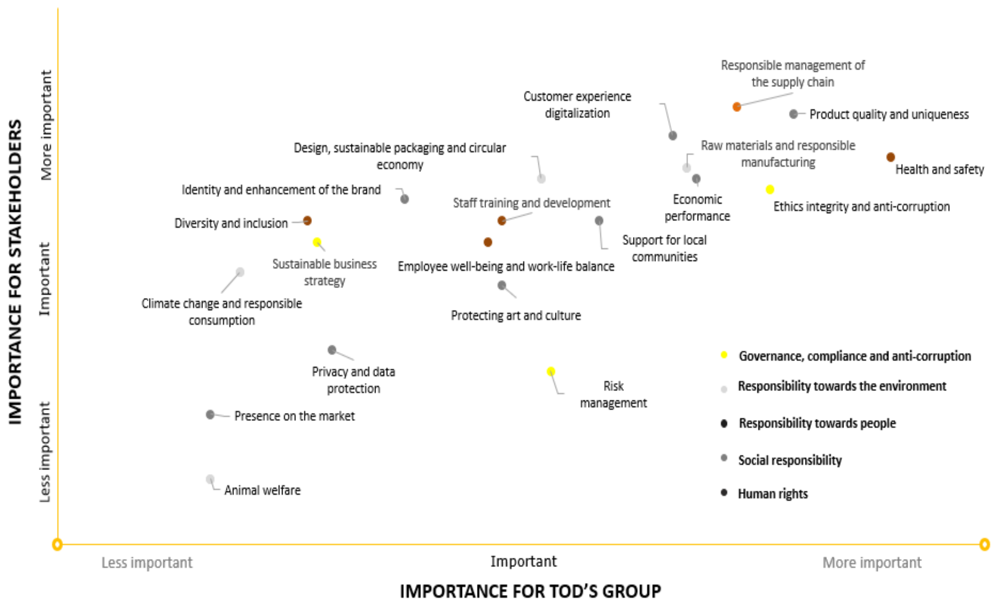
TOD'S Group also continues to involve its employees by producing information and organising educational sessions on environmental and sustainability issues.

TOD'S Group's materiality matrix

The materiality matrix's synthesis of the company's approach and the shareholders' perspective is a significant tool for defining and developing sustainability priorities and continuing to generate shared value in the medium and long-term.

In the new matrix, which reflects the review carried out in 2020 and approved by the Control Bodies in March 2021, greater relevance is given to issues relating to **climate change**, **risk management**, **animal welfare**, sustainable **design** and **packaging**, the **circular economy** (reflecting a growing interest in these issues), **customer experience**, the **digitalisation of sales channels**, **employee wellbeing** and **work/life balance**, in accordance with the changing global scenario in the wake of the pandemic. There is a particularly significant increase in the relevance give to the issue of **health and safety**, in light of the challenges posed by the global health crisis. Furthermore, some of the issues, although in line with the pre-existing materiality matrix, have been rationalised or revised in communicative terms in order to offer a representation of the materiality matrix that is as usable as possible and to ensure constant alignment with relevant trends and with the Group's identity. One of the areas reviewed was "sustainable design and packaging and the circular economy" , which includes information relating to product design with an onus on reducing the overall environmental impact and promoting the circular economy. Also updated was "customer experience and digitalization of sales channels", which now has a greater focus on digital, following the huge growth this area has seen during 2020, as a result of the unprecedented restrictions imposed as a result of COVID-19. This will continue to play a fundamental role in the evolution of business.

TOD'S Group's materiality matrix - 2020



2. Ethical and responsible business management

Due to its size and the significance of its activities, TOD'S Group is aware of the important role it plays in the community in which it operates and is therefore determined to ensure that its activities are conducted to the highest degree of correctness, while building and preserving a relationship of trust with its stakeholders.

Accordingly, the Group complies with the following ethical standards in the pursuit of its objectives:

• compliance with the legislative and regulatory provisions applicable in all the countries in which Group companies operate and observance of the strictest rules, particularly as these apply to relations with the public administration;
• equal and impartial treatment of employees, associates and customers;
• transparency and reliability;
• honesty, correctness and good faith;
• confidentiality;
• value of people and human resources.

Since 2008, these principles, which inspire our business conduct, have been formalised in the **Group's Code of Ethics**, which has been subsequently updated, most recently by the board resolution of 19 April 2018, in order to align its content to the best international practices, as well as to further integrate issues of corporate social responsibility.

Observance of the Code of Ethics is an essential condition underlying the correct operation of the companies comprising the Group, the protection of its reliability, reputation and image, enabling us to ensure the increasing satisfaction of our customers.

Therefore, all employees and other individuals who are involved in the operations of TOD'S Group companies are required to know and uphold the principles of the Code of Ethics, contributing, insofar as it is within their competence, to their observance. The Group, in order to concretely implement the guiding principles contained in the Code of Ethics, promotes awareness of these principles and their dissemination through publication on its official website (at the following address: https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines) and through the delivery of activities, information and training aimed at employees. The Group also ensures broad compliance with these principles through the inclusion of specific clauses in contracts and agreements to which the Company or the Group is a party.

2.1. Compliance with laws and regulations

To ensure the highest level of correctness and transparency in the pursuit of its business and within the relative company activities, TOD'S S.p.A. adopted its own **Organisation, Management and Control Model** (the "Model" or "Organisational Model") pursuant to the 30 January 2009 resolution of the Board of Directors, in compliance with the requirements of Legislative Decree 231 of 8 June 2001[1].

In addition to ensuring application of correct corporate governance principles and in accordance with the ethical and social values underlying the Code of Ethics, the adoption of the Organisational Model and the Code of Ethics is an effective instrument with which to regulate the relations of all the employees and associates of the Group with the Group's stakeholders (suppliers, customers, public administration, partners, etc.) - preventing the risk of committing the offences included in Legislative Decree 231/2001.

Through its adoption of the Model, the Company intends to pursue the following objectives:

• make the recipients of the Model aware that by violating the provisions therein, they run the risk of committing illegal acts which could result in them receiving criminal penalties, as well as administrative penalties and disciplinary measures imposed directly by the Company;

• reiterate that the Company very strongly disapproves of these forms of illegal conduct, since they violate the law and the principles of ethics which it strives to follow in the conduct of its business;

• allow the Company, through monitoring of the areas of operations at risk, to immediately intervene or prevent the offences from being committed. The provisions of the Model are binding upon the directors and all persons whose duties involve the representation, administration and management, including the de facto management of the Company as well as the employees and contractors who are subject to the direction or supervision of the Company's management. The Model is periodically updated by the Board of Directors so as to reflect the offences that have been introduced in the meantime; the last update was approved pursuant to the Board's resolution on 19 April 2018.

With the resolution of 19 April 2018, the Supervisory Body was also renewed, a body with autonomous powers of initiative and control to ensure the correct implementation and observance of the Model and application of the necessary updates. Currently, this Body has three members: an independent director (who is the Chairman), a member of the Board of Statutory Auditors and the Head of the Internal Audit Department.

Upon completing the verification work for the period of reference, every half year the Supervisory Body submits a report to the Board of Directors. Moreover, the Body assists other

[1] On 2 August 2018, the Roger Vivier S.p.A. Board of Directors adopted an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, also establishing their own Supervisory Body.

departments/functions with supervisory duties to observe the rules of conduct included in the Code of Ethics and the Organisational Model.

During 2020, TOD'S S.p.A. began reviewing the key elements of its Organisational, Management and Control Model pursuant to Legislative Decree 231/01, with a focus on:

• the integration of the retail business into the company (former Del.Com. S.r.l.);

• the integration of the e-commerce business into the company (former Italiantouch S.r.l.);

• legislative updates including the incorporation of offences as introduced by Legislative Decree 124/2019 (Ref. Art. 25-quinquiesdecies on "Tax Offences"), by Legislative Decree 105/2019 on Cybersecurity (Ref. Art. 24-bis "Cybercrimes and illegal data processing"), and by Article 346-bis of the Italian Penal Code on Corruption (Ref. Art. 25 "Abuse of power and solicitation designed to give or promise benefits and corruption").

Anti-Corruption Policy

Over the past few years, the fight against corruption, both at a national and international level, has become increasingly important, as evidenced not only by the toughening of associated sanctions (i.e. fines, injunctions and detention), but also in terms of the reputational impact of this crime.

TOD'S Group, in its business activities, is committed to fighting corruption and to preventing the risks of illegal practices, at every working level and in every geographical area in which it operates, through the dissemination and promotion of ethical values and principles, as well as through provision of rules of conduct and effective implementation of control processes, in line with the requirements set out by applicable regulations and with international best practices. Within this context, in order to strengthen the Group's ability to prevent and tackle potential corruption, as reported on in the previous Non-Financial Statement, on 23 January 2019 the TOD'S S.p.A. Board of Directors approved the **Anti-Corruption Policy**, which can be viewed here: https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines.

This Policy applies to all corporate bodies, employees, agents, suppliers, associates and anyone assisting or taking part in any capacity in the pursuit of TOD'S Group objectives, irrespective of their specific type of contractual relationship (hereinafter also "Recipients").

TOD'S Group is aware that this policy, which set outs in a clear and transparent manner the set of conduct standards to prevent, identify and manage the risks of corruption, as well as the rules and values that inspire the Group to achieve its business objectives, is of crucial importance to ensuring maximum transparency and fairness in the conduct of its business in all the countries in which it operates, protecting its image and reputation and meeting the expectations of all stakeholders.

By adopting and disseminating the Anti-Corruption Policy, TOD'S Group intends to pursue the following goals:

• define an approach opposed to any form of corruption, censuring any type of unlawful behaviour as contravening not only the law, but also the ethical principles to which the Group subscribes in the course of its business activities;
• reinforce a corporate culture of integrity and compliance, as well as supervision of company operations and procedures, and interactions with third parties;
• define principles and rules of conduct that all Recipients must implement in order to prevent corrupt behaviour;
• make the Recipients aware that by violating the Policy, they run the risk of committing illegal acts that could result in them receiving criminal penalties, as well as administrative penalties and disciplinary measures imposed directly by the Company.

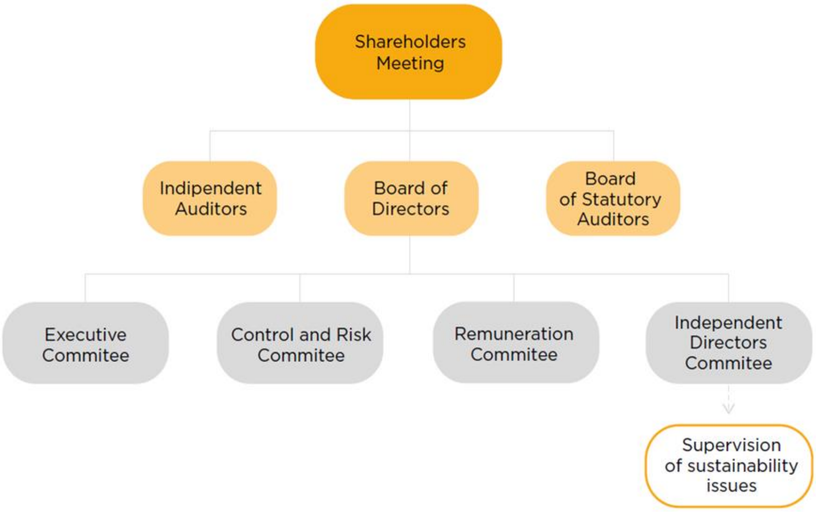
Finally, all Recipients, should they become aware of any suspected breach of the Anti-Corruption Policy or of any behaviour that does not comply with the rules of conduct adopted by the Group's companies, can, through the established reporting channels, report such incident without delay to the Whistleblowing Office, the body tasked with supervising the implementation and dissemination of this Policy.

During 2020, TOD'S launched global e-learning activities around the content on the Anti-Corruption Policy.

Furthermore, as reported last year, on 7 August 2019 the TOD'S S.p.A. Board of Directors approved the **Supplier Code of Conduct**, based on international conventions and standards (International Labour Organisation -ILO, the UN's Universal Declaration of Human Rights). The document – which can be viewed at https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines – defines the principles and rules of conduct with which the Group demands compliance in order to guarantee fair, equitable and responsible working conditions along the supply chain.

Corporate governance model

The Parent Company TOD'S S.p.A. has structured its corporate governance system along the lines of the principles and application criteria recommended by the Corporate Governance Code for Listed Companies (the "Code"), distributed by Borsa Italiana. TOD'S S.p.A. follows the traditional corporate governance system (also known as the "Latin" model), as follows:



The **Shareholders' Meeting** is authorised to make resolutions, whether ordinary or extraordinary, on the issues placed under its competence by the law or the relevant Articles of Association.

The **Board of Directors** is vested with the broadest powers for the ordinary and extraordinary management of the Company, without limitations, and has the power to take all the actions that it considers necessary for implementation or achievement of the corporate purpose, except the powers that the law vests in the Shareholders' Meeting exclusively.

The **Board of Statutory Auditors** is legally responsible for monitoring i) observance of the law and the Articles of Association and compliance with the principles of correct management; ii) the adequacy of the Company's organisational structure insofar as the areas that fall under its competence, the Company's internal audit and risk management system and its administrative and accounting system, as well as the reliability of the latter insofar as correctly representing the operating events; iii) the adequacy of the instructions given by companies belonging to TOD'S Group in relation to the information to be provided pursuant to disclosure obligations; iv) the procedures for implementation of the corporate governance rules as provided in the Corporate Governance Code for Listed Companies which the Company follows.

Legislative Decree 39 of 2010 also requires the Board of Statutory Auditors to monitor, in particular, the financial disclosure process, the effectiveness of the internal control systems, the internal audit system, if applicable, and the risk management system, the legal audit of the annual accounts and the consolidated accounts and to ensure that the auditing firm is independent. Moreover, within the scope of the functions attributed to it by the Law, the Board of Statutory Auditors shall also monitor observance of the provisions set forth in Legislative Decree 254 of 2016.

The **Independent Auditors** are appointed by the Shareholders' Meeting to audit the accounts, in compliance with the Articles of Association. In compliance with the Italian Civil Code, an external auditor will perform its audit independently and autonomously and therefore shall not represent either the majority or the minority shareholders.

On 19 April 2012, the Shareholders' Meeting appointed PricewaterhouseCoopers S.p.A. as the external auditor of the separate and consolidated financial statements for the years between 1 January 2012 and 31 December 2020. PricewaterhouseCoopers S.p.A.'s position will expire with the approval of the financial statements at 31 December 2020. In order to facilitate the change from PricewaterhouseCoopers S.p.A. to a future auditor, and to enable for the latter to sufficiently plan their auditing activities, the Company decided to follow consolidated practice among the leading listed companies in Italy by activating – in agreement with and under the supervision of the Board of Statutory Auditors – the procedure set out in Article 16 of Regulation EU 537/2014 and in Legislative Decree 39/2010 (et seq) to select a new auditor before the end of the current mandate. Therefore, on 3 June 2020, the Shareholders' Meeting appointed Deloitte & Touche S.p.A. as the new auditor for the nine-year period between 1 January 2021 and 31 December 2029, accepting the first preference in the recommendation provided by the Board of Statutory Auditors, produced in accordance with Article 16 of Regulation EU 537/2014.

The Financial Reporting Manager is also included among the corporate bodies.

The following Committees have been established within the Board of Directors:

• The **Executive Committee**, which ensures that the Company has an agile decision-making process in place. It is vested with all powers which are not restricted to the Board of Directors pursuant to the law, the Articles of Association or the rules of Conduct endorsed by the Company;

• The **Control and Risk Committee** and the **Remuneration Committee**, the role of which is to advise and recommend;

• The **Independent Directors Committee** established in implementation of Consob Regulation 17221/2010 containing the rules regarding Related Party Transactions (the "OPC Regulation"), which is vested with the role and the powers that the OPC Regulation assigns to a committee comprised exclusively of non-executive and independent directors with regard to material transactions with related parties. The Independent Directors Committee was also tasked with sustainability issues regarding the company's activities and the way it interacts with stakeholders. As such, the Independent Directors Committee:

- "examines and assesses the sustainability policy to ensure the creation of value over time for shareholders and for all the other stakeholders in compliance with the principles of sustainable development and the sustainability guidelines and objectives submitted each year for the review of the Board of Directors;
- examines implementation of the sustainability policy on the basis of the indications provided by the Board of Directors;
- examines and assesses the sustainability initiatives, including in relation to individual projects;
- examines the company's non-profit strategy and implementation thereof, including in relation to individual projects, and the non-profit initiatives submitted to it for review of the Board;
- at the request of the Board, expresses its opinion on other issues regarding sustainability.

The composition of the **Board of Directors** as of 31 December 2020 is provided below:

Name	Position	Year of birth	Executive	Non-executive	Independent*
Della Valle Diego	*Chairman*	1953			
Della Valle Andrea	*Chief Executive Officer*	1965			
Abete Luigi	*Director*	1947			
Boscarato Maurizio	*Director*	1941			
Capparelli Marilù	*Director*	1974			
Dalmasso Sveva	*Director*	1956			
Della Valle Emanuele	*Director*	1975			
Del Torchio Gabriele	*Director*	1951			
Guglielmetti Romina	*Director*	1973			
Macchi di Cellere Umberto	*Chief Executive Officer*	1964			
Macellari Emilio	*Director*	1958			
Manes Vincenzo	*Director*	1960			
Oglio Cinzia	*Director*	1970			
Prandelli Emanuela	*Director*	1970			
Saviotti Pierfrancesco	*Director*	1942			

*Corporate Governance Code Independence and CFA (Consolidated Financial Act) Independence.

The current composition of the Board of Directors ensures gender balance in compliance with (i) Law 160/2019 (known as the "2020 Budget"), which modified gender parity criteria for administration and control bodies in listed companies (implemented with Law 120/2011, also known as the "Law on female quotas"), replacing Article 147-ter, Paragraph 1-*ter* and Article 148, Paragraph 1-*bis* of Legislative Decree 58 of 24 February 1998, ("CFA") and (ii) Article 17 of the Articles of Association, last modified with the 11 November 2020 ruling of the Board of Directors. For further information regarding Corporate Governance please see the "Corporate Governance and Ownership Structure Report" prepared according to Article 123-bis of CFA for the 2020 financial year, approved by the Board of Directors in its meeting of 10 March 2021: the report explains in detail the corporate governance system of TOD'S S.p.A and includes, in addition to the information required pursuant to Article 123-bis Paragraph 2 of the CFA, a comprehensive examination of the current state of the implementation of the governance principles recommended by the Corporate Governance Code for listed companies, in compliance with the so-called "comply or explain" principle. The Corporate Governance and Ownership Structure Report, which we hereby refer to in full, is provided to the public together with the Directors' Report on operations and the financial statements. It can be consulted in the Corporate Governance section on www.todsgroup.com.

Also on 10 March 2021, in observance of Article 123-ter of the CFA and Article 84-quater of Consob Resolution 11971/99 (the "Issuers' Regulation), and subsequent amendments and additions, the TOD'S S.p.A. Board of Directors approved the Report on remuneration policies and compensation in 2020 (the "Remuneration Report"). This Report has two sections: (i) the first is dedicated to offering a clear, comprehensible illustration of the remuneration policy applicable to the members of the management body, the general manager and key managers, as well as – in accordance with Article 2402 of the Civil Code – the members of the control body, as well as the procedures followed for adoption and implementation of this policy; (ii) the second provides clear, comprehensible information for each of the items comprising the remuneration and describes the compensation paid in 2020 to the members of the administration and control bodies, the general manager and the key managers. The report will be submitted to the Shareholders' Meeting scheduled for 21 April 2021 and is available at the Company's legal headquarters and on www.todsgroup.com. It is furthermore noted that, although it is not included under the FTSE-Mib index, the Company, pursuant to the resolution of its board on 24 October 2016, voluntarily introduced as part of its internal control and risk management system, an internal reporting system to be used by staff for reporting any irregularities or violations of the regulations applicable and the internal procedures (so-called whistleblowing), in line with the best practices domestically and internationally, providing a specific and confidential information channel, and ensuring the privacy of the whistleblower. The whistleblowing system was quickly implemented following modifications to Article 6 of Legislative Decree 231/01 made by Law 170/2017.

Integrated risk management

According to the Corporate Governance Code for Listed Companies, TOD'S Group has a risk management system in place that ensures that the main risks to which the issuer and its subsidiaries are exposed are correctly identified, adequately measured, managed and monitored, while concurrently determining the degree to which these risks are in line with management of the company in pursuit of the identified strategic objectives.
At least on a yearly basis, the Directors in charge of the Internal Control and Risk Management System will identify the main business risks, taking into account the characteristics of the activities of the Company and its subsidiaries, and submit these for examination by the Control and Risk Committee and the Board of Directors. It is hereby specified that the risk identification activity is carried out by way of Control and Risk Self Assessment interviews, in order to obtain a comprehensive overview of the macro types of risks potentially applicable (typically "strategic" or external risks) and through the results of the internal audit of the company processes. Once the risk identification process is complete, the risks are assessed. This process streamlines the internal/external information, allowing management to implement the appropriate actions. Risks are assessed by means of an assessment process upon completion of which a qualitative and quantitative rating is assigned. The rating process associates, for each risk, the probability that the event will occur, and the impact that it would have. These probabilities are also expressed, where possible, in terms of the historical frequency with which an event has occurred as part of the company operations, also taking into account future scenarios involving repetition of the risky event. To ensure clarity and simplicity, the main risk factors affecting the company have been grouped into the following categories:

- **External**: risks that fall outside of the company's sphere of influence. This area also includes some strategic risks (such as demand, competition and innovation) and the following risk factors: natural events and disasters, climate change, epidemics and pandemics, political and social instability and tension;
- **Social and environmental responsibility and business ethics**: risks linked to non-compliance with local and international regulations, best practices and company policies around human rights, worker rights, the environment and business ethics.

Given that TOD'S Group operates in a range of countries, the Group ensures compliance with local and international regulations and also plays an increasingly active role in ensuring responsible, sustainable business management. This includes a particular focus on respect for people, human rights, the environment and ethical issues, both within the organisation and throughout the value chain (particularly the supply chain). In order to achieve this, the Group implements the necessary policies, guidelines and standards.

In this regard, TOD'S Group has adopted numerous control tools, for example related to respect for human rights and the dissemination of responsible procurement practices along the supply chain. Moreover, in order to monitor correct application of the principles contained in the Supplier Code of Conduct[2], 2020 saw the continuation of the third-party on-site audit process in the production supply chains around environmental and social issues, human rights, health and safety, and ethical principles.

With particular reference to the social sphere, in order to manage human resource management risks, subject to the monitoring and control tools in place, the Group has declared its commitment to implementing human resource management policies and procedures. These policies and procedures will allow the Group to constantly monitor the management model's adequacy for the mitigation of associated risks.

Other social risks include risks linked to product safety. In order to protect client health and safety, the Group requires its suppliers to operate in accordance with the most stringent applicable international legislation around hazardous or potentially hazardous chemical substances. The Group also subjects its products to constant, meticulous testing on their chemical composition and physical/mechanical characteristics. Suppliers are contractually bound to adhere to the guidelines contained in the Restricted Substances List (RSL), which sets out the most restrictive parameters of use for some substances. In order to monitor compliance with these guidelines, tests are carried out on the chemical composition of the raw materials at specialist third-party labs and/or by TOD'S.

TOD'S also attributes particular importance to environmental issues within the context of its activities, even though the most significant environmental impacts are indirect impacts. As such, the Group has created rules, processes and control activities in order to prevent and manage potential environmental risks deriving from third parties and suppliers of key raw materials, through the adoption of the Code of Ethics and the Supplier Code of Conduct, both of which contain binding provisions.

As regards direct environmental impacts, the Group implements a range of initiatives in order to minimise these. As well as mapping environmental risks as part of its assessment relating to the offences set out in Legislative Decree 231/2001, in 2019 TOD'S produced an **Environmental Policy**. This was most recently updated by the TOD'S S.p.A. Board of Directors on 10 March 2021 and can be consulted at https://www.todsgroup.com/en/sustainability. It sets out the Group's environmental guidelines, principles and commitments. In December 2020, TOD'S obtained **UNI EN ISO 14001:2015** certification for the **environmental management system** at its Brancadoro complex: central headquarters, production facility, raw materials warehouse and outlet.

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[2] Adopted by the TOD'S S.p.A. Board of Directors on 7 August 2019.

Throughout 2020, TOD'S also continued to educate, engage and raise awareness among its employees regarding the need to protect the environment and ensure sustainable development in communities;

• **Strategic**: risks which are characteristic of the business (such as for example risks connected to the demand dynamics of the "luxury goods" sector and the risks inherent in the location of the reference markets) the correct management of which constitutes a competitive advantage, or, otherwise, a reason for failure to reach the medium/long-term objectives for the company;

• **Operational**: the risk of losses from inadequacy or inefficiency of the processes, persons or internal systems or the result of external events (such as for example, the timeliness of supplies, the concentration of suppliers, the handling of contractors/*façons*, security and confidentiality of company information, the risk of fraud, etc.). In the context of operational risks, given the digitalisation of processes, the strategic evolution of online sales channels and the creation of increasingly large information assets, cyber security risks are also identified.

In terms of operational risks, risks relating to potential internal and/or external fraud are also identified. As shown in the previous paragraph, the assessment of internal and/or external risk of fraud should be supplemented, if it arises, with any reports transmitted through the key communication channels available within the company and any specific assessments conducted as part of the updating of the organisational model pursuant to Legislative Decree 231 of 2001. To protect against such risks, the adoption, dissemination and implementation of the Anti-Corruption Policy and the Supplier Code of Conduct are recommended. For further information please refer to paragraph "*2.1. Compliance with laws and regulations*";

• **Financial**: risks that have direct repercussions on the company's economic results and equity, and which are mainly connected to external factors such as foreign exchange, credit, interest rate and liquidity;

• **Compliance/regulatory**: risks connected to failure to comply with the laws, regulations or provisions of the law and/or the regulatory and control authorities and unfavourable amendments to the legal framework (such as, for example, any privacy laws or laws applicable to importing and exporting or which affect the commercial activities and distribution in the markets of reference, in addition to occupational health and safety).

The compliance category encompasses issues and potential risks related to privacy (such as, for example, and in purely potential terms, violation, improper use and accidental or illegal destruction of personal data and unauthorised access or modification of personal or sensitive information processed within the company).

TOD'S Group oversees issues relating to privacy in a systematic and structured manner and has adopted suitable organisational, operational and technological measures to ensure compliance with the provisions of the European Regulation on the protection of personal data (GDPR -

General Data Protection Regulation 679/2016)[3]. All the risks included in the "health and safety at the workplace" risk category are identified and analysed by management, through preparation of the Risk Evaluation Documents by management pursuant to Legislative Decree 81/08, including the assessment by task/work performed, the actions in place for the relative prevention and protection system, the procedures for responding to emergency and first aid situations, etc. The control activities carried out by the organisational figures required by the regulation also include monitoring activities carried out by the Supervisory Body pursuant to Legislative Decree 231/2001. The adequacy of working conditions in its production plants and workplaces is therefore constantly monitored and evaluated by the Group. To formalise this commitment, project activities were undertaken by the Group in order to adopt an **ISO 45001:2018** health and safety management system. With regard to the COVID-19 pandemic, TOD'S appointed a special committee to handle the crisis while also implementing exceptional organisational, procedural and technical/logistics measures, with the aim of ensuring the health and safety of its employees and collaborators. This included introducing protocols on distancing and hygiene, encouraging smart working as much as possible, providing employees with PPE and ensuring the regular cleaning and sanitisation of offices, industrial sites and stores.

Since 2017, TOD'S Group, aware that handling of ESG (environmental, social and governance) issues is becoming a more and more integral part of its own business system and is necessary for creating value over time while ensuring ethical, responsible and transparent management of its activities, in addition to updating the risk factors identified previously and in line with best practices, has analysed:

• the **correlation of the major "material issues"** (in economic, social and environmental terms), whether for the Group or for its stakeholders, with the corresponding risk factors identified by its risk assessment activity;

• the **risk factors with the biggest "reputation impact"** in order to verify placement of each risk factor within the Group. With reference to ESG issues, the following risks have been mapped out (in purely potential terms): social, environmental and ethical responsibility, climate change, epidemics/pandemics, non-compliance with the laws on occupational health and safety, the administrative responsibility of entities pursuant to Legislative Decree 231/2001, corruption, non-compliance with applicable laws regarding sales and distribution, inadequate anti-counterfeiting measures, inadequate quality of raw materials or workmanship, inadequate management of contractors/the supply chain, adequacy of staff skills and localisation of markets/country risk. With particular reference to the risk of engaging in conduct that could potentially be linked to corruption (active and passive) in all the countries in which the Group operates, we note that the main risk factors that are theoretically applicable (mapped as part of the assessment activities pursuant to Legislative Decree 231/2001, as well as in the project

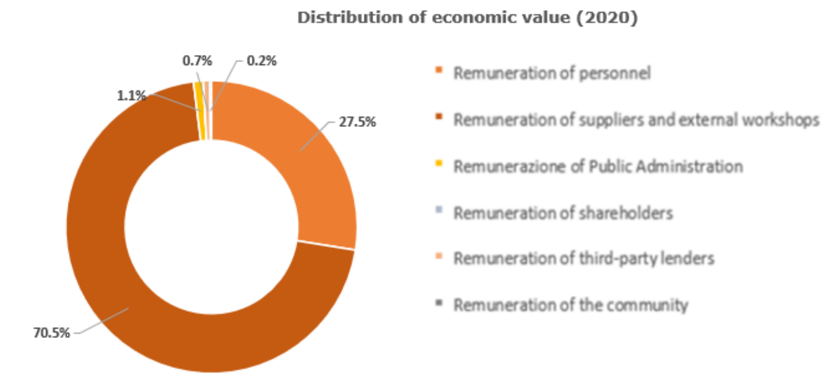
[3] Provisions became operational on 25 May 2018.

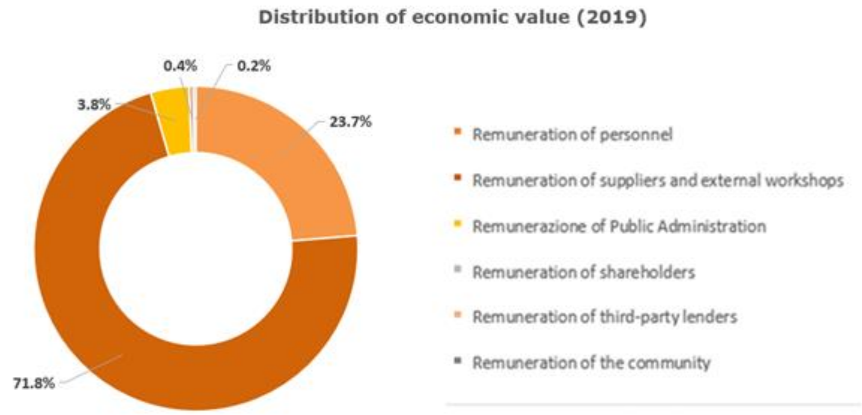
activities aimed at the adoption, dissemination and implementation of the Group's Anti-Corruption Policy and Supplier Code of Conduct) refer to the following areas and company processes: activities connected with the procurement of goods and services and the management and development of real estate assets in regard to relations with public entities/local authorities for applications for permits, authorisations and measures, etc.
In order to minimise the likelihood of potential risks related to relevant sustainability issues, the Group has started a process to structure and formalise its approach to sustainability.
As reported in the previous Non-Financial Statements, in 2018 the Group's **Sustainability Policy** (available at https://www.todsgroup.com/en/sustainability) and **Sustainability Plan** (most recently updated and approved on 10 March 2021), were implemented and approved, with the aim of promoting the dissemination of social and environmental sustainability principles.
During 2020, in the wake of the changing global situation caused by the COVID-19 pandemic, the Group decided it was necessary to update its **materiality analysis**.

Creation of economic value

The economic value statement is a restatement of the consolidated income statement, representing the wealth produced and distributed by TOD'S Group among its stakeholders. In 2020, the **economic value generated** by TOD'S Group was €553.4 million. This figure is down about 44% from the economic value generated in 2019 of €990 million due to the enormous impact of the effects of the pandemic. The **economic value distributed** to stakeholders, both internal and external, decreased from €944.4 million in 2019 to €715.2 million in 2020.

Among the stakeholders, in 2020 the suppliers and external workshops was the category to which the largest portion of the economic value was distributed (70.5% of the total value); this value is slightly down from 71.8% in 2019. Similarly to 2019, in 2020 in addition to suppliers and external workshops, the other stakeholder category to which a significant portion of the economic value was distributed was staff, who received 27.5% (up from 23.7% recorded in 2019) of the economic value generated by the Group. No dividends were paid to shareholders in 2020 (in line with 2019)





Fiscal transparency

In accordance with the Code of Ethics, TOD'S Group adheres to the principles of honesty and integrity in its tax affairs, complying with all national and international fiscal legislation applicable in the countries in which the Group operates. The Group pursues and maintains relations centred around maximum collaboration and transparency with all the relevant tax authorities domestically and internationally.

TOD'S operates with the aim of ensuring proper fiscal management across all companies belonging to the Group, with a particular focus on:

- correctly and punctually determining and paying tax due by law and fulfilling all related obligations;
- correctly management tax risk, i.e. the risk of breaching tax laws or abusing the principles and purposes of the tax system.

The core principles underpinning the company's approach to tax management are as follows:

- ***corporate responsibility***: the Group acts with integrity and honesty, recognising that tax contributions represent a significant source of resources for economic and social development in each country;
- ***legality****:* the Group acts in a way that fully complies with fiscal laws and strives to respect the substance and form of these laws in every way;
- ***tone at the top***: the Board of Directors leads efforts to promote a company culture rooted in the values of honesty, propriety, transparency and integrity;
- ***relationship***: the Group works transparently with tax authorities, striving to ensure these authorities have a full understanding of the facts to which tax laws are applicable.

To this end, the Group promotes and encourages greater awareness among its employees and collaborators in regard to its principles and objectives associated with tax risk. This is monitored by the Tax Head and the Tax Management department, under the guidance of the Financial Reporting Manager. The Tax Management department also draws on the contribution of managers with proven experience and skills in fiscal matters across the Finance, Administration and Controlling area, while the Group also regularly works with leading professional firms operating in an advisory capacity.

The Group adopts risk management and control procedures relating to the production of financial reporting, which includes relevant tax information. Compliance with these procedures is ensured at all levels of the company by the Model introduced by Law 262/2005 and subsequently adopted by TOD'S S.p.A.

During 2020, the parent company began reviewing the Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001, following the introduction of new types of offences, including tax offences. The company undertook inspections and assessments of the

existing protocols, with the aim of verifying the adequacy of current measures in place, in order to achieve the objectives set out above.
The process of determining tax payable is carried out locally under the direction of the respective CFOs, with assistance from external expert consultants, via a correct and truthful representation of financial statements based on the relevant accounting principles.
TOD'S Group has instilled and maintains a collaborative, transparent approach with the tax authorities in the various countries, operating in accordance with the principles and guidance set out in the OECD's Transfer Pricing Guidelines.
Furthermore, the Group works to reach prior agreements with the relevant tax authorities around key topics, such as the following agreements with the Italian Tax Authority:

- the agreement reached regarding access to the "Patent Box" tax scheme signed on 23 December 2016, which set out the methods and criteria to be used to calculate the amount of eligible income for the TOD'S, HOGAN and FAY brands for the five-year period between 2015 and 2019;
- the 27 October 2017 request to access the procedure designed to conclude the unilateral Advance Pricing Agreements (APA) and to set out the methods to be used to calculate the "arm's length" value of intercompany transactions;
- the 4 January 2021 request made to the Customs Agency to obtain Authorised Economic Operator (AEO) status, which certifies the reliability of economic operators who can prove they meet specific requirements in terms of preventing and management customs and security risks. The authorisation requested by TOD'S is AEOF (Full) authorisation, which combines AEOC (Customs) and AEOS (Security) authorisations.

Finally, TOD'S has also introduced an internal whistleblowing system within its internal control and risk management system, allowing employees to report any irregularities or breaches of applicable legislation and internal procedures.
For a comprehensive overview of the legal entities included in the scope of consolidation of TOD'S Group, please consult the "Group Composition" and "Group Organisational Chart" sections of the Annual Financial Report as at 31 December 2020.

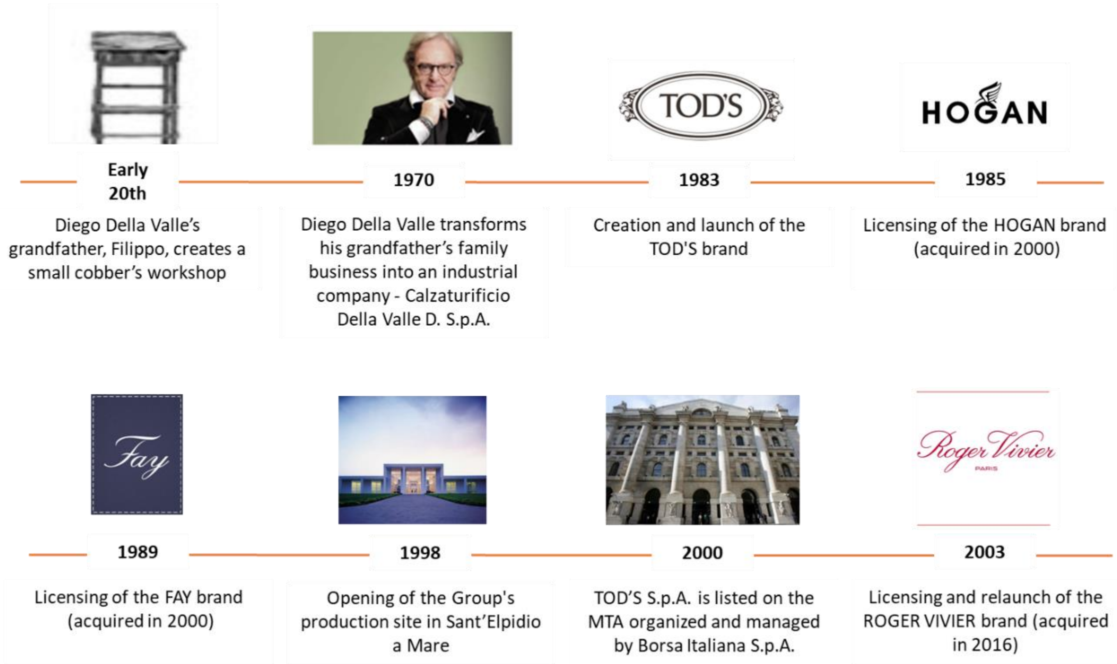
3. Tradition and innovation

TOD'S Group boasts a history based on solid, enduring foundations, on values that have been constantly strengthened for over 100 years, so much so that they constitute the essence of the brands and have brought them international recognition: these values are part of ***tradition****, understood as quality, an inherent element of Made in Italy production that is evident in all its products, and expertise, understood as a set of artisan skills handed down from generation to generation. Bolstered by these values, the Group has always promoted their development and protection throughout the supply chain and encouraged their spread among its customers in order to create responsible value in the long term.*

Though the Group has upheld its values over time, they have not remained static: they have developed in line with the needs of its stakeholders, according to the Group's desire to always respond in a new and original way to their needs, combining tradition and innovation and staying true to its mission: to offer a worldwide clientele products of the highest quality that meet their functional and aspirational needs.

3.1 The history of TOD'S Group

Tradition, quality, ethics, excellence, craftsmanship and Made in Italy: these values, on which TOD'S Group has built its history, continue to be passed down and preserved with extreme care. It all started at the beginning of the 20th century, when Filippo Della Valle, the grandfather of Diego Della Valle, created a small cobbler's workshop. His work and passion were handed down to his children, who created the outstanding footwear business which, since then, has always distinguished the Group.



Over the years TOD'S has expanded its product range, including through the launch and acquisition of prestigious brands, but this has never impacted the founding values of its identity, which, combined with the fundamental component of **innovation**, have enabled the Group to establish itself as one of the leading players in the production and distribution of footwear, leather goods, clothing and luxury accessories.

The TOD'S Group brands

Today, TOD'S S.p.A. is an operating holding company of an internationally-renowned group that operates through the **TOD'S, ROGER VIVIER, HOGAN** and **FAY** brands.

Though they each have their own distinct identity, the Group's brands share the same philosophy based on a balanced mix of tradition and modernity, high quality, creative content and broad product usability. The high quality of the products is guaranteed by the important role of manual work in all stages of the production chain.

An icon of Made in Italy, the **TOD'S** brand represents a lifestyle that combines timeless elegance and uncompromising quality. A lifestyle intrinsically linked to the concept of Italian spirit, good taste and savoir-vivre. Synonymous worldwide with an unmistakable, discreet and sophisticated style, in its women's and men's collections of shoes and leather goods, TOD'S has created, throughout its history, models that have become true style icons of modern luxury. First and foremost the *Gommino* in its various versions, the D Bag and many others.

Each product is manufactured using the precise techniques of the finest Italian craftsmanship, which enable the creation of extraordinary objects that are imitated and sought-after all over the planet. Through a meticulous series of checks and controls, exclusive products, loved by celebrities and leaders around the world, are produced every day.

'80s

Launch of the **Gommino** and a few years later of the **Winter gommino**, brand icons and authentic emblems of the values of tradition and innovation that TOD'S pursues in every product.

'90s

Launch of **D-bag**, inspired by Princess Diana, an example of outstanding artisan workmanship, made only with fine leathers, the perfect expression of luxury interpreted by TOD'S.

2009

Launch of the **D-styling**, a modern, functional bag with a contemporary silhouette that has been popular among celebrities and sophisticated consumers for years.

2015

Launch of the **Wave bag**, a true design object characterized by the trademark rubber on the patch, always made from high-quality materials and in special versions with outstanding style content.

2016

Launch of the **Double T collection**, the brand's diverse collection identified by the Signature accessory in metal or covered in leather.

2017 - 2019

Tod's creates the **No Code** innovation lab and presents the **shoeker 01 and 02**. In 2019 the No code collection is expanded with the **No code X**

2019

Taken from the Tod's archives and given a contemporary makeover, the **T timeless** accessory becomes the underlying theme of a collection of iconic men's and women's luxury items inspired by the mantra of timeless elegance.

2020

More and more products are joining the **T timeless** family, consolidating the success of this sophisticated, instantly recognisable signature element. The micro version even decorates this season's popular Oboe bag. The footwear collection is expanded with a sporty unisex trainer which looks destined to become an iconic Tod's product.

Monsieur **ROGER VIVIER**, who created the first stiletto heel in the '50s, designed extravagant and luxuriously embellished shoes that he described as sculptures. A skilled artisan who loved feminine elegance, Vivier elevated shoes to art objects through the savoir-faire of French embroidery houses. Today, the artistic heritage and excellent traditional roots of the Vivier fashion house have been given a new lease of life.

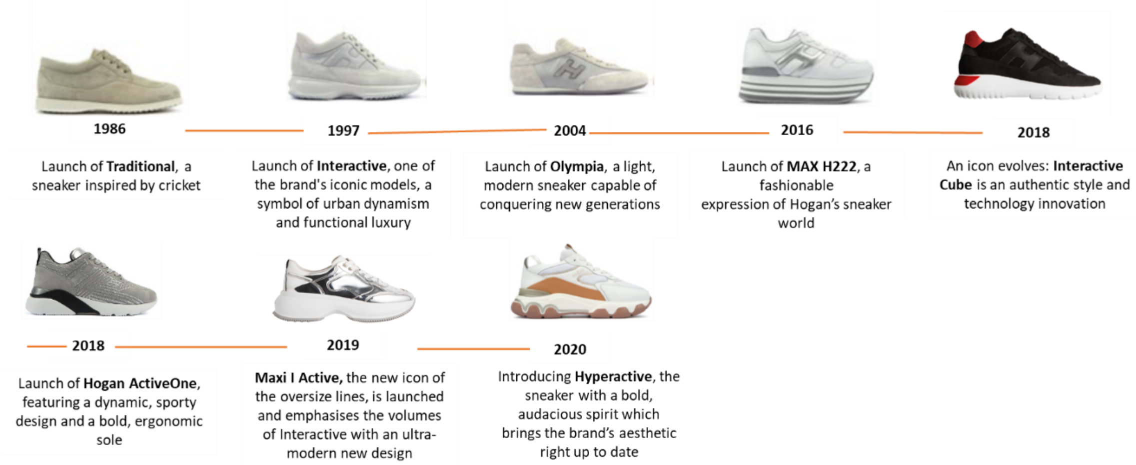
Thanks to the Group's work, Monsieur Roger Vivier's creativity and vision live on and new chapters are added to this unique story every season, which goes beyond footwear expertise and includes bags, small leather goods and jewellery.

Today, ROGER VIVIER's womenswear is sophisticated and elegant, yet slightly eccentric: it is designed for a woman who tries, through her clothes, to express her timeless elegance, without forgetting to add a cheeky, extravagant touch.

In 1986, **HOGAN** was founded together with a new concept of footwear: luxury sneakers that harmoniously combine sporty features and urban elegance. Today as then, the brand represents a pioneering vision of the concept of casual luxury with its exclusive lifestyle, suitable for any occasion: contemporary and dynamic, informal yet sophisticated.

The brand has been a trendsetter since the early '90s with the "Interactive" sneakers: this icon is still one of the most imitated HOGAN models, the innovative brainchild of the entrepreneur, who made the distinctive "H" code the brand's global symbol.

An Italian brand with a strong international appeal, HOGAN loves to combine tradition and aesthetic innovation with the quality of the best materials. This combination distinguishes the timeless approach embodied by the brand's iconic products: objects designed to preserve their value over time, interpreting the wearer's lifestyle with a highly contemporary look.



The **FAY** brand's history dates back to the early '80s, in the United States, when Diego and Andrea Della Valle discovered the work jackets worn by firefighters in Maine. Realising its potential, they took over the FAY brand, specialised in technical clothing for fishermen and firefighters, introducing it in Italy with a precise idea: to offer workwear for urban use.

The work jacket thus became an ideal city garment and the 4 Ganci Fay soon gained cult status in international capitals. This iconic jacket has been constantly reinterpreted and is accompanied by a line of clothing, predominantly outerwear, which is distinguished by its technical treatment of fabrics, attention to detail and extremely functional garments.

Strongly linked to the tradition and elegance of Made in Italy, today FAY continues to communicate its distinctive spirit, combining innovative materials and the timeless characteristics of authentic Italian outerwear: style, excellence and versatility.

'80s

Launch of "**Quattro Ganci**", the first Fay jacket in super-resistant Cordura nylon, which became a symbol of the brand. It was followed by other versions in new materials ranging from nylon to fleece to anti-tear fabrics

1990

Launch of the "**Stadium Jacket**", an ultra-light, hyper-comfortable solution with two elements. A down inner and an outer jacket with large pockets and fleece hand warmers on the outside. A buttoned flap transforms into a seat cover

1992

Launch of the "**Double Coat**", a perfect fusion of elegance and functionality. A garment with a simple, refined design, which can be worn in different weather thanks to its removable inner gilet.

2003

Launch of the "**Virginia Coat**", a timeless coat with a classic allure, distinguished by its characteristic three-hook fastening and feminine, elegant silhouette

2006

Launch of the "**City Hunter**" project, a successful idea in the women's collection , it meets the needs of metropolitan gentlemen fascinated by the elegance of the woman's wardrobe. British-style charm defines outerwear in shiny or matt nylon satin, padded with very light and very warm thermos material.

2017

"**The original 4 Ganci**". Relaunch of the brand's historic jacket in its classic version, reinterpreted in a modern style with new shapes and materials. The hook is once again a distinctive detail in the Fay collections, a true cult object that celebrates the brand's origins.

2019

Fay presents **Fay Archive**: the spin-off designed to celebrate the brand's workwear heritage through versatile, hard-wearing garments that tell the amazing story of the label, combining the spirit of American work jackets with the innate style of Italian men.

T FACTORY 3: MAME KUROGOUCHI FOR TOD'S

In 2020, TOD'S unveiled the third instalment of the **T Factory** project, which features collaborations with established and emerging artists who are asked to offer their interpretation of the TOD'S brand identity. A capsule collection and limited edition in season collection are produced as part of the initiative. **Mame Kurogouchi** was the designer chosen for the third edition of the project, producing a womenswear capsule collection.

Mame - a shortened version of the name Maiko, meaning bean - is an up-and-coming creative and was chosen by TOD'S on account of her undoubted talent and passion for traditional Japanese craftsmanship. In TOD'S, and in the Italian craftsmanship at the heart of the brand, Mame found the same passion for finding innovative ways to respect and celebrate tradition. The mutual interest in craftsmanship was at the core of the collaboration, which resulted in a range of clothing and accessories. The collection is suitable for all times of the day and occasions.

Mame's approach to the collection is highly personal. As a woman designing womenswear, she tries everything on herself, with the overall aim of making everyday life easier and more elegant for all. The same inclusive principles were applied to the capsule collection, a selection of dresses, coats, footwear and bags which can all fit into the iconic *Tod's D Styling* bag, which Mame turned into a holdall for use on a week away or work trip. The flowing lines and limited colour palette – black, navy blue and leather – heightens the sense of modularity, while bolstering the durability of the collection.

Craftsmanship is the common ground between TOD'S and Mame and it's this that makes the collection so unique – a meticulous approach to production which imparts a sense of character and tangibility to the pieces. This can be seen in the leather strap detailing, the leather embroidery, reminiscent of traditional Japanese *kogin zashi* stitching, the use of silk and the soft leather. In short, it's the perfect combination of Italian and Japanese savoir-faire.

An inviting, tangible sense of pragmatism is the prevailing sensation, created through the way Mame – as a woman – speaks to women. Authenticity and artisanship build a bridge between east and west, between past and present, in the name of timeless elegance.

The collection was unveiled in March 2020 and went on sale immediately at the TOD'S flagship stores in Milan, London, Paris and Japan, as well as on *tods.com*, the Japanese version of which was launched in 2020.

HOGAN-3R

Recycle - Reuse - Reduce

The philosophy

Reduce, reuse, recycle... and rethink, redesign and respect too. The new **HOGAN-3R** collection (unveiled during Milan Fashion Week Autumn/Winter 2021/22) has been made with love – love for our planet and the people that inhabit it. It's also been made with recycled materials, used to create a product of a quality and value superior to the original.

Acknowledging **environmental issues is about showing belief in responsible product innovation** and supporting more informed use of our resources, in order to keep **driving down waste** while producing unique, valuable, durable objects. HOGAN has always been passionate about incentivising innovative design, prioritising quality, practicality and aesthetics and backing heritage over passing trends.

"As a company, we have a responsibility to promote innovative environmental and social sustainability processes, in order to protect our planet and maintain its delicate balance," said Andrea Della Valle, the president of HOGAN and the vice-president of TOD'S Group. *"We are currently bearing witness to a significant social and cultural shift. We need to work with the younger generations, who are increasingly informed and committed to this battle, to share not just values but also actions. And we need to do that with the conviction that every step we take today lays the foundations for a better future."*

Highlights collection

Genderless, relaxed, contemporary. The first instalment of **HOGAN-3R** is composed of just a few simple, extremely versatile pieces, drawing inspiration from the rhythms and the skylines of the world's smart cities.

The new HOGAN-3R sneaker is made using a special **material made from regenerated leather and recycled plastic**. Made from salvaged industrial waste to minimise landfill, the ultra-lightweight soles have an innovative 3D design, complete with the iconic H logo on the upper and incorporated into the tread. The sneaker is joined by the hooded Montgomery, in **recycled wool cloth**, and a unisex bomber perfect for pairing with a quilted shirt-jacket, made from **regenerated fibres and synthetic down**. The ultra-lightweight oversized down jackets, available in long or short cut, are made from organic, water-repellent polyester nylon, providing the perfect outer layer to wear over **organic wool/cotton blend** jumpers. Bulky bumbags bring added interest, completing the look. The monochrome base colours – black and white – act like a canvas, allowing hits of orange, pink, yellow, purple and blue to take centre-stage.

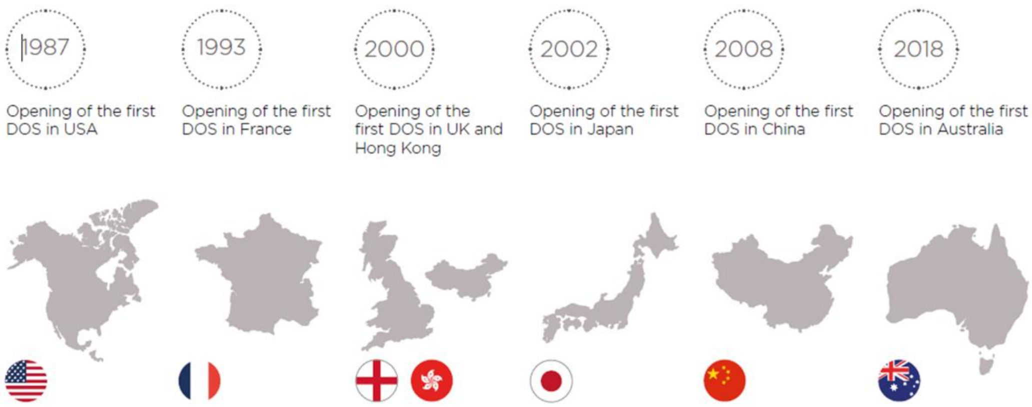
FAY Archive: *Forged in the USA, cooled in Italy*

The journey through the brand's archives continued, exploring the union between the authentic spirit of American workwear and innate Italian taste: **Fay Archive** starts from Fay's DNA, celebrating its origins and expanding them to wide-ranging adventure needs, from the city to the great outdoors. The contemporary edition of the glorious 4 Ganci introduces new chapters of a story full of versatile garments for long-term use, timeless icons freed from the succession of seasons and fashions. Owning a Fay Archive means expressing a constantly up-to-date outdoor style.

Distribution network and international expansion

The prestige of the brands distributed and the high specialisation required to present products to customers make it necessary to distribute products via a network of highly specialist stores. To this end, the Group mainly uses three channels: **directly operated single-brand** stores (DOS), franchised stores and a series of independent multi-brand stores selected on the basis of their suitability to the brands' positioning, their location and the level of service offered to customers, as well as the visibility that they can provide for products (**wholesale distribution**). Additionally, the **e-commerce channel** is becoming increasingly important both strategically and in terms of sales volume.

The Group began its international expansion in 1987 with the opening of its first direct store in the United States, in New York. Following the consolidation of the market success of its products in Italy, the Group, in order to guarantee a direct presence on the strategic, respected markets, advanced its expansion strategy in foreign markets by opening its first boutique in France in 1993, in the prestigious *Rue Faubourg Saint Honoré* in Paris and, subsequently, in several European markets including in England in 2000. After consolidating its presence in the European markets, the Group began to penetrate the Asian markets, opening its first store in Hong Kong in 2000, followed by openings in Japan and China, respectively in 2002 and 2008. Expansion into new markets has continued over the last three years with the opening of direct stores in Australia in 2018 and Canada in 2019.



The Group's strategic focus has historically centred on the development of the DOS and franchised store network, since these channels allow greater control of distribution and more faithful representation of individual brands' images. Moreover, in some markets, the Group has a presence in independent multi-brand stores, a channel that plays a central role for the Group. As of 31 December 2020, the single-brand store distribution network consisted of a total of **300 DOS** and **103 franchised stores**, a slight increase on the distribution network as of 31 December 2019, which consisted of 290 DOS and 115 franchised stores.

The **e-commerce** channel is playing an increasingly central role in the evolution of the Group's distribution strategies, in line with the sector's rapidly changing trends. The e-commerce websites of brands belonging to the Group currently operate in 35 countries around the world. The Group has also planned the launch of important new e-commerce websites in Asia for the 2021-22 two-year period.

3.2. Responsible management of the supply chain

TOD'S Group boasts a long history in the production and marketing of footwear, leather goods and clothing, featuring four different brands all equally synonymous with high quality, exclusivity and a recognisable style.

A distinctive element of the Group's production processes, which guarantees the prestige and exclusiveness of the brands, is its careful internal control of the entire production chain from the creative stage to the production of prototypes, to the selection and procurement of raw materials and components, and finally to the creation of products. The production of footwear and leather goods is carried out in internal facilities and workshops owned by the Group or in specialised external workshops. The latter are entirely located in areas that have a historic tradition of footwear and leather goods production, a guarantee of manual expertise and professional workmanship. For the production of its clothing line, the Group relies on selected specialised external workshops.

The uniqueness of the Group's products has always been based on **values** such as craftsmanship, design, creativity, tradition, innovation, quality and the promotion of Made in Italy. Over the years, the Group's product range has evolved in line with customer needs and the values inherent in each of the Group's brands. These values are expressed in the **Supplier Code of Conduct**, approved by the Board of Directors with a resolution passed on 7 August 2019 and available at the following link https://www.todsgroup.com/sites/default/files/import/TODS_GROUP_SUPPLIER_CODE_OF_CONDUCT_FINAL_EN.pdf.

Supplier Code of Conduct

The Supplier Code of Conduct, based on **international conventions and standards** (ILO - International Labour Organization, UN - United Nations Universal Declaration of Human Rights), sets out the principles and rules of conduct with which the Group demands compliance to ensure fair, equitable, and sustainable working conditions throughout the entire supply chain.

The Code covers the ethical principles and rules of conduct that supplement and enhance the legal, contractual, regulatory and procedural provisions that characterise the commercial relations between the Group and its main strategic partners along the entire production chain.

The Code contains standards and rules of conduct relating, but not limited to, business integrity and ethics, social responsibility and care for workers, product responsibility, respect for the environment, worker health and animal welfare.

Also in 2020, all necessary initiatives continued to inform and raise awareness among the Code's recipients. These activities included a formal commitment to comply with the principles and rules set out therein, as well as the implementation of a monitoring process to check compliance with its provisions through third-party audits.

Should any recipient become aware of conduct which does not conform to rules implemented by TOD'S Group, or to any suspected violation of the Code, they are required to promptly inform the Group's relevant Departments through the duly established reporting channels.

Supply chain quality

All the Group's commercial partners, whether suppliers or external workshops, from the raw material procurement stage to production management and product distribution, play a crucial role in the pursuit of qualitative excellence. To this end, TOD'S Group carefully selects its partners, favouring established collaborations and solid, long-lasting relationships aimed at maintaining the standards of excellence and quality that have always distinguished its products.

Craftsmanship: a value to pass down

Artisan skills are not only key to the Group's creation of high-quality products, but also an important component of the technical and cultural heritage of Made in Italy production. For this reason, TOD'S Group is committed to preserving this value, encouraging young people to enter the world of craftsmanship, which still offers major employment opportunities in Italy, combining innovation and tradition. For this reason, it remains committed to the company's "Bottega" academy, which, since 2015, has trained and continues to train a large group of young people, offering them an insight into the world of craftsmanship in order to give them an interesting, prestigious training experience consisting of classroom activities and on-the-job training, which in most cases leads to them being hired at one of TOD'S Group's production plants.

This experience enables the transfer of skills from master craftsmen to younger generations, facilitating their dissemination and preserving the undisputed excellence of the Made in Italy tradition for new generations. These initiatives were launched in 2020 at the production plants located in the provinces of Florence and Macerata, focusing on the leather division and on the various phases in the leather accessory production process.

However, due to the COVID-19 pandemic, the entire initiative was rescheduled.

Outstanding raw materials and promotion of Made in Italy

In order to guarantee excellent products, structured processes are adopted to research and select the best raw materials (leather, accessories and fabrics), combining quality, tradition and innovation. In its constant pursuit of these values, the Group continues to collaborate with the best tanneries, as well as researching, where available, new developments and new stylistic trends at trade fairs. When selecting raw materials, the Group prefers to establish partnerships with the best suppliers in Italy. This preference is further demonstrated by the fact that in 2020 the total cost of the **procurement of raw materials from Italian suppliers** amounted to 98% of the total supply budget for the Footwear Division, 97% for the Clothing Division and 98% for the Leather Goods & Accessories Division. In 2020, the Group collaborated with a total of 537 suppliers, including 264 for the Footwear Division, 65 for the Leather Goods & Accessories Division and 208 for the Clothing Division. The overall figure is down by 1% compared to last year.

No. of suppliers by geographical area and product category (%)

Region	2020			2019		
	Footwear	Leather goods & accessories	Clothing	Footwear	Leather goods & accessories	Clothing
Italy	**92.4**	**96.9**	**93.7**	**92.1**	**95.8**	**93.6**
Marche	*28.8*	*13.8*	*12.5*	*30.8*	*14.1*	*10.0*
Tuscany	*27.3*	*50.8*	*23.6*	*26.5*	*46.5*	*23.7*
Lombardy	*14.4*	*18.5*	*27.9*	*13.4*	*18.3*	*29.2*
Veneto	*11.7*	*6.2*	*11.1*	*11.5*	*8.5*	*8.7*
Other Italian regions	*10.2*	*7.7*	*18.8*	*9.9*	*8.5*	*21.9*
Europe	**5.7**	**3.1**	**3.8**	**7.5**	**4.2**	**5.0**
Americas						
Greater China						
Rest of the World	**1.9**		**2.4**	**0.4**		**1.4**
Total	**100**	**100**	**100**	**100**	**100**	**100**

In 2020, **Italian suppliers** accounted for a significant percentage of the total for all product categories, in particular with regard to the Leather Goods & Accessories Division (around 97%). Only when the best raw materials for a single product category are not available in the local market, the selection process involves the best foreign suppliers (e.g. in France) that are able to meet the Group's quality and stylistic expectations, while guaranteeing the highest standards of technical reliability. In order to ensure compliance with the common goals of Made in Italy excellence, quality and the fight against counterfeiting, the Group considers it essential to create and maintain long-lasting relationships with its suppliers.

Suppliers by years of collaboration and product category

Suppliers by years of collaboration (%)	2020			2019		
	Footwear	Leather goods & accessories	Clothing	Footwear	Leather goods & accessories	Clothing
Occasional	10.2	13.8		22.9	32.4	
1-3 years	31.1	36.9	17.3	13.8	18.3	22.4
4-10 years	21.2	23.1	45.7	21.4	26.8	53.0
> 11 years	37.5	26.2	37.0	41.9	22.5	24.6
Total	**100**	**100**	**100**	**100**	**100**	**100**

Raw materials purchased by type*

Typology of raw material	Unit of measurement	2020 Quantity/000	2019 Quantità/000
Hides	Pq/000	11,617	17,551
Metal accessories and other materials	Pieces/000	18,835	26,605
Fabric for clothing	Meters/000	329	554
Fabrics linings for clothing	Meters/000	165	290
Bottoms	Pairs/000	1,198	1,933
Accessories	Pairs/000	526	883

* Purchases include the main raw materials supplied, according to the most representative measurement unit. The purchased raw materials, rather than the raw materials consumed, were reported. 0% of the reported raw materials are renewable.

The overall reduction of 37% in the quantity of raw materials purchased in 2020 (compared to 2019) is linked to the market dynamics – influenced by the health crisis – which led to a review of the procurement budget.

TOD'S Group monitors substances deemed dangerous for the health and safety of the end user and harmful to the environment, putting environmental sustainability at the heart of its production processes. At the same time, in order to protect and safeguard its image and that of its brands with regard to checks by the relevant authorities, TOD'S ensures that its products comply with its RSLs (Restricted Substances Lists), which were developed in accordance with the guidelines of the Italian National Chamber of Fashion (CNMI) regarding eco-toxicological requirements, based on current regulations on the protection of health and safety and respect for the environment. To this end, TOD'S requires its suppliers to ensure compliance with the relevant standards regarding the materials supplied by signing special RSLs that list the obligations for each supplier and specify the substances and relevant regulatory restrictions by type of material and final destination. In addition, TOD'S Group carries out random tests on materials supplied to the Group in order to verify their compliance with current regulations.

In 2020, TOD'S continued the **third-party on-site audit** process which began in 2019 in its production chains on **environmental and social issues, human rights, health and safety, and ethical principles**.

During the year, as part of the project to implement the ISO 14001:2015-compliant Environmental Management System for the Brancadoro Complex, and in recognition of the importance of ensuring the **environmental sustainability of the supply chain**, TOD'S Group created a supplier rating system which considers specific criteria spanning environmental responsibility and impact.

The aim of the initiative is to allow TOD'S to supplement standard supplier qualification and assessment criteria with additional criteria spanning environmental, social and ethical sustainability.

The first phase of the project focused on the main suppliers of the core Footwear division at the Brancadoro Complex, selected on the basis of the relevance to the business of the site (determined based on the ABC[4] analysis) and on the environmental impact of their activities. The initial screening involved a self-assessment questionnaire circulated to around 230 suppliers in different areas, including raw material processing, waste management and disposal, packaging suppliers and machinery/equipment maintenance. Of this number, over 50% replied to the questionnaire, enabling the Group to allocate an environmental rating. The overall rating was determined based on weighted scores of between 1 and 10 allocated for specific environmental indicators covering:

- the presence of an environmental manager/lead;
- the existence of a plan for environmental emergencies
- reductions in waste production;
- waste recycling;
- reductions in energy consumption;
- the use of renewable energy;
- reductions in greenhouse gas emissions;
- reductions in water consumption;
- reductions in paper consumption, encouraging the use of alternative, certified, traceable sources;
- reductions in plastic consumption, encouraging the use of alternative, certified, traceable sources;

[4] The ABC analysis splits suppliers into three categories based on their incidence on revenue against the overall pool of suppliers for the site, as follows:
- A: suppliers with an incidence of 80%;
- B: suppliers with an incidence of 15%;
- C: suppliers with an incidence of 5%.

The analysis carried out by the Group in order to identify suppliers to include in the initial stage of the environmental rating system focused on Category A suppliers at the Brancadoro Complex.

• ISO 14001 environmental certification.

This approach will allow for a more effective assessment of the efforts of suppliers to innovate and progress in these areas, as well as raising awareness and promoting the values supported by TOD'S Group.

TOD'S for Ferrari: Top-quality Italian-made footwear

In 2020, TOD'S continued its ongoing collaboration with another outstanding Italian company, a global ambassador of Italian excellence: Ferrari.

The two brands share the values that lie at the heart of the Italian tradition: passion, creativity and craftsmanship. **TOD'S for Ferrari** has thus become an unmistakably valuable collection of footwear and leather goods characterised by the use of fine high-quality, elegant materials.

The main star of the collection is the Gommino model, the TOD'S brand's modern style icon. In this case too every Gommino is sewn with up to 35 pieces of different leather, which are treated and checked manually by a TOD'S craftsman before assembly. Every single stage of the production process is performed by a professional with specific skills and the TOD'S for Ferrari logo is only applied to the Gommino after meticulous checks.

Starting in 2018, the custom-made products project is also available for the TOD'S for Ferrari Gommino.

Green Carpet Fashion Awards

TOD'S continued to collaborate with Livia Firth, founder of EcoAge, in order to develop creative lines that minimise the use of materials through innovation and the **promotion of sustainable practices**. Planned activities for 2020 were postponed as a result of the restrictions introduced to tackle the COVID-19 pandemic.

The most recent concrete illustration of this commitment came at the Green Carpet Fashion Awards in Milan in September 2019, when TOD'S created an exclusive cocktail dress with laser-cut details and sequins for actress Kasia Smutniak. The dress was made of chrome-free sheepskin worked with vegetable tanning and dyed with traditional Italian and natural techniques.

Quality production processes

Though they have their own distinct identity, the Group's brands share the same philosophy based on a balanced mix of tradition and modernity, high quality, creative content and broad product usability.

The high quality of the products is guaranteed by the strong manual component that characterises all stages of the production chain: every product is made by hand with superior craftsmanship to become, after numerous steps and checks, an exclusive and recognisable item.

The production process for footwear, leather goods and leather accessories is carried out inside the Group's facilities and workshops or in specialised external workshops.

The Group currently has five facilities for the production of footwear – four in Italy (one in Sant'Elpidio a Mare, one in Arquata del Tronto and two in Comunanza) and one in Albania –, a specialised workshop in Hungary where certain specific footwear processing sub-phases are conducted, and three leather goods facilities in Italy (two in Vallina and one in Tolentino). The processing stage in the Group's facilities is carried out by **expert craftsmen** who, thanks to their consolidated working relationships with the Group, possess authentic know-how and artisan skills that are essential to the quality of the products. The specialised external workshops are located in areas with a long-standing artisan tradition. To produce its clothing, the Group uses highly specialised external workshops that meet the requirements of technical and qualitative excellence necessary for the creation of the individual products that make up the clothing line.

In its continuous pursuit of high quality standards, TOD'S relies on long-term collaborations with the best, highly-specialised external workshops that ensure high quality. When researching new workshops, the Group adopts structured qualification processes that provide accurate technical and organisational analysis to evaluate the characteristics of the production structure, the level of specialisation achieved, the company organisation and any UNI-ISO certifications obtained.

The external workshops that collaborate with TOD'S Group must operate in accordance with regulatory requirements regarding health and safety in the workplace and must possess all the qualifications and permits required by the relevant authorities. When conducting their work, the workshops are required to apply, in their internal and external working relationships, the industry's National Collective Bargaining Agreement and to scrupulously observe its application with particular reference to regularity in the recruitment process, the level of wages, periods of rest and vacation, aspects of protection of individual and collective safety and health, the absolute prohibition of the use of child labour and staff who are not in compliance with all applicable regulations.

The external workshops are also required to comply with the Code of Ethics and Supplier Code of Conduct.

Any violation of the aforementioned regulations and/or TOD'S Group's Code of Ethics and/or the Supplier Code of Conduct may result in termination of the contractual relationship.

In 2019, TOD'S launched a **third-party audit** process in its production chains on **environmental and social issues, human rights, health and safety, and ethical principles**.

The qualification of the Group's external workshops and their position in the Group's register are periodically evaluated to assess whether they have complied with the requirements inherent in the production structure and satisfied the high quality standards required, which are certified by inspections by external inspectors, who carry out technical analysis, and by checks conducted by the Group's quality control division.

External workshops by geographical area and product category (%)

Region	2020			2019		
	Footwear	Leather goods & accessories	Clothing	Footwear	Leather goods & accessories	Clothing
Italy	**86.5**	**93.7**	**87.0**	**79.2**	**95.2**	**100.0**
Marche	*72.1*	*39.2*	*39.3*	*65.4*	*41.0*	*41.2*
Tuscany		*34.2*		*0.8*	*31.3*	*5.9*
Lombardy		*3.8*	*4.3*		*2.4*	*17.6*
Veneto		*1.3*	*13.0*		*2.4*	*5.9*
Other Italian regions	*14.4*	*15.2*	*30.4*	*13.1*	*18.1*	*29.4*
Europe	**10.6**	**3.8**	**8.7**	**18.5**	**3.6**	
Americas						
Greater China						
Rest of the World	**2.9**	**2.5**	**4.3**	**2.3**	**1.2**	
Total	**100**	**100**	**100**	**100**	**100**	**100**

While the 2020 geographic make-up of external workshops for the three Divisions was largely in line with the previous year, the proportion of **Italian workshops** against the whole for the Footwear Division increased (from 79% in 2019 to around 87% in 2020). Meanwhile, in the Clothing Division, the proportion of Italian workshops against the whole decreased (from 100% in 2019 to 87% in 2020), following the addition of three Italian workshops (whose numbers increased from 17 to 20) and of three foreign workshops.

External workshops by years of collaboration and product category

External workshops by years of collaboration (%)	2020			2019		
	Footwear	Leather goods & accessories	Clothing	Footwear	Leather goods & accessories	Clothing
Occasional	2.9			6.9	9.6	
1-3 years	1.0	22.8	34.8	21.5	16.9	17.6
4-10 years	46.1	34.2	34.8	27.0	25.3	41.2
> 11 years	50.0	43.0	30.4	44.6	48.2	41.2
Total	**100**	**100**	**100**	**100**	**100**	**100**

Quality checks

TOD'S Group is known throughout the world for the high quality standards of its products and for the image and prestige of its brands. To achieve these standards, it uses the best suppliers of raw materials and employs expert craftsmen who are able to guarantee the high standards of excellence for which the Group is known and respected.

The procedure guaranteeing clients the high quality standards is based on structured process controls and systematic product checks. The process controls cover the different stages of the design of a new product, from the choice of material requirements to construction techniques, to industrialisation, to inspections of the quality of the raw material, components and semi-finished products, and finally to product quality checks. The Group's quality management of its processes is aimed at ensuring compliance with technical parameters and identifying the risk of any hidden defects that may arise during the use of the product, which cannot be identified from a "visual" inspection.

During the product design phase, the controls and checks carried out by skilled technical experts concern the quality of the "product design" and therefore include selection and analysis of the requirements of the best raw materials and components potentially used in the collections and of the construction and industrialisation techniques suitable to guarantee the required standards.

In the raw materials selection stage, the materials are subjected to static analysis and laboratory tests in order to verify that their characteristics reflect the parameters set out in the company's standards, which are intended to ensure that products are suitable and durable. The static material qualification process is followed by a prototyping stage, in which the materials are subjected to further evaluations from a technical and aesthetic point of view, including with the help of specific tests that analyse their durability.

If the prototype passes the control stages described above, the raw materials identified are considered suitable for the production of the products and it is therefore possible to proceed to the product procurement and production stage.

To ensure compliance with the high quality standards required by TOD'S Group, structured processes of research, selection and qualification of suppliers, raw materials and components are adopted, in order to ensure that the selected raw materials have innovative elements and high-quality levels that guarantee durability and permanent aesthetic appeal, functionality and quality. Every consignment of supplied leather and fabric is checked, based on specific criteria, when it is delivered in order to verify compliance with TOD'S requirements. These checks are carried out in compliance with the approved company procedures and computers are used to guarantee the traceability of the entire process.

After the raw material controls, the production process begins, involving, at specific key stages, the identification of control checkpoints.

At the end of the production process, quality controls are carried out on the product, ensuring that every product has reached the standards and requirements defined at Group level.

In the case of production carried out by external workshops, quality controls are directly carried out by Quality Inspectors at the external production units, and then at the Group Logistics Centre.

Main stages of quality control

Chemical safety of products

The quality of products also depends on their **chemical safety**, ensuring above all customers' well-being. TOD'S Group monitors substances deemed dangerous for the end user and harmful to the environment, putting environmental sustainability at the heart of its production processes.

The RSLs (Restricted Substances Lists), which fully comply with the Guidelines of the National Chamber of Italian Fashion, are based on the one hand on the main relevant standards specific to each division and product category, and on the other, on the medium and long-term goal of gradually eliminating certain chemicals, even though they are permitted by law.

The RSLs have been drawn up on the basis of the following criteria:

1. Compliance with the main international regulations:

- European Union regulation no. 1907/2006, called REACH, concerning the registration, evaluation and restriction of chemical substances;
- Chinese national standards (GB standards), specific to each raw material (leather, textiles, accessories);
- Korean Safety Quality Mark Act (KC mark);
- US Consumer Product Safety Improvement Act (CPSIA) of 2008, which establishes limits with respect to the levels of hazardous materials imported or produced in the United States, especially in relation to their recipients;
- principles of the "Proposition 65 Settlement" in California.

2. Gradual elimination of certain chemicals from the production process, even though they are permitted by law. In this respect, many reference parameters, expressly referred to by TOD'S RSLs, have significantly lower values than those permitted by current regulations.

Chemical checks

The TOD'S Group carries out random tests on supplied materials in order to verify their compliance with its RSLs.

Further specific checks on finished products

During the product quality control stages, TOD'S pays particular attention to compliance, focusing on the requirements of current international regulations considered the most restrictive and exacting. Even on its own products, TOD'S Group carries out specific tests based on the main global safety and quality standards: QB/Standard, CPSIA (Consumer Product Safety Improvement Act).

Finally, the Group follows structured and codified processes for the management and transmission of correct information to the consumer with regard to product safety in compliance with current regulations in the relevant markets.

Protection and authenticity of products

TOD'S Group, which firmly believes that it is essential for its brands' products to always have unique characteristics and the highest quality, has always devoted abundant resources and energy to the fight against the rampant phenomenon of counterfeiting. Over the years, alongside activities aimed at combating counterfeits in the offline world, it has also implemented measures to counter the phenomenon in the online world. In addition to constant dialogue with law enforcement agencies and support of their work to seize counterfeit products, with regard to **offline anti-counterfeiting** initiatives, a widespread customs monitoring system has been introduced with a focus on the main European countries and on those where counterfeiting is notoriously prevalent (such as China and Turkey), as well as a targeted program in China to identify factories that produce counterfeit products and the definition of subsequent, necessary corrective actions. In 2020, these measures were bolstered with the launch of action targeting counterfeiters, in order to tackle the phenomenon.

These law enforcement initiatives are supported by preventive actions, such as training for customs officers and law enforcement agents, as well as a worldwide trademark surveillance service, which allows TOD'S Group to intercept any counterfeit goods in order to take action to prevent the registration of those brands deemed to violate their rights. Since 2012, TOD'S Group, conscious of both the potential and the dangers of the internet, which enables the communication, in a short time and to an indefinite number of users, of the sale of counterfeit products, has designed and operated an **online anticounterfeiting** program, which has been improved year after year in response to new data.

In this regard, to protect users, TOD'S guarantees:

• a web watching service that enables the interception and subsequent take-down of web pages that publish activities that infringe trademark rights, or the launch of administrative reassignment procedures (UDPR - Uniform Domain-Name Dispute Resolution Policy) in the most difficult cases. This activity was further intensified in 2020;

• a constantly updated monitoring service focused on the main online auction platforms, with a particular emphasis on the Asian markets, including emerging markets, aimed at removing advertisements for the sale of counterfeit versions of products by the Group's brands;

• a service to constantly monitor the main social media channels (Facebook, Instagram, etc.), including those with purchase features (e.g. WeChat), with the consequent removal of posts, advertisements and profiles that infringe trademark rights.

Anti-counterfeiting results

In 2020, the Group remained committed to its anti-counterfeiting activities, which led to the achievement of significant results.

	2020	2019
Abusive sites removed	≈ 970	≈ 1,000
Abusive auctions removed	≈ 16,000	> 16,800
Social media pages removed	≈ 13,000	≈ 13,600
Domain names recovered	-	7
Finished goods seized by law enforcement	> 1,300	> 9,200
Finished goods seized during raids in China	-	≈ 1,400

However, the legal restrictions introduced as a result of the pandemic severely hampered efforts to tackle offline counterfeiting. Indeed, with regard to goods seized, there was a reduction of around 85% in the number of cases in 2020 compared to the previous year. In the case of raids in China, the pandemic made all investigatory activities designed to seize counterfeit products impossible. However, long-term analysis of the situation in China shows a decreasing trend, due to repressive measures in place in the country for over a decade, with tangible results year on year.

The data for online counterfeiting was in line with the 2019 levels, remaining an important focus area for the Group – particularly in the midst of the pandemic. The high number of social media pages removed – around 13,000 in 2020, in line with the 2019 figure – is consistent, on the one hand, with the rise of online counterfeiting and, on the other, with the growing visibility of the Group's brands and the appeal of its products.

Meanwhile, the slight yet steady decline in the number of illegal auctions removed in 2020, as well as the number of illegal websites detected and removed, has been the positive result of a long-standing process of constant law enforcement that has made it possible to curb the phenomenon over the years, discouraging counterfeiters and pirates. The Group is considering intensifying this strategy with further action in 2021.

TOD'S Group's commitment in this field is not limited to the activities described above, but takes the form of membership of associations, as well as participation in specific round tables focused on the fight against counterfeiting, which are often organised in synergy with other luxury sector companies. One of the organisations that the Group is a member of is **INDICAM** (Centromarca institute for the fight against counterfeiting), which has always been on the front line in the battle against counterfeit products, with the aim of promoting, from an intersectoral and interprofessional perspective, an anti-counterfeiting culture. In addition to the fight against counterfeiting, the Group is committed to preserving the quality and uniqueness of its products by guaranteeing greater traceability along the entire production chain: with this goal, the Group has also launched various project initiatives in recent years to incorporate the use of **RFID** (Radio

Frequency Identification) **labels** on orders for samples of leather goods and footwear by the TOD'S, ROGER VIVIER and HOGAN brands.

The central importance of the customer

Customers are among TOD'S Group's main stakeholders: understanding their expectations – from the most obvious to the unexpressed –, customer satisfaction and the desire to build lasting and trusting relationships with customers are essential objectives for the Group. The central importance of customers, which underpins the company's approach, is evident in its most concrete form when the Group directly interfaces with them. Consequently, TOD'S Group carefully conducts all the stages of interaction with its customers, from the selling ceremony in boutiques to the shopping experience on the e-commerce platform, from digital communication to after-sales services, product customisation services and the creation of content on social media. The Group is committed to ensuring that all the experiences created for its customers are unique and high-quality moments that perfectly represent the values on which the Group has built its identity.

In order to maximise the benefits of interaction between the Group and its customers, it is essential to have an effective and well-planned contact strategy, based on careful analysis aimed at identifying prevalent purchasing behaviour and placing customers in a specific stage of the life cycle of the relationship. With this in mind, in 2015, the Group launched an important project, the CRM Project, which aims to introduce and develop special tools and processes for the various identified customer categories and which has involved the collaboration of several departments that have pooled their knowledge and experience, under the guidance of the Corporate CRM Division. This project has enabled the collection of personal and contact information and the comparison of attitude data with sales information, leading the Group to develop new personalised contact opportunities with the customers of each of its brands, responding more effectively to their tastes and personal habits. The Group has therefore adopted an authentic contact strategy involving initiatives aimed at its best customers, who are considered true ambassadors of the reference brand. These initiatives include customer delight activities designed to offer non-purchasable experiences and services that aim to meet customers' needs through unique, personal experiences, such as the ability to purchase items in an exclusive preview, private appointments, including outside opening hours, personalisation services and dedicated customer service.

In 2020, the main focus areas for the development of the contact strategy concerned:

a) ***Prospects-into-Customers:*** increase of the conversion rate of prospects to actual customers starting from improved visitor tracking, with particular attention to communication in the contact following the first "meeting" with the brand, with a particular focus on discovery of brands, their value and identity;

b) ***Store-driven Campaigning***: implementation of a tool to promote a high level of engagement on the part of stores in contacting customers on the basis of specific business opportunities and needs, while allowing the monitoring of customer return;

c) ***Tourist-into-Local****:* contact activities aimed at encouraging the return of tourist customers to boutiques once they have returned to their respective countries (with a specific focus on Asian countries and the USA).

The Group has also continued important internal CRM training for sales assistants, which has involved all of its brands at a global level. This training programme covered the following topics: customer recognition, the introduction of CRM during the selling ceremony and the collection of customer data, the use of systems and information, and self-efficacy when interacting with customers.

In order to facilitate widespread implementation of the new strategy, the Group has also provided various software to spread and preserve the culture of the central importance of the customer within the company. To this end, special clienteling software has continued to be implemented at each individual point of sale, managed by the CRM Specialist. Other campaign management, reporting and analytics tools are centrally implemented and customised for brands, regions, stores and retail, marketing and digital offices. In this last case, it is important to emphasise the role of the Group's CRM as a "glue" between the online and offline, digital and retail channels, with a focus on omnichannel increasingly aimed at the needs of the end customer. Currently available CRM data and tools allow the creation of webmails customised according to many variables that can be selected for different needs and to have updated and timely information on the progress of the various campaigns (open rates, unsubscribe, etc.).

The brands and selling ceremony: customer-oriented differentiation

The Group's careful attention to the purchasing experience is evidenced by the fact that the different brands offer different selling ceremonies that reflect their core values, positioning and peculiar characteristics.

TOD'S views its selling ceremony as a distinctive art that conveys the values of the brand in the different stages of the relationship with the customer, a unique approach that aims to recognise the specific characteristics of individual customers and their desires. In defining the characteristics of the new selling ceremony, the role of sales staff, recognised as brand ambassadors, is enhanced: to complete the experience in perfect TOD'S style, the "Ambassadors" can offer interesting ideas to customers, such as suggestions to share their knowledge of Italian lifestyle, of which the brand is a proud representative.

In **ROGER VIVIER** boutiques, the creation of contact with the customer takes place even before the actual sales phase. Through an empathetic approach and dialogue, elements that characterise a visit to the boutiques, the customer is accompanied on a journey to discover the brand. After initial contact with rare, exclusive luxury, the other distinctive elements of ROGER VIVIER's womenswear are gradually brought to light, allowing the customer to progressively identify with it: womenswear with a highly feminine, impertinent and extravagant attitude that boasts the timeless elegance of Parisian inspiration.

For **HOGAN**, the sales ceremony is based around taking care of customers. It is not simply a guideline, but a way to accompany them in their shopping experience, receiving them in the stores as a welcome guest and making them feel at home. Sales staff are therefore required to convey their passion and engagement with the brand's values, combining professionalism and competence and creating an empathic relationship by adapting to individual customers.

For the **FAY** brand, although sales are mainly focused on the wholesale channel, in selected stores the customer is accompanied by a dynamic shopping experience that highlights the peculiar characteristics of the brand's style, such as versatility and excellence.

Since 2014, TOD'S Group has developed targeted training modules to align the skills and aptitude of its sales staff with the spirit and exclusivity of its brands.

There has been a strong increase in digital training since March 2020. The Group developed "Stay Safe" health and safety procedures and created new digital newsletters as part of the News Factory project. This kept the whole retail network up to date on issues of importance to the Group and brand news in an interactive, fun way.

The year also saw the testing of the new Digital Knowledge platform, which will host all the Group's digital training modules, replacing and supplementing resources developed in the past. The first module, on Digital Orientation, was launched in January 2021. Available in nine languages for all brands, it summarises the history of the company and of the individual brands, allowing you to travel virtually within the headquarters and production units. All new employees and sales assistants in the most distant regions can thus learn about and appreciate the quality expressed throughout the production chain and inform themselves about the selection and processing of the hides. In 2021, a series of modules on general culture, applying to all of the Group's brands, will be launched.

In the light of the ongoing pandemic and the restrictions introduced as a result, in-person activities were limited during the year to the visit to the Italian headquarters of a delegation of the best sales assistants from Paris and London. The group was able to benefit from the full package offered as part of the Italian Orientation programme. The programme is dedicated to the various brands, with the aim of accompanying new directors and a selection of the rest of the store teams on a visit to the headquarters, the production units and selected stores between Rome and Milan. The programme also includes visits to monuments and insights into Italian culture, enabling the retail team to more effectively share values related to quality, tradition and Made in Italy with its customers.

The mission of TOD'S training activities, on a global level, is to be **customer-centric**, always putting the customer first. Consequently, in order to improve the professionalism of the sales staff, in 2020 the Group focused its attention on the following areas:

• Knowledge (knowing): with the aim of improving the sales approach by providing more details on the inspiration of products and collections, using an increasingly evocative and emotional language. In this area, training modules have been delivered with the aim of improving storytelling around the men's and women's collections, exploring the details behind the names chosen for the focus pieces in the collections, as well as the colours selected;

• Professionalism (know-how): with the aim of emphasising the natural elegance that distinguishes TOD'S style, which can be identified in the brand's values and is recognisable throughout the world. The selling ceremony suggests several ideas to involve the customer by offering a unique approach in order to further develop brand loyalty. In this area, the Group continued to deliver the following modules: "The art of selling - TOD'S loves Italia" and "Hogan Care". In the course of the year, the "Omnichannel", "Buy online and return in store" and "Endless aisle" modules were resumed in order to integrate opportunities in line with the desired style. The new "Mobile etiquette" module was launched in the second half of the year, providing talking points on how to support the use of mobile phones in stores and on how to engage with clients via increasingly personalised, secure services such as home shopping and WhatsApp consultancy.

• Brand identity (knowing how to express the brand's values): with the aim of introducing the Group's characteristics and brand identity to enhance the sales approach, promoting the Italian lifestyle and the Made in Italy philosophy with determination and passion.

My Tod's Closet

The **My Tod's Closet** project was launched across all TOD'S channels (https://www.tods.com/it-it/stories/my-tods-closet.html) in April 2020.

Impeccable, sophisticated, modern. Iconic clothing and accessories. The TOD'S collection for Spring/Summer 2020 offers the ideal style for any occasion. The protagonists of the collection are young, talented women – women who love the TOD'S lifestyle and enjoy choosing and wearing the finest pieces from the new collection. The dresses, shoes and bags of their dreams. Uncompromising style and quality – objects of desire made according to the highest Italian artisanal standards. My Tod's Closet takes you on an intimate journey, becoming a series of personal stories and reflecting the unique taste of the people involved.

Protagonists include Korean actress Minyoung Park, French trendsetter, style icon and muse Julia Restoin Roitfeld, the Italian actresses Greta Ferro, Valeria Bilello and Carolina Crescentini, Annabelle Belmondo, Caroline Daur, Karolina Kurkova and Marica Pellegrinelli.

The following training modules were provided in this area: *Italian Orientation* and *Welcome Breakfast*, designed to help new recruits settle in by immersing them in the ethos of the company and the brand.

In order to promote sharing of the values that distinguish the brand and to optimise the training and learning process for retail and corporate personnel, the Group has developed online tools/platforms:

1. **TOD'S Retail Sharepoint:** a constantly updated internal platform containing all the information related to the world of retail, operations and training;
2. **DK - Digital Knowledge:** the new digital Corporate platform which will host online training modules.
This project was launched in 2020 with the aim of making the training service interactive, participative, mobile and accessible from any device at any time. The platform, which is available to everyone, can host any type of training content for all the Group's brands, as well as all company services;
3. **Retail app**: a reference point for the seasonal training modules containing presentations and videos. This app allows employees to keep up to date with production phases, fashion shows and special;
4. **Teams/OneDrive**: new ways of exchanging resources which ensured constant contact with the retail network and other groups, through video calls and resource sharing, making digital activities more interactive;
5. **Intranet**: an archive of updated documentation for the provided training modules, the collections of the previous seasons and the company policies and procedures ("Store Handbook") regarding retail operations.

The additional goal of training is, on the one hand, to make sales staff aware of the **Group's values**, thus guaranteeing their adequate transmission to customers, and on the other hand, to provide the social skills necessary to excel in the international context in which the Group operates. Learning to adapt communication style based on the cultural differences in the behaviour, traditions and expectations of global customers is fundamental in order to remain competitive. As evidence of its commitment in this regard, it should be noted that in 2020 the Group provided around 19,000 hours of retail training.

In order to ensure the constant improvement of the client experience, since 2014 the Group has been evaluating the level of assistance provided in its boutiques through Mystery Shoppers. This programme was suspended in 2020 due to the COVID-19 pandemic and is due to be relaunched next year in a new format. This initiative enables, through mystery shoppers ("professional customers" who make incognito purchases), the observation and analysis of the strengths and areas of improvement of sales staff. The activity ends with the completion of a questionnaire by the mystery shoppers regarding the purchasing experience and the level of assistance that they received. Based on the results of the questionnaires, the Group identifies targeted training plans for sales staff, aimed at enhancing skills through training programmes that are as customised as possible to individual needs. Over 4,000 visits have been carried out during the last five years; the results of the investigations have also allowed the Group to plan the selling ceremony in the best possible way, differentiating it for the different brands in order to better enhance the distinctive characteristics of each brand.

The group's objective of placing greater emphasis on the concept of **Customer Experience Evaluation** continued in 2021, moving from the more regulatory approach of monitoring compliance with processes/procedures typical of the traditional mystery shopper to a customer-centric approach designed to emphasise customer engagement with the brand/store by measuring their overall experience and level of engagement, expressed by a new satisfaction index: the Ambassador & Advocate index. The first test of this new method was completed in 2019 on a limited number of stores, before being globally extended, starting in 2021, to some of the Group's brands.

Starting in 2019, an upgraded selling ceremony with an adaptive selling focus was launched in order to gear it towards customer engagement, ensuring dynamic interactions with in-store customers and leveraging the staff's initiative.

To this end, in 2020, highly experiential training project continued in Europe and the USA. Aimed at improving the ability to interpret customer behaviour and attitudes, as well as customer feedback, the training aims to enable more streamlined and flexible use and application of the selling ceremony.

The Group's attention to customer needs is also reflected in its focus on **after-sales services** and **return management policies**. For some years, customers have had the opportunity to exchange goods at any single-brand boutique, regardless of where the purchase was made. Moreover, in the case of returns due to product defects, company policies have been defined that offer, following an objective assessment of the defect, the ability to make a return without the need to present a receipt, or, if the customer does not live near a single-brand boutique, the goods can be collected free of charge from the customer and they can make a purchase on the Group's website. Finally, to further improve the level of service and to minimise waiting times for customers who have made a return, a company policy has been defined that requires customers to be contacted if the estimated **repair time** is longer than two working weeks. Customers can therefore choose whether to wait for the repair of the product or, alternatively, to receive a voucher to purchase a new product.

TOD'S No_Code

There is a movement that is speeding towards the future: it is an agile, evolving, hybrid and fluid universe, which started in recent years in California, then arrived in Scandinavia and is now spreading around the world. It is a vanguard led by designers, thinkers and all those capable of introducing a new vision to their profession.

To accompany this movement of thought, in 2018 TOD'S created **No _Code: an innovation workshop dedicated to experimenters and to anyone who feels part of this current, which is rewriting the rules**. No_Code embraces maximum lightness and elasticity, ranging without codes between seasons and combining the luxury of technology with high-quality Made in Italy production, as revealed during the 2018 presentation evening held in the Riva Calzoni mechanical workshops in Milan. The evening explained the philosophy of TOD'S No_Code and of its product, including through speeches by visionaries whose experiences correspond to the No_Code approach.

No_Code is a new product philosophy arising from the union between a classic shoe made according to the finest Italian tradition and the world of sneakers, and therefore between top-quality craftsmanship and technological innovation. A third way in which TOD'S is revolutionising the way we move around the world.

TOD'S entrusted the No_Code project to Korean designer Yong Bae Seok, the first designer in the new footwear category, who was tasked to reinterpret the philosophy of No_Code products, which, in the models presented to date, have a reticulated foam rubber sole, a special blend that stabilizes your stride. They also features light leather and neoprene uppers or uppers intersected by special meshes, signed with the iconic lacing.

"TOD s No_Code" continues its research journey, investigating the contemporary world's responses to the increasingly rapid social changes that are currently taking place.

The J.P. TOD'S Sartorial collection

The **J.P. TOD'S Sartorial** collection is both a tribute to TOD'S history and a reinterpretation of its past designs with a contemporary twist: the J.P. monogram. TOD'S is an exclusive collection of men's shoes that can be customised with a choice of different leather and with the application of your own monogram.

The J.P TOD'S Sartorial collection is currently available in a selection of TOD'S boutiques. The shopping experience is focused on refinement and attention to detail, embodied by environments, furnishing objects, works of art and dedicated consultants, guiding customers in the customisation and purchase of J.P. TOD'S products.

The sophisticated selection of fine leathers in the J.P. TOD'S Sartorial collection and its colour range is collected in a series of volumes that allow you to directly touch these high-quality elegant leathers.
Your initials can be stamped on the shoes made with exclusive crinkled leather to make the J.P. TOD'S Sartorial collection product even more personal.
With the support of two books dedicated to the process, customers will be able to discover the customisation variants: from one to four letters – with or without punctuation – stamped or painted in silver, which can be affixed to the shoes' upper, counter or insole and to the bag's handles and binding.

Roger Vivier presents: Hotel Vivier Cinémathèque for the launch of the Spring / Summer 2021 collection

"Welcome to the **Hôtel Vivier Cinémathèque**." These words from Isabelle Huppert greet visitors to the new project from Roger Vivier, an interactive platform designed to launch the Spring/Summer 2021 collection. Seated in a surrealistic set, lit by red neon lights and wearing a flowing dress, the French actress invites visitors to the website to embark upon a journey through the extraordinary world of film.
An ever-present since joining the brand as creative director, Gherardo Felloni returns once again to unveil the new collection at the "Hôtel Vivier". The result is an exceptional event where the creation of accessories mingle with other art forms such as theatre, opera, shows and cabaret. For the Spring/Summer 2021 collection, a particular focus was given to cinema, an art form that encapsulates values such as elegance, humour, sophistication and vivacity.
To mark the occasion, Felloni turned to the French actress Isabelle Huppert, who has won two César awards, one Golden Globe, one Best Actress award at the Cannes Festival and three awards at the Venice Film Festival. *"I asked myself who would be able to embody the many different facets of cinema, skilfully switching from one genre to another,"* says Felloni, with a smile. *"It didn't take long for me to find the answer: Isabelle Huppert is one of the brightest stars in French film."* Felloni explains that he was particularly impressed by Huppert's performance in The Lady of the Camellias by Mauro Bolognini and The Piano Teacher by Michael Haneke.
In the Hôtel Vivier Cinémathèque, we follow Isabelle Huppert through the game as she offers glimpses of what is to come, playing the role of an enigmatic film lover. It's up to us to find the solution. If you get it wrong, you go back. If you get it right, you go to the next level.
But what happens when you've got through all the levels? "You get to paradise!" says a delighted Felloni. Indeed, it is within this Garden of Eden, amidst flowers, fruit and wonderful sweet treats, that the Roger Vivier Spring/Summer 2021 collection is presented. The colours are

delicate, in signature Roger Vivier style. The craftsmanship underpinning the collection shines through in the décolletés, in the floral models with lace ankle coverings and in the stunning Viv' Cabas bag, so emblematic of the collection, festooned with rhinestone flowers.
Felloni has scattered this paradise-like motifs throughout the collection, deploying a delicate touch at all times. Take the Vivier Flower Sliders, for example, with platform sole and satin sections with brightly coloured embroidered flowers. The Miss Vivier Flower bag, meanwhile, is like an artist's canvas, packed with colours and flowers that have been hand painted by the brand's artisans, with incredible attention to detail. All the while, Isabelle Huppert moves through this room of wonder, admiring the shoes, enjoying the dreamlike setting, bringing a majestic presence like a heroine in a classic movie.

Digital increasingly vital to the TOD'S Group brand experience

A selling ceremony that lives up to the Group's values and customer expectations is just one of the ways in which TOD'S focuses on its customers: the Group's primary objective is, in fact, to accompany the customer throughout their journey, offering an increasingly evolved and rewarding brand experience. Consequently, the Group is working to achieve ever greater integration of digital in its strategies, reducing physical distances in its interaction with customers, allowing them to feel closer and closer, if not at the centre of the brand.

Customisation: the offer of unique products

The utmost expression of the customer's central importance in the Group's strategies is represented by the ability to offer customers the possibility to design the products they wear: feeling part of the creation process, the customers enjoy a unique experience, leading them to identify themselves with the brand. With this in mind, TOD'S Group offers its customers the possibility to customise certain products, increasing their intrinsic value and making the shopping experience even more special.

TOD'S

The iconic Gommino moccasin is one of the stars of the TOD'S brand customisation service. Available in TOD'S boutiques and online, the "My Gommino" programme allows customers to create their own versions from millions of available combinations. In addition to the material and colour, they can also choose details such as stitching, the strap or toecap and can even customise shoes by changing the colour of the Gomminos or adding their own initials. The product is handmade with care and passion by TOD'S artisans and can be picked up at any of the brand's single-brand stores or sent directly to the customer's home.

Since 2020, all boutiques have offered an exclusive **D-Styling bag** personalisation service (*https://www.tods.com/it-it/my-styling.html*). Staff support clients as they choose from a wide range of leathers, colours and details, helping them to create a truly unique D-Styling which is then made to measure by TOD'S craftspeople.

HOGAN By You

HOGAN By You is a made-to-order service that allows you to customise iconic models and new projects by choosing their distinctive elements and adding exclusive details such as symbols, numbers and letters. From season to season, new talents are involved and invited to express their personality with HOGAN By You. The customisation service is available on the hogan.com website and in all the brand's single-brand boutiques thanks to a dedicated web app.

The digital channel – which is being improved all the time and is able to perfectly convey the story behind the brands while showcasing products from the latest collections – is currently active in 35 countries. The Group has also planned the launch of important new e-commerce websites in Asia for the 2021-22 two-year period.

This year, the Group's digital channels were used to launch its new collections in a completely virtual format, setting out the key elements and taking advantage of some of the unique features offered by digital platforms.

The Group is continuing to integrate the digital channel in its distribution strategies and accelerate the implementation of the omnichannel project. These initiatives are aimed at creating a more fluid customer experience between the physical and digital channels, for example by offering customers the possibility to view online products in the nearest boutique and to reserve products at the most convenient store, or to buy online directly from the shop.

At the same time, the Group is paying increasing attention to the remote customer experience as well as to the careful provision of impeccable assistance through the customer service.

Over the past year, the Group has trialled new one-to-one interaction channels such as WhatsApp for Business, chat functions and instore video services. The aim of these initiatives is to bring clients into contact with the brands and offer them assistance and style advice without them having to actually visit a store.

This focus on customer experience was the driving force behind the development of a "Virtual Showroom" for B2B clients, which aimed to offer an immersive purchasing experience with 360° images and other content and video on the collections, as well as the option to manage appointments and orders remotely.

Privates sales and "Friends & Family" events were also able to benefit from the Group's digital capacity, as TOD'S developed and ran a website specifically dedicated to private sales events.

Last but not least, the new corporate *www.todsgroup.com* website was launched, with new content and a new look and feel, delivering a fresh browsing experience.

HOGAN.COM

The HOGAN brand continues to follow the strategy pursue in recent seasons, which sees it adopt a more digital approach with a focus on improving the customer experience and ensuring content and services reflects the new omnichannel ethos.

Given the growing importance of digital channels in the Marketing and Communications space, the brand's strategic content have been designed and delivered based on a digital-first concept.

The Hogan.com site remains a flexible, versatile hub that can host dynamic and storytelling content to increase awareness about the brand and its iconic products.

In order to improve the **user experience**, 2020 saw the launch of a project to redesign the home page and browsing menu of the website. The main objective of this is to improve the conversion rate of the e-commerce channel and make the site more user-friendly. In particular, the brand focused on three key areas:

• giving more visibility to the Luxury Sneaker area while maintaining a strong focus on the brand's new lifestyle approach;
• introducing visual navigation to allow users to get to new and iconic products more intuitively;
• offering new points of contact with the consumer thanks to the launch of new tools, such as WhatsApp for Business as an additional channel of customer service and style advice.

These improvements have contributed to a double-digit increase in online channel performance.

TODS.COM

As part of the digital experience, Tods.com has been enhanced with important features to support the growing business.

• New warehouses have been integrated to allow better stock management and delivery to end clients;
•a special section was launched on the website dedicated to the UAE, presented in the local language;
• there has been continued investment in omnichannel services: checking item availability in boutiques using the website, purchasing in boutiques using the e-commerce channel, and in-store returns and exchanges including for purchases made online;
• new tools have been introduced to help customers find the perfect size, thus reducing the rate of returns;
• the features of the site's internal search engine have been improved and enhanced;
• a review of the photography and product styling guidelines has been launched in order to provide the best snapshot of the characteristics and pieces of the collections, as well as making it easier for customers to browse and discover pieces;
• new "Social Commerce" features have been tested, such as "Instagram Check-out" in the USA;
• a new "Press Area" has been created, bringing together articles on the brand's initiatives and providing a virtual connection with the national and international media;
• a remote selling feature has been introduced involving video chats with instore staff, with the aim of maximising the conversion potential of website traffic, accompanying customers on their purchasing journey, reducing the abandonment rate and improving the online conversion rate.

These improvements have contributed to a double-digit increase in online channel performance.

FAY.COM

During the last year, the brand has unveiled a significant relaunch of its digital channels, across all customer touch points.

In the first half of the year, Fay.com underwent a complete refactoring process, with all of the site's architecture and technology being updated. The site is now in a position to support forthcoming omnichannel developments and underpin business growth and the new communications strategy:

• The order flow from the central warehouse was reviewed in order to ensure better delivery times and provide end customers with a better range;

• The brand's first omnichannel services for the Italian market were introduced:

- *check availability*: this allows users to check the availability of items in boutiques via the internet;
- *endless aisle*: this allows users to make purchases in boutiques using the e-commerce channel;
- *return & exchange instore*: returns and exchanges instore for purchases made online;
- complete review of the photography and product styling guidelines in order to provide the best snapshot of the collection and make it easier for customers to browse and discover pieces;

• Review of the size guide in order to minimise purchase uncertainty and improve the return/exchange rate;

• Pilot phase for WhatsApp for Business as a one-to-one communication tool with clients, with the aim of providing better assistance and style advice.

These improvements have contributed to a double-digit increase in online channel performance.

ROGER VIVIVER.COM

In the area of digital experience, the Roger Vivier brand e-commerce platform has been bolstered with important new features designed to support growth in the key markets and offer the best possible **customer experience** to users. An increasingly digital, synergistic approach across all touch points has contributed to a double-digit increase in online channel performance. The following initiatives were launched during the year:

• virtual presentation of the *Hotel Vivier Cinémathèque* collection;

• launch of the e-commerce platform for the Japanese market with a site entirely dedicated to the local market;

• launch of the Roger Vivier store at the Tmall Luxury Pavilion in the Chinese market;

• optimisation of omnichannel services:

- *check availability*: this allows users to check the availability of items in boutiques via the internet;
- *endless aisle*: this allows users to make purchases in boutiques using the e-commerce channel;

- *return & exchange instore*: returns and exchanges instore for purchases made online;
- option to make an instore appointment (in some markets).
- full integration of information relating to the network of stores on the official brand site and on external platforms (GoogleMyBusiness, Facebook).

4. Ethics

Ethics *is the value underlying all TOD'S Group business operations and is understood as the set of standards followed in the pursuit of company objectives. Ethical principles are of fundamental importance for the Group and its stakeholders and represent a vital element in day-to-day internal and external relations.*

These principles enable the Group to operate transparently and safeguard and protect all people with whom it interacts and the environment in which it operates.

4.1 Human resources

TOD'S Group is well aware of the importance of its employees and recognises that the most influential factor in the success of any company is the people whose hard work and commitment contributes to the development of the Group and the creation of value in the medium and long term.

TOD'S has developed a working environment in which the well-being and professional development of its employees play a vital role in building a relationship founded on trust and mutual respect, a bond that goes beyond the standard professional relationship.

For this reason, TOD'S works hard to provide a stimulating, professional, meritocratic, healthy and safe working environment that allows employees to freely express their talent and feel valued and appreciated.

Information on employees and other workers

As of 31 December 2020, **TOD'S Group employed 4,588 people**, a slight decrease (-4.7%) on the previous financial year. The percentage of **employees based in Italy** stood at 45.6%, confirming the Group's strong bond with Italy.

TOD'S Group employees divided by region

No. of employees per region	12.31.20				12.31.19			
	Men	Women	Total	Percentage	Men	Women	Total	Percentage
Italy	944	1,150	**2,094**	**45.6**	1,001	1,236	**2,237**	**46.5**
Europe	237	660	**897**	**19.6**	264	718	**982**	**20.4**
Americas	96	102	**198**	**4.3**	121	116	**237**	**4.9**
Greater China	222	694	**916**	**20.0**	222	693	**915**	**19.0**
Rest of the World	97	386	**483**	**10.5**	92	352	**444**	**9.2**
Total	**1,596**	**2,992**	**4,588**	**100.0**	**1,700**	**3,115**	**4,815**	**100.0**

Given the breadth of the Group's store network, the percentage of employees working in retail activities stood at around 47% of the total at the end of 2020.

Women represent **65.2% of the total workforce**, generally outnumbering men in almost all professional categories.

The professional category of "**white-collar workers**" has the largest number of staff members (2,990), followed by blue-collar workers (1,203). These proportions are to be expected given the Group's sector of operation.

Most employees are in the **30-50 age range** (around **66%**), followed by the **<30** age range (over 17%), reflecting TOD'S commitment to investing in young talent.

Attracting talent

Attracting talented people is an objective of fundamental importance for TOD'S Group, given that this is the only way to ensure that the standard of the company's day-to-day activities is maintained. For this reason, TOD'S takes great care in recruiting and selecting talent, adopting consolidated company processes designed to clearly define every stage of the recruitment process.

Over the course of 2020, **1,113** new recruits **joined the Group**, roughly 63% of whom belonged to the 30-50 age range. A total of 1,351 employees left the Group, meanwhile, equating to **outbound turnover** of 29.4% (a slight decrease on the 30.4% registered in 2019). Outbound turnover stands at around 31% considering solely staff members under the age of 30, a significant drop from the 42.3% figure in 2019. In terms of outgoing staff members, there were 458 **voluntary resignations** in 2020, equating to a resignation rate of **10%**. The size of these percentages is largely attributable to retail staff joining and leaving the company, which is an inevitable part of company life given the Group's sector of operations.

Recruitment and departures of TOD'S Group staff - 2020

Gender	Incoming employees 2020				Outgoing employees 2020			
	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Men	128	193	14	**335**	154	246	42	**442**
Women	221	504	53	**778**	261	566	82	**909**
Total	**349**	**697**	**67**	**1,113**	**415**	**812**	**124**	**1,351**
%	**31.4**	**62.6**	**6.0**	**100**	**30.7**	**60.1**	**9.2**	**100**

Attracting young talent: working with schools and universities

A key part of the TOD'S Group Human Resources Department's strategic objectives and multi-year sustainability plan is to ensure ongoing relationships with leading academic institutions both nationally and international across the various areas of interest to the Group: secondary schools, universities, training bodies, design institutes and so on.

Every year, these relationships equate to ongoing dialogue with teaching staff and students, the active participation of the company – through HR staff or managers – in institutional events such as careers days, job fairs, company presentations, project work and visits to key Group sites, with the aim of promoting **employer branding** and attracting the best young talent.

The HR Learning & Talent Acquisition Department forges key relationships and partnerships with the **academic world** and with the leading social and web recruiting platforms, keeping talent pipelines up to date for company roles that play a key role in business development, as part of efforts to anticipate staffing requirements.

As a result of the COVID-19 pandemic, many of these initiatives were delayed or suspended in 2020. Others were reorganised as virtual events.

This meant TOD’S was still able to connect remotely with economics, engineering and law students from the **Polytechnic University of Marche** and with students from the **University of Camerino** (UNICAM) through Virtual Careers Days.

TOD’S is also an active player in the Supporters’ Committee of UNICAM. Refounded in 2019, the body promotes effective links with local social and economic stakeholders with the aim of helping to plan and deliver teaching, scientific, research and innovation activities, as well as developing the local area and sharing the university's skills and knowledge.

Another noteworthy positive experience involved a group of students from the “Design for Digital Innovation” Master’s Degree course who produced a dissertation project based around the concept of innovation, with collaboration from senior managers in the TOD’S Digital and Innovation Department.

Working in collaboration with UNICAM and companies from several different sectors, in 2020 TOD'S helped to promote a new Master’s course in “**Innovative Materials for the Circular Economy**”, part of the Department of Physics in the Science and Technology Faculty. The focus of this unique course is the role played by materials in triggering virtuous processes capable of encouraging interaction between laboratories and industry throughout the lifecycle of various types of products.

TOD’S collaboration with the MIP - Milan Polytechnic saw the TOD’S senior management take part in virtual sessions as part of the International Master’s in Marketing Management, Omnichannel and Consumer Analytics, particularly the “Italian Way 2020” module. As part of this, management figures shared their experiences with students from international universities who collaborate with the Milan Polytechnic.

In 2020, TOD’S also launched a collaboration with the Institute of Applied Art and Design of Turin (**IAAD**), one of the leading higher education institutes in Italy and Europe. IAAD is a talent incubator which promotes a cross-discipline approach to design and provides students with the tools they need to be an active part of the changes characterising modern society.

IAAD is also part of a network of 12 universities and 36 sites, encompassing a total of 130 Bachelor’s and Master’s Degree courses spanning fashion, virtual reality and innovation design.

TOD’S has maintained a strong relationship with the **European Institute of Design (IED)** across its various Italian sites, as well as with the **Marangoni Institute**.

In the latter part of the year, TOD’S launched an important collaboration with ***Central Saint Martin’s University of the Arts*** in London. The partnership is run by Fabio Piras, the director of the Master's Degree in Fashion at the prestigious university. The collaboration is based around a new project where the designers use their creativity to offer their take on the artisanal values of the TOD’S brand.

The London-based university will choose 35 young designers to come up with their interpretation of one or more of the brand's values. In order to facilitate the process, each student will be assigned a "fashion master" as a mentor, chosen from a group including some of the most prestigious magazine editors and international designers. Ultimately, the aim is to ensure that creativity and craftsmanship continue to be encouraged, despite the current situation.

The project will be part of **TOD'S Academy**, a hub of ideas based at the Group's headquarters in the Marche region. The academy is designed to be a place of thought and of action, a place where knowledge and skills are handed down from generation to generation, with the Group's artisans supporting young designers and teaching them the unique techniques and methods which form the basis of Italy's artisanal culture.

"Habanera - sustainable creativity" project

On the topic of "**sustainable creativity**", in terms of both the environment and society, another project worthy of note is "Habanera", whose aim was to create a bag combining eco-friendly processes (i.e. recovered calfskin and natural linen lining) with the most prestigious artisanal traditions, as part of a strategy with the objective of valuing individuals and boosting **social inclusion**.

The project saw the TOD'S style offices work closely with Cuba Lab, an educational association based in Havana, and the San Patrignano leather workshop, where young people are taught a trade in order to allow them to regain their dignity and teach them about the importance of this.

During 2020, the Group continued its multi-year partnership with the **Bocconi University**, which aims to support research, teaching and institutional activities in the Fashion and Luxury Management sector. The Group supports a number of specific Master's courses, including the Bocconi's Master's in Fashion, Experience & Design Management, which is now in its 20th edition.

TOD'S Group also continues to be one of the major sponsors of a prestigious training institution in the Marche region, the **Adriano Olivetti Institute** in Ancona (ISTAO), having renewed its support for another year. TOD'S is a particularly active participant in the institute's executive courses.

TOD'S also launched a range of "**trade workshops**" in 2020, with a particular focus on the leather division and the various phases involved in the production of leather accessories, at productions plants located in the provinces of Florence and Macerata. Some parts of the initiative were postponed as a result of the restrictions introduced to tackle the COVID-19 pandemic.

Promoting the Group's values among new recruits

The challenge of preserving the values of Italian spirit and Italian manufacturing in the markedly international environment in which the Group operates is a significant one. In order for these values to be equally internalised and promoted by all employees, regardless of their geographical origin few years ago TOD'S launched the ***Italian Orientation*** programme, which offers a number of new hires in the retail world an opportunity for corporate training combined with a cultural itinerary.

The programme for Italian employees lasts for three days and involves a visit to the TOD'S production sites in the Marche region and the corporate offices in Milan. For employees of the Group's international offices, the programme lasts for five days and, as well as a visit to the production sites and corporate offices, it begins with a visit to Rome – including a trip to the Colosseum – and ends with a visit to Villa Necchi in Milan.

This initiative is offered to all store managers and the most deserving store manager assistants and sales assistants. By alternating cultural activities with opportunities for fun and relaxation, international employees thus have the chance to completely immerse themselves in the Italian culture and lifestyle, gaining first-hand experience of the values that define the TOD'S approach to its own activities and how it approaches customer relations.

The programme also represents a unique experience for Italian staff, who have the chance to interact with colleagues from all over the world, promoting mutual cultural exchange. It is an initiative that underscores the ongoing TOD'S commitment to creating an increasingly cohesive, international team.

Equal opportunities and non-discrimination

The Group bases its approach to managing staff around the principles of diversity and multiculturalism. The chance to work with people of different nationalities, with diverse cultural and professional backgrounds, is of vital importance to an international organisation like TOD'S Group.

By promoting these principles, the Group boosts its staff's ability to interact effectively, optimising their day-to-day performance. At the same time, the Group's diversity is a precious tool to help the organisation understand and respond to the unique needs of different markets.

The Group's desire to respect these values is underscored in the **Code of Ethics**, in which the Group commits to ensuring that **diversity** and **equal opportunities** are respected at every level of the organisation, with the principles of meritocracy upheld and all forms of discrimination rejected, including those linked to age, gender, sexual orientation, race, language, nationality, political opinions, trade union affiliations and religious beliefs. As of 31 December 2020, **women** accounted for **65.2% of the overall workforce** of the Group, a slight increase on the figure of 64.7% the previous year.

This strong female presence is seen in all regions in which the Group operates. In the most senior professional categories (executives and managers), the split between men and women is more equal, although there are slightly more women here too (56.5%).

The offer of **part-time** contracts also confirms the Group's commitment to equal opportunities: as of 31 December 2020, 6.2% of the Group's employees benefited from these contracts (86.4% women). Moreover, the Group offers its employees the chance to take **parental leave**, in accordance with laws and regulations in the various countries.

Finally, as of 31 December 2020 the Group employed 122 people belonging to **legally protected** classes (up from 111 as of 31 December 2019). The Group has also signed a number of agreements with Employment Centres in order to progressively incorporate these people into the Group's companies.

Remuneration and benefits

TOD'S Group's remuneration policies are also centred around the values of equal opportunities and equity. All policies are designed to reward the skills of each employee.

Every year, the Group companies set out meritocratic remuneration policies, with direct involvement from managers, who are asked to identify staff who deserve a pay rise. Moreover, to supplement salaries, the Group also sets out variable retribution plans (MBO – Management by Objectives) on an annual basis. These are assigned to management staff on the basis of targets achieved over the course of the year. As regards the **salaries of new recruits**, TOD'S Group offers salaries in line or above the minimums set out by law or collective bargaining agreements in the various countries in which it operates. This applies to both men and women.

Ratio between base salary of new recruits[5] and minimum local salary[6], by significant operational location

Significant location	2020		2019	
	Men	Women	Men	Women
Albania	1,00	1,00	1,00	1,00
Austria	1,11	1,11	1,08	1,06
Australia	1,22	1,22	1,10	1,10
Belgium	1,38	1,38	1,57	1,57
Canada	n.a.	1,50	n.a.	1,50
China	1,21	1,21	1,21	1,21
Korea	1,11	1,11	1,15	1,15
France	1,28	1,40	1,29	1,29
Germany	1,27	1,27	1,26	1,26
Japan	1,54	1,54	1,54	1,54
Hong Kong	1,93	1,93	1,93	1,93
India	2,15	2,15	2,15	2,15
Ireland	1,14	1,14	n.a.	n.a.
Italy	1,21	1,21	1,30	1,28
Macau	2,03	2,03	2,10	2,03
Netherlands	1,25	1,25	1,00	1,00
United Kingdom	1,08	1,08	1,17	1,17
Singapore	1,64	1,64	1,64	1,64
Spain	1,24	1,24	1,22	1,22
Switzerland	1,06	1,06	1,07	1,07
United States of America	1,75	1,81	1,80	1,91
Hungary	1,00	1,00	1,00	1,00

There are slight differences in the salaries and remuneration of male and female staff across the various professional categories in 2020, reflecting the different roles and responsibilities held by employees.

While there are some anomalies in individual regions in terms of both base salary and overall remuneration, the analysis reveals no particular disparity between men and women (neither in 2019 nor 2020).

In Europe and in the Americas, for middle managers and employees, women are narrowly on top for both base salary and overall remuneration. Finally, as regards the benefits offered, the Group strives to minimise inequality and standardise its offering for all staff members, regardless of their contract type or area of expertise. In a limited number of cases regarding some of the

[5] "Base salary of new recruits" refers to the lowest salary paid to new recruits in the year in question.
[6] "Local minimum wage" refers to the minimum wage permitted according to the collective agreement (where applicable) or regulations valid in the various countries in which the Group operates.

Group's companies, additional benefits of a social and financial nature are only available to full-time staff. These include health insurance, life insurance and pension contributions.

Talent development

Despite the challenges 2020 entailed, TOD'S Group continued its efforts to ensure complete alignment between the skills of its human resources and the demands of the market, with a particular focus on digitalisation, a phenomenon that has been going on for some time but that has been brought into even sharper focus by the pandemic.

Now more than ever, **employee training** has a crucial role in the Group's present and future success. On the one hand, training is an important means of professional development and enhancement for employees. On the other, it represents a valuable way of spreading the Group's values, furthering its strategies and ensuring its workforce has the necessary skills.

In order to protect market share and ensure customer loyalty, it's vital that TOD'S not only offers its clients excellent products, but that it tells a story which conveys the DNA and values of the brand, underpinned by services capable of making the customer experience unique.

The Human Resources department, through its training team and with the support of various company departments and line managers, mapped out training requirements and worked with specialist partners to produce customised training resources tailored to fit the real needs of the company, with the overall aim of development and realigning employee skills.

In 2020, TOD'S Group reworked training resources originally designed for classroom delivery and brought them into the virtual space, adjusting the timescales and educational programmes in order to respond to the demands posed by the pandemic and the various periods of lockdown imposed by the different regulations.

In 2020, TOD'S Group delivered around 36,170 hours of training (a decrease of around 18% on the total for 2019, largely because of the pandemic). Of this, around 52% was made up of retail training, with the other 48% consisting of corporate training. In 2020, TOD'S Group provided **7.9 hours of training per capita**.

Hours of training delivered, by employee gender and type of training (corporate / retail) 2020 and 2019

No. of Hours	2020			2019		
	Men	Women	Total	Men	Women	Total
Corporate	9,802	7,427	**17,229**	8,766	7,595	**16,361**
Retail	5,293	13,647	**18,940**	7,969	19,960	**27,929**
Total	**15,095**	**21,074**	**36,169**	**16,735**	**27,555**	**44,290**

Retail training

The innovative BTOD'S training continued for retail staff in 2020 following its launch in 2019. By drawing on elements of neuroscience, the training course brings together a range of different approaches and methodologies to help sales staff across the various Group brands to analyse the psychometric profile of their clients during the purchasing process, with the aim of maximising sales and loyalty results. The Group also continued to provide its Clienteling and CRM training activities through coaching methodologies for strategic figures such as retail operation managers, store managers and assistant store managers, with the objective of boosting the efficacy of the sales process. The training has taken on an increasingly omnichannel approach in response to changing purchasing habits, where e-commerce supplements and complements the brick and mortar stores and vice versa. This shift meant it was necessary to provide training to all staff with different timescales and presentation/distribution methods to the past, all underpinned by an approach tailored to fit the needs of individual clients.

The issue of multiculturalism continues to be afforded great importance in the retail context through activities focused on welcoming international customers, with the goal of improving sales staff's linguistic abilities and above all their understanding of cultural rules, thus allowing them to build a closer relationship with customers, with beneficial consequences for both sales and customer loyalty. In particular, the training programmes have developed a greater understanding of Chinese, Russian and Arabic culture.

In the field of **corporate** training, a particularly key issue for training at all levels is the development of new skills, both soft and digital, linked to the sudden introduction of remote working in the wake of the pandemic and the way this changed day-to-day working practices. In order to facilitate these activities, the Group delivered an Office 365 implementation project which was in turn accelerated through the identification of around 120 Digital Ambassadors across all company divisions/sites. These were trained on the various programmes used, including Teams, One Drive and Sharepoint, as part of a "Train the Trainer" initiative which allowed the Group to share these skills with the entire make-up of the organisation.

With regard to soft skills, managers were supported through "Agile Leadership" programmes designed to help them manage groups, as well as other innovative projects around collaboration and sharing which worked more effectively in the remote format. An important achievement for the Group was the implementation and customisation of the **Learning Management System** corporate platform, known as DK (Digital Knowledge), made possible thanks to a partnership with Docebo. The platform – which can be accessed from any device (computer, tablet, smartphone etc.) – means the company can reach every employee in every country in real time to provide training courses on a range of issues and company policies. As such, the Group was able to ensure high levels of participation even during the lockdowns brought in during the pandemic.

In response to the challenges posed by the pandemic, TOD'S implemented a range of new working methods and processes during the year, with accompanying training programmes offered to ensure that these were properly implemented by staff. One example of this was the "virtual showroom", which allowed TOD'S Group to maintain constant dialogue with wholesale customers. The Group created a range of training programmes targeted at sales staff and all back-end staff to support this.

With regard to technical and specialist training, the Group maintained its focus on improving language skills at all levels of the company, particularly English. Language classes were moved from classroom sessions to digital platforms to ensure that programmes could continue. Using the Group's Learning Management System, training programmes were made available in all European languages on GDPR and its impact on how various company departments must manage data. The Group also introduced ad hoc programmes on cybersecurity and smart working targeted both at workers – via special programmes called "Smart Leaders" – and at managerial staff.

Finally, boosting digital skills across all levels of the company remained an area of key strategic importance, with specific training given to a range of target groups.

Within the Industrial Division, a range of training projects were delivered involving both craftspeople and their managers, with the aim of improving communication and optimising the way resources are managed and developed. Using sport as a metaphor, the programmes stressed the importance of the "role of the leader", drawing parallels with a coach capable of harnessing positive and negative emotions in order to achieve shared objectives. Also stressed was the skill of reacting both to victories and to defeats while conveying company values (integrity, honest and mutual respect) and instilling mutual trust. Another of the Group's objectives was to bolster team working during the difficult pandemic period, particularly by engaging with younger people, as well as encouraging alternative certified training methods, such as the use of Lego to reflect the power of the collective in achieving a shared goal.

In the logistics and administrative department, TOD'S Group maintained and implemented a range of certifications linked to customs, such as *AEO* (*Authorized Economic Operator*) and *Mittente Conosciuto* [Recognised Sender]. It then provided training on these to staff in certified plants.

Through the supply chain, there was a continuation of efforts to train staff in the footwear division and in production sites in the new industrial control model, which is based on integrated production cycles. A range of workshops and training activities were organised to achieve this.

The training was initially targeted at k-users in the various departments and sites, before being rolled out to all staff involved in the processes under review (including technical and blue collar staff), in order to share practical applications of the solution, with organisational impacts in terms of the re-engineering of processes.

Furthermore, there has been continued investment in identifying and training craftsmen through a "Train the trainer" course. The project has fostered both the learning process of new trainees or apprentices and constant updating of the methodologies in use, thanks to the dissemination of the quality standards of raw materials, semi-finished products and production processes.

In terms of the **environment**, the Group implemented a training project in the main headquarters around the ISO 14001:2015 environmental certification, with all production and administrative staff involved receiving training.

In order to monitor the ability of retail employees and to ensure constant improvement, the Group regularly assesses employee performance so as to be able to set individual targets and ensure necessary development.

In 2020, 46% of employees underwent a performance appraisal (down from 53% in the previous year, due in significant part to the restrictions imposed as a result of the pandemic). In this area, the Group remains committed to implementing a global performance management model. In addition to these formal performance appraisals, the Group strives to promote continuous dialogue between management and employees, in order to encourage an ongoing flow of information designed to facilitate constant qualitative improvement.

In relation to the performance of retail employees in particular, the Group has adopted an incentive programme, which varies for each region, with the aim of creating a fair remuneration system for store staff. Notably, the plan features two incentive tools. Sales assistants are entitled to commission, which is paid every month and is dependent on them hitting sales targets. In addition to this, store management staff are eligible for bonuses, which are awarded on a weekly basis and are linked to performance appraisals and qualitative and quantitative indicators.

The evaluation process has been the subject of progressive digitalisation at a DOS worldwide level since 2019. The new Digital Retail Performance Appraisal application enables monitoring and annual updating of employee performance and evaluation of individual stores using criteria based, on the one hand, on quantitative performance indicators and, on the other, on periodic qualitative evaluations.

Employee well-being

TOD'S Group's success is closely linked to the happiness of its workforce and, for this reason, one of its main objectives is to ensure the wellbeing of its employees, in order to generate value in the long term. Employee well-being is not just about professional fulfilment, but also about the ability to ensure a good work-life balance that never oversteps the mark. The Parent Company

TOD'S S.p.A. supports a number of initiatives in this regard. Firstly, TOD'S offers its employees a large range of services at the Group headquarters[7], including:

• a free nursery for employees with children between the ages of two and six. Every school year, access is reserved for the first 28 children who qualify based on a ranking system drawn up according to specific criteria;

• a free gym that can be accessed by employees during set hours (after 17.00), with the option of attending courses that run on a weekly schedule;

• a company restaurant serving subsidised meals, using organic and km-0 products;

• a free media library offering employees a wide range of books and DVDs.

In 2008, the Group launched its **Welfare project** in Italy, with the aim of improving the well-being of employees and their families. In 2020, the project featured a range of initiatives providing economic support to employees, including:

• an annual gross contribution of €1,400 for employees belonging to the Footwear Industry collective bargaining agreement (CCNL)[8];

• a contribution towards employee costs relating to the purchase of school and university books for children ranging from primary school to university age[9];

• insurance for employees and their immediate families covering the cost of major specialist operations, dental treatment, contact lenses and glasses, diagnostic tests and laboratory analysis, specialist visits, a "maternity package" and specific prevention packages (including paediatric, cardiovascular, dermatological, osteoporosis, etc.)[10].

In what was an extraordinarily difficult year, TOD'S launched its **2021-22 Welfare Plan** in order to restate its intention to show social responsibility towards its employees and their families, acknowledging the fact that employee satisfaction is partly determined by their work/life balance and the sustainability of their purchasing power.

Over the next two years (2021 and 2022), TOD'S will use its new Welfare Plan (even of a non-monetary nature) to allow its employees and their families to access good and services (flexible benefits) designed to support their private and family lives, with benefits spanning health, sport, wellbeing, education, culture and recreation.

In order to continuously improve the well-being of employees, a goal that has always been dear to TOD'S Group, it should be also noted that, starting in 2018, the Parent Company launched an assessment programme to monitor, improve and develop staff management practices in place at the Group. The programme saw TOD'S awarded the prestigious **"TOP Employers Italy"**

[7] Due to the restrictions introduced as a result of the COVID-19 pandemic, the way some services were delivered in 2020 was modified and/or some were temporarily suspended in accordance with government/regional guidelines.
[8] For part-time employees, the €1,400 gross bonus is paid on a pro rata basis depending on the number of hours worked in the year of payment.
[9] This contribution was not paid to employees on fixed-term contracts.
[10] Insurance will come into effect from the 13th month of employment for those employees on fixed-term contracts who are covered by the Footwear Industry collective bargaining agreement.

certification for the second year in a row[11]. The certification recognises the company's efforts to focus on innovation, also in organisational and process aspects linked to human resources. 2020 saw the company step up its efforts across all welfare and work/life integration areas.

The Group used the results of the analyses to identify the main areas of interest where targeted initiatives can be focused. The Group is also considering the implementation of a company survey which will supplement external analysis and allow staff voices to be heard more widely. This will help TOD'S Group to come up with an action plan designed to optimise staff management and development practices (with a direct or indirect impact on improving the company climate).

In the light of the COVID-19 crisis which characterised much of 2010, TOD'S made use of available social support systems at times and in organisational areas where the need to do so emerged.

However, in order to mitigate any loss of earnings to employees, TOD'S Group took action to top up furlough payments and pay these amounts in advance, from the very start of the crisis.

At the peak of the crisis, the company paid all furloughed workers an extraordinary payment designed to guarantee 100% of their salaries during March. Salaries were guaranteed up to 90% in April and May, in correlation to the earnings range of the employees. As the situation gradually eased and activities began to resume, the company guaranteed 70% of salaries in June, July and August.

The company paid furloughed employees the salary top-ups due from the INPS in advance along with their regular salary payments.

From the very start of the crisis, and throughout the period in which the company made use of social support mechanisms, the company paid all furloughed employees their 13th month pay (and the 14th month pay for employees subject to the Trade and Public Establishment Collective Bargaining Agreements).

[11] Top Employer Institute is the body that certifies excellence in HR practices. It was founded in 1991 and has operated in Italy since 2008. The internationally recognised institute analyses and certifies outstanding working conditions and HR policies implemented by companies.

Health and safety

Employee well-being is also dependant on the provision of **adequate health and safety conditions** at the workplace, across all Group facilities.

TOD'S therefore dedicates particular attention to the management of these aspects in order to prevent and reduce the occurrence of accidents and injuries as much as possible. It complies with the relevant legal requirements and obligations, based on the specific regulations in force in the various countries in which it operates.

Although TOD'S has not currently implemented an occupational safety management system, the Group's Prevention and Protection Service has structured its health and safety activities and related documentation in line with best practices and with a view to future applications in this regard.

2020 saw the completion of the preliminary phases ahead of the 2021 launch of activities involved in the implementation of an **ISO 45001:2018-certified management system**. This will initially be introduced at the headquarters, which represents the hub of the footwear, clothing, logistics and sales divisions, before being rolled out to all other production sites within six years.

Monitoring and improvement over time of health and safety requirements is carried out by the Group through the risk assessment document, a tool based on a similar model for all sites.

The processes used to identify hazards consist, for example, of inspections in work environments carried out with the support of external consultants and technicians, interviews with workers through managers, supervisors and workers' safety representatives, technical investigations to detect the presence of chemical and physical substances in the workplace, and ergonomic analysis to determine the risks of biomechanical overload or related to manual handling of loads.

Quantification of risk levels associated with the identified hazards is carried out differently depending on whether the risk relates to accidents or to workers' health. For the former, risk assessment is based on the probability and damage matrix, while for the latter, the Group assesses worker exposure levels, which are then compared with the action and limit values set out by Legislative Decree 81/2008 or by other national or international standards.

The quality of the processes for identifying hazards at work and assessing risks is guaranteed by the direct control of the Prevention and Protection Service, through specialised staff (health and safety officers). At the production sites, health and safety officers are generally maintenance staff, guaranteeing the greatest possible contact with the working environment, as well as adequate technical preparation to deal with reports. If external consultants are involved, the Group regulates the protection of sensitive data in accordance with current legislation.

On the basis of the results of the assessment process, if risk factors emerge, the Group carries out immediate or planned optimisation measures as part of the improvement plan. Should it be necessary to make changes that involve the introduction of new risks to the health or safety of workers (such as new chemical substances or mixtures used in production/prototyping, new work equipment or plants), these are subject to prior inspection by the Prevention and Protection Service, in collaboration with competent doctors, who then approve them or make appropriate adjustments.

There is also a steering committee made up of the Group's employers, health and safety officers and competent doctors, which meets at least once a year at each production site.

In order to improve the way it deals with this issue, the Parent Company TOD'S S.p.A. has internal reporting systems covering Health and Safety in the Workplace. These are regularly sent to control bodies.

In 2020, with regard to training on health and safety, the topics that were strictly compulsory pursuant to Legislative Decree no. 81/08, including workplace hazards and fork-lift truck driving courses, have been supplemented with new topics aimed at helping employees to manage and/or prevent possible risk or hazard situations. One example concerned safety in cars, an indispensable means of transport for a wide range of employees, for which the topic of safe, predictive and protective driving was addressed through highly engaging individual and group sessions. In July 2020, a driving safety course was organised for ten Quality Control Inspectors.

In 2019, TOD'S partnered with AVIS (Association of Italian Blood Donors) to organise days dedicated to blood collection/donation by corporate and retail employees at TOD'S headquarters in Milan. In 2020, these initiatives were suspended due to the restrictions introduced as a result of the pandemic.

Response to the COVID-19 pandemic

During 2020, the main initiatives aimed at promoting health and safety focused on prevention and containment measures relative to the **COVID-19 pandemic**.

In order to correctly reflect the Group's approach to managing the pandemic, it's important to stress that TOD'S responded quickly to the Italian government's "COVID-19 emergency" decree by setting up a **COVID-19 Task Force**. Even before the government protocol on measures to tackle and contain the spread of COVID-19 in workplaces, which was issued on 14 March 2020, TOD'S had – on 9 March 2020 – produced a document containing a range of prevention and protection measures: the *"Addendum coronavirus emergency risk assessment - rev. 00"*. TOD'S also adopted specific "**Shared COVID-19 Emergency Protocols**" which were drawn up with the involvement of the company leadership team and all company figures with a role in occupational health and safety. This was then adapted as and when to reflect government measures.

TOD'S undertook a huge information, training and awareness campaign regarding recommended behaviour in and out of the workplace in order to avoid infection. The Group also distributed a large amount of protective equipment (e.g. masks and gloves, where necessary) and other materials (e.g. products for sanitising surfaces and equipment and hand sanitiser) across all its corporate, commercial and production sites.

The following are the main measures introduced thus far to stop the spread:

- organisational measures such as widespread smart working; remodelling of production levels; activation of an employee shift system where possible; staggered start times where possible to avoid crowding; suspension or cancellation of work trips or journeys;
- adjustment of cleaning schedules in accordance with ISS regulation 5-2020, leading to more regularly cleaning during the day with specific products used for disinfection and sanitisation;
- installation of hand sanitiser dispensers at each external access point and in departments;
- every office, production/logistics site and boutique underwent organisational and logistics adjustments with the aim of preventing the spread and protecting employee health;
- every meeting room was equipped with a surface sanitisation kit and hand sanitiser, while maximum occupancy limits were imposed;
- in the company restaurant, at the Group's headquarters, a new layout and seat distribution system was introduced (and made clear to all users), while hand sanitiser dispensers were installed and a number of new rules were brought in (addition of screens to the self-service area, table cleaning, JOY app for take-away food, condiment distribution etc.);
- all refreshment points or lunch areas were kitted out with signage and reorganised as per the main restaurant to ensure social distancing.

In addition to adopting these standard measures, with the aim of ensuring the health and safety of its workers during the working day, the Group also took a number of extraordinary measures. The most significant of this was the testing programme, which used free molecular or rapid flow tests and was organised in September, after the summer holidays. Tests were offered on a voluntary basis to all corporate employees, with take-up of over 90%.

Similar initiatives were adopted for specific occasions and for employees on the front line. Some examples include:

- testing of sales staff when stores reopened for the first time after lockdown;
- testing of staff involved in preparing presentations during fashion week and in the organisation of the traditional "Friends & Family" sales push, as well as staff involved in photo shoots.

Special training courses were organised focusing on the safety protocols adopted by the Group, both for corporate and retail staff. Focus areas included safely monitoring access and measuring the temperature of all retail staff and reception staff at the Milan sites.

Furthermore, TOD'S worked closely with the competent doctors in each of its sites to carefully monitor potential positive cases or close contacts. Where necessary, TOD'S was then able to organise testing to prevent the spread of the virus.

These initiatives were organised in compliance with sensitive data protection guidelines, in collaboration with the TOD'S S.p.A. Group Data Privacy Officer, who was responsible for producing information on sensitive data processing during body temperature scanning and on reports relating to testing (voluntary). Data relating to the health of workers was used solely to create contact tracing procedures and other procedures pertaining to the company's Shared COVID-19 Protocol and was not used by company management for any other purposes.

As part of the training programmes, workers are instructed to report any hazardous conditions, near misses or medication needs to the relevant contact persons; those responsible can in turn directly communicate with the Prevention and Protection Service and the HR Department, depending on their requirements. Workers can also make reports to the on-site workers' health and safety representatives, who guarantee anonymous communication, and can use the whistleblowing system, which guarantees a specific and confidential information channel, protecting the reporter's privacy.

In 2020, there were **18 cases of injuries** to employees, a significant reduction on the 44 cases recorded in 2019, reflecting the Group's ongoing efforts around prevention and health and safety awareness, coupled with the drop in production and commercial activities attributable to the pandemic. Once again, there were no injuries to external collaborators recorded in 2020[12]. TOD'S S.p.A. works hard to provide guidance and training around health and safety. All employees benefit from training programmes focusing on the prevention of accidents and occupational diseases, split between classroom learning and e-learning.

"There is a still a lot of appreciation for the idea, which was implemented years ago in the main plant, of designing a company on a human scale, with spaces dedicated not only to work, but also to the well-being of our employees and their children."

Diego Della Valle

[12] External laboratories in the Footwear and Leather Goods divisions that worked exclusively for TOD'S Group.

4.2 Environment

TOD'S Group is committed to respecting and protecting the environment by trying to reduce the environmental impact of its activities, through the optimisation and rationalisation of all processes that may have some impact on the ecosystem.

The Group therefore considers protection of the environment and sustainable development of the area in which it operates to be of primary importance, taking into consideration the rights of the community and of future generations.

Every year, TOD'S undertakes a wide range of initiatives in this field. More specifically, the Group is active in devising and developing projects designed to maximise energy savings and efficiency in its production and commercial sites. This commitment is accompanied by further ambitious objectives such as the responsible management of water resources, controlling waste production and the use of recycled materials for the furnishings of its stores.

Key points of the Environmental Policy

Tod's Group is committed to protecting the environment, preventing pollution and using sustainable resources, reducing and minimising the impact of its business operations on the environment, both with respect to its manufacturing sites and its commercial locations.

To this end, TOD'S Group updated its **Environmental Policy** in 2020 (approved by the TOD'S S.p.A. Board of Directors on 10 March 2021 and available at https://www.todsgroup.com/en/sustainability) to further reinforce these principles and to improve environmental performance.

By introducing this policy, TOD'S Group intends to meet the compliance obligations associated with its activities and is determined to reduce its environmental footprint by pursuing the following ambitious objectives:

- reduction and optimisation of energy consumption, including through self-production and use of energy from renewable sources;
- reduction of emissions directly generated by its business activities, fully respecting the policies adopted with the Paris Agreement, aimed at curbing the rise in global temperatures;
- adoption of criteria for the design and construction of its buildings geared towards energy efficiency and reduction of environmental impact;
- reduction of waste production in production sites, offices, shops and distribution logistics, promoting waste recycling and reduction of landfill quantities;
- reduction and optimisation of the use of paper and plastic materials, with particular attention to packaging, while also promoting the use of alternative sustainable and plastic-free solutions;
- rapid implementation of a plan for the prevention and management of environmental emergencies;

• selection of logistics carriers with less environmental impact, when possible;
• gradual elimination of certain chemicals from the production process, even though they are permitted by law;
• promotion of research and development of TOD'S products with an eco-focus, considering the entire life cycle;
• reduction and optimisation of water consumption.

In line with the Group's sustainability objectives, in 2020 TOD'S obtained **UNI EN ISO 14001:2015 certification for the environmental management system** at its Brancadoro complex, which includes the central headquarters, production facility, raw materials warehouse and outlet. The implementation of this system allows the company to quickly analyse the situation and identify all potential impact sources, including climate-altering emissions. It also means the company can take action to reduce these emissions and ensure continuous improvements, with the senior management updating the Environmental Policy and undertaking an annual review of company objectives.
Within the context of the certification process, a range of training activities were organised spanning sustainability and the environment, including waste management and energy consumption. A total of 90 hours of training were delivered to around 300 people. The majority of the training was delivered in person – either in a classroom or in the workplace – while other training activities were delivered remotely after the introduction of the restrictions due to the health emergency.
During 2020, TOD'S continued its efforts to raise awareness around the issue of sustainability, providing all staff with a copy of the Environmental Policy, instructions on recycling, guidance on sustainable mobility and recommendations on how to save and optimise resources (energy, water etc.) and materials (paper, plastic etc.), both at work and outside of work.
The company also produced and published information targeted at third parties (suppliers, consultants, visitors etc.) who access the Group's headquarters.

Energy efficiency measures in Information Technology services

TOD'S Group has long been active in the identification, selection and monitoring of energy efficiency projects in the field of Information Technology services.
In recent years, the Group has also continued to consolidate, rationalise and virtualise its servers. To date, over 90% of physical servers have been converted into virtual servers, with appreciable benefits in terms of energy consumption and related CO_2 emissions.
TOD'S also actively promotes the use of audio/video conferencing systems and platforms, in order to reduce the environmental impact of staff travel and the use of consumable material, as

well as to improve the quality of life of its employees.

During the year, in the wake of the pandemic and the adoption of smart working, there was a significant increase in the use of such audio/video conferencing systems. Use of these systems at TOD'S Group increased by 500% in terms of number of users, with exponential growth in the number of users participating in meetings and in the number of users making use of chat functions.

Digital workstations were expanded during the year and the service was made more flexible and accessible through the adoption of new technology.

Furthermore, over the last few years certain best practices have been shared with employees in order to promote positive behaviour from an environmental point of view.

More specifically, TOD'S has reduced the number of printers by providing dedicated print centres, as well as by streamlining the systems by installing multi-function devices, each of which can print, copy and scan, which naturally leads to energy savings and simplification of maintenance activities. Due to the pandemic and the prevalence of smart working, there was a dramatic drop in the amount of printing and the volume of paper used. The existing equipment was gradually replaced with devices with lower energy consumption.

In 2020, in line with previous years, TOD'S continued to develop numerous initiatives relating to the digitalisation and optimisation of business processes, in order to progressively reduce environmental impact and to minimise the use of resources and consumable materials, including, but not limited to:

- development of the global e-learning training and information platform, to enable it to be accessed by every Group employee in every store, office and site and from any type of device (computer, tablet, smartphone);
- development of a "Virtual Showroom" for B2B clients, which aimed to offer an immersive purchasing experience with 360° images and other content and video on the collections, as well as the option to manage appointments and orders remotely;
- digitalisation of the process of managing returns of finished products from clients;
- launch of the passive invoice approval process ("docflow") in France and Germany.

The digitalisation and optimisation of processes will also continue in the coming years through the implementation of additional project initiatives.

Responsible management of resources[13]

Energy consumption

In 2020, TOD'S Group's **electricity** consumption was 108,461 GJ (a drop of over 12% compared with the previous year). Meanwhile, consumption of diesel was 465 GJ, a significant reduction from the 2019, which was largely attributable to the use of natural gas instead of diesel for the heating system at the headquarters in Milan's Corso Venezia. Despite this, TOD'S consumption of **natural gas** in 2020 remained in line with the 2019 level at 19,497 GJ, thanks in part to energy efficiency work undertaken at the headquarters in Brancadoro in 2019. This involved the construction of a domestic hot water system and the implementation of a new monitoring system which makes it possible to regulate turn-on times and manage temperatures well. The general drop in electricity consumption is attributable to the temporary suspension of activities at the industrial sites, corporate sites and stores, as well as the fact that many employees worked from home as a result of the COVID-19 pandemic. Despite this, action to further improve the energy efficiency of the lighting systems installed at the various sites and improved management resulting from the implementation of the new consumption monitoring system for all industrial sites played a key role.

In addition to optimisation of energy consumption, for several years the Group has been **committed to using energy from renewable sources**: TOD'S has installed two photovoltaic systems, one at the Brancadoro headquarters, which has been operating since 2011, and the other at the Arquata del Tronto plant (which became operational in 2018). The Brancadoro system has an installed power of 956.88 kWp, while the Arquata del Tronto system has an installed power of 50 kWp. In 2020, the systems produced a total of around 3,770 GJ of energy (in line with the previous year), respectively meeting around 16% of the headquarters requirements and 17% of the Arquata del Tronto plant's requirements. TOD'S also has geothermal facilities at its headquarters which are used to guarantee sustainable power for its heating and air-conditioning systems.

An electricity supply contract has been signed for the Brancadoro complex for 2021 which will see only **renewable sources** used.

In terms of the reduction of energy consumption relating to the Group's fleet of vehicles, the policy relating to the fleet was updated and vehicles with lower environmental impacts were added, such as full-electric, hybrid and methane cars.

[13] Where data was not readily available, estimates have been used.

Energy consumption by type (2020 - 2019)

Typology of energy consumption (GJ)*	2020	2019
Natural gas	19,497	19,443
Diesel fuel consumption	465	1,315
Transport Diesel **	9,394	12,696
Transport Petrol **	389	291
Electricity ***	108,461	123,666
Total	**138,207**	**157,411**

* Conversion factors for 2020: natural gas 1 m^3 = 0.035281 GJ, oil 1 kg = 0.042877, diesel 1 kg = 0.04278 GJ, petrol 1 kg = 0.042817 GJ, electricity 1kWh = 0.0036 GJ.
** For 2020, the electricity self-produced by photovoltaic systems is equal to 3,766 GJ (3,811 GJ in 2019), the electricity purchased is equal to 104,990 GJ (119,897 GJ in 2019) and the electricity fed back into the grid is equal to 316 GJ (42 GJ in 2019), partly due to the reduction in energy consumption at company premises following the COVID-19 pandemic.

In 2020, the Group's commitment to reducing energy consumption was once again illustrated by a range of initiatives focusing mainly on Italy, the location of the Group's headquarters and main production and logistics facilities. This process is the natural progression of the application and structured management of the energy efficiency action plan produced following an energy audit carried out in 2019 for the key sites (Brancadoro, Comunanza and Monteprandone). In addition to the requirements set out in Legislative Decree 102/2014, this audit also analyses the energy consumption of all production and logistics sites owned by the Group. In this regard, TOD'S analysed the data collected by the monitoring system in a timely manner, identifying potential energy efficiency and optimisation measures (supported by a business plan) for implementation in the following three years. The Group has also voluntarily continued its monitoring activities at the other production sites by activating the "Enel channel", which provides consumption data for the previous month. TOD'S, as was the case for the recent measures implemented, is committed to the development of initiatives in line with **design guidelines** intended to increase the energy performance of company buildings, including measures such as:

- equipping buildings with high-efficiency insulation;
- installing photovoltaic systems;
- using geothermal systems for air-conditioning and heating;
- replacing traditional light bulbs with LED bulbs.

The Group's commitment to reducing energy consumption is further illustrated by the continuation of energy efficiency initiatives in 2020. One of the Group's most important projects, completed in 2019, focused on **monitoring energy consumption** at industrial sites through special measuring equipment (MID multimeters). This network of tools has enabled precise analysis of energy consumption and identification of appropriate rationalisation and optimisation measures. Moreover, the lighting systems have been made more efficient through the replacement of additional ceiling lights at the headquarters with LED lighting systems. These measures have also been extended to the production sites of Comunanza and Monteprandone. These initiatives will continue in 2021, extending to the production departments at the headquarters and the storerooms in Comunanza. The Group is also committed to reducing consumption in stores through the use of LED technology for lighting the premises and displays in the sales areas.

Water consumption

With regard to **water consumption**, TOD'S Group has always worked hard to ensure that it is constantly monitored and plans technical checks in the event of significant changes to past consumption levels. Thanks to these checks, the company is able to identify and eliminate hidden losses at some facilities or identify improper or incorrect use of resources. Broad consumption trends, together with relevant aspects regarding water supply, are set out in the management review stipulated by the ISO 14001:2015-certified management report. In 2020 the Group's water consumption amounted to around 80 megalitres (67% of which in "water-stressed"[14] areas), a decrease of around 50% compared to 2019 reflecting the drop in operations at company premises due to COVID-19. Considering the range of activities undertaken by the business, the Group's water consumption levels are almost entirely attributable to its headquarters and production sites, where the majority of employees are based, and which use water for hygienic/sanitary, geothermal, fire-prevention, irrigation and company restaurant purposes. Only a small percentage is attributable to the DOSs and showrooms. Water consumption attributable to the production process is not considered significant. With regard to water sources, in 2020 water resources from the subsoil accounted for around 38%, while water resources from third parties accounted for around 62%. The Group's commitment to responsible water management is formalised in guidelines adopted by its headquarters. This is further underpinned by the decision to use water from the subsoil for all irrigation systems (where present).

During 2020, the overall quantity of **water released into the surface water body** was estimated at 57.23 megalitres, a significant increase on the 29.57 megalitres released in 2019.

TOD'S draws water from the subsoil using four wells. During 2020, the Group obtained the licence to draw public water from a wellfield – on a predominantly seasonal basis – comprising four water capture systems for geothermal, irrigation and fire-prevention use, with up to 35% of the water being released back into the Chienti river.

The water from the wells is also used as a heat carrier for the operation of the high-efficiency reversible heat pumps necessary for the buildings' air conditioning. These systems operate on a closed circuit basis, with the water returning to a technical basin which serves as a reservoir for irrigation and fire-prevention uses. Once the basin reaches maximum capacity, or when the water

[14] Water stress refers to the ability or inability to meet water demand, whether human or ecological; it may refer to water availability, quality or accessibility, is based on subjective elements and is assessed differently based on social values such as water potability or accessibility requirements for ecosystems ("*CEO Water Mandate, Corporate Water Disclosure Guidelines, 2014*").

temperature reaches a level that means that the effect of the cooling system is lessened, the water in the basin is released into the fresh water network that runs into the Chienti river and therefore joins the surface water body. It is then replaced by water from the wells, whose temperature is around 15°C. This mechanism means that the variation in water drawn from the wells or released into the network depends on climatic conditions, particularly those at play during the spring and summer, when water is widely used for irrigation and geothermal purposes.
In terms of the Group's water discharge, this is largely composed of water from sanitation services and water used for preparation in the company restaurant. At the Brancadoro complex, water discharge is released into the public sewer to join domestic discharge.
Output water from production processes is generated by three water-level booths in the assembly department (finishing and prototyping) and used for retouching and painting activities during production. This water, which is not of a significant quantity, is collected in special cisterns and disposed of as waste by specialist companies.
Water discharge that can join the domestic sewer system runs directly into the sewer network that serves the buildings and joins the public sewer system which serves the Brancadoro area, once it has been purified. The water is treated by being passed through septic tanks which are regularly maintained through cleaning and the removal of mud.
TOD'S Group intends to monitor compliance with the limits of waste water discharge into the sewer system, as set out in Attachment 5, Part 3 of Legislative Decree 152/3006 et seq, via regular analyses. The results of these will be verified and archived.
At all industrial and retail sites, water consumption is linked exclusively to hygiene/sanitary use and fire-prevention use, while all water waste can be added to domestic waste.

Water used by source type[15] (2020 - 2019)[16]

Water intake (megaliters)	2020		2019	
Intake source	All areas	Areas under water stress	All areas	Areas under water stress
Fresh water (≤ 1000 mg/L total dissolved solids)	*30,156*	*30,156*	*80,300*	*80,300*
Underground water (total)	30,156	30,156	80,300	80,300
Fresh water (≤ 1000 mg/L total dissolved solids)	*49,079*	*22,676*	*80,651*	*31,765*
Water resources from third parties (total)	49,079	22,676	80,651	31,765
Total	**79,235**	**52,832**	**160,951**	**112,065**

[15] Given that water used for the condensation process does not have its properties altered, it is therefore not considered waste water and thus the quantity of such water released back into the fresh water cycle (and that therefore ends up as surface water) is not included in the sample. The quantity of water released back into surface water is therefore subtracted from the figure in the table relating to the quantity of groundwater.
[16] As of this edition of the NFS, it has been decided that water withdrawal will be reported using the new GRI 303 Standard, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016 and used for the 2019 NFS.

With regard to potable water (hygiene/sanitary), in order to optimise the way water resources are used and monitored, TOD'S keeps a close relationship with the multi-service companies and water consortiums (public participation)[17] who manage water in the key locations for the Group.
With reference to the domestic hot water needed for the services at the headquarters (children's centre, company restaurant, toilets, etc.), the Group, in order to reduce its consumption of methane gas, installed thermal solar panels and electric heat pumps, recording, from the outset, a reduction in the consumption of methane gas used as fuel for thermal plants.

[17] CIIP S.p.A. (Cicli Integrati Impianti Primari), Tennacola S.p.A., Publiacqua S.p.A., Azienda Specializzata Settore Multiservizi S.p.A., MM S.p.A.

Production and disposal of waste

The Group recognises the importance of ensuring the responsible management of the **waste** produced as a result of its activities. Where possible, it tries to promote recycling in order to reduce the quantity of waste requiring disposal. In 2020, TOD'S Group produced around 2,060 tonnes of waste. The 36% reduction from the 2019 figure is largely attributable to the temporary suspension of activities at the Group's production and logistics sites following the pandemic. Non-hazardous waste accounts for almost all – 99.64% – of the total waste generated (in line with the 2019 figure). As regards disposal methods, over 44% of the waste produced by the Group has been stored with a view to recycling in the future. Waste disposed of in landfills was generated by stores and showrooms in other countries.

Type of waste produced (2020-2019)**

Type of waste produced (ton)	2020			2019		
	Dangerous	Not dangerous	Total	Dangerous	Not dangerous	Total
R13*	1.1	920.2	**921.3**	0.8	1,128.7	**1,129.5**
D15*	6.1	24.0	**30.1**	3.1	89.8	**92.8**
D8 e D9*	-	41.2	**41.2**	-	42.8	**42.8**
R4*	-	1.9	**1.9**	-	2.3	**2.3**
R5*	-	0.3	**0.3**	-	0.7	**0.7**
Landfill	-	983.3	**983.3**	-	1,849.0	**1,849.0**
Total	**7.2**	**1,970.9**	**1,978.1**	**3.9**	**3,113.3**	**3,117.2**

* R13: storage for recycling at a later date; D15: preliminary deposit ahead of disposal operations; D8 and D9: biological treatment and chemical / physical treatment; R4: metal recycling; R5: recycling/reuse of other non-organic substances.
** Data for 2019 and 2020 shown in the table does not include the waste produced at the production sites in Albania and Hungary. However, these figures are reported in the paragraph below the table.

Aware of the importance of reducing waste production, even before identifying strategies for the reuse and recycling of waste, TOD'S Group committed itself in an increasingly practical manner to reducing the quantity of waste produced in the course of its daily activities, not only in the production cycle. Due to the COVID-19 emergency, the pilot project for the installation of electronic hand dryers was temporarily suspended. This would have reduced consumption of paper towels or rolls of paper. At the present time, air dryers are advised against as they could facilitate the spread of the virus through the movement of the air. 2020 saw the completion of the process of making all refreshment points and the company restaurant at the headquarters plastic-free. This involved replacing plastic cups and plates with biodegradable alternatives, as well as installing filtered water dispensers where it was possible to access the water network. The same action was taken at Bagno a Ripoli - Loc. Vallina and Arquata del Tronto sites. This initiative will be implemented at the Comunanza and Monteprandone sites by the end of 2021. The quality of the water drawn from main supply at these sites has been analysed and given a

favourable rating. Recycling facilities were installed at all refreshment points in the headquarters, while a new recycling system was introduced at production sites, involving the sorting of hazardous waste into contaminated and uncontaminated (by chemical products).
In addition to the quantities shown in the above table, 2020 saw around 0.28 tonnes of hazardous waste and around 86.03 tonnes of non-hazardous waste generated in the Group's production sites in Albania and Hungary (compared to a quantity generated for the same production sites, in 2019, of around 0.40 tonnes of hazardous waste and around 114.3 tonnes of non-hazardous waste). Due to the activities carried out at these sites, the quantities of waste generated mainly consist of municipal waste, scrap leather and packaging materials.

Material consumption

Given the Group's area of operations, significant quantities of **office materials and product packaging materials** are used. TOD'S therefore places great importance on carefully managing the consumption of such materials as part of its strategy to minimise and rationalise environmental impacts linked to this. The Group prioritises sustainable materials, particularly those that can be recycled and that come from responsible sources. It also checks whether its suppliers hold relevant certifications.

Main materials used by type (2020 - 2019)[18]

Typology of materials	Kilos	
	2020	2019
A4 Paper	40,046	53,789
of which FSC/PEFC	*7,093*	*9,758*
A3 Paper	963	1,710
of which FSC/PEFC	*517*	*816*
Shopping bag	163,526	323,467
of which FSC	*110,245*	*213,420*
Cardboard Box	334,950	564,423
A5 Paper (FSC)	1,457	1,002
B5 Paper (FSC)	9	9
Total	**540,951**	**944,400**

0% of the reported materials is renewable.

Greenhouse gas emissions

The main objective of the Group's strategy as regards environmental protection and reducing the impact of its activities is to reduce polluting emissions in the atmosphere. The Group recently began to monitor its greenhouse gas emissions. This enables the Group to plan future initiatives and projects to ensure ongoing reductions in environmental impacts. The table below details the main emissions generated by the Group. In compliance with the Greenhouse Gas (GHG) protocol, the principal emissions reporting standard, the Group's emissions have been divided up by type. Scope 1 emissions derive from the Group's direct resource consumption, Scope 2 emissions are associated with electricity generation and Scope 3 emissions are linked to employee mobility.

[18] The reduction in materials used recorded in 2020 (down by 42.7% compared with the previous year) is largely attributable to the Group's reduced operations in the wake of the suspension of activities at industrial and corporate sites and in stores, as well as the fact that many employees worked from home in accordance with legal restrictions imposed during the pandemic.

CO_2 emissions (2020 - 2019)[19]

Footprint di CO_2 (Ton CO_2)	2020	2019
Scope 1	1,849	2,138
Scope 2	11,722	13,831
Scope 3	718	3,333
Total footprint of CO_2	**14,289**	**19,302**

As can be seen from the table above, the Group's greatest impact in terms of CO_2 emissions, for both years, is produced by Scope 2[20], amounting to around 82% in 2020 and around 72% in 2019. In addition, with reference to production facilities, the calculation of other polluting emissions into the atmosphere has been entrusted to an external body. In particular, volatile organic compounds (VOCs), nitrogen oxides (NOx) and sulphur oxides (SOx) were calculated as the total of channelled and diffuse emissions. For the purposes of this calculation, the body analysed all Italian production sites included in the mass balance sheets, which are used to create the Solvent Management Plan. The quantity of VOCs calculated for 2020 amounts to 24.1 tonnes, down from 31.2 tonnes calculated in 2019. With regard to nitrogen oxides, around 5.1 tonnes of NOx were calculated for 2020 (5 tonnes in 2019), while for sulphur oxides the quantities for 2020 totalled 0.05 tonnes of SOx (0.08 tonnes in 2019).

Transport and logistics[21]

Given the highly international nature of the Group, whose extensive distribution network encompasses all the main countries in the world, **transport and logistics** play an essential role in product procurement and distribution activities. Recognising that these activities are related to customer satisfaction, the Group works hard to minimise the environmental impact associated with these aspects, while striving to ensure the standard of the service offered. As regards the distribution of finished products, in 2020 the overall amount of goods dispatched was equal to around 8,750 tonnes, a decrease of approximately 16.2% on the 2019 figure. The Group works with leading logistics partners for product deliveries via air, sea and – most extensively – road. In order to plan more precise measures to increase consumption efficiency in the area of transport

[19] Factors used: - for oil and natural gas (Scope 1), conversion factors developed by the European Environment Agency [EMEP/EEA Air Pollutant Emission Inventory Guidebook - 2016] were used. - for petrol and diesel (Scope 1 and Scope 3), conversion factors developed by the European Environment Agency [EMEP/EEA Air Pollutant Emission Inventory Guidebook - 2016] and conversion factors calculated by DEFRA [ghg-conversion-factors-2020 update] were used. - for electricity (Scope 2) conversion factors by Terna [Confronti internazionali - 2018] were used for calculation with the location-based method. With reference to the market-based method, emission factors related to the "residual mix" were used (Source: AIB - 2019 European Residual Mix) where available; elsewhere, the same emission factors used for calculation with the location-based method were used. - for air and rail transport (included in Scope 3), conversion factors calculated by DEFRA were used [ghg-conversion-factors-2020 update].

[20] CO_2 emissions calculated with the "Location-based method". However, for the calculation of Scope 2 CO_2 emissions, both the methods provided by the GRI Sustainability Reporting Standards were used. With reference to the "Market-based method", the total Scope 2 emissions amount to 13,837 tonnes for 2020 and 16,470 tonnes for 2019.

[21] Where data was not readily available, estimates have been used.

and logistics, TOD'S Group is working hard to intensify its monitoring of environmental impact stemming from these areas, partly in collaboration with its logistics partners. Where possible, these efforts include a greater focus on vehicles with reduced environmental impact.

In 2019, TOD'S Group launched the **ART Project** (Allocation & Replenishment for Tod's) based on a data analytics/artificial intelligence tool. ART is an in-season process integrated with the pull/push approach, which makes it possible to optimise the allocation of pieces and rebalance excess stock during the season, thus preserving brand image, guaranteeing better response times, flexibility and reactivity in the distribution model, optimising stockpiles and cutting unsold stock.

The project allows the company to plan production and merchandising activities systematically, in line with the needs and expectations of clients. In the short to long term, it also allows TOD'S Group to mitigate the risk of unsold stock, with subsequent potential positive impacts on financial and **environmental sustainability**, to the benefit of shareholders and the main stakeholders.

5. Solidarity and Italian spirit

*More than anything else, the idea of Italian spirit - **italianità** - has always been intrinsic to the very essence of the Group. TOD'S has forged its world-renowned reputation by drawing values from Italy, using care and skill to make them its own. The Group is hugely grateful and by supporting local communities and supporting the art and culture of Italy, it strives to give something back to local communities, particularly those most in need.*

*The Group's **solidarity** efforts are not just limited to the Italian peninsula, however, despite this being the place in which its roots are firmly set. Given the Group's strong international presence, TOD'S is passionate about the well-being of people all over the world and thus works hard to share the excellence it has achieved and the value it has generated over so many years through a range of global projects and initiatives.*

5.1 Supporting the country and its economic/industrial system

TOD'S Group has always played an active role in **supporting the local areas** in which it operates and the **country** as a whole, both of which have made a vital contribution to its history and values.

The many initiatives in which TOD'S Group has participated have always been characterised by the following themes, which continue to have a significant influence on the spirit driving these projects:

- a sense of responsibility to give back part of its profits to the local community through participation and acts of gratitude. TOD'S constantly relies on local areas for resources energy and artisanal skills;
- a commitment to take an active role in the promotion and protection of the Italian spirit and Italian culture around the world, both of which are essential factors in Italian manufacturing and the handmade feel that defines the craftsmanship behind TOD'S products;
- a sense of responsibility deriving from the feeling of belonging to a broad collective and of knowing that it is in a position to help those most in need by supporting organisations and associations operating in Italy and around the world.

Supporting local areas

The Group has sought to offer concrete assistance to the local community through various initiatives over time, strengthening its strong ties with the community. A particularly important measure was the decision made at the Shareholders' Meeting of Parent Company TOD'S S.p.A. in 2012 to use **1% of the Group's annual net profits** to support initiatives designed to help the most vulnerable sections of local society.

Through this initiative, since 2012 the Group has been able to collaborate with a range of volunteer associations, providing financial and operational support for their projects and participating actively and passionately in order to promote their work over time. These associations show profound dedication and work ceaselessly to deliver projects across a wide range of areas, including promoting the education and training of young people, helping disadvantaged population sectors and supporting families.

As a result of the restrictions brought in in the way of the COVID-19 pandemic, the way some services and projects were delivered in 2020 changed. In a few cases, TOD'S opted to temporarily suspend activities following consultation with partner associations. The Group recently renewed its commitments in this area by setting out its intention to allocate 1% of net profits in order to support local initiatives in the 2021-23 Sustainability Plan, which was approved by the TOD'S S.p.A. Board of Directors on 10 March 2021. This proposal will now be submitted to the Shareholders' Meeting for approval.

The main projects launched or continued in 2020 with help from TOD'S are set out below.

Family initiatives

Since 2013, the Group has launched a series of initiatives designed to support **families in difficult situations** through partnerships with local religious and non-religious associations and regional institutions, who have taken part in the Group's "solidarity meetings".
The Group organises "poverty meetings" in local areas in order to coordinate the work of all participating associations working to help citizens or families experiencing situations of difficulty. Tutoring services are also provided.
This initiative is active in Fermo, Civitanova Marche, Comunanza, Comunità Montana dei Sibillini, Tolentino and San Severino Marche. The Group is active in a range of fields, including food support, covering medical expenses, purchasing medicines, paying domestic bills, contributing to rent costs and providing support in emergency situations such as evictions, as well as initiatives designed to help young people and promote social and professional integration.

25,980 BENEFICIARIES OF DONATIONS OF BASIC FOODSTUFFS IN 2020

In the area of **food support**, the Group helps to finance a fund to support the "Banco delle opere di carità Marche" (Marche charity food bank) association, which has been present in the Marche region since 2013.
The charity food bank of the Marche region, which brings together a range of volunteer associations (over 120 in the Marche region), helps needy families by providing a monthly supply of basic foodstuffs.
In 2020, a total of around 1,195,590 kg of foodstuffs and over 875,830 kg of fruit and vegetables were distributed.

In the field of **healthcare**, TOD'S supports associations working to cover the medical costs of families in difficult situations. The Group has set up a fund with the objective of helping disadvantaged local families to maintain an adequate standard of health and, more importantly, to deal with exceptional and sudden situations. The Group has defined a memorandum of understanding with the local public ASUR health facility designed to cover the minimum costs of all healthcare services, with free participation from medical staff on a freelance basis. The aim of this is to ensure that healthcare is effectively supplied to those most in need. The beneficiaries of the initiatives are identified on a case by case basis by the associations involved.

Total planned services made available for medical support from 2017 until exhausted

135 MEDICAL TESTS AND TRANSPORT SERVICES
20 ORTHODONTIC APPLIANCES
50 SPECIALIST VISITS
10 DIAGNOSTIC RADIOLOGY TESTS

Action to support those with disabilities

The "Il volo delle farfalle" (Flight of the Butterflies) project, meanwhile, is geared towards disabled people and their families. The project encompasses a series of measures designed and run in partnership with the local "La Crisalide" association. The association provides support to around 200 families, predominantly in the Municipalities of Porto Sant'Elpidio, Sant'Elpidio a Mare and Monte Urano.

The Group's work with the association – which was launched in 2002 – includes the organisation of a range of activities, all of which are focused on promoting **social integration** of disabled people. The initiative organises a range of workshop activities, including music therapy, courses encompassing reading and writing, acting, IT, dancing, cooking, singing, rhythmics, music, creative painting and bricolage. The project also helps disabled people to create allotments and gardens and to organise group outings at weekends, in addition to offering occupation therapy and appointments with pedagogical specialists.

Despite the interruption of planned activities for the 2019-20 period, flexible planning following the emergence of new needs as a result of the pandemic ensured that it was still possible to deliver a high number of activities (2,981) through constant online support and frequent video calls (individual and group) lasting between 30 and 90 minutes.

The number of video calls per beneficiary per month ranged from eight to ten.

Social integration - disabled people: main results achieved (period: September 2019 - September 2020)

83 PEOPLE INVOLVED BY ACTIVITY
209 MEETINGS BY ACTIVITY
2,981 SERVICES SUPPLIED
8 / 10 VIRTUAL MEETINGS FOR EACH BENEFICIARY

With regard to **gender-based violence**, the Group financed a range of activities promoted by the "Percorsi Donna" anti-violence centre in the province of Fermo in 2020. The centre's sites in Sant'Elpidio a Mare, Porto Sant'Elpidio and Fermo took part in the project, in collaboration with

the "On The Road association. With the help of a number of regional funds, the Group's support made it possible to reinforce and broaden the scope of existing services.
The main objectives of all initiatives designed to combat gender-based violence is to support women and to encourage them to report abuse, to listen to them and to provide tangible legal, psychological and economic support. The centres also work to facilitate, where necessary, contact between victims of violence on the one hand and local services and law enforcement agencies on the other.
Furthermore, a shelter was set up in 2017 to offer protection and accommodation to women who are suffering from violence and find themselves forced to leave their homes and live in situations that endanger both themselves and their children. The Group helps to organise a number of measures designed to raise awareness of issues around gender-based violence through activities in companies and schools.

Measures against gender-based violence in 2020

15 WOMEN RECEIVED LEGAL SUPPORT
19 WOMEN RECEIVED PSYCHOLOGICAL SUPPORT
7 WOMEN + **14** MINORS INVOLVED IN SERIOUS EMERGENCIES DEALT WITH AT THE SHELTER
1 PUBLIC MEETING IN PERSON AND **5** WEBINAR*S*
5 PUBLIC EVENTS
42 WOMEN RECEIVED AT THE ANTI-VIOLENCE CENTRE, OF WHICH **34** "TAKEN CARE OF"
9 WOMEN BENEFITTING FROM THE SUPPORT GROUP

Initiatives designed to help young people

Since 2014, the Group has been the sole backer of two community centres in Casette D'Ete and Comunanza, both of which offer free courses and activities for all sections of the population. Activities dedicated to the elderly such as postural gymnastics are organised during the morning, while afternoon activities are reserved exclusively for young people and encompass art, music, movement, creativity, support with homework and use of the games room. In the evenings, the centre organises a range of adult courses including English, IT, photography, drama, book club, pilates, zumba and yoga.
The Casette Youth Centre and the Mentore Lab in Comunanza were active as normal in January and February 2020, with all scheduled activities taking place. The centres reopened in October after lockdown, with the activities reworked to ensure compliance with health and safety guidance.
The Group has a particularly strong interest in the needs of **young people** and their education. Given the interruption of in-person teaching activities, the introduction of distance learning and

the fact that there was no possibility for the young people to gain experience in prestigious restaurants and hotels in European cities, the Group worked with the Carlo Urbani institute to ramp up activities at its headquarters. These remained active for the whole 2020/21 school year, with the cost of purchasing raw materials absorbed by the company.

With regard to school projects, during the 2019/20 school year, specifically the period students were able to have in-person teaching, a number of students and teachers from the hospitality institute **helped to prepare meals** for students of other courses attending afternoon lessons. On average, 40 meals were provided every day. The aim of the project was to give students an experience of the restaurant industry that was as realistic as possible, while also providing a useful service to the school.

40 MEALS PREPARED BY STUDENTS PER DAY

Montepacini Social Farm project

The **Montepacini Social Farm**: social agriculture, inclusion, education, community.

Montepacini is a multi-year project which involves both public and private entities (TOD'S) whose aim is to ensure that disabled and vulnerable people are able to fully exercise their basic human rights. The project involves volunteers, associations and other individuals working in areas spanning biodiversity, short supply chains, sustainability, solidarity and the promotion of local produce that is "tasty, clean, fair and for all". In short, Montepacini is:

• a 12-hectare site with organic certification, owned by the Municipality of Fermo, which has been home to a social agriculture project since 2012. The project is run via a leasing agreement by the Montepacini Social Farm, a B-type agricultural cooperative made up of volunteers and parents. The farm does agricultural work and runs an agritourism business thanks to three employed staff and 12 disabled/vulnerable individuals working as part of social inclusion or volunteer placements;

• a leased farmhouse which will be turned into an agritourism business/km-0 teaching restaurant. From February 21, this will employ ten people with disabilities as waiting staff and kitchen porters and that, as part of a memorandum of understanding with the Municipality of Fermo, the P. S. Elpidio Urban Schools Hub and the Social Farm, will also involve students and teachers from the hospitality institute;

• a country summer camp hosting young boys and girls from local cities and communities during the summer (120 in 2020);

• a space for hosting school trips;

• a place for meeting people, socialising and promoting collaboration and volunteering;

• a solidarity-led purchasing group based on the CSA model (Agriculture Support Community, which involves 40 families), driving direct sales of fresh, seasonal produce from the Social Farm and from other like-minded agricultural companies which belong to the short supply chain;

•two football teams, Soccer Dream Montepacini (with 25 disabled members) and Save The Youths M. Pacini (33 asylum seekers and volunteers from the Farm), who compete in the 4th and 3rd tier FIGC and Amateur League competitions;

• an opportunity for the local area to develop and improve relationships within the community and boost social capital;

• a permanent training hub around sustainability and solidarity, with programmes such as "Walking through the Countryside" and "Montepacini meetings: relationships, care, common assets";

• a group experience centred around self-help and mutual help, involving young and adult disabled people and parents, with a total of 40 families involved;

• a centre of protection for animal and fruit and veg biodiversity, with efforts to recover, preserve and reproduce ancient/rare seeds;

• a place of inclusion, encompassing people who are subject to international protection and asylum seekers, where agriculture, work and training are all encouraged. Two of the three employed labourers are asylum seekers while the other is on a placement.

Mus-e project: school integration

The Group funds the Mus-e del Fermano charity, which forms part of a national and international network and aims to promote integration in infant and primary schools through art. The association promotes teaching methods which aim to celebrate the creative talent of all children by supplementing the standard curriculum with projects developed in collaboration with teachers. The programme delivers strong results in terms of both quality and quantity. These projects last for three years and include at least 16 90-minute sessions, each with a different artist specialising in a different discipline: visual art, drama and theatre, music and singing. Mus-e del Fermano kicked the project off with two classes in Casette d'Ete and ran a number of workshops in Cascinare, where an Erasmus project involving teachers and pupils from Spain was also launched. An ad hoc project was also run in the central Sant'Elpidio a Mare headquarters. In total, the project saw participation from 100 children – both remotely and in person – in the 2019-20 academic year.

Visso Youth Centre

In 2020, the Group supported the Parrocchia Maria Santissima di Visso (entrusted with the executive part of the Project) through the signing of an agreement and a special donation to fully cover the expenses involved in the construction of the Visso Youth Centre. This project involves the construction of a nearby youth gathering centre to serve the people living in the emergency housing facilities, as well as young people and the entire local community. Work is expected to be completed in March 2021.

Tangible support: the Arquata del Tronto facility

Another concrete example of TOD'S Group's commitment to supporting the local community lies in its decision to help the population of the town of Arquata del Tronto and the surrounding areas in the Marche region affected by the 2016 earthquake.

As a way of sending out a clear message of hope and create new job prospects, in 2017 TOD'S chose to build a new factory in Arquata del Tronto and to employ local young people. The factory is located on a plot of land encompassing around 5,000 square metres.. The construction project took less than a year, the facility instantly created jobs for 30 people and has a capacity of around 100. The aim of the facility is to allow these young people to rebuild their future – in their local area. 40 people are currently employed at the factory.

The project has enabled the Group to make a tangible contribution to efforts to keep the local community alive, while also sending out a message of hope to local people, who are still living with the consequences of the earthquake.

Aware of its role in this area, the Group has placed particular importance on this project. One of its objectives was to set an example for other businesses and promote investment in the local area.

In addition to providing a positive response to a terrible situation like the one affecting these communities, the project is a way of sending out a strong message to the world that it is an economy that is reacting and bouncing back from adversity.

Solidarity with the community

During 2020, TOD'S continued working closely with the **San Patrignano** addiction rehabilitation community, which welcomes young men and women for free. TOD'S Group been working with the community since 2016 to create special collections. The Group provides free raw materials and sends skilled artisans, initiating an educational process which goes through the entire production cycle, from designing a collection of bags and leather goods to making and selling them.
Through carefully planned events (Rinascente Milan and Rome) and thanks to the involvement of notable ambassadors, the Group was able to use its online communications channels to drive sales both in San Patrignano and at the TOD'S outlet in Casette D'Ete.
Finally, in addition to organising the above initiatives, TOD'S Group continued its charity work in 2020, including through donation of its products to charity auctions. **Several charitable associations have collaborated with the Group** in this area, including the Save the Children Fund, Fondazione Francesca Rava, IEO, Fondazione Veronesi, CESVI, Fondazione Marcegaglia, Dynamo Camp, Telethon, AIRC, the Walkabout Foundation, the Breast Cancer Research Foundation, the Hawaiian Humane Society, the Children's Burns Foundation, the Players' Wives Association, the Mother's Choice charity, the Autistic Children Rescue Foundation and Fondazione Sanfilippo.

Initiatives supporting Italy's artistic and cultural heritage

Supporting Italian culture, celebrating the Italian spirit and promoting the image of Italy around the world are further important objectives for TOD'S Group, which is active in a range of initiatives designed to protect and promote Italian historical and cultural heritage. The aim of such projects is to consolidate the country's wonderful reputation, to promote its image and to spread its values.

Since 2011, the Group has been working with the Ministry of Cultural Heritage and Activities and the Special Superintendency for the Archaeological Heritage of Rome to fund a series of restoration measures involving the **Colosseum**, with a total value of €25 million.

In 2016, the first phase of the measures came to a close with the completion of the restoration of the north and south sides and the installation of perimeter fences. These measures saw the ancient splendour of one of the most important and well-known symbols of Italy's artistic and cultural heritage restored.

In late 2018, work began on this second phase, which will conclude, based on the last work plan announced by the Ministry, by the first half of 2021. Future work will include the construction of a Services Centre and the conservative restoration of the ambulacrums.

As part of its attempts to celebrate Italian culture, manufacturing and contemporary art, TOD'S Group supports two emblems of Milan: the **Teatro alla Scala** and the **Padiglione di Arte Contemporanea (PAC)**.

The Group is proud to be a Permanent Founding Member of the Fondazione Teatro alla Scala, a prestigious and important international institution working to celebrate the historical and cultural heritage of the opera house. The foundation also provides an opportunity to support an outstanding calendar of artistic events and to contribute to the objective of promoting musical culture around the world. With regard to the Padiglione di Arte Contemporanea (PAC), the Group renewed its long-term agreement with the Municipality of Milan in 2020 with the aim of supporting the completion and promotion of research activities and projects run by the Padiglione, a vital institution in the international contemporary art panorama in Milan, which attracts an average of 27,000 visitors to every exhibition.

In October 2020, for the sixth successive year, TOD'S Group provided backing to the Riscatti charity for it to organise the **"Ri-scatti - Per le strade mercenarie del sesso" photography exhibition** at the PAC. Through photos of and testimonials from 14 prostitutes, the exhibition explored the shocking nature of trafficking of women destined for prostitution. Money raised through the sale of the works exhibited was donated to the Lule charity, which planned to build a shelter for women who have escaped trafficking.

In 2020, TOD'S continued to support the **Fondo Ambiente Italiano (FAI)**. Launched in 1975, the non-profit organisation invests great passion and enthusiasm in order to save some of the most important parts of Italy, artistic heritage and natural wonders from decline. The fund also undertakes restoration work and ensures the Italian public can enjoy these assets, while raising awareness among institutions and the general public on how to protect them.

6. Appendixes

Breakdown of employees by professional category and gender

No. of people	12.31.20			12.31.19		
	Men	Women	Total	Men	Women	Total
Executives	34	20	**54**	36	22	**58**
Managers	138	203	**341**	130	198	**328**
White collars	946	2,044	**2,990**	1,035	2,123	**3,158**
Blue collars	478	725	**1,203**	499	772	**1,271**
Total	**1,596**	**2,992**	**4,588**	**1,700**	**3,115**	**4,815**

Breakdown of employees by professional category and age range

No. of people	12.31.20				12.31.19			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives		24	30	**54**		27	31	**58**
Managers	4	282	55	**341**	5	280	43	**328**
White collars	620	2,088	282	**2,990**	803	2,098	257	**3,158**
Blue collars	170	640	393	**1,203**	200	682	389	**1,271**
Total	**794**	**3,034**	**760**	**4,588**	**1,008**	**3,087**	**720**	**4,815**

Breakdown of employees by contract type and gender

No. of people	12.31.20			12.31.19		
	Men	Women	Total	Men	Women	Total
Permanent contract	1,415	2,537	**3,952**	1,470	2,592	**4,062**
Fixed-term contract	181	455	**636**	230	523	**753**
Total	**1,596**	**2,992**	**4,588**	**1,700**	**3,115**	**4,815**

Breakdown of employees by professional category and gender

No. of people	12.31.20			12.31.19		
	Men	Women	Total	Men	Women	Total
Full-time	1,557	2,745	**4,302**	1,634	2,830	**4,464**
Part-time	39	247	**286**	66	285	**351**
Total	**1,596**	**2,992**	**4,588**	**1,700**	**3,115**	**4,815**

Breakdown of employees by type (corporate/retail) and gender

No. of people	12.31.20			12.31.19		
	Men	Women	Total	Men	Women	Total
Corporate	960	1,467	**2,427**	994	1,524	**2,518**
Retail	636	1,525	**2,161**	706	1,591	**2,297**
Total	**1,596**	**2,992**	**4,588**	**1,700**	**3,115**	**4,815**

Breakdown of employees by type (corporate/retail) and age range

No. of people	12.31.20				12.31.19			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Corporate	285	1,487	655	**2,427**	333	1,551	634	**2,518**
Retail	509	1,547	105	**2,161**	675	1,536	86	**2,297**
Total	**794**	**3,034**	**760**	**4,588**	**1,008**	**3,087**	**720**	**4,815**

Employees covered by collective bargaining agreements*

Employees	12.31.20	12.31.19
	Total	Total
Covered by collective bargaining agreements	61.8%	60.1%

* These percentages are calculated on the basis of the total number of employees as of 31/12/2019 and 31/12/2020, and must be considered net of countries where local legislation does not provide for the establishment of collective bargaining agreements.

Employees incoming - 2020

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	42	80	128	274	13	41	**183**	**395**	19.4%	34.3%
Europe	33	46	15	62	1	10	**49**	**118**	20.7%	17.9%
Americas	5	5	7	5	-	2	**12**	**12**	12.5%	11.8%
Greater China	35	48	30	112	-	-	**65**	**160**	29.3%	23.1%
Rest of the World	13	42	13	51	-	-	**26**	**93**	26.8%	24.1%
Total	**128**	**221**	**193**	**504**	**14**	**53**	**335**	**778**	**21.0%**	**26.0%**

Employees incoming - 2019

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	63	171	68	187	8	24	**139**	**382**	13.9%	30.9%
Europe	77	146	49	96	4	15	**130**	**257**	49.2%	35.8%
Americas	24	29	22	25	1	3	**47**	**57**	38.8%	49.1%
Greater China	61	145	52	170	-	1	**113**	**316**	50.9%	45.6%
Rest of the World	11	42	14	62	-	2	**25**	**106**	27.2%	30.1%
Total	**236**	**533**	**205**	**540**	**13**	**45**	**454**	**1,118**	**26.7%**	**35.9%**

Employees outgoing - 2020

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	64	111	139	311	36	60	**239**	**482**	25.3%	41.9%
Europe	37	73	37	86	4	21	**78**	**180**	32.9%	27.3%
Americas	17	10	20	19	2	-	**39**	**29**	40.6%	28.4%
Greater China	24	45	41	113	-	1	**65**	**159**	29.3%	22.9%
Rest of the World	12	22	9	37	-	-	**21**	**59**	21.6%	15.3%
Total	**154**	**261**	**246**	**566**	**42**	**82**	**442**	**909**	**27.7%**	**30.4%**

Employees outgoing - 2019

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	43	134	60	191	13	38	**116**	**363**	11.6%	29.4%
Europe	73	144	48	132	8	18	**129**	**294**	48.9%	41.1%
Americas	19	29	11	28	2	1	**32**	**58**	26.4%	50.0%
Greater China	62	82	79	148	-	2	**141**	**232**	63.5%	33.5%
Rest of the World	14	19	18	46	-	-	**32**	**65**	34.8%	18.5%
Total	**211**	**408**	**216**	**545**	**23**	**59**	**450**	**1,012**	**26.5%**	**32.5%**

Number of recordable work - related injuries

Region	2020			2019		
	Number of recordable work related injury	Number of high-consequence work-related injuries (excluding fatalities)	Number of fatalities as a result of work-related injury	Number of recordable work related injury	Number of high-consequence work-related injuries (excluding fatalities)	Number of fatalities as a result of work-related injury
Italy	15	-	-	29	-	-
Europe	-	-	-	5	-	-
Americas	2	-	-	4	-	-
Greater China	1	-	-	6	-	-
Rest of the World	-	-	-	-	-	-
Total	**18**	**-**	**-**	**44**	**-**	**-**

Number of recordable work - related injuries - external associates*

	2020	2019
Number of recordable work-related injuries	-	-
Number of high-conseguence work-related injuries (excluding fatalities)	-	-
Number of fatalities	-	-
Total	**-**	**-**

* In order to calculate GRI 403-9.b relating to injuries to external workers, in 2020 TOD'S Group continued to gather data from employers at external laboratories in the Footwear and Leather Goods divisions that worked exclusively for TOD'S Group. The scope of assessment is subject to variation based on the number of laboratories on exclusive contracts with TOD'S during the reporting period.

Recordable work - related injuries Index*

Region	2020			2019		
	Rate of recordable work - related injuries (a)	Rate of facilities as a result of work - related injury (b)	Rate of high - conseguence wortk - related injuries (excluding fatalities) (c)	Rate of recordable work - related injuries (a)	Rate of facilities as a result of work - related injury (b)	Rate of high - conseguence wortk - related injuries (excluding fatalities) (c)
Italy	1.09	-	-	1.64	-	-
Europe**	-	-	-	0.55	-	-
Americas	1.19	-	-	1.76	-	-
Greater China	0.11	-	-	0.64	-	-
Rest of the World	-	-	-	-	-	-
Total	**0.51**	**-**	**-**	**1.04**	**-**	**-**

* Where data was not readily available, estimates have been used.
(a) The rate of recordable accidents at work is the ratio between the total number of accidents at work and the total hours worked in the same period, multiplied by 200,000.
(b) The rate of deaths due to accidents at work is the ratio between the total number of deaths due to accidents at work and the total hours worked in the same period, multiplied by 200,000.
(c) The rate of accidents at work with serious consequences (excluding deaths) is the ratio between the total number of accidents at work with serious consequences (excluding deaths) and the total hours worked in the same period, multiplied by 200,000.

** Following a process to improve the reporting system and to guarantee the comparability of data, data on the rate of accidents at work in 2019 have been restated compared to those published in the previous NFS. For previously published data, please refer to the 2019 NFS.

Recordable work - related injuries Index - external associates*

	2020	2019
Rate of recordable work - related injuries (a)	-	-
Rate of facilities as a result of work - related injury (b)	-	-
Rate of high - conseguence work - related injuries (excluding fatalities) (c)	-	-
Total	**-**	**-**

* Where data was not readily available, estimates have been used.
(a) The rate of recordable accidents at work is the ratio between the total number of accidents at work and the total hours worked in the same period, multiplied by 200,000.
(b) The rate of deaths due to accidents at work is the ratio between the total number of deaths due to accidents at work and the total hours worked in the same period, multiplied by 200,000.
(c) The rate of accidents at work with serious consequences (excluding deaths) is the ratio between the total number of accidents at work with serious consequences (excluding deaths) and the total hours worked in the same period, multiplied by 200,000.

* In order to calculate GRI 403-9.b relating to injuries to external workers, in 2020 TOD'S Group continued to gather data from employers at external laboratories in the Footwear and Leather Goods divisions that worked exclusively for TOD'S Group. The scope of assessment is subject to variation based on the number of laboratories on exclusive contracts with TOD'S during the reporting period.

Ratio between base salary for men and women - 2020

Base Salary	Ratio Women on Men 2020				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.83	-	-	-	-
Managers	1.01	1.02	1.17	0.75	0.75
White collars	0.89	1.01	1.12	1.00	0.94
Blue collars	0.97	1.14	-	-	-

Ratio between base salary for men and women - 2019

Base Salary	Ratio Women on Men 2019				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.80	0.97	-	-	-
Managers	1.03	1.01	1.31	0.82	0.74
White collars	0.90	1.06	1.05	1.02	0.93
Blue collars	0.95	1.16	-	-	-

Ratio between total remuneration for men and women - 2020

Average comprehensive remuneration	Ratio Women on Men 2020				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.70	-	-	-	-
Managers	0.99	1.04	1.21	0.66	0.76
White collars	0.89	1.01	1.14	0.96	0.92
Blue collars	0.97	1.14	-	-	-

Ratio between total remuneration for men and women - 2019

Average comprehensive remuneration	Ratio Women on Men 2019				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.66	0.95	-	-	-
Managers	1.01	1.03	1.35	0.73	0.76
White collars	0.91	1.06	1.05	1.08	0.91
Blue collars	0.95	1.16	-	-	-

Average training hours per capita, divided by gender and professional category

No. of people	2020			2019		
	Men	Women	Total	Men	Women	Total
Executives	7.2	8.0	**7.5**	16.5	10.5	**7.0**
Managers	20.7	16.7	**18.4**	21.1	24.2	**25.9**
White collars	9.7	6.7	**7.6**	7.2	6.9	**6.0**
Blue collars	5.8	5.3	**5.5**	10.1	6.7	**5.7**
Total	**9.5**	**7.0**	**7.9**	**9.3**	**8.0**	**8.4**

Per capita figures for 2019 have been calculated net of 3,686 hours of retail training, which could not be divided by professional category.

Employees belonging to legally protected status, divided by professional category and gender

No. of legally protected status people	12.31.20			12.31.19		
	Men	Women	Total	Men	Women	Total
Executives	-	-	-	-	-	-
Managers	1	2	**3**	1	2	**3**
White collars	13	28	**41**	10	24	**34**
Blue collars	39	39	**78**	38	36	**74**
Total	**53**	**69**	**122**	**49**	**62**	**111**

7. Scope and impact of material topics

Material topics	Correlation with topics – specific disclosures	Scope of material topics	Type of impact
Customer experience and digitalization of sales channels	N/A	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Ethics, integrity and anti-corruption	Anti-corruption; Environmental compliance; Non-discrimination	TOD'S Group	Caused by the Group
Health and safety	Occupational health and safety	TOD'S Group staff, external workshops	Caused by the Group and directly connected to its activities
Product quality and uniqueness	N/A	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Economic performance	Economic performance; Taxes	TOD'S Group	Caused by the Group
Identity and enhancement of the brand	N/A	TOD'S Group	Caused by the Group
Support for local communities	Local communities	TOD'S Group	Caused by the Group
Employee wellbeing and work/life balance	Employment	TOD'S Group	Caused by the Group
Raw materials and responsible manufacturing	Materials	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Training and development of employees	Employment; Training and development	TOD'S Group	Caused by the Group

Material topics	Correlation with topics – specific disclosures	Scope of material topics	Type of impact
Risk management	N/A	TOD'S Group	Caused by the Group
Responsible management of the supply chain	Procurement practices; Supplier social assessment	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Climate change and responsible consumption	Environmental compliance; Emissions; Effluents and waste; Energy; Water	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Presence on the market	Presence on the market	TOD'S Group	Caused by the Group
Diversity and inclusion	Diversity and equal opportunities; Anti-discrimination	TOD'S Group	Caused by the Group
Protecting art and culture	N/A	TOD'S Group	Caused by the Group
Sustainable business strategy	N/A	TOD'S Group	Caused by the Group
Privacy and data protection	Client privacy	TOD'S Group	Caused by the Group
Design, sustainable packaging and circular economy	N/A	TOD'S Group	Caused by the Group
Animal welfare	N/A	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities

8. GRI Content Index

TOD'S Group's 2020 Non-Financial Statement was produced in accordance with GRI Standards: *Core option*. The following table shows Group data based on GRI Standards, with reference to the materiality analysis. For each piece of data shown, the relevant page number in the Non-Financial Statement (NFS) and/or Annual Financial Report (AFR) is shown.

GRI Standard	Disclosure	Page
GENERAL DISCLOSURE 2016		
Organisation profile		
102-1	Name of organisation	NFS p. 41
102-2	Activities, brands, products and services	NFS pp. 71-78
102-3	Location of headquarters	NFS p. 42; AFR p. 1
102-4	Location of operations	NFS pp. 79-80; AFR pp. 4-5
102-5	Legal ownership and form	NFS pp. 58-59; AFR pp. 3-5
102-6	Markets served	NFS pp. 79-80; AFR p. 6
102-7	Scale of the organisation	NFS pp. 71, 79-80, 110; AFR pp. 6-9
102-8	Information on employees and other workers	NFS pp. 110, 115, 151
102-9	Supply chain	NFS pp. 81-84
102-10	Significant changes to the organisation and its supply chain	NFS p. 42; AFR pp. 12-15
102-11	Precautionary principle	NFS pp. 62-66
102-12	External initiatives	NFS pp. 84, 93-94
102-13	Membership of associations	NFS pp. 50, 93-94
Strategy		
102-14	Statement by a senior manager	NFS pp. 39-40
102-15	Key impacts, risks and opportunities	NFS pp. 62-66
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	NFS pp. 39, 44, 54, 56-57, 61, 91-94
102-17	Procedures for obtaining suggestions and advice on ethical issues	NFS pp. 54, 56-57, 61

Governance		
102-18	Governance structure	NFS pp. 58-60; AFR p.3
Stakeholder engagement		
102-40	List of stakeholder groups	NFS pp. 47-50
102-41	Collective bargaining agreements	NFS p. 152
102-42	Identifying and selecting stakeholders	NFS pp. 47-50
102-43	Stakeholder engagement methods	NFS pp. 47-50
102-44	Key issues and concerns raised	NFS pp. 47-50
Profile of Non-Financial Statement		
102-45	Subjects included in the consolidated financial statements	NFS p.42; AFR pp. 4-5
102-46	Definition of report content and scope of the issues	NFS pp. 52-53, 157-158
102-47	List of material issues	NFS pp. 52-53, 157-158
102-48	Review of information	NFS pp. 41, 154
102-49	Changes in reporting	NFS p. 42
102-50	Reporting period	NFS p. 41
102-51	Date of most recent report	NFS p. 41
102-52	Reporting cycle	NFS p. 41
102-53	Contacts to request information about the report	NFS p. 43
102-54	Statement on reporting in compliance with GRI Standards	NFS pp. 41, 159
102-55	GRI content index	NFS pp. 159-170
102-56	External assurance	NFS pp. 171-174

GRI Standard	Disclosure	Page	Omission
MATERIAL TOPICS (All the material topics were reported through topics – specific disclosures relating to 2016)[22]			
Economic performance			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management methods and their components	NFS p. 67; AFR	

[22] The topic-specific 303 Water and wastewater and 403 Occupational health and safety have been reported via topic-specific disclosures relating to 2018. The topic-specific 207 Tax has been reported via topic-specific disclosures relating to 2019.

		pp. 7-9	
103-3	Evaluation of management methods	NFS p. 67; AFR pp. 7-9	
201-1	Direct economic value generated and distributed	NFS p. 67	
Presence on the market			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 110-117	
103-3	Evaluation of management methods	NFS pp. 110, 116-161	
202-1	Ratios between the standard wage of a new employee by gender and the local minimum wage	NFS p. 116	
202-2	Proportion of senior managers hired from the local community	In 2019 and 2020, respectively 84.5% and 87.0% of senior managers in the Group's companies were hired from the local community.	
Procurement practices			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 62-63, 65, 81-84	
103-3	Evaluation of management methods	NFS pp. 81-83	
204-1	Proportion of spending on local suppliers	NFS p. 83	
Anti-corruption			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 54-57, 62-66	
103-3	Evaluation of management methods	NFS pp. 54-57,	

		62-66, 162	
205-3	Verified incidents of corruption and actions taken	The Group reported no incidents of corruption in 2019 and 2020.	
Tax			
207-1	Approach to tax Information	NFS pp. 68-69	
207-2	Tax governance, control and risk management	NFS pp. 68-69	
207-3	Stakeholder engagement and management concerns related to tax	NFS p. 69	
207-4	Country-by-country reporting	-	The quantitative and qualitative data required for reporting 207-4 information are present within the Group". However, the relative consolidation and summary schedules used to prepare the above information are still being defined and therefore reference should be made to subsequent reports for a description of the requirements of the GRI Standards.
Materials			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 81-	

		84, 137	
103-3	Evaluation of management methods	NFS pp. 63, 81-84, 127-128, 137	
301-1	Materials used by weight or volume	NFS pp. 84, 137	The raw materials analysed (page 84) refer to raw materials purchased, and not raw materials consumed. This information is not available due to confidentiality issues.
Energy			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 127-128, 130-132	
103-3	Evaluation of management methods	NFS pp. 63, 127-128, 130-132	
302-1	Energy consumed within the organisation	NFS p. 131	
Water and wastewater			
303-1	Interactions with water as a shared resource	NFS pp. 51-53, 157-158	
303-2	Management of water discharge-related impacts	NFS pp. 132-134	
303-3	Water withdrawal	NFS p. 133	
Emissions			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management methods and their components	NFS pp. 63, 127-128, 137-138	
103-3	Evaluation of management methods	NFS pp. 63, 127-128, 137-138	

305-1	Direct GHG emissions (Scope 1)	NFS pp. 137-138	
305-2	Indirect GHG emissions from energy consumption (Scope 2)	NFS pp. 137-138	
305-3	Other indirect GHG emissions (Scope 3)	NFS pp. 137-138	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant emissions	NFS p. 138	
Effluents and waste			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 127-128, 135-136	
103-3	Evaluation of management methods	NFS pp. 63, 127-128, 135-136	
306-2	Waste by type and disposal method	NFS p. 135	
Environmental compliance			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63-65	
103-3	Evaluation of management methods	NFS pp. 63-65, 164	
307-1	Non-compliance with environmental laws and regulations	The Group received no significant fines or non-monetary sanctions deriving from non-compliance with environmental laws and regulations during 2019 and 2020.	
Employment			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 110-117,	

		120-122	
103-3	Evaluation of management methods	NFS pp. 110-117, 120-122, 152-153	
401-1	New hires and turnover	NFS pp. 111, 152-153	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS pp. 115-117, 120-122	This indicator has been qualitatively reported.
Labour management relations			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 110, 152	
103-3	Evaluation of management methods	NFS pp. 152, 165	
402-1	Minimum notice period for operational changes	The minimum notice period is set out in collective bargaining agreements, where present, and by laws in force in the countries in which the Group operates.	
Occupational health and safety			
403-1	Occupational health and safety management system	NFS pp. 123-124	
403-2	Hazard identification, risk assessment and accident investigations	NFS pp. 65, 123-124	
403-3	Occupational health services	NFS pp. 123-124	
403-4	Worker participation and consultation and communication on health and safety at work	NFS pp. 123-124	
403-5	Training of workers in health and safety at work	NFS pp. 123-124	
403-6	Promotion of workers' health	NFS pp. 123-126	
403-7	Prevention and mitigation of occupational	NFS pp. 123-124	

	health and safety impacts in trade relations		
403-9	Accidents at work	NFS pp. 126, 153-154	
Training and education			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 65, 110, 117-120, 124	
103-3	Evaluation of management methods	NFS pp. 63, 65, 110, 117-120, 124	
404-1	Average hours of annual training per employee	NFS pp. 117, 156	
Diversity and equal opportunities			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 65, 110, 115	
103-3	Evaluation of management methods	NFS pp. 63, 65, 110, 115, 151, 155	
405-1	Diversity in governance bodies and among employees	NFS pp. 60, 151	
405-2	Ratio of basic salary and pay for women compared to men	NFS p. 155	
Non-discrimination			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 65, 110, 115	
103-3	Evaluation of management methods	NFS pp. 63, 65, 110, 115, 166-167	
406-1	Incidents of discrimination and corrective measures taken	In 2020, the Group did not record any	For confidentiality reasons, the

		incidents of discrimination.	Group does not communicate this type of data for 2019 to external parties.
Local communities			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management methods and their components	NFS pp. 140-148	
103-3	Evaluation of management methods	NFS pp. 140-148	
413-1	Activities involving local communities, impact assessments and development programmes	NFS pp. 140-148	
Supplier social assessment			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 63, 81-82, 85	
103-3	Evaluation of management methods	NFS pp. 63, 81-82, 85, 167	
414-1	New suppliers assessed through the use of social criteria	NFS p. 85	In 2020 is continued a third-party audit process was launched in the production chains on environmental and social issues, human rights, health and safety, and ethical principles. This indicator has been qualitatively reported.
Customer health and safety			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	

103-2	Management method and its components	NFS pp. 65, 91	
103-3	Evaluation of management method	NFS pp. 65, 91, 168	
416-2	Incidents of non-compliance regarding impacts on the health and safety of products and services	In 2019 and 2020 there were no cases of non-compliance with regulations and/or self-regulatory codes concerning the health and safety impacts of products and services.	
Marketing and labelling			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 64-65, 92-94	
103-3	Evaluation of management methods	NFS pp. 64-65, 92-94, 168	
417-2	Incidents of non-compliance regarding information and labelling of products and services	During 2019 and 2020, the Group registered no cases of non-compliance with regulations or voluntary codes as regards product/service information and labelling.	
417-3	Cases of non-compliance concerning marketing communications	During 2019 and 2020, the Group registered no cases of non-compliance with regulations or voluntary codes as regards marketing activities.	

Privacy and data protection			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 64-65	
103-3	Evaluation of management methods	NFS pp. 64-65, 169	
418-1	Proven complaints regarding breaches of customer privacy and loss of customer data	In 2019 and 2020, the Group did not file any complaints concerning breaches of customer privacy and loss of customer data.	
Product quality and uniqueness			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 65, 87-91	
103-3	Evaluation of management methods	NFS pp. 65, 87-91	
Brand identity and enhancement			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 44, 70-78	
103-3	Evaluation of management methods	NFS pp. 44, 70-78	
Sustainable business strategy			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 44-46	
103-3	Evaluation of management methods	NFS pp. 44-46	
Customer experience and digitalization of sales channels			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 95-108	
103-3	Evaluation of management methods	NFS pp. 95-108	
Animal welfare			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	

103-2	Management method and its components	NFS p. 81	
103-3	Evaluation of management methods	NFS p. 81	
Design, sustainable packaging and circular economy			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 127, 137	
103-3	Evaluation of management methods	NFS pp. 127-128, 137	
Protecting art and culture			
103-1	Explanation of the material issue and its scope	NFS pp. 51-53, 157-158	
103-2	Management method and its components	NFS pp. 140-141, 149-150	
103-3	Evaluation of management methods	NFS pp. 140-141, 149-150	

Financial Statements

Consolidated Income Statement

euro 000's	Note	FY 20	FY 19
Revenue			
Sales revenue	8.1	637,111	915,983
Other income	8.1	9,932	108,641
Total revenue and income		**647,043**	**1,024,624**
Operating Costs			
Change in inventories of work in progress and finished goods	8.2	(19,948)	19,130
Cost of raw materials, supplies and materials for consumption	8.2	(174,619)	(244,114)
Costs for services	8.3	(173,225)	(238,732)
Costs of use of third party assets	8.4	(29,343)	(55,736)
Personnel costs	8.5	(189,025)	(213,884)
Other operating charges	8.6	(21,378)	(35,891)
Total operating costs		**(607,538)**	**(769,228)**
EBITDA		**39,504**	**255,396**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	10	(8,444)	(8,775)
Depreciation of tangible assets	11	(32,024)	(35,113)
Depreciation of right of use assets	9	(104,297)	(105,269)
Other adjustment	12	(28,673)	(3,210)
Total amortisation, depreciation and write-downs		**(173,439)**	**(152,367)**
Provisions		(1,427)	(1,969)
EBIT		**(135,362)**	**101,060**
Financial income and expenses			
Financial income	8.7	26,986	21,855
Financial expenses	8.7	(49,599)	(45,945)
Total financial income (expenses)		**(22,613)**	**(24,090)**
Income (losses) from equity investments			
Profit before taxes		**(157,975)**	**76,971**
Income taxes	8.9	84,785	(31,312)
Profit/(loss) for the period		**(73,190)**	**45,659**
Non-controlling interests			625
Profit/(loss) of the Group		**(73,190)**	**46,283**
EPS (in euro)	27	-2.21	1.40
EPS diluted (in euro)	27	-2.21	1.40

Note: the Consolidated Income Statement doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 33 of the Notes to the consolidated financial statements .

Consolidated Statement of Comprehensive Income

euro 000's	Note	Year 20	Year 19
Profit (loss) for the period (A)		**(73,190)**	**45,659**
Other comprehensive income that will be reclassified subsequently to profit and loss:			
Gains/(Losses) on derivative financial instruments (cash flow hedge)	18	763	481
Gains/(Losses) on currency translation of foreign subsidiaries	21	(2,177)	4,801
Gains/(Losses) on net investments in foreign operations	21	3,284	(1,190)
Total other comprehensive income that will be reclassified subsequently to profit and loss (B)		**1,870**	**4,092**
Other comprehensive income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/(losses) on defined benefit plans	23	(123)	383
Total other comprehensive income that will not be reclassified subsequently to profit and loss (C)		**(123)**	**383**
Total Comprehensive Income (A) + (B) + (C)		**(71,443)**	**50,134**
Of which:			
Attributable to Shareholders of the Parent company		(71,443)	50,772
Attributable to non-controlling interests			(638)

Note: the figures shown above in the Consolidated Statement of Comprehensive Income are represented net of tax effect.

Consolidated Statement of Financial Position

euro 000's	Note	12.31.20	12.31.19
Non current assets			
Right of use assets			
Right of use assets	9	382,521	446,126
Total Right of use assets		**382,521**	**446,126**
Intangible fixed assets			
Assets with indefinite useful life	10	554,234	565,934
Key money	10		
Other intangible assets	10	25,628	24,619
Total Intangible fixed assets		**579,862**	**590,552**
Tangible fixed assets			
Buildings and land	11	53,706	55,533
Plant and machinery	11	9,563	11,086
Equipment	11	10,700	11,945
Leasehold improvement	11	31,507	37,229
Others	11	30,652	34,796
Total Tangible fixed assets		**136,127**	**150,589**
Other assets			
Investment properties	13	11	15
Equity investments			
Deferred tax assets	14	105,655	51,913
Others	15	18,329	19,027
Total other assets		**123,995**	**70,955**
Total non current assets		**1,222,505**	**1,258,222**
Current assets			
Inventories	16	353,982	384,632
Trade receivables	17	73,653	97,170
Tax receivables	17	15,437	12,954
Derivative financial instruments	18	2,739	1,393
Others	17	65,987	67,355
Cash and cash equivalents	19	330,940	184,072
Total current assets		**842,739**	**747,576**
Total assets		**2,065,244**	**2,005,798**

to be continued

Note: the Consolidated Statement of Financial Position doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 33 of the Notes to the consolidated financial statements .

euro 000's (continuing)	Note	12.31.20	12.31.19
Equity			
Share capital	21	66,187	66,187
Capital reserves	21	416,588	416,588
Hedging and translation reserves	21	17,311	15,441
Other reserves	21	580,280	537,138
Profit/(loss) attributable to the Group	21	(73,190)	46,283
Total Equity attributable to the Group		**1,007,176**	**1,081,637**
Non-controlling interest			
Share capital and reserves	21		(464)
Profit/(loss) attributable to non-controlling interests	21		(625)
Total Equity attributable to non-controlling interests			**(1,089)**
Total Equity		**1,007,176**	**1,080,548**
Non-current liabilities			
Provisions for risks	22	12,692	11,530
Deferred tax liabilities	14	4,030	39,047
Employee benefits	23	15,234	16,416
Derivative financial instruments	18		225
Bank borrowings	24	9,375	84,023
Non-current lease liabilities	9	305,013	344,201
Others	25	12,801	13,779
Total non-current liabilities		**359,145**	**509,221**
Current liabilities			
Trade payables	26	105,270	137,191
Tax payables	26	11,426	22,869
Derivative financial instruments	18	1,827	2,385
Others	26	40,350	45,409
Banks	24	446,501	112,130
Current lease liabilities	9	91,337	94,879
Provisions for risks	22	2,213	1,166
Total current liabilities		**698,924**	**416,028**
Total Equity and liabilities		**2,065,244**	**2,005,798**

Note: the Consolidated Statement of Financial Position doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 33 of the Notes to the consolidated financial statements .

Consolidated Statement of Cash Flows

euro 000's	Note	12.31.20	12.31.19
Profit/(Loss) for the period		**(73,190)**	**45,659**
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Amortizat., deprec., revaluat., and write-downs	9-10-11-12-16-17	210,708	157,798
Other non monetary expenses/(income)	18-21-22	(2,493)	(83,798)
Income taxes for the period	8.9	(84,785)	31,312
Changes in operating assets and liabilities:			
Trade receivables	17	24,264	4,514
Inventories	16	(7,366)	(28,356)
Tax receivables and tax payables	17-26	(1,994)	(1,397)
Trade payables	26	(31,921)	(11,797)
Other assets and liabilities	15-25-26	(2,983)	(373)
Change in reserve for employee	23	(1,305)	1,830
Cash flows from operating activities		**28,935**	**115,391**
Interests (paid)/collected		(2,054)	(847)
Interests (paid) on lease liabilities		(13,202)	(13,105)
Income taxes (paid)/refunded		(15,867)	(2,902)
Net cash flows from operating activities (A)		**(2,188)**	**98,537**
Acquisitions of intangible and tangible fixed assets	10-11	(30,267)	(50,655)
Transfers of intangible and tangible fixed assets	10-11	572	1,973
Other changes in fixed assets			
Sale of Omotesando building			141,400
Cash flows generated (used) in investing activities (B)		**(29,695)**	**92,718**
Dividends paid			(33,094)
Capital increase			
Other changes in Equity			
Repayments of lease liabilities	9	(77,030)	(91,645)
Repayments of financial liabilities	24	(241,792)	(225,961)
Proceeds from financial liabilities	24	507,000	150,000
Cash flows generated (used) in financing (C)		**188,178**	**(200,700)**
Translation differences (D)		(733)	(3,291)
Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)		**155,563**	**(12,735)**
Cash flow from assets held for sale (F)			
Cash flows generated (used) (G)=(E)+(F)		**155,563**	**(12,735)**
Net cash and cash equivalents at the beginning of the period		160,609	173,344
Net cash and cash equivalents at the end of the period		316,172	160,609
Change in net cash and cash equivalents		**155,563**	**(12,735)**

Consolidated Statement of changes in equity

Year 20 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non-controlling interests	Total
Balances as of 01.01.20	**66,187**	**416,588**	**15,441**	**583,423**	**1,081,637**	**(1,089)**	**1,080,548**
Profit & Loss account				(73,190)	(73,190)		(73,190)
Directly in equity			1,870	(123)	1,747		1,747
Total Comprehensive Income			**1,870**	**(73,313)**	**(71,443)**		**(71,443)**
Dividend paid							
Capital increase							
Share based payments							
Other (1)				(3,019)	(3,019)	1,089	(1,930)
Balances as of 12.31.20	**66,187**	**416,588**	**17,311**	**507,090**	**1,007,176**		**1,007,176**

Year 19 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non-controlling interests	Total
Balances as of 01.01.19	**66,187**	**416,588**	**11,348**	**571,027**	**1,065,150**	**(452)**	**1,064,698**
Profit & Loss account				46,283	46,283	(625)	45,659
Directly in equity			4,092	396	4,488	(13)	4,475
Total Comprehensive Income			**4,092**	**46,679**	**50,772**	**(638)**	**50,134**
Dividend paid				(33,094)	(33,094)		(33,094)
Capital increase							
Share based payments							
Other				(1,190)	(1,190)		(1,190)
Balances as of 12.31.19	**66,187**	**416,588**	**15,441**	**583,423**	**1,081,637**	**(1,089)**	**1,080,548**

Notes:

(1) They mainly include the acquisition of minorities equal to 50% of the share capital of the company Filangieri S.r.l. for a total amount of 2 million euros and the use of the reserve for promoting territorial solidarity projects.

Notes to the Consolidated Financial Statements

1. General notes

The TOD'S Group operates in the luxury sector under its proprietary brands (TOD'S, HOGAN, FAY and ROGER VIVIER). It actively creates, produces and distributes shoes, leather goods and accessories, and apparel. The firm's mission is to offer global customers top-quality products that satisfy their functional requirements and aspirations.

The parent company TOD'S S.p.A., registered office in Sant'Elpidio a Mare (Fermo) at Via Filippo Della Valle 1, is listed on Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A.

At December 31st, 2020 TOD'S S.p.A. share capital is owned by DI.VI. FINANZIARIA of DIEGO DELLA VALLE & C. S.r.l. for 50.291%.

The consolidated financial statements has been prepared by the Board of Directors of TOD'S S.p.A. and it is subject to PricewaterhouseCoopers S.p.A. audit.

2. Basis of preparation

The Consolidated Financial Statements were prepared in accordance with IAS/IFRS (International Accounting Standards – IAS -, and International Financial Reporting Standards – IFRS) issued by IASB, based on the text published on the Gazzetta Ufficiale of European Union (G.U.C.E.). IAS/IFRS refers also to all revised *International Accounting Standards* (IAS) and all interpretative documents issued by the IFRIC (International Financial Reporting Interpretations Committee), previously nominated Standing Interpretations Committee (SIC).

The Notes have been supplemented by the additional information required by CONSOB and its implementing measures of Article 9 of Legislative Decree 38/2005 (Resolutions 15519 and 15520 of July 27th, 2006 and memorandum DEM/6064293 of July 28th, 2006, pursuant to Article 114(5) of the Consolidated Law on Finance-TUF), Article 78 of the Issuer Regulation, the EC document of November 2003 and, when applicable, the Italian Civil Code. Consistently with the financial statements for the previous year, certain information is provided in the Report by the Board of Directors on Operations.

The consolidated financial statements has been prepared on the going concern basis, and it includes the statement of financial position, the income statement, statement of comprehensive income, the statement of cash flows and the statement of changes in equity of TOD'S S.p.A. and its Italian and foreign subsidiaries, which are jointly referred to as the TOD'S Group. The Consolidated Financial Statements are drawn up in Euro and prepared on the basis of the draft financial statements at 31 December 2020 (January 1st – December 31st) approved by the respective Boards of Directors or, if no collective body has been appointed, by the Sole Directors, of the legal entities included in the scope of consolidation.

Because the closing date of its fiscal year does not coincide with the reference date of the consolidated financial statements, Tod's Retail India Pte. Ltd was included on the basis of interim financial statements for twelve months, referring to the date of the consolidated financial statements.

For presentation of its operating income, the Group adopted the presentation of the profit and loss by nature. The format of representing revenues and costs by nature is followed, indicating the EBITDA and EBIT results as in the past, since they are considered representative indicators of company performance. In addition, it has been prepared the statement of comprehensive income which include transactions that are outside the income statement but they produce their effects directly to equity. Transactions represented in the statement of comprehensive income are net of tax effects, if applicable.

The statement of financial position shows current items, for which it is supposed that they will be realized or closed during the normal operating cycle, separately from non-current items (both assets and liabilities).

The financial statements schemes, joined with both report on operations and supplementary notes, are considered to be the those that provide the best organized representation of the Group's financial position and income. If it proves necessary or appropriate to amend items in the financial statements as a result of the application of a new accounting standard, a change in the nature of a transaction or an accounts review, in order to provide reliable and more relevant information for the users of the financial statements, the comparative data will be reclassified accordingly in order to improve the comparability of the information between one financial year and another. In this case, if the changes are significant, they will be suitably disclosed in the notes to the financial statements.

3. Evaluation methods and accounting standards

The accounting standards and principles of consolidation applied to the preparation of these Consolidated Financial Statements are consistent with those applied to the preparation of the Consolidated Financial Statements at December 31st, 2019, also taking into account the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2020.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2020, which were applied on first-time adoption in the TOD'S Group's consolidated financial statements at December 31st, 2020

• Amendments to references to the conceptual framework in IFRS: on March 29th, 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards." The amendment became applicable for the periods commencing on or after January 1st, 2020, with early adoption permitted. The Conceptual Framework describes the fundamental concepts for financial reporting and guides the Board in developing the IFRS standards. The document helps ensure that the Standards are developed on the basis of consistent concepts and that similar transactions are treated in the same manner, so as to provide useful information to investors, lenders, and other creditors. The Conceptual Framework supports entities in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more in general, helps stakeholders understand and interpret the Standards. The adoption of these amendments did not have any material impact on the Group's consolidated financial statements.

• Definition of material (amendments to IAS 1 and to IAS 8): under Regulation (EU) No. 2019/2014, which was published on December 10th, 2019, the International Accounting Standards Board (IASB) published some amendments to IFRS, as well as an amendment to the definition of "material" provided in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The purpose of this amendment is to make the definition of "material" more specific and to introduce the concept of "obscured information" in addition to the concepts of omitting or misstating information that are already described in the two standards subject to amendment. The amendment clarifies that information is "obscured" if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The endorsement took place on November 29th, 2020, with effective date on January 1st, 2020. The adoption of these amendments did not have any material impact on the Group's consolidated financial statements.

• Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7): under Regulation (EU) No. 2020/34, which was published on January 16th, 2020, the European Parliament made amendments to IAS 39 and to International Financial Reporting Standards (IFRS) 7 and 9. The amendment became necessary as a result of the report on "Reforming Major Interest Rate Benchmarks" whereby the Financial Stability Board issued recommendations aimed at strengthening existing and other potential benchmark indices based on interbank markets and developing alternative, almost risk-free benchmark rates. Accordingly, the International Accounting Standards Board published the interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7) in order to take account of the consequences of the reform on financial reporting and so that entities can continue to comply with the provisions assuming that existing interest rate benchmark indices are not changed as a result of the interbank rate reform. The regulation, which was issued in September 2019 and endorsed on January 15th, 2020, shall be applied by no later than the start date of their first financial period commencing on or after January 1st, 2020. The firs-time adoption of these amendments had no impact on the Group's consolidated financial statements.

• Definition of a business (amendments to IFRS 3): on October 22nd, 2018 the IASB published the document on the "Definition of a Business (Amendments to IFRS 3)." The document provides some clarifications as to the definition of business for the purposes of a correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, an output is not strictly required to identify a business if in any case there is an integrated set of activities, processes and assets. However, to meet the definition of a business, an integrated set of activities, processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB has replaced the wording on the "ability to create output" with the "ability to contribute to the creation of outputs" to make it clear that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also provides for a concentration test, to be used on an optional basis, which allows an assessment of whether a business exists or not if the price paid is substantially attributable to a single asset or group of assets. The amendments shall apply to all business combinations and acquisitions of assets after January 1st, 2020, with early adoption permitted. The first-time adoption of these amendments had no impact on the Group's consolidated financial statements.

• COVID-19-Related Rent Concessions (amendment to IFRS 16): under Regulation (EU) No. 2020/1434 of October 12th, 2020, the IFRS Foundation approved an amendment to IFRS 16 relating to the method of accounting for leases. The amendment was endorsed on October 9th, 2020. According to the document, lessees may account for COVID-19-related rent concessions without having to assess if the definition of lease modification under IFRS 16 is met through an analysis of the contracts. Therefore, lessees applying this option may, if some conditions are fulfilled, account for the effects of reductions in lease rents directly through profit or loss as at the effective date of the concession. This amendment became applicable to financial statements for financial periods commencing on June 1st, 2020, but the Group made use of the option for an early adoption of this amendment as from January 1st, 2020. On the basis of the first-time adoption of this amendment, the Group recognised proceeds arising from renegotiations of existing lease agreements for a total amount of 15.4 million euros, as Costs for use of third-party assets in the income statement for the year. Furthermore, it should be noted that, in consideration of the fact that the amendment to IFRS 16 had not yet completed all the formal steps necessary for its endorsement by the European Union and that, consequently, it could not yet be adopted, and while taking account of the strictly operational nature of the leases, the concessions obtained from the lessors by June 30th, 2020, amounting to 10.6 million euros, were accounted for, in the Half-Year Financial Report as at June 30th, 2020, as a partial derecognition of a lease liability by applying paragraph 3.3.1 of IFRS 9 - Financial Instruments, recognising the benefit as a reduction in operating costs in the income statement of the half-year financial statements as at June 30th, 2020. In particular, the proceeds arising from these concessions were reported in a separate line of the income statement in order to provide clear and correct disclosures in the financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2021, and not early adopted by the Group

On August 27th, 2020 the IASB published, following the reform on interest rate benchmarks such as the IBOR, the document on "Interest Rate Benchmark Reform—Phase 2", which makes amendments to the following standards:

• IFRS 9 Financial Instruments;
• IAS 39 Financial Instruments: Recognition and Measurement;
• IFRS 7 Financial Instruments: Disclosures;
• IFRS 4 Insurance Contracts;
• IFRS 16 Leases.

No significant effects are expected from the adoption of these amendments in the Group's consolidated financial statements on the basis of the information available to date.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union

• Reference to the Conceptual Framework (Amendments to IFRS 3): the purpose of these amendments is to update the reference to the Conceptual Framework in revised version of IFRS 3, without this entailing amendments to the provisions of IFRS 3.

• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): the purpose of these amendments is not to allow any deduction from the cost of tangible assets of the amount received from the sale of goods produced during the testing phase of the asset itself. Therefore, these revenues from sales and related costs shall be recognised in the income statement.

• Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37): the amendment clarifies that the assessment of whether a contract is onerous should include all costs that are directly attributable to the contract itself. Accordingly, the assessment of whether a contract is onerous includes incremental costs (such as, for example, the cost of direct material used in the work), as well as any costs that the entity cannot avoid because it has entered into the contract (such as, for example, the amount of personnel costs and depreciation of machinery used to perform the contract).

• Annual improvements to IFRS Standards (Cycle 2018–2020): the amendments were made to IFRS 1 - First-time Adoption of International Financial Reporting Standards, as well as to IFRS 9 - Financial Instruments, IAS 41 - Agriculture and to the Illustrative Examples of IFRS 16 - Leases.

• Classification of Liabilities as Current or Non-current (Amendment to IAS 1), including subsequent amendments issued in July 2020: on January 23rd, 2020 the IASB published "Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current." The purpose of the document is to clarify how to classify payables and other liabilities among short- or long-term items. The amendments will become applicable from January 1st, 2023, with early adoption permitted.

3.1 Use of estimates. The financial statements are prepared in accordance with IFRS, which require directors to make judgments, estimates and assumptions which impact on the values reported for assets and liabilities, as well as disclosures relating to contingent assets and liabilities and revenues and costs at the reporting date. Estimates and assumptions are based on historical data and other elements deemed significant, as at the reporting date. It should be noted, in particular, that, following the continuous evolution of the reference context linked to the pandemic, the Management has updated its estimates and assumptions, compared to what was done during the year, in preparing the interim condensed consolidated financial statements as of June 30th, 2020, mainly in relation to the assessment of the recoverability of goodwill and other assets with an indefinite useful life (Group-owned brands), the provision for bad debts, the provision for write-down of inventories, the recoverability of deferred tax assets, right-of-use assets and related financial liabilities. For further information on the estimation methods adopted, please refer to the details of the accounting principles reported in the following paragraphs of this Note 3.

3.2 Consolidation principles. A subsidiary is an investee over which the TOD'S Group has *i)* power over the investee *ii)* exposure, or right, to variable returns from its involvement with the investee and *iii)* the ability to use its power over the investee to affect the amount of the investor's returns, in accordance with IFRS 10 Consolidated Financial Statements.
The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is acquired until such control terminates.
Acquisitions of subsidiaries are recognized according to the acquisition method. The considerations transferred in a business combination is represented by the aggregate sum, at the acquisition date, of the fair values of the acquired assets, the liabilities incurred or assumed, and the equity interest issued in exchange for control of the acquired entity.
The identifiable assets, liabilities, and potential liabilities of the acquired entity that satisfy the recognition criteria envisaged in IFRS 3 are recognised at their fair value on the acquisition date, with the exception of non-current assets (or groups available to sale) that are classified as held for sale in accordance with IFRS 5.
Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests over the net amounts of the identifiable assets acquired and liabilities assumed pursuant to the acquisition. Should the aforesaid difference be negative, the excess is immediately booked in the income statement.
Once control of an entity has been acquired, the transactions where the controlling entity acquires or transfers additional non-controlling interests without altering control over the subsidiary are transactions with shareholders and are thus recognised in equity.
Subsidiaries are consolidated according to the line-by-line method from the date on which control is transferred to the Group. They are deconsolidated starting on the date when such control ceases. The scope of consolidation and the related changes respect to the previous year are represented in the Note 4.
Intercompany transactions and the profits and losses generated by transactions between consolidated enterprises are eliminated from both the balance sheet and the profit and loss account. Unrealised losses arising from intercompany transactions are considered when the transaction entails an impairment in the value of the transferred asset.

When necessary, the balance sheets and profit and loss accounts of the subsidiaries are adjusted in order to bring the applied accounting policies in line with those used by the Group.

3.3 Non-controlling interests. Non-controlling interests are indicated under shareholders' equity as "Non-controlling interests " The non-controlling interests in the acquired business is initially determined in an amount equal to their share of the fair value of the assets, liabilities, and potential liabilities recorded on the date of the original acquisition date and subsequently adjusted according to the changes in shareholders' equity. Likewise, this account reflects the changes in non-controlling interests and any losses allocable to them.

3.4 Transactions in foreign currency.

i. Functional and reporting currency. All accounts recognised on the financial statements of the subsidiaries are measured by using the currency of the principal economic environment in which the entity operates (i.e. its functional currency). The Consolidated Financial Statements are stated in euro (rounded to the nearest thousand), since this is the currency in which most Group transactions are executed.

ii. Transactions in foreign currency. The financial statements of the individual Group entities are prepared in the functional currency of each individual company. When the individual financial statements are prepared, the foreign currency transactions of Group companies are translated into the functional currency (currency of the primary economic environment in which each entity operates) by applying the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the financial statements are translated by using the exchange rate in effect at the closing date. Non-monetary assets and liabilities are valued at their historic cost in foreign currency and translated by using the exchange rate in effect at the transaction date.
The foreign exchange differences arising upon settlement of these transactions or translation of cash assets and liabilities are recognized on the profit and loss account.

iii. Net investment in foreign operation. A monetary item receivable from or payable to a foreign operation for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the net investment in that foreign operation. Such monetary items may include long-term receivables or loans. They do not include trade receivables or trade payables.

In the consolidated financial statements that include the foreign operation the exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

iv. Presentation of financial statements drafted in foreign currency. In order to present the financial statements of consolidated entities that are expressed in a functional currency different from the consolidation currency, the balance sheet items are translated using the exchange rates in effect at the end of the period, while items on the profit and loss account are translated using the average exchange rate for the period. The difference between the result for the period resulting from translation at the average exchange rates and the result of translation at the end of period rates, on the one hand, and the impact on assets and liabilities of changes in the exchange rate relationships between the beginning and end of the period, on the other hand, are recognized under shareholders' equity in a special "Translation reserve" through the recognition in the other comprehensive income.
The translation differences recognized under shareholders' equity are transferred to the profit and loss account at the time of disposal or liquidation of the controlled entity.
The rates applied to translation, compared with those used in the previous year, are indicated in the following table:

	Year 20		Year 19	
	Exch. rates as of year end	Average exch. rate	Exch. rates as of year end	Average exch. rate
U.S. dollar	1.227	1.142	1.123	1.119
British pound	0.899	0.890	0.851	0.878
Swiss franc	1.080	1.071	1.085	1.112
Hong Kong dollar	9.514	8.859	8.747	8.772
Japanese yen	126.490	121.846	121.940	122.006
Hungarian forint	363.890	351.249	330.530	325.297
Singapor dollar	1.622	1.574	1.511	1.527
Korean won	1,336.000	1,345.577	1,296.280	1,305.317
Macao pataca	9.800	9.124	9.010	9.034
Chinese renmimbi	8.023	7.875	7.821	7.735
Indian rupee	89.661	84.639	80.187	78.836
Albanian lek	123.700	123.791	122.050	123.018
Canadian dollar	1.563	1.530	1.460	1.485
Australian dollar	1.590	1.655	1.600	1.611
Danish krone	7.441	7.454	7.472	7.466

3.5 Derivative financial instruments. The fundamental characteristics of the derivative financial instruments are set out in the paragraph on Derivative financial instruments (Note 18).

The TOD'S Group uses derivatives to hedge foreign currency risks arising from its operations and to hedge risks associated with changes in interest rates on loans, with no speculative or trading purposes consistently with the treasury management strategy policies recommended by the Board of Directors.

As derivatives transactions are carried out to hedge risks arising from changes in expected cash flows (forecast transactions), they are accounted for according to cash flow hedge rules until the transaction is reported in the financial statements; subsequently, derivatives are treated according to fair value hedge rules since they may be described as instruments to hedge changes in the value of assets/liabilities recognised in the financial statements.

Applying IFRS 9 derivatives financial instruments are accounted in accordance with the hedge accounting rules, which provides that derivatives are recognised in the balance sheet at fair value; accounting of changes in fair value differs depending on the type of hedging transaction at the measurement date:

- any changes in the fair value of derivatives that hedge forecast transactions (i.e. cash flow hedge) are recognised directly in other comprehensive income, except for the portion of the change related to the ineffective part of the hedge, which is recognised under financial income and charges in the income statement; the differences in fair value already directly recognised in other comprehensive income are fully recognised in the income statement, as an adjustment to operating margins, when the assets/liabilities relating to the hedged items are recognised. As regards derivatives used to hedge risks associated with changes in interest rates on loans, the fair value differences already recognised in the other comprehensive income are, on the other hand, allocated to adjusting the amounts of financial income and costs when the positive or negative differentials are settled;
- any differences in the fair value of derivatives that hedge assets and liabilities reported in the financial statements (i.e. fair value hedge) are fully recognised under financial income and charges in the income statement. Additionally, the carrying amount of the hedged item (asset/liability) is adjusted by the change in its value that is attributable to the hedged risk, against an entry under financial income and charges.

The criteria established by IFRS 9 for a hedging relationship to qualify for hedge accounting are the following:

a) the hedging relationship consists solely of both hedging instruments and hedged items that comply with the provisions of IFRS 9;

b) at the beginning of the hedging relationship there is a formal designation and documentation of the same hedging relationship together with the objectives and risk management strategies underlying the hedge;

c) the hedging relationship complies with the provisions of IFRS 9 regarding the effectiveness of the hedge.

3.6 Right-of-use assets. Following the entry into force of the new IFRS 16 accounting standard, starting from January 1st, 2019, leasing contracts are accounted for in the financial statements on the basis of a single accounting model similar to that previously governed by IAS 17 on the accounting of financial leasing. At the time of signing each contract, the Group:

- determines whether the contract is or contains a lease, a circumstance that occurs when it gives the right to control the use of a specified asset for a period of time in exchange for a fee. This assessment is repeated in the event of a subsequent modification of the terms and conditions of the contract;
- separates the components of the contract by dividing the consideration of the contract between each leasing or non-leasing component;
- determines the lease term as the non-cancellable period of the lease to which any periods covered by an extension or termination option of the lease are added if the Group has the reasonable certainty of exercising the renewal option.

On the effective date of each contract in which the Group is the lessee of an asset, the asset consisting of the right of use, valued at cost, and the financial liability for leasing, equal to the present value of the residual future payments, are recognized in the financial statements. discounted using the implicit interest rate of the lease or, alternatively, the Company's marginal borrowing rate. The cost includes:

- The initial amount of the lease liabilities;
- The incentives received on the basis of the leasing contract;
- The initial direct costs incurred by the lessee, including any sums paid for obtaining the availability of the commercial spaces in which part of the network of directly managed points of sale operates;
- An estimate of the costs that will be incurred by the lessee for the restoration of the leased asset to the conditions existing prior to the lease, based on the forecasts of the lease contract.

Subsequently, the activity consisting of the right of use is assessed by applying the cost model, i.e. net of depreciation and any accumulated value reductions and adjusted to take into account any new valuations or changes to the lease. The assets are depreciated on the basis of a depreciation period represented by the duration of the lease, unless the duration of the leasing contract is less than the useful life of the asset on the basis of the rates applied for tangible fixed assets and there is reasonable certainty of the transfer of ownership of the leased asset upon the natural expiry of the contract. In this case, the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible fixed assets.

For lease contracts whose duration expires within 12 months from the date of initial application and which do not provide for renewal options, for contracts for which the underlying asset is of modest value and for contracts that have a variable lease , lease payments are recognized in the income statement under the item "Leasehold costs" on a straight-line basis for the duration of the respective contracts.

The concessions obtained by the lessors as a consequence of the Covid-19 pandemic ("rent concessions") are accounted for as negative variable rents and recognized in the income statement

when they meet the following conditions:

- they refer to reductions in payments due by 30 June 2021 only;
- the total of the contractual payments after the rent concession is substantially equal to or less than the payments that were foreseen in the original contract;
- no other substantial contractual changes have been agreed with the lessor.

Finally, right-of-use assets are subjected to an impairment test based on the provisions of IAS 36.

3.7 Intangible fixed assets.

i. **Goodwill.** All business combinations are recognized by applying the acquisition method.

Goodwill is measured, at the acquisition date, as the excess of the assets and liabilities recognised and the fair value of consideration transferred including the amount of any non-controlling interests recognised. For acquisitions prior to January 1st, 2004, the date of transition to IAS/IFRS, goodwill retained the values recognized on the basis of the previous Italian GAAP, net of accumulated amortization up to the transition date.

Goodwill is recognized on the financial statements at its cost adjusted for impairment losses. It is not subject to amortization, but the adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section Impairment losses.

ii. **Trademarks.** These are recognized according to the value of their cost and/or acquisition, net of accumulated amortization at the date of transition to IAS/IFRS. TOD'S, HOGAN, FAY and ROGER VIVIER trademarks are classified as intangible fixed assets with an indefinite useful life and thus are not amortized, insofar as:

- they play a primary role in the Group's strategy and are an essential driver thereof;
- the corporate structure, construed as organized property, plant, and equipment, and organization itself in a figurative sense, is closely correlated with and dependent on dissemination and development of the trademarks on the markets;

- the trademarks are proprietary, properly registered, and constantly protected pursuant to law, with options for renewal of legal protection, upon expiration of the registration periods, that are not burdensome, easily implemented, and without external impediments;
- the products sold by the Group with these trademarks are not subject to particular technological obsolescence, which is characteristic of the luxury market in which the Group operates; on the contrary, they are consistently perceived by the market as being innovative in the national and/or international context characteristic of each trademark.
- trademark are distinguished by market positioning and notoriety that ensures their dominance of the respective market segments, being constantly associated and compared with benchmark brands;
- in the relative competitive context, it can be affirmed that the investments made for maintenance of the trademarks are proportionately modest with respect to the large forecast cash flows.

The adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section Impairment losses (Note 12).

iii. Research and development costs. The research costs for a project are charged fully to the profit and loss account of the period in which they are incurred.

The development costs of an activity are instead capitalized if the technical and commercial feasibility of the relative activity and economic return on the investment are certain and definite, and the Group has the intention and resources necessary to complete the development.

The capitalized costs include the costs for materials, labor, and an adequate portion of indirect costs. They are recognized at cost, net of accumulated amortization and depreciation (see below) and impairment losses.

iv. Other intangible fixed assets. These are identifiable non-monetary intangible assets under the control of the company and capable of causing the Group to realize future economic benefits. They are initially recognized at their purchase cost, including expenses that are directly attributable to them during preparation of the asset for its intended purpose or production, if the conditions for capitalization of expenses incurred for internally generated expenses are satisfied.

The cost method is used for determining the value reported on subsequent statements, which entails posting the asset at its cost net of accumulated amortization and write-downs for impairment losses.

v. Subsequent capitalization. The costs incurred for these intangible fixed assets after purchase are capitalized only to the extent that they increase the future economic benefits of the specific asset they refer to. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

vi. Amortization. Intangible fixed assets (excluding those with an indefinite useful life) are amortized on a straight-line basis over the period of their estimated useful life, starting from the time the assets are available for use.

3.8 Tangible assets and investment properties.

i. Property, plant, and equipment owned by the company. They are first recognized at their purchase cost or at the cost recalculated at the date of transition to IFRS, including any directly attributable ancillary expenses.

Following first-time recognition, these assets are reported net of their accumulated depreciation and impairment losses (i.e. in accordance with the Cost Model).

For those assets whose depreciation must be calculated using the component approach, the portions of cost allocable to the individual significant components characterized by a different useful life are determined. In this case, the value of land and buildings is kept separate, with only buildings being depreciated.

ii. Subsequent capitalizations. The costs incurred for property, plant, and equipment after purchase are capitalized only to the extent that they increase the future economic benefits of the asset. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

iii. Investment property. Investment property are originally recognized at cost, and then recognized at their cost as adjusted for accumulated depreciation and impairment losses.

Depreciation is calculated on a systematic, straight-line basis according to the estimated useful life of the buildings.

iv. Depreciation. Property, plant, and equipment were systematically depreciated at a steady rate according to the depreciation schedules defined on the basis of their estimated useful life. Land is not depreciated. The principal depreciation rates applied are as follows:

	% depreciation
Industrial buildings	2.5% - 3%
Machinery and plant	12.5%
Equipments	25%
Forms and punches, clichés, molds and stamp	25%
Furniture and furnishings	12%
Office machines	20%
Cars and transport vehicles	20% - 25%

The photovoltaic plant recognised by the parent company is depreciated over a period of 20 years.

The costs for leasehold improvements, which mainly include the costs incurred for set up and modernization of the DOS network and all the other real estate that is not owned but used by the Group (and thus instrumental to its activity) are depreciated according to the term of the lease agreement or the useful life of the asset, if this is shorter.

3.9 Impairment losses. In the presence of indicators, events, or changes in circumstances that presume the existence of impairment losses, IAS 36 envisages subjecting intangible fixed assets and property, plant and equipment to the impairment test in order to assure that assets with a value higher than the recoverable value are not recognized on the financial statements.

This test is performed at least once annually for non-current assets with an indefinite life in the same way as that used for non-current assets that have not yet been placed in service.

Confirmation of the recoverability of the values recognized on the balance sheet is obtained by comparing the book value at the reference date and the fair value less costs to sale (if available) or value in use. The value in use of a tangible or intangible fixed asset is determined according to the estimated future financial flows expected from the asset, as actualized through use of a discount rate net of taxes, which reflects the current market value of the current value of the cash and risks related to Group's activity.

If it is not possible to estimate an independent financial flow for an individual asset, the cash generating unit to which the asset belongs and with which it is possible to associate future cash flows that can be objectively determined and independent from those generated by other operating units is identified. Identification of the cash generating units was carried out consistently with the organizational and operating architecture of the Group.

If the impairment test reveals an impairment loss for an asset, its book value is reduced to the recoverable value by posting a charge on the profit and loss account, unless the asset is revalued. In that case, the write-down is recognized in the revaluation reserve.

When the reasons for a write-down cease to exist, the book value of the asset (or the cash generating unit), with the exception of goodwill, is increased to the new value resulting from the estimate of its recoverable value, but not beyond the net book value that the asset would have had if the impairment loss had not been charged. The restored value is recognized immediately on the profit and loss account, unless the asset is revalued, in which case the restored value is recognized in the revaluation reserve.

Right-of-use assets are tested for impairment according to the provisions of IAS 36.

3.10 Financial assets. Financial assets are recognized in the financial statements from the moment in which the Group acquires the legal right to realize the cash flows arising from these assets based on contractual provisions.

Financial assets are eliminated from the assets of the balance sheet if and only if the contractual right to obtain the cash flows from the same assets has expired or if these financial assets have been transferred and this transfer meets the requirements of IFRS 9 for elimination from the balance sheet.

Financial assets are initially recognized at fair value, which generally correspond with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the same financial asset.

Following the initial registration, financial assets are recognised according to one of the following methods:

a) amortized cost;

b) fair value with related changes booked to the other comprehensive income;

c) fair value with related changes recognized in the income statement.

In application of the provisions of IFRS 9 regarding the classification and therefore taking into account the Group's business model and the characteristics of the cash flows contractually provided, it should be noted that the Group does not hold financial assets as per points b) and c) of which above except for what has already been commented previously on derivative financial instruments.

The financial assets are subject to the impairment procedure envisaged by IFRS 9 in order to reflect the expected losses arising from the same financial assets

3.11 Inventories. These are recognized at the lower of purchase cost and their assumed disposal value. The net disposal value represents the best estimate of the net sales price that can be realized through ordinary business processes, net of any production costs not yet incurred and direct sales costs. The cost of inventories is based on the weighted average cost method.

The production cost is determined by including all costs that are directly allocable to the products, regarding – for work in progress and/or semi-finished products – the specific stage of the process that has been reached. The values that are thus obtained do not differ appreciably from the current production costs referring to the same classes of assets.

A special depreciation reserve is set aside for the portion of inventories that are no longer considered economically useable, or with a presumed disposal value that is less than the cost recognized on the financial statements.

3.12 Trade receivables and other receivables. They are initially recognized at fair value, which generally coincides with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the asset. Following the initial recognition, they are valued at amortized cost using the effective interest method.

In application of IFRS 9, they are subjected to the impairment procedure in order to reflect the expected losses arising from the same receivables by adjusting the entry value with a specific provision for bad debts thus determined:

- receivables under litigation, with certain and precise evidence documenting the impossibility of collecting them, have been analytically identified and then written down;
- for other bad debts, prudent allowances for write-downs have been set aside, estimated on the basis of information updated at the date of this document, also taking into account the expected losses over the life of the receivable.

3.13 Cash and cash equivalents. This includes cash on hand, bank demand deposits, and financial investments with a maturity of no more than three months. These assets are highly liquid, easily convertible into cash, and subject to a negligible risk of change in value.

3.14 Assets and liabilities held for sale. Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is recovered through a sale transaction rather than through continuing use. They are not depreciated and are measured at the lower of carrying amount and fair value, less costs to sell. Assets held for sale and related liabilities are presented separately from other assets and liabilities in the statement of financial position.

TOD'S Group doesn't held any assets and liabilities held for sale as at December 31st, 2020.

3.15 Benefits for employees. Employee benefits include (i) short-term employee benefits such as wages, salaries and related social security contributions, accrued but not yet paid, paid annual leave and paid sick leave, etc.; (ii) post-employment benefits, such as pensions or retirement benefits; (iii) other long-term benefits; and (iv) termination benefits.

Short-term benefits are recognised periodically on an accruals basis and are made up of liabilities to employees that have not been settled by the reporting date.

Post-employment benefits are divided into two categories:

i. **Defined contribution plans.** Payments for any defined contribution plans are recognised in the income statement in the period in which they are due.

ii. Defined benefit plans. The costs of defined benefit plans are calculated using the Projected Unit Credit Method, carrying out the actuarial measurements at the end of each financial year. Past service costs are recognised immediately to the extent that these benefits have already accrued; otherwise they are amortised on a straight-line basis within the average period within which the benefits are expected to accrue. The financial costs that have accrued on the basis of the annual discounting rate are recognised in the income statement immediately. Actuarial gains and losses are now recognised through other changes in comprehensive income under the specific equity item.
Liabilities for post-employment benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans. On the other hand, there are no other long-term employee benefits or termination benefits in the financial statements.

iii. Share based payments. The payments based on shares are assessed at their fair value on the assignment date. This value is recognized on the profit and loss account on a straight-line basis throughout the period of accrual of the rights. This allocation is made on the basis of a management estimate of the stock options that will actually accrue in favor of vested employees, considering the conditions for use thereof not based on their market value.
The fair value is determined by using the binomial method. No share based payments result in the current consolidated financial statements.

3.16 Lease liabilities. These are measured at the present value of fixed lease payments not yet made as at the date of inception of the lease, as discounted using the lessee's incremental borrowing rate. Liabilities for leased assets are subsequently increased by the interest that accrues on these liabilities and decreased in correlation with the lease payments. Furthermore, lease liabilities may record an increase or decrease in value in order to reflect reassessments or lease modifications of future lease payments that are made after the initial date.

3.17 Financial liabilities.

Bank overdrafts and financing. Interest-bearing financing and bank overdrafts are initially recognized at *fair value*, net of transaction costs, and subsequently valued at amortized cost, using the effective interest method.

3.18 Payables.

Trade payables and other payables. These are measured at fair value which generally correspond to their nominal value.

3.19 Provision for risks. These are certain or probable liabilities that have not been determined at the date they occurred and in the amount of the economic resources to be used for fulfilling the obligation, but which can nonetheless be reliably estimated. They are recognized on the balance sheet in the event of an existing obligation, legal or constructive, resulting from a past event, and it is likely that the Group will be asked to satisfy the obligation.
If the effect is significant, and the date of the presumed discharge of the obligation can be estimated with sufficient reliability, the provisions are recognized on the balance sheet discounting future cash flows.
The provisions that can be reasonably expected to be discharged twelve months after the reference date are classified on the financial statements under non-current liabilities. Instead, the provisions for which the use of resources capable of generating economic benefits is expected to take place in less than twelve months after the reference date are recognized as current liabilities.
Provisions for risks and charges include an estimate of the costs that the lessee will incur to restore the leased assets to the initial conditions existing at the time the lease agreement is entered into, according to the contract provisions laid down therein.

3.20 Share capital.

i. Share capital. The total value of shares issued by the parent company is recognized entirely under shareholders' equity, as they are the instruments representing its capital.

ii. Treasury stock. The consideration paid for buy-back of share capital (treasury stock), including the expenses directly related to the transaction, is subtracted from shareholders' equity. In particular, the par value of the shares reduces the share capital, while the excess value is recognized as an adjustment to additional paid-in capital.

3.21 Dividends. The allocation of dividends to persons possessing instruments representing share capital after the reference date of the financial statement is not recognized under financial liabilities on the same reference date.

3.22 Revenues recognition. Revenues are recognized in the income statement when the contractual obligation relating to the transfer of goods or services has been satisfied. An asset is considered transferred to the end customer when the latter obtains control over the asset itself.
With reference to the main transactions realized by the Group, revenues are recognized on the basis of the following principles:

i. **Sales of goods – retail.** The Group operates in the retail channel through its DOS network. Revenues are recognised when the goods are delivered to customers. Sales are usually collected in the form of cash or through credit cards.

ii. **Sales of goods – wholesale.** The Group distributes products on the wholesale market. Following the analysis carried out for the purposes of the first application of the accounting standard IFRS 15 (January 1st, 2018), it was decided that, with regard to this type of transaction, there is a single performance obligation. In particular, the related revenues are accounted for when the customer obtains control of the goods shipped (at a point in time) and taking into account the estimated effects of year-end returns. Following the application of IFRS 15, starting from these financial statements, the representation of the liability for returns to be received in the consolidated statement of financial position has been changed, recording separately, instead of the previous net representation among the Other liabilities (so-called Fund returns), a liability, among the Other Liabilities, express debt repayment of the returns (contract liability) and an activity, among the Inventories, expressing the right to recover the products for returns (contract assets).

iii. **Sales of goods – e-commerce.** The Group also distributes products directly via the e-commerce channel. The related revenues are accounted for when the customer obtains control of the goods shipped and taking into account the estimated effects of year-end returns, accounted for by separately recognizing a liability, under Other liabilities, expressing the debt for the repayment of returns (contract liability) and an activity, among the Inventories, expressing the right to recover products for returns (contract assets).

iv. **Provision of services.** These revenues are accounted for in proportion to the stage of completion of the service rendered at the reference date and in accordance with contractual provisions.

v. **Royalties.** Royalties in connection with the licensing of the sale of products (sales-based royalties) or the use of certain assets (usage-based royalties) are recognized in the financial statements when the aforementioned sale or use has occurred or, if later, when the obligation to which the royalty refers has been satisfied.

3.23 Financial income and expenses. These include all financial items recognized on the profit and loss account for the period, including interest expenses accrued on financial payables calculated by using the effective interest method (mainly current account overdrafts, medium-long term financing), foreign exchange gains and losses, gains and losses on derivative financial instruments (according to the previously defined accounting principles), received dividends, the portion of interest deriving from accounting treatment of leased assets (IFRS 16) and employee reserves (IAS 19).

Interest income and expenses are recognized on the profit and loss account for the period in which they are realized/incurred, with the exception of capitalized expenses (IAS 23).

Dividend income contributes to the result for the period in which the Group accrues the right to receive the payment.

3.24 Income taxes. The income taxes for the period include determination both of current taxes and deferred taxes. They are recognized entirely on the profit and loss account and included in the result for the period, unless they are generated by transactions recognized through the other comprehensive income directly to shareholders' equity during the current or another period. In this case, the relative deferred tax liabilities are also recognized under shareholders' equity.

Current taxes on taxable income for the period represent the tax burden determined by using the tax rates in effect at the reference date, and any adjustments to the tax payables calculated during previous periods. Deferred tax liabilities refer to the temporary differences between the book values of assets and liabilities on the balance sheets of consolidated companies and the associated values relevant for determination of taxable income.

The tax liability of all temporary taxable differences, with the exception of liabilities deriving from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not influence either the income (loss) reported on the financial statements or taxable income (tax loss). Deferred tax assets and liabilities are only offset if there is a legally enforceable right to set off the related current taxes and if the deferred tax assets and liabilities consist of income tax levied by the same tax authority.

Deferred tax assets that derive from temporary deductible differences are recognized on the financial statements only to the extent that it is likely that taxable income will be realized for which the temporary deductible difference can be used. No recognition is envisaged if the difference between the carrying amount and the tax base results from a business combinations, or from the initial posting of an asset or liability in a transaction, other than a business combination.

The tax benefits resulting from tax losses are recognised in the financial statements in the period when those benefits are accrued, if it is likely that the Group's entity which recognised the tax loss will have sufficient taxable income before the right to use that benefit expires. The taxes in question (deferred tax assets and liabilities) are determined on the basis of a forecast of the assumed percentage weight of the taxes on the income of the fiscal years in which the taxes will occur, taking into account the specific nature of taxability and deductibility. The effect of change in tax rates is recognized on the profit and loss account of the fiscal year in which this change takes place.

Tax provisions that could be generated from transfers of non-distributable profits from subsidiaries are recognised only when there is a real intention to transfer such profits.

3.25 Statement of cash flows. The statement of cash flows is drafted using the indirect method. The net financial flows of operating activity are determined by adjusting the result for the period of the effects deriving from change to net operating working capital, non-monetary items, and all the other effects connected with investment and financing activities.

Cash flows from investing and financing activities are represented net of exchange rate differences, which are represented in a separate line of the statement of cash flows. Net cash and cash equivalents are made up cash and cash equivalents net of bank overdrafts.

4. Scope of Consolidation

The scope of consolidation at December 31st, 2020 compared to December 31st, 2019 reported changes as a result of the following transactions:

- On January 30th, 2020 Tod's New Jersey Inc. has been incorporated. It is 100% owned by An.Del. USA Inc.;
- On April 3rd, 2020 it's been completed the liquidation of Tod's Danmark APS which was already not operating;
- On August 18th, 2020 Tod's Oak Ltd. has been incorporated. It is 100% owned by Tod's S.p.A.;
- On September 17th 2020 TOD'S S.p.A. has purchased further 50% of quotas representing share capital of Filangieri 29 S.r.l. already owned for 50%.

These operations represent the only changes in the scope of consolidation from the Consolidated Financial Statements at December 31st, 2019.

The complete details of the consolidation scope are provided hereunder:

Parent Company			
TOD'S S.p.A. S.Elpidio a Mare - Italy Share Capital (S.C.) - euro 66,187,078			
Direct Subsidiaries			
TOD'S Deutsch. Gmbh Munich - Germany S.C. - euro 153,387.56 % held: 100%	**TOD'S France Sas** Paris - France S.C. - euro 780,000 % held: 100%	**An.Del. USA Inc.** New York - U.S.A S.C. - Usd 3,700,000 % held: 100%	**TOD'S International BV** Amsterdam – Netherlands S.C. - euro 2,600,200 % held: 100%

Direct Subsidiaries

Roger Vivier S.p.A. S.Elpidio a Mare – Italy S.C. – euro 10,000,000 % held: 100%	**TOD'S Oak Ltd.** Dublin – Irland S.C. – euro 1 % held: 100%	**TOD'S Austria Gmbh** Vienna - Austria S.C. – euro 50,000 % held: 100%	**TOD'S Australia PTY Ltd.** Sydney – Australia S.C. – Aud 100.000 % held: 100%
Re.Se.Del. S.r.l. S.Elpidio a Mare - Italy S.C. - euro 25,000 % held: 100%	**Del.Pav. S.r.l.** S.Elpidio a Mare - Italy S.C. - euro 50,000 % held: 100%	**Filangieri 29 S.r.l.** S.Elpidio a Mare - Italy S.C. - euro 100,000 % held: 100%	**Italiantouch Shanghai Tr** Shanghai – China S.C. – euro 2,900,000 % held: 100%

Indirect subsidiaries

Cal.Del. USA Inc. Beverly Hills, Ca - U.S.A. S.C. - Usd 10,000 % held: 100%	**TOD'S Tex Del USA Inc.** Dallas, Tx - U.S.A S.C. - Usd 10,000 % held: 100%	**Deva Inc.** Wilmington, De – U.S.A. S.C. - Usd 500,000 % held: 100%	**Flor.Del. USA Inc.** Tallahassee, Fl - U.S.A. S.C. - Usd 10,000 % held: 100%
Hono.Del. Inc. Honolulu, Hi - U.S.A. S.C. - Usd 10,000 % held: 100%	**Il.Del. USA Inc.** Springfield, Il - U.S.A. S.C. - Usd 10,000 % held: 100%	**Neva.Del. Inc.** Carson City, Nv - U.S.A. S.C. - Usd 10,000 % held: 100%	**Or.Del. USA Inc.** Sacramento, Ca - U.S.A. S.C. - Usd 10,000 % held: 100%
Gen.Del SA Zurich - Switzerland S.C. - Chf 200,000 % held: 100%	**TOD'S Belgique S.p.r.l.** Bruxelles - Belgium S.C. - euro 300,000 % held: 100%	**TOD'S Espana SL** Madrid – Spain S.C. - euro 500,000 % held: 100%	**Buena Ltd.** London – Great Britain S.C. – Gbp 1 % held: 100%
TOD'S Hong Kong Ltd Hong Kong S.C. - Usd 16,550,000 % held: 100%	**TOD'S Japan KK** Tokyo - Japan S.C. - Jpy 100,000,000 % held: 100%	**Alban.Del Sh.p.k.** Tirana - Albania S.C. - euro 720,000 % held: 100%	**TOD'S Retail India Pte Ltd** Mumbai - India S.C. - Inr 193,900,000 % held: 100%
TOD'S Singapore Pte Ltd Singapore S.C. - Sgd 300,000 % held: 100%	**Un.Del Kft** Tata - Hungary S.C. - Huf 42,900,000 % held: 100%	**TOD'S UK Ltd** London - Great Britain S.C. - Gbp 350,000.00 % held: 100%	**Webcover Ltd** London - Great Britain S.C.- Gbp 2 % held: 100%
Roger Vivier Paris Sas Paris - France S.C. - euro 6,700,000 % held: 100%	**TOD'S Korea Inc.** Seoul - Korea S.C. - Won 2,600,000,000 % held: 100%	**TOD'S Macao Ltd** Macau S.C. - Mop 20,000,000 % held: 100%	**TOD'S (Shanghai) Tr. Co.** Shanghai - China S.C. - Usd 32,000,000 % held: 100%
Roger Vivier Japan KK Tokyo – Japan S.C. – Jpy 10,000,000 % held: 100%	**Italiantouch USA Inc.** New York – USA S.C. – Usd 1,000 % held: 100%	**Roger Vivier Espana SL** Madrid – Spain S.C. – euro 10,000 % held: 100%	**Roger Vivier Deutsch.** Munich – Germany S.C. – euro 25,000 % held: 100%
Roger Vivier Hong Kong Ltd Hong Kong S.C. – Hkd 1,000,000 % held: 100%	**Roger Vivier Sing. PTE Ltd** Singapore S.C. – Sgd 200,000 % held: 100%	**Roger Vivier (Shan.) Tr.Co.** Shanghai – China S.C. – Rmb 75,000,000 % held: 100%	**Roger Vivier UK Ltd** London – Great Britain S.C. – Gbp 150,000 % held: 100%
TOD'S Georgia Inc. Norcross, GA – USA S.C. – Usd 10,000 % held: 100%	**Roger Vivier France SaS** Paris – France S.C. – euro 3,507,500 % held: 100%	**Roger Vivier Korea Inc.** Seoul – Korea S.C. – Won 1,200,000,000 % held: 100%	**Roger Vivier Switzerland** Lugano – Switzerland S.C. – Chf 2,000,000 % held: 100%

Indirect subsidiaries			
Roger Vivier Macau Lda Macau S.C. – Mop 500,000 % held: 100%	**TOD'S Washington Inc.** Tumwater, Wa – U.S.A. S.C. – Usd 10,000 % held: 100%	**Ala. Del. Inc.** Wilmington, De – U.S.A. S.C. – Usd 10,000 % held: 100%	**Tod's Massachussets Inc** Boston, Ma – U.S.A. S.C. – Usd 10,000 % held: 100%
Roger Vivier Australia Sydney – Australia S.C. – Aud 100,000 % held: 100%	**Roger Vivier Canada Ltd.** Toronto – Canada S.C. – Cad 350,000 % held: 100%	**Tod's New Jersey Inc.** Princeton, NJ – USA S.C. – Usd 1,000 % held: 100%	

In connection with subsidiaries in which the Group it does not own than 50% of the capital and thus disposes of the same percentage of voting power at the Shareholders' Meeting, the control it is assumed on the fact that the Group has: i) power over the investee ii) exposure, or right, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of the investor's returns, in accordance with IFRS 10 Consolidated Financial Statements.

5. Segment reporting

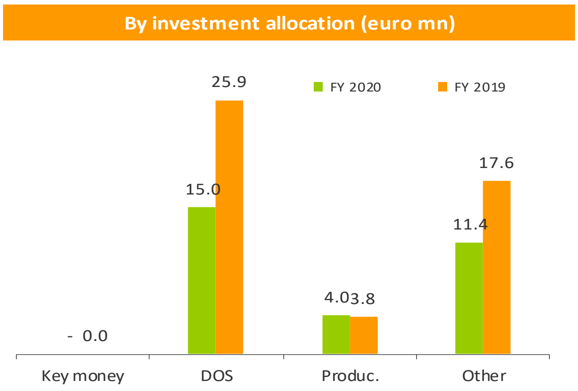
The search for higher levels of operating efficiency has identified as key element for maximising profitability via the sharing of a significant portion of service activities (first and foremost production), both at the central and peripheral levels; on the contrary, segmentation of the business appears uneconomical, under current circumstances.

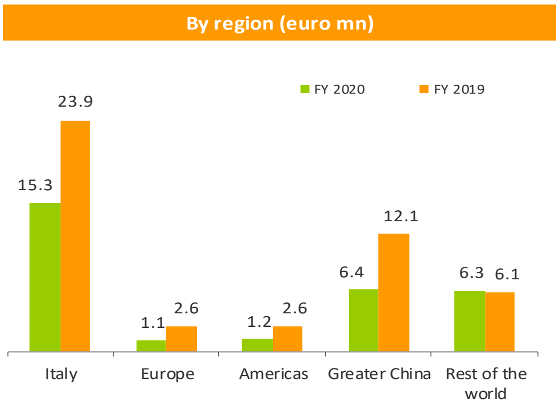
At the operating level, the Group's organisation is based on an articulated matrix structure according to the different functions/activities in the value chain, alternatively according to brand, product, channel and geographical area. The overall organisation envisages a unified strategic vision of the business.

This type of organisation is reflected in the ways in which management monitors and strategically focuses the Group's activities.

In order to have a more detailed examination, the Report of the Board of Directors, to which reference is made, includes operating information, including a breakdown of consolidated revenues by BRAND, CHANNEL, PRODUCT and REGION. Below are provided some further details for completion.

2020 Capital expenditures

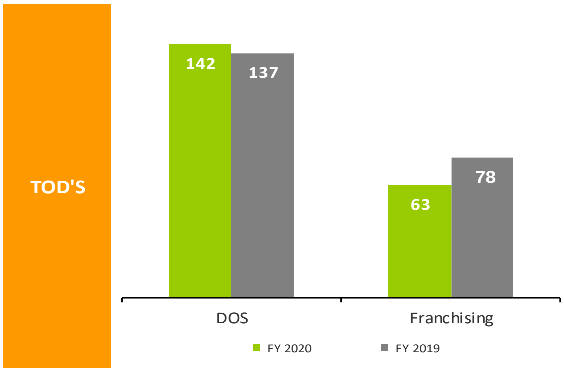


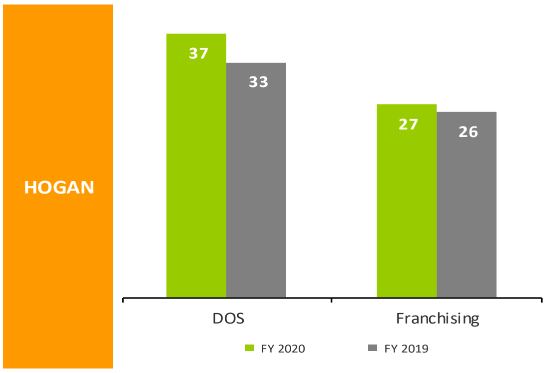


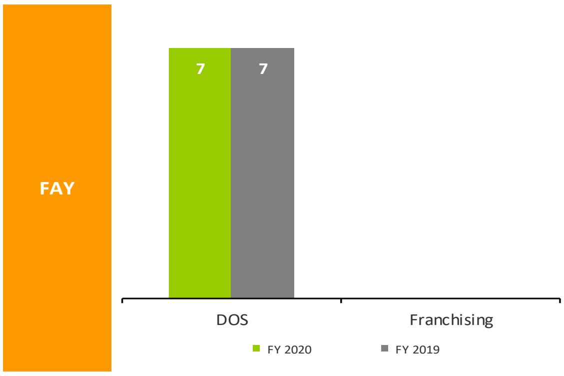
Distribution network

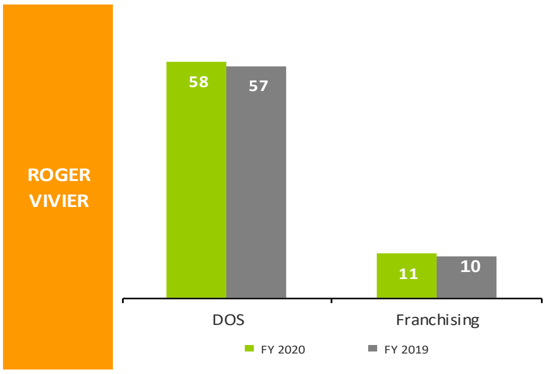
TOD'S Group - Distribution channel		Year 20	Year 19
Italy	DOS	46	46
	FRANCHISED STORES	1	2
Europe	DOS	54	55
	FRANCHISED STORES	19	22
Americas	DOS	25	24
	FRANCHISED STORES	5	5
Greater China	DOS	96	92
	FRANCHISED STORES	39	40
RoW	DOS	79	73
	FRANCHISED STORES	39	46
Total DOS		**300**	**290**
Total FRANCHISED STORES		**103**	**115**

The table below, which shows the breakdown of the distribution network by brand, doesn't include the DOS which sell products of more than one brand of the Group.









6. Management of financial risks

The TOD'S Group has implemented a system for monitoring its financial risks in accordance with the guidelines set out in the Corporate Governance Code of Listed Companies. As part of this policy, the Group constantly monitors the financial risks connected with its operations, in order to assess their potential negative impact and undertake appropriate action to mitigate them.
The following analysis of financial risks faced by the TOD'S Group highlights the Group's level of exposure. It also includes a sensitivity analysis designed to quantify the potential impact of hypothetical fluctuations in benchmark parameters on final results.

i. Credit risk

Credit risk represents the exposure of the TOD'S Group to potential losses stemming from failure to discharge its obligations towards trading counterparties. Sales revenues for 2020 resulting from wholesale distribution channel are 29,6% of total sales. The Group subjects these revenues to a hedging policy designed to streamline credit management and reduction in the associated risk. In particular, the Group's policy does not envisage granting credit to customers, with periodic analyses of the creditworthiness of all customers, both long-standing and potential ones, in order to monitor and prevent possible solvency crises.

The following table illustrates the ageing of trade receivables outstanding at December 31st, 2020 gross of allowance for doubtful accounts:

In euro 000's		Overdue			
Year 20	Current	0 > 60	60 > 120	Over	Total
From third parties	58,154	11,987	2,507	6,581	79,229

In euro 000's		Overdue			
Year 19	Current	0 > 60	60 > 120	Oltre	Total
From third parties	71,663	16,819	5,221	9,789	103,492

As it can be inferred from the table reported above, despite the worsening of the economic and financial situation due to the Coronavirus pandemic, the Group has not seen any increase in its exposure in terms of risks associated with past due receivables compared to December 31st, 2019 (26.6% is the percentage weight of past due trade receivables at December 31st, 2020 compared to 30.8% at December 31st, 2019), thanks to a timely approach in the management of the most critical positions, which emerged after the lockdown periods that placed serious restrictions on the commercial activities of wholesale customers. The prudent estimate of losses on the entire credit mass existing at December 31st, 2020 was 5.6 million euros, which also takes account of any possible credit loss as a result of the current economic situation marked by the COVID-19 pandemic. The total amount of overdue receivables at December 31st, 2020, equal to 21.1 million euros, is now equal to about 9.1 million euros.

ii. Liquidity risk

The liquidity risk represents the risk stemming from the unavailability of financial resources as necessary to meet the short-term commitments assumed by the Group and its own financial requirements.

The main factors that determine the Group's degree of liquidity are the resources generated or used by operating and investment activities and, on the other hand, the due dates or renewal dates of its payables or the liquidity of its financial investments and market conditions.

This risk is limited by taking actions aimed at ensuring a balanced structure of the Group's capital and by maintaining such a level of cash and cash equivalents as is required to meet its financial debt requirements at the relevant maturity dates in an adequate manner.

Particular attention is paid to the definition of the credit counterparty that is considered to be suitable for cash operations and that is identified according to increasingly selective liquidity, security and yield criteria and in line with the Management's instructions.
The situation that emerged during the year as a result of the pandemic generated an extraordinary need for liquidity to be able to cope with the adverse effects generated, above all, by the first periods of lockdown imposed to tackle the pandemic. In order to ensure the backing for the action necessary to overcome the extraordinary and complex circumstances, the parent company, TOD'S S.p.A. applied for and obtained, between the end of March and the beginning of April 2020, a total amount of 450 million euros in available revolving credit facilities, previously entirely unused, which are due to expire between the end of 2021 and the beginning of 2022 and, subsequently, additional loans of a smaller amount, totalling 57 million euros, mainly expiring at the end of 2021.
With reference to its financial debt, the Group has obtained in advance all its lenders' consent not to apply the obligation to calculate financial covenants, where required in current agreements, for the 2020 financial year and, where requested, even on a six-monthly basis until June 30th, 2021, since all the reference parameters are affected by the effects of the pandemic.
Furthermore, in taking account of the need to be able to count on adequate resources to finance the development and recovery of our business in a medium-term scenario, negotiations with credit institutions were started in 2020 for consolidation of the abovementioned debt in the medium/long-term, which were completed in January 2021. In particular, on January 22nd, 2021, TOD'S S.p.A. signed a loan agreement with a pool of banks coordinated by Intesa Sanpaolo S.p.A. – through the IMI Corporate and Investment Banking Division, for a maximum total amount of 500 million euros. The financing is structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros and has a term of five years.
By using the Term Facility component of the loan and available cash, all the existing medium-term loans were repaid, except for the loan taken out with Cassa Depositi e Prestiti for 20 million euros in May 2020 and the loan taken out with Cassa di Risparmio di Fermo for 20 million euros, again in May 2020, both of which are due to expire in November 2021, and the outstanding RCF lines of credit were paid off, which had been used for 450 million euros.
This transaction further strengthened the Group's financial structure, which is already solid, thus mitigating the risk profile linked to the current market situation and provided for a bonus system linked to the achievement of specific ESG objectives.
The table below shows the credit lines already used and available at December 31st, 2020 compared with December 31st, 2019:

Credit lines euro 000's	Cash Credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
12.31.20				
Credit lines	65,900	45,741	535,000	646,641
Utilizations	(14,769)		(313,275)	(328,044)
Credit lines available as of 12.31.20	**51,131**	**45,741**	**221,725**	**318,597**
12.31.19				
Credit lines	80,393	104,696	450,000	635,089
Utilizations	(20,607)			(20,607)
Credit lines available as of 12.31.19	**59,786**	**104,696**	**450,000**	**614,482**

The table below shows the maturity of the outstanding financial liabilities at December 31st, 2020 and 2019:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.20				
Bank borrowings		9,375		9,375
Other non-current liabilities		8,454		8,454
Trade payables	105,270			105,270
Bank	446,501			446,501
Derivative financial instruments	1,827			1,827
Other current liabilities	424			424
Total	**554,022**	**17,829**		**571,851**
12.31.19				
Bank borrowings		84,023		84,023
Other non-current liabilities		8,527		8,527
Trade payables	137,191			137,191
Bank	112,130			112,130
Derivative financial instruments	2,385	225		2,610
Other current liabilities	1,156			1,156
Total	**252,862**	**92,775**		**345,637**

The maturity analysis of lease liabilities is reported below in the application of paragraph 39 and B11 of IFRS 7:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.20				
Lease liabilities	91,337	205,274	99,739	396,351
Total	**91,337**	**205,274**	**99,739**	**396,351**

Taking into account the excellent ability to obtain suitable sources of financing, which has already been commented on above, the liquidity risk is considered to be insignificant.
Finally, with reference to financial assets, the Group's policy is to keep all available liquidity invested in bank deposits at sight, or with short-term liquidity, without resorting to the use of financial instruments, including the money market, by splitting the deposits. on an adequate number of banking counterparties, carefully selected taking into account the remuneration of deposits, as well as on the basis of their reliability.

iii. Market risk

IFRS 7 includes in this category all risks that are directly or indirectly connected with the fluctuation in prices on physical and financial markets to which the company is exposed:
– exchange rate risk;
– interest rate risk;
– commodity risk, connected with the volatility of prices for the raw materials used in the production process.
The TOD'S Group is exposed to exchange rate and interest rate risk, since there is no physical market subject to actual fluctuations in the purchase prices for raw materials used in the production process.
The following paragraphs analyse the individual risks, using sensitivity analysis as necessary to highlight the potential risk on final results stemming from hypothetical fluctuations in benchmark parameters. As envisaged by IFRS 7, these analyses are based on simplified scenarios applied to the final results for the periods referred to. By their very nature, they cannot be considered indicators of the actual effects of future changes in benchmark parameters of a different asset and liability structure and financial position different market conditions, nor can they reflect the interrelations and complexity of the reference markets.
Exchange rate risk. Due to its commercial operations, the Group is exposed to fluctuations in the exchange rates for currencies in which some of its commercial transactions are denominated (particularly USD, GBP, CHF and Far East countries), against a cost structure that is concentrated principally in the eurozone. The TOD'S Group realises greater revenues than costs in all these currencies; therefore, changes in the exchange rate between the euro and the aforementioned currencies can impact the Group's results.
Moreover, due to the geographical composition of the Group structure, which is formed by subsidiaries with different currencies, the Group is exposed to exchange rate risk related to intercompany financial flows (mainly dividends, loans, transactions on share capital).

Finally, the Group is exposed to "translation risk". This risk stems from the fact that the assets and liabilities of consolidated companies whose functional currency is different from the euro can have different countervalues in euros according to changes in foreign exchange rates. The measured amount of this risk is recognised in the "translation reserve" in equity.
The Group monitors the changes in the exposure. No hedges of this risk existed at the reporting date. Governance of individual foreign currency operations by the Group's subsidiaries is highly simplified by the fact that they are wholly owned by the parent company.
The general objective of the risk management policy adopted by the Group involves minimizing the economic and transaction exchange risk realized through the conversion into euro of sales receipts in foreign currency, made during each season, net of reference costs, on the based on an average exchange rate, in line with the relative exchange rate changes, together with the timely conversion into euro of present and future foreign currency cash flows (eg: bank loans, intercompany loans, etc.) based on interest rates market change.
The Group pursues these aims by entering into forward contracts for each individual currency to hedge a specific percentage of the expected revenue (and cost) volumes in the individual currencies other than the functional currency. These positions are not hedged for speculative or trading purposes, consistently with the strategic policies adopted for prudent management of cash flows.
The Group defines commercial hedging activities for single season based on the progress of the sales budgeting process and costs in currencies other than the euro.
The process of hedging exchange rate risk inside the Group is broken down into a series of activities that can be grouped into the following distinct phases:

- definition of operating limits;
- identification and quantification of exposure;
- definition of hedging transactions and relative executions in the markets;
- monitoring of positions and alert procedures.

In connection with the exchange rate risk on financial intercompany transactions, the Group monitors the risk underlying outstanding liabilities (loans) and forecast liabilities (dividends and capital increases), in view of guaranteeing that no material operating and financial impact for the entities involved results from these transactions in relation to fluctuations in exchange rates. These goals are pursued by the Group through monitoring the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects. These forward contracts are made to hedge the individual transactions, and not for speculation or trading. This is consistent with the strategic policies focused on prudent management of cash flows. The breakdown of forward currency contracts (for sale and purchase) made by the Group is illustrated in Note 18.

The balance sheet accounts denominated in foreign currency were identified for the sensitivity analysis. In order to determine the potential impact on final results, the potential effects of fluctuations in the exchange rate for the euro against the principal currencies to which the Group is exposed were analysed. The following table illustrates the sensitivity to reasonably likely changes in exchange rates on pre-tax profit (due to changes in the value of current assets and liabilities denominated in foreign currency for expected transactions) and Group equity (due to changes in the fair value of foreign exchange risk hedge instruments on forecast transactions):

Euro		Impact on pre-tax profit 5% writedown of the foreign currency		Impact on pre-tax profit 5% revaluation of the foreign currency	
Currency	Country	FY 2020	FY 2019	FY 2020	FY 2019
CAD	Canada	(4,570.1)	(9,847.8)	5,051.1	10,884.4
CHF	Switzerland	288.1	49,952.0	(318.4)	(55,210.1)
GBP	UK	10,609.8	233,370.1	(11,726.7)	(257,935.3)
HKD	Hong Kong	(216,688.6)	(223,229.3)	239,497.9	246,727.1
JPY	Japan	(435,908.1)	(1,750,529.9)	481,793.1	1,934,796.2
KRW	South Korea	(22,841.6)	383.0	25,245.9	(423.3)
RMB	China	(133,244.0)	(214,815.1)	147,269.6	237,427.2
SGD	Singapore	(7,131.1)	(75,166.6)	7,881.7	83,078.8
USD	USA	(49,861.9)	(116,560.0)	55,110.5	128,829.4
Other	n.a.	(195,475.8)	(286,390.5)	216,052.2	316,536.8
Total		**(1,054,823.1)**	**(2,392,833.9)**	**1,165,857.1**	**2,644,711.2**

euro 000's	Revaluation / Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2020	5%	(1,054.8)	(6,459.9)
	-5%	1,165.9	7,139.9

The impact on equity showed in the previous table is mainly related to the cash flow hedge reserve gross of tax effects.

The analysis did not include assets, liabilities and future commercial flows that were hedged, since fluctuations in exchange rates impact income in an amount equal to what is recognised in the fair value of adopted hedging instruments.

Interest rate risk. The TOD'S Group is exposed to interest rate fluctuations, limited to its variable-rate debt instruments. Interest rate risk is managed in conformity to long-established practice with the aim of cutting down the risk of interest rate volatility, at the same time pursuing the goal of reducing the financial costs involved to a minimum. The Group constantly monitors the interest rate risk and, where it is deemed that the risk of potential significant effects deriving from the loan contract is high, in compliance with the practice established over time by the Group, it will proceed with the definition of adequate hedging instruments.

As at December 31st, 2020, the Parent Company TOD'S S.p.A. had the following outstanding loans at a variable interest rate, which as mentioned above, were repaid in early 2021, within the refinancing transaction described above:

-a syndicated loan taken out with Mediobanca and Crédite Agricole on which variable rate interest accrues, equal to 3M EURIBOR + 55 basis points (Note 24);

- a loan taken out on December 21st, 2018 with BNL S.p.A. (BNP Paribas Group) for an amount of 25 million euros, repayable in 16 deferred quarterly instalments, which will expire on June 21st, 2023. The interest rate was agreed on as equal to 3M EURIBOR + 0.7% (Note 24) upon execution;

-a loan taken out on December 21st, 2018 with Intesa SanPaolo S.p.A. for an amount of 125 million euros, repayable in 6 deferred six-monthly instalments, which will expire on December 31st, 2021. The interest rate was agreed as equal to 6M EURIBOR + 0.7% (Note 24) upon execution.

Moreover, TOD'S S.p.A. has the following outstanding variable-rate revolving credit facilities:

-Banco BPM S.p.A. taken out on January 26th, 2018 for a maximum amount of 100 million euros, which will expire on January 26th, 2022, was drawn down in full in March and April 2020 and was repaid for 60 million euros in December 2020. Interest rate is 3M EURIBOR + a margin linked to a leverage ratio (currently equal to 0.4%);

-Crédit Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédit Agricole Group), taken out on January 27th, 2016, and renewed on December 5th, 2018, for a maximum amount of 100 million euros, which will expire on December 5th, 2021, was drawn down in full in March and April 2020 and repaid for 80 million euros in December 2020. Interest rate is 3M EURIBOR + a margin linked to a leverage ratio (currently equal to 0.6%);

-Unicredit S.p.A. taken out on November 9th 2016, and renewed on November 7th, 2018, for a maximum amount of 100 million euros, which will expire on November 8th, 2021 and was drawn down in March and April 2020. Interest rate is 3M EURIBOR + 0.3%;

-B.N.L. S.p.A. taken out on November 28th 2016, and renewed on December 21st, 2018, for a maximum amount of 100 million euros, which will expire on November 28th, 2021 and was drawn down in full in March 2020. Interest rate is 3M EURIBOR +0.8%;

-Intesa Sanpaolo S.p.A. taken out on December 21st, 2018 for a maximum amount of 50 million euros, which will expire on December 31st, 2021 and was drawn down in full in April 2020. Interest rate is 3M EURIBOR +0.8%.

In order to hedge the risk of any possible change in the interest rates on the syndicated loan agreement signed with Mediobanca and Crédite Agricole, two derivative contracts (interest rate swaps - IRSs) were in place for a notional amount equal to the amount drawn for the loan. These derivatives protected the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate (a quarterly rate of 0.748%).

Moreover, in order to hedge the risk of any possible change in the interest rates on the loan agreement signed with BNL S.p.A. (BNP Paribas Group), a derivative contract (interest rate swap - IRS) had been signed for a notional amount equal to the amount drawn for the loan (Note 18). This derivative protected the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate (a quarterly rate of 0.7%).

These derivatives were terminated in early 2021 within the refinancing transaction described above.

Given the performance of the financial markets, and the related reference rates, in addition to the duration of the loan stipulated with Intesa SanPaolo S.p.A. and the revolving credit facilities listed above, the Group considered that the interest rate risk was not significant. It should be remembered that the sensitivity analysis carried out on interest rates has shown in addition that a hypothetically unfavourable change of 10% in short-term interest rates applicable to the adjustable rate financial liabilities outstanding at December 31st, 2020 would have a higher net pre-tax impact of about 55 thousand euros on an annual basis (FY 2019: 18 thousand euros).

6.1 Categories of measurement at fair value

In accordance with IFRS 13, the financial instruments carried at fair value have been classified according to a hierarchy of levels that reflects the materiality of the inputs used to estimate their fair value. The following levels have been defined:

Level 1 – quoted prices obtained on an active market for the measured assets or liabilities;

Level 2 – inputs other than the quoted prices indicated hereinabove, which are observable either directly (prices) or indirectly (derived from prices) on the market;

Level 3 – inputs that are not based on observable market data.

The tables below show the breakdown of financial assets and liabilities between each financial category, classified as requested by IFRS 9, and the fair value hierarchy level at December 31st, 2020 and 2019:

2020 euro 000's	Assets Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Other non-current assets	17,853				17,853				
Total other non-current assets	**17,853**				**17,853**				
Trade receivables	73,653				73,653				
Derivative financial instruments				2,739	2,739		2,739		2,739
Bank	330,940				330,940				
Total other current assets	**404,593**			**2,739**	**407,333**		**2,739**		**2,739**

2020 euro 000's	Liabilities Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Bank borrowings	9,375			9,375				
Other non-current liabilities	8,454			8,454				
Derivative financial instruments								
Total other non-current liabilities	**17,829**			**17,829**				
Trade payables	105,270			105,270				
Bank	446,501			446,501				
Derivative financial instruments			1,827	1,827		1,827		1,827
Other current liabilities	424			424				
Total other current liabilities	**552,195**		**1,827**	**554,022**		**1,827**		**1,827**

2019 euro 000's	Assets Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Other non-current assets	18,811				18,811				
Total other non-current assets	**18,811**				**18,811**				
Trade receivables	97,170				97,170				
Derivative financial instruments				1,393	1,393		1,393		1,393
Bank	184,072				184,072				
Total other current assets	**281,242**			**1,393**	**282,635**		**1,393**		**1,393**

2019 euro 000's	Liabilities Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Bank borrowings	84,023			84,023				
Other non-current liabilities	8,527			8,527				
Derivative financial instruments			225	225		225		225
Total other non-current liabilities	**92,550**		**225**	**92,775**		**225**		**225**
Trade payables	137,191			137,191				
Bank	112,130			112,130				
Derivative financial instruments			2,385	2,385		2,385		2,385
Other current liabilities	1,156			1,156				
Total other current liabilities	**250,477**		**2,385**	**252,862**		**2,385**		**2,385**

Note that during the year 2020 there have not been any transfers between fair value levels indicated by the IFRS 13.

In connection with the fair value of financial assets and liabilities measured at amortised cost, given their nature, does not differ significantly from their carrying amounts.

7. Impacts of COVID-19 pandemic

Revenues from sales during the period were badly affected by the stringent measures to limit the spread of the COVID-19 pandemic imposed by governments all over the world. This situation generated a 30.4% fall in the Group's revenues compared to the previous year, a fall that was particularly severe in the second and fourth quarters because in April and May more than half of the DOS in the Group's retail network were temporarily closed, only gradually and in some cases only partially reopening from the middle of May onwards and that in October and November the pandemic experienced its second wave after a partial slowdown. The fall in sales was also of course determined by the performance in the wholesale channel, since the stores operated by third parties also underwent the restrictions imposed by various governments in the countries concerned during the period.
The pandemic did not have any significant impact on primary margin in percentage terms, which only recorded a slight decrease, thus confirming the excellent positioning of the Group's brands. However, the operating results for the year were affected by a considerable reduction in sales, as well as by a substantial write-down of inventories, totalling 30 million euros, carried out in order to take into account the increase in inventories of finished products generated by the pandemic, which is expected to be arduous to dispose of through the usual channels.
The exceptional event of the pandemic, therefore, led to the need to take a number of steps to keep down and save operating costs in order to limit the serious impact on the results of operations from the restrictions imposed by various governments. Particular attention was paid to communication costs, which were optimised and reorganised. Furthermore, as regards costs for services, savings were also made in other areas by deferring a number of projects or supporting activities to the following financial year that were deemed not to have priority in the present circumstances.
Another effect of the extraordinary situation concerned the renegotiation of lease agreements in place with the main lessors, in order to obtain concessions to mitigate the effects of the prolonged periods of closure suffered by directly operated stores. The benefits arising from the negotiations on lease agreements completed within the scope of application of IFRS 16 during the year amounted to 15.4 million euros.
Furthermore, the Group applied to benefit from the measures of assistance to support jobs where circumstances permitted, made available by local governments to support the economy

and businesses during the lockdown periods, in most cases supplementing government grants in order to maintain its employees' pay levels.

Again among the actions taken to keep operating costs down we mention the offer by the Chairman and the Vice-Chairman to waive their emoluments that it had been decided to pay them for the 2020 financial year; the Board of Directors approved the offer, setting its previous resolution aside. Furthermore, the other members of the Executive Committee and the Group's managers also voluntarily reduced their current year's fees.

In 2020, the Group also recognised write-downs of fixed assets for a total amount of 28.7 million euros, which were also largely attributable to the effects of the pandemic, since the result of the impairment test is prepared on the basis of the economic and financial forecasts updated for the foreseeable future, which take account of the changed reference context that is still significantly affected by the pandemic (Note 12).

Finally, additional effects concern the result of financial operations, which were impacted by the increase in net financial debt, mainly as a result of a prudent use of the available lines of credit, previously unused, for 450 million euros. These resources enabled the Group to meet any needs arising from possible developments in the pandemic more quickly and effectively, thus ensuring the financial support to put in place the actions required to deal with the difficult context. It is very important to point out that the refinancing transaction completed in early 2021 (as detailed in the paragraph on the section "Main events and operations of the TOD'S Group during the period – COVID-19 epidemic" of the Report on operations), which made it possible to balance the sources of financing in the medium/long term, together with the Group's capital solidity, ensure a high degree of financial autonomy to support operating requirements and to implement the strategies to relaunch the business when the situation returns to normal, and therefore, it is believed that the business continuity is largely guaranteed.

8. Comments on the main income statement figures

8.1 Sales revenue

The Group's revenues from sales amounted to 637.1 million euros in 2020 (916 million euros in 2019), down by 30.4% compared to the previous year.

For further details related to consolidated revenues see the comments provided in the Report on operations and in the Note 7.

Other revenues amounted to 9.9 million euros and mainly included royalties income and insurance refunds (11.1 million euros at December 31st, 2019, net of non-recurring proceeds of 97.5 million euros relating to the sale of the Omotesando building).

8.2 Change in inventories of FP and WIP and costs for raw materials

The figure Change in inventories of FP and WIP is negative for 19.9 million euros (positive for 19.1 million euros at December 31st, 2019) and includes a significant write-down of inventories, for 30 million euros, carried out for take into account the increase in inventories of finished products, recorded following the pandemic. The pandemic had no significant impact on the first margin, in percentage terms, which suffered only a slight decline, confirming the excellent positioning of the Group's brands. The figure Costs for raw materials supplies and materials for consumption amounted to 174.6 million euros while it was 244.1 million euros in the previous year. The dynamics are linked to the containment measures taken in response to the effects of the pandemic.

8.3 Costs for services

The reduction in costs for services was mainly attributable to the cost control and efficiency measures aimed at mitigating the impact of the pandemic on operating results. Cost control activities have concerned many types of services, with the aim of deferring to subsequent financial periods those activities and projects that are considered to be non-priority in the current context. The expenses that have mainly benefited from savings are those related to communication, style and services for production and maintenance, which, inevitably, have also suffered the most from the effects of the lockdown imposed by the various governments worldwide. Costs for services also benefit from the waiver of fees for 2020 on the part of the Chairman and Vice Chairman of the parent company's Board of Directors as already mentioned above.

8.4 Costs of use of third party assets

As at December 31st, 2020, these costs came to 29.3 million euros compared to 55.7 million euros at December 31st, 2019. The reduction benefitted, for an amount of 15.4 million euros, from the concessions arising from renegotiations of some lease rents after the prolonged periods of closure suffered by directly operated stores. These rent concessions were reflected in the result for the period and recognised in this item since they were regarded as negative changes in rents, rather than as contract amendments, in accordance with the practical expedient provided by the amendment to IFRS 16 that was published by the IASB on May 28th, 2020 and endorsed on October 12th, 2020. For more information on the recognition of rent concessions obtained from lessors in the accounts, both at June 30th, 2020 and at December 31st, 2020, reference should be made to the paragraph 3. "Accounting policies and standards applicable from January 1st, 2020".

The change compared to the previous year was mainly due, for the remaining amount, to the leases with variable fees depending on sales, as well as to efficiency improvement actions taken on some short-term contracts.

8.5 Personnel costs

The personnel costs incurred by the Group in 2020 as compared with those for 2019 are broken down as follows:

euro 000's				% on sales	
	Year 2020	Year 2019	Change	2020	2019
Wages and salaries	152,157	165,281	(13,124)	23.9	18.0
Social security contributions	30,210	41,724	(11,514)	4.7	4.6
Employee sev. Indem. (service cost)	6,658	6,879	(221)	1.0	0.8
Total	**189,025**	**213,884**	**(24,860)**	**29.7**	**23.4**

The reduction compared to the previous year, as already mentioned above, was mainly linked to the measures put in place by local governments to support jobs, the economy and businesses during the lockdown periods, which the Group has adopted, where applicable.
The table below provides the breakdown of Group's employees by category:

	12.31.20	12.31.19	Average 20	Average 19
Executives	54	58	55	57
White-collar Employees	3,300	3,460	3,302	3,378
Blue-collar Employees	1,234	1,297	1,316	1,351
Total	4,588	4,815	4,673	4,786

8.6 Other operating charges

As at December 31st, 2020 these amounted to 21.4 million euros compared to 35.9 million euros in 2019. The reduction was mainly attributable to costs for business trips and travels, which were greatly reduced during the year following the pandemic.

8.7 Financial income and expenses

The breakdown of financial income and costs in 2020 is as follows:

euro 000's	Year 20	Year 19	Change
Income			
Interest income on current account	183	401	(219)
Foreign exchange gains	26,412	21,416	4,996
Other	391	38	353
Total income	**26,986**	**21,855**	**5,131**
Expenses			
Interest on medium-long term financing	(2,792)	(1,186)	(1,606)
Interest on short term borrowings	(225)	(214)	(11)
Interest expenses on leases	(13,437)	(14,909)	1,472
Foreign exchange losses	(30,953)	(27,083)	(3,871)
Other	(2,192)	(2,553)	361
Total expenses	**(49,599)**	**(45,945)**	**(3,654)**
Total net income and expenses	**(22,613)**	**(24,090)**	**1,477**

Financial costs for leases include interest expense relating to discounting of liabilities for leased assets in the application of IFRS 16.

8.8 Income (losses) from equity investments

In 2020 no income or losses from equity investments were recognised by the Group.

8.9 Income taxes

Income taxes accrued in the year posted a profit of 84.8 million euros, including the effects of deferred taxation. Below is the breakdown of current and deferred taxes:

euro 000's	Year 20	Year 19
Current taxes	3,884	30,278
Deferred taxes	(88,669)	1,034
Total	**(84,785)**	**31,312**
Tax rate	53.7%	40.7%

The Parent Company's theoretical tax rate for 2020 was 24%. The table below reconciles theoretical taxes, calculated by using the theoretical tax rate of the Parent Company, and the taxes actually charged to the accounts:

euro mn	Taxes	Rate %
Theoretical income taxes at the rate of parent company	**(37.9)**	**24.0**
Previous year taxes	(3.5)	2.2
Permanent differences / Effects related to different rates of the foreign subsidiaries	9.8	(6.2)
Fiscal realignment	(53.2)	33.7
Effective income taxes	**(84.8)**	**53.7**

Tax realignment relates to the positive effect, amounting to 59.6 million euros, arising from the release of deferred tax liabilities as a result of adjustments to the value for tax purposes at the statutory value of Group-owned brands, with a total value of 215.3 million euros, in accordance with Decree Law 104 of 2020; this accounting effect has been stated, in the table, net of the related substitute tax of 6.5 million euros that will be paid as from 2021 in three equal annual instalments.

Income taxes also benefitted from the recognition of deferred tax assets on losses for the year for a total amount of 19.3 million euros (for details, reference should be made to the information provided in Note 14).

9. IFRS 16

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third-party assets) and requires lessees to account for all lease agreements in accordance with the methodology envisaged for financial leases by the old accounting standard IAS 17, effectively eliminating the previous dichotomy between operating and financial leases.

The application of IFRS 16 has a significant impact on the consolidated financial statements of the TOD'S Group as a consequence of the operational activity linked to the retail distribution network which represents the main part of the business. In fact, TOD'S Group is the lessee of a series of lease contracts that have been analysed for the purposes of applying IFRS 16 and that mainly concern the directly operated stores (DOS), warehouses, production facilities, offices and showrooms, company cars, equipment and office and electronic machinery. The leases of sales outlets represent the main category, accounting for approximately 90% of total lease liabilities.

Right-of-use assets for leased assets include the value initially recognised for lease liabilities, initial direct costs sustained, the estimate of any possible costs to be sustained to restore the assets to initial conditions at the end of the contract term and advance payments relating to the lease made on the first-time adoption date, net of incentives received for leases.

Below are the breakdown and changes of right-of-use assets as at December 31st, 2020:

euro 000's	12.31.20	12.31.19
Leased buildings	380,872	442,753
Leased machineries	558	498
Leased office machines	259	1,856
Leased cars	832	1,019
Total	**382,521**	**446,126**

euro 000's	12.31.20	12.31.19
Opening balance	**446,126**	**447,973**
Increases	72,435	85,925
Decreases	(5,432)	(26)
Impairment losses	(15,905)	(3,210)
Amortization for the period	(104,297)	(105,269)
Translation differences	(10,407)	6,817
Other changes		13,916
Closing balance	**382,521**	**446,126**

Lease liabilities, net of accrued interest, totalled 394.7 million euros at December 31st, 2020 (compared to 437.3 million euros at December 31st, 2019) and are stated at the present value of fixed lease payments not yet made.

The table below summarises the changes in the nominal value of the lease liability, which does not include accrued interest:

euro 000's	12.31.20	12.31.19
Opening balance	**437,303**	**436,965**
Increases	64,583	86,568
Payments	(77,030)	(91,645)
Translation differences	(14,075)	5,456
Other changes	(16,123)	(41)
Closing balance	**394,658**	**437,303**

Accrued interest amounted to 1,692 thousand euros at December 31st, 2020 (compared to 1,777 thousand euros at December 31st, 2019).

Lease financial charges were equal to 13.4 million euros at December 31st, 2020, compared to 14.9 million euros at December 31st, 2019.

In addition to the information provided above it is noted that:

-in applying the amendment to IFRS 16, which was published by the IASB on May 28th, 2020 and endorsed on October 12th, 2020, Costs for use of third-party assets include the financial benefit, equal to 15.4 million euros, relating to the reductions in rents under the lease agreements falling within the scope of IFRS 16, which were obtained strictly in relation to the pandemic (reference should be made to Note 3 for information on the accounting treatment adopted in relation to these concessions, in the interim condensed consolidated financial statements at June 30th, 2020);

-lease payments included in the definition of short-term leases envisaged by IFRS 16 amounted to 5.2 million euros at December 31st, 2020 (11.6 million euros at December 31st, 2019);

-lease payments relating to those assets included in the definition of low-value assets envisaged by IFRS 16 amounted to 0.9 million euros at December 31st, 2020 (0.2 million euros at December 31st, 2019);

-following the outcome of the impairment test (Note 12), the income statement includes a write-down of 15.9 million euros relating to rights of use attached to some DOS;

-lease payments relating to those contracts which provide for a variable fee and which therefore were not included in the valuation of the lease liability amounted to 29.5 million euros at December 31st, 2020 (34.7 million euros at December 31st, 2019).

10. Intangible fixed assets

10.1 Intangible assets with undefined useful life. Assets with indefinite useful life amount to 554,234 thousand euros, and are constituted as follows:

euro 000's	12.31.20	12.31.19
Trademarks	541,949	553,649
Goodwill	12,285	12,285
Total	**554,234**	**565,934**

Trademarks. This item includes the values of the Group four own brands (TOD'S, HOGAN, FAY and ROGER VIVIER).

euro 000's	12.31.20	12.31.19
TOD'S	3,741	3,741
HOGAN	80,309	80,309
FAY	41,485	53,185
ROGER VIVIER	416,414	416,414
Total	**541,949**	**553,649**

The brands were subjected to impairment tests. The change compared to the previous year refers to the write-down for impairment made during the year on the FAY brand for 11.7 million euros (Note 12).

Goodwill. They are related to acquisitions of controlled companies and they have been determined in accordance with the acquisition method (IFRS 3). Goodwill was subjected to the impairment test (Note 12). No changes occurred during the year.

10.2 Other intangible assets with definite useful life

The following table details the movements of these assets in the current and previous fiscal year.

euro 000's		Other intangible assets				
	Key money	Other trademarks	Software	Other assets	Customer contracts	Total
Balances as of 01.01.19	**13,510**	**3,199**	**8,872**	**12,086**	**1,107**	**25,264**
Translation differences	111		6	11		16
Increases		659	4,801	2,700	176	8,336
Decreases			639	(1,012)		(373)
Impairment losses (Note 12)						
Other changes	(13,622)	20	1,565	(1,436)		150
Amortization for the period		(809)	(4,888)	(2,493)	(585)	(8,775)
Balances as of 12.31.19		**3,069**	**10,995**	**9,857**	**698**	**24,619**
Translation differences			(22)	(28)		(50)
Increases		563	7,690	542	699	9,494
Decreases			(8)	17		9
Impairment losses (Note 12)						
Other changes		3	2,491	(2,494)		
Amortization for the period		(780)	(5,644)	(1,569)	(451)	(8,444)
Balances as of 12.31.20		**2,855**	**15,501**	**6,325**	**946**	**25,628**

The increase of Other trademarks relates to long-term charges with a defined useful life incurred to protect the brands owned by the Group which are classified as assets with an undefined useful life.

The increase in the Software item mainly refers to the resources allocated by the Parent Company to the development of corporate management systems, including those dedicated to the digital channel and its integration with the physical channel of direct stores (omnichannel)..

The increase recorded in Contract customers is mainly due to long-term investments made for the network of corners and franchising stores.

The item "Other assets" includes 4,487 thousand euros for the value of the intangible asset recognised in relation to the agreement made with the Ministry of Cultural Affairs ("Ministero per i Beni e le Attività Culturali") and the Special Archaeological Service of Rome ("Soprintendenza speciale per i beni archeologici di Roma"), with which the parent company has undertaken to finance the entire cost of restoration work on the Coliseum. The asset was formerly recognised in the balance sheet for an amount equal to the discounted value of the financial outlays that are reasonably foreseeable on the basis of the multi-year plan for restoration work available at the moment of the initial recognition, and amortised over the useful life determined according to the provisions of the agreement. The accrual for amortisation allocable to the financial year is about 0,7 million euros.

11. Tangible fixed assets

At December 31st, 2020 the net residual value of Group's tangible fixed assets was a 136.1 million euros (FY 2019: 150.6 million euros).

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balances as of 01.01.19	**112,587**	**12,169**	**11,498**	**33,867**	**33,769**	**203,890**
Translation differences	2,639	3	27	413	348	3,430
Increases	703	1,573	5,983	15,367	14,623	38,249
Decreases	(58,149)	5	(224)	(108)	(865)	(59,340)
Impairment losses (Note 12)						
Other changes	10	23		(555)	(6)	(527)
Amortization for the period	(2,257)	(2,688)	(5,339)	(11,755)	(13,074)	(35,113)
Balances as of 12.31.19	**55,533**	**11,086**	**11,945**	**37,229**	**34,796**	**150,589**
Translation differences	(9)	(7)	(73)	(767)	(714)	(1,570)
Increases	167	1,080	4,152	7,804	7,570	20,772
Decreases		(6)	(75)	(69)	(273)	(422)
Impairment losses (Note 12)			(5)	(1,059)	(4)	(1,067)
Other changes				(154)		(154)
Amortization for the period	(1,985)	(2,590)	(5,246)	(11,478)	(10,723)	(32,021)
Balances as of 12.31.20	**53,706**	**9,563**	**10,700**	**31,507**	**30,652**	**136,127**

Land and Buildings mainly include the real estate assets consisting of the Parent Company's operating headquarters.

The increase in Equipment is due to the investments, made mainly by the parent company, in the framework of the normal processes of modernisation of industrial facilities and equipment (mainly lasts and moulds).

The increase in Leasehold Improvements and Others mainly consist of the costs incurred for fitting out DOS, among which note the setting-up of the new flagship TOD'S store located at Ginza in Tokyo and the strengthening of the direct distribution network in mainland China, and for the renovation activities of the existing stores. Depreciation from continuing use of the fixed assets during the year amount to 32 million euros, while write-downs for impairment were recognised through profit and loss during the year for 1 million euros (Note 12).

12. Impairment losses

The losses in value of assets are governed by IAS 36 (Impairment of Assets); the provisions of the standard are the primary regulatory reference for the Impairment Test process. In accordance with the joint CONSOB, Bank of Italy and ISVAP (Italian Insurance Supervisory Authority) document no. 4 of March 3rd, 2010, the Group adopted an Impairment Procedure, which was approved by the Board of Directors of the parent company TOD'S S.p.A. on March 3rd, 2021, for the purposes of the financial statements at December 31st, 2020. For the purposes of this procedure, the following points of attention were taken into account, which had been reported:

- by CONSOB, in Warning Notice no. 1/21 of February 16th, 2021 – "COVID 19 - Measures to support the economy – Warning notice on the information to be provided by supervised issuers (...) in relation to the 2020 financial statements prepared in accordance with international accounting standards (...)";
- by ESMA, in ESMA's Public Statement of October 28th, 2020, "European common enforcement priorities for 2020 annual financial reports".

In carrying out the test, account was also taken of the Discussion Paper (Exposure Draft) issued by OIV (Italian Valuation Standard Setter) on the "Guidelines on impairment tests after the effects of the Covid-19 pandemic" of July 10th, 2020.

According to the Impairment Procedure, an impairment test must be carried out at least annually in order to check for any possible loss in value of intangible assets with an indefinite useful life (including goodwill) or intangible assets not yet available for use, regardless of whether there is any evidence of impairment.

In this regard, it should be noted that the significant reduction in sales and operating results recorded by the Group in the first half of 2020, following the COVID-19 pandemic, as well as the fall in the stock exchange price, which was heavily affected by the performance of the stock markets at the outbreak of the pandemic, already constituted indicators of impairment (trigger events) as early as in the first half of 2020; consequently, the impairment test on goodwill and brands was also carried out at June 30th, 2020, on an exceptional basis, using the company forecasts regarding the expected performance for the second half of 2020 and, with reference to the medium term (an additional time horizon of 5 years), taking account of the best company forecasts available at the time, supplemented by estimates regarding the foreseeable performance in the sector in which the Group operates.

With reference to the impairment test carried out at December 31st, 2020, it should be noted that, given the exceptional circumstances, which led to the need to carry out the test twice in the same financial year, and in order to take account of the developments in the reference context, subject to continuous changes and marked by significant uncertainty, economic and financial forecasts were used, which had been updated by the Management on the basis of Guidelines approved by the Board of Directors, within the framework of the new Impairment Procedure, which was approved by the Board of Directors on March 3rd, 2021, as detailed below.

The recoverability of the value of Intangible Assets with an indefinite useful life was therefore assessed in order to ensure that no assets with a carrying amount higher than the recoverable value had been recorded in the financial statements and that, therefore, no impairment losses had occurred. If the impairment test shows a loss in value, the excess of the book value compared to the recoverable value contributes to forming an impairment loss in the income statement.

First of all, the development of an impairment test proceeds with the identification of the Cash Generating Unit (CGU) or of the group of CGUs to which the Group's goodwill is to be allocated. While taking account of the organisational structure and the type of business, a single group of CGUs was identified, coinciding with the overall perimeter of the Group, to which goodwill was allocated, totalling 12.3 million euros, in relation to some business combinations that took place in past years (mainly relating to 1996) which, given the nature of the functions incorporated, generated financial benefits across the Group since their inception.

This approach is based on the nature of the goodwill in question, as well as on a unitary vision of the business (see also Note 5, Segment reporting), which is organised according to a matrix structure that is alternatively broken down into various levels by brand, product, channel and geographical area, in relation to the various functions and activities of the value chain; in this context, the cross-sector development of a significant part of the service activities (first of all the Supply chain, Sales&Distribution, Finance&Administration, Legal, Human resources, Information Technology), both centralised and decentralised, ensures the maximisation of profitability levels.

The recoverable value of the group of CGUs identified is defined as the higher of fair value, net of selling costs, and its value in use. In particular, although it suffices that one of the two values is higher than the book value, the Group primarily used the value in use, and then also adopted the fair value as a control method in carrying out the impairment test at December 31st, 2020.

It should also be noted that the estimate of the value in use and the fair value was entrusted to an independent third-party expert, also due to the complexity of the estimation process in the current context of uncertainty, marked by the pandemic.

The recoverability of the values recorded in the financial statements was therefore primarily verified by comparing the net book value of the invested capital of the Group's overall perimeter, which also includes right-of-use assets stated in the application of IFRS 16, with the value in use, consisting of the present value of the future cash flows that are estimated to be generated in the foreseeable future and the Terminal Value.

In determining the value in use, according to the Impairment Procedure, which sets out the methods and assumptions used in preparing the model, account was taken of:

i. the 2021-2025 cash flows, derived from the 2021 budget, which was approved by the Board of Directors of the parent company on January 27th, 2021, and from the 2022-2025 economic and financial forecasts, prepared by the management on the basis of the 2021 budget; in particular, the forecasts were prepared on the basis of Guidelines, providing basic assumptions, which were subject to approval by the Board of Directors on March 10th, 2021. The forecast flows are the management's best estimate of expected average results. In line with ESMA's warning notice that the uncertainty generated by the pandemic should be reflected in alternative scenarios, the management has also designed a worst scenario version of the 2022-2025 forecasts, again based on the 2021 budget. The forecasts in the worst scenario were used by the Group with a view to a sensitivity analysis of the results; for the purposes of carrying out the impairment test, the figures in the 2021 Budget were adjusted, on a prudent basis, to take account of any possible performance risk connected with the continuation of the pandemic;

ii. the discount rate based on a fundamental criterion (CAPM), determined as 7.74% (a WACC of 6.30% used at December 31st, 2019), in line with the range of rates used by equity analysts, which takes account of the changed reference scenario compared to the previous year;

iii. growth rate "g" of the results beyond the explicit forecast period, as determined on the basis of external source forecasts concerning the growth of GDP in the countries in which the Group operates, equal to 2.59%.

With reference to fair value measurement, used as a control method, it should be noted that the estimate was carried out through the multiples method, using, in particular, multiples of comparable listed companies (co.co), as properly adjusted in relation to fundamental (independent) variables, according to the Impairment Procedure.

The analyses conducted showed that the present value of expected cash flows (value in use) is greater than the carrying amount of the Group's invested capital, as also confirmed by the fair value method. It should also be noted that, given that this is a second-level test, the carrying amount of the invested capital subject to the test is stated net of impairment losses measured on the basis of the analyses conducted specifically on the Group-owned brands and DOS, as described below.

The Group also carried out usual sensitivity analyses, required by IAS 36, in order to highlight the effects produced by a reasonable change in basic assumptions on the value in use. In particular, the sensitivity analysis was carried out by taking account of any possible change in the following parameters, as considered individually and other parameters remaining equal: i) a reduction in forecast revenues by 20%, ii) an increase in WACC by +1.5%, iii) a reduction in the growth rate "g" used in the terminal value by 0.75%. In none of these sensitivity scenarios would the value in use be lower than the book value.

In order to make the value in use equal to the value of Invested Capital (break-even case), a 35% reduction in forecast revenues or one of the following changes, as considered alternatively - an increase in the WACC up to 9.91%, or a negative growth rate "g" equal to -1.32% - would be required.

Moreover, as mentioned above, an additional sensitivity analysis was conducted by determining the value in use, through the use of worst forecasts, which describe a scenario of expected results regarded as minimal by the management and determined by using basic assumptions marked by significant prudence. A positive, albeit lower, cover emerged, even by adopting the worst-case scenario, and maintaining other basic parameters unchanged.

In accordance with IAS 36, an estimate was also carried out for the recoverable value of each of the Group-owned brands, which are intangible assets with an indefinite useful life. The Impairment Test Procedure for these brands is based on the consideration that trademarks constitute a Hard-to-Value-Asset and, therefore, entails the advisability of making use of more than one method that apply inputs that are unrelated (or as little related as possible) for the purposes of estimating the recoverable value. In line with this consideration, and according to the Procedure, the impairment test of each of the Group-owned brands was therefore carried out according to the following basic assumptions:

a) considering the fair value as a configuration of recoverable value;

b) using four different criteria for estimating the fair value of each brand:

i. Relief from royalty method, according to which the value of the brand is measured on the basis of the present value of the royalties that the company would save with respect to a scenario in which it should license it from a third party,

ii. Multiples (brand/sales) relating to comparable brands estimated by independent third parties,

iii. Hirose criterion, which determines the value of the brand according to the perpetual capitalisation of a normalised, risk-adjusted economic measure of the result pertaining to the brand,

iv. Profit Split Method, according to which the value of the brand is measured according to the present value of the results pertaining to the brand equal to a fraction of residual income after considering the remuneration of the remaining tangible and intangible assets;

c) using, for the four criteria, external and internal evidence, including, where applicable, the results expected from the 2021-2025 forecasts for each brand;

d) using a discount rate calculated on the basis of the expected rate of return on invested capital (WACC) of 7.74%, aligned with the range of rates used by equity analysts, which takes account of the changed reference scenario compared to the previous year;

e) including the estimated TAB (Tax Amortization Benefit) in measuring the value of the brand;

f) comparing the recoverable value with the carrying amount of each brand.

It should be noted that the estimated fair value of the Group-owned brands was entrusted to an independent third-party expert in this case too.

On the basis of the analyses conducted using the four methods described above and the related simulation analyses in relation to any possible scenario considered, it emerged that the recoverable value of the FAY brand was 11.7 million euros lower than its carrying amount. On the other hand, no evidence of impairment was reported for other Group-owned brands, as the net book value of each brand was higher than its related recoverable value.

Sensitivity analyses make it possible to report the effects produced by a reasonable change in the basic parameters used to measure fair value on the value in use. In particular, it was deemed appropriate to apply these analyses to the main valuation parameters (mainly cash flow scenario, WACC, growth rate "g"), while also taking account of the guidelines provided by ESMA, regarding multi-scenario analyses, in order to construct the distribution of the possible values of each brand on the basis of the various valuation methods. The comparison between these values and the carrying amount of each brand made it possible to provide a measure of the probability that the recoverable value is lower than the fair value. On the basis of the analyses carried out, it was confirmed that the FAY brand should be written down by 11.7 million euros; it was also possible to measure how the scenarios in which the recoverable value is higher than the carrying amount are always more than 51% of scenarios simulated for other Group-owned brands. In particular, as regards the TOD'S, ROGER VIVIER and HOGAN brands, changes in the following parameters, as considered individually, would be required in order to make the respective recoverable values equal to the book values (break-even case):

	ROGER VIVIER	TOD'S	HOGAN
Increase in WACC	0.96%	6.05%	5.35%
Decrease in growth rate "g"	-1.23%	-2.59%	-5.91%

With reference to the first-level test, the Group carried out an analysis, according to the Impairment Procedure, which was aimed at assessing the recoverability of right-of-use assets and intangible and tangible assets attributable to each of the directly-operated stores (DOS) that showed indicators of impairment in the present changed scenario.

According to the Procedure, the test was conducted in accordance with the following main basic assumptions:

a) using the aforesaid economic and financial forecasts, as updated for the period from 2021 to 2025, relating to each directly-operated store tested for impairment;

b) using the same discount rate (WACC), equal to 7.74%, as used for the second-level test, which takes account of the changed reference scenario compared to the previous year;

c) using a reference period of cash flows consistent with the duration considered in estimating the rights of use attached to the store subject to the test (the projection of cash flows beyond 2025 was carried out at a rate equal to the GDP of the country in which the store operates).

This analysis showed that impairment losses were necessary for some DOS, in relation to which the respective assets were written down for a total amount of 17 million euros, mainly relating to the rights of use (IFRS 16), as the related recovery through prospective cash flows cannot be reasonably foreseen at present.

Finally, it should be noted that the value of stock market capitalisation of TOD'S S.p.A. at December 31st, 2020, equal to about 942 million euros, was slightly lower than the value of consolidated equity at the same date, in a scenario which was characterised by a considerable volatility of stock prices following the pandemic.

In considering the trend in market capitalisation, which is slowly going back to pre-pandemic levels, the Management believes that the market value does not reflect the Group's actual value in full, while also taking account of the results of the above-mentioned impairment test.

13. Investment property

This account refers to a property owned by the Group as a real estate investment and leased to third parties.

euro 000's	
Historic cost	115
Accumulated depreciation	(100)
Balance as of 12.31.19	**15**
Increases	
Decreases	
Depreciation for the period	(3)
Balance as of 12.31.20	**11**

No changes in the fair value of this investment, about 250 thousand euros, have been recognised since this previous financial year. This estimate is based on the market prices for similar properties in terms of location and condition.

14. Deferred tax assets and liabilities

At the reporting date, recognition of the effects of deferred tax assets, determined on the basis of temporary differences between the carrying amount of assets/liabilities and its tax base, lead to the following tax assets and liabilities:

euro 000's	12.31.20	12.31.19	Change
Deferred tax assets	105,655	51,913	53,742
Deferred tax liabilities	(4,030)	(39,047)	35,017
Net Balance	**101,625**	**12,866**	**88,759**

When determining future tax impact, reference was made to the presumed percentage weight of the taxes that will be imposed on income in the years when those taxes will be charged, according to current tax laws in the various countries involved and any changes in tax rates following currently known tax reforms, and that will be applicable starting next year. Following is reported the composition of the amount of deferred tax assets and liabilities at year end, offset if applicable, highlighting items that mainly contributed to its determination:

euro 000's	12.31.20		12.31.19	
	Assets	Liabilities	Assets	Liabilities
Property plant and Equipment	1,610	(89)	1,671	2,009
Intangible fixed assets	1,687	6,116	626	62,166
Inventory	56,890	1,316	31,722	(14,779)
Derivative financial instruments	247	8	213	(1,135)
Cost deductible over several years	1,092		594	1,537
Reserve for employees	1,918	(16)	1,714	(560)
Provision for risks	770		76	(740)
Other	7,784	(3,306)	2,801	(1,337)
Fiscal losses to carry forward	33,658		12,495	(8,115)
Total	**105,655**	**4,030**	**51,913**	**39,047**

Deferred tax assets, recognised on fiscal losses that can be carried forward pursuant to local tax laws, and not yet used by the Group at December 31st, 2020, totalled 33.7 million euros (FY 2019: 20.6 million euros).

The Directors, on the basis of the income forecasts for the period 2021-2025, have prepared an analysis aimed at verifying the recoverability of the deferred tax assets relating to the tax losses that can be carried forward in subsequent years. Consequently, new deferred tax assets were recognized in the 2020 financial statements, with reference to losses that can be carried forward realized in the year, for 19.3 million euros, mainly attributable to the parent company, which were considered recoverable substantially during the aforementioned time horizon, while deferred tax assets on losses allocated in previous years were prudently written down by 4.2 million euros, for which the realization of sufficient taxable income is no longer considered probable, within the expiry period of the right use by the Group company that recorded this loss. Deferred assets on unrecognized carry-forward losses, as there is no probability of recovery through future taxable income, amount to a total of 27.5 million euros.

15. Other non-current assets

Other non-current assets mainly relate to security deposits paid to third parties by Group subsidiaries in connection with operating leases.

16. Inventories

They totalled 353,982 thousand euros at December 31st, 2020, and include:

euro 000's	12.31.20	12.31.19	Change
Raw materials	57,850	66,227	(8,378)
Semi-finished products	6,534	11,019	(4,485)
Finished products	389,947	369,719	20,228
Write-down	(100,349)	(62,333)	(38,016)
Total	**353,982**	**384,632**	**(30,650)**

Finished products include, for 2,294 thousand euros, the amount related to the right to recover of the products for returns to be received (*contract assets*).

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2020. The increase for the period includes an extraordinary portion of 30 million euros attributable to the devaluation of inventories attributable to the effect of the COVID-19 pandemic.

euro 000's	12.31.20	12.31.19
Opening balance	**62,333**	**56,441**
Increase	43,921	9,617
Utilization	(5,850)	(3,728)
Reversal		
Translation effects	(55)	3
Closing balance	**100,349**	**62,333**

17. Trade receivables and other current assets

17.1 Trade receivables they represent Group's exposure in consequence of its wholesale distribution activity.

euro 000's	12.31.20	12.31.19	Change
Trade receivables	79,229	103,492	(24,264)
Allowances for doubtful accounts	(5,576)	(6,322)	747
Net trade receivables	**73,653**	**97,170**	**(23,517)**

The allowances for doubtful accounts recognized in the financial statements represents the reasonable estimate of the expected loss in value identified for the risk of bad debt identified in the receivables recorded in the financial statements and also takes into account possible losses on receivables as a result of the current economic situation characterized by the COVID-19 pandemic. The provision for the year 2020 is equal to 843 thousand euros. The following schedule shows the changes during the year in the allowances for doubtful accounts:

euro 000's	12.31.20	12.31.19
Opening balance	**6,322**	**6,784**
Increase	843	709
Utilization	(1,510)	(1,171)
Translation effects	(37)	
Other movements	(44)	
Closing balance	**5,576**	**6,322**

17.2 Tax receivables these total 15,437 thousand euros (FY 2019: 12,954 thousand euros) and are mainly comprised of receivables for income taxes claimed by the Group from the tax authorities of the countries where it operates.

17.3 Other current assets

	12.31.20	12.31.19	Change
Deferred costs	4,371	7,571	(3,199)
Others	61,616	59,784	1,832
Total other current assets	**65,987**	**67,355**	**(1,367)**

The item "Others" mainly relates to receivables versus manufacturers for the raw materials sold in connection with manufacturing activities, receivables for credit cards, receivables for value added taxes and other receivables to be collected next year.

The increase compared to the previous year is mainly attributable to VAT credits.

18. Derivative financial instruments

The TOD'S Group, characterised by its major presence on international markets, is exposed to both exchange rate risk, mainly for revenues denominated in currencies other than the euro (see Note 6), and interest rate risk limited to its variable-rate debt instruments. In order to realise the objectives envisaged by the Risk Management policy, the Group enters in derivative contracts with primary banks for the hedging of the above mentioned risks; in particular, in connection with exchange rate risk, The Group entered in sell and/or buy foreign currency contracts (forward), while for the hedging of a variable interest rate risk, the Group entered in interest rate swaps agreements. Moreover, due to the geographical composition of the Group structure, which is formed by subsidiaries with different currencies, the Group is exposed to exchange rate risk related to intercompany financial flows (Note 6). These risks are managed by the Group through a monitoring activity of the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects.

At the closing date of the financial statements, the notional amount of the currency forward agreements (sale and purchase) entered into by the Group are summarized as follows:

Currency 000's	Sales		Purchases	
	Notional in currency	Notional in euro	Notional in currency	Notional in euro
US dollar	10,500	8,557		
HK dollar	447,500	47,035		
Japanese yen	2,807,700	22,197	2,000,000	15,812
British pound	24,900	27,697		
Swiss franc	5,450	5,045		
Chinese renmimbi	481,360	60,001		
Singapore dollar	5,250	3,237		
Euro	490	490	18,300	18,300
Canadian dollar	4,950	3,166		
Australian dollar	3,250	2,045		
Total		**179,470**		**34,112**

All derivative contracts will expire during the year 2021.

Below is summarized the composition of the outstanding derivatives at December 31st, 2020 and 2019, with information related to carrying amounts, current and non-current, in connection with fair value and cash flow hedge reserve, the latter presented net of its related tax effects.

euro 000's	12.31.20			12.31.19		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
Non-current						
Interest rate swaps - cash flow hedges					225	(52)
Forward foreign exchange contracts - cash flow hedges						
Forward foreign exchange contracts - fair value hedges						
Total non-current	**-**	**-**	**-**	**-**	**225**	**(52)**
Current						
Interest rate swaps - cash flow hedges		302			706	(537)
Forward foreign exchange contracts - cash flow hedges	1,187	672	2,978	758	917	2,802
Forward foreign exchange contracts - fair value hedges	1,552	853		635	762	
Total current	**2,739**	**1,827**	**2,978**	**1,393**	**2,385**	**2,265**
Total	**2,739**	**1,827**	**2,978**	**1,393**	**2,610**	**2,214**

Cash flow hedge reserve related to forward derivatives for the hedging of currency exchange rate risks includes even some intercompany transactions, positive for 503 thousand euros (1 thousand euros at December 31st, 2019), net of tax effects, accrued on intercompany transactions for which derivatives have been expired at December 31st, 2020, that will be transferred to the income statement when sales versus third customers or when forecast transactions will be realized.

Moreover, the transfer of the effect of the hedging transactions to the 2020 income statement was equal to 2,111 thousand euros, of which 1,918 thousand euros were represented as a decrease of revenues, 193 thousand euros as an increase of costs for raw materials and consumptions.

The overall effect recognised in the income statement in connection with derivatives for the hedging of interest rate risk amounted to 842 thousand euros, totally represented in the financial expenses, which includes the full release of the cash flow hedge reserve in place at December 31st, 2020, for 227 thousand euros, following the early termination of the IRS contracts, which took place in the early months of 2021, following the renegotiation of the financial debt of the parent company (Note 6).

19. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 330,940 thousand euros (184,072 thousand euros at December 31st, 2019). For further information see the statement of cash flow.

20. Assets held for sale

The Group did not have any held for sale assets at December 31st, 2020.

21. Equity

21.1 Share capital. At December 31st, 2020, the share capital of the Parent Company amounted to 66,187,078 euros, unchanged compared to the previous year, divided into 33,093,539 ordinary shares, all of which are of no par value, and fully subscribed and paid up; all shares have equal rights in terms of profit sharing. There are no categories of shares other than ordinary shares. Article 7 of the Articles of Association provides for increased voting in compliance with the provisions of Article 127-*quinquies* of the Consolidation Act on Finance (TUF, *Testo Unico della Finanza*). For further information, reference should be made to the Regulation on increased voting, which is available in the "Corporate Governance/Loyalty Shares" section of the Company's website www.todsgroup.com. The total amount of voting rights is regularly published by the

Company in accordance with the terms and conditions of Article 85-*bis* of CONSOB Regulation no. 11971/1999.

At December 31st, 2020 Mr. Diego Della Valle, president of the Board of Directors, hold, directly and indirectly, 70.440% of TOD'S S.p.A. share capital. At December 31st, 2020 the Group did not own treasury shares in the parent TOD'S S.p.A., and it did not execute any transactions on those shares during the year.

21.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 416,588 thousand of euros unchanged in respect to the previous year.

21.3 Hedging and translation reserves. The following schedule illustrates the changes occurred in 2020 for the Group:

euro 000's	Translation Reserve	Hedging Reserve	Total
Balances as of 01.01.19	**9,615**	**1,733**	**11,348**
Increase in fair value of hedging derivatives		(1,287)	(1,287)
Exchange differences	3,612	4	3,616
Transfer to P&L Account of hedging derivatives		1,902	1,902
Others		(138)	(138)
Balances as of 12.31.19	**13,227**	**2,214**	**15,441**
Increase in fair value of hedging derivatives		1,776	1,776
Exchange differences	1,106	(4)	1,102
Transfer to P&L Account of hedging derivatives		(1,008)	(1,008)
Others			
Balances as of 12.31.20	**14,333**	**2,978**	**17,311**

For comments related to the changes of hedging reserve please see Note 18.

21.4 Other reserves and profit for the period. These reserves include the equity reserves of the parent company TOD'S S.p.A., the difference between the shareholders' equity of the subsidiaries, and the carrying values of the equity investments, as well as the effects of consolidation adjustments on Group equity.

euro 000's	Other reserves	Profit (loss) of the period	Total
Balances as of 01.01.19	**523,882**	**47,146**	**571,028**
Allocation of 2018 result	14,052	(14,052)	
Dividends		(33,094)	(33,094)
Profit for the period		46,283	46,283
Other changes	(796)		(796)
Balances as of 12.31.19	**537,138**	**46,283**	**583,421**
Allocation of 2019 result	46,283	(46,283)	
Dividends			
Profit for the period		(73,190)	(73,190)
Other changes	(3,141)		(3,141)
Balances as of 12.31.20	**580,280**	**(73,190)**	**507,090**

Other changes relating to the 2020 financial year mainly refer to the acquisition of minorities equal to 50% of the share capital of the company Filangieri 29 S.r.l for a total of 2 million euros and to the use of the specific reserve for promoting territorial solidarity projects, for 457 thousand euros.

21.5 Dividends. The Board of Directors of the parent company TOD'S S.p..A, held on March 30th, 2020, as a result of the worsening of the pandemic caused by the coronavirus, proposed not to proceed with the distribution of any dividend, confirming, however, the destination of 1% of the result consolidated net, to a specific reserve for the pursuit of solidarity projects in the territory.

22. Contingent and potential liabilities and assets

22.1 Provisions for risks. They include the estimate of liabilities, with uncertain maturity date or amount, on which the Group might incur in case of a legal or constructive obligation in connection with a past event. The figure mainly include provisions related to both legal and tax lawsuits, risks and costs for employees and reinstatement costs.

The following schedule illustrates the changes occurred:

euro 000's	12.31.20	12.31.19
Provisions for risks - non current		
Opening balance	**11,530**	**5,476**
Increase	2,121	92
Utilization	(435)	(195)
Reversal	(185)	(69)
Translation effects	(330)	(29)
Other	(10)	6,256
Closing balance	**12,692**	**11,530**
Provisions for risks - current		
Opening balance	**1,166**	**1,200**
Increase	1,773	532
Utilization	(731)	(670)
Reversal		
Translation effects	(5)	
Other	10	103
Closing balance	**2,213**	**1,166**

Provisions for non-current risks mainly include costs for the restoration of third party assets, equal to approximately 8.5 million euros. It should also be noted that, during the year, the parent company TOD's S.p.A. was audited by the Revenue Agency, with reference to the 2015, 2016 and 2017 tax periods. The audit at the date of this report has not yet been completed and the Company is actively collaborating in providing the documentation requested of verifiers

22.2 Contingent liabilities and other commitments.

i. Guarantees granted to third parties. At December 31st, 2020 the Group had provided guarantees amounting to 2,730 thousand euros (4,511 thousand euros in 2019) against the contract commitments undertaken by some Group companies. The guarantees mainly consist of a surety of 770 thousand euros (2,551 thousand euros in 2019) issued against the commitment to finance the Coliseum restoration works, the financial liability of which has been recognised in full in the accounts (Notes 10 and 25).

ii. Guarantees received from third parties. Guarantees received by the TOD'S Group from banks as security for contractual commitments totalled 21,519 thousand euros (24,217 thousand euros in 2019) at December 31st, 2020.

iii. Mortgages. Group real estate has not been encumbered by mortgages.

23. Employee Benefits

23.1 Defined contribution plans. The Group has a defined contribution retirement plan (employee severance indemnities – TFR) in favor of employees at Group's Italian companies with more than 50 employees (see the following section in this regard) and the Japanese and Korean subsidiaries. At December 31st, 2020, the liability accrued *vis-à-vis* employees was 6,207 thousand euros (December 31st, 2019: 5,273 thousand euros), and relating only to the four Asian companies, since the amounts accrued in favour of Italian employees have all been transferred to funds outside the Group. The amount charged to profit and loss for the period totals 1,407 thousand euros.

23.2 Defined benefit plans. Following the statutory amendments introduced beginning January 1st, 2007, employee severance indemnities, a deferred payment plan in favor of all employees of the Group's Italian companies, were classified as a defined benefits plan (IAS 19) only for firms with less than 50 employees, for which the Group's obligation is not related with payment of the contributions accrued on the paid compensation, but extends until the end of the employment relationship, or, for companies with more than 50 employees, for the liability accrued until 2007[23]. For these types of plans, the principle requires that the accrued amount be projected into the future in order to determine the amount to be paid upon termination of the employment relationship, with an actuarial assessment that accounts for the rate of rotation of employees, expected evolution of compensation, and other factors.

The main actuarial assumptions used for the valuation are summarized below:

- Discounting rate: 0.34%

  It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2020.

- Inflation rate: 0.80%;
- TFR incremental rate: 2.1%.

The table below shows the variation of the liability occurred in 2020:

euro 000's	12.31.20	12.31.19
Opening balance	**8,951**	**8,718**
Service costs	111	178
Interest costs	70	139
Benefits paid	(543)	(504)
Actuarial (gains)/losses	95	419
Other	(7)	
Closing balance	**8,676**	**8,951**

[23] The statutory amendment envisaged that for firms with more than 50 employees, the employee severance indemnities accrued from 1st January 2007 had to be allocated to supplemental retirement plans (pension funds) or, alternatively, to a Treasury Fund set up at the INPS (Italian National Social Security Institute). Since all obligations of firms towards their employees ceased starting on 1st January 2007, all accrued employee severance indemnities are covered by the rules governing defined contribution plans for the liability accrued from such date.

Employee benefits include even other long term employee benefits.

24. Financial liabilities

The Group's financial liabilities at December 31st, 2020 are broken down as follows:

euro 000's	12.31.20	12.31.19	Change
Current account overdraft	14,769	23,463	(8,694)
Financing and other financial liabilities- short term	431,733	88,668	343,065
Total financial liabilities short-term	**446,501**	**112,130**	**334,371**
Financing and other financial liabilities - long term	9,375	84,023	(74,648)
Total financial liabilities	**455,876**	**196,154**	**259,722**
Total Financing - and other financial liabilities (short/long term)	441,108	172,691	268,416

Financing and other financial liabilities. At December 31st, 2020 financing and other financial liabilities were represented by the following medium-long term position:

Currency 000's Type	Counterpart	Currency	Maturity	Res. Debt in currency	Res. Debt in Euro
Medium and long term bank pool loan	Mediobanca - Crédit Agricole	Eur	2021	29,857	29,857
Medium and long term loan	Banca Nazionale del Lavoro S.p.A.	Eur	2023	15,625	15,625
Medium and long term loan	Intesa SanPaolo S.p.A.	Eur	2021	41,667	41,667
Medium and long term loan	Cassa di Risparmio di Fermo S.p.A.	Eur	2021	20,000	20,000
Medium and long term loan	Cassa Depositi e Prestiti S.p.A.	Eur	2021	20,000	20,000
Revolving credit facility	Unicredit S.p.A.	Eur	2021	100,000	100,000
Revolving credit facility	Banco BPM S.p.A.	Eur	2022	40,000	40,000
Revolving credit facility	Banca Nazionale del Lavoro S.p.A.	Eur	2021	100,000	100,000
Revolving credit facility	CACIB/Crédit Agricole Italia S.p.A.	Eur	2021	20,000	20,000
Revolving credit facility	Intesa SanPaolo S.p.A.	Eur	2021	50,000	50,000
Revolving credit facility	BNP Paribas	Jpy	2021	300,000	2,372
Total financing					**439,520**
Other financial liabilities		Inr	n.a.	78,867	880
Other financial liabilities		Eur	n.a.	708	708
Total financing and other financial liabilities					**441,108**

Most of the loans that were outstanding at December 31st, 2020 were repaid in advance following the financial debt restructuring transaction mentioned above, which was entered into by the parent company on January 22nd, 2021 (Note 6). Specifically, the following loans were repaid:

-medium/long-term syndicated loan taken out between TOD'S S.p.A. and Mediobanca/Crédit Agricole in July 2014, on which interest accrued during the year, at a variable rate equal to 3M EURIBOR + 55 basis points, which was hedged under two interests rate swaps (IRS) with the same notional amount and the same maturity as the hedged item;

-loan taken out with BNL S.p.A. (BNP Paribas Group) on December 21st, 2018, for an amount of 25 million euros, repayable in 16 deferred quarterly instalments and due to expire on December

21st, 2023, on which interest accrued during the year, at a variable rate equal to 3M EURIBOR + 0.7%, which was hedged under an interests rate swap (IRS) with the same notional amount and the same maturity as the hedged item;

-loan taken out with Intesa SanPaolo S.p.A. on December 21st, 2018, for an amount of 125 million euros, repayable in 6 deferred six-monthly instalments and due to expire on December 31st, 2021, on which interest accrued during the year, at a variable rate equal to 6M EURIBOR + 0.7%;

-revolving credit facilities available for a total amount of 450 million euros, which were drawn down in full in March and April 2020, to meet any possible cash requirement arising from the effects of the pandemic, of which an amount of about 140 million euros was already repaid in December 2020; these revolving lines were also paid off in full as part of the financial debt consolidation transaction.

The following loans, which were disbursed in 2020, were not involved in the financial debt consolidation transaction and, therefore, were still outstanding as at the date of this Report:

-loan taken out with Cassa di Risparmio di Fermo S.p.A. on May 13th, 2020, for an amount of 20 million euros, totally repayable on the maturity date of November 13th, 2021. The quarterly interest rate was agreed on as equal to 0.7% upon execution;

-loan taken out with Cassa Depositi e Prestiti S.p.A. on May 12th, 2020, for an amount of 20 million euros, totally repayable on the maturity date of November 11th, 2021. The six-monthly interest rate was agreed as equal to 0.96% upon execution.

On the other hand, it should be noted that, in taking account of the impact of the pandemic on its results of operations and financial position, the Group has obtained all its lenders' consent not to apply the obligation to calculate financial covenants, where required in current agreements, for the entire 2020 financial year and, where requested, even on a six-monthly basis until June 30th, 2021.

The following table illustrates the repayment schedule for the aggregate amount of loans, including the accrual for interests at the reporting date. The following table doesn't include the revolving credit facilities.

euro 000's	Medium and long term loan (BNL)	Medium and long term loan (Intesa)	Medium and long term pool loan (Mediobanca/Credit Agricole)	Cassa di Risparmio di Fermo	Cassa Depositi e Prestiti	Total
2021	6,250	41,667	30,000	20,000	20,000	117,917
2022	6,250					6,250
2023	3,125					3,125
2024						-
Over 5 years						-
Total	**15,625**	**41,667**	**30,000**	**20,000**	**20,000**	**127,292**
Accruals and amortized cost	1		(141)	19	22	(99)
Total	**15,626**	**41,667**	**29,859**	**20,019**	**20,022**	**127,193**

The breakdown by currency of the balance of total financial liabilities (bank overdrafts and financing) at the reporting date is as follows:

Financial liabilities by currency		12.31.20
Currency 000's	Local Currency	Euro
Jpy	1,868,080	14,769
Eur		
Total bank overdrafts		**14,769**
Eur	437,856	437,856
Jpy	300,000	2,372
Inr	78,867	880
Total financing and financial liabilities		**441,108**
Total financial liabilities		**455,876**

Financial liabilities by currency		12.31.19
Currency 000's	Local Currency	Euro
Jpy	2,853,424	23,400
Eur	63	63
Total bank overdrafts		**23,463**
Eur	171,783	171,783
Inr	72,795	908
Total financing and financial liabilities		**172,691**
Total financial liabilities		**196,154**

For interest rate sensitivity analysis (IFRS 7), and the disclosure for the further credit facilities and financing agreements available for the Group but not used yet at December 31st, 2020 see Note 6.

25. Other non-current liabilities

The balance for this item, 12,801 thousand euros, refers mainly to the liability recognised in relation to the agreement made for financing of restoration work on the Coliseum (Note 9) for 8,454 thousand euros (8,527 thousand euros at December 31st, 2019). This liability was recognised at the discounted value of the financial outlays that are reasonably foreseeable on the basis of the multi-year plan for restoration work.

26. Trade payables and other current liabilities

euro 000's	12.31.20	12.31.19	Change
Trade payables	105,270	137,191	(31,921)
Tax payables	11,426	22,869	(11,443)
Other liabilities			
Payables due to employees	12,887	13,213	(327)
Social security institutions	6,225	7,796	(1,571)
Other	21,238	24,399	(3,162)
Total other liabilities	**40,350**	**45,409**	**(5,059)**

The payables to employees consist of amounts accrued in favour of employees (including the portion of unused holiday leave) and not paid at the reporting date.

"Other" mainly includes advances from customers, the current portion of the returns estimates at the end of the year and the liability recognised in connection with the financing of restoration works for Coliseum, deferred revenues and other current liabilities.

27. Earnings per share

The calculation of base and diluted earnings per share is based on the following:

i. Reference Profit

euro 000's For continuing and discontinued operations	Year 20	Year 19
Profit used to determine basic earning per share	(73,190)	46,283
Dilution effects		
Profit used to determine diluted earning per share	**(73,190)**	**46,283**

euro 000's For continuing operations	Year 20	Year 19
Profit for the year	(73,190)	46,283
Income (Loss) from discontinued operations		
Profit used to determine basic earning per share	**(73,190)**	**46,283**
Dilution effects		
Profit used to determine diluted earning per share	**(73,190)**	**46,283**

In both fiscal 2020 and 2019, there were no dilutions of net consolidated earnings, partly as a result of activities that were discontinued during the periods in question.

ii. Reference number of shares

	Year 20	Year 19
Weighted average number of shares to determine basic earning per share	33,093,539	33,093,539
Share Options		
Weighted average number of shares to determine diluted earning per share	33,093,539	33,093,539

iii. Base earnings per share. Calculation of the base earning per share for fiscal year 2020 is based on the net result attributable to holders of ordinary shares of the parent company TOD'S S.p.A., which is negative for 73,190 thousand euros (positive for 46,283 thousand euros in 2019), and on the average number of ordinary shares outstanding during the same period, totalling 33,093,539 unchanged in respect to 2019.

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2020 coincides with calculation of earnings per share, due to the fact that there are no items which produce dilution effects.

28. Transaction with related parties

The Group's related parties transactions were executed in compliance with the procedural sequence and implementing procedures set out in the Related Parties Transactions Procedure approved by the TOD'S S.p.A. Board of Directors in implementation of the Related Parties Regulation adopted by CONSOB with Resolution no. 17221 of March 12th 2010, as subsequently amended. In accordance with market best practices, significant related party transactions are subject to an in-depth review involving, inter alia:

(i) complete, prompt transmission of material information to the delegated Board of Directors committees (the Control and Risk Committee and the Independent Directors Committee, each within the ambit of their delegated responsibilities, where the majority or all members of these committees are independent directors), who in the performance of their functions also avail themselves of the assistance of independent experts;

(ii) the issuance of an opinion (either binding or non-binding, as applicable) before approval of the transaction by the Board of Directors (or, if appropriate, by the body delegated to resolve on the transaction).

All transactions – which are connected with the normal operations of TOD'S Group companies – were executed solely on behalf of the Group by applying contractual conditions consistent with those that can theoretically be obtained on an arm's length basis.

Most significant transactions concluded during the period

During the 2020 financial year, the Group did not enter into any related-party transaction which was of greater significance or which had a significant impact on the Group's financial position or result for the year, nor were there any changes or developments in the transactions described in the 2019 Annual Report which had the same effects.

With regard to new transactions of lesser importance, we note that a new two-year contract, effective from June 1st, 2020, has been signed for the manufacture of prototypes of leather goods, as well as their subsequent mass production, on the part of the Group, on behalf of the related company Elsa Schiaparelli Sas, which holds the exclusive rights to use the Schiaparelli brand. The transaction takes the form of a "related-party transaction" since Elsa Schiaparelli Sas is a company that is wholly owned, through Diego Della Valle & C. S.r.l., by the Chairman, Diego Della Valle, and by the Vice Chairman, Andrea Della Valle, and is controlled by the former.

Related party transactions at December 31st, 2020

Further to the information quoted above, TOD'S Group continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2020. The principal object of the transactions of the year was the sale of products, lease of sales spaces, show rooms and offices and the provision of advertising services.

i. Commercial transactions with related parties – Revenues

euro 000's	Sales of products	Rendering of services	Royalties	Operating lease	Other operations
Year 2020					
Parent Company (*)	173	77		5	
Directors					
Exec. with strat. respons.					
Total	**173**	**77**	**-**	**5**	**-**
Year 2019					
Parent Company (*)	53	12		5	95
Directors					
Exec. with strat. respons.					
Total	**53**	**12**	**-**	**5**	**95**

(*) Companies directly or indirectly controlled by Chairman of the Board of Directors Diego Della Valle

ii. Commercial transactions with related parties – Costs

euro 000's	Purchases of products	Rendering of services	Royalties	Operating lease	Other operations
Year 2020					
Parent Company (*)		41		6,317	2
Directors					
Exec. with strat. respons.					
Total	**-**	**41**	**-**	**6,317**	**2**
Year 2019					
Parent Company (*)		208		6,463	10
Directors					
Exec. with strat. respons.					
Total	**-**	**208**	**-**	**6,463**	**10**

(*) Companies directly or indirectly controlled by Chairman of the Board of Directors Diego Della Valle

iii. Commercial transactions with related parties – Receivables and payables

euro 000's	12.31.20				12.31.19			
	Asset		Liabilities		Asset		Liabilities	
	Right of use	Trade Receivables	Leasing liability	Trade Payables	Right of use	Trade Receivables	Leasing liability	Trade Payables
Parent Company (*)	22,109	65	23,440	137	20,159	2	20,472	98
Total	**22,109**	**65**	**23,440**	**137**	**20,159**	**2**	**20,472**	**98**

(*) Companies directly or indirectly controlled by Chairman of the Board of Directors Diego Della Valle

The rights of use and leasing liabilities, shown in the table above, refer to some lease agreements in place with the related company Immobiliare De.Im. Srl, a company wholly owned, through Diego Della Valle & C. S.r.l., to the President, Diego Della Valle, and to the Vice President, Andrea Della Valle, and controlled by the former, referring to a direct store, offices and show-rooms of the Group in Milan.

Due to the fact that the above mentioned amounts are not significant, the disclosure hasn't been provided separately in the face of the financial statements in accordance with CONSOB resolution n. 155519 of July 27th, 2006.

The figure Intangible assets with indefinite useful life, for 415 million euros, include the amount of ROGER VIVIER brand acquired on January 2016 through a related party transaction with Gousson Consultadoria e Marketing S.r.l., a company owned by the President of the board of directors Mr. Diego Della Valle.

Transactions between Group companies included in the scope of consolidation have been eliminated from the consolidated financial statements. Consequently, they have not been highlighted in these notes.

Fee due to Directors, Statutory Auditors, and General Managers

The following table illustrates the compensation accrued in the year 2020 by each of the Directors, Statutory Auditors, Executives with Strategic Responsibilities of TOD'S S.p.A. (including for the activities that they performed at subsidiaries) for any reason and in any form. It should be noted, as previously commented, the proposal to renounce their remuneration, which had been resolved in their favor for the 2020 financial year, by the Chairman and the Deputy Chairman, which the Board ratified, revoking its previous resolution.

euro 000's	Compensation for office	Compensat. for part. in Commit.	Non cash benefits	Bonus and other incentives	Compens. as employ.	Other compens.	
Directors							
Diego Della Valle (*)	38.5	10.8					
Andrea Della Valle (**)	38.5	10.8					
Luigi Abete	37.4	9.4					
Maurizio Boscarato	38.5	11.8				220.0	(2)
Marilù Capparelli	38.5						
Sveva Dalmasso	38.5	19.1					
Emanuele Della Valle	36.0						
Gabriele Del Torchio	38.1						
Romina Guglielmetti	36.0	18.0				11.1	(4)
Umberto Macchi di Cellere (***)	243.5	10.8	3.4	195.0	663.5		(1)
Emilio Macellari (****)	253.5	10.8				480.0	(2)
Vincenzo Manes	37.8	30.5					
Cinzia Oglio	38.5		2.7	30.3	157.0		
Emanuela Prandelli	38.5						
Pierfrancesco Saviotti	38.5						
Total	**989.8**	**131.7**	**6.1**	**225.3**	**820.5**	**711.1**	
Statutory Auditors							
Giulia Pusterla (*****)	90.0						
Enrico Colombo	60.0					59.6	(3) (4)
Fabrizio Redaelli	60.0						
Total	**210.0**					**59.6**	
Executives with strategic responsibilities (******)		10.8	6.3	258.0	1,257.5	15.0	(1)

Legend

(*) Chairman of Board of Directors
(**) Vice Chairman of Board of Directors
(***) Chief Executive Officer
(****) Member of Executive Committee
(*****) Chairman of the Statutory Board
(******) Includes General Directors salaries limited to compensation for the employment relationship.

(1) Director of subsidiary
(2) Consultant TOD'S S.p.A.
(3) Statutory Auditor of subsidiary
(4) Member of Compliance Program Supervisory Board

No severance indemnity is provided for Directors and Executives with Strategic Responsibilities.

29. Events and significant non-recurring transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28th, 2006, it is highlight that the Group did not carry out any significant non-recurring transactions during the year 2020.

30. Items or transactions resulting from unusual and/or exceptional transactions

There were no items or transactions resulting from unusual and/or exceptional transactions during the year.

31. Information in accordance with the Law n. 124/2017

During the year the Group received subsidies, grants, and, anyway, economic advantages in accordance with the Law 124/2017 art. 1, subsection 125. The following table summarizes the data related to both the lenders, amount received and a brief description of the reasons why the benefit was achieved.

euro Beneficiary company	Lender	Allowance received	Reason
TOD'S S.p.A.	Fondirigenti - Fondo interprofessionale	15,000	Allowances for training of executives
TOD'S S.p.A.	Regione Marche	72,242	Allowances to companies for recruiting and training of employees
TOD'S S.p.A.	INAIL - Istituto nazionale Assicurazione Infortuni sul Lavoro	560	Incentives for hiring employees with specific requisites
Total		**87,802**	

The grants mentioned above can also be found in the specific national Register that is available for public consultation. Moreover, with reference to 2020, the Italian companies of the Group benefited from the tax credit on rents for an amount of about 1,381 thousand euros, the grant for the development of electricity from renewable sources (GSE grant) for 311 thousand euros and non-repayable grants in accordance with Article 25 of Decree Law 34 of May 19th, 2020, as well as with Article 1 of Decree Law 137 of October 28th, 2020 and Article 1 of Decree Law 149 of November 9th, 2020, for a total amount of 89 thousand euros.

It is highlighted that the benefits received have been summarised in accordance with the cash principle and, as a consequence, the table above shows subsidies, grants, paid positions and, anyway, financial benefits which were collected during 2020, without taking account of the related accruals basis.

32. Significant events occurred after the end of the year

On January 22nd, 2021, Tod's S.p.A. signed a loan agreement with a pool of banks coordinated by Intesa Sanpaolo S.p.A. – through the IMI Corporate and Investment Banking Division, for a maximum total amount of 500 million euros. The Sustainability Linked Loan is structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros, both of which have a term of five years.

This transaction further strengthened the Group's financial structure, which was, however, already solid, thus mitigating the risk profile linked to the current market situation and provided for a bonus system linked to the achievement of specific "Sustainability" objectives. At the same time as the disbursement of the Term Facility component, the Company repaid all existing medium-term loans and paid off any outstanding RCF lines of credit. At present, the Revolving Credit Facility is still unused. The transaction was completed with Intesa Sanpaolo S.p.A. (as Sole Global Coordinator, Bookrunner, Mandated Lead Arranger, Sole Sustainability Coordinator, Original Lender and Facility Agent), Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Crédit Agricole Corporate and Investment Bank, Milan Branch, UniCredit S.p.A. (all in their capacity as Bookrunners, Mandated Lead Arrangers and Original Lenders) and Crédit Agricole Italia S.p.A. (as Original Lender).

TOD'S S.p.A.

Separate Financial Statements as of December 31st, 2020

TOD'S s.p.a.

Financial Statements

Income statement

euro 000's	Notes	Year 20	Year 19
Revenues			
Sales revenues (1)	6.1	383,983	606,834
Other income	6.1	8,982	6,997
Total revenues and income		**392,965**	**613,831**
Operating costs			
Change in inventories of work in progress and finished	6.2	(12,235)	3,026
Cost of raw materials, supplies and material for consu	6.2	(155,617)	(223,267)
Costs for services	6.3	(141,607)	(191,990)
Costs of use of third party assets	6.4	(14,736)	(25,533)
Personnel costs	6.5	(93,966)	(107,088)
Other operating charges	6.6	(11,772)	(17,492)
Total operating costs		**(429,934)**	**(562,344)**
EBITDA		**(36,969)**	**51,488**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	8	(8,141)	(8,407)
Depreciation of tangible assets	9	(13,480)	(13,623)
Depreciation of right of use assets	7	(24,284)	(24,753)
Other adjustment	7-10	(16,528)	
Total amortisation, depreciation and write-downs		**(62,433)**	**(46,783)**
Provisions		(935)	(1,907)
EBIT		**(100,337)**	**2,797**
Financial income and expenses			
Financial income	6.7	24,359	15,838
Financial expenses	6.7	(38,406)	(31,180)
Total financial income (expenses)		**(14,047)**	**(15,341)**
Income (losses) from equity investments	6.8	(62,826)	37,757
Profit before taxes		**(177,209)**	**25,213**
Income taxes	6.9	60,421	5,131
Profit for the period		**(116,788)**	**30,344**
EPS (Euro)	25	(3.53)	0.92
EPS diluted (Euro)	25	(3.53)	0.92

Note:

(1) Sales revenues include transactions with Group's entities for 126 and 236.1 million euros, respectively, in the fiscal year 2020 and 2019.

Statement of Comprehensive Income

euro 000's	Notes	Year 20	Year 19
Profit/(loss) for the period (A)		**(116,788)**	**30,344**
Other Comprehensive Income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)	17	787	328
Total other Comprehensive Income that will be reclassified subsequently to profit and loss (B)		**787**	**328**
Other Comprehensive Income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/losses) on defined benefit plans	21	(117)	(474)
Total other Comprehensive Income that will not be reclassified subsequently to profit and loss (C)		**(117)**	**(474)**
Total Comprehensive Income (A)+(B)+(C)		**(116,118)**	**30,198**

Statement of Financial Position

euro 000's	Notes	12.31.20	12.31.19
Non current assets			
Right of use assets			
Right of use assets	7	132,394	158,839
Total right of use assets		**132,394**	**158,839**
Intangible fixed assets			
Assets with indefinite useful life	8	139,219	150,919
Others	8	23,864	22,928
Total intangible fixed assets		**163,083**	**173,847**
Tangible fixed assets			
Buildings and land	9	53,616	55,432
Plant and machinery	9	8,939	10,278
Equipment	9	8,314	9,421
Leasehold improvement	9	9,311	12,058
Others	9	7,385	8,306
Total property, plant and equipment		**87,566**	**95,494**
Other assets			
Investments properties	11	11	15
Investments in subsidiaries	12	463,534	505,699
Deferred tax assets	13	59,628	
Others	14	6,315	8,053
Total other assets		**529,487**	**513,767**
Total non-current assets		**912,531**	**941,946**
Current assets			
Inventories	15	229,648	252,306
Trade receivables (1)	16	177,513	186,062
Tax receivables	16	9,350	9
Derivative financial instruments	17	2,739	1,246
Others	16	62,226	74,617
Cash and cash equivalents	18	252,488	86,426
Total current assets		**733,964**	**600,667**
Total assets		**1,646,495**	**1,542,613**

to be continued

Note:

(1) Trade receivables include receivables from Group's entities for 130.8 and 119.6 million euros, respectively, at December 31st, 2020 and December 31st, 2019.

continuing

euro 000's	Notes	12.31.20	12.31.19
Shareholders' equity			
Share capital	19	66,187	66,187
Capital reserves	19	416,507	416,507
Treasury stock	19		
Hedging reserve	19	660	(128)
Other reserves	19	475,843	446,072
Profit/(Loss) for the period	19	(116,788)	30,344
Shareholders' equity		**842,408**	**958,983**
Non-current liabilities			
Provisions for risks	20	5,813	5,912
Deferred tax liabilities	13		5,816
Employee benefits	21	8,048	9,725
Derivative financial instruments	17		225
Bank borrowings	22	9,375	84,023
Non-current lease liabilities	7	117,585	136,272
Others	23	15,522	14,015
Total non-current liabilities		**156,343**	**255,988**
Current liabilities			
Trade payables (2)	24	109,181	137,733
Tax payables	24	8,214	13,194
Derivative financial instruments	17	769	2,186
Others	24	62,757	63,913
Bank borrowings	22	428,481	87,822
Current lease liabilities	7	22,282	22,084
Provisions for risks	20	16,059	710
Total current liabilities		**647,744**	**327,643**
Total Shareholders' equity and liabilities		**1,646,495**	**1,542,613**

Note:

(2) Trade payables include payables to Group's entities for 23 and 22.4 million euros, respectively, at December 31st, 2020 and December 31st, 2019.

Statement of Cash Flows

euro 000's	Notes	12.31.20	12.31.19
Profit/(Loss) for the period		**(116,788)**	**30,344**
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Amortizat., deprec., revaluat., and write-downs	7-8-9-10-15-16	154,279	52,450
Other non monetary expenses/(income)	17-19-20	2,037	664
Income taxes for the period	6.9	(60,421)	(5,131)
Changes in operating assets and liabilities:			
Trade receivables	16	9,402	6,442
Inventories	15	(9,503)	(1,366)
Tax receivables and tax payables	16-24	(2,346)	(7,699)
Trade payables	24	(29,009)	(18,711)
Other assets and liabilities	16-24	22,328	(29,622)
Change in reserve for employee	21	(1,794)	1,596
Cash flows from operating activities		**(31,816)**	**28,967**
Interests (paid)/collected		(1,806)	(805)
Interests (paid) on lease liabilities		(5,678)	(5,247)
Income taxes (paid)/refunded		(16,995)	(1,055)
Net cash flows from operating activities (A)		**(56,295)**	**21,861**
Acquisitions of intangible and tangible fixed assets	8-9	(15,114)	(23,754)
Transfers of intangible and tangible fixed assets	8-9	353	2,215
(Increase) decrease from mergers			135,329
(Increase) decrease of equity investments	12	(3,566)	
Reduction (increase) of other non-current assets	14	1,738	(3,733)
Cash flows generated (used) in investing activities (B)		**(16,588)**	**110,057**
Dividends paid	19		(33,094)
Capital increase			
Other changes in Equity			
Loans to subsidiaries	14-16	(8,720)	7,422
Repayments of lease liabilities	7	(17,481)	(20,543)
Repayments of financial liabilities	22	(241,792)	(216,042)
Proceeds from financial liabilities	22	507,000	150,000
Cash flows generated (used) in financing (C)		**239,007**	**(112,256)**
Translation differences (D)			
Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)		**166,124**	**19,661**
Cash flow from assets held for sale (F)			
Cash flows generated (used) (G)=(E)+(F)		**166,124**	**19,661**
Net cash and cash equivalents at the beginning of the period		86,364	66,703
Net cash and cash equivalents at the end of the period		252,488	86,364
Change in net cash and cash equivalents		**166,124**	**19,661**

Statement of Changes in Equity

Year 2020 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.20	**66,187**	**416,507**	**(128)**	**476,416**	**958,983**
Profit & Loss account				(116,788)	(116,788)
Directly in equity			787	(117)	670
Total Comprehensive Income			**787**	**(116,905)**	**(116,118)**
Dividends					
Capital increase					
Share based payments					
Other (1)				(457)	(457)
Balances as of 12.31.20	**66,187**	**416,507**	**660**	**359,055**	**842,409**

Year 2019 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.19	**66,187**	**416,507**	**(456)**	**442,986**	**925,225**
Profit & Loss account				30,344	30,344
Directly in equity			328	(474)	(146)
Total Comprehensive Income			**328**	**29,870**	**30,198**
Dividends				(33,094)	(33,094)
Capital increase					
Share based payments					
Other				36,653	36,653
Balances as of 12.31.19	**66,187**	**416,507**	**(128)**	**476,416**	**958,983**

Note:

(1) Other changes recorded in 2020 mainly relate to the use of the reserve for the pursuit of solidarity projects at a local level.

Notes to the Separate Financial Statements

1. General notes

The parent company TOD'S S.p.A., registered office in Sant'Elpidio a Mare (Fermo) at Via Filippo Della Valle 1, is listed on Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A..

At December 31st, 2020 TOD'S S.p.A. share capital is owned by DI.VI. FINANZIARIA DI DIEGO DELLA VALLE & C. S.r.l. for 50.291%.

The Separate financial statements has been prepared by the Board of Directors of TOD'S S.p.A. on March 10th, 2021 for the approval of the shareholders meeting on April 21st, 2021 and it is subject to PricewaterhouseCoopers S.p.A. audit.

2. Basis of preparation

The Separate Financial Statements were prepared in accordance with IAS/IFRS (International Accounting Standards – IAS -, and International Financial Reporting Standards – IFRS) issued by IASB, based on the text published on the Gazzetta Ufficiale of European Union (G.U.C.E.). IAS/IFRS refer also to all revised International Accounting Standards (IAS) and all interpretative documents issued by the IFRIC (International Financial Reporting Interpretations Committee), previously nominated Standing Interpretations Committee (SIC).

The Notes have been supplemented by the additional information required by CONSOB and its implementing measures of Article 9 of Legislative Decree 38/2005 (Resolutions 15519 and 15520 of July 27th, 2006 and memorandum DEM/6064293 of July 28th, 2006, pursuant to Article 114(5) of the Consolidated Law on Finance-TUF), Article 78 of the Issuer Regulation, the EC document of November 2003 and, when applicable, the Italian Civil Code. Consistently with the financial statements for the previous year, certain information is provided in the Report by the Board of Directors on Operations.

The separate financial statements has been prepared on the going concern basis, and it includes the statement of financial position, the income statement, statement of comprehensive income, the statement of cash flows, the statement of changes in equity and related notes to the separate financial statements of TOD'S S.p.A.

The separate financial statements is prepared in euro currency.

For presentation of its operating income, the Company adopted the presentation of the profit and loss by nature. The format of representing revenues and costs by nature is followed, indicating the EBITDA and EBIT results as in the past, since they are considered representative indicators of company performance. In addition, it has been prepared the statement of comprehensive income which include transactions that are outside the income statement but they produce their effects directly to equity. Transactions represented in the statement of comprehensive income are net of tax effects.

The statement of financial position shows current items, for which it is supposed that they will be realized or closed during the normal operating cycle, separately from non-current items (both assets and liabilities).

The financial statements schemes, joined with both report on operations and supplementary notes, are considered to be those that provide the best organized representation of the Company's financial position and income. In case, for the application of a new accounting standards, there is a change in the nature of the operations or re-examination of the financial statements and it is necessary or more appropriate to modify some figures to provide a clearer information to the stakeholders, the comparative figures will be reclassified in order to improve the comparability of the information between the years. In such a case, if significant, appropriate information in the notes to the separate financial statements will be provided.

In accordance with art. 3 of Consob resolution n. 18079 of January 20th, 2012 the Company adopt the waiver resulting in art. 70 c. 8 and 71 c. 1-bis of Consob regulation n. 11971/99 (and subsequent modifications) in connection with making available, to third parties, all the documents related to mergers, corporate splits, capital increases, acquisitions and disposals in the corporate headquarter.

3. Evaluation methods and accounting standards

The accounting standards applied to the preparation of the Separate Financial Statements are consistent with those applied to the preparation of the Separate Financial Statements at December 31st, 2019, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2020.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2020, which were applied on first-time adoption in the TOD'S S.p.A. financial statements at December 31st, 2020

• Amendments to references to the conceptual framework in IFRS: on March 29th, 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards." The amendment became applicable for the periods commencing on or after January 1st, 2020, with early adoption permitted. The Conceptual Framework describes the fundamental concepts for financial reporting and guides the Board in developing the IFRS standards. The document helps ensure that the Standards are developed on the basis of consistent concepts and that similar transactions are treated in the same manner, so as to provide useful information to investors, lenders, and other creditors. The Conceptual Framework supports entities in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more in general, helps stakeholders understand and interpret the Standards. The adoption of these amendments did not have any material impact on the Company's separate financial statements.

• Definition of material (amendments to IAS 1 and to IAS 8): under Regulation (EU) No. 2019/2014, which was published on December 10^{th}, 2019, the International Accounting Standards Board (IASB) published some amendments to IFRS, as well as an amendment to the definition of "material" provided in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The purpose of this amendment is to make the definition of "material" more specific and to introduce the concept of "obscured information" in addition to the concepts of omitting or misstating information that are already described in the two standards subject to amendment. The amendment clarifies that information is "obscured" if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The endorsement took place on November 29^{th}, 2020, with effective date on January 1^{st}, 2020. The adoption of these amendments did not have any material impact on the Company's separate financial statements.

• Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7): under Regulation (EU) No. 2020/34, which was published on January 16^{th}, 2020, the European Parliament made amendments to IAS 39 and to International Financial Reporting Standards (IFRS) 7 and 9. The amendment became necessary as a result of the report on "Reforming Major Interest Rate Benchmarks" whereby the Financial Stability Board issued recommendations aimed at strengthening existing and other potential benchmark indices based on interbank markets and developing alternative, almost risk-free benchmark rates. Accordingly, the International Accounting Standards Board published the interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7) in order to take account of the consequences of the reform on financial reporting and so that entities can continue to comply with the provisions assuming that existing interest rate benchmark indices are not changed as a result of the interbank rate reform. The regulation, which was issued in September 2019 and endorsed on January 15^{th}, 2020, shall be applied by no later than the start date of their first financial period commencing on or after January 1^{st}, 2020. The firs-time adoption of these amendments had no impact on the Company's separate financial statements.

• Definition of a business (amendments to IFRS 3): on October 22nd, 2018 the IASB published the document on the "Definition of a Business (Amendments to IFRS 3)." The document provides some clarifications as to the definition of business for the purposes of a correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, an output is not strictly required to identify a business if in any case there is an integrated set of activities, processes and assets. However, to meet the definition of a business, an integrated set of activities, processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB has replaced the wording on the "ability to create output" with the "ability to contribute to the creation of outputs" to make it clear that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also provides for a concentration test, to be used on an optional basis, which allows an assessment of whether a business exists or not if the price paid is substantially attributable to a single asset or group of assets. The amendments shall apply to all business combinations and acquisitions of assets after January 1st, 2020, with early adoption permitted. The first-time adoption of these amendments had no impact on the Company's separate financial statements.

• COVID-19-Related Rent Concessions (amendment to IFRS 16): under Regulation (EU) No. 2020/1434 of October 12th, 2020, the IFRS Foundation approved an amendment to IFRS 16 relating to the method of accounting for leases. The amendment was endorsed on October 9th, 2020. According to the document, lessees may account for COVID-19-related rent concessions without having to assess if the definition of lease modification under IFRS 16 is met through an analysis of the contracts. Therefore, lessees applying this option may, if some conditions are fulfilled, account for the effects of reductions in lease rents directly through profit or loss as at the effective date of the concession. This amendment became applicable to financial statements for financial periods commencing on June 1st, 2020, but the Group made use of the option for an early adoption of this amendment as from January 1st, 2020. On the basis of the first-time adoption of this amendment, the Group recognised proceeds arising from renegotiations of existing lease agreements for a total amount of 3.1 million euros, as Costs for use of third-party assets in the income statement for the year. Furthermore, it should be noted that, in consideration of the fact that the amendment to IFRS 16 had not yet completed all the formal steps necessary for its endorsement by the European Union and that, consequently, it could not yet be adopted, and while taking account of the strictly operational nature of the leases, the concessions obtained from the lessors by June 30th, 2020, amounting to 10.6 million euros, were accounted for, in the Half-Year Financial Report as at June 30th, 2020, as a partial derecognition of a lease liability by applying paragraph 3.3.1 of IFRS 9 - Financial Instruments, recognising the benefit as a reduction in operating costs in the income statement of the half-year financial statements as at June 30th, 2020. In particular, the proceeds arising from these concessions were reported in a separate line of the income statement in order to provide clear and correct disclosures in the financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2021, and not early adopted by the Company

On August 27th, 2020 the IASB published, following the reform on interest rate benchmarks such as the IBOR, the document on "Interest Rate Benchmark Reform—Phase 2", which makes amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts;
- IFRS 16 Leases.

No significant effects are expected from the adoption of these amendments in the Company's separate financial statements on the basis of the information available to date.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union

- Reference to the Conceptual Framework (Amendments to IFRS 3): the purpose of these amendments is to update the reference to the Conceptual Framework in revised version of IFRS 3, without this entailing amendments to the provisions of IFRS 3.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): the purpose of these amendments is not to allow any deduction from the cost of tangible assets of the amount received from the sale of goods produced during the testing phase of the asset itself. Therefore, these revenues from sales and related costs shall be recognised in the income statement.

- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37): the amendment clarifies that the assessment of whether a contract is onerous should include all costs that are directly attributable to the contract itself. Accordingly, the assessment of whether a contract is onerous includes incremental costs (such as, for example, the cost of direct material used in the work), as well as any costs that the entity cannot avoid because it has entered into the contract (such as, for example, the amount of personnel costs and depreciation of machinery used to perform the contract).

• Annual improvements to IFRS Standards (Cycle 2018–2020): the amendments were made to IFRS 1 - First-time Adoption of International Financial Reporting Standards, as well as to IFRS 9 - Financial Instruments, IAS 41 - Agriculture and to the Illustrative Examples of IFRS 16 - Leases.

• Classification of Liabilities as Current or Non-current (Amendment to IAS 1), including subsequent amendments issued in July 2020: on January 23rd, 2020 the IASB published "Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current." The purpose of the document is to clarify how to classify payables and other liabilities among short- or long-term items. The amendments will become applicable from January 1st, 2023, with early adoption permitted.

3.1 Use of estimates. Preparation of the financial statements and notes in conformity with IFRS requires that management make judgments, estimates and assumptions which impact on the values reported for assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the balance sheet date and on the values of revenues and expenses reported on the current period.
The estimates and assumptions used are based on elements known at the date of preparation of the financial statements, on historical experience and on other elements that may be considered relevant. In particular, it should be noted that, following the continuous evolution of the reference context linked to the pandemic, the Management updated its estimates and assumptions, compared to the financial statements as at December 31st, 2019, mainly in relation to the assessment of the recoverability of goodwill. and other assets with an indefinite useful life (proprietary brands), the bad debt provision, the inventory provision, the recoverability of prepaid taxes, right-of-use assets and related financial liabilities. For further information on the estimation methods adopted, please refer to the details of the accounting principles reported in the following paragraphs of this Note 3.

3.2 Transactions in foreign currency. The functional currency (the currency used in the principal economic area where the company operates) used to present the financial statements is

the euro. Foreign currency transactions are translated into the functional currency by applying the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the financial statements are translated by using the exchange rate in effect at the closing date. Non-monetary assets and liabilities are valued at their historical cost in foreign currency and translated by using the exchange rate in effect at the transaction date.
The foreign exchange differences arising upon settlement of these transactions or translation of cash assets and liabilities are recognized on the profit and loss account.

3.3 Derivative financial instruments. The fundamental characteristics of the derivative financial instruments are set out in the paragraph on Financial Assets and in the paragraph on Loans. The company uses derivate financial instruments (mainly currency forward contracts) to hedge the risks stemming from foreign exchange exposure deriving from its operating activity and to hedge interest rate risks on loans, without any speculative or trading purposes, and consistently with the strategic policies of cash management dictated by the Board of Directors.
When derivative transactions refer to a risk connected with the variability of forecast transaction cash flow, they are recognized according to the rules for cash flow hedge until the transaction is recorded on the books. Subsequently, the derivatives are treated in accordance with fair value hedge rules, insofar as they can be qualified as instruments for hedging changes in the value of assets or liabilities carried on the balance sheet.
Applying IFRS 9, derivatives financial instruments are accounted in accordance with the hedge accounting method which envisages posting derivatives on the balance sheet at their fair value. Posting of the changes in fair value varies according to the type of hedging at the valuation date:

- for derivatives that hedge forecast transactions (i.e. cash flow hedge), the changes are recognized in the other comprehensive income, while the portion for the ineffective amount is recognized on the profit and loss account, under financial income and expenses; differences in fair value already recognized on specific reserves are booked in profit and loss, adjusting operating margins, once hedged items (trade receivables/payables) have been already recognized. For hedging derivatives related to interest rate risks on loans, the change in fair value, already recognized in the cash flow hedge reserve, are booked in profit and loss, adjusting financial income/charges once hedged items (financial receivables/liabilities) have been already recognized;
- for derivatives that hedge receivables and payables recognized on the balance sheet (i.e. fair value hedge), the fair value differences are recognized entirely on the profit and loss account, under financial income and expenses. Furthermore, the value of the hedged

item (receivables/payables) is adjusted for the change in value attributable to the hedged risk, using the item financial income and expenses as a contra-entry.

The criteria established by IFRS 9 for a hedging relationship to qualify for hedge accounting are the following:

a) the hedging relationship consists solely of both hedging instruments and hedged items that comply with the provisions of IFRS 9;

b) at the beginning of the hedging relationship there is a formal designation and documentation of the same hedging relationship together with the objectives and risk management strategies underlying the hedge;

c) the hedging relationship complies with the provisions of IFRS 9 regarding the effectiveness of the hedge.

3.4 Right-of-use assets. Following the entry into force of the new IFRS 16 accounting standard, starting from January 1st, 2019, leasing contracts are accounted for in the financial statements on the basis of a single accounting model similar to that previously governed by IAS 17 on the accounting of financial leasing. At the time of signing each contract, the Company:

- determines whether the contract is or contains a lease, a circumstance that occurs when it gives the right to control the use of a specified asset for a period of time in exchange for a fee. This assessment is repeated in the event of a subsequent modification of the terms and conditions of the contract;
- separates the components of the contract by dividing the consideration of the contract between each leasing or non-leasing component;
- determines the lease term as the non-cancellable period of the lease to which any periods covered by an extension or termination option of the lease are added if the Group has the reasonable certainty of exercising the renewal option.

On the effective date of each contract in which the Company is the lessee of an asset, the asset consisting of the right of use, valued at cost, and the financial liability for leasing, equal to the present value of the residual future payments, are recognized in the financial statements. discounted using the implicit interest rate of the lease or, alternatively, the Company's marginal borrowing rate. The cost includes:

- The initial amount of the lease liabilities;
- The incentives received on the basis of the leasing contract;
- The initial direct costs incurred by the lessee, including any sums paid for obtaining the availability of the commercial spaces in which part of the network of directly managed points of sale operates;

- An estimate of the costs that will be incurred by the lessee for the restoration of the leased asset to the conditions existing prior to the lease, based on the forecasts of the lease contract.

Subsequently, the activity consisting of the right of use is assessed by applying the cost model, i.e. net of depreciation and any accumulated value reductions and adjusted to take into account any new valuations or changes to the lease. The assets are depreciated on the basis of a depreciation period represented by the duration of the lease, unless the duration of the leasing contract is less than the useful life of the asset on the basis of the rates applied for tangible fixed assets and there is reasonable certainty of the transfer of ownership of the leased asset upon the natural expiry of the contract. In this case, the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible fixed assets.

For lease contracts whose duration expires within 12 months from the date of initial application and which do not provide for renewal options, for contracts for which the underlying asset is of modest value and for contracts that have a variable lease , lease payments are recognized in the income statement under the item "Leasehold costs" on a straight-line basis for the duration of the respective contracts.

The concessions obtained by the lessors as a consequence of the Covid-19 pandemic ("rent concessions") are accounted for as negative variable rents and recognized in the income statement

when they meet the following conditions:

- they refer to reductions in payments due by June 30th, 2021 only;
- the total of the contractual payments after the rent concession is substantially equal to or less than the payments that were foreseen in the original contract;
- no other substantial contractual changes have been agreed with the lessor.

Finally, right-of-use assets are subjected to an impairment test based on the provisions of IAS 36.

3.5 Intangible fixed assets.

iii. Goodwill. All business combinations are recognized by applying the acquisition method. Goodwill is measured at the acquisition date as the excess of the assets and liabilities recognised in accordance with IFRS 3 and the fair value of consideration transferred including the amount of any non-controlling interests recognised.

If the company's interest in the fair value of assets, liabilities, and identifiable potential liabilities exceeds the cost of the acquisition (negative goodwill) after redetermination of these values, the excess is immediately recognized on the profit and loss account.

For acquisitions prior to January 1st, 2005, the date of transition to IAS/IFRS, goodwill retained the values recognized on the basis of the previous Italian GAAP, net of accumulated amortization up to the transition date.

Goodwill is recognized on the financial statements at its cost adjusted for impairment losses. It is not subject to amortization, but the adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section *Impairment losses*.

ii. Trademarks. These are recognized according to the value of their cost and/or acquisition, net of accumulated amortization at the date of transition to IAS/IFRS. Trademarks TOD'S, HOGAN and FAY are classified as intangible fixed assets with an indefinite useful life and thus are not amortized, insofar as:

- they play a primary role in company strategy and are an essential driver thereof;
- the corporate structure, construed as organized property, plant, and equipment, and organization itself in a figurative sense, is closely correlated with and dependent on dissemination and development of the trademarks on the markets;
- the trademarks are proprietary, properly registered, and constantly protected pursuant to law, with options for renewal of legal protection, upon expiration of the registration periods, that are not burdensome, easily implemented, and without external impediments;
- the products sold by the company with these trademarks are not subject to particular technological obsolescence, which is characteristic of the luxury market in which the company operates; on the contrary, they are consistently perceived by the market as being innovative and trendy, to the point of being models for imitation or inspiration;
- in the national and/or international context characteristic of each trademark, they are distinguished by market positioning and notoriety that ensures their dominance of the respective market segments, being constantly associated and compared with benchmark brands;
- in the relative competitive context, it can be affirmed that the investments made for maintenance of the trademarks are proportionately modest with respect to the large forecast cash flows.

The adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section *Impairment losses*.

iii. Research and development costs. The research costs for a project are charged fully to the profit and loss account of the period in which they are incurred.

The development costs of an activity are instead capitalized if the technical and commercial feasibility of the relative activity and economic return on the investment are certain and definite,

and the company has the intention and resources necessary to complete the development.
The capitalized costs include the costs for materials, labor, and an adequate portion of indirect costs. They are recognized at cost, net of accumulated amortization and depreciation (see below) and impairment losses.

iv. Other intangible fixed assets. These are identifiable non-monetary intangible assets under the control of the company and capable of causing the company to realize future economic benefits.
They are initially recognized at their purchase cost, including expenses that are directly attributable to them during preparation of the asset for its intended purpose or production, if the conditions for capitalization of expenses incurred for internally generated expenses are satisfied.
The cost method is used for determining the value reported on subsequent statements, which entails posting the asset at its cost net of accumulated amortization and write-downs for impairment losses.

v. Subsequent capitalizations. The costs incurred for these intangible fixed assets after purchase are capitalized only to the extent that they increase the future economic benefits of the specific asset they refer to. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

vi. Amortization. Intangible fixed assets (excluding those with an indefinite useful life) are amortized on a straight-line basis over the period of their estimated useful life, starting from the time the assets are available for use.

3.6 Tangible fixed assets and Investments properties.

i. Property, plant, and equipment owned by the company. They are first recognized at their purchase cost or at the cost recalculated at the date of transition to IFRS, including any directly attributable ancillary expenses.
Following first-time recognition, these assets are reported net of their accumulated depreciation and impairment losses (i.e. in accordance with the Cost Model).
For those assets whose depreciation must be calculated using the component approach, the portions of cost allocable to the individual significant components characterized by a different useful life are determined. In this case, the value of land and buildings is kept separate, with only buildings being depreciated.

ii. Leasing. Lease agreements in which the Company assumes all the risks and benefits deriving from ownership of the asset are classified as finance leasing. The assets (real estate, plant, and machinery) possessed pursuant to these agreements are recorded under property, plant, and equipment at the lower of their fair value on the date the agreement was made, and the current value of the minimum payments owed for leasing, net of accumulated depreciation and any impairment losses (according to the rules described in the section *Impairment losses*). A financial payable for the same amount is recognized instead under liabilities, while the component of interest expenses for finance leasing payments is reported on the profit and loss account according to the effective interest method.

iii. Subsequent capitalizations. The costs incurred for property, plant, and equipment after purchase are capitalized only to the extent that they increase the future economic benefits of the asset. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

iv. Investments properties. Real estate investments are originally recognized at cost, and then recognized at their cost as adjusted for accumulated depreciation and impairment losses.
Depreciation is calculated on a systematic, straight-line basis according to the estimated useful life of the buildings.
v. Depreciation. Property, plant, and equipment were systematically depreciated at a steady rate according to the depreciation schedules defined on the basis of their estimated useful life. Land is not depreciated. The principal depreciation rates applied are as follows:

	% depreciation
Industrial buildings	3%
Machinery and plant	12,5%
Equipments	25%
Forms and punches, clichés, molds and stamp	25%
Furniture and furnishings	12%
Office machines	20%
Car and transport vehicles	20%-25%

The photovoltaic system is depreciated over a period of 20 years. The costs for leasehold improvements, which mainly include the costs incurred for set up and modernization of the DOS network and all the other real estate that is not owned but used by the company (and thus instrumental to its activity) are depreciated according to the term of the lease agreement or the useful life of the asset, if this is shorter.

3.7 Impairment losses. In the presence of indicators, events, or changes in circumstances that presume the existence of impairment losses, IAS 36 envisages subjecting intangible fixed assets and property, plant and equipment to the impairment test in order to assure that assets with a value higher than the recoverable value are not recognized on the financial statements. This test is performed at least once annually for non-current assets with an indefinite life in the same way as that used for non-current assets that have not yet been placed in service.

Confirmation of the recoverability of the values recognized on the balance sheet is obtained by comparing the book value at the reference date and the fair value less costs to sale (if available) or value in use. The value in use of a tangible or intangible fixed asset is determined according to the estimated future financial flows expected from the asset, as discounted through use of a rate net of taxes, which reflects the current market value of the present value of the cash and risks related to Group's activity.

If it is not possible to estimate an independent financial flow for an individual asset, the cash generating unit to which the asset belongs and with which it is possible to associate future cash flows that can be objectively determined and independent from those generated by other operating units is identified. Identification of the cash generating units was carried out consistently with the organizational and operating architecture of the Group.

If the impairment test reveals an impairment loss for an asset, its book value is reduced to the recoverable value by posting a charge on the profit and loss account.

When the reasons for a write-down cease to exist, the book value of the asset (or the cash generating unit), with the exception of goodwill, is increased to the new value resulting from the estimate of its recoverable value, but not beyond the net book value that the asset would have had if the impairment loss had not been charged. The restored value is recognized immediately on the profit and loss account.

Right-of-use assets are tested for impairment according to the provisions of IAS 36.

3.8 Investments in subsidiaries and associated companies. The investments in subsidiaries, joint ventures, and associated companies that are not classified as held for sale in compliance with IFRS 5 are recognised at their historic cost. The value recognised on the financial statements is subjected to the impairment test, in case of trigger events, as envisaged by IAS 36, and adjusted for any impairment losses; the write-off are reversed in case the conditions determining the adjustment no longer exists or has decreased.

3.9 Financial assets.

Financial assets are recognized in the financial statements from the moment in which the Company acquires the legal right to realize the cash flows arising from these assets based on contractual provisions. Financial assets are eliminated from the assets of the balance sheet if and only if the contractual right to obtain the cash flows from the same assets has expired or if these financial assets have been transferred and this transfer meets the requirements of IFRS 9 for elimination from the balance sheet.

Financial assets are initially recognized at fair value, which generally correspond with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the same financial asset.

Following the initial registration, financial assets are recognised according to one of the following methods:

a) amortized cost;

b) fair value with related changes booked to the other comprehensive income;

c) fair value with related changes recognized in the income statement.

In application of the provisions of IFRS 9 regarding the classification and therefore taking into account the Group's business model and the characteristics of the cash flows contractually provided, it should be noted that the Company does not hold financial assets as per points b) and c) of which above except for what has already been commented previously on derivative financial instruments.

The financial assets are subject to the impairment procedure envisaged by IFRS 9 in order to reflect the expected losses arising from the same financial assets.

3.10 Inventories. These are recognized at the lower of purchase cost and their estimated disposal value. The net disposal value represents the best estimate of the net sales price that can be realized through ordinary business processes, net of any production costs not yet incurred and direct sales costs.

The cost of inventories is based on the weighted average cost method. The production cost is determined by including all costs that are directly allocable to the products, regarding – for work in progress and/or semi-finished products – the specific stage of the process that has been reached. The values that are thus obtained do not differ appreciably from the current production costs referring to the same classes of assets.

A special depreciation reserve is set aside for the portion of inventories that are no longer considered economically useable, or with a presumed disposal value that is less than the cost recognized on the financial statements.

3.11 Trade receivables and other receivables. They are initially recognized at fair value, which generally coincides with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the asset. Following the initial recognition, they are valued at amortized cost using the effective interest method. In application of IFRS 9, they are subjected to the impairment procedure in order to reflect the expected losses arising from the same receivables by adjusting the entry value with a specific provision for bad debts thus determined:

- receivables under litigation, with certain and precise evidence documenting the impossibility of collecting them, have been analytically identified and then written down;
- for other bad debts, prudent allowances for write-downs have been set aside, estimated on the basis of information updated at the date of this document, also taking into account the expected losses over the life of the receivable.

3.12 Cash and cash equivalents. This includes cash on hand, bank demand deposits, and financial investments with a maturity of no more than three months. These assets are highly liquid, easily convertible into cash, and subject to a negligible risk of change in value.

3.13 Assets and liabilities held for sale. Non-current assets (or disposal groups) are classified as available for sale when their carrying amount is recovered through a sale transaction rather than through continuing use. They are not depreciated and are measured at the lower of carrying amount and fair value, less costs to sell. Assets available for sale and related liabilities are presented separately from other assets and liabilities in the statement of financial position. TOD'S Group doesn't held any assets and liabilities held for sale.

3.14 Reserve for employee. Employee benefits include (i) short-term employee benefits such as wages, salaries and related social security contributions, accrued but not yet paid, paid annual leave and paid sick leave, etc.; (ii) post-employment benefits, such as pensions or retirement benefits; (iii) other long-term benefits; and (iv) termination benefits.
Short-term benefits are recognised periodically on an accruals basis and are made up of liabilities to employees that have not been settled by the reporting date.
Post-employment benefits are divided into two categories:

i. Defined contribution plans. The payments for eventual defined contribution plans are charged to the profit and loss account in the period that they are owed.

ii. Defined benefit plans. The costs of defined benefit plans are calculated using the Projected Unit Credit Method, carrying out the actuarial measurements at the end of each financial year. Past service costs are recognised immediately to the extent that these benefits have already accrued; otherwise they are amortised on a straight-line basis within the average period within which the benefits are expected to accrue. The financial costs that have accrued on the basis of the annual discounting rate are recognised in the income statement immediately. Actuarial gains and losses are recognised through other changes in comprehensive income under the specific equity item. Liabilities for post-employment benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans. On the other hand, there are no other long-term employee benefits or termination benefits in the financial statements.

iii. Share based payments. The payments based on shares are assessed at their fair value on the assignment date. This value is recognized on the profit and loss account on a straight-line basis throughout the period of accrual of the rights. This allocation is made on the basis of a management estimate of the stock options that will actually accrue in favor of vested employees, considering the conditions for use thereof.
The fair value is determined by using the binomial method. No share based payments result in the current consolidated financial statements.

3.15 Lease Liabilities.

These are measured at the present value of fixed lease payments not yet made as at the date of inception of the lease, as discounted using the lessee's incremental borrowing rate. Liabilities for leased assets are subsequently increased by the interest that accrues on these liabilities and decreased in correlation with the lease payments. Furthermore, lease liabilities may record an increase or decrease in value in order to reflect reassessments or lease modifications of future lease payments that are made after the initial date.

3.16 Financial liabilities.

Bank overdrafts and financing. Interest-bearing financing and bank overdrafts are initially recognized at *fair value*, net of transaction costs, and subsequently valued at amortized cost, using the effective interest method.

3.17 Payables.

Trade payables and other payables. These are measured at fair value which generally correspond to their nominal value.

3.18 Provisions for risks. These are certain or probable liabilities that have not been determined at the date they occurred and in the amount of the economic resources to be used for fulfilling the obligation, but which can nonetheless be reliably estimated. They are recognized on the balance sheet in the event of an existing obligation, legal or constructive, resulting from a past event, and it is likely that the company will be asked to satisfy the obligation.

If the effect is significant, and the date of the presumed discharge of the obligation can be estimated with sufficient reliability, the provisions are recognized on the balance sheet discounting future cash flows.

The provisions that can be reasonably expected to be discharged twelve months after the reference date are classified on the financial statements under non-current liabilities. Instead, the provisions for which the use of resources capable of generating economic benefits is expected to take place in less than twelve months after the reference date are recognized as current liabilities.

Provisions for risks and charges include an estimate of the costs that the lessee will incur to restore the leased assets to the initial conditions existing at the time the lease agreement is entered into, according to the contract provisions laid down therein.

3.19 Share capital.

i. **Share capital.** The total value of shares issued by the parent company is recognized entirely under shareholders' equity, as they are the instruments representing its capital.

ii. **Treasury stock.** The consideration paid for buy-back of share capital (treasury stock), including the expenses directly related to the transaction, is subtracted from shareholders' equity.

3.20 Dividends. The allocation of dividends to persons possessing instruments representing share capital after the reference date of the financial statement is not recognized under financial liabilities on the same reference date.

3.21 Revenues recognition.

Revenues are recognized in the income statement when the contractual obligation relating to the transfer of goods or services has been satisfied. An asset is considered transferred to the end customer when the latter obtains control over the asset itself.

With reference to the main transactions realized by the Company, revenues are recognized on the basis of the following principles:

i. **Sales of goods – retail.** The Company operates in the retail channel through its DOS network. Revenues are recognised when the goods are delivered to customers. Sales are usually collected in the form of cash or through credit cards.

ii. **Sales of goods – wholesale.** The Company distributes products on the wholesale market. Following the analysis carried out for the purposes of the first application of the accounting standard IFRS 15 (January 1st, 2018), it was decided that, with regard to this type of transaction, there is a single performance obligation. In particular, the related revenues are accounted for when the customer obtains control of the goods shipped (at a point in time) and taking into account the estimated effects of year-end returns. Following the application of IFRS 15, starting from these financial statements, the representation of the liability for returns to be received in the consolidated statement of financial position has been changed, recording separately, instead of the previous net representation among the Other liabilities (so-called Fund returns), a liability, among the Other Liabilities, express debt repayment of the returns (contract liability) and an asset, among the Inventories, expressing the right to recover the products for returns (contract assets).

iii. **Provision of services.** These revenues are accounted for in proportion to the stage of completion of the service rendered at the reference date and in accordance with contractual provisions.

iv. **Royalties.** Royalties in connection with the licensing of the sale of products (sales-based royalties) or the use of certain assets (usage-based royalties) are recognized in the financial statements when the aforementioned sale or use has occurred or, if later, when the obligation to which the royalty refers has been satisfied.

3.22 Financial income and expenses. These include all financial items recognized on the profit and loss account for the period, including interest expenses accrued on financial payables calculated by using the effective interest method (mainly current account overdrafts, medium-long term financing), foreign exchange gains and losses, gains and losses on derivative financial instruments (according to the previously defined accounting principles), received dividends, the portion of interest expenses deriving from accounting treatment of assets held under finance leasing (IFRS 16) and employee reserves (IAS 19).

Interest income and expenses are recognized on the profit and loss account for the period in which they are realized/incurred, with the exception of capitalized expenses (IAS 23).

Dividend income contributes to the result for the period in which the company accrues the right to receive the payment.

3.23 Income taxes. The income taxes for the period include determination both of current taxes and deferred taxes. They are recognized entirely on the profit and loss account and included in the result for the period, unless they are generated by transactions recognized directly to shareholders' equity during the current or another period. In this case, the relative deferred tax liabilities are also recognized under shareholders' equity.

Current taxes on taxable income for the period represent the tax burden determined by using the tax rates in effect at the reference date, and any adjustments to the tax payables calculated during previous periods.

Deferred tax liabilities refer to the temporary differences between the book values of assets and liabilities on the balance and the associated values relevant for determination of taxable income. For all temporary taxable differences, it is recognized the tax liability with the exception of liabilities deriving from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not influence either the income (loss) reported on the financial statements or taxable income (tax loss).

Deferred tax assets and liabilities are compensated if and only if there is an executive right to compensate the related current taxes and if deferred tax assets and liabilities are related to income taxes applied by the same tax authority.

Deferred tax assets deriving from temporary deductible differences are recognized on the financial statements only to the extent that it is likely that taxable income will be realized for which the temporary deductible difference can be used. No recognition is posted in case the difference between the carrying amounts and the tax bases relate to goodwill arising from business combinations.

The taxes in question (deferred tax assets and liabilities) are determined on the basis of a forecast of the assumed percentage weight of the taxes on the income of the fiscal years in which the taxes will occur, taking into account the specific nature of taxability and deductibility. The effect of change in tax rates is recognized on the profit and loss account of the fiscal year in which this change takes place. The accrual for taxes that could arise from the transfer of non-distributed profits from subsidiaries are posted only when there is the real intention to transfer such profits.

3.24 Statement of cash flows. The statement of cash flows is drafted using the "indirect" method. The net financial flows of operating activity are determined by adjusting the result for the period of the effects deriving from change to net operating working capital, non-monetary items, and all the other effects connected with investment and financing activities.

Net cash and cash equivalents are made up cash and cash equivalents net of bank overdrafts.

4. Management of financial risks

The company has implemented a system for monitoring its financial risks in accordance with the guidelines set out in the Corporate Governance Code of Listed Companies. As part of this policy, the financial risks connected with its operations are constantly monitored in order to assess their potential negative impact and undertake appropriate action to mitigate them. These risks are analysed as follows, highlighting the company's level of exposure. It also includes a sensitivity analysis designed to quantify the potential impact of hypothetical fluctuations in benchmark parameters on final results.

i. Credit risk

Credit risk represents the exposure to potential losses stemming from failure to discharge obligations towards trading counterparties.

The Company generates its revenues through three main channels: Group Companies (directly operated store network and on line), franchisees and customers (multi-brand). There is practically no credit risk on receivables from the Group, since almost all the entities belonging to the TOD'S Group are wholly owned by the Group.

As regards receivables from independent customers (franchisees and wholesale), the Company adopts a hedging policy designed to streamline credit management and reduce the associated risk. According to the company practice, in granting credit to customers the creditworthiness of all customers, both long-standing and potential ones, is periodically analysed in order to monitor and prevent possible solvency crises. The table below shows the ageing of trade receivables from third parties (thus excluding intercompany positions) outstanding at December 31st, 2020, including the related provision for bad debts.

euro 000's		Overdue			
Year 2020	Current	0>60	60>120	Over	Total
Third Parties	34,048	9,251	2,514	6,023	51,836

euro 000's		Overdue			
Year 2019	Current	0>60	60>120	Over	Total
Third Parties	48,248	11,732	4,395	8,057	72,432

As it can be inferred from the table reported above, despite the worsening of the economic and financial situation due to the Coronavirus pandemic, the Company has not seen any increase in its exposure in terms of risks associated with past due receivables compared to December 31st, 2019 (34.3% is the percentage weight of past due trade receivables at December 31st, 2020, substantially in line with the value posted for 33.4% at December 31st, 2019), thanks to a timely approach in the management of the most critical positions, which emerged during the lockdown period that placed serious limitations on the commercial activities of wholesale customers. The prudent estimate of losses on the entire credit mass existing at December 31st, 2020 was 5.1 million euros, which also takes account of any possible credit loss as a result of the current economic situation marked by the pandemic. The total amount of overdue receivables at December 31st, 2020, equal to 17.8 million euros, is now equal to about 7.6 million euros.

ii. Liquidity risk

The liquidity risk represents the risk stemming from the unavailability of financial resources as necessary to meet the short-term commitments assumed by the Company and its own financial requirements. The main factors that determine the degree of liquidity are the resources generated or used by operating and investment activities and, on the other hand, the due dates or renewal dates of its payables or the liquidity of its financial investments and market conditions.

This risk is limited by taking actions aimed at ensuring a balanced structure of the Group's capital and by maintaining such a level of cash and cash equivalents as is required to meet its financial debt requirements at the relevant maturity dates in an adequate manner.

Particular attention is paid to the definition of the credit counterparty that is considered to be suitable for cash operations and that is identified according to increasingly selective liquidity, security and yield criteria and in line with the Management's instructions.

The situation that emerged during the year as a result of the pandemic generated an extraordinary need for liquidity to be able to cope with the adverse effects generated, above all, by the first periods of lockdown imposed to tackle the pandemic. In order to ensure the backing for the action necessary to overcome the extraordinary and complex circumstances, the Company applied for and obtained, between the end of March and the beginning of April 2020, a total amount of 450 million euros in available revolving credit facilities, previously entirely unused, which are due to expire between the end of 2021 and the beginning of 2022 and, subsequently, additional loans of a smaller amount, totalling 57 million euros, mainly expiring at the end of 2021.

With reference to its financial debt, the Company has obtained in advance all its lenders' consent not to apply the obligation to calculate financial covenants, where required in current agreements, for the 2020 financial year and, where requested, even on a six-monthly basis until June 30th, 2021, since all the reference parameters are affected by the effects of the pandemic.

Furthermore, in taking account of the need to be able to count on adequate resources to finance the development and recovery of our business in a medium-term scenario, negotiations with credit institutions were started in 2020 for consolidation of the abovementioned debt in the medium/long-term, which were completed in January 2021. In particular, on January 22nd, 2021, TOD'S S.p.A. signed a loan agreement with a pool of banks coordinated by Intesa Sanpaolo S.p.A. – through the IMI Corporate and Investment Banking Division, for a maximum total amount of 500 million euros. The financing is structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros and has a term of five years.

By using the Term Facility component of the loan and available cash, all the existing medium-term loans were repaid, except for the loan taken out with Cassa Depositi e Prestiti for 20 million euros in May 2020 and the loan taken out with Cassa di Risparmio di Fermo for 20 million euros, again in May 2020, both of which are due to expire in November 2021, and the outstanding RCF lines of credit were paid off, which had been used for 450 million euros. At present, the Revolving Credit Facility is still unused in full.

This transaction further strengthened the Company's financial structure, which was already solid, thus mitigating the risk profile linked to the current market situation and provided for a bonus system linked to the achievement of specific "Sustainability" objectives.

The table below shows the credit lines already used and available at December 31st, 2020 compared with December 31st, 2019:

Credit lines euro 000's	Cash Credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
12.31.20				
Credit lines	30,800	45,741	535,000	611,541
Utilizations			(313,275)	(313,275)
Credit lines available as of 12.31.20	**30,800**	**45,741**	**221,725**	**298,266**
12.31.19				
Credit lines	37,300	104,376	450,000	591,676
Utilizations				
Credit lines available as of 12.31.19	**37,300**	**104,376**	**450,000**	**591,676**

The table below shows the maturity of the outstanding financial liabilities at December 31st, 2020 and 2019:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.20				
Bank borrowings		9,375		9,375
Other non-current liabilities		8,454		8,454
Trade payables	109,181			109,181
Bank	428,481			428,481
Derivative financial instruments	769			769
Other current liabilities	424			424
Total	**538,855**	**17,829**		**556,684**
12.31.19				
Bank borrowings		84,023		84,023
Other non-current liabilities		8,527		8,527
Trade payables	137,733			137,733
Bank	87,822			87,822
Derivative financial instruments	2,186	225		2,411
Other current liabilities	1,156			1,156
Total	**228,897**	**92,775**		**321,672**

The maturity analysis of lease liabilities is reported below in the application of paragraph 39 and B11 of IFRS 7:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.20				
Lease liabilities	22,282	65,848	51,737	139,867
Total	**22,282**	**65,848**	**51,737**	**139,867**

Taking into account the excellent ability to obtain suitable sources of financing, which has already been commented on above, the liquidity risk is considered to be insignificant.

Finally, with reference to financial assets, the Company's policy is to keep all available liquidity invested in bank deposits at sight, or with short-term liquidity, without resorting to the use of financial instruments, including the money market, by splitting the deposits on an adequate number of banking counterparties, carefully selected taking into account the remuneration of deposits, as well as on the basis of their reliability.

iii. Market risk

IFRS 7 includes in this category all risks that are directly or indirectly connected with the fluctuation in prices on physical and financial markets to which the company is exposed:

– exchange rate risk;

– interest rate risk;

– commodity risk, connected with the volatility of prices for the raw materials used in the production process.

The company is exposed to exchange rate and interest rate risk, since there is no physical market subject to actual fluctuations in the purchase prices for raw materials used in the production process.

The following paragraphs analyse the individual risks, using sensitivity analysis as necessary to highlight the potential risk on final results stemming from hypothetical fluctuations in benchmark parameters. As envisaged by IFRS 7, these analyses are based on simplified scenarios applied to the final results for the periods referred to. By their very nature, they cannot be considered indicators of the actual effects of future changes in benchmark parameters of a different asset and liability structure and financial position different market conditions, nor can they reflect the interrelations and complexity of the reference markets.

Exchange rate risk. Due to its commercial operations, the company is exposed to fluctuations in the exchange rates for currencies in which some of its commercial transactions are denominated (particularly USD, GBP, CHF and those of certain countries in the Far East), against a cost structure that is concentrated principally in the Eurozone. The company realises greater revenues than costs in all these currencies; therefore, changes in the exchange rate between the euro and the aforementioned currencies can impact the company's results.

Moreover, due to the geographical composition of the Company's subsidiaries, the Company is exposed to exchange rate risk related to intercompany financial flows (mainly dividends, loans, transactions on share capital).

The general objective of the risk management policy adopted by the Company involves minimizing the economic and transaction exchange risk realized through the conversion into euro of sales receipts in foreign currency, made during each season, net of reference costs, on the based on an average exchange rate, in line with the relative exchange rate changes, together with the timely conversion into euro of present and future foreign currency cash flows (eg: bank loans, intercompany loans, etc.) based on interest rates market change. The company pursues these aims by entering into forward contracts for each individual currency to hedge a specific percentage of the expected revenue (and cost) volumes in the individual currencies other than the functional currency. These positions are not hedged for speculative or trading purposes, consistently with the strategic policies adopted for prudent management of cash flows.

The company defines its exchange risk a priori according to the reference period budget and then gradually hedges this risk upon acquisition of orders, in the amount according to which they correspond to budget forecasts. The process of hedging exchange rate risk is broken down into a series of activities that can be grouped into the following distinct phases:

- definition of operating limits;
- identification and quantification of exposure;
- implementation of hedges;
- monitoring of positions and alert procedures.

The Company monitors foreign exchange risk in intercompany financial transactions by monitoring the risk underlying outstanding liabilities (loans) and forecast liabilities (dividends and capital increases), in view of guaranteeing that no material operating and financial impact for the entities involved results from these transactions in relation to fluctuations in exchange rates. These goals are pursued by the Company through monitoring the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects. These forward contracts are made to hedge the individual transactions, and not for speculation or trading. This is consistent with the strategic policies focused on prudent management of cash flows.

The breakdown of forward currency contracts (for sale and purchase) outstanding at December 31st, 2020 is illustrated in Note 17.

The assets and liabilities that are denominated in foreign currency are identified as part of the sensitivity analysis of exchange rates. In order to determine the potential impact on final results, the potential effects of fluctuations in the cross rates for the euro and major non-EU currencies have been analysed. The following table illustrates the sensitivity to reasonably likely changes in exchange rates on both pre-tax profit (due to changes in the value of current assets and liabilities denominated in foreign currency) and shareholder's equity (due to changes in fair value of financial instruments for the hedging of the exchange risk) while holding all other variables constant:

Euro		Impact on pre-tax profit 5% devaluation of the foreign currency		Impact on pre-tax profit 5% revaluation of the foreign currency	
Currency	**Country**	**FY 2020**	**FY 2019**	**FY 2020**	**FY 2019**
CAD	Canada	(4,570.1)	(9,847.8)	5,051.1	10,884.4
CHF	Switzerland	300.6	49,952.0	(332.2)	(55,210.1)
GBP	UK	10,609.8	233,404.6	(11,726.7)	(257,973.5)
HKD	Hong Kong	175,430.1	124,255.5	(193,896.4)	(137,335.0)
JPY	Japan	(421,998.8)	(1,714,050.1)	466,419.7	1,894,476.5
KRW	Korea	(19.9)	(0.2)	22.0	0.2
RMB	China	(50,823.4)	(45,276.3)	56,173.3	50,042.3
SGD	Singapore	(23,680.2)	(25,932.2)	26,172.9	28,661.9
USD	USA	27,276.3	(29,187.7)	(30,147.5)	32,260.1
Other	n.a.	(105,889.9)	(102,910.4)	117,036.2	113,743.1
Total		**(393,365.5)**	**(1,519,592.7)**	**434,772.4**	**1,679,549.8**

euro 000's	Revaluation/Devaluation foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2020	5%	(393.4)	(4,078.4)
	-5%	434.8	4,507.7

The impact on equity shown above relates to the effects on hedging reserve gross of tax effects.

The analysis did not include assets, liabilities and future commercial flows that were hedged, since fluctuations in exchange rates impact income in an amount equal to what is recognised in the fair value of adopted hedge instruments.

Interest rate risk. The Company is exposed to interest rate fluctuations, limited to its variable-rate debt instruments. Interest rate risk is managed in conformity to long-established practice with the aim of cutting down the risk of interest rate volatility, at the same time pursuing the goal of reducing the financial costs involved to a minimum.

As at December 31st, 2020, TOD'S S.p.A. had the following outstanding loans at a variable interest rate, which as mentioned above, were repaid in early 2021, within the refinancing transaction described above:

- a syndicated loan taken out with Mediobanca and Crédite Agricole on which variable rate interest accrues, equal to 3M EURIBOR + 55 basis points (Note 22);
- a loan taken out on December 21st, 2018 with BNL S.p.A. (BNP Paribas Group) for an amount of 25 million euros, repayable in 16 deferred quarterly instalments, which will expire on June 21st, 2023. The interest rate was agreed on as equal to 3M EURIBOR + 0.7% (Note 22) upon execution;
- a loan taken out on December 21st, 2018 with Intesa SanPaolo S.p.A. for an amount of 125 million euros, repayable in 6 deferred six-monthly instalments, which will expire on December 31st, 2021. The interest rate agreed on as equal to 6M EURIBOR + 0.7% (Note 22).

Moreover, TOD'S S.p.A. has the following outstanding variable-rate revolving credit facilities:

-Banco BPM S.p.A. signed on January 26th, 2018 for a maximum amount of 100 million euros, which will expire on January 26th, 2022, was drawn down in full in March and April 2020 and repaid for 60 million euros in December 2020. Interest rate is 3M EURIBOR + a margin linked to a leverage ratio (currently equal to 0.4%);

- Crédit Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédit Agricole Group), signed on January 27th, 2016, and renewed on December 5th, 2018, for a maximum amount of 100 million euros, which will expire on December 5th, 2021, was drawn down in full in March and April 2020 and repaid for 80 million euros in December 2020. Interest rate is 3M EURIBOR + a margin linked to a leverage ratio (currently equal to 0.6%);

-Unicredit S.p.A., signed on November 9th 2016, and renewed on November 7th, 2018, for a maximum amount of 100 million euros, which will expire on November 8th, 2021 and was drawn down in March and April 2020. Interest rate is 3M EURIBOR +0.3%;
-B.N.L. S.p.A., signed on November 28th 2016, and renewed on December 21st, 2018, for a maximum amount of 100 million euros, which will expire on November 28th, 2021, and was drawn down in full in March 2020. Interest rate is 3M EURIBOR +0.8%;
-Intesa Sanpaolo S.p.A. signed on December 21st, 2018 for a maximum amount of 50 million euros, which will expire on December 31st, 2021, and was drawn down in full in April 2020. Interest rate is 3M EURIBOR +0.8%.
In order to hedge the risk of any possible change in the interest rates on the syndicated loan agreement signed with Mediobanca and Crédite Agricole, two derivative contracts (interest rate swaps - IRSs) had been signed for a notional amount equal to the amount drawn for the loan. These derivatives protected the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate (a quarterly rate of 0.748%).
Moreover, in order to hedge the risk of any possible change in the interest rates on the loan agreement signed with BNL S.p.A. (BNP Paribas Group), a derivative contract (interest rate swap - IRS) had been signed for a notional amount equal to the amount drawn for the loan (Note 17). This derivative protected the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate (a quarterly rate of 0.7%).
These derivatives were terminated in early 2021 within the refinancing transaction described above.
Given the performance of the financial markets, and the related reference rates, in addition to the duration of the loan stipulated with Intesa SanPaolo S.p.A. and the revolving credit facilities listed above, the Company considered that the interest rate risk was not significant. It should be remembered that the Company monitors interest rate risks on an ongoing basis, and, in case there could be an increase of risks from potential substantial effects arising under the loan agreement, the Company will put in place appropriate hedging instruments in accordance with the Company practice well-established over time.
The sensitivity analysis carried out on interest rates has shown in addition that a hypothetically unfavourable change of 10% in short-term interest rates applicable to the adjustable rate financial liabilities outstanding at December 31st, 2020 would have had an adverse impact on the pre-tax result for about 51 thousand euros (no effect as at December 31st,2019).

4.1 Categories of measurement at fair value

In accordance with IFRS 13, the financial instruments carried at fair value have been classified according to a hierarchy of levels that reflects the materiality of the inputs used to estimate their fair value. The following levels have been defined:

Level 1 – quoted prices obtained on an active market for the measured assets or liabilities;

Level 2 – inputs other than the quoted prices indicated hereinabove, which are observable either directly (prices) or indirectly (derived from prices) on the market;

Level 3 – inputs that are not based on observable market data.

The tables below show the breakdown of financial assets and liabilities between each financial category, classified in accordance with IFRS 9, and the fair value hierarchy level at December 31st, 2020 and 2019:

2020	Assets								
euro 000's	Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Other non-current assets	6,206				6,206				
Total other non-current assets	**6,206**				**6,206**				
Trade receivables	177,513				177,513				
Derivative financial instruments				2,739	2,739		2,739		2,739
Other current assets	9,338				9,338				
Bank	252,488				252,488				
Total other current assets	**439,338**			**2,739**	**442,078**		**2,739**		**2,739**

2020	Liabilities							
euro 000's	Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Bank borrowings	9,375			9,375				
Other non-current liabilities	8,454			8,454				
Derivative financial instruments								
Total other non-current liabilities	**17,829**			**17,829**				
Trade payables	109,181			109,181				
Bank	428,481			428,481				
Derivative financial instruments			769	769		769		769
Other current liabilities	424			424				
Total other current liabilities	**538,086**		**769**	**538,855**		**769**		**769**

2019 euro 000's	Assets								
	Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Other non-current assets	7,907				7,907				
Total other non-current assets	**7,907**				**7,907**				
Trade receivables	186,062				186,062				
Derivative financial instruments				1,246	1,246		1,246		1,246
Other current assets									
Bank	86,426				86,426				
Total other current assets	**272,488**			**1,246**	**273,734**		**1,246**		**1,246**

2019 euro 000's	Liabilities							
	Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting	Total	Level 1	Level 2	Level 3	Total
Bank borrowings	84,023			84,023				
Other non-current liabilities	8,527			8,527				
Derivative financial instruments			225	225		225		225
Total other non-current liabilities	**92,550**		**225**	**92,775**		**225**		**225**
Trade payables	137,733			137,733				
Bank	87,822			87,822				
Derivative financial instruments			2,186	2,186		2,186		2,186
Other current liabilities	1,156			1,156				
Total other current liabilities	**226,711**		**2,186**	**228,897**		**2,186**		**2,186**

Note that during the year 2020 there have not been any transfers between fair value levels indicated by the IFRS 13.

In connection with the fair value of financial assets and liabilities measured at amortised cost, given their nature, does not differ significantly from their carrying amounts.

5. Impacts of the COVID-19 pandemic

Revenues from sales during the period were badly affected by the stringent measures to limit the spread of the COVID-19 pandemic imposed by the national government. This situation caused a 36.7% fall in the Company's revenues compared to the previous year, a fall that was particularly severe in the second and fourth quarters because in April and May more than half of the DOS were temporarily closed, only gradually and in some cases only partially reopening from the middle of May onwards and that in October and November the pandemic experienced its second wave after a partial slowdown. The fall in sales was also of course determined by the performance in the wholesale channel, since the stores operated by third parties also underwent the restrictions imposed by various governments in the countries concerned during the period.

The operating results for the year were affected by a considerable reduction in sales, as well as by a substantial write-down of inventory stock, totalling 30 million euros, carried out in order to take into account the increase in inventories of finished products generated by the pandemic, which are expected to be arduous to dispose of through the usual channels.

The exceptional event of the pandemic, therefore, led to the need to take a number of steps to keep down and save operating costs in order to limit the serious impact on the results of operations from the restrictions imposed by the national government. Particular attention was paid to communication costs, which were optimised and reorganised. Furthermore, as regards costs for services, savings were also made in other areas by deferring a number of projects or supporting activities to the following financial year that were deemed not to have priority in the present circumstances.

Another effect of the extraordinary situation concerned the renegotiation of lease agreements in place with the main lessors, in order to obtain concessions to mitigate the effects of the prolonged periods of closure suffered by directly operated stores. The benefits arising from the negotiations on lease agreements completed within the scope of application of IFRS 16 during the year amounted to 3.1 million euros.

Furthermore, the Company applied to benefit from the measures of assistance to support jobs where circumstances permitted, made available by the government to support the economy and businesses during the lockdown periods, in most cases supplementing government grants in order to maintain its employees' pay levels.

Again among the actions taken to keep operating costs down we mention the offer by the Chairman and the Vice-Chairman to waive their emoluments. Furthermore, the other members of the Executive Committee and the Company's managers also voluntarily reduced their current year's fees.

In 2020, the Company also recognised write-downs of fixed assets for a total amount of 16.5 million euros, which were also largely attributable to the effects of the pandemic, since the result of the impairment test is prepared on the basis of the economic and financial forecasts updated for the foreseeable future, which take account of the changed reference context that is still significantly affected by the pandemic.

Finally, additional effects concern the result of financial operations, which were impacted by the increase in net financial debt, mainly as a result of a prudent use of the available lines of credit, previously unused, for 450 million euros. These resources enabled the Group to meet any needs arising from possible developments in the pandemic more quickly and effectively, thus ensuring the financial support to put in place the actions required to deal with the difficult context. It is very important to point out that the refinancing transaction completed in early 2021, which made it possible to balance the sources of financing in the medium/long term, together with the Company's capital solidity, ensure a high degree of financial autonomy to support operating requirements and to implement the strategies to relaunch the business when the situation returns to normal, and therefore, it is believed that the business continuity is largely guaranteed.

6. Comments on the main income statement figures

6.1 Sales revenue

The Company's revenues from sales amounted to 384 million euros in 2020 (606.8 million euros in 2019).
For further details related to sales, see the comments provided in the report on operations and Note 5.
Other revenues amounted to 9.0 million euros (7.0 million euros in 2019), and mainly included royalties income, contingent assets and insurance refunds.

6.2 Change in inventories of FP and WIP and costs for raw materials

The figure Change in inventories of PF and WIP is negative for 12.2 million euros (positive for 3 million euros at December 31st, 2019) and includes a significant write-down of inventories, for 30 million euros, made to take into account the increase in inventories of finished products, recorded following the pandemic. The pandemic had no significant impact on the first margin, in percentage terms, which suffered only a slight decline, confirming the excellent positioning of the Group's brands. The item Costs for raw materials supplies and materials for consumption amounted to 155.6 million euros while it was 223.3 million in the previous year. The dynamics are linked to the containment measures of stock taken in response to the effects of the pandemic.

6.3 Costs for services

The reduction in costs for services was mainly attributable to both a reduction in third-party production work, as a direct consequence of the abovementioned fall in sales, and the cost control and efficiency measures aimed at mitigating the impact of the pandemic on operating results. Cost control activities have concerned many types of services, with the aim of deferring to subsequent financial periods those activities and projects that are considered to be non-priority in the current context. The expenses that have mainly benefited from savings are those related to communication, style and services for production and maintenance, which, inevitably, have also suffered the most from the effects of the lockdown imposed by the national government. Costs for services also benefit from the waiver of fees for 2020 on the part of the Chairman and Vice Chairman of the Company's Board of Directors as already mentioned above.

6.4 Costs of use of third party assets

As at December 31st, 2020, these costs came to 14.7 million euros compared to 25.5 million euros at December 31st, 2019. The reduction was mainly linked to lower royalties payable accrued during the year as a result of the abovementioned pandemic. Furthermore, the reduction in costs for use of third-party assets benefitted, for an amount of 3.1 million euros, from the concessions arising from renegotiations of some lease rents after the prolonged periods of closure suffered by directly operated stores. These rent concessions were reflected in the result for the period and recognised in this item since they were regarded as negative changes in rents, rather than as contract amendments, in accordance with the practical expedient provided by the amendment to IFRS 16 that was published by the IASB on May 28th, 2020 and endorsed on October 12th, 2020.

6.5 Personnel costs

Personnel costs for the 2020 and 2019 financial years are broken down as follows:

euro 000's				% on revenues	
	Year 2020	Year 2019	Change	2020	2019
Wages and salaries	68,459	77,890	(9,431)	17.8	12.8
Social security contribution	20,445	23,975	(3,530)	5.3	4.0
Employee sev. indemn.	5,062	5,223	(161)	1.3	0.9
Total	**93,966**	**107,088**	**(13,122)**	**24.5**	**17.6**

The reduction compared to the previous year, as already mentioned above, was mainly linked to the measures put in place by the national government to support jobs, the economy and businesses during the lockdown periods, which the Company has adopted, where applicable. The table below reports the breakdown of the Company's workforce:

	12.31.20	12.31.19	Aver. 20	Aver. 19
Executives	47	44	48	44
White-collar Employees	1,081	826	1,122	837
Blue-collar Employees	912	959	937	951
Total	**2,040**	**1,829**	**2,107**	**1,831**

6.6 Other operating charges

As at December 31st, 2020 these amounted to 11.8 million euros compared to 17.5 million euros in 2019. The reduction was mainly attributable to costs for business trips and travels, which were greatly reduced during the year following the pandemic.

6.7 Financial income and expenses

The breakdown of financial income and expenses is as follows:

euro 000's	Year 2020	Year 2019	Change
Income			
Interest income on current account	71	71	
Foreign exchange gains	24,083	15,328	8,755
Other	205	439	(234)
Total income	**24,359**	**15,838**	**8,521**
Expenses			
Interest on medium-long term financing	(2,792)	(1,433)	(1,359)
Foreign exchange losses	(28,006)	(21,073)	(6,933)
Other	(7,608)	(8,673)	1,065
Total expenses	**(38,406)**	**(31,180)**	**(7,226)**
Total net income and expenses	**(14,047)**	**(15,341)**	**1,294**

Financial costs include interest expense relating to discounting of liabilities for leased assets in the application of IFRS 16.

6.8 Income (losses) from equity investments

It should be noted that, as a result of the findings of the impairment test of investments in subsidiaries, the Company applied a write-down for impairment to the controlling interests held in An. Del. Inc., Del. Pav. S.r.l., Filangieri S.r.l., Tod's Australia Ltd. and Italiantouch Shanghai Trading Co. Ltd. for 52,000 thousand euros, 3,500 thousand euros, 2,900 thousand euros, 2,900 thousand euros and 1,525 thousand euros, respectively (Note 12).

6.9 Income taxes

Taxes accrued in 2020 (both current and deferred) posted a total profit of 60.4 million euros (5.1 million euros in 2019), including the effects of deferred taxation. Below is the breakdown of current and deferred taxes:

euro 000's	Year 20	Year 19	Change
Current taxes	3,770	(250)	4,020
Deferred taxes	(64,191)	(4,881)	(59,310)
Total	**(60,421)**	**(5,131)**	**(55,290)**

Current taxes fully related to the substitute tax recognised on an accruals basis against adjustments to the value for tax purposes at the statutory value of Company-owned brands, with a total value of 121.4 million euros, in accordance with Decree Law 104 of 2020; this substitute tax will be paid as from 2021 in three equal annual instalments.
The theoretical tax rate for 2020 was 24%, as determined by using the applicable IRES (Corporate Income Tax).
The table below reconciles theoretical taxes and the taxes actually charged to the accounts:

euro mn	Taxes	Rate %
Theoretical income taxes	**(42,530)**	**24.0%**
Fiscal realignment	(30,713)	17.3%
Others	(2,256)	1.3%
Tax effects of non-deductible expenses	15,078	(8.5%)
Effective income taxes	**(60,421)**	**34.1%**

Tax realignment relates to the positive effect, amounting to 34.5 million euros, arising from the release of deferred tax liabilities as a result of adjustments to the value for tax purposes at the statutory value of Company-owned brands, in accordance with Decree Law 104 of 2020; this accounting effect has been stated, in the table, net of the related substitute tax of 3.8 million euros.
The item of Others mainly includes the release of deferred tax liabilities as a result of the impairment recognised on the FAY brand, while the tax effect of non-deductible costs mainly relates to the effect of the write-down of equity investments carried out during the year.
Income taxes also benefitted from the recognition of deferred tax assets on losses for the year (Note 13).

Tax consolidation. In exercising the option granted by the provisions of the Consolidated Act on Income Taxes (TUIR, *Testo Unico delle Imposte sui Redditi*) and of Article 129 of the implementing decree, together with the Italian subsidiaries for which the requirement of control relationship is met in accordance with Article 120 of the Consolidated Act on Income Taxes, the Company has exercised the option for the Group taxation regime for IRES (Corporate Income) tax purposes, which is known as National Tax Consolidation program.
According to this law, TOD'S S.p.A., as controlling company, has aggregated its income with that of the subsidiaries participating in the national tax consolidation program in its tax return since the 2004 financial year. It does so by fully offsetting all the positive and negative taxable amounts, thereby benefiting from any possible losses contributed by the subsidiaries and assuming the expenses transferred from those subsidiaries with positive taxable income.

TOD'S S.p.A. essentially acts as a "clearing house" for taxable income (profits and losses) of all Group companies participating in the tax consolidation program, as well as financial relationships with Revenue Agency offices. At the same time, it recognises payables to or receivables from those subsidiaries that produced tax losses and those that, on the contrary, transferred taxable income.

Independently of the taxes that are paid, the Company's net result is impacted exclusively by the taxes accrued on its own taxable income.

7. IFRS 16

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third-party assets) and requires lessees to account for all lease agreements in accordance with the methodology envisaged for financial leases by the old accounting standard IAS 17, effectively eliminating the previous dichotomy between operating and financial leases.

The application of IFRS 16 has a significant impact on the Company's financial statements as a consequence of the operational activity carried out. In fact, the Company is the lessee of a series of lease contracts that mainly concern the Italian directly operated stores (DOS), outlets, warehouses, offices and showrooms, company cars and office and electronic machinery. Property leases represent the main category, accounting for approximately 90% of total lease liabilities.

Right-of-use assets for leased assets include the value initially recognised for lease liabilities, initial direct costs sustained, the estimate of any possible costs to be sustained to restore the assets to initial conditions at the end of the contract term and advance payments relating to the lease made on the first-time adoption date, net of incentives received for leases.

Below are the breakdown and changes in right-of-use assets as at December 31st, 2020:

euro 000's	12.31.20	12.31.19
Leased buildings	130,839	155,562
Leased machineries	558	498
Leased office machines	259	1,856
Leased cars	738	923
Total	**132,394**	**158,839**

euro 000's	12.31.20	12.31.19
Opening balance	**158,839**	**179,969**
Increases	4,002	3,622
Decreases	(1,479)	
Impairment losses	(4,684)	
Amortization for the period	(24,284)	(24,753)
Translation differences		
Other changes		
Closing balance	**132,394**	**158,839**

Lease liabilities totalled 139 million euros at December 31st, 2020 (compared to 157.3 million euros at December 31st, 2019) and are stated at the present value of fixed lease payments not yet made.

The table below summarises the changes in the nominal value of the lease liability, which does not include accrued interest:

euro 000's	12.31.20	12.31.19
Opening balance	**157,293**	**174,625**
Increases	2,441	3,212
Payments	(17,481)	(20,543)
Translation differences		
Other changes	(3,282)	
Closing balance	**138,972**	**157,293**

Accrued interest amounted to 895 thousand euros at December 31st, 2020 (compared to 1,062 thousand euros at December 31st, 2019).

Lease financial charges were equal to 5,527 thousand euros at December 31st, 2020, compared to 6,309 thousand euros at December 31st, 2019.

In addition to the information provided above it is noted that:

-in applying the amendment to IFRS 16, which was published by the IASB on May 28th, 2020 and endorsed on October 12th, 2020, Costs for use of third-party assets include the financial benefit, equal to 3.1 million euros, relating to the reductions in rents under the lease agreements falling within the scope of IFRS 16, which were obtained strictly in relation to the pandemic;

-lease payments included in the definition of short-term leases envisaged by IFRS 16 amounted to 1.3 million euros at December 31st, 2020 (4.4 million euros at December 31st, 2019);

-lease payments relating to those assets included in the definition of low-value assets envisaged by IFRS 16 amounted to 0.7 million euros at December 31st, 2020;

-following the outcome of the impairment test (Note 12), the income statement includes a write-down of 4.7 million euros relating to rights of use attached to some DOS;

lease payments relating to those contracts which provide for a variable fee and which therefore were not included in the valuation of the lease liability amounted to 0.8 million euros at December 31st, 2020 (1.4 million euros at December 31st, 2019).

8. Intangible fixed assets

8.1 Intangible assets with indefinite useful life. These include 125,535 thousand euros for the value of the Company owned brands and goodwill from business combinations for 13,685 thousand euros recognised in accordance with the acquisition method (IFRS 3). The value of Brands is broken down amongst the various brands owned by the Company (TOD'S, HOGAN and FAY):

euro 000's	12.31.20	12.31.19
TOD'S	3,741	3,741
HOGAN	80,309	80,309
FAY	41,485	53,185
Total	**125,535**	**137,235**

The reduction is attributable to the partial devaluation of the FAY brand (Note 10).

8.2 Other assets. The following table details the movements of these assets in the current and previous fiscal year:

euro 000's	Other trademarks	Software	Other assets	Contract with customers	Total
Balance as of 01.01.19	**2,728**	**8,715**	**9,882**	**1,107**	**22,431**
Increases	420	4,757	2,221	176	7,575
Decreases					
Impairment losses (Note 10)					
Other changes	20	1,596	(287)		1,329
Amortisation of the period	(726)	(4,706)	(2,390)	(585)	(8,407)
Balance as of 12.31.19	**2,443**	**10,362**	**9,426**	**698**	**22,928**
Increases	431	7,468	478	699	9,077
Decreases					
Impairment losses (Note 10)					
Other changes	3	2,491	(2,494)		
Amortisation of the period	(683)	(5,447)	(1,561)	(451)	(8,141)
Balance as of 12.31.20	**2,194**	**14,874**	**5,850**	**946**	**23,864**

The increase of Other trademarks relates to long-term charges with a defined useful life incurred to protect the company-owned brands, which are classified as assets with an indefinite useful life.

The increases in the item of Software relate to the development of corporate Information Systems, among which those relating to the integration of the digital channel, while the increase recorded in Contract customers is mainly due to long-term investments made for the network of corners and franchising stores.

The item "Other assets" includes 4,487 thousand euros for the value of the intangible asset recognised in relation to the agreement made with the Ministry of Cultural Affairs ("*Ministero per i Beni e le Attività Culturali*") and the Special Archaeological Service of Rome ("*Soprintendenza speciale per i beni archeologici di Roma*"), with which the Company has undertaken to finance the entire cost of restoration work on the Coliseum.

The asset is amortised over the useful life determined according to the provisions of the agreement. The accrual for amortisation allocable to the financial year is about 0.7 million euros.

The Other changes in FY 2020 mainly refer to the costs related to the "omnichannel" project which were in progress in the 2019 financial year.

9. Tangible fixed assets

The following table illustrates the changes during the current and previous fiscal year.

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balance as of 01.01.19	**56,353**	**11,171**	**9,061**	**3,173**	**4,576**	**84,335**
Increases	696	1,561	5,104	5,515	3,304	16,179
Decreases		(42)	(589)		(275)	(906)
Impairment losses (Note 10)						
Other changes	360	23	227	6,029	2,867	9,505
Depreciation of the period	(1,976)	(2,435)	(4,384)	(2,658)	(2,166)	(13,619)
Balance as of 12.31.19	**55,432**	**10,278**	**9,421**	**12,058**	**8,306**	**95,494**
Increases	167	1,033	3,448	116	1,281	6,045
Decreases		(4)	(248)	(15)	(85)	(353)
Impairment losses (Note 10)			(5)	(135)	(4)	(144)
Other changes						
Depreciation of the period	(1,982)	(2,367)	(4,302)	(2,713)	(2,113)	(13,477)
Balance as of 12.31.20	**53,616**	**8,939**	**8,314**	**9,311**	**7,385**	**87,566**

The increase in Equipment mainly relates to the procurement of ancillary industrial equipment for the creation of collections (shapes, dies and moulds).

Depreciation from continuing use of the fixed assets during the year amount to 13.5 million euros.

10. Impairment losses

The losses in value of assets are governed by IAS 36 (Impairment of Assets); the provisions of the standard are the primary regulatory reference for the Impairment Test process. In accordance with the joint CONSOB, Bank of Italy and ISVAP (Italian Insurance Supervisory Authority) document no. 4 of March 3rd, 2010, the Company adopted an Impairment Procedure, which was approved by the Board of Directors of the parent company TOD'S S.p.A. on March 3rd, 2021, for the purposes of the financial statements at December 31st, 2020. For the purposes of this procedure, the following points of attention were taken into account, which had been reported:

- by CONSOB, in Warning Notice no. 1/21 of February 16th, 2021 – "COVID 19 - Measures to support the economy – Warning notice on the information to be provided by supervised issuers (...) in relation to the 2020 financial statements prepared in accordance with international accounting standards (...)";
- by ESMA, in ESMA's Public Statement of October 28th, 2020, "European common enforcement priorities for 2020 annual financial reports".

In carrying out the test, account was also taken of the Discussion Paper (Exposure Draft) issued by OIV (Italian Valuation Standard Setter) on the "Guidelines on impairment tests after the effects of the Covid-19 pandemic" of July 10th, 2020.

According to the Impairment Procedure, an impairment test must be carried out at least annually in order to check for any possible loss in value of intangible assets with an indefinite useful life (including goodwill) or intangible assets not yet available for use, regardless of whether there is any evidence of impairment. The recoverability of the value of Intangible Assets with an indefinite useful life was therefore assessed in order to ensure that no assets with a carrying amount higher than the recoverable value had been recorded in the financial statements and that, therefore, no impairment losses had occurred. If the impairment test shows a loss in value, the excess of the book value compared to the recoverable value contributes to forming an impairment loss in the income statement.

First of all, the development of an impairment test proceeds with the identification of the Cash Generating Unit (CGU) or of the group of CGUs to which the Company's goodwill is to be allocated. While taking account of the organisational structure and the type of business, a single group of CGUs was identified, coinciding with the overall perimeter of the Company, to which goodwill was allocated, totalling 13.7 million euros, in relation to some business combinations that took place in past years (mainly relating to 1996) which, given the nature of the functions incorporated, generated financial benefits across the Company since their inception.

This approach is based on the nature of the goodwill in question, as well as on a unitary vision of the business (see also Note 5, Segment reporting), which is organised according to a matrix structure that is alternatively broken down into various levels by brand, product, channel and geographical area, in relation to the various functions and activities of the value chain; in this context, the cross-sector development of a significant part of the service activities (first of all the Supply chain, Sales&Distribution, Finance&Administration, Legal, Human resources, Information Technology), both centralised and decentralised, ensures the maximisation of profitability levels.

The recoverable value of the group of CGUs identified is defined as the higher of fair value, net of selling costs, and its value in use. In particular, the Company used the value in use in carrying out the impairment test at December 31st, 2020.

The recoverability of the values recorded in the financial statements was therefore verified by comparing the net book value of the invested capital of the Company with the related value in use, consisting of the present value of the future cash flows that are estimated to be generated in the foreseeable future and the Terminal Value.

In determining the value in use, account was taken of:

i. the 2021-2025 cash flows relating to the Company, derived from the 2021 budget of the TOD'S Group, which was approved by the Board of Directors of TOD'S S.p.A. on January 27th, 2021, and from the 2022-2025 economic and financial forecasts, prepared by the management on the basis of the 2021 budget; in particular, the forecasts were prepared on the basis of Guidelines, providing the basic assumptions, which were subject to approval by the Board of Directors on March 10th, 2021. The forecast flows are the management's best estimate of expected average results;
ii. the discount rate based on a fundamental criterion (CAPM), determined as 7.74% (a WACC of 6.30% used at December 31st, 2019), in line with the range of rates used by equity analysts, which takes account of the changed reference scenario compared to the previous year;
iii. growth rate "g" of the results beyond the explicit forecast period, as determined on the basis of external source forecasts concerning the growth of GDP in the countries in which the TOD'S Group operates, equal to 2.59%.

The analyses conducted on the recoverability of the assets belonging to the group of CGUs, including the Group's assets with an indefinite useful life (owned brands and goodwill) showed that the present value of expected cash flows (value in use) is greater than the carrying amount of the Company's invested capital. It should also be noted that, given that this is a second-level test, the carrying amount of the invested capital subject to the test is stated net of impairment losses measured on the basis of the analyses conducted specifically on owned brands and DOS, as described below.

The Group also carried out usual sensitivity analyses, required by IAS 36, in order to highlight the effects produced by a reasonable change in basic assumptions on the value in use. In particular, the sensitivity analysis was carried out by taking account of any possible change in the following parameters, as considered individually and other parameters remaining equal (cash flows for the explicit period, WACC rate, growth rate "g"). In order to make the value in use equal to the value of Invested Capital (break-even case), one of the following changes, as considered alternatively - an increase in the WACC up to 13%, or a negative growth rate "g" equal to -7.1% - would be required.

In accordance with IAS 36, an estimate was also carried out for the recoverable value of each of the owned brands, which are intangible assets with an indefinite useful life. The Impairment Test Procedure for these brands is based on the consideration that trademarks constitute a Hard-to-Value-Asset and, therefore, entails the advisability of making use of more than one method that apply inputs that are unrelated (or as little related as possible) for the purposes of estimating the recoverable value. In line with this consideration, and according to the Procedure, the impairment test of each of the owned brands was therefore carried out according to the following basic assumptions:

a) considering the fair value as a configuration of recoverable value;

b) using four different criteria for estimating the fair value of each brand:

   i. Relief from royalty method, according to which the value of the brand is measured on the basis of the present value of the royalties that the company saves with respect to a scenario in which it should license it from a third party,

   ii. Multiples (brand/sales) relating to comparable brands estimated by independent third parties,

   iii. Hirose criterion, which determines the value of the brand according to the perpetual capitalisation of a normalised, risk-adjusted economic measure of the result pertaining to the brand,

   iv. Profit Split Method, according to which the value of the brand is measured according to the present value of the results pertaining to the brand equal to a fraction of residual income after considering the remuneration of the remaining tangible and intangible assets;

c) using, for the four criteria, external and internal evidence, including, where applicable, the results expected from the 2021-2025 forecasts for each brand;

d) using a discount rate calculated on the basis of the expected rate of return on invested capital (WACC) of 7.74%, aligned with the range of rates used by equity analysts, which takes account of the changed reference scenario compared to the previous year;

e) including the estimated TAB (Tax Amortization Benefit) in measuring the value of the brand;

f) comparing the recoverable value with the carrying amount of each brand.

It should be noted that the estimated fair value of the owned brands was entrusted to an independent third-party expert.

On the basis of the analyses conducted using the four methods described above and the related simulation analyses in relation to any possible scenario considered, it emerged that the recoverable value of the FAY brand was 11.7 million euros lower than its carrying amount. On the other hand, no evidence of impairment was reported for other owned brands (TOD'S and HOGAN), as the net book value of each brand was higher than its related recoverable value.

Sensitivity analyses make it possible to report the effects produced by a reasonable change in the basic parameters used to measure fair value on the value in use. In particular, it was deemed appropriate to apply these analyses to the main valuation parameters (mainly cash flow scenario, WACC, growth rate "g"), while also taking account of the guidelines provided by ESMA, regarding multi-scenario analyses, in order to construct the distribution of the possible values of each brand on the basis of the various valuation methods. The comparison between these values and the carrying amount of each brand made it possible to provide a measure of the probability that the recoverable value is lower than the fair value. On the basis of the analyses carried out, it was confirmed that the FAY brand should be written down by 11.7 million euros; it was also possible to measure how the scenarios in which the recoverable value is higher than the carrying amount are always more than 51% of scenarios simulated for other owned brands. In particular, as regards the TOD'S and HOGAN brands, changes in the following parameters, as considered individually, would be required in order to make the respective recoverable values equal to the book values (break-even case):

	TOD'S	HOGAN
Increase in WACC	6.05%	5.35%
Decrease in growth rate "g"	-2.59%	-5.91%

With reference to the first-level test, the Company carried out an analysis, according to the Impairment Procedure, which was aimed at assessing the recoverability of right-of-use assets and intangible and tangible assets attributable to each of the directly-operated stores (DOS) that showed indicators of impairment. This analysis showed that impairment losses were necessary for some DOS, in relation to which the respective assets were written down for a total amount of 4.7 million euros, mainly relating to the rights of use (IFRS 16), as the related recovery through prospective cash flows cannot be reasonably foreseen at present.

Furthermore, the recoverability of investments in subsidiaries (for a value equal to 463.5 million euros at December 31st, 2020) was tested in accordance with IAS 36, for those investments for which indicators of impairment had been reported. On the basis of the results, it was necessary to proceed with a write-down of some investments for a total amount of 62.8 million euros, of which an amount of 1.5 million euros related to Italiantouch Shanghai Trading Co. Ltd, an amount of 2.9 million euros related to Tod's Australia, an amount of 3.5 million euros related to Del Pav S.r.l., an amount of 2.9 million euros related to Filangieri S.r.l. and an amount of 52 million euros related to the investment held in the US company An.Del. Inc., the sub-holding company of the group of entities that manage the retail channel in the US market.

Finally, it should be noted that the value of stock market capitalisation of TOD'S S.p.A. at December 31st, 2020, equal to about 942 million euros, was slightly lower than the value of consolidated equity at the same date, in a scenario which was however characterised by a considerable volatility of stock prices following the pandemic.

In considering the trend in market capitalisation, which is slowly going back to pre-pandemic levels, the Management believes that the market value does not reflect the Company's actual value in full, while also taking account of the results of the above-mentioned impairment test.

11. Investments property

The residual value of investment property at December 31st, 2020 is equal to euro 11 thousand. It consisted exclusively of real estate leased to third parties. The fair value of these investments is estimated to be euro 250 thousand, according to the market prices for similar properties available for rent at similar conditions.

The following table details the values of these investment property:

euro 000's	
Historic cost	115
Accumulated depreciation	(100)
Balance as of 12.31.19	**15**
Increases	
Decreases	
Amortisation of the period	(3)
Balance as of 12.31.20	**11**

12. Investments in subsidiaries, joint ventures and associated companies

Information about the subsidiaries follows below, together with a comparison between the carrying amount of the investments in subsidiaries and the respective value determined according to the equity method:

euro 000's Investments in subsidiaries	Percentage of share investment	Share capital	a) Measurement using equity method adjustmens	of which profit/(loss)	b) Carrying amount	a) - b) Difference
Investments in subsiadiries						
TOD'S Deutschland Gmbh	100%	153	14,751	(453)	3,153	11,597
TOD'S France Sas	100%	780	20,999	(228)	4,800	16,199
TOD'S Hong Kong Ltd	1%	12,209	850	(88)	129	721
Un. Del. Kft	10%	163	77	5	18	59
TOD'S Macao Lda.	1%	1,846	9	(9)	19	(10)
TOD'S International BV	100%	2,600	123,786	(22,708)	36,171	87,615
An.Del. Inc.	100%	3,056	(9,069)	(23,938)	0	(9,069)
Roger Vivier S.p.A.	100%	10,000	516,973	29,119	415,479	101,494
TOD'S Austria Gmbh	100%	50	141	(138)	50	91
TOD'S Australia Pty Ltd.	100%	4,920	863	(2,589)	1,909	(1,046)
Del.pav S.r.l.	100%	50	(1,134)	(1,958)	0	(1,134)
FILANGIERI 29 s.r.l.	100%	100	(864)	(1,140)	0	(864)
RE.SE.DEL srl	100%	25	462	(22)	325	137
Italiantouch Shanghai Tr. Co.	100%	2,697	1,421	(379)	1,350	71
Total			**669,265**	**(24,526)**	**463,403**	**205,862**
Investments in other entities						
Other investments	n.s.				131	
Total					**131**	
Total investments					**463,534**	

The changes that affected the investments held in subsidiaries in 2020 were as follows:

- Tod's Oak Ltd., which is wholly owned by Tod's S.p.A., was established on August 18th, 2020;
- on September 17th, 2020 TOD'S S.p.A. acquired an additional 50% of the quotas making up the capital of Filangieri 29 S.r.l., which were already 50% held.

Furthermore, it should be noted that, on the basis of the results of the impairment tests, it was necessary to proceed with a write-down of investments in subsidiaries An. Del. Inc., Del. Pav. S.r.l., Filangieri S.r.l., Tod's Australia Ltd. and Italiantouch Shanghai Trading Co. Ltd. for 52,000 thousand euros, 3,500 thousand euros, 2,900 thousand euros, 2,900 thousand euros and 1,525 thousand euros (Note 10), respectively. The significant write-down of the investment held in An.Del. Inc., the sub-holding company of the group of entities that manage the retail channel in the US market, reflects, in particular, a situation of severe crisis in the US market, in which the prospects for recovery in the retail channel, which has been experiencing a very complex situation for some years, have deteriorated further, especially due to the effects of the pandemic: for this reason, at present it is no longer likely that the losses incurred by Group companies operating in this market will be recovered.

It should be noted that, against the negative differential, shown in the table above in relation to An. Del. Inc. and Filangieri 29 S.r.l., provisions for risks were recognised for 13,915 thousand euros and 900 thousand euros, respectively, while the differential relating to subsidiary Tod's Australia Pty Ltd. is regarded as being temporary. Finally, against the differential relating to Del.

Pav. S.r.l., the financial receivable claimed from the subsidiary (Note 14) was written down by 1,125 thousand euros, taking account of the foreseeable hedging of equity.

13. Deferred taxes

At the reporting date, recognition of the effects of deferred tax assets/liabilities, showed a net balance (assets) of 59,628 thousand euros (FY 2019: liabilities for 5,816 thousand euros).
When determining future tax impact, reference was made to the presumed percentage weight of the taxes that will be imposed on income in the financial periods when those taxes will be reversed.
The table below reports the breakdown of the net balance of deferred tax liabilities at the end of the period, highlighting those components that mainly contributed to its formation:

euro 000's	12.31.20	12.31.19
	Net Assets	Net Liabilities
Property, plant and equipment	(1,839)	2,026
Intangible fixed assets	1,079	37,332
Inventory (devaluation)	25,173	(16,135)
Derivative financial instruments	(154)	(1,218)
Costs deductible over several years	6,742	(5,671)
Reserves for employees	(46)	(556)
Provisions for risks and charges	695	(740)
Other	4,981	(1,106)
Fiscal losses to carry forward	22,997	(8,115)
Total	**59,628**	**5,816**

Deferred tax assets, accounted for on tax losses that can be carried forward, amounted to 23 million euros. On the basis of the income forecast for the period from 2021 to 2025, the Directors prepared an analysis aimed at establishing whether deferred tax assets could be recovered in relation to tax losses that may be carried forward in subsequent financial periods. Consequently, new deferred tax assets were recognised in the 2020 financial statements, with reference to losses that may be carried forward during the year, for 16.3 million euros, which were regarded as recoverable substantially over the time horizon mentioned above.

14. Other non-current assets

The figure Other non-current assets is mainly related to the following medium/long-term loans lent to the following subsidiaries:
- a loan with a duration of 5 years, lent to the controlled company TOD'S Australia PTY Ltd on September 21st, 2018 for 550 thousand AUD (346 thousand euros), which will be all reimbursed at

the expiring date. The loan bears quarterly interests computed on a variable rate at a market condition;

- a loan with a duration of 5 years, lent to the controlled company TOD'S Australia PTY Ltd on January 15th, 2019 for 2,500 thousand AUD (1,573 thousand euros), which will be all reimbursed at the expiring date. The loan bears quarterly interests computed on a variable rate at a market condition;
- a loan with a duration of 5 years, lent to the controlled company TOD'S Austria Gmbh on November 21st, 2018 for 2.3 million euros, which will be all reimbursed at the expiring date. The loan bears quarterly interests computed on a variable rate at a market condition;
- a 5-year term loan lent to the controlled company Del.Pav S.r.l. for an amount of 1.4 million euros, which may be repaid in a single payment at maturity (June 2023), on which interest accrues which is calculated quarterly on the basis of the variable market rate, written off for 1,125 thousand euros in order to take into consideration the relating collectability (Note 12).

15. Inventories

The following table shows the book value of the inventories:

euro 000's	12.31.20	12.31.19	Change
Raw materials	57,347	65,831	(8,484)
Semi-finished goods	6,230	10,506	(4,276)
Finished products	255,756	233,493	22,263
Write-downs	(89,685)	(57,524)	(32,161)
Total	**229,648**	**252,306**	**(22,658)**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2020. The increase for the period includes an extraordinary portion of 30 million euros attributable to the devaluation of inventories attributable to the effect of the COVID-19 pandemic. The table below shows changes occurred during the year of the inventory write-down provision:

euro 000's	12.31.20	12.31.19
Opening balance	**57,524**	**51,866**
Increase	38,012	8,070
Utilization	(5,851)	(3,322)
Reversal		
Other		910
Closing balance	**89,685**	**57,524**

16. Trade receivables and other current assets

16.1 Trade receivables.

euro 000's	12.31.20	12.31.19	Change
Third parties	51,837	72,432	(20,595)
Subsidiaries	130,764	119,572	11,193
Allowances for doubtful accounts	(5,088)	(5,941)	853
Net trade receivables	**177,513**	**186,062**	**(8,549)**

Receivables from third parties. These represent the credit exposure stemming from sales made through the wholesale channel.

Receivables from subsidiaries. They include the Company's receivables from Group entities and stem primarily from commercial transactions and, to a lesser extent, provision of services.

Allowances for bad debts. The allowances for doubtful accounts recognized in the financial statements represents the reasonable estimate of the expected loss in value identified for the risk of bad debt identified in the receivables recorded in the financial statements and also takes into account possible losses on receivables as a result of the current economic situation characterized by the COVID-19 pandemic. The changes in the allowances for bad debts are illustrated as follows:

euro 000's	12.31.20	12.31.19
Opening balance	**5,941**	**6,407**
Increase	700	700
Decrease	(1,553)	(1,166)
Closing balance	**5,088**	**5,941**

16.2 Tax receivables. They amounted to 9,350 thousand euros (2019: 9 thousand euros) and mainly consisted of receivables versus tax administration for instalments of current income taxes, further to withholding taxes. This item had also included the excess income tax advances paid in the previous year.

16.3 Other.

euro 000's	12.31.20	12.31.19	Change
Prepaid expenses	2,268	2,549	(281)
Financial assets	9,338	308	9,030
Others	50,620	71,760	(21,140)
Total	**62,226**	**74,617**	**(12,391)**

The item "Others" mainly relates to receivables versus manufacturers for the raw materials sold in connection with manufacturing activities, receivables for credit cards, receivables for value added taxes (VAT) and other receivables to be collected next year.

Financial assets are represented net of a write off provision for 1,125 thousand euros (Note 14) and comprised exclusively by loans granted to the Group's companies:

euro 000's	12.31.20	12.31.19	Change
Financing within 12 months	315		315
Credit lines	9,023	308	8,715
Total current assets	**9,338**	**308**	**9,030**
Financing beyond 12 months	5,619	7,348	(1,729)
Total financial assets	**14,957**	**7,656**	**7,301**

Concerning the breakdown of financing versus subsidiaries please see Note 26.

17. Derivative financial instruments

The Company is exposed to both exchange rate risk, principally for revenues denominated in currencies other than the euro (see Note 4), and interest rate risk limited to its variable-rate debt instruments. The principal currencies that pose this risk are the U.S. dollar, Chinese yuan, Hong Kong dollar, Swiss franc, and British pound. In order to realise the objectives envisaged by the Risk Management policy, the Company enters in derivative contracts with primary banks for the hedging of the above mentioned risks; in particular, in connection with exchange rate risk, the Company entered in sell and/or buy foreign currency contracts (forward), while for the hedging of a variable interest rate risk, the Group entered in interest rate swaps agreements.
Moreover, the Company is exposed to exchange rate risk related to intercompany financial flows with subsidiaries with functional currencies different from euro (Note 4). These risks are managed by the Company through monitoring the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects.
Forward contracts have been put in place, for each individual currency, to hedge a specific percentage of the expected revenue (and cost) volumes in the individual currencies other than the functional currency.
At the closing date, the notional amount of the currency forward sales and purchase agreements are summarized as follows:

Currency 000's	Sale		Purchase	
	Notional currency	Notional euro	Notional currency	Notional euro
US Dollar	10,500	8,557		
Hong Kong Dollar	447,500	47,035		
Japanese Yen	1,000,000	7,906		
British Pound	24,900	27,697		
Swiss Franc	5,450	5,045		
Chinese Renmimbi	478,500	59,645		
Canadian dollar	4,950	3,166		
Australian dollar	240	151		
Total		**159,201**		

All derivative contracts will expire during the year 2021.

Below is summarized the composition of the outstanding derivatives at December 31st, 2020 and 2019, with information related to carrying amounts, current and non-current, in connection with fair value and cash flow hedge reserve, the latter presented net of its related tax effects.

euro 000's	12.31.20			12.31.19		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
Non-current						
Interest rate swaps - cash flow hedges					225	(52)
Forward foreign exchange contracts - cash flow hedges						
Forward foreign exchange contracts - fair value hedges						
Total non-current	**-**	**-**	**0**	**-**	**225**	**(52)**
Current						
Interest rate swaps - cash flow hedges		302			706	(537)
Forward foreign exchange contracts - cash flow hedges	1,187	171	660	675	821	460
Forward foreign exchange contracts - fair value hedges	1,552	296		571	659	
Total current	**2,739**	**769**	**660**	**1,246**	**2,186**	**(77)**
Total	**2,739**	**769**	**660**	**1,246**	**2,411**	**(128)**

It should be noted that the release of the cash flow hedge reserve used for the hedging of exchange risk amounted to 2,748 thousand euros, totally taken as an increase in revenues.

The overall effect recognised in the income statement in connection with derivatives for the hedging of interest rate risk amounted to 842 thousand euros, totally represented in the financial expenses, which includes the full release of the cash flow hedge reserve in place at December 31st, 2020, for 227 thousand euros, following the early termination of the IRS contracts, which took place in the early months of 2021, following the renegotiation of the financial debt of the parent company (Note 4).

18. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 252,488 thousand euros (86,426 thousand euros at December 31st, 2019). For further information see the statement of cash flows.

19. Shareholders' equity

19.1 Share Capital. At December 31st, 2020, the share capital of the Company amounted to 66,187,078 euros, unchanged compared to the previous year, divided into 33,093,539 ordinary shares, all of which are of no par value, and fully subscribed and paid up; all shares have equal rights in terms of profit sharing. There are no categories of shares other than ordinary shares. At December 31st, 2020, Mr. Diego Della Valle, President of the Board of Directors, hold, directly and indirectly, 70.440% of TOD'S S.p.A. share capital. At December 31st, 2020 the Company did not own treasury shares, and it did not execute any transactions on those shares during the year.

19.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 416,507 thousand of euros as of December 31st, 2020 (416,507 thousand of euros as of December 31st, 2019).

19.3 Hedging reserve. The following schedule illustrates the changes occurred in 2020:

euro 000's	Hedging reserve
Balance as of 01.01.19	**(456)**
Change in fair value of hedging derivatives	(1,557)
Transfer to Profit and Loss Account of hedging derivates	2,023
Other	(138)
Balance as of 01.01.20	**(128)**
Change in fair value of hedging derivatives	2,238
Transfer to Profit and Loss Account of hedging derivates	(1,450)
Other	
Balance as of 12.31.20	**660**

For comments related to the changes of hedging reserve please see Note 17.

19.4 Other reserves and profit for the period. The following schedule illustrates the changes in fiscal 2020:

euro 000's	Other reserves	Profit (loss) of the period	Total
Balance as of 01.01.19	**374,291**	**68,696**	**442,987**
Allocation of 2018 result	35,602	(35,602)	
Dividends		(33,094)	(33,094)
Profit for the period		30,344	30,344
Other changes	36,179		36,179
Balance as of 01.01.20	**446,072**	**30,344**	**476,416**
Allocation of 2019 result	30,344	(30,344)	
Dividends			
Profit for the period		(116,788)	(116,788)
Other changes	(573)		(573)
Balance as of 12.31.20	**475,843**	**(116,788)**	**359,054**

Other changes for the year 2020 are related to the use of the reserve set aside for promoting local solidarity projects, equal to 457 thousand euros at December 31th, 2020, and the recognition of actuarial gains/(losses) accrued in the period (IAS 19).

19.5 Information on distributable reserves. The following table provides information on the possible use and distribution of each specific account under shareholders' equity and their possible use during the past three years:

euro 000's						Use in the previous 3 years	
Nature/Description	Amount	Possibility of use		Available amount	Not available amount	coverage of losses	others
Share capital	66.187				66.187		
Capital reserves							
Share premium reserve	416.507	A,B,C	(1)	416.507			
Differences from mergers	739	A,B,C		739			
Retained earnings reserves							
Legal reserve	13.237	B		13.237			
Retained earnings /(losses)	427.040	A,B,C		427.040			80.583
Differences from mergers - other transactions under common control	36.295	A,B,C		36.295			
Other profits/(losses) in OCI	(809)				(809)		
Total share capital and reserves	**959.196**			**893.819**	**65.378**		
Non-distributable reserves							
Residual distributable reserves				**893.819**			

(1) Pursuant to section 2431 Italian Civil code, to entire amount of the reserve may be distributed only when the legal reserve has reached the limits set forth in Section 2430 Italian Civil code
A – for capital increase.
B – for coverage of losses.
C – for distribution to shareholders.

Tax suspension reserves, The following information is provided on reserves in shareholders' equity that, if distributed, will constitute taxable income for the company, in connection with the situation following the capital transactions carried out pursuant to the August 5th, 2000 resolution of the extraordinary Shareholders' Meeting:

a. for the reserves in equity, only the extraordinary reserve remains; formed with income that was regularly subjected to taxation, it would not constitute taxable income for the company were it to be distributed;

b. previously defined reserves have been converted into the form of share capital, as follows:

euro	
Reserve for adjustments art. 15 c. 10 DL 429/82	149,256.04
Reserve for greater deduction of VAT	508.19
Reserve for inflation adjustments pursuant to Law n. 72/'83	81,837.76
Reserve for deduction art. 14 c. 3 – Law n. 64/'86	5,783.80

for a total of euro 237,385.80, which, if distributed, would represent taxable income for the company.

It should also be noted that the Company has reflected in the financial statements for the year the statutory effects deriving from the tax realignment of the brands pursuant to Legislative Decree 104 of 2020. The recognition of the tax realignment is subject to the affixing of a restriction of suspension of tax to be applied, solely for tax purposes, to a part of the Company's reserves for an amount equal to the values to be realigned net of the substitute tax. Once the option has been exercised, therefore, a restriction will be placed, in the amount of 121,390,726 euros, to part of the Company's capital reserves.

19.6 Dividends. The Board of Directors' meeting of TOD'S S.p.A., which was held on March 30th, 2020, proposed not to distribute any dividend due to the worsening of the coronavirus pandemic, while confirming, however, an allocation of 1% of the consolidated net result to a specific reserve for the pursuit of solidarity projects in local areas.

20. Provisions and contingent liabilities and assets

20.1 Provisions. They include the estimate of liabilities, with uncertain maturity date or amount, on which the Company might incur in case of a legal or constructive obligation in connection with a past event. The figures mainly include provisions related to both legal and tax lawsuits and risks and costs for employees. The table below shows the changes of provisions occurred during the period:

euro 000's	12.31.20	12.31.19
Provisions for risks - non current		
Opening balance	**5,912**	**5,394**
Increase	116	77
Utilization	(20)	
Reversal	(186)	(236)
Other	(10)	677
Closing balance	**5,813**	**5,912**
Provisions for risks - current		
Opening balance	**710**	**655**
Increase	15,719	380
Utilization	(380)	(326)
Reversal		
Other	10	
Closing balance	**16,059**	**710**

It should also be noted that, during the year, the parent company TOD's S.p.A. was audited by the Revenue Agency, with reference to the 2015, 2016 and 2017 tax periods. The audit at the date of this report has not yet been completed and the Company is actively collaborating in providing the documentation requested by tax auditors.

The increase for the year include for 14,815 thousand euros the write off of investments in subsidiaries which exceed the carrying amount of the above mentioned investments in subsidiaries (Note 12).

20.2 Contingent liabilities and other commitments

i. Guarantees granted to others. A total of euro 58,883 thousand euros have been granted to others at December 31st, 2020 (61,676 thousand euros in 2019). The amount is mainly related to guarantees granted to secure the contractual commitments of subsidiaries, comprised for 56,154 thousand euros to bank credit lines provided to the subsidiaries, for which the company acts as guarantor (FY 2019: 57,166 thousand euros).

ii. Guarantees received from third parties. Guarantees received by the company from banks as security for contractual commitments totalled 19,570 thousand euros (15,587 thousand euros in 2019).

21. Employee benefits

The main actuarial assumptions used for the computation of TFR (termination benefit provided by Italian law on behalf of the Company employees) are summarized below:

- Discounting rate: 0.34%

It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2020.

- Inflation rate: 0.80%;
- TFR incremental rate: 2.1%.

It should be noted that the methodology used for the actuarial calculation is unchanged from the previous year.

The table below shows the variation of the liability occurred in 2020:

euro 000's	Year 2020	Year 2019
Opening balance	**8,179**	**7,033**
Service costs		78
Interest costs	64	129
Benefits paid	(515)	(464)
Actuarial (gains)/losses	117	371
Other		1,033
Closing balance	**7,845**	**8,179**

Employee benefits include even other long term employee benefits.

22. Financial liabilities

euro 000's	12.31.20	12.31.19	Change
Current account overdraft		63	(63)
Financing	437,856	171,783	266,073
Total	**437,856**	**171,846**	**266,010**

Currency 000's Type	Counterpart	Currency	Maturity	Res. Debt in currency	Res. Debt in euros
Medium and long term bank pool loan	Mediobanca - Crédit Agricole	Eur	2021	29,857	29,857
Medium and long term loan	Banca Nazionale del Lavoro S.p.A.	Eur	2023	15,625	15,625
Medium and long term loan	Intesa SanPaolo S.p.A.	Eur	2021	41,667	41,667
Medium and long term loan	Cassa di Risparmio di Fermo S.p.A.	Eur	2021	20,000	20,000
Medium and long term loan	Cassa Depositi e Prestiti S.p.A.	Eur	2021	20,000	20,000
Revolving credit facilty	Unicredit S.p.A.	Eur	2021	100,000	100,000
Revolving credit facilty	Banco BPM S.p.A.	Eur	2022	40,000	40,000
Revolving credit facilty	Banca Nazionale del Lavoro S.p.A.	Eur	2021	100,000	100,000
Revolving credit facilty	CACIB/Crédit Agricole Italia S.p.A.	Eur	2021	20,000	20,000
Revolving credit facilty	Intesa SanPaolo S.p.A.	Eur	2021	50,000	50,000
Total financing					**437,148**
Other financial liabilities		Eur	n.a.	708	708
Total financing and other financial liabilities					**437,856**

Most of the loans that were outstanding at December 31st, 2020 were repaid in advance following the financial debt restructuring transaction mentioned above, which was entered into by the Company on January 22nd, 2021 (Note 4). Specifically, the following loans were repaid:

-medium/long-term syndicated loan taken out between TOD'S S.p.A. and Mediobanca/Crédit Agricole in July 2014, on which interest accrued during the year, at a variable rate equal to 3M EURIBOR + 55 basis points, which was hedged under two interests rate swaps (IRS) with the same notional amount and the same maturity as the hedged item;

-loan taken out with BNL S.p.A. (BNP Paribas Group) on December 21st, 2018, for an amount of 25 million euros, repayable in 16 deferred quarterly instalments and due to expire on June 21st, 2023, on which interest accrued during the year, at a variable rate equal to 3M EURIBOR + 0.7%, which was hedged under an interests rate swap (IRS) with the same notional amount and the same maturity as the hedged item;

-loan taken out with Intesa SanPaolo S.p.A. on December 21st, 2018, for an amount of 125 million euros, repayable in 6 deferred six-monthly instalments and due to expire on December 31st, 2021, on which interest accrued during the year, at a variable rate equal to 6M EURIBOR + 0.7%;

-revolving credit facilities available for a total amount of 450 million euros, which were drawn down in full in March and April 2020, to meet any possible cash requirement arising from the effects of the pandemic, of which an amount of about 140 million euros was already repaid in December 2020; these revolving lines were also fully paid off as part of the financial debt consolidation transaction.

The following loans, which were disbursed in 2020, were not involved in the financial debt consolidation transaction and, therefore, were still outstanding as at the date of this Report:

-loan taken out with Cassa di Risparmio di Fermo S.p.A. on May 13th, 2020, for an amount of 20 million euros, totally repayable on the maturity date of November 13th, 2021. The quarterly interest rate was agreed on as equal to 0.7% upon execution;

-loan taken out with Cassa Depositi e Prestiti S.p.A. on May 12th, 2020, for an amount of 20 million euros, totally repayable on the maturity date of November 11th, 2021. The six-monthly interest rate was agreed as equal to 0.96% upon execution.

On the other hand, it should be noted that, in taking account of the impact of the pandemic on its results of operations and financial position, the Company has obtained all its lenders' consent not to apply the obligation to calculate financial covenants, where required in current agreements, for the entire 2020 financial year and, where requested, even on a six-monthly basis until June 30th, 2021.

The table below shows the repayment schedule agreed as per contract for all the loans, including interest accrued as at the reporting date and does not include revolving credit facilities.

euro 000's	Medium and long term loan (BNL)	Medium and long term loan (Intesa)	Medium and long term pool loan (Mediobanca /Crédit Agricole)	Cassa di Risparmio di Fermo	Cassa Depositi e Prestiti	Total
2020	6,250	41,667	30,000	20,000	20,000	117,917
2021	6,250					6,250
2022	3,125					3,125
2023						-
Over 5 years						-
Total	**15,625**	**41,667**	**30,000**	**20,000**	**20,000**	**127,292**
Accruals and amortized cost	1		(141)	19	22	(99)
Total	**15,626**	**41,667**	**29,859**	**20,019**	**20,022**	**127,193**

For the sensitivity analysis on interest rates (IFRS 7) and information on additional lines of credit and loans available to the Company but not used as of 31 December 2020, please refer to Note 4.

23. Other non-current liabilities

The balance for this item, 15.5 million euros (14 million euros at December 31st, 2019), refers for about 8.5 million euros to the liability recognised in relation to the agreement made for financing the restoration work of the Coliseum (Note 5), for 6.2 million euros to the non-current part of the return reserve and for 0.8 million euros to other non-current liabilities. The liability in relation to the Coliseum was recognised at the discounted value of the financial outlays that are reasonably foreseeable on the basis of the multi-year plan for restoration work.

24. Trade payables and other current liabilities

24.1 Trade payables.

euro 000's	12.31.20	12.31.19	Change
Third parties	86,185	115,387	(29,201)
Subsidiaries	22,996	22,346	649
Total	**109,181**	**137,733**	**(28,552)**

The decrease in trade payables was due to the already commented business trend.

To Third parties. These stem exclusively from commercial transactions as part of ordinary processes for purchase of goods and services.

To subsidiaries. These represent payables to Group entities, principally for provision of services.

24.2 Tax payable.

At December 31st, 2020 tax payables are 8,214 thousand euros (13,194 thousand euros in 2019) and they mainly relate to withholding taxes on employment income and the tax payable for substitute taxes accounted for following the realignment of the fiscal value of trademarks (Note 6.9).

24.3 Other.

euro 000's	12.31.20	12.31.19	Change
Payables to employees	7,162	8,388	(1,226)
Social security institutions	4,314	5,607	(1,293)
Others	51,281	49,918	1,363
Total	**62,757**	**63,913**	**(1,156)**

Payables to employees reflected amounts accrued in their favor (including unused holiday leave) that had not yet been paid at the reporting date. Other liabilities is mainly related to advance from customers for 2 million euros, the current portion of estimated returns at the end of the financial year for 46.5 million euros, and other liabilities for 2.8 million euros.

25. Earnings per share

The calculation of base and diluted earnings per share is based on the following:

i. Reference profit.

euro 000's For continuing operations	Year 20	Year 19
Profit used to determine basic earning per share	(116,788)	30,344
Dilution effects		
Profit used to determine diluted earning per share	**(116,788)**	**30,344**

euro 000's For continuing operations	Year 20	Year 19
Net profit of the year	(116,788)	30,344
Income (loss) from discontinued operations		
Profit used to determine basic earning per share	**(116,788)**	**30,344**
Dilution effects		
Profit used to determine diluted earning per share	**(116,788)**	**30,344**

ii. Reference number of shares.

	Year 20	Year 19
Weighted average number of shares to determine basic earning per share	33,093,539	33,093,539
Share options		
Weighted average number of shares to determine diluted earning per share	33,093,539	33,093,539

iii. Base earnings per share. Calculation of the base earning per share for fiscal year 2020 is based on the net loss attributable to holders of ordinary shares of the company TOD'S S.p.A., totalling -116,788 thousand euros (net profit for 30,344 thousand euros in 2019), and on the average number of ordinary shares outstanding during the same period, totalling 33,093,539 (unchanged in respect to 2019).

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2020 is the same as the base earnings per share, due to the fact that there are no items which produce dilution effects.

26. Transactions with related parties

The Company's related parties transactions were executed in compliance with the procedural sequence and implementing procedures set out in the Related Parties Transactions Procedure approved by the TOD'S S.p.A. Board of Directors in implementation of the Related Parties Regulation adopted by CONSOB with Resolution no. 17221 of March 12th, 2010, as subsequently amended.

In accordance with market best practices, significant related party transactions are subject to an in-depth review involving, inter alia:

(i) complete, prompt transmission of material information to the delegated Board of Directors committees (the Control and Risk Committee and the Independent Directors Committee, each within the ambit of their delegated responsibilities, where the majority or all members of these committees are independent directors), who in the performance of their functions also avail themselves of the assistance of independent experts;

(ii) the issuance of an opinion (either binding or non-binding, as applicable) before approval of the transaction by the Board of Directors (or, if appropriate, by the body delegated to resolve on the transaction). All transactions – which are connected with the normal operations of TOD'S S.p.A. – were executed solely on behalf of the company by applying contractual conditions consistent with those that can theoretically be obtained on an arm's length basis.

Most significant transactions concluded during the year

During the 2020 financial year, the Company did not enter into any related-party transaction which was of greater significance or which had a significant impact on the Company's financial position or result for the year, nor were there any changes or developments in the transactions described in the 2019 Annual Report which had the same effects.

With regard to new transactions of lesser importance, we note that a new two-year contract, effective from June 1st, 2020, has been signed for the manufacture of prototypes of leather goods, as well as their subsequent mass production, on the part of the Group, on behalf of the related company Elsa Schiaparelli Sas, which holds the exclusive rights to use the Schiaparelli brand. The transaction takes the form of a "related-party transaction" since Elsa Schiaparelli Sas is a company that is wholly owned, through Diego Della Valle & C. S.r.l., by the Chairman, Diego Della Valle, and by the Vice Chairman, Andrea Della Valle, and is controlled by the former.

Related party transactions pending at December 31st, 2020

In continuation of contractual relationships already existing in 2020, the Company continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2020. The principal object of the transactions of the year was the sale of products, lease of sales spaces, show rooms and offices and the provision of advertising services.

i. Commercial transactions with related parties – Revenues

euro 000's	Sales of Product	Rendering of services	Sales of assets	Royalties	Operating lease	Other operation
Year 2020						
Parent Company (*)	173	65			5	
Directors						
Exec. with strat. respons.						
Other related parties						
Total	**173**	**65**	**-**	**-**	**5**	**-**
Year 2019						
Parent Company (*)	52				5	95
Directors						
Exec. with strat. respons.						
Other related parties						
Total	**52**	**-**	**-**	**-**	**5**	**95**

ii. Commercial transactions with related parties – Costs

euro 000's	Purchases of	Rendering of services	Purchases of assets	Royalties	Operating lease	Other operations
Year 2020						
Parent Company (*)		41			4,908	2
Directors						
Exec. with strat. respons.						
Other related parties						
Total	**-**	**41**	**-**	**-**	**4,908**	**2**
Year 2019						
Parent Company (*)		208			4,969	10
Directors						
Exec. with strat. respons.						
Other related parties						
Total	**-**	**208**	**-**	**-**	**4,969**	**10**

iii. Commercial transactions with related parties – Receivables and payables

	12.31.20				12.31.19			
	Asset		Liabilities		Asset		Liabilities	
euro 000's	Right of use	Trade Receivables	Leasing liability	Trade Payables	Right of use	Trade Receivables	Leasing liability	Trade Payables
Parent Company (*)	11,910	65	13,219	123	16,883	2	17,166	82
Total	**11,910**	**65**	**13,219**	**123**	**16,883**	**2**	**17,166**	**82**

(*) *Companies directly or indirectly controlled by Chairman of the Board of Directors Diego Della Valle,*

The rights of use and leasing liabilities, shown in the table above, refer to some lease agreements in place with the related company Immobiliare De.Im. Srl, a company wholly owned, through Diego Della Valle & C. S.r.l., to the President, Diego Della Valle, and to the Vice President, Andrea Della Valle, and controlled by the former, referring to the company's offices and showrooms in Milan.

Furthermore, it should be noted that the license agreement for the ROGER VIVIER brand was renewed with effect from January 1st, 2021 until December 31st, 2025.

Due to the fact that the above mentioned amounts are not significant, the disclosure hasn't been provided separately in the face of the financial statements in accordance with CONSOB resolution n. 155519 of July 27th, 2006.

Compensation of Directors, Statutory Auditors, and General Managers

The following table illustrates the compensation accrued in fiscal 2020 by each of the Directors, Statutory Auditors, Executives with Strategic Responsibilities of TOD'S S.p.A. (including for the activities that they performed at subsidiaries) for any reason and in any form:

euro 000's	Compensation for office	Compensat. for part. in Commit.	Non cash benefits	Bonus and other incentives	Compens. as employ.	Other compens.	
Directors							
Diego Della Valle (*)	38.5	10.8					
Andrea Della Valle (**)	38.5	10.8					
Luigi Abete	37.4	9.4					
Maurizio Boscarato	38.5	11.8				220.0	(2)
Marilù Capparelli	38.5						
Sveva Dalmasso	38.5	19.1					
Emanuele Della Valle	36.0						
Gabriele Del Torchio	38.1						
Romina Guglielmetti	36.0	18.0				11.1	(4)
Umberto Macchi di Cellere (***)	243.5	10.8	3.4	195.0	663.5		(1)
Emilio Macellari (****)	253.5	10.8				480.0	(2)
Vincenzo Manes	37.8	30.5					
Cinzia Oglio	38.5		2.7	30.3	157.0		
Emanuela Prandelli	38.5						
Pierfrancesco Saviotti	38.5						
Total	**989.8**	**131.7**	**6.1**	**225.3**	**820.5**	**711.1**	
Statutory Auditors							
Giulia Pusterla (*****)	90.0						
Enrico Colombo	60.0					59.6	(3) (4)
Fabrizio Redaelli	60.0						
Total	**210.0**					**59.6**	
Executives with strategic responsibilities (******)		10.8	6.3	258.0	1,257.5	15.0	(1)

Legend

(*) Chairman of Board of Directors
(**) Vice Chairman of Board of Directors
(***) Chief Executive Officer
(****) Member of Executive Committee
(*****) Chairman of the Statutory Board
(******) Includes General Directors salaries limited to compensation for the employment relationship.

(1) Director of subsidiary
(2) Consultant TOD'S S.p.A.
(3) Statutory Auditor of subsidiary
(4) Member of Compliance Program Supervisory Board

No severance indemnity is provided for Directors and Executives with Strategic Responsibilities.

Intercompany transactions

TOD'S S.p.A. has commercial and financial relationships with the companies in which it directly or indirectly owns a controlling interest. The transactions executed with them substantially involve the exchange of goods, provision of services and the provision of financial resources. They involve ordinary operations and are settled on an arm's length basis. The table below shows the country breakdown of the value of the main transactions that were carried out with subsidiaries in 2020:

euro 000's		12.31.20			12.31.19		
	N° Companies	Receivables	Payables	Net Revenues/ (costs)	Receivables	Payables	Net Revenues/ (costs)
Italy	4	12,999	11,700	(7,082)	10,212	15,265	(8,788)
Albania	1	-	1,266	(6,253)	-	739	(5,367)
Austria	1	733	69	1,023	695	4	3,626
France	3	(3,170)	3,804	(9,424)	1,023	3,516	1,580
Germany	2	(1,185)	978	526	1,618	435	7,834
Great Britain	4	1,045	259	710	3,726	169	15,548
Denmark	1	399	0	386	-	-	-
Netherlands	1	2	-	0	36	-	2
Switzerland	1	(147)	18	2,231	1,083	23	4,730
Spain	2	387	304	4,045	1,378	5	8,665
Hungary	2	388	200	604	1,570	130	5,359
Belgium	1	(250)	186	(1,272)	-	458	(1,541)
Usa	1	(148)	20	(137)	19	12	661
Japan	15	41,353	3,173	3,614	34,216	1,319	19,765
Hong Kong	2	1,440	12	1,718	631	12	1,392
Singapore	2	27,096	3,983	31,872	20,991	2,688	66,026
Korea	2	47	9	47	12	1	72
Macao	2	17,316	375	14,925	11,687	343	22,717
China	2	25	-	66	12	2	76
Canada	3	32,381	989	55,562	30,162	55	48,082
Australia	1	944	-	1,029	388	-	768
India	1	106	4	33	155	4	33
Total	**56**	**131,790**	**27,349**	**94,323**	**119,647**	**25,182**	**191,378**

Receivables and payables reported in the table above include payables to the Italian companies arising from tax consolidation for 4,357 thousand euros.

Below are the details of financial and equity transactions:

euro 000's	Financing	
	12.31.20	12.31.19
TOD'S OAK LTD	500	
TOD'S AUSTRIA GMBH	2,300	2,300
TOD'S JAPAN KK	7,906	
TOD'S AUSTRALIA PTY LTD	2,233	1,907
DEL. PAV. S.r.l.	583	1,708
ITALIANTOUCH USA INC.	1,434	1,741
Total	**14,956**	**7,656**

Financial receivables relate to:

- for 2.3 million euros related to a loan granted to subsidiary TOD'S Austria Gmbh on November 21st, 2018, which will be repayable in a single payment on the maturity date on November 21st, 2023. The loan bears quarterly interest calculated at a variable rate at market conditions;

- for 0.3 million euros related to a 5-year term loan granted to subsidiary TOD'S Australia PTY Ltd. on September 21st, 2018 for an amount of 550 thousand AUD, repayable in a single payment on the maturity date. The loan bears quarterly interest calculated at a variable rate at market conditions;
- for 1.6 million euros related to a 5-year term loan granted to subsidiary TOD'S Australia PTY Ltd. on January 15th, 2019 for an amount of 2,500 thousand AUD, repayable in a single payment on the maturity date. The loan bears quarterly interest calculated at a variable rate at market conditions;
- for 0.3 million euros related to a 1-year term loan granted to subsidiary TOD'S Australia PTY Ltd. on March 20th, 2020 for an amount of 500 thousand AUD, repayable in a single payment on the maturity date. The loan bears quarterly interest calculated at a variable rate at market conditions;
- for 1.4 million euros related to a loan granted to subsidiary Del. Pav S.r.l. repayable in a single payment on the maturity date (June 2023). The loan bears quarterly interest calculated at a variable market rate, written down for 1.1 million euros, to take account of the related collectibility (Note 12);
- for 0.3 million euros related to a credit facility to subsidiary Del. Pav S.r.l. for a maximum amount of 0.3 million euros, expiring in 1 year. The credit facility bears quarterly interest calculated at a variable market rate;
- for 1.4 million euros related to a loan granted to subsidiary Italiantouch USA Inc. for an amount of 1.8 million USD. The loan bears annual interest calculated at a variable market rate;
- for 7.9 million euros related to a 3-month credit facility granted to TOD'S Japan KK on which interest accrues at a fixed rate of 1.75%;
- for 0.5 million euros related to a 12-month credit facility granted to TOD'S OAK Ltd on which quarterly interest accrues calculated at a variable market rate.

27. Events and significant non-recurring transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28th, 2006, the Company did not carry out any significant non-recurring operations in 2020.

28. Independent Auditors compensation

Pursuant to Article 149-*duodecies* of the Issuers Regulation, the compensation received in FY 2020 by the independent auditor PricewaterhouseCoopers S.p.A. and the companies belonging to its network are illustrated below, as broken down into auditing services and the provision of other services:

Type of service	Company	Receiver	Fees euro's 000
Auditing services	PricewaterhouseCoopers S.p.A.	TOD'S S.p.A.	208
Other services	PricewaterhouseCoopers S.p.A.	TOD'S S.p.A.	22
Auditing services	PricewaterhouseCoopers S.p.A.	Subsidiaries	8
Total PricewaterhouseCoopers S.p.A.			**238**
Auditing services	PricewaterhouseCoopers (Network)	Subsidiaries	169
Other services	PricewaterhouseCoopers (Network)	TOD'S S.p.A.	111
Other services	PricewaterhouseCoopers (Network)	Subsidiaries	126
Total PricewaterhouseCoopers Network			**406**

29. Items or transactions resulting from unusual and/or exceptional transactions

There were no items or transactions resulting from unusual and/or exceptional transactions during the year.

30. Information in accordance with the Law n. 124/2017

During the year the Company received subsidies, contributions, engagements paid and, anyway, economic advantages in accordance with the Law 124/2017 art. 1, subsection 125, for a total amount of 565,712. The following table summarizes the data related to both the lenders, amount received and a brief description of the reasons why the benefit was achieved.

euro		
Lender	Allowance received	Reason
Fondirigenti - Fondo interprofessionale	15,000	Allowances for training of executives
Regione Marche	72,242	Allowances to companies for recruiting and training of employees
INAIL - Istituto nazionale Assicurazione Infortuni sul Lavoro	560	Incentives for hiring employees with specific requisites
Total	**87,802**	

For the purposes of the abovementioned requirements, in relation to any other grants received that fall within the cases provided for, reference should be also made to the appropriate national Register that can be consulted publicly.

In addition, with reference to the 2020 financial year, the Company benefited from the tax credit on rents for approximately 1,211 thousand euros and the contribution for the development of electricity from renewable sources (GSE contribution) for 311 thousand euros.

It is highlighted that the benefits have been summarized in accordance with the cash principle and, as a consequence, the table above shows subsidies, contributions, engagements paid and, anyway, economic advantages which have been collected during the year 2020, without taking into consideration the accrual basis.

31. Significant events occurring after the end of the fiscal year

As already detailed above, it should be noted that on January 22nd, 2021, Tod's S.p.A. signed a loan agreement with a pool of banks coordinated by Intesa Sanpaolo S.p.A. – through the IMI Corporate and Investment Banking Division, for a maximum total amount of 500 million euros. The Sustainability Linked Loan is structured into a Term Facility of 250 million euros and a Revolving Credit Facility for an additional amount of 250 million euros and has a term of five years.

32. Certification of the Separate Financial Statements of TOD'S S.p.A. and the Consolidated Financial Statements of the TOD'S Group pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14th, 1999, as amended

1. The undersigned Umberto Macchi di Cellere, Chief Executive Officer of TOD'S S.p.A., and Rodolfo Ubaldi, manager responsible for the drawing up of the financial reports of TOD'S S.p.A., certify, in accordance with the provisions of Article 154-bis, subsections 3 and 4, of Legislative Decree no. 58 of February 24th, 1998:

- the adequacy in terms of the company's characteristics and
- effective application

of administrative and accounting procedures for preparation of the Separate Financial Statements and Consolidated Financial Statements during the period January 1st, 2020 to December 31st, 2020.

2. They also certify that the Separate Financial Statements and Consolidated Financial Statements:

a) have been prepared in compliance with the International Financial Reporting Standards recognised in the European Union pursuant to Regulation EC 1606/2002 of the European Parliament and Council of July 19th 2002;

b) correspond with the account books and ledger entries;

c) give a true and fair view of the assets, liabilities, income and financial position of the issuer and entities included in the scope of consolidation.

3. Report on operations provides a reliable analysis of the issuer's operating performance and income, as well as the financial position of the issuer and all the businesses included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Sant'Elpidio a Mare, March 10th, 2021

Umberto Macchi di Cellere	Rodolfo Ubaldi
Chief Executive Officer	*Manager responsible for the drawing up of the financial reports*